

## Foreign interests trying to exploit my fragile nation, says Timor PM Xanana Gusmao

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Foreign interests are trying to "dominate" East Timor, exploiting the fragility of the tiny nation to deny its rightful share of the oil and gas revenues in the Timor Sea and sow unrest, its Prime Minister says.

Xanana Gusmao made the remarks as the fledgling state is embroiled in bitter fights with the Australian government and multinational oil companies over the resources that contribute 90 per cent of its income.

It emerged last year that Australian Secret Intelligence Service (ASIS) agents bugged Timorese government offices to gain an advantage in treaty negotiations over the lucrative reserves that lie between the two countries.

In a rare and wide-ranging interview with Fairfax Media in the Timorese capital, Dili, the former resistance leader and political prisoner also rebuffed suggestions that the country will exhaust its sovereign wealth fund and become effectively bankrupt in a decade.

At the heart of East Timor's grievance is the belief it was exploited by the Australian government during negotiations between the two countries over the untapped resources in the Timor Sea, conservatively worth more than \$40 billion.

"We are fighting for our sovereignty," Mr Gusmao said. "We are fighting to say 'it's our right'. If we gave 200,000 lives to save this small nation, we cannot accept that.

"If you are a fragile country, if you don't open your eyes, if you don't have any intelligence structure to know what's going on, other people from outside will dominate you."

After negotiating a highly favourable deal on the boundary with Indonesia when East Timor was still occupied, Australia withdrew from the dispute-resolution procedures governed by the UN Convention of the Law of the Sea two months before East Timor achieved independence in 2002.

Australia then negotiated two agreements while East Timor was extremely vulnerable - in 2002, when it had no income and a traumatised people, and 2006, when it was racked by internal divisions and violence that displaced 150,000 people - 15 per cent of its population.

East Timor is now seeking to have the treaties nullified because they were not negotiated in "good faith" as required by the Vienna convention, using the spying by ASIS as its main argument.

Mr Gusmao said he was "shocked" by Australia's withdrawal from the Law of the Sea Treaty and "disappointed" by the spying.

East Timor and Australia are in negotiations to resolve the spy case and the dispute over the maritime boundary.

"We have accepted the proposition of Australia to negotiate," Mr Gusmao said in New York last month. "If it doesn't bring settlement we will go again to the court - this is a condition [of the talks]."

As well as the espionage by ASIS, security agencies had uncovered a "white" foreigner apparently paying gangs to create unrest, Mr Gusmao said.

"Three years ago, in the Christmas period, there was some violence between youth. Someone was killed and stabbed," he said.

"I was in hospital visiting the patients and then [protesters] start to come.... they wanted to make a big noise outside the hospital," he said.

"I saw a taxi with a foreigner giving them money ...I said 'well, well, well ... you are helping to destabilise the country'."

Mr Gusmao said he discovered the identity of the man, but declined to reveal who it was.

He also attacked the tax minimisation practices of multinational corporations.

"We see tax avoidance, trillions not billions of dollars each year [globally]," he said.

East Timor is in a dispute with oil giant ConocoPhillips, Woodside Petroleum and Santos over taxes as the resource companies contest \$US362 million in payments - big money for a country with an annual budget of \$US1.5 billion.

East Timor banks its proceeds from oil royalties and taxation in a sovereign wealth fund to avoid the "resource curse" - uncontrolled spending followed by economic collapse - that has afflicted many developing countries.

Investment income from the fund - which currently stands at \$US16.6 billion - is spent on infrastructure, health and education, although East Timor has repeatedly drawn down more from the fund than recommended.

As existing oil and gas fields in the Timor Sea are depleted and East Timor refuses to approve the development of the \$40 billion Greater Sunrise project until it gets a processing facility on its territory, a widely quoted analysis from non-government organisation La'o Hamutuk suggests the fund will run out by 2025.

However, Mr Gusmao dismissed the analysis. The latest IMF estimates forecast that, on worst case scenario of no further diversification of the economy and no further development of oil and gas fields, the fund would still have more than \$10 billion by 2025.

Even so, East Timor remains poor with high unemployment, widespread poverty and malnutrition, and poor health outcomes.

Bureaucratic inertia and corruption is stymieing investment and efforts to diversify the economy have been slow, despite the potential for agriculture and tourism and the low tax rate of 10 per cent.

"We lack nutrition in what we eat, but we are not starving," said Mr Gusmao, before acknowledging that more needs to be spent on health and education.

"So far, we are only doing the big things, electricity ... roads and the water supply and telecommunications. We are [concentrating on] big infrastructure projects because it will be the basis of our development."

*This story was found at: <http://www.smh.com.au/world/foreign-interests-trying-to-exploit-my-fragile-nation-says-timor-pm-xanana-gusmao-20141019-118358.html>*