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LETTER FROM TIMOR LESTE

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ALEXANDER DOWNER

In my nearly twelve years as foreign minister there were few issues I dealt with which were more contentious than East Timor.

In 1996 I inherited a nasty situation. The Timorese were fighting an insurgency against the Indonesians. There was a torrent of allegations of human rights abuses largely directed against the Indonesians. Our bilateral relationship with Indonesia was at the mercy of events in East Timor. I told DFAT that our policy of supporting Indonesian sovereignty no matter what was going to be unsustainable. They didn't like that. They took the view Australian governments had shared since 1975: that the relationship with Indonesia was too important to us to risk alienating Jakarta by supporting East Timorese independence.

I didn't agree. Unless the Timorese somehow legitimised incorporation into Indonesia – which they never liked – then the issue would contribute to regional instability. In 1998 I told the Indonesians we'd do a survey to see if the Timorese would accept the Indonesian policy of "broad based autonomy" for East Timor. We did the survey. The Timorese wouldn't accept it.

It was as a result of that survey that John Howard wrote to President Habibie suggesting at some stage the East Timorese should be given a choice about their future: independence or autonomy. The rest is history. When we could we sent in a peacekeeping force to save lives. And then we helped the East Timorese build a new country. As the head of the UN Transitional Government in East Timor, Sergio Vierra de Mello told me "No country has done more to help East Timor than Australia."

This is all history. But today there's a new debate. Australia is being accused of unfairly grasping oil and gas revenues which were rightfully East Timor's. For a month or so the ABC news was sprinkled with commentators denouncing Australia. Now that's standard practice at the ABC. Whenever a foreigner criticises us, it's always our fault.

So let's look at the facts. The Hawke government negotiated the original Timor Sea Treaty with Indonesia under which a Joint Development Area was defined and revenues from the JDA were shared equally between Australia and Indonesia.

I told the East Timorese that we didn't want to change the boundaries because that could unravel all our maritime and seabed boundaries with other neighbours but that as far as I was concerned they could take the lion's share of the revenue. They were a new country and a poor one. So in 2002 I eventually gave them 90 percent of the revenue and since then they've accumulated about \$15 billion in a sovereign wealth fund. So were we generous? Well, we didn't really need the money to the extent they did.

But that wasn't the end of the story. There is a huge gas deposit called Greater Sunrise which straddles the Joint Development Area where East Timor gets 90 percent of the revenue and Australia's seabed where obviously Australia gets 100 percent of the revenue. Given the structure of Greater Sunrise – little of which was in the JDA – Australia would get 80 percent of the revenue and East Timor 20 percent.

So in 2006 we struck a deal with the Timorese: we'd give them 50 percent of the revenue because they were poor and we were rich. For them, as they admitted at the time, it was a good deal.

But now the current East Timorese government says it wants to rip up that treaty because it's unfair and they allege we spied on them during the negotiations.

It's one thing for East Timor to ask for more assistance from the developed world including Australia. If they desperately need money over and above their \$15 billion sovereign wealth fund then it's fine for them to ask for it – as long as they define how they want the money to be spent. After all, we all know a fair bit about wasted aid dollars.

But it's another thing for East Timor to sign treaties and then say later it doesn't like them and won't honour them. This is exactly why developed countries are reluctant to invest in developing countries. The sovereign risk is too high. An agreement, a law, a treaty is only okay when it suits the government. If it suddenly has a better idea, it's torn up. Why would investors want to put their money into East Timor when they know the Timorese government could at any moment tear up the laws of the land?

It's true, a virulent minority of anti-capitalists think East Timor should renege on the agreements they've made, agreements which give them huge amounts of money. And what will they replace those agreements with? What makes them think they'll get even more money?

This is, in a word, unwise. East Timor will win a reputation for being unreliable with no leverage to gain extra revenue from its reckless policy. As a person who did so much to get East Timorese their independence, that makes me sad.