

Bec Strating on the State of Australia-Timor-Leste Ties

A conversation on the past, present, and future dynamics in Australia's relationship with Timor-Leste.

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In recent weeks, Australia and Timor-Leste **have been moving forward** on a landmark maritime boundary treaty between the two countries, which settles the question of ownership over billions of dollars in potential energy resources.

Beyond the significance of the development itself, the step also spotlighted the broader state of ties between Australia and Timor-Leste today and some of the issues that remain for the relationship. For a sense of the current and future trajectory of the relationship, *The Diplomat's* senior editor Prashanth Parameswaran recently spoke to Bec Strating, a lecturer in politics at La Trobe University in Australia. An edited version of that conversation follows.

While the focus of the headlines is often on individual issues such as the maritime boundary issue, the Australia-Timor-Leste relationship is in fact quite complex, with a range of issues including the spying scandal complicating Canberra's historic significance to Dili's political, economic, and security development. How would you contextualize the complex legacy of the relationship?

It is true to say that a range of issues have affected and continue to affect bilateral ties between Timor-Leste and Australia since the independence referendum in 1999. Yet, the central issue creating discord between the states has been their different perspectives on who owns the oil and gas resources in the Timor Sea, and how they should be developed. It is important to remember that Timor-Leste's pursuit of permanent maritime boundary was reinvigorated in 2012, after Dili failed to get Australia and the commercial venture partners to agree to its plan to pipe the gas from the Greater Sunrise gas field to Timor-Leste for processing.

The spying allegations were also not new — they resurfaced in a bid to support Timor-Leste's quest to invalidate the now-revoked Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS), which had placed a moratorium on maritime boundary delimitation. Australia's spying, maritime boundaries — these are part of a central contestation over energy resources. The pipeline and the development concept for Greater Sunrise remains an ongoing issue.

This year marks 20 years since Timor-Leste first voted for independence. How would you characterize the state of Australia-Timor-Leste ties today?

Some claimed that Timor-Leste and Australia had reached a "new chapter" in bilateral relations after the signing of the maritime boundary treaty in 2018. The successful use of the United Nations Compulsory Conciliation process was a world first and could provide a potential model for resolving other maritime disputes. There have been a number of positive signs in rebuilding the relationship over the past few years.



A protest in front of the Australian embassy in Timor-Leste in 2013.

Image Credit: [Wikimedia Commons](#)

However, progress is uneven. For example, in August 2018, then-Foreign Minister Julie Bishop spent around 36 hours in Timor-Leste, the first time an Australian leader had paid a diplomatic visit to Dili. Yet, at the same time, news was spreading in Australia that the Coalition government was intent on pursuing prosecution of the two whistle-blowers — a spy known only as “Witness K” and his lawyer Bernard Collaery — who had provided public information about Australian spying in Timor-Leste’s cabinet room. While the maritime boundary treaty was a step in the right direction, the uncertainty about the development for Greater Sunrise challenges the idea that the bilateral relationship has reached a “new chapter.” Until the question of how the Greater Sunrise gas will be processed is resolved, this issue will continue to complicate the relationship.

Australia-Timor-Leste ties are also developing amid Dili’s complex domestic political and economic environment, which is another key variable in the trajectory of ties. Given the significant challenges Timor-Leste faces as a young democracy and Southeast Asia’s poorest nation, how do these realities play into its ties with Canberra?

The central plank of Timor-Leste’s economic development agenda is its ambitious oil industrialization mega-project called Tasi Mane. Australia and commercial partners had preferred either back-filling the existing Darwin plant or employing a floating LNG platform for processing the gas. The Compulsory Conciliation report provided an independent assessment of the different models which stated that Timor-Leste’s proposal could only occur with a direct subsidy of \$5.6 billion by the government of Timor-Leste (or another funder), and would only provide a mere 7 percent return on a capital investment of \$15.6 billion. Self-funding the pipeline and Tasi Mane would likely drain the \$16 billion petroleum wealth fund Timor-Leste developed from profits from the joint development with Australia in the Timor Sea.

Australia’s recent “Pacific step-up” policy highlights Canberra’s concerns about China’s rising influence in its strategic neighborhood. In particular, there are fears in some quarters that Beijing will use “debt diplomacy” through the Belt and Road Initiative (BRI) to establish military bases or ports in the Pacific. Given this context, it seems likely that Canberra does not want Dili’s oil industrialization ambitions bankrolled through the BRI. It was leaked to the media that Timorese officials had suggested turning to China’s Belt and Road Initiative for the funds to realize Dili’s pipeline ambitions, although this was perhaps more a negotiating tactic than a real threat.

The attention over the past few weeks has been on continued movement toward the much-anticipated step of ratifying the maritime border treaty between the two countries. How would you frame the broader significance of the agreement within the bilateral relationship?

There has been some notable progress, with Australia’s parliament passing legislation to ratify the maritime boundary treaty on July 29, 2019. For Australia, the establishment of the middle boundary line between the coasts of Timor-Leste and Australia has not cost it a great deal in material terms. The reality is, the Joint Petroleum Development Area that will now be under Timorese jurisdiction is nearly depleted, and Timor-Leste received 90 percent of the profits anyway. The lag in Australia’s ratification, however, caused consternation as Timor-Leste lost benefits for every day that the boundary was not ratified.

In terms of the remaining Greater Sunrise field, the previous CMATS treaty had agreed to split the revenue evenly. Under the terms of the new treaty, the parties agreed that Timor-Leste would receive 70 percent of revenues if Timor-Leste were to receive the pipeline, or 80 percent if it did not. In September 2018, Timor-Leste's government offered AU\$484 million (US\$329.79 million) from its petroleum wealth fund to buy ConocoPhillips' 30 percent stake in Greater Sunrise. In November of the same year, Timor-Leste bought out Shell's 26 percent share for AU\$413 million. While Timor-Leste now has a majority stake, there are no publicly available information that it has found partner(s) to fund its pipeline and development project.

While next steps with respect to the agreement are of immediate focus, there is still much that is unclear about the extent to which this will translate into benefits for Timor-Leste as well as how it will play into the future prospects and longer-term implications for relations. What does that long run view look like?

There have been longstanding concerns that in prioritizing *Tasi Mane*, Timor-Leste has thrown all its economic eggs into the one basket. For example, the Timorese civil society organization La'o Hamutuk has argued for years that Timor-Leste should be working on diversifying its economy rather than putting all its resources into Tasi Mane. In the oil industry, there is deep skepticism about the commercial benefits of the Timor-Leste's pipeline plan, which actually explains why Conoco-Phillips and Shell were willing to sell up their stake. Other experts have also warned against the risks of the resource curse, with some suggestion – including in *The Diplomat* – that bidding and construction processes have been **corrupted through kickbacks**.

The bilateral relationship is also evolving amid other key developments in Timor-Leste's other foreign relationships, including its ties with neighboring Southeast Asian states amid continued talk of its admission into ASEAN as well as its ties with China. How would you evaluate the broader contemporary context for Australia-Timor-Leste ties today?

Timor-Leste's approach to foreign policy since becoming independent has been to largely avoid having to rely upon on one state, preferring instead a diversified approach that includes relations with Australia, Southeast Asian states, the South Pacific, Portuguese-speaking countries, and China. In terms of regional identity, it remains in a liminal or transitional space between Southeast Asia and the Pacific. It was part of ASEAN when it was incorporated into Indonesia, but as a sovereign state it remains on the outside, which has had flow on effects for its status as a Southeast Asian state. There were high hopes that Timor-Leste would succeed in gaining membership in recent years, although these have been repeatedly dashed. While there is speculation that growing ties with China will make its efforts to gain membership even more difficult, a number of ASEAN member states have been skeptical about permitting Timor-Leste into the association due to uncertainty about its economic and political prospects. There have been more recent suggestions that the momentum for Timor-Leste's ASEAN ascension is growing, so I guess we'll see what happens.

Beyond the next few weeks and looking ahead to the rest of 2019 and into 2020, what is one key development that you will be looking at to assess the state of Australia-Timor-Leste ties?

In my view, the key bilateral issue remains around the development concept for Greater Sunrise. Key signposts will include any progress Timor-Leste makes on project funding, where funding may come from, and what Australia's responses will be to such arrangements.