1. (C) SUMMARY: New Timor-Leste Foreign Minister Zacarias Albano da Costa met separately with Under Secretary of State Under Secretary Dobriansky, and EAP Assistant Secretary Hill September 12-13 to discuss the new Timorese government’s policy priorities and challenges. The Timorese government seeks to re-engage with the Millennium Challenge Corporation (MCC) to negotiate a Compact Agreement. U/S Burns indicated the U.S. desire to assist the GOTL in implementing economic programs to strengthen the private sector, to strengthen property rights, and to promote production of cash crops such as coffee. The new government seeks to enact a land title reform of public sector institutions such as the police. The government addresses the challenges ahead.

2. (C) GOVERNMENT PRIORITIES: FM Da Costa briefed U/S Burns on the coalition government's commitment to stabilizing Timor-Leste through resolving urgent problems and strengthening state institutions. Initial priorities are passage of a transitional budget (through December 2007), finding homes for the IDPs, expanding youth employment, and reform of public sector institutions such as the police. The Government of Timor-Leste (GOTL) plans to name an ambassador to the United States soon and add two new positions to its mission for maintenance of a UN peacekeeping mission in the country. End summary.

3. (C) INTERNATIONAL PRESENCE: Da Costa praised the Australian-led International Stabilization Force (ISF) for a critical role in maintaining public security. (Note: the GOTL asked that the ISF remain for two more years during Australian Foreign Minister Alexander Downer’s visit on August 30. End note.) Amending his September 10 remarks at the UN Security Council requesting a five-year extension of the UN Integrated Mission in Timor-Leste (UNMIT), FM Da Costa said the country needed the UN peacekeeping mission to continue for at least another two years. He acknowledged a Japanese proposal to include Timor-Leste in the work of the new UN Peacebuilding Commission (PBC), but emphasized that the GOTL desired any PBC operations supplement rather than replace UNMIT. U/S Burns underscored U.S. government support for maintaining a UN peacekeeping mission in Timor-Leste.

4. (U) ECONOMIC POLICY: One of the new government’s biggest concerns is how to improve conditions for the poor, Da Costa said. He praised U.S. assistance to date, particularly programs to strengthen the private sector, to strengthen property rights, and to promote production of cash crops such as coffee. The new government seeks to enact a land title law and to simplify procedures to start a business. It also seeks to re-engage with the Millennium Challenge Corporation (MCC) to negotiate a Compact Agreement. U/S Burns indicated the U.S. desire to assist the GOTL in implementing economic reforms.

5. (C) RELATIONS WITH INDONESIA: The FM described relations with Indonesia as good and expanding. He said that he hoped to meet FM Hassan Wirajuda in October to discuss sustaining...
issues to conclude an agreement by December, when PM Gusmao visits Jakarta. The issues concern the border, visas, Timorese students in Indonesia, access to Timor-Leste for business travelers from West Timor, and pensions for former civil servants. Indonesia planned to open a cultural center in Dili. Da Costa also noted that President Jose Ramos-Horta hoped to meet with President Susilo Bambang Yudhoyono at the UN General Assembly (UNGA) in New York.

6. (C) POLITICAL SITUATION: In a separate meetings with U/S Dobriansky and A/S Hill on September 13, FM Da Costa noted the fragile domestic political situation, emphasizing that the FRETILIN Party had found it hard to accept the loss of its parliamentary majority. He explained that the coalition government is also working to find a way to include the opposition in the decision-making process such as through membership in specialized parliamentary committees and participation in other organs of government. U/S Dobriansky and A/S Hill welcomed FRETILIN's participation in the Parliament as a positive development and urged that the government act promptly on urgent problems such as the IDPs. A/S Hill also agreed to meet with President Ramos-Horta at UNGA.

7. (C) 1999 ACCOUNTABILITY: In his meeting with U/S Dobriansky, FM Da Costa also discussed justice and human rights issues. He defended the ongoing inquiry by the bilateral Commission on Truth and Friendship (CTF) into accountability for the crimes against humanity committed in 1999. Noting that the body's Terms of Reference hypothetically allow for it to recommend amnesty, the FM dismissed amnesty as politically impossible. On the question of prosecuting suspects, he emphasized that Timor-Leste and Indonesia should be allowed to find their own way to deal with the issue on a bilateral basis. "A new generation whom we know well is taking over in Indonesia and we wish to put the past behind us," Da Costa concluded.