

# Australia must not lose East Timor to China

ALAN DUPONT



By **ALAN DUPONT**, CONTRIBUTING NATIONAL SECURITY EDITOR

12:00AM JULY 2, 2019 •

Scott Morrison has quickly put flesh on his Pacific step-up strategy. With the US, Japan, New Zealand and now France supportive, the Prime Minister has assembled an impressive coalition of democracies that may soon include Britain. Morrison knows that effective co-operation between Australia and the other Pacific powers will make it more difficult for China to entrench itself in our backyard and exploit the economic vulnerabilities of small Pacific island states.

Geopolitical rivalry is sometimes likened to an endless chess game that ebbs and flows as competitors retreat and advance. Barely a year ago, Beijing was on the verge of a historic advance deep into the southwest Pacific. Leveraging off a series of prestige infrastructure projects, Chinese firms were well placed to build ports, military facilities and undersea communication systems for Papua New Guinea, Fiji, Vanuatu and Solomon Islands before being checked by Australian counter-offers.

A decisive checkmate is unlikely. China won't give up on its regional ambitions, and East Timor has emerged as the next piece in play. Frustrated by the unwillingness of its joint venture partners to build a pipeline to East Timor for onshore processing of gas at Beaco from the rich Greater Sunrise project in the Timor Sea, Dili is contemplating funding from China Exim Bank by designating the Beaco project as a Belt and Road initiative.

Should East Timor secure a loan of up to US\$11 billion (\$15.9bn), it's not hard to envisage the country becoming indebted to China, given its limited capacity to repay and doubts about the commercial viability of an onshore LNG facility. A loan of this magnitude would be more than three times East Timor's annual GDP, made worse by the near exhaustion of its Petroleum Fund, which provides about 90 per cent of the annual budget.

If Dili can't repay the loan, a debt-for-equity swap could allow Beijing to use Beaco's port and airfield for military purposes. Darwin is 700km away.

At the very least, China would have bought itself outsized influence over a country that is strategically important to us and to which most of us feel a sense of attachment. Having invested so much in helping East Timor obtain its independence, it would be an indictment of our foreign policy to see that independence compromised by inattention or neglect.

Regrettably, much of the goodwill generated by our support for East Timor's independence has dissipated. Relations soured over disagreements about revenue sharing from oil and gas deposits in the Timor Sea. They deteriorated further when East Timor's leaders became convinced the Howard government had authorised electronic eavesdropping operations against them during difficult and at times acrimonious negotiations over the

disputed maritime border.

Settlement of the long-running border dispute last year through a UN-sponsored conciliation process left unresolved the issue of where gas from the Greater Sunrise development would be processed: in Darwin, on floating offshore platforms — favoured by Woodside — or in East Timor, which Woodside has long maintained is uneconomic.

Australia's official position is that processing is a decision for the joint venture partners. But such considered neutrality is untenable in the face of China's robust challenge to our regional pre-eminence. Dili has already funnelled significant resources into the Tasi Mane petroleum complex consisting of three industrial clusters on the south coast — a petroleum supply base at Suai; a refinery at Betano; and a planned port and LNG plant at Beaco, which would be built by a Chinese company if the Exim Bank loan is approved.

Given Dili's longstanding commitment to build a petroleum industry as “the key pillar of future development”, it is time to put aside our reservations about the commercial viability of the Tasi Mane development. Thinking creatively about how we can assist the Timorese to achieve their goal of a sustainable petroleum sector is in both our interests. This means a more strategic approach to our relationship.

The next step in Morrison's Pacific strategy should be to immediately engage his counterpart on East Timor's infrastructure requirements and make clear that we are willing to consider supporting the Beaco development, including a gas pipeline from Greater Sunrise. The extent and detail would obviously require negotiation, but if we don't want to risk Dili becoming a Chinese client, we need an attractive alternative that plays to our strengths.

These include the capacity to mobilise a consortium of partner governments through the new Australian Infrastructure Financing Facility that has just funded an LNG project in PNG.

The loans provided must be commercially competitive, transparent and used to train and employ East Timorese wherever possible.

There are opportunities for partnerships with the Northern Territory and Western Australia on education and training for petroleum sector workers, as well as providing skilled Australian workers on a fly-in, fly-out basis.

The China challenge is an opportunity for Australia to rejuvenate relations with Dili that have been allowed to atrophy. Morrison has already demonstrated a welcome capacity for speedy and resolute action to remediate our relations with other neglected island neighbours in the Pacific. He should do the same here, and soon, given its strategic importance and our longstanding commitment to the country's independence, stability and economic development.

*Alan Dupont is chief executive of The Cognoscenti Group and a nonresident fellow at the Lowy Institute.*

**ALAN DUPONT, COLUMNIST**

Alan Dupont is a Nonresident Fellow at the Lowy Institute for International Policy, and a professor of International Security at the University of New South Wales. He has worked on Australian defence and Asian ...



## COMMENTS

Peter

23 hours ago

Perhaps Australia should have left Timore Leste exist as a sovereign part of Indonesia, rather than militarily excising it from the archipeligo of which it is clearly a part. I wonder if the gas fields were worth it?

P

16 hours ago

@Peter

West Irian would have been a better candidate.

Rod

12 hours ago

The ordinary people of East Timor, who lived under Indonesian occupation, might disagree. Quite strongly. The ones I met were delighted to see the backs of the Indons.

Jason

18 hours ago

The Japanese used Timor Leste as a stepping stone for a lot of bombing operations on Darwin. Using piston engine long range bombers it was about a 3-4 hour trip. Now a Chinese stealth bomber could make a round trip in about an hour, Darwin would be flattened again, except for the port where the Chines have the lease, they would simply dock, drive off and go and clean the airport and bring in the bombers that have refueled and are ready for the next base at Tindal. Simple I know but with those two bases they control the top end of Austalia. Food for thought...just saying!

Charles

15 hours ago

And the RAAF at Tindal would simply leave their planes sitting on the tarmac whilst all this was happening, is that what you suggest??? Jason That's not going to happen

G

18 hours ago

We need to be practical here. If there's so much as a remote hint of East Timor getting to bed with China, Australia must retake the island and recolonise it until the locals come to their senses - or have common sense smacked into them. We saved them before, and their petulant ingratitude cannot go unpunished and nor can China be permitted a presence in our domain. These people owe Australia big-time, and now we must collect the debt.

Charles

15 hours ago

"Australia must retake the island and recolonise it" Are you seriously suggesting taking over by force G

That will do our standing & good will amongst our neighbours a of lot good. They will feel very comfortable with Australia's expansionary agenda, i don't think

Peter

12 hours ago

good analysis G, that's what the boffins really think but they have to find diplomatic ways to say and do it. We should just forget about it, Indonesia will have far more to worry about and may just solve the problem by invading again.

James

17 hours ago

Australia's hardball negotiations over Timor petroleum rights did a lot of harm to our reputation abroad. There's a perception - which is wrong, but hard to shake off - that economic self-interest was the sole motive for Australia's intervention in East Timor's independence. A bit more obvious altruism at that time could have paid off now, when small countries are asking themselves whom to believe about their best interests, Australia or China.

Peter

17 hours ago

It will fail. One of the smartest things the late but still great Ronald Reagan done was to get the old Soviet Union tangled up with so many competing projects their foreign currencies were exhausted. If I was a smart China I would play the same game knowing Australia would only come back with a better and of course higher offer and eventually where is the money going to come from ? No worries, we have a bank right here in China... not a single shot fired in anger.

Yvonne

17 hours ago

Not Timor-Leste - we know what China is trying to do (and has been trying since John Howard days there) - the gas line, the oil - (even Whitlam tried to "grab" the oil in the 70's.) We must look after Timor-Leste - both north and south Islands - the government there, President and Prime Minister do not appear to agree on anything which is another worry for Timor-Leste. Australia, take very good care of our darling Neighbour - once China gets a foot hold on Timor-Leste, it is all over rover for the Island.

P

16 hours ago

@Yvonne

"even Whitlam tried to "grab" the oil in the 70's"

He did?

Russ

15 hours ago

It was part of the deal for facilitating the Invasion by the Indonesia. Fairly common public knowledge these days. You have to love history.

P

14 hours ago

@Russ

"It was part of the deal for facilitating the Invasion by the Indonesia."

Was it now? Perhaps some details on that deal?

"Fairly common public knowledge these days."

Nah.

"You have to love history."

I do- particularly resource law & it's application.

Now, Australia & Indonesia agreed upon their maritime borders in 1972 after long negotiations- with the exception of the 'Timor Gap' due to Portuguese non-participation.

The Timor Gap Treaty was concluded between Indonesia & Australia in 1989.

So:

60's-70's: oil/gas exploration indicates reserves

1972: Indon-Au borders finalized (bar 'Timor Gap')

1972: Whitlam elected PM

1975: Indonesian Invasion of East Timor

1975: Whitlam dismissed as PM

1989: Timor Gap Treaty between Indon-Au

So yes, I do love *factual* history.

Don't you?

Now...about this "deal"?

P

14 hours ago

@Russ

Almost forgot:

"It was part of the deal for facilitating the Invasion by the Indonesia."

So...how did Australia *facilitate* the invasion?

Substance please.

Russ

11 hours ago

At his meeting with President Soeharto at the Wonosobo state guest house near Yogyakarta on 6 September 1974, Whitlam stated: he believed that Portuguese Timor should become part of Indonesia...Later..Australia refused to assist the de facto administration which Fretilin established in Dili following the defeat of the UDT and withdrawal to Atauro of the Portuguese Governor.Australia's policy was set out in a letter dated 24 September 1975 from Ambassador Woolcott The alternatives now seem to be a de facto Fretilin Government or the integration of East Timor into Indonesia. Basically, this situation is Portugal's—not Indonesia's—fault. Given this Hobson's choice, I believe Australia's interests are better served by association with Indonesia than by independence.....

"in concluding an answer to a question in Parliament on 28 August 1975, Mr Whitlam said: 'The Indonesian Government, which over the past year has expressed repeatedly its intention not to intervene in East Timor, may thus be turned to as the only force capable of restoring calm in the territory In addition to this public hint to Indonesia, Whitlam sent a private message to President Soeharto through Mr Woolcott that nothing he had said earlier should be interpreted as a veto on Indonesian action in the changed circumstance.

In leaked diplomatic cables in August 1975, the Australian ambassador to Jakarta, Richard Woolcott, wrote to Canberra: "It would seem to me that the Department [of Minerals and Energy] might well have an interest in closing the present gap in the agreed sea border and this could be much more readily negotiated with Indonesia ... than with Portugal or

independent Portuguese Timor.”

Literally volumes more, all there for those that seek substance.

Gregory

17 hours ago

We should never have gone there in the first place but we had to stick our noses in.

Andrew

16 hours ago

The mouse that roared.

The East Timorese are playing us.

The Other Andrew

P

16 hours ago

@Andrew

Yup.

You saw a lot of that in the Gap treaty negotiations...and there are plenty of Australians who bought their rubbish.

David

16 hours ago

If people of Hong Kong can stand up to China, the world can too...:)) If companies are forced to stop Manufacturing there cheap crappy products in China, Its a huge step in the right direction...

Avoid the Made in China brand.

David

16 hours ago

I just read Timor Leste rejects a report of accepting a loan from china of 16 billion, how would East Timor pay that back???

I bet they would accept that loan, They don't know what they are getting them selves into... :))

P

13 hours ago

@David

"They don't know what they are getting them selves into."

Or those responsible do know...and don't care.

Jeff

16 hours ago

And we punted tax payers money into a China bank , Hockey struck again.

P

16 hours ago

Let's not forget that the people running East Timor have ideological ties with China.

Joe

16 hours ago

Alan - try to stop using the Chess analogy and, instead, apply the concept of Go ie. the Asian strategy game.

It offers a superior lens to view CCP moves in the south Pacific & globally.

Eric

16 hours ago

I find it hard to believe that the Timorese are seriously looking for Chinese money to develop their resources as back in the Howard days their 'freedom fighters,' asked for Australia's help which we gave and some of our soldiers died for. Perhaps they are having a go at playing us off against the Chinese?!?

Eric, QLD

Robert

16 hours ago

The Chinese have already been developing influence in Timor Leste. They built power lines throughout the country using Chinese labour around six years ago. Not sure who paid for this, or was it a Chinese "donation"?

Of course Australia should look after it's small and impoverished neighbour - for the sake of the Timorese and ourselves.

robert

13 hours ago

Actually, the Indonesians did the construction work.

However, the influence of the Chinese is all too evident in Dili.

Russ

15 hours ago

Good article, about time we concentrated on our region and left the inept to play as Suadi and Israeli puppies.

P

13 hours ago

@Russ

Like Papua?

Mark Andrew

15 hours ago

I remember that Australia almost got into a war over Timor. Now it could become a base for a foreign power in the great game. Glad I pay tax for the great minds in the defence department and government. They couldn't organise a chook raffle. Perhaps if they put a picture of the world on their walls it would help with perspective and planning.

Alan

15 hours ago

Having bullied and ridiculed the leaders of Timor Leste over the Sunrise gas field negotiations do you really expect them to roll over and be belittled again by Australia?

Despite being a basket case Timor Leste has pluck & spirit and is quite capable of playing countries competing for strategic influence off each other which the Australian government learnt the hard way.

Even if some of the vested interest infrastructure deals with Chinese linked companies give a whiff of dodginess and perceived loss of autonomy to the Chinese the country is slowly being lifted out of poverty.

The Australian government will need to try harder to win the hearts and minds of Timor Leste but not by trying to screw them over as the likes of Howard, Downer and later Abbott tried & failed to do by throwing their weight around in the immediate post Indonesian period.

P

13 hours ago

@Alan

"Having bullied and ridiculed the leaders of Timor Leste over the Sunrise gas field negotiations..."

Oh please- that old propaganda myth?

Anthony

15 hours ago

Actually from my viewpoint East Timor should have staid as part of Indonesia - at least they have the resources to defend this impoverished ex province. Yes they wanted independence which they received but they are poorer because of it and now the cunning Chinese are taking it over by stealth and this has been going on for years. It's a perfect place as the author states to build a naval base to counter the United States base in Darwin and spy on the recalcitrant Australians!! I'm in the oil and gas business and the Chinese are all over East Timor with their insidious "free" seismic acquisition for their search for oil and gas - as I work for a company that has to make money we don't have a chance as we don't do work for "free"! As you all know nothing is free in this world so East Timor will pay the price in years to come....

Josef

9 hours ago

What price East Timor will pay in the future? A tiny country like ET can't be economically sovereign. Are the Chinese taking them more violently then Pertugal or Indonesia? In any case, our LNG industry is mostly owned by foreigners. We only get peanuts from royalties and world prices for ourselves. Most profits go overseas.

East Timor will go with the best option. Thy would be silly to do otherwise.

China has another thing to consider - freedom of navigation in the Timor Sea to protect their gas supplies. Especially if there is a US base in NT.

Rob

14 hours ago

You've gotta wonder who is advising the PM. He should also seriously consider the purchase of 18,400 nuclear submarines to be based at our Darwin naval base. They could also be used in times of crisis.

Rod

12 hours ago

They could be used in times of crisis, Rob, moor them all bow to stern and we could walk most of the way there.



Jason

11 hours ago

18,400 nuclear submarines?

Why not just call it a million to keep things simple?

Charles

14 hours ago

Would Indonesia welcome Beijing's using a port and airfield in East Timor for military purposes? I have my doubts.

Charlie

13 hours ago

I think this ship has sailed. The Chinese built the East Timor Defence HQ and the new Presidential Palace, no doubt with everything said and done inside both transmitted to the benevolent donor. We needed to step up in Timor years ago but successive governments treated the Timorese with contempt or ambivalence, which amounts to the same thing. Anything we do now will be too little too late.

Peter

13 hours ago

Whatever diplomatic sins of omission or commission in the recent past the East Timorese should remember that but for Australia East Timor would still be under the crushing heel of Indonesia and the time to change that would have passed.

Russ

12 hours ago

I guess that almost balances Australia, Britain and the US facilitating the invasion by East Timor in the first place. One of the great untold stories was how the East Timorese vastly outnumbered held off the Invading Indonesians for days until British Loan Aircraft turned the tide.

Michael

10 hours ago

They facilitated nothing. They foolishly turned a blind eye (which they regretted later), but they did NOT facilitate the invasion of Timor.  
More Anti-USA diatribe from our Russ.

Leftism: Let's find a cure.

Patrick

12 hours ago

I wonder how it will look when a flotilla of the Chinese navy or a few cruise missiles are based in Dili- maybe even nuclear ones?

Dennis

12 hours ago

John Howard took a huge military and political risk in confronting Indonesia and going to the aid of East Timor.

They at least owe us some degree of loyalty for effectively setting them free. China will only burden them with debt and make them serfs of that regime. They need to be careful.

Steven

12 hours ago

The trouble in Timor was, is, and remains the fact that the Dili government are a miniature left aligned elite ruling half an island which is so poor in resources (including rainfall, a fishing industry or tillable land), and basic commodities which otherwise underpin even the most rudimentary societies that it is untenable as an independent nation. Every Australian government since 1945 has known this.

The crisis of 1975 was one more mess created by Whitlam and his Maoist culture warriors. Fraser did his best to pretend the island didn't exist, wisely followed by Hawke who was criticized by the militants within his own party.

Howard's foreign policy failures still smart, none more so than his betrayal of Indonesia when it found itself with a weak and foolish leader in the aftermath of Suharto's unexpected fall. Indonesia will long remember this humiliation (the Iraq war being Howard's other great stuff up).

China will use Timor to wedge Australia, always poking the open wound with Indonesia. The more responsibility we take for Timor the more Indonesia will say we want the territory for ourselves.

Michael

10 hours ago

Betrayal of Indonesia ? The very same Indonesia that annexed Papua, and to this very day holds the population there under gunpoint?

Leftism: Let's find a cure.

Steven

6 hours ago

Indonesia thought they had a deal with Australia. Brutal and ugly as their dealings have often been they counted on our government to act in its own best interests. The territory ought to be part of Indonesia or Australia. The fate of West Papua is another thing and that injustice holds all sorts of dangers for the future of our relations.

Laurence

12 hours ago

It was rumored in the late 60's that the Soviets wanted to build a submarine base in Timor. The CHINESE no doubt would love to have a military base there. Australia should jump the gun and get in first with an air base at least. Much more effective and economical than ancient diesel subs being bought on the never never.

Tony

11 hours ago

E.Timor has no reason to feel any inclination to ease things for Australia. They were treated very shabbily by Australia over the issue of undersea resources - including allegations of deliberate spying mechanisms placed within cabinet meeting rooms and alleged verbal bullying by then Foreign Minister Downer. Even the support of Australia in their fight for independence may well have been motivated by a knowledge of rich resources falling

Australia's way. They're entitled to use their new found leverage to squeeze out the last drop of compensation for their earlier treatment.

Andrew P

11 hours ago

If Woodside finds it uneconomic to do so, why would we be putting taxpayer dollars into it? China has the ability to land missiles almost anywhere in Australia now if it ever came to that, 700kms away from Darwin doesn't make much difference.

Geoffrey

11 hours ago

Lose East Timor to China? Keep going the way we have been of late and we will end up in danger of losing Australia to China.

Rodney

10 hours ago

We need gas, it seems sensible to assist in this development and then buy the product. Everyone in the local area gains. Building prosperity for our Neighbours is a good thing.

mark

9 hours ago

We need liquid fuels even more than gas given our bedraggled refining capacity which is a serious strategic vulnerability. A gas to liquids project in Timor or Darwin might fly. Closer than Singapore.

Kym

9 hours ago

Hold a referendum in East Timor if they want to be part of Australia. Then start giving East Timoreans Australian passports. Done.  
the wife

Rory

9 hours ago

Time to enrol in Mandarin course and practice genuflection

Rob

9 hours ago

Like East Timor for forward projection of our national security interests, we should improve employment levels similarly at Norfolk Island with a large naval and air force presence, preferably in the order of 5,000 attack helicopters.

Greg

8 hours ago

Upon its independence, East Timor asked Australia to pledge our military to provide the external defense force for the new nation.

When Vanuatu gained independence, PM Hawke gifted a TAA airplane to create the nation's flag carrier Vanuatu Air. But we couldn't do this for ET because the proposed airline was help by private interests, not the central government.

ET should have adopted the AUD as its currency and enjoyed 100% free trade with Oz, but

didn't.

Portuguese was adopted as the official foreign language (being a former colony, of course) and ET pointedly distanced itself from Australia at every opportunity.

They are happy to receive our handouts but not willing to negotiate Closer Economic Relations (similar to our relationship with NZ).

Every dollar we spend on ET is a wealth transfer (subsidy) from Australian taxpayers to ET taxpayers. ET has the capacity to contract commercial terms with Australian enterprises to deliver everything in the above article (eg training etc).

Any expanded economic engagement must be wholly on commercial terms ... or every other mendicant state will seek the same!

RusT

6 hours ago

Australia has very important work to do here.

An Australian military base would be a good first step.

Paul

4 hours ago

How is it possible to write an article such as this without taking into account Indonesia. I should imagine Indonesia would be most unhappy to have a Chinese naval base in the midst of their country. Australia scored a spectacular own goal with our ill advised intervention to create a failed state.

John

3 hours ago

Given the close proximity and strategic importance of East Timor to Australia I think Scott Morrison would, and should demonstrate his government's true resolve in providing support to the continuation and success to this small independent nation by visiting in person, by reminding that country of Australia's role in acquiring independence, by apologising for subsequent misunderstandings involving resources, and promising substantial support and assistance towards infrastructure development desperately needed by that fledgling nation. It is critical to our own national security interests that China does not avail itself the opportunity to fill the vacuum that exists there because of the lack of natural resources, infrastructure and debilitating poverty and unemployment. Australia should have been far more proactive in assisting and nurturing this young democracy. Not doing so may well mean East Timor will once again fall under the oppression of an authoritarian overlord. East Timor's one workable harbour would be a prime target should Australia and China come to blows. We cannot possibly tolerate the Chinese military presence so close to our shores.