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Frontrunner for East Timor presidency offers Australia hope on oil fields deal

Lindsay Murdoch

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Dili: The front-runner in East Timor's presidential elections on Monday has offered new hope for a breakthrough in [a bitter stand-off](#) with Australia over \$40 billion in oil and gas fields.

Francisco Guterres, known as Lu-Olo, told Fairfax Media there are now "better prospects" for an agreement on sea borders which could lead to an agreement to develop the Greater Sunrise fields in the Timor Sea.

An Australian parliamentary committee has been told that without billions of dollars in revenue from the fields, Australia's neighbour is likely to become an aid-dependent, failed state.

Mr Guterres, a leading figure in the power-sharing Fretilin Party, left open the possibility of the gas being piped to an existing plant in Darwin or for a floating platform to extract it above the fields.

Xanana Gusmao, East Timor's independence hero, has for years demanded that the gas be piped to a proposed \$1.4 billion industrial complex on the country's remote southern coast, despite [a consortium led by Woodside Petroleum](#) saying that this approach was unviable and shelving the project.

"I can't guess what the outcome will be. Each side has a position. That is what we will take to the table," Mr Guterres said, referring to negotiations on a new sea border by a September deadline.

The comments are the most positive yet by an East Timorese leader on the stand-off, [which has stirred strong nationalistic sentiments](#) in a country famous for its long struggle for independence.

In January, [East Timor dropped a spying case](#) against Australia in the international court and issued a joint statement with Canberra pledging to negotiate the sea borders "in good faith".

Rebecca Strating, an expert on East Timor from Victoria's La Trobe University, told a parliamentary committee last week it is "very possible" East Timor could be the "architect of its own demise" as revenues from its existing oil and gas resources and a sovereign wealth fund are exhausted.

"There are elections this year. A change in government or a change in personalities might produce a government that is willing to think a little more laterally or flexibly around the interests in the Timor Sea," Dr Strating said.

"But since 2012 it seems to me that this pursuit of independence may actually create a failed state in Timor-Leste [East Timor]," she said.

East Timor, which has failed to diversify its income to manufacturing or agriculture, relies on oil and gas revenues for more than 90 per cent of its \$2 billion-a-year budget.

"The next five years with new leadership is a critical time because revenue from currently used oil fields is mostly depleted," said Charles Scheiner of [Lao Hamutuk](#), a Dili-based think-tank.

Presidential elections will be followed by general elections in July.

Mr Guterres, a former guerrilla fighter, said he cannot see any of seven other candidates beating him for the presidency, predicting he will win enough votes to avoid a run-off election in April.

Mr Gusmao, the country's behind-the-scenes powerbroker, swung his support behind Mr Guterres and rejected a push for younger leaders to replace former resistance fighters who have dominated the country's politics since independence in 2002.

"Yes, there is some opinion that younger leaders should be elected. But no way," Mr Gusmao told reporters.

"We are not a perfect state ... it is very early. That is why you have to trust Lu-Olo to keep the country united," he said.

Antonio da Conceicao, education minister from the Democratic Party, appears to be Mr Guterres' closest rival, but analysts say his best chance would be in a run-off.

Jose Ramos Horta, the country's respected former president, prime minister and Nobel laureate, decided in January not to contest the election, saying it is time for generational renewal.

Electioneering in Asia's youngest democracy has been largely violence-free but intense amid persistent poverty and claims of entrenched corruption.

Twenty-six observers have travelled from Australia for the election, the country's first without United Nations support.

Damien Kingsbury from Melbourne's Deakin University, who is leading the delegation, said despite some technical issues he expects the voting will proceed without any major hiccups.

East Timor has been ruled since 2015 by a power-sharing executive made up of leaders of Mr Gusmao's National Congress for Timorese Reconstruction (CNRT) and Fretilin. The two groups had been [bitter rivals for years](#).

Clinton Fernandes, a Timorese expert from the University of New South Wales, said whoever Mr Gusmao endorses will win the elections.

"Voters see the cash liquidity flowing through the economy and – crucially – they trust Xanana," Professor Fernandes said.

"He's lost weight and appears to be looking after his health – which to me means he's probably intending to be a player well into his 80s."

Professor Fernandes said the person Mr Gusmao endorses for prime minister later in the year will have to have three qualities – connection to the public, ruthlessness and magic.

"Xanana is very much an animist and appears to believe his destiny and that of his country are in the hands of the ancestors whose spirits influence the land," he said.

This story was found at: <http://www.smh.com.au/world/frontrunner-for-east-timor-presidency-offers-australia-hope-on-oil-fields-deal-20170319-gv1a42.html>