

Australia–Timor-Leste relations are back on track

5th November, 2019

Author: Michael Leach, Swinburne University of Technology

Relations between Australia and Timor-Leste appear to be back on track following the March 2018 treaty which created permanent maritime boundaries between the two states for the first time. Australian Prime Minister Scott Morrison's visit to Dili in late August 2019 saw notes exchanged marking the formal ratification by both parliaments. This signified the end of a key stumbling block that saw ministerial visits cease for nearly five years.



The treaty [creates](#) ^[1] a median-line boundary in the former Timor Gap, placing all existing wells located in the former Joint Petroleum Development Area (JPDA) in Timor-Leste's sovereign waters. The Timorese believe there is another AU\$1.5 billion in oil reserves in the JPDA — more than is commonly assumed. But as these fields near the end of their lives, the greater game lies in the untapped Greater Sunrise field, worth US\$40–50 billion. Timor-Leste also achieved a major increase in future royalties from this field, which straddles the side boundary — up from 50 per cent to 70 or 80 per cent, depending on whether the pipeline [goes](#) ^[2] to Timor or Darwin, respectively.

The focus has shifted from the bilateral relationship to Timor-Leste's negotiations with commercial partners over an ambitious plan to develop the Tasi Mane oil and gas megaproject on Timor's south coast, rather than send it through existing pipelines to Darwin. Timor-Leste has acquired a 56 per cent stake in the joint venture, buying out Conoco and Shell shares earlier this year. Woodside remains a partner, but has indicated interest in co-funding only the 'upstream' or offshore elements of the project, and not the downstream processing onshore in Timor-Leste. The fact that the East Timorese government apparently [passed up](#) ^[3] an opportunity to bid for Conoco's existing LNG liquefaction plant in Darwin — recently sold to

Santos for US\$1.4 billion — suggests how strongly committed it is to the downstream processing vision.

While the Australian government is formally neutral on the question of Tasi Mane, the megaproject could yet bring challenges for the bilateral relationship. The East Timorese government estimates external financing will [provide](#)^[4] some 80 per cent of the estimated US\$10.5–12 billion in required funding. Timor-Leste's ambassador to Australia has already [stated](#)^[5] that if other funding partners cannot^[5] be found, working with Chinese companies is a strong possibility.

On the other hand, Timor-Leste's foreign minister, Dionisio Babo-Soares, recently emphasised that discussions on the Tasi Mane project with potential partners in Australia, the United States, Europe and Asia are ongoing. The East Timorese government also [rejected](#)^[6] reports that China's Exim Bank had agreed to finance the megaproject, though both countries acknowledge a willingness to cooperate to develop Timor-Leste's petrochemical industry.

Clearly, the entry of China's Belt and Road funding could complicate relations with Australia, reflecting similar dynamics across the Pacific. But East Timorese foreign policy has generally sought to balance its relationships with key regional powers — in part to prevent the dominant influence of any single nation. Recent developments should be viewed in this light.

Fears of China's involvement [exaggerate](#)^[7] its current aid and investment footprint, and some risk losing perspective on the issue. China's aid to Timor-Leste remains modest compared to aid from Australia, the European Union, Japan and even the former colonial power Portugal. Australia's own scandals involving potential Chinese influence — including the controversial 99 year [lease](#)^[8] of the Darwin port — have not been lost on Timor-Leste's leadership. China [remains](#)^[9] a rising player in the region, and its relations with small regional states are still evolving. Australian policy is playing catch up with these new realities.

Unlike Australia's Pacific neighbours, Timor-Leste's strategic vision for oil and gas means it is unlikely to [attack](#)^[10] Australia over its climate change inaction. The consistent line from Timor-Leste's leaders is that they remain more interested in development outcomes than taking sides in power plays. But as with the Pacific nations, there is no doubt that China now provides leverage to smaller regional states. China could be a logical partner for downstream oil and gas processing if other parties are not willing to invest. This could easily see a resurgence in bilateral tensions in the future.

Despite the welcome reset in bilateral ties, other loose ends still affect the relationship. Australia's prosecutions of Bernard Collaery and Witness K were pointedly criticised by former East Timorese prime ministers Xanana Gusmao and Jose Ramos-Horta, with Gusmao indicating in August 2019 that he would appear as a witness if called. Australia could be further embarrassed by the espionage allegations which were instrumental in overturning previous treaties and creating the new maritime boundary.

Activists in both countries also [demand](#)^[11] back payment of oil and gas revenues^[11] to March 2018 when the treaty was signed, accusing Australia of undue delays in ratification. While this issue

made headlines, Timor-Leste's parliament did not ratify the treaty until July either. In any case, Timorese NGOs point to larger questions about up to US\$5 billion in revenues that Australia has [received](#) ^[12] dating back to 2002, when revenue-sharing agreements began. It appears there is no official appetite on either side for historical royalties to be pursued. Numerous submissions to [a recent](#) ^[13] Senate Inquiry also urge Australia to reverse declarations it made in the lead up to the restoration of Timor-Leste's independence in March 2002 and return to binding international maritime boundary dispute resolution mechanisms.

For Timor-Leste's larger neighbours, the key question concerns which partners are likely to fund the majority of the Tasi Mane project. Whether this proves a significant enough concern for other regional actors to step in and co-fund the project remains to be seen.

Michael Leach is Professor of politics and international relations at the Department of Social Sciences, Swinburne University of Technology, Melbourne.

Article from the East Asia Forum: <https://www.eastasiaforum.org>

URL to article: <https://www.eastasiaforum.org/?p=214219>

[1] creates:

<https://dfat.gov.au/geo/timor-lestes/Documents/treaty-maritime-arrangements-australia-timor-lestes.pdf>

[2] goes:

<https://www.eastasiaforum.org/2018/03/30/sun-setting-on-timor-lestes-greater-sunrise-plan/>

[3] passed up:

<https://www.reuters.com/article/us-santos-m-a-conocophillips/conocophillips-quits-northern-australia-in-1-4-billion-sale-to-santos-idUSKBN1WS0RE>

[4] provide: <https://insidestory.org.au/in-timor-lestes-an-eventful-year-ends-in-tension-2/>

[5] stated:

<https://www.afr.com/companies/energy/timorlestes-sees-china-as-option-for-1ng-capital-20190312-h1c9wz>

[6] rejected:

<https://www.scmp.com/week-asia/geopolitics/article/3023973/us16-billion-hoax-reports-chinese-loan-east-timor-gas-project>

[7] exaggerate:

<https://www.theaustralian.com.au/commentary/australia-must-not-lose-east-timor-to-china/news-story/acb248e8be68046a5e53644ad2920285>

[8] lease:

<https://www.abc.net.au/news/2019-03-12/why-did-northern-territory-sell-darwin-port-to-china-what-risk/10755720>

[9] remains: <https://www.eastasiaforum.org/2018/08/21/power-plays-in-the-pacific/>

[10] attack:

<https://www.eastasiaforum.org/2019/09/16/the-pacific-should-persist-with-australia-on-climate-change/>

[11] demand:

<https://www.scmp.com/news/asia/australasia/article/3006313/australia-accused-siphoning-millions-east-timor-oil-revenue>

[12] received:

<https://federalnewsnetwork.com/government-news/2019/07/australian-parliament-approves-treaty-with-east-timor/>

[13] a recent:

https://www.aph.gov.au/Parliamentary_Business/Committees/Senate/Foreign_Affairs_Defence_and_Trade/EastTimor/Submissions