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Timor-Leste's Costly Oil and Gas Ambitions Grind to a Halt

Despite rumors of potential Chinese involvement, the \$18 billion Tasi Mane oil and gas processing project is unlikely to eventuate.



By [David Hutt](#)

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Ian Lloyd Neubauer's [recent article for Nikkei Asia](#) posed an interesting question: How far should a political leader go in pursuing a nationalist policy if it means giving up a good chunk of his nation's sovereignty? The insinuation behind this question is that some of Timor-Leste's political leaders may be so desperate to build an onshore plant to process the oil and gas to be extracted from the Greater Sunrise gas field that they will turn to China for the funds. Despite China's state-owned Exim Bank having

already uncharacteristically balked at the idea of providing a \$16 billion loan for this venture, such rumors have proliferated since at least 2017 and refuse to die down. Will Dili up and switch to the Beijing camp in order to secure the funds? If so, where does that leave Dili's historic relationship with Indonesia and Australia? And what might Beijing expect in return? Perhaps some corner of the half-island nation where it can build a military base?

Naturally, Beijing winning over a nation not far from Australia's coastline and situated in a strategically important area of the Indo-Pacific is an attractive narrative for editors, and it speaks a great deal to Western fears of a militarily expansionist China and of Beijing's "debt-trap diplomacy." In reality, though, none of this is likely to happen. For starters, the rather complex dealings behind the Greater Sunrise project and the desire by some in Dili for the oil and gas to be processed onshore have become a lot more straightforward in recent times, as officials reveal just how risky the venture is.

For the project's claqueurs, the proposed \$18 billion Tasi Mane venture would not only be a significant boost for the local economy and create untold numbers of jobs; it is also a patriotic missive, a symbolic show that Timor-Leste is taking back autonomy over its own natural wealth, which had been divvied up by Indonesia and Australia since the 1970s, when the country was occupied by Jakarta's forces.

In response, foreign partners in the venture and an increasingly powerful group of politicians in Dili contend that an onshore site makes no financial or logistical sense. It is prohibitively expensive for an already cash-strapped nation whose GDP totaled just [\\$1.6 billion](#) last year, as well as being logistically riddled with risk. Also, the onshore project won't create that many jobs for East Timorese, since few possess the skills or experience needed to build or operate a major gas pipeline and processing plant. Instead, they say, it would be far wiser for Dili to simply collect the cash

payments from offshore processing and redistribute it towards improving social services and more basic infrastructure projects for the country's unemployed and poor.

As for nationalism, opponents of onshore processing argue that it's far more patriotic to conserve Timor-Leste's very limited funds for future generations rather than frivol them away on a vanity project that is likely to cripple the country's economy for a generation. Some 90 percent of government revenue comes from oil and gas revenue, mostly from savings that in the past were pumped into a sovereign wealth fund that is now dangerously running short. The decline of oil and gas prices since the beginning of the pandemic hasn't helped either. Additionally, it means Dili doesn't have to go hat in hand to international lenders to raise the funds for the project, nor be burdened by the conditions of other nations.

Most importantly, the onshore Tasi Mane project's loudest cheerleader, Xanana Gusmao – a hero of the independence struggle and one of the country's two political figureheads over the past three decades – and his National Congress for Timorese Reconstruction (CNRT) fell from power earlier this year. Back in January, Gusmao and the CNRT refused to back a national budget proposed by its coalition partners, Prime Minister Taur Matan Ruak and his People's Liberation Party (PLP). The PLP was created by Ruak in 2017, after his time as president, in order to campaign against the wasteful spending plans of the two main political parties, the CNRT and Fretilin, both of which held power at the time as part of a "unity" government. That unity broke apart after 2017, yet part of the CNRT's problem with its new coalition partners earlier this year stemmed from the fact that the PLP controlled the executive despite holding fewer seats than the CNRT. This was because President Lu Olo, a senior figure in the opposition Fretilin party, had refused to accept the CNRT's nominations for ministerial posts.

Failure to pass a national budget also brought down a government in 2018, and after January Ruak looked to be on his way out. The following month, Gusmao said he had

a new six-party coalition with a parliamentary majority ready to form a government, with Gusmao set to become the new PM. However, Gusmao's gambit backfired. Ruak instead clung on and announced his own plan for an alternative coalition government in May, with many of the same parties Gusmao thought had rallied to his side with the addition of Fretilin, the largest party in parliament. This new coalition government was in place in June, leaving Gusmao high and dry.

Now out of office, Gusmao has also [resigned](#) as chief negotiator of the Greater Sunrise gas field. Following him out the door in July was Francisco Monteiro, the CEO of state oil company TimorGap and a Gusmao ally. Monteiro's dismissal most likely came on orders from the new minister for petroleum and mines, Victor Soares, who also fired several leading oil execs and has [publicly questioned](#) the onshore processing ideas, as well as the previous government's decision to buy out oil giants Shell and ConocoPhillips' stakes in the Greater Sunrise project for \$650 million. After firing Monteiro – who in turn derided the new petroleum minister for alleged lack of expertise – TimorGap issued a statement claiming that it had never previously carried out proper feasibility studies for the whole of the Greater Sunrise scheme. Yet it claimed that Monteiro had pursued the project regardless, and “then tried to justify it with flawed economic data and predictions. Somewhat tongue-in-cheek, it added: “even the Chinese government...refused to fund this project because they cannot see the real economic numbers.”

What happens now with the Great Sunrise project awaits to be seen. An awful lot of money has already been wasted through buying out shares of foreign oil giants and building now-redundant infrastructure near the site of the proposed onshore processing plant. Yet, one senses, the new coalition government is opposed to wasting even more money and will provide Ruak with more opportunities to refocus state spending on distributive measures rather than vanity projects, even if the COVID-19 pandemic has prompted massive cuts in government spending. Much, however, depends on how long this coalition government can survive – a logical question since

few have lasted more than a year since 2017, even though it now controls a sizeable majority in parliament. Words like “turmoil” and “chaos” have been tossed around to describe Timor-Leste’s recent political trajectory, and it certainly has a touch of the French Third Republic about it, with a regular coming and going of governments. This has weakened the state’s administrative capacity and its grasp on economic development.

Yet, to mix in some optimism, these transitions of power have been peaceful and constitutional, quite an achievement for a young democracy. Granted, they have also involved a great deal of politicking and deception, as well as odd marriages of convenience between leaders and parties, but that’s what comes when a parliamentary democracy based on proportional representation fails to give any one party a majority at the polls. Timor-Leste has now had more peaceful transfers of power between parties in four years than most Southeast Asian nations have had in their entire histories. Malaysia has only had two since 1963; Singapore has had none.

It is also encouraging that the two-party domination by Fretilin and the CNRT of the 1990s and 2000s has given way to a more diverse array of players. Ruak’s PLP emerged as a political force in 2017, and earlier this year saw the relatively new KHUNTO party play the role of kingmaker when it backed the PLP-Fretilin alliance, despite only holding five seats in parliament. More novel is that KHUNTO is largely a party representing disenfranchised youths and, as one [analyst put it](#) in these pages recently, the “political wing” of the country’s martial-arts groups, many of which were outlawed by Gusmao in 2013 due to their criminal and violent activity. Timor-Leste’s political class, once so restricted to grandees from the independence struggle, is now becoming more diverse – and that may offer some salve to years of unstable governments.



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