Protesters in East Timor demonstrated outside the Australian embassy on Thursday, claiming police fired at them with tear gas, as a spying row between the nations intensified.

East Timor has accused Australia of secretly bugging ministerial deliberations in Dili in 2004 to gain leverage in negotiations on an oil and gas revenue-sharing deal.

The small protest followed a raid Tuesday by Australian intelligence agents on the Canberra office of a lawyer representing East Timor in an arbitration case at The Hague over the deal.

Police and organisers said around 20 protesters, mostly students and young Timorese rights activists, took part in the demonstration.

They carried banners written in the local language Tetum, reading "Australia is a thief" and "Stop Stealing My Oil", drawing a crowd of dozens, an AFP correspondent said.

The demonstrators, calling themselves the Movement Against Timor Sea Occupation, shouted...
"Australia, imperialist, capitalist", and "Australia is a thief of world oil".

A protest organiser, Juvinal Dias, said police fired tear gas about an hour into the peaceful demonstration, sending protesters fleeing from the area.

A local newspaper, Diario Nasional, on Friday showed a photograph of police officers facing off against a small number of demonstrators as smoke billowed in the street, from what the caption described as tear gas fired by police.

"The Australian leaders do not respect the people of Timor-Leste because it's very small, very poor," Dias told AFP on Thursday.

The embassy was guarded with just four police until more arrived to disperse the protesters, saying they had no permit to demonstrate.

"The police fired tear gas at us without provocation," Dias said, criticising the police for overreacting.

"In reality, this demonstration was very peaceful, there was not one action which threatened anyone in the embassy or elsewhere," he said.

East Timor National Police Commander Armando Monteiro said on Friday he had not instructed police to shoot tear gas, "but if they did, they were officers acting individually".

East Timor Prime Minister Xanana Gusmao Wednesday described the raid on the lawyer's office in Canberra as "aggressive" and "unconscionable".

The lawyer, Bernard Collaery, called the raid "intimidatory" ahead of The Hague hearing, but Australian Prime Minister Tony Abbott defended the move, saying it was to "protect national security".

East Timor argues that the 50-50 profit-sharing deal of Aus$40 billion ($36 billion) in proceeds from the Timor Sea's resources should be torn up because of the alleged spying.

Australia is also trying to mend ties with Indonesia over allegations that it spied on the country's president, his wife and inner circle of senior officials in 2009, sending its foreign minister to Jakarta Thursday for talks.

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