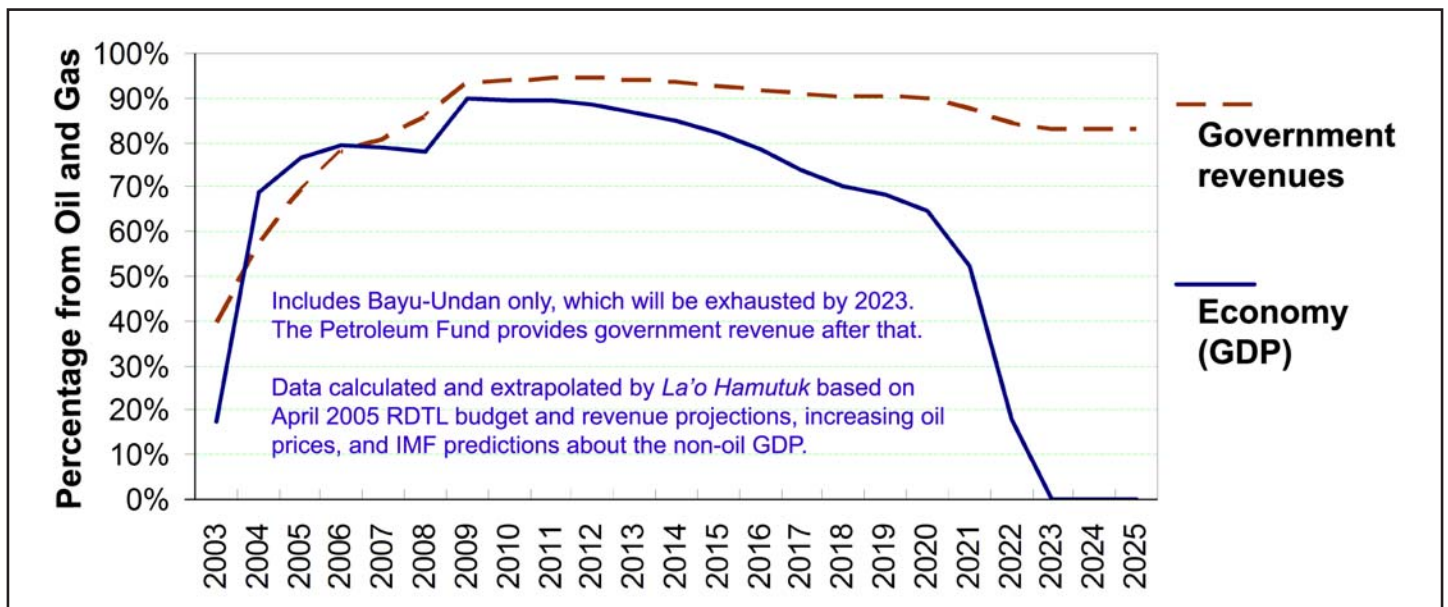


Timor-Leste will be one of the most oil-dependent countries in the world

Five years from now, Timor-Leste will be one of the most oil-dependent nations in the world, with 89% of its economy (GDP) and 94% of its government revenues coming from oil and gas sales. This has serious implications for the future development of our economy and for the lives of our people.

In recent decades, humankind has learned that oil and gas are not the blessing many believed they would be, especially for those who live in countries where the resources are found. In many areas, oil has become a major source for suffering, political crisis, environmental destruction and economic injustice, causing great damage to security – internal and external, local and global, personal and national. Around the world, these effects are at their most destructive in countries where oil and gas is a major part of the economy. When petroleum exports are much greater than other exports and petroleum provides most of the revenues for government activities, a country is petroleum-dependent.



The information in this graph is derived from the RDTL Ministry of Planning and Finance background paper for the Development Partners Meeting in April 2005, combined with July 2005 IMF projections about non-oil economic growth. We have adjusted for predicted oil price increases.¹ (notes on page 4)

The solid line represents Timor-Leste's share of Bayu-Undan production as a percentage of Timor-Leste's total economy (GDP). If Greater Sunrise or other fields are developed, Timor-Leste will be even more petroleum-dependent.

The dashed line represents petroleum revenues (both from petroleum production and from interest on the Pet-

(Continued on page 2)

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	2005	2010	2025	
Population	947,000	1,216,500	1,938,000	Highest natural growth rate in the world today, a fertility rate of eight children per woman.
Petroleum GDP	\$925	\$3,800	0	Only includes the Bayu-Undan field. Other fields could double Timor-Leste's oil revenues and/or extend the period of oil production.
Non-oil GDP	\$349	\$452	\$714?	2025 depends on how well other sectors of the economy are developed. Through 2010 based on IMF projections.
Oil % of exports	99.0%	99.6%	0%	Assumes 5% annual growth in non-oil exports.
Oil % of GDP	73%	89%	0%	This does not include interest from investing surplus oil revenues in the Petroleum Fund, which will become increasingly significant over time, and may help replace oil revenues after the oil runs out.
Oil % of government revenues	65%	94%	79%	Includes Petroleum Fund interest. Not all the revenues will be spent; the surplus is invested abroad.

roleum Fund) as a percentage of government revenues. It assumes that the government will not spend all its revenues each year, but will follow its stated policy of only spending a sustainable amount. Consequently, the government will still depend on petroleum revenues (from the Fund) even after petroleum production has ceased. The oil and gas in Bayu-Undan will be used up by 2023; if other fields, such as Greater Sunrise, are developed shortly they will likely be exhausted by 2050 or sooner.

The main reason Timor-Leste is so petroleum-dependent is not that we have so much oil and gas, but that other sectors of our economy are so small, with little expected growth over the next decade.

At present, there is very little non-oil export activity. In 2004, Timor-Leste exported products worth just \$7 million; almost all of this was coffee. During the same period, the country imported \$113 million worth of goods. Nearly a third of the imports were fossil fuels, and 53% of all imports came from Indonesia.

Above are some basic statistics and projections. All money figures are in millions of United States dollars.

Oil and gas revenues will be the great majority of Timor-Leste's economy and government revenue for a generation, but the deposits will soon be exhausted. Since Bayu-Undan is offshore and downstream (gas liquefaction) processing is done in Australia, hardly any spin-off revenues will enter Timor-Leste, with little secondary economic benefit. Timor-Leste already has seen this phenomenon — the more than \$2 billion spent on Timor-Leste by the UN and aid agencies over the past six years had hardly any lasting economic effect, although it was roughly double the entire non-oil GDP from 2000 to 2003.

In other countries

Very few other countries are as dependent as Timor-Leste on money from oil and gas (see graph on next page). Among those which export at least three-fourths of their crude oil and natural gas (Timor-Leste will export around 99%), only a few countries provide good lives for their people, according to the UNDP Human Development Index (HDI).² Norway, Brunei, Qatar, United Arab Emirates and Kuwait are the only oil-dependent countries in

Oil Prices

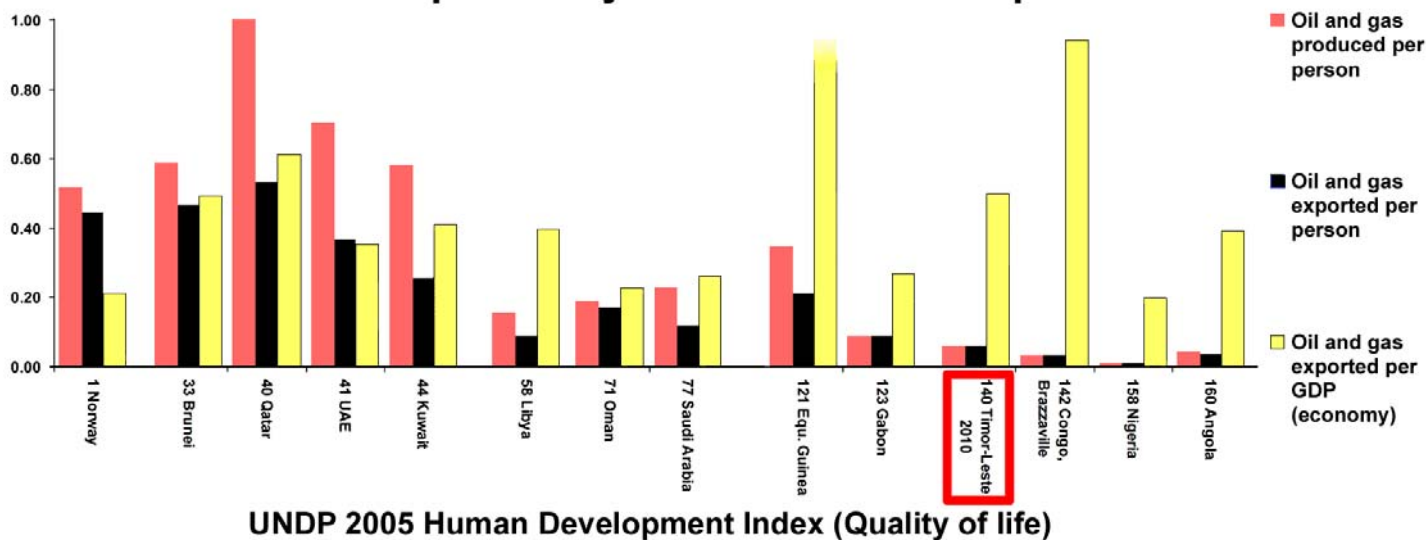
In recent months, car and motorcycle drivers in Timor-Leste, like those around the world, have been hit hard by high oil prices. These get passed on to bemo and taxi riders and others, creating difficulties for many people.

But in reality, high oil prices are good for Timor-Leste. If petrol prices increase from 60c to 80c/liter, this causes an additional expense to the people and Government of Timor-Leste of approximately \$12 million per year, in increased cost of imported fuel. But because Timor-Leste exports much more petroleum (in the form of oil and natural gas) than it imports, this price rise would increase Government revenues in 2005 by nearly \$100 million. The Government has yet to implement a policy to reduce the burden on petroleum consumers by sharing the windfall, but that could be done.

At present, Timor-Leste exports about 24 times as much petroleum as it imports; in five years it will be more than 80 times. Although the majority of the money from petroleum exports goes to the international oil companies, Timor-Leste's government receives about one-fourth, and therefore also benefits when prices are high.

Timor-Leste is creating a petroleum-export economy at a time of very high world oil prices, which could cause unrealistic expectations of future oil revenues. Those in authority must guard against complacency, as prices could decrease significantly. But oil and gas globally are finite resources, and global prices are likely to continue to increase in the long term.

Petroleum Dependency and Human Development



UNDP 2005 Human Development Index (Quality of life)

This graph shows basic information for some of the most oil-dependent countries.³ They are from left to right according to their Human Development Index (HDI),² with those toward the left providing the best lives for their people. The number next to each country's name is the rank, from 1 to 177, of its HDI compared with all other countries.

All petroleum, population and economic data are for 2004 except for Timor-Leste, which is a projection for 2010 when Bayu-Undan will be at peak production. Timor-Leste's 2005 HDI is 140; whether it goes up or down by 2010 depends largely on how wisely the money from petroleum exports is used.

Each country has three bars:

1. The left bar (gray) indicates how much petroleum (oil and gas) the country produced, divided by its population. This indicates the possibility that petroleum revenues could improve people's lives.
2. The second bar (black) indicates how much petroleum was exported for each person. If it is the same height as the first bar, the country exports virtually all of its oil and gas.
3. The right bar (white) indicates the amount of petroleum the country exported, divided by its Gross Domestic Product (GDP). The higher this bar, the more the country's economy depends on exporting oil and gas. Data for Equatorial Guinea are not reliable, hence the uncertainty in its bar, although it is very high.

the top quarter of the HDI, and they each produce more than nine times as much oil and gas, per citizen, as Bayu-Undan will at peak production. Even with Greater Sunrise and other fields, Timor-Leste will not produce even one-fourth as much per citizen annually as these countries.

Most oil-dependent countries suffer the resource curse, where the people are poor and large amounts of oil money has not improved their lives. These include Angola, Nigeria, Republic of Congo (Brazzaville) and Gabon. These countries are all in the lowest third on the HDI, as is Timor-Leste today. Gabon's oil production was formerly much higher, but its reserves are declining.

Oman is the only country which exports nearly all of its unrefined petroleum and is average on the Human Development Index. Other petroleum exporters — Libya and Saudi Arabia — are also near the middle of the HDI scale, but unprocessed oil and gas exports are no longer as dominant in their economies. One newly oil-dependent country, Equatorial Guinea, produces almost as much petroleum as Norway, but endemic corruption keeps its HDI low, in the "cursed" category.

A dangerous road ahead

Timor-Leste cannot be another Brunei or Norway — we simply don't have that much petroleum. But it will take extraordinary efforts to avoid being an Angola or Gabon.

Petroleum dependency is dangerous for several reasons:

1. The worldwide selling price of oil and gas fluctuates wildly, making it difficult to predict or depend on revenues. Many oil-dependent countries start expensive projects when prices are high, and then have to borrow to continue them when prices drop.
2. Petroleum is finite — Timor-Leste's will be used up within two generations. We will be left with inflated expectations and possible environmental devastation. We have no other comparable source of income which can replace petroleum money.
3. The large amounts of money involved, and the profit-driven oil industry, is vulnerable to corruption and theft. The billions of dollars at stake may tempt both international and local institutions and individuals to use bribery, collusion, violence or military force.

4. Petroleum development produces very few jobs compared to agriculture or other industries, so not much wage money enters the local economy. Foreign experts will fill nearly all well-paid jobs.
5. It takes little work by a government or society to receive oil revenues, often causing other sectors of the economy to be ignored.
6. Timor-Leste will rely on oil revenues from only one or two projects and on foreign companies, adding to our vulnerability.

Timor-Leste's petroleum revenues will be managed with a Petroleum Fund, which could reduce the risk from the first two of these problems, as some of the petroleum money will be invested to provide for future generations. But if that money is mismanaged, squandered or stolen, and if other sectors of the country's economy are not developed, Timor-Leste's people will face permanent poverty. Furthermore, there is not even one country similar to Timor-Leste where a Petroleum Fund has helped to avoid the resource curse. This is an experiment, with the results yet to be known.

During the socialization of the Petroleum Fund, many people, especially in the districts, received little information. People are concerned about how the Fund will be managed, and fear a continuation of the patterns of secrecy, corruption and arbitrary decisions established during the Indonesian occupation. Other oil-producing countries have had experiences with poor planning, corruption, collusion and nepotism, which could be repeated in Timor-Leste.

Our population is expected to double in the next 20 years, greatly increasing the cost of education, health care and other government services. The Government's policy for managing the Petroleum Fund expects to withdraw the same amount each year, and does not consider the growing population.

Timor-Leste's economy and government will be dominated and dependent on oil revenues for the foreseeable future. It will be extremely difficult to manage this situation for the lasting benefit of the people of Timor-Leste, and there are no good examples to follow. If Timor-Leste is to overcome these nearly impossible odds, it will require a struggle as patient, focused and determined as the one which achieved Timor-Leste's independence. ❖

Notes

1 Oil revenue projections in this article are based on New York Mercantile Exchange (NYMEX) futures. At the end of September 2005, NYMEX expected crude oil prices to remain above \$60/barrel until 2011 or later. NYMEX is a commercial market where speculators gamble on what oil prices will be for the next several years. Its prices are based on investors' bets, rather than on historical or scientific analysis. The RDTL Government also uses NYMEX prices for projections, although they reduce the price by \$5 to be conservative. We have not made such a reduction, in order to be more realistic.

2 The United Nations Development Program (UNDP) calculates the human development index (HDI) for every country, ranking them from 1 (best) to 177. It measures three basic dimensions of human development: a long and healthy life (life expectancy at birth), knowledge (adult literacy and school enrolment), and standard of living (GDP per capita in purchasing power parity). The 2005 UNDP HDI is derived from data for 2003.

3 Sources for graph: Population and GDP from CIA World Factbook 2005 (data for 2004).

Petroleum production and exports from the British Petroleum World Energy Review, 2005 (data for 2004).

Human Development Index from UNDP Human Development Report, 2005 (see note 2).

Timor Leste petroleum and economic data projected to 2010 from RDTL Government and IMF data; population projections from 2004 UN World Population Report.

For more information

La'ó Hamutuk's updated *OilWeb* CD-ROM contains extensive additional information and background material on petroleum dependency, Timor-Leste's petroleum resources, and the sordid history of Indonesia's and Australia's attempts to steal Timor-Leste's oil and gas. It also includes reports from a variety of sources about the effects of petroleum development in other countries.

The new edition includes texts and commentary on Timor-Leste's Petroleum Fund and Petroleum Regime, as well as financial and technical information about East Timor's petroleum finances and projects.

Copies are available from our office and international distributors: \$2 for campaigners, \$50 for institutions.

Listen to La'ó Hamutuk's "Iguabilidade" Radio Program

Interviews and commentary on the issues we investigate -- and more!

In Tetum and Bahasa Indonesia

Every Sunday at 1:00 pm on Radio Timor Leste

Timor-Leste Establishes Leaky Petroleum Regime

In July, Timor-Leste's Government and Parliament approved several laws and documents that regulate how oil and gas development will be conducted in this country. Together, they are called a "petroleum regime," and they spell out the relationship between Timor-Leste and oil companies which will come to extract our oil and gas and sell it.

This regime is extremely important for the future of our nation — both to ensure that our people receive a fair share of the money from selling our resources (see article on Petroleum Dependency on first page) and to protect our human rights, environment, and communities from possible mistakes, carelessness or greed by foreign oil companies or our own public officials.

Article 139 of the Constitution of Timor-Leste declares that undersea and underground resources belong to the State of Timor-Leste, not to a particular Government at a

particular time. Our current leadership will not be here forever, and Timor-Leste needs to protect itself from abuse by ill-intentioned, corrupt institutions and individuals who will be enticed by the tens of billions of dollars available from our resources.

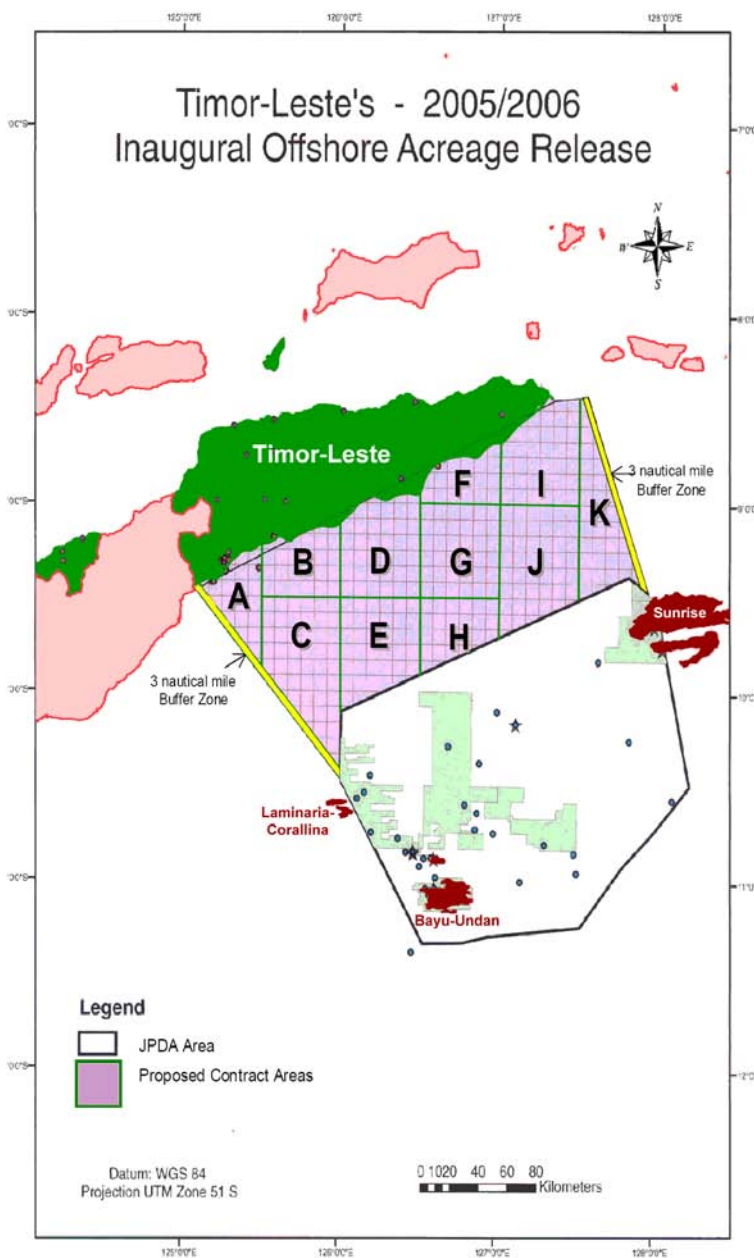
There are actually two petroleum regimes: one for Timor-Leste's land and sea territory, and another for the Joint Petroleum Development Area (JPDA) defined by the 2002 Timor Sea Treaty between Timor-Leste and Australia, as shown on the map on this page. Each regime includes a Petroleum Act (law) and a model Production-Sharing Contract (PSC) which will be signed between each company and our Government. The RDTL regime also includes a Taxation Law which defines how the money from selling Timor-Leste's petroleum will be divided between the company and the Government of Timor-Leste. None of these laws apply to projects which have already been started, such as Bayu-Undan and Elang-Kakatua. If Greater Sunrise is developed by Woodside under the contract signed in 2002, the new petroleum regime will not apply to that field either, but if another company were to start the project (no development plan has been approved), it would be under the new regime.

Timor-Leste also recently enacted a Petroleum Fund Act, which defines how the government will manage revenues it receives from petroleum. This article does not discuss the Petroleum Fund Act, which spells out what our government will do. Instead, we will focus on the "regime" which applies to the companies which come here to profit from our natural resources.

During 2004, the Government of Timor-Leste worked with international advisers to draft the petroleum regime, and then held a three-day public consultation. They also asked for written comments, and received submissions from three local NGOs and one international NGO, three oil companies, President Xanana Gusmão, and the World Bank. *La'o Hamutuk* submitted a detailed analysis, nearly 100 pages long.

The proposed laws were amended slightly, approved by the Council of Ministers in December 2004 and by Parliament in July 2005. They have been promulgated by the President and are now in force. The Timor-Leste government is promoting new offshore areas for exploration by international oil companies, labeled A-K on the map at left. Bids will be accepted early in 2006, with contracts signed in the middle of the year. This bidding round is being jointly conducted by the Timor Sea Designated Authority (for unlicensed areas within the Joint Petroleum Development Area) and by the Oil, Gas and Energy Directorate (OGED) of the Government of Timor-Leste.

The World Bank celebrates Timor-Leste's regime as a "state of the art legal framework" that "by all observers is one of the best petroleum management systems around." *La'o Hamutuk* has found that Timor-Leste's petroleum regime is filled with dangerous loopholes, omissions, conflicts of interest and other fundamental problems. If the World Bank is right that Timor-Leste's regime is "consid-



This map shows the areas (A-K) in Timor-Leste's undisputed maritime territory being offered to international oil companies for exploration. It and other diagrams in this article are from the presentation the RDTL Government is making to the companies.

ered a model to watch,” that only shows how difficult it has been for other countries to manage petroleum development for the benefit of their citizens.

During the legislative process, *La’o Hamutuk* and others identified a number of important areas where the legislation has major problems. Although some minor improvements were made, many serious flaws remain.

The RDTL Petroleum Act and Model PSC contain 960 clauses. Only 16% of the 243 changes suggested by NGOs and the World Bank were fully or partially implemented in the law; 84% were rejected. Suggestions from oil companies were more welcome; changes in the tax structure could net them hundreds of millions of dollars.

The only major positive change was adding the option of Timor-Leste forming a national (government-owned) petroleum company which could own as much as 20% of any oil and gas project in Timor-Leste (Article 22 of the Petroleum Act).

Unlike a national oil company, private sector (commercial) oil companies exist only to make money for their investors. From the stockholders’ perspective, the amount of profit the company makes is all that matters, and company management must maximize profits, which often means cutting corners or inflicting risks on others. International oil companies are huge institutions making huge profits, and Timor-Leste is a small fraction of their operations. For example, Conoco-Phillips’ reserves worldwide are thirteen times larger than their share of Bayu-Undan.

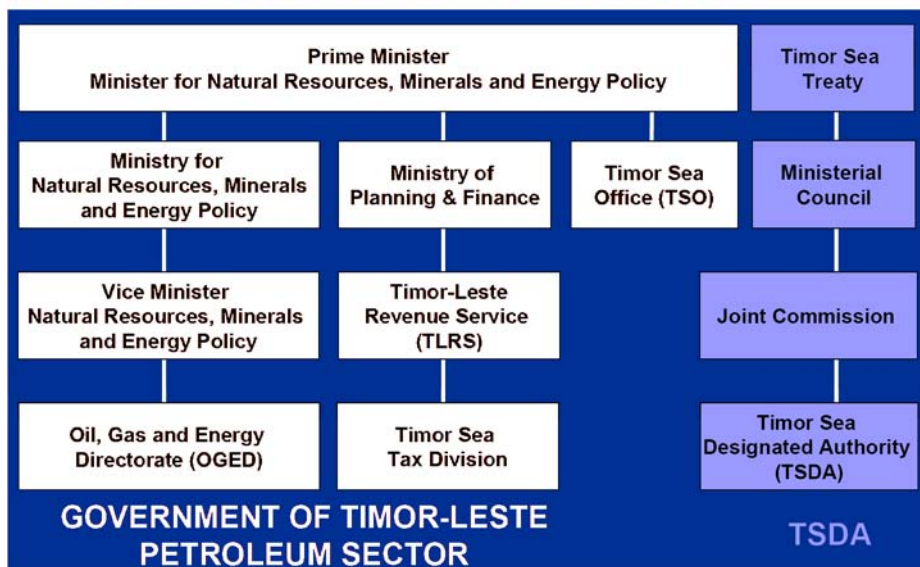
The only time a company will consider other factors is when laws and contracts from the Timor-Leste government require it to. If we want the companies to protect our economic interests, not to damage our environment, to respect local communities, to tell us what they plan to do, to listen to our wishes, to conserve our resources, to employ Timorese workers, or simply not to endanger our lives, we need to write it into the petroleum regime.

This legislation was drafted by international advisors with long experience within or regulating the petroleum industry. However, the consequences for most people in developing countries from this industry have been overwhelmingly negative. It will require new approaches, and extraordinary care, to prevent Timor-Leste from suffering the “resource curse” that afflicts virtually all oil-dependent countries which were not rich before they extracted petroleum from under their territory.

Transparency

Transparency is a necessary practical requirement to ensure that petroleum development benefits the people of Timor-Leste, rather than making money for a small number of unscrupulous politicians or foreign oil companies. If oil and gas development is to help our people, the people must have full access to information.

Current Management for Timor-Leste’s Petroleum Sector



A good petroleum regime would start from the presumption of transparency, and might list specific, narrow exceptions to protect companies’ technical secrets. Timor-Leste’s petroleum regime is the opposite — requiring public release for a small amount of information, and prohibiting the release of anything else.

The draft legislation had a Public Register of documents which would be available to the public, but the final law replaced this mechanism. It only requires the Petroleum Ministry to make public “summary details” of some important documents, including approved project Development Plans (Petroleum Act Article 30.1(b)). Summarizing provides an opening for censorship, and there is no guarantee that complete or accurate information will be available.

It is particularly worrisome that information about activities which could directly impact the people of Timor-Leste, such as environmental impact assessments, health and safety plans, accident and risk reports, and decommissioning plans will not be made public.

Although Timor-Leste’s Prime Minister says his Government subscribes to the Extractive Industries Transparency Initiative (EITI), the petroleum laws prohibit companies from voluntary transparency (Model PSC 15.2(e), 15.6(b)). EITI encourages companies to release information about their petroleum operations, especially payments to governments. Under Timor-Leste’s laws, companies cannot make information public without permission from the Government. In fact, the Government itself is prohibited from making information public except what is specifically required by law (Model PSC 15.6(a)).

Corporate Accountability

An emerging international consensus recognizes that transnational corporations frequently violate economic justice as well as environmental and human rights. Governments and international agencies have developed conventions and networks to deal with this problem. As a new

country with new laws, we should learn from others' experiences and take advantage of their good work.

Timor-Leste's Petroleum Act prohibits companies with "a record of non-compliance with principles of good corporate citizenship" from conducting petroleum operations here (article 10.2(b)). Although this is a nice idea, it is unenforceable without a definition of "good corporate citizenship." We hope that implementing regulations will be more specific so that, for example, companies involved in forced labor in Burma, destruction of local communities in Nigeria, fraudulent financial reports in Alaska, or environmental devastation in Ecuador would not be allowed to come to Timor-Leste.

In many countries, on-shore petroleum facilities have an unfriendly relationship with the local community. To protect their investment, contractors use barbed-wire fences and employ armed guards, and sometimes hire local police and military officers, often leading to violent clashes, injuries or even killings. Unfortunately, Timor-Leste's laws do not address this problem, and do not encourage or require companies to respect human rights. *La'ó Hamutuk* is disappointed that Timor-Leste's regime does not include the "Voluntary Principles on Security and Human Rights" adopted in 2000 by the U.S. and British governments and endorsed by several oil companies, including ConocoPhillips and Shell.

The draft of the Petroleum Act circulated for public consultation required companies to ensure that their employees comply with the law, and held managers responsible for crimes committed with their consent, connivance or neglect. Unfortunately, that article was removed from the final version of the law.

Penalties under the Petroleum Act are far too small to compel companies to comply with the law. Even the most serious violation of the law (article 35.1(b)), "malicious" conduct that "endangers the life of a person" or "gravely endangers the environment," has a maximum fine of two million dollars (article 41.1). That is worth less than five hours of Bayu-Undan petroleum production.

Democracy

Timor-Leste's regime is extremely favorable to industry, providing a very simple and centralized process for approvals and regulation through one ministry and almost no restrictions on company activities within Timor-Leste. However, laws of other nearby countries, including Indonesia's 2001 Petroleum Act, include checks and balances in the approval and dispute resolution processes. Similar provisions in Timor-Leste's law could help ensure that protections in the law are enforced.

The Petroleum Regime places tremendous authority in the Petroleum Ministry, with no oversight or participation from other ministries. This Ministry's assignment is to conduct petroleum projects quickly and profitably. But under the Petroleum Act, the same Ministry is responsible for approving environmental proposals, decommissioning, cleanup, and what little protection there is for human rights. This is a built-in conflict of interest, since the Ministry will be reluctant to slow petroleum development, and pro-

tecting our nation will get lower priority. The Ministry evaluates and approves contracts with oil companies, supervises the companies, and is also in charge of resolving disputes. Most of its decisions cannot be reviewed by or appealed to other authorities, and many are not even required to be made public.

One of the most dangerous loopholes in the law allows the Government to sign contracts with companies without a public invitation and open bidding process (article 13.1(b)). Although officials say this is only for small projects, nothing in the law limits its application. This is an open invitation to corruption, collusion and nepotism, and the limited transparency provisions in the law are not enough to protect Timor-Leste's rights.

Another dangerous section empowers the Petroleum Ministry to allow a company to violate any provision of its contract (article 21). Since such actions of the Minister are not publicly announced and cannot be appealed, this invites corruption. If the rule of law is to apply in our democracy, officeholders must not be able to permit people to ignore laws and contracts with impunity.

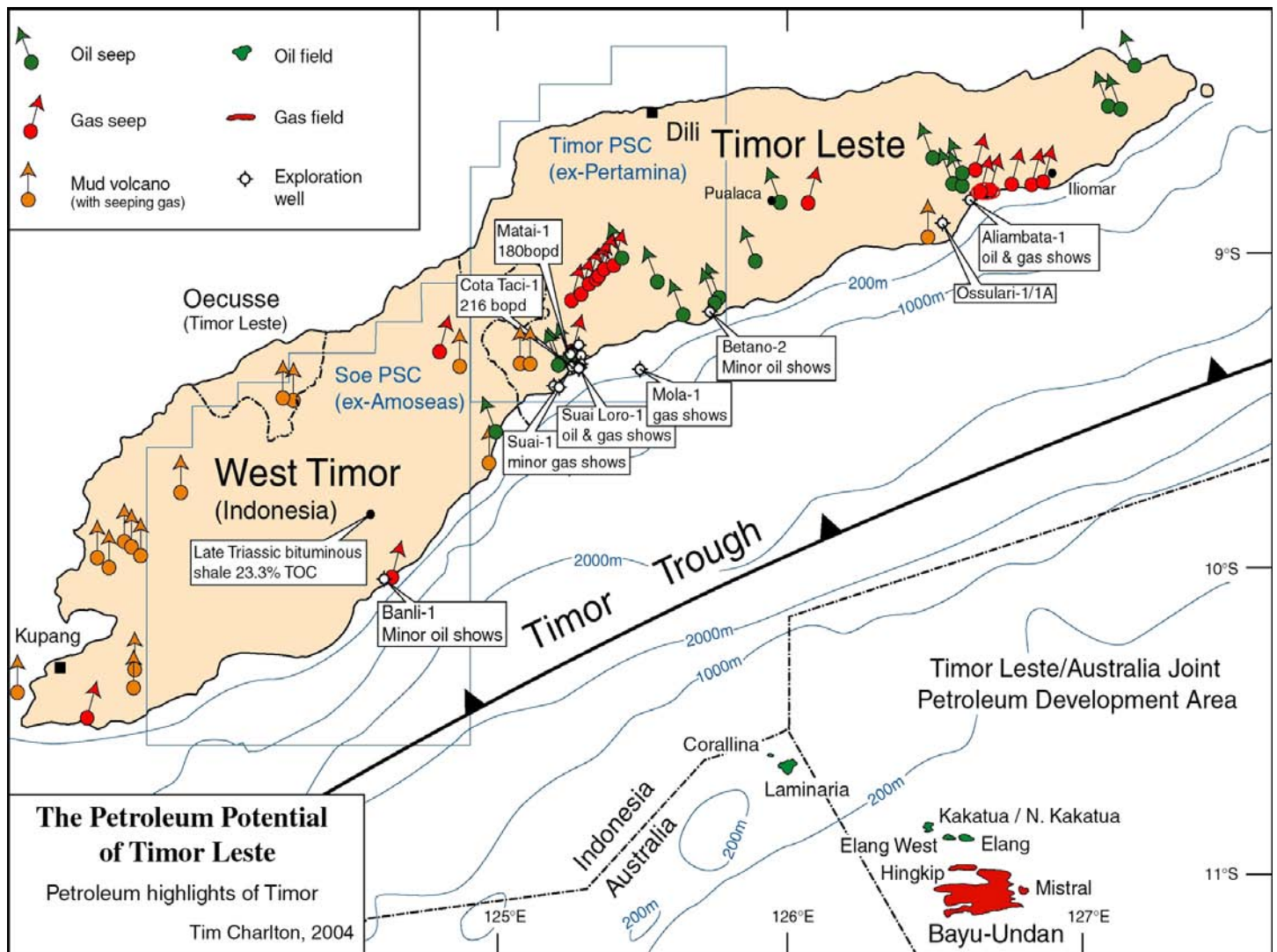
In other countries, oil companies often bribe public officials to maximize their company's profits. Dozens of European oil company executives have been sent to prison for corrupt practices in Africa. Timor-Leste's petroleum regime seems designed to invite bribery. One person has complete authority to grant favors, speed up projects, and allow companies to break laws and contracts. A greedy company looking to avoid its legal responsibilities would have to pay off only one person. (*La'ó Hamutuk* does not believe that Timor-Leste's current Minister of Petroleum, Mari Alkatiri, has or would accept bribes. What we are saying is that these laws make it easy for anyone in that position to do so and deliver whatever the companies desire.)

Timor-Leste has not yet developed strong mechanisms for public consultation, community input and public oversight. Rather, we have inherited secretive, centralized processes from Portugal, Indonesia and UNTAET. The petroleum regime continues this pattern.

Public hearings should be required for key decisions which affect local communities, providing an opportunity for the people most directly affected to be heard. Instead, the Act allows the Petroleum Ministry to "give opportunity to Persons likely to be affected (by petroleum projects) to make representations to it, and shall give consideration to the relevant representations received by it." (article 6.2) Since the Ministry is mandated to develop petroleum, representations which suggest that a project be done more cautiously or not at all could be "irrelevant" and are likely to be ignored.

Local community involvement

To date, Timor-Leste's recent oil development has all been at sea, out of sight and far from people's homes and farms. This will probably change in coming years, as wells, processing factories and other petroleum facilities are constructed on land. The map on the next page shows some possible locations, in addition to a potential gas liquefaction factory on the south coast.



Petroleum facilities in other countries often have a hostile relationship with their neighbors, resulting in conflict, militarization, environmental destruction and human rights abuses. In our own region, prolonged wars in Aceh, West Papua and Bougainville have resulted where communities have felt that development was pursued without appropriate local compensation and consultation. Oil facilities become fortresses surrounded by repression.

The best way to avoid this unacceptable situation is for each community to feel secure about projects in their vicinity, and to feel ownership of and pride in each project. The company, the government and the community should jointly take responsibility for decisions which affect them. This requires not only fully informed consent in advance, but also sharing of the project's benefits. It relates to the facility itself and to nearby access rights or potentially affected areas.

Benefits to the community can include cash payments or services from the national government (such as schools or health clinics), or help in economic development of the community. In addition to the few jobs from construction and operation of petroleum projects, attention should be given to other development which can continue to expand after the petroleum project is over. In many countries distracted by petroleum revenues, government policies have neglected sectors like agriculture, renewable energy or fishing. We urge Timor-Leste not to make this mistake at the local or national

level (see petroleum dependency, page 1).

The community and human rights of people affected by petroleum operations are not mentioned in Timor-Leste's regime. These rights, as well as environmentally sensitive, sacred and tribal lands, are protected by other nations. Indonesia's petroleum law, for example, has a local approval requirement which allows people most likely to be affected by petroleum projects to share in the decision-making.

Socialization and consent must involve not only private and public landowners, but also local traditional, sectoral and government leaders, as well as the community as a whole. Genuine prior informed consent requires extensive public education and socialization about possible consequences and options, especially for people who have never seen even a photo of a poisoned river, pipeline break, tanker spill, oil fire or natural gas explosion.

Both local and national government must be involved to ensure that the rights of landowners and the community are respected, as the State has a responsibility to protect people and local communities. To ensure this, this task should not be assigned to the Petroleum Ministry, but to another branch of national government which is not directed to promote petroleum development to the possible damage of local rights and lifestyles.

The draft of the Petroleum Act circulated for public consultation allowed private landowners to reject petroleum facilities on their land. In the final law, the owner of the

land has no choice; he or she must turn over any land desired by petroleum companies in return for what the Petroleum Ministry decides is “fair and reasonable compensation.” (article 17.1(a)(iii))

In too many places around the world, the consequences of relocation have been devastating to those involved, far worse than whatever benefits the project provides. If petroleum development will move people from their homes, farms or fishing areas, an emerging international view is that those relocated should be better off after their relocation, and that relocation should be prohibited for sacred lands. People who are told to move should be able to reject or accept the decision, and to decide where they will be moved to. Timor-Leste’s petroleum regime contains no safeguards, protections or requirement for compensation.

Health, Safety and Environment

Sadly, people all over the world have seen petroleum development wreak havoc on the natural environment, not only destroying habitat, wildlife, forests and waters, but also causing starvation and illness, as people are unable to farm their fields or fish their rivers and seas. Many have been poisoned by chemicals or petroleum, or burned in fires and explosions; many have been forced to abandon homes and land where their families have lived for generations. Special habitats, endangered species and nature preserves are often destroyed.

Safety and environment are not mentioned in the preamble to Timor-Leste’s Petroleum Act, and the protection given to them is extremely limited. Companies applying for contracts have to include proposals for “securing the health, safety and welfare of persons involved in or affected by the Petroleum Operations” and “protecting the environment, preventing, minimising and remedying pollution, and other environmental harm from the Petroleum Operations.” (article 13.3(a)) There is no requirement that these proposals be evaluated, made public or even implemented, and there is no review of them by anyone outside the Petroleum Ministry.

Timor-Leste’s regime requires companies to follow “Good Oil Field Practice,” defined as “practices and procedures employed in the petroleum industry worldwide by prudent and diligent operators” in similar circumstances, with the goals of conserving petroleum resources, operational safety and environmental protection (article 23.1). The record of the industry around the world has been discouraging — our laws should require best practices, not average ones. Furthermore, this requirement is unenforceably vague. It should be made more specific by regulation. The Model PSC requires companies to reduce safety and environmental risks to “as low as reasonably practical” (PSC 5.3(a)), but that is not good enough when lives are at stake, and should be to a specific international standard or at least “as low as reasonably achievable.”

A regime which protected Timor-Leste would require that an independent Environmental Impact Assessment (EIA) be conducted prior to beginning any petroleum project. That assessment would be made public, and people

would be given the opportunity to provide additional information and to express their concerns. An independent body (separate from agencies responsible for petroleum, economic development, or industry) would evaluate the EIA and public comment and decide if the proposed project was worth the damage and risks, or if additional measures were needed to safeguard the environment. If the company, the Ministry or civil society felt the decision was incorrect, they would be able to appeal to the judicial system.

A similar EIA and review process should be held prior to approval of a plan for decommissioning to ensure that after the project is finished, the environment and land will be restored to a safe and hopefully usable condition.

Unfortunately, Timor-Leste’s petroleum regime contains no such processes. We have to trust the Minister to make the right decision, although his priorities will be elsewhere and we will not know what the companies have proposed, or if they follow through on their promises.

Conclusion

In 2006, Timor-Leste’s plans are still primarily for off-shore development, where some of these concerns are less worrisome. Some small-scale on-shore projects may be started soon, and larger on-shore exploration could be only a year away. Over the next year, the Government will develop the regulations and mechanisms to implement the seriously inadequate provisions of the petroleum regime. We hope they will do better, but we are not optimistic.

Large petroleum projects take many years to develop, involving commitments of two or more generations. Contracts and development plans approved at the beginning of the project will last for decades, even if Timor-Leste later improves its petroleum laws. After a project is started, it is very difficult to correct mistakes or oversights. Once an environment or community is destroyed, it cannot be recreated.

But even so, petroleum development is a temporary phase of Timor-Leste’s history, and our known gas and oil reserves will be used up within the lifetimes of many people alive today. In addition to protecting ourselves against corruption or destruction from petroleum development, we must begin to wean our economy away from petroleum revenues.

We strongly urge Timor-Leste to undertake a major long-term planning process, involving the public and others, on how to develop non-petroleum sectors of Timor-Leste’s economy over the next half-century. The National Development Plan prepared in 2002 looked only 18 years ahead to 2020, when our largest petroleum reserves, Bayu-Undan and Greater Sunrise, will still be producing. Thirty years after that, Timor-Leste may have no petroleum resources.

If we have not developed other sectors of our economy, we will be condemned to perpetual poverty and dependence on imported energy. In rich countries, oil companies and oil consumers will have benefited from our resources, but their rightful owners, the people of Timor-Leste, may only have suffered. ❖



La'o Hamutuk staff and board at the conclusion of our three-day Strategic Planning meeting in October 2005.

Left to right: Back row: Maria Afonso de Jesus, Bella Galhos, Inês Martins, Yasinta Lujina, Guteriano Nicolau.

Front row: Alex Grainger, board member Adérito de Jesus Soares, Santina Soares.

Who is La'o Hamutuk?

La'o Hamutuk staff: Maria Afonso de Jesus, Bella Galhos, Alex Grainger, Yasinta Lujina, Inês Martins, Guteriano Nicolau, Charles Scheiner, Santina Soares

Translation for this *Bulletin*: Nino Sari, Kylie

Executive board: Joseph Nevins, Nuno Rodrigues, Pamela Sexton, Adérito de Jesus Soares

Solidarity Action for Burma

On 14 October 2005, several NGOs and university students joined in solidarity with the Timor-Leste NGO Forum (FONGTIL), Timor-Leste Coalition with Asia-Pacific (TILCAP) and Timor-Leste Oilwatch network affiliate (*La'o Hamutuk*) in front of the South Korean Embassy in Dili. The action was part of an international day of action for the people of Burma, against the Shwe Gas Project. About 25 participants came to express their solidarity with the people of Burma in their struggle for democracy and human rights.

The Shwe Gas project in Burma is a major cooperation between the military dictatorship of Burma (Myanmar), the Korean company Daewoo International, the Korea Gas Company, and the government of Korea. The project has violated human rights including confiscating land from people, using military force to move the population, forced labor, torturing, killing and sexual violations of people in Arakan State, Burma.

On behalf of the demonstrators, NGO Forum Executive Director Maria Angelina Sarmento presented the letter on the next page to a Korean embassy representative (photo).

The protesters asked the government of Korea and Daewoo International to stop the Shwe Gas Project and to end military actions against the rights of the people of Burma.



Forum Solidaridade Timor-Leste ba Povu Burma

Timor-Leste Forum in Solidarity with the People of Burma

Contact: FONGTIL; +670-7240107, TILCAP +670-7278653

14 October 2005

His Excellency Mr. Jin Kyu Ryoo
Embassy of the Republic of Korea
Avenida de Portugal, Motael, Dili, Timor-Leste

Dear Excellency,

On behalf of the undersigned Timor-Leste nongovernmental organizations, who include members of the Timor-Leste NGO Forum (FONGTIL), Timor-Leste in Coalition with Asia-Pacific (TILCAP), and the Oilwatch Network, we are writing to express our concern for people affected by the Shwe Gas Project in Burma. This project supports the brutal military dictatorship in Burma and inflicts numerous human rights violations on local people.

The Korean Government, Korea Gas Company and Daewoo International Corporation are all deeply involved in this project. We urge you to use your influence with these powerful institutions to ask them to immediately end their participation.

Today, we join the global outcry against this devastating gas project by participating in the call by the people of Arakan state, Burma, for an International Day of Action against the Shwe gas project. We are here to express our solidarity with the struggle for democracy and human rights by the people of Burma. When Timor-Leste struggled against the Indonesian occupation of our country, people around the world — including in Korea — stood in solidarity with us and helped us attain our freedom.

The Shwe Gas project may be the single largest source of revenue for the military dictatorship which oppresses the people of Burma. By participating in this project, Korea facilitates that repression. We urge you to stop your complicity with this brutal regime.

Recent oil and gas projects in Burma are carried out with widespread violations of human rights, including confiscation of land, uprooting of communities, forced labor and violence, including torture, murder and rape. The Shwe project is no exception. We do not believe that the Government of Korea, Korea Gas Corporation or Daewoo International want to make money that is contaminated with blood from these crimes, and we urge you to end your involvement.

Over the last twenty years, Korea and Timor-Leste have both emerged from military dictatorships to become peaceful democracies. Your people and ours know well the necessity to struggle to attain and protect human rights, and the importance of international solidarity in that struggle. But during the same period, the military dictatorship in Burma has tightened its grip and increased the oppression of its people.

Timor-Leste, Korea and Burma have something else in common: our countries have leaders who have received the Nobel Peace Prize. One has been President of the Republic of Korea, another is Timor-Leste's Minister for Foreign Affairs. But the military dictatorship has kept Aung San Suu Kyi under house arrest and repressed her supporters for decades, even though Burma's voters elected her President.

Therefore, we urge the Government of the Republic of Korea and Daewoo International to stop their economic and political support for the Myanmar dictatorship by terminating their involvement in the Shwe Gas project.

Thank you for your concern, and we look forward to your response.

Sincerely,

Signed by representatives of the following Non-Governmental and Student Organizations:

Asosiasaun HAK	Liga Foinsa ba Liberta Povo (LISFLIPO)
Bibi Bulak	Movimento Juventude Estudante Lautem
CPD-RDTL	(MUJEDTIMO)
Fokupers	Pergerakan Solidaritas Mahasiswa TL (PSMTL)
Forum Communication University	Radio Rakambia
Forum University of TL (FUTL)	Rede Feto
Grupo Feto Foinsa TL (GFFTL)	Sekolah Tinggi Ilmu Hukum
Ikatan Mahasiswa Bobonaro (Kesdib)	Senat ARI
Ikatan Mahasiswa Viqueque (QUISFIK)	Senat Malear
Instituto Sahe ba Libertasaun (SIL)	Senate UNDIL
Judicial System Monitoring Programme (JSMP)	Senate UNTL
Kdadalak Sulimutuk Institute (KSI)	Uniaun Estudante Distrito Ainaro
La'o Hamutuk	Unidade Universitariu Lautem (UNILAU)
Labor Advocacy Institute for East Timor (LAIFET)	

Victims' Families Visit Indonesia

The Timor-Leste National Alliance for an International Tribunal is a coalition of several NGOs and individuals working with victims of crimes against humanity committed in Timor-Leste during 1999 to campaign for justice and an international tribunal for the perpetrators of these crimes. The Alliance has a national and international action campaign to critique the inadequate processes of the Indonesian ad hoc courts, the UN/Timor-Leste Special Panels for Serious Crimes (see *La' o Hamutuk Bulletin* Vol. 5, No. 3-4, October 2004), the Timor-Leste Commission for Truth, Reception and Reconciliation (CAVR, see *La' o Hamutuk Bulletin* Vol. 4, No. 5, November 2003), and the bi-national Truth and Friendship Commission (CVA, see *La' o Hamutuk Bulletin* Vol. 6, No. 3, August 2005). The Alliance believes that an international tribunal is the only effective way to achieve justice for the victims and accountability for those whom committed crimes against humanity.

Accomplishing the Alliance's mission will take a lot of effort and a lot of time. But Timor-Leste's Constitution (Article 160) clearly states the principle that all perpetrators of crimes against humanity must be held accountable. So far the Timor-Leste government hesitates to act on that principle, but pursues what it sees as its own and Indonesia's national interest. However, the Alliance does not accept the government position, and sees international political factors and technical difficulties as barriers to be overcome. Their struggle is based on a principle as important as the 24-year struggle for an independent Timor-Leste.

The Alliance recently conducted an exchange visit for families of victims from both Timor-Leste and Indonesia, meeting together in Jakarta at the end of August. The Alliance sent five people to Jakarta, including representatives from Asosiasaun HAK and *La' o Hamutuk*, and relatives of people killed in 1999 in the Liquisa Church, in Dili and in Maliana. The Indonesian victims included those in mass killings in 1945, 1965, Trisakti University (1998) and Semangi I & II (1998). The victims also discussed the establishment of the Truth and Friendship Commission by the two governments.

The exchange was organized by the National Commission for Missing Persons (KONTRAS) in Indonesia and Asosiasaun HAK in Timor-Leste, hoping to establish a strong network among NGOs with similar goals. The Canadian Catholic agency Development and Peace provided funding.

In addition to exchanging information, the meeting hoped to:

- √ Strengthen friendship between victims
- √ Plan strategy for the future
- √ Increase the spirit of solidarity in their work for justice, and an international tribunal
- √ Increase awareness in both countries on the importance of opposing impunity.

In Jakarta, the Alliance delegation met with members of KOMNAS HAM, KOMNAS Perempuan, Elsam, Konferensi Wali Gereja Indonesia (KWI). The team also attended a court hearing on the 2004 murder of human rights activist Munir (see *La' o Hamutuk Bulletin* Vol. 5, No. 3-4, October 2004), and met with diplomats from the United States, Switzerland, the United Kingdom, Australia and the European Union.

The diplomats asked the team to express their views on the violence in 1999. Victims from both countries strongly emphasized the need for an international tribunal in order to reach a fair process of justice. The team also shared their views on the Commission for Truth and Friendship. Indonesian representatives stated that they wanted to establish an Indonesian Reconciliation Commission, to complement their support for an international tribunal to try those who committed crimes against humanity in Timor-Leste. In the closing session, Timor-Leste representatives restated their goal to continue to work for justice for the victims in Timor-Leste.

On 1 September, the Alliance met with members of KWI, including Bishop Mgr. Thuram, who is a member of the CVA. KWI suggested that victims from Timor Leste send him a letter on the situation in Timor-Leste in 1999. Both Indonesia and Timor-Leste victims have expressed their disappointment in the establishment of the commission by both governments. KOMNAS HAM stated that the CVA has no legitimacy and cannot resolve issues of justice for victims of either countries.

Overall, victims from the two countries have similar views and similar goals. Both believe that the CVA has no legitimacy and will not be the channel for the people to accomplish justice. For the future, they decided to create a Joint Alliance of victims from both countries, increase solidarity in actions, and set up workshops to create joint strategies.

In conclusion, we learned that exchanging information and networking with NGOs are crucial to implementing goals. Indonesian victims strongly support Timor-Leste people's efforts for an international tribunal. They said that this process will help bring changes to Indonesia in their effort to realize democracy, an example of solidarity in the struggles of both countries' peoples. ❖

“Practically Feasible” Justice for Timor-Leste

On 17 October 2005, the Special Representative of the United Nations Secretary-General for Timor-Leste invited four local NGOs to discuss justice. Mr. Hasegawa was gathering information in response to a recent letter from the UN Security Council President asking the Secretary-General to recommend “practically feasible approaches” to justice in light of the report of the Commission of Experts and the views of Timor-Leste and Indonesia governments. The SRSR asked each organization to write listing our main concerns, which he would forward to New York. *La'o Hamutuk* wrote as follows:

La'o Hamutuk

East Timor Institute for Reconstruction Monitoring and Analysis

P.O. Box 340, Dili, Timor Leste

Tel: +670-3325013 or +670-7234330

email: info@laohamutuk.org

website: www.laohamutuk.org



20 October 2005

Mr. Sukehiro Hasegawa
Special Representative of the UN Secretary-General
Obrigado Barracks, Dili, Timor-Leste

Dear Mr. Hasegawa:

Thank you for taking the time last Tuesday to listen to our concerns about justice for crimes committed in Timor-Leste. As you requested, here are the most important points La'o Hamutuk believes the Secretariat should consider.

- 1) Justice for crimes against humanity committed in Timor-Leste during the Indonesian occupation and immediately after the referendum remains an unfilled responsibility of the international community, and cannot be shifted to the governments of Timor-Leste and Indonesia, who have repeatedly shown that they cannot implement a “practically feasible approach” to this legal obligation.
- 2) The binational Truth and Friendship Commission has no relation to justice and should not be an excuse or a diversion from judicial processes. The UN should not legitimize this political body by participating in any way. Furthermore, confidentiality of witness testimony and evidence that was given to UN or SCU investigators and to the CAVR must be protected.
- 3) Although SCU files should be preserved and safeguarded for possible future justice processes, continuing SCU investigation at this time is worthwhile only if the international community is willing to bring political, diplomatic and/or economic pressure on Indonesia to ensure that alleged perpetrators given sanctuary in that country can be brought to trial. As requested by many Indonesian people, such pressure would hasten the democratic process in Indonesia and, in the long term, improve Indonesia's relationships with Timor-Leste and other states.
- 4) Victims and their families have made painful efforts to provide evidence and testimony to international investigators. The responsibility now falls on the United Nations to respect their sacrifices and ensure that justice is done.
- 5) Compensation of victims would be appropriate, but it should come from the perpetrators — individual criminals and the Indonesian government — and should be accompanied by genuine admissions of wrongdoing. Hush money from international donors is no substitute for justice.
- 6) These were crimes against humanity, although the people of Timor-Leste suffered most. The international community must not wash its hands in the name of “practicality.”
- 7) The UN Secretariat should make recommendations based on law, justice, and physical and financial feasibility. It is up to the Security Council to consider political factors. We urge you not to censor yourselves or to avoid logical conclusions because you fear the Members are reluctant to meet their responsibilities. Just as the Commission of Experts did, you must recommend what is right and just.

Thank you for your consideration, and we look forward to continuing dialogue on this critical issue.

Sincerely,

Bella Galhos, Maria Afonso de Jesus, Charles Scheiner

Human Development Report Provides Insights for Timor-Leste

The 2005 Human Development Report from the United Nations Development Programme (UNDP) contains a lot of interesting information and analysis. As discussed in the Petroleum Dependency article on page 1, Timor-Leste ranks 140 out of 177 countries on the Human Development Index, which combines health, education and income. We are reprinting two graphs from this report because they contain important information for Timor-Leste.

Tied Aid

The graph at right shows the percentage of foreign aid from the world's major donors which is "tied" to purchases of goods or services from the donor country. We have drawn boxes around the four major donors to Timor-Leste, which are among the worst offenders. As UNDP says, "Tied aid remains one of the most egregious abuses of poverty-focused development assistance. By linking development assistance to the provision of supplies and services provided by the donor country, instead of allowing aid recipients to use the open market, aid tying reduces value for money. Many donors have been reducing tied aid, but the practice remains widely prevalent and underreported. We conservatively estimate the costs of tied aid for low-income countries at five to seven billion dollars."

In contrast with some of the more difficult problems related to development, UNDP concludes "There is a simple method for tackling the waste of money associated with tied aid: stop it in 2006."

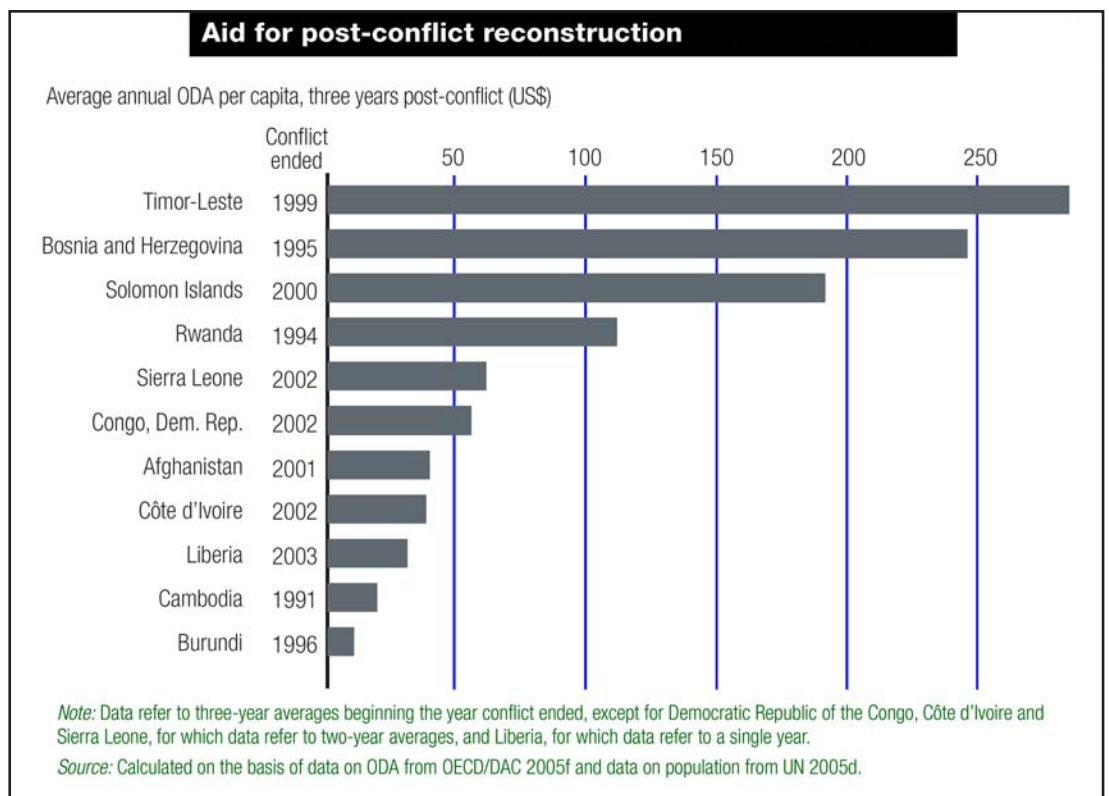
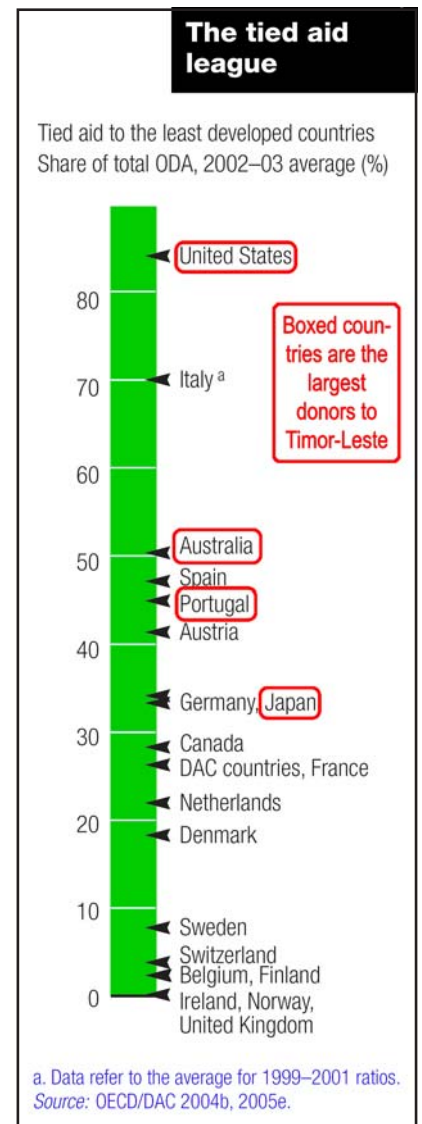
Post-Conflict Assistance

The lower graph is from the same report, part of a discussion about international aid during post-conflict reconstruction. According to UNDP, "International aid is critically important in the reconstruction period. The objective of post-conflict reconstruction is to avoid returning to pre-crisis conditions and to build the foundations for lasting peace."

Timor-Leste received the highest amount of overseas development aid (ODA) per person of any post-conflict country in the world. This amount does not include the budgets of the UN Missions, about twice as much again. Aid alone was approximately the same amount as the country's entire non-petroleum economy (Gross Domestic Product) during those years.

In global terms, the UNDP report addresses some of the problems with aid that *La'o Hamutuk* has written about over the last several years: "An immediate priority in any post-conflict state is to develop institutional capacity and accountability to local populations. When donors choose to work 'off-budget', through projects, and to create parallel structures for reporting, auditing and procuring goods, they undermine development of the institutional structures on which future peace and security depend. The danger is that poor judgement by donors will compound the very problem that donors want to address: the weakening of state structures and local capacity."

As aid to Timor-Leste declines and we wonder where it has all gone, the UNDP report confirms many of *La'o Hamutuk's* observations. May the lessons be learned. ❖



Editorial (continued from back page)

AusAID has invited applications for this year's scheme, but local organizations that apply for the grant will do so with the knowledge that their public statements may be scrutinized. Many Timor-Leste NGOs are already afraid to exercise their freedom of speech.

AusAID states that a major aim of its aid to Timor-Leste is to build a legal and judicial system that supports law and order. Australia's refusal to follow international legal principles in the Timor Sea negotiations is a mockery of law and order.

AusAID revoked their agreement with FTM, though there was no provision in the contract to do so. This makes a travesty of Australia's stated aim of building oversight institutions in the justice sector to monitor the courts responsible for enforcing contracts.

The Australian government must honor its stated objectives and contracts in our country, and respect the right of people to speak out. It should not use its foreign policies to constrain aid where it is needed most. ❖



On 6 October 2005, *La'o Hamutuk* and Forum Tau Matan held a press conference at the NGO Forum in Dili to release the above information. The story was carried in Timor-Leste newspapers, Timor-Leste and Australian radio, and in the *Sydney Morning Herald*. L-R: Elias Barros (FTM Prison Monitoring Project), Santina Soares (*La'o Hamutuk*), João Pequino (FTM Executive Director)

World Trade Organization Exposed in Ermera

The World Trade Organization (WTO) is one of the most powerful organizations in the world. It was created and is dominated by the richest and most powerful countries. One mission of the WTO is to manage worldwide agriculture production and the market system. During the more than 10 years the WTO has worked, it has impacted negatively on agriculture production and market in developing countries.

In order to learn more about this, the HASATIL Sustainable Agriculture Network held a conference on the WTO on 25-26 September in Ponilale, Ermera District. It was attended by members of the government, parliament and civil society. The conference had several objectives:

- √ Review the history of the WTO and its impact on agriculture policy in third world countries.
- √ Explore how to make the market more just.

- √ Strengthen relations and solidarity within the agricultural sector in Timor-Leste.
- √ Facilitate dialogue between government and civil society on government's views on agricultural development, as it relates to food security and land reform.
- √ Encourage the Timor-Leste Government not to become a member of the WTO.

At the end of the conference, Mr. Egidio de Jesus, Secretary of State for Region Three (Dili, Ermera, Liquisa) stated that the government of Timor Leste has not yet decided whether to become a member of the WTO. He also suggested that HASATIL conduct a survey on people's opinions regarding the WTO, and asked HASATIL to propose laws on how to protect agricultural production for the Government and Parliament to discuss. ❖

Editorial: Australian Aid Should Not Restrict Free Speech

Australia should support projects in Timor-Leste on the basis of need, not to reward or punish public statements of organizations. However, a few months ago Australia cancelled a human rights grant to advance its political objectives.

Australia, along with Japan and Portugal, has been one of the largest donors to Timor Leste since 1999. Australian channels its assistance through AusAID (The Australian Agency for International Development), and separately provides defense cooperation. (see *La'o Hamutuk Bulletin* Vol. 3, No. 8, December 2002).

AusAID recently informed a Timor-Leste local NGO that a grant it had been promised under the AusAID Human Rights Small Grants scheme, awarded every year to organizations in the Asia Pacific with human rights and social equity as their principal mission, would not be given to the organization.

La'o Hamutuk has learned that AusAID's support for human rights in Timor Leste implies that recipient organizations not express political views that Australia disagrees with.

AusAID withdrew funding it had promised to Forum Tau Matan (FTM) because FTM signed a September 2004 press release entitled "Timor-Leste Civil Society Demands Fair Boundary." This followed instructions from Canberra to cancel the funding, after AusAID and FTM had already signed a contract.

Six months earlier, on World Human Rights Day (10 December 2004), Australia announced that FTM would receive A\$65,800 (about US\$49,500) for monitoring the judicial system and prison conditions.

Monitoring of the judicial system would have complemented monitoring prison conditions: many prisoners in custody have not stood trial in Timor Leste's judicial system because it is paralyzed by a backlog of cases and severe constraints in capacity. Had FTM received funding, their monitoring would have helped to draw attention to these interconnected issues. This work is part of FTM's mission to prevent human rights violations.

On 15 December 2004, AusAID notified FTM that it had been awarded the grant. FTM and AusAID signed a contract in January 2005, though due to bureaucratic delays the money was not given to FTM.

On 7 June 2005 AusAID wrote to FTM explaining that the agreed grant was cancelled. AusAID wrote that "we have been reviewing the ways we engage with NGOs in different sectors." FTM asked why the grant was cancelled, but AusAID Dili would not explain the real reason until they received clearance from Canberra seven weeks later.

Between January and June, FTM operated on the assumption that it would receive AusAID's funding. For breaking its contract, AusAID paid FTM A\$7,000, ap-

proximately 10% of what had been previously agreed. FTM had not looked for other sources of funds because they expected the AusAID grant to cover their budget for the next three years.

All other grant awardees in other countries from the Asia Pacific received funding under the scheme as agreed.

Through their actions, the Australian Government is sending the message that they do not want dissent by organizations that receive their funding. This contradicts the right to freedom of speech, constitutionally enshrined in both Australia and Timor Leste, as well as Article 19 of the Universal Declaration of Human Rights.

La'o Hamutuk calls on Australia to honor its commitment to these rights by publicly assuring current and future grant recipients that they can exercise freedom of expression without being punished. In the coming years, this could be troubling as donor support decreases.

(Continued on page 15)

What is La'o Hamutuk?

La'o Hamutuk (*Walking Together* in English) is an East Timorese non-governmental organization that monitors, analyzes, and reports on the principal international institutions present in Timor Lorosa'e as they relate to the physical, economic, and social reconstruction and development of the country. *La'o Hamutuk* believes that the people of East Timor must be the ultimate decision-makers in this process and that this process should be democratic and transparent. *La'o Hamutuk* is an independent organization and works to facilitate effective East Timorese participation. In addition, *La'o Hamutuk* works to improve communication between the international community and East Timorese society. *La'o Hamutuk's* East Timorese and international staff have equal responsibilities, and receive equal pay. Finally, *La'o Hamutuk* is a resource center, providing literature on development models, experiences, and practices, as well as facilitating solidarity links between East Timorese groups and groups abroad with the aim of creating alternative development models.

La'o Hamutuk welcomes reprinting articles or graphics from our *Bulletin* without charge, but we would like to be notified and given credit for our work.

In the spirit of encouraging greater transparency, *La'o Hamutuk* would like you to contact us if you have documents and/or information that should be brought to the attention of the East Timorese people and the international community.