East Timor's former president Jose Ramos-Horta has downplayed frictions over Dili's spying row with Canberra and commended moves to seek an amicable settlement over gas revenues in the Timor Sea.

Speaking in Sydney, where he has received the honorary Companion to the Order of Australia, Dr Ramos-Horta described the relationship between the two countries as "exemplary".

"I do not wish to minimise the seriousness of spying but almost everybody anywhere in the world is spying on each other," he told the ABC.

"First the Germans were incensed at the Americans spying on them and recently we found out the Germans were spying on the Americans.

"So if we [in East Timor] had some means to spy on Australia or someone, we would, but we don't."

Dr Ramos-Horta's comments are a marked departure from late last year when he slammed the Australian government for allegedly bugging an East Timorese cabinet room in 2004. He told the ABC in December that Australia would never have won a seat on the United Nations Security Council had the allegations been known.

East Timor has taken Australia to the United Nation's highest court in the Hague and wants a 2006 gas treaty torn up, alleging Canberra spied in order to gain an advantage during the negotiations.
The two sides have now agreed to postpone the case, and a separate arbitration process, for six months in order to try and reach a settlement.

"I know contacts are taking place between Prime Minister Xanana Gusmao and Prime Minister Tony Abbott and between the two foreign ministers, so I'm confident that the the two countries will resolve this issue," said Dr Ramos-Horta.

The treaty gives the parties an equal share of revenues from the disputed Greater Sunrise oil and gas field in the Timor Sea, which lies between the two countries.

Dili believes the allocation of resources is unfair and is also pushing for an LNG processing plant to be built on Timorese soil, rather than in Australia or as a floating plant.

Dr Ramos-Horta hopes the fresh negotiations will lead to a more favourable outcome for East Timor.

"It's in Australia's interests to contribute to further stabilising Timor-Leste and to create prosperity in Timor-Leste," he said.

He has also questioned Australia's decision to scale back its global aid commitments, describing it as a "huge mistake".

"Aid is part of soft power diplomacy and when you cut off aid, you're shooting yourself in the foot diplomatically," he said.

"You diminish your engagement, your contacts, your influence in the region and beyond."

'High honour from our nation'

Dr Ramos-Horta is in Sydney to address a global health conference and formally receive an honorary Companion to the Order of Australia, which was announced in November last year.

The award recognises his "eminent service to strengthening Australia - Timor-Leste bilateral relations and for his outstanding leadership to bring independence to Timor-Leste."

Australia's Governor-General and former commander of international forces in East Timor, Sir Peter Cosgrove, bestowed the award on Dr Ramos-Horta at Admiralty House.

"You are an eminent global citizen, a champion of democracy, a great man of your country, a true patriot and a great friend to Australia," said Sir Peter.

"I congratulate you most warmly on this high honour from our nation to a great representative of Timor-Leste."

Dr Ramos-Horta won the Nobel Peace Prize in 1996, along with Bishop Carlos Belo, for their international advocacy for an end to Indonesia's occupation of East Timor, which it invaded in 1975.

He was a co-founder of East Timor's resistance movement Fretilin and its permanent representative to the United Nations while in exile from 1975 to 1999.

Dr Ramos-Horta returned to the country in 1999, eventually serving as the country's prime minister and later president, surviving an assassination attempt in 2008.

He is currently the United Nations' special representative in Guinea-Bissau.