

FOREIGN BRIEF

GEOPOLITICAL RISK ANALYSIS

Timor Leste to celebrate 20 years since independence from Indonesia

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Australian Prime Minister Scott Morrison will visit Timor Leste today to mark the latter's 20th anniversary of independence from Indonesia. The two countries will ratify a maritime boundary treaty they signed on March 6, 2018.

The treaty marks a permanent maritime boundary between Australian and Timor Leste and establishes a stable legal framework for oil and gas development. It entitles Timor Leste to 100% of the upstream revenues from existing oil and gas fields, which were earlier jointly shared by the two states.

Although reserve development will likely commence in a decade, the yet unallocated processing rights are significant for Dili. However, its existing reserves are expected to dry out by 2020 due to excessive dependence on oil revenues for government spending. A plant, such as the \$10 billion valued Tasi Mane project, will likely lead to excess spending over returns.

Independent of the treaty, Australia has planned a \$100 million assistance to Timor Leste for 2019-20. While both countries recognise the importance of the project for Timor Leste's future income, employment and social development, the opportunity cost of the project remains higher for Timor Leste.