

**FOX BUSINESS**

# Australia and East Timor settle bitter border differences

By ROD MCGUIRK | Published March 06, 2018 | [Markets](#) | [Associated Press](#)

Australia and East Timor will sign a treaty that draws the first-ever maritime border between the neighbors, resolving years of bitter wrangling with a deal that carves up billions of dollars of oil and gas riches that lie beneath the Timor Sea.

Australia and its impoverished half-island neighbor are to sign the agreement at the United Nations on Tuesday, putting to rest a dispute that has dominated and soured relations since 2002, when East Timor emerged as a fledgling nation independent of Indonesia.

The terms of the deal negotiated in The Hague through the Permanent Court of Arbitration have not been made public. But achieving East Timor's ambition of a border midway between the two countries would encourage Indonesia to renegotiate its own much longer maritime boundary with Australia agreed in 1971 under outdated international law. The Indonesian border with Australia extends east and west of the new East Timor-Australia boundary and the vast expanse Indonesia allowed Australia is a source of increasing irritation in the capital Jakarta.

The revenue split from the new agreement is crucial for East Timor, with a population of 1.3 million people who are among the poorest in the world. Unemployment is high and young people are increasingly looking abroad for work.

East Timor's oil revenues, which finance more than 90 percent of government spending, are rapidly dwindling due to the exhaustion of existing fields in its territory. The country's \$16 billion sovereign wealth fund could be empty within 10 years because the government's annual withdrawals are exceeding its investment returns, according to La'o Hamutuk, an East Timorese research institute.

Influential East Timorese Catholic Bishop and Nobel Peace Prize laureate Carlos Filipe Ximense Belo welcomed the border resolution as an economic boon for his deeply Catholic country.

"We thank God because our sea becomes more widespread ... our economic zone becomes

bigger," Belo said. "In the sea and on the sea bed, there is much wealth. Timorese will diligently explore and make this wealth contribute to us."

Portugal, East Timor's former colonial master, never had a border with Australia. Australia began negotiating a border with Indonesia after the Indonesian military's brutal 24-year occupation of East Timor began in 1975.

But by 1989, after a decade of talks, Australia and Indonesia agreed to disagree on where the line should be drawn for the sake of allowing oil and gas drilling in the resource-rich Timor Sea to proceed. The rival border options became the north and south edges of a box called the Joint Petroleum Development Area. Australia and Indonesia shared the royalties piped from that disputed seabed.

Australia pressured East Timor into accepting the same border compromise in a 2002 treaty to provide legal certainty for developers of the massive Greater Sunrise oil and gas field, an untapped resource in the Timor Sea worth tens of billions of dollars.

East Timor's negotiating team was led by independence hero Xanana Gusmao, the nation's first president.

Australia was widely criticized in 2016 over its unsuccessful rejection of the Permanent Court of Arbitration's jurisdiction to hear East Timor's border complaint. Many saw Australia as undermining its lecturing of China to abide by international law on Chinese territorial claims in the South China Sea.

Australia and East Timor signed a 2006 treaty on sharing of future Greater Sunrise revenue. But the relationship plumbed new depths when East Timor later accused Australian spies of bugging its Cabinet discussions to achieve an unfair negotiation advantage. Australia denied the allegation.

Don Rothwell, an Australian National University professor of international law, said the new border could trigger a trilateral negotiation over an Indonesian claim for a share of Greater Sunrise.

Rothwell expects the East Timor border will extend further south than Indonesia's border with Australia, giving it more territory.

"Indonesia might then say: 'Well, look. If Australia has been prepared to do this deal with East Timor, then we think we should revisit the boundaries negotiated in the 1970s,'" Rothwell said.

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Associated Press writer Oki Raimundos in Dili, East Timor, contributed to this report.