



# Submission No 53

## **Inquiry into Australia's Relationship with Timor-Leste**

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**Organisation:** Department of Foreign Affairs and Trade (DFAT)



**Australian Government**  
**Department of Foreign Affairs and Trade**

File Number: 13/4453

28 March 2013

The Secretary  
Joint Standing Committee on Foreign Affairs, Defence and Trade  
Parliament House  
Canberra ACT 2600

Dear Mr Brown

I refer to your correspondence dated 6 February to Mr Peter Varghese inviting the Department of Foreign Affairs and Trade (DFAT) to make a submission to the Committee's inquiry into Australia's relationship with Timor-Leste.

The Committee's inquiry is very timely as Timor-Leste enters its second decade of independence. Australia and Timor-Leste share a close bilateral relationship, and the departure of the Australian-led International Stabilisation Force from Timor-Leste marks a new phase in the bilateral relationship – away from a security focus towards a more broad-based and balanced relationship.

I enclose DFAT's submission addressing the terms of reference of the inquiry. I trust that the information it contains will be of assistance to the Committee. I would welcome the opportunity for any further engagement between DFAT and the Committee during the inquiry process.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Rod Smith', with a stylized flourish at the end.

Rod Smith  
First Assistant Secretary  
South-East Asia Division  
Department of Foreign Affairs and Trade



**Australian Government**  

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**Department of Foreign Affairs and Trade**

**Submission by the**  
**Department of Foreign Affairs and Trade**  
**to the**  
**Joint Standing Committee on Foreign Affairs,**  
**Defence and Trade**  
**Foreign Affairs Sub-Committee**  
**Inquiry into Australia's Relations with**  
**Timor-Leste**

**Foreign Affairs and Trade**



### **Terms of Reference**

The Foreign Affairs Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade shall inquire into and report on Australia's relationship with Timor-Leste, with special emphasis on:

- bilateral relations at the parliamentary and government levels;
- aid, including support with governance issues;
- economic issues, including trade and investment;
- cultural, educational and scientific relations and exchanges;
- people to people links; and
- defence cooperation and those aspects of regional security that affect Timor-Leste.

The Committee will consider both the current situation and opportunities for the future.



## Contents

<b>Introduction</b> .....	<b>i</b>
<b>Executive Summary</b> .....	<b>ii</b>
<b>Overview of the Bilateral Relationship</b> .....	<b>1</b>
Diplomatic Representation.....	1
High-Level Visits.....	2
Australia’s Leading Role in Ensuring Security and Stability .....	3
<b>The Future of the Bilateral Cooperation</b> .....	<b>3</b>
Capacity Building in the Security Sector .....	3
Development Assistance .....	4
Seasonal Worker Program.....	6
Trilateral Cooperation with Indonesia .....	6
Parliamentary Relations.....	7
<b>Economic, Trade and Investment Relations</b> .....	<b>8</b>
Timor-Leste’s Economy.....	8
Trade and Investment Links .....	8
Cooperation on Timor Sea Oil and Gas Development.....	10
<b>Cultural Relations and Exchanges</b> .....	<b>11</b>
<b>People to People Links</b> .....	<b>12</b>
Australian Contributions to Timor-Leste’s Development.....	13
Contribution to Development of the Timorese Diaspora.....	14
Sporting Links .....	15
<b>Regional Security</b> .....	<b>16</b>
<b>Annex A: Post-Independence History of Timor-Leste</b> .....	<b>17</b>

## **Introduction**

The Department of Foreign Affairs and Trade welcomes the opportunity to make a submission to the Foreign Affairs Sub-Committee of the Joint Standing Committee on Foreign Affairs, Defence and Trade's inquiry into Australia's relationship with Timor-Leste.

The last broad-ranging inquiry of this type on Timor-Leste was conducted by the Senate Standing Committee on Foreign Affairs, Defence and Trade between 1998 and 2000 at a time of significant change in Timor-Leste, as it voted for independence from Indonesia and began the process of building a new nation.

Australia has been at the forefront of international support for Timor-Leste. It is Timor-Leste's largest bilateral development assistance partner and has provided a leadership role to ensure security and stability in the country.

The new phase in our relationship brought by the withdrawal of the Australian-led International Stabilisation Force and United Nations Integrated Mission in Timor-Leste beginning in late 2012 make this a timely opportunity to contemplate the future of bilateral cooperation between Australia and Timor-Leste.

The Department of Foreign Affairs and Trade plays a leading role in shaping the direction of the bilateral relationship and coordinates with other Australian Government agencies to progress our cooperation with Timor-Leste.

This submission will provide an overview of Australia's bilateral relationship with Timor-Leste and focus particularly on the terms of reference relating to bilateral relations at the parliamentary and government levels; economic, trade and investment issues; cultural relations and exchanges; people to people links; and aspects of regional security that affect Timor-Leste.

The department has consulted other Australian Government agencies in preparation of this submission. Other agencies will also make submissions to the inquiry outlining their engagement with Timor-Leste relating to several of the terms of reference.

## **Executive Summary**

Australia and Timor-Leste share a close bilateral relationship, based on close geographical proximity and the strong people to people links between both countries. Australia has been at the forefront of international support for Timor-Leste as its largest development assistance partner and for the leadership role it has played to ensure security and stability.

The departure of the Australian-led International Stabilisation Force from Timor-Leste marks a new phase in the bilateral relationship. While Australia will continue its defence and police capacity building programs, an increasing focus of our engagement will be supporting development and expanding economic ties between the two countries.

Through the Strategic Planning Agreement for Development signed in November 2011, Australia and Timor-Leste are putting into practice the principles of the New Deal, which seeks better alignment between aid recipient priorities and donor programs. Australia is working to improve service delivery in health, education, water and sanitation, agriculture and governance, in line with Timor-Leste's priorities.

Timor-Leste's participation in Australia's Seasonal Worker Program is an example of new directions in the relationship. It offers Timorese workers an opportunity to develop workplace skills and benefits Australian employers with a sustainable solution to labour shortages.

Timor-Leste's economy is small, but growing, and its Government is committed to developing a diverse, non-oil economy. Total merchandise trade was valued at \$28 million in 2011-12. While trade volumes are low, there are commercial opportunities for Australian investors in Timor-Leste, particularly in infrastructure development.

Australia and Timor-Leste cooperate closely on the management and development of oil and gas resources in Timor Sea. Australia is committed to the development of the Greater Sunrise area, which will deliver significant benefits to both countries.

People to people links provide the foundation for the bilateral relationship. These bonds range from those formed between Australian soldiers with the Timorese who assisted them during World War II to the hundreds of Australians now working in Timor-Leste with civil society groups, international organisations and the private sector.

Australia is a supporter of Timor-Leste's aspiration to become a member of the Association of South-East Asian Nations (ASEAN) and works together with Timor-Leste to promote peace and stability in South-East Asia.

## **Overview of the Bilateral Relationship**

Australia and Timor-Leste share a close bilateral relationship, based on our close geographical proximity and the historical and strong people to people links between both countries. Following Australia's support for the UN-supported referendum on independence in 1999 and leadership of the INTERFET intervention after the vote, Australia has been at the forefront of international support for Timor-Leste during the first 10 years of its independence.

2. Timor-Leste has made remarkable progress in nation-building since the devastation that followed the 1999 independence ballot. After 10 years of independence, there is a strong sense of confidence and optimism in Timor-Leste about its future prospects. However, the challenges facing the Timor-Leste Government in improving the delivery of services such as education and health, particularly in rural areas, and turning around some very low development indicators are significant and should not be underestimated.

3. Timor-Leste has committed to an ambitious 20-year Strategic Development Plan with a focus on delivering major infrastructure projects necessary to support economic development, but overcoming capacity constraints will be difficult. Timor-Leste faces the challenge of diversifying its economy, which is based overwhelmingly on income from offshore oil and gas developments, to create more jobs. Improving the skills of its large youth population is an associated challenge (41 per cent of Timorese were aged 14 or under at its 2010 census). Strengthened governance and more capable institutions focused on quality service delivery would underpin Timor-Leste's response to these challenges.

4. Australia is the largest bilateral donor of development assistance and has provided a leadership role to ensure security and stability in the country. Australia will continue to play an evolving role supporting Timor-Leste as its priorities and needs change.

### **Diplomatic Representation**

5. Australia's interests in Timor-Leste are represented by the Australian Embassy in Dili, to which 27 Australia-based staff are posted from the Department of Foreign Affairs and Trade, AusAID, Defence and the Department of Immigration and Citizenship. An additional 24 Defence and 34 Australian Federal Police unattached personnel deliver capacity building assistance to Timor-Leste's security institutions through the Defence Cooperation Program and Timor-Leste Police Development Program.

6. Timor-Leste is represented in Australia by an Embassy in Canberra, with its Ambassador and three diplomatic staff. It is also represented by Consulates-General in Sydney and Melbourne. Timor-Leste has appointed Honorary Consuls in Victoria and Tasmania and proposes to appoint Honorary Consuls in South Australia and Queensland. It has also made provision in its 2013 budget for the establishment of a Consulate in Darwin.

### **High-Level Visits**



**The Minister for Foreign Affairs, Senator the Hon Bob Carr meets Timor-Leste's Prime Minister, Mr Kay Rala Xanana Gusmão during his visit to Timor-Leste in December 2012.**

7. Recent high-level visits between Australia and Timor-Leste reflect the closeness of our bilateral relationship and the enduring links on which it is founded. The then Minister for Resources and Energy and Minister for Tourism, the Hon Martin Ferguson AM MP, visited Dili in February 2013. The Minister for Foreign Affairs, Senator the Hon Bob Carr, visited Timor-Leste in December 2012 to reinforce Australia's commitment to supporting Timor-Leste's development following the cessation of the UN Integrated Mission in Timor-Leste and withdrawal of the International Stabilisation Force. The Governor-General, Ms Quentin Bryce AC CVO, visited Timor-Leste to attend Timor-Leste's tenth anniversary of independence celebrations and the inauguration of President Taur Matan Ruak in May 2012. Prime Minister Gusmão visited Australia in February 2012 to commemorate the seventieth anniversary of the World War II campaign in what was then Portuguese Timor with Australian veterans and meet the Prime Minister, the Hon Julia Gillard MP. The

Chief of the Defence Force, General David Hurley AC DSC, visited Timor-Leste to attend the final parade of the International Stabilisation Force on 21 November 2012.

### **Australia's Leading Role in Ensuring Security and Stability**

8. Australia has been at the forefront of international efforts to support security and stability in Timor-Leste. Australia led the multinational INTERFET force that restored security in Timor-Leste following the violence that followed the 1999 independence ballot. Australia also led the International Stabilisation Force (ISF), comprised of Australian and New Zealand Defence Force members, which was responsible for providing security assistance to Timor-Leste at the invitation of its Government following the 2006 political and security crisis. Australia made significant contributions of police and defence personnel to the UN Integrated Mission in Timor-Leste (UNMIT) between 2006 and 2012 and UN Mission in Support of East Timor between 2002 and 2004.

9. With the significant improvement in the security environment since 2006 and following successful elections in 2012, the UN Security Council concluded that Timor-Leste had achieved tangible progress on stability and development. It agreed UNMIT should complete its mandate on 31 December 2012. In line with the Timor-Leste Government's views and the planned cessation of the UNMIT, the ISF ceased operations on 22 November 2012 and began drawing down.

### **The Future of Bilateral Cooperation**

10. The departure of the ISF marks a new phase in the bilateral relationship. While Australia will continue its commitment to Timor-Leste through defence and police cooperation, an increasing focus of Australia's engagement will be on supporting the development of economic and trade ties between the two countries. This represents a genuine shift towards a normalised and mature relationship with our near neighbour. It also demonstrates Australia's capacity to adjust its partnership to suit Timor-Leste's changing needs and priorities.

### **Capacity Building in the Security Sector**

11. Australia will continue to support the security sector in Timor-Leste by contributing to the development of its security institutions – the National Police of Timor-Leste (PNTL) and Defence Force of Timor-Leste (F-FDTL).

12. The Timor-Leste Police Development Program (TLPDP) comprises 34 AFP personnel and focuses on executive leadership and investigations training for the PNTL. Through the TLPDP, the PNTL's training centre has been substantially rebuilt and its facilities enhanced. It has gained international accreditation as a training institution.

13. The long-standing Defence Cooperation Program (DCP) provides training, support and guidance to the F-FDTL through 24 in-country advisers, working with the F-FDTL and Timor-Leste's Secretariat of Defence. Much of the infrastructure at the F-FDTL training facility has been built by Australia under the DCP. At present, training activities are focused on the F-FDTL's engineering unit, its naval component and enhancing its English language capacity.

14. Australia is negotiating a treaty-level Defence Cooperation Agreement with Timor-Leste that will formalise the defence relationship between both countries and provide a basis for conducting more complex defence cooperation activities in the future, including new areas of support as the Timor-Leste Defence Force continues to develop.

### **Development Assistance**

15. Australia will remain Timor-Leste's largest development partner. Since 1999, Australia has allocated over \$1 billion in development and humanitarian aid to Timor-Leste, which is around one-third of overall official development assistance (ODA) received by Timor-Leste. It is expected that Australia will provide \$116.7 million in development assistance to Timor-Leste in 2012-13. Australia contributed 37.1 per cent of the official development assistance received by Timor-Leste in 2011. To ensure Australia's development assistance program is enduring and effective, it focuses on supporting Timor-Leste's development priorities.

16. Australian development assistance is provided under the framework of a Strategic Planning Agreement for Development, signed in November 2011. Under the Agreement, Australia and Timor-Leste are putting into practice the principles of the New Deal, the development of which Timor-Leste (as chair of the g7+ group of fragile states) has been a driving force. The New Deal seeks better alignment between aid recipient priorities and donor programs. Through the Agreement, Australia has committed to support improvements to service delivery in health, education, water and sanitation, agriculture and governance. These programs emphasise increasing access to basic services, economic opportunities and improving quality of life for poor Timorese.



**Senator Carr reads to children at a mobile library supported by Australian development assistance during his visit to Timor-Leste in December 2012.**

17. AusAID is the principal agency responsible for delivering Australian official development assistance, with an \$84.3 million program in 2012-13. The Australian Federal Police delivers a significant amount of Australia's official development assistance through the TLPDP, valued at \$22 million in 2012-13. Other Australian Government agencies that deliver official development assistance to Timor-Leste include the Australian Centre for International Agricultural Research (ACIAR), Customs and Border Security, the Department of Agriculture, Fisheries and Forestry, the Department of Education, Employment and Workplace Relations, the Department of Innovation, Industry, Science, Research and Tertiary Education and the Department of Infrastructure and Transport.

18. Many Australian Government agencies, including border control agencies, have close working relationships with their Timorese counterparts. The Department of Immigration and Citizenship provides a range of capacity building assistance to improve Timor-Leste's border management system and increase the skills of immigration officials. The Department of Infrastructure and Transport delivers a program of assistance on aviation security for Timor-Leste and cooperates on security of oil and gas assets in the Timor Sea. Technical agencies, such as the Australian Bureau of Statistics and the Australian Fisheries Management Authority, also enjoy good relations with their Timorese counterparts and undertake a range of capacity building activities.

## **Seasonal Worker Program**

19. Timor-Leste's participation in Australia's Seasonal Worker Program is an example of new opportunities for cooperation in the bilateral relationship. Since 2011, 22 Timorese workers have undertaken seasonal work in Australia. The Australian Government invited Timor-Leste to participate in the Pacific Seasonal Worker Pilot Scheme in September 2011 through a trial program to provide workers to the tourism industry in Broome. 12 Timorese workers were recruited and trained to work in Broome under the trial.

20. Timor-Leste was included in the expanded Seasonal Worker Program that started on 1 July 2012. Under the Program, Timorese workers are able to undertake seasonal jobs in the horticulture sector and participate in further pilots in the accommodation, aquaculture, cane and cotton growing sectors. Currently eight Timorese seasonal workers are employed in the hospitality sector in Broome and two workers are employed in the horticulture sector. A further six are due to commence work in Australia in April 2013.

21. The program delivers on a long-standing Timorese interest in accessing the unskilled labour market in Australia. Participation in the Seasonal Worker Program provides Timorese workers an opportunity to develop workplace skills that they can use on return to Timor-Leste in key sectors for the Timorese economy, such as tourism and agriculture. Participation also promotes the economic development of Timor-Leste, as it allows Timorese workers to earn an Australian wage and remit their earnings back to their families and communities. The Seasonal Worker Program benefits Australian employers in the horticulture and trial sectors, who can demonstrate an unmet demand for labour and cannot source local Australian job seekers, with access to a reliable and returning workforce.

## **Trilateral Cooperation with Indonesia**

22. As its two closest neighbours, Australia and Indonesia work together with Timor-Leste on issues of mutual interest to the three countries. Real strides have been made in relations between Timor-Leste and Indonesia to develop a forward-looking relationship, driven by senior leaders in both countries. Through trilateral efforts, there are opportunities to build cooperation on a range of issues, from economic development and trade to security.

23. Australian, Indonesian and Timorese Foreign Ministers meet regularly to discuss trilateral cooperation on issues of mutual interest to the three countries. Ministers met most recently in New York in September 2012. At that meeting, the three Ministers committed to investigating substantive and practical opportunities to improve

regional connectivity and increase socio-economic links between northern Australia, Timor-Leste and eastern Indonesia.

24. Commitment to advancing the trilateral cooperation agenda was strengthened when the Prime Ministers of Australia and Timor-Leste and the President of Indonesia met for an inaugural Trilateral Leaders' Meeting in Bali in November 2012.

25. Separately, with our shared regional geography, maritime cooperation presents an opportunity for practical trilateral cooperation between Australia, Timor-Leste and Indonesia, including on combatting illegal fishing.

### **Parliamentary Relations**

26. As new directions in the bilateral relationship between Australia and Timor-Leste are developed, it would be opportune to build on the institutional links between the Australian and Timor-Leste parliaments. Both parliaments are members of the Inter-Parliamentary Union. A number of Australian parliamentarians have taken a close interest in Timor-Leste's independence and its development since it attained nationhood. Members of the Australian Parliament observed the independence ballot in September 1999. The Joint Standing Committee on Foreign Affairs, Defence and Trade visited Timor-Leste shortly thereafter in December 1999.

27. More recently, the Australian Parliament sent observers to both rounds of the presidential election held in March and April 2012 at the invitation of the Timor-Leste Government. Senator Stephen Parry and Ms Janelle Saffin MP observed the first round, and Senator Claire Moore and Ms Jane Prentice MP observed the second round. Ms Saffin and Ms Prentice observed the parliamentary election held in July 2012. The participation of Australian parliamentarians as observers to Timor-Leste's elections was well received by senior Timorese leaders. Australian parliamentary delegations also observed previous elections in Timor-Leste, including the 2007 presidential and parliamentary elections.

28. Members of the Joint Standing Committee on Foreign Affairs, Defence and Trade visited Timor-Leste on 7-8 November 2011. Committee members met with members of the Timor-Leste National Parliament's Committee B on Foreign Affairs, Defence and National Security and the President of Timor-Leste's National Parliament and discussed the bilateral relationship. Committee members also visited AusAID-supported development assistance projects and the Australian-led International Stabilisation Force. Their visit included calls on senior Timorese leaders including Timor-Leste's former President, Dr José Ramos-Horta.

## **Economic, Trade and Investment Relations**

### **Timor-Leste's Economy**

29. Timor-Leste's economy is small, but it is growing. According to the International Monetary Fund, Timor-Leste's gross domestic product (GDP) grew by 10.6 per cent in 2011. The IMF expected GDP growth around 10 per cent in 2012. Timor-Leste's GDP per capita in 2012 was US\$9,500 (using the purchasing power parity measure). National income is dominated by the oil and gas sector: two fields in the Joint Petroleum Development Area shared with Australia – Bayu-Undan and Kitan – are responsible for almost all of Timor-Leste's income. This means GDP figures mask low real incomes. According to the World Bank, Timor-Leste's gross national income (GNI) per capita, using the Atlas method, was US\$2730 in 2010. 37 per cent of Timorese live in extreme poverty (less than US\$1.25 per day) and 72 per cent live close to it (US\$2 per day).

30. Agriculture, largely at subsistence level, dominates the Timorese non-oil economy, accounting for over 30 per cent of GDP and around 75 per cent of employment. Coffee accounts for around 90 per cent of Timor-Leste's non-oil merchandise exports. Small scale trading and personal services dominate the urban economy. Timor-Leste's oil and gas revenue is invested in a sovereign wealth fund (the Petroleum Fund), which is valued at over US\$11 billion. Withdrawals from the Petroleum Fund support most of Timor-Leste's government spending.

31. Timor-Leste's National Parliament passed the 2013 state budget at the end of February. Worth US\$1.65 billion, it is a smaller budget than originally proposed by the Government – a reduction of US\$150 million was made by Parliament. It was also a smaller budget than 2012. It marked a return to the Estimated Sustainable Income level (equal to three per cent of Timor-Leste's total petroleum wealth) set for withdrawals from the Petroleum Fund, which the Government had exceeded in previous budget years. Public investment in infrastructure and human capital development are the major focuses of budget expenditure.

### **Trade and Investment Links**

32. In 2011-12, Timor-Leste ranked as Australia's 109th largest merchandise goods trading partner, with total merchandise trade valued at \$28 million. Australian exports to Timor-Leste were valued at \$26 million with major items including passenger motor vehicles, refined petroleum, dairy products and beef. Imports from Timor-Leste were valued at \$2 million, and were mostly refined petroleum and

coffee. Timor-Leste has had preferential duty free access and quota free access to the Australian market since July 2003.

33. Data is not published on Australia's investment relationship with Timor-Leste, but Australian commercial interests have invested modestly in the Timorese economy. ANZ has operated in the banking sector since 2001, providing retail and business banking and international trade services. Toll Remote Logistics provides a range of logistics services and WorleyParsons provides engineering services. Airnorth operates a commercial aviation link between Darwin and Dili. Woodside Energy leads the Joint Venture to develop the Greater Sunrise gas fields. The Timor-Leste operations of ConocoPhillips and Italy's Eni (operators of the Bayu-Undan and Kitan fields) are managed from their Australian offices. There are a number of smaller Australian firms in the construction and engineering sector and small business investment in the tourism and hospitality sector.

34. The sectors offering the most opportunities for Australian investors are related to oil and gas, infrastructure and building and construction. Business opportunities will increasingly relate to major infrastructure projects, particularly as the Timor-Leste Government ramps up public investment on these to achieve goals in its Strategic Development Plan. For example, the Timor-Leste Government, in conjunction with the International Finance Corporation (IFC), hosted an investors' information conference on 6-8 March 2013 to promote its new port and airport projects.

35. Investing in Timor-Leste will require perseverance on the part of Australian companies to win business in this small, emerging market. Australian companies are unlikely to be competitive on price alone but can offer specialised expertise not offered by other regional investors. It will be a question of Australian companies presenting a value-added proposition, by including training and employment opportunities for Timorese, and an emphasis on quality and value for money of the services delivered.

36. Emerging and frontier markets like Timor-Leste can present significant financial barriers to trade. The Export Finance and Insurance Corporation (EFIC) helps Australian firms overcome financial barriers through its provision of export finance and insurance solutions and work with institutions such as the Asian Development Bank (ADB). EFIC has also participated in project financing for major resource projects in the region's frontier markets and may be able to assist with capacity building for Timor-Leste officials.

## **Cooperation on Timor Sea Oil and Gas Development**

37. Australia and Timor-Leste cooperate closely on the development of oil and gas resources, particularly through the management of resources in the Joint Petroleum Development Area (JPDA) covering part of the Timor Sea between the two countries.

38. Australia and Timor-Leste have entered into three treaties in which both countries have agreed on how to share the management of these resources. These treaties are the 2002 *Timor Sea Treaty* (TST), the 2003 *Agreement Relating to the Unitisation of the Sunrise and Troubadour Fields* (IUA), and the 2006 *Treaty on Certain Maritime Arrangements in the Timor Sea* (CMATS).

39. The *Timor Sea Treaty* established the JPDA and provides that Timor-Leste has title to 90 per cent of petroleum produced in the JPDA. Australia has title to the remaining 10 per cent. Australian and Timor-Leste officials meet regularly to discuss management of the JPDA through the Joint Commission. Day to day regulation and management of oil and gas activity is undertaken by Timor-Leste's National Petroleum Authority on behalf of both countries.

40. The Timor Sea treaty framework has secured billions of dollars of investment in the production of oil and gas in the Timor Sea. Under the Timor Sea treaty framework, Timor-Leste has received around \$14 billion in revenue since 2005 from development of the Bayu-Undan and Kitan fields in the JPDA. Australia has received over \$1 billion in revenue. Oil and gas revenue from in the JPDA has underwritten Timor-Leste's development to date. As a direct result, Timor-Leste's sovereign wealth fund – the Petroleum Fund – is worth more than US\$11 billion.

41. Australia and Timor-Leste have been engaged in detailed and complex discussions for some time on options for the development of the Greater Sunrise oil and gas field. Greater Sunrise is apportioned on the basis that 20.1 per cent falls within the JPDA and the remaining 79.9 per cent falls under Australian jurisdiction.

42. The discussions involve the two Governments as well as the Joint Venture formed to develop the field, which is led by Woodside. This is a valuable resource that, properly developed, will deliver significant benefits to both Timor-Leste and Australia. The treaty arrangements do not specify a particular development concept for Greater Sunrise and require regulators to approve a development plan that exploits the reservoir to the best commercial advantage consistent with good oil field practice, amongst other criteria. Discussions are not yet at a point where a development plan has been agreed, but there has been important progress.

43. The then Minister for Resources and Energy, Mr Ferguson, visited Timor-Leste from 21-22 February 2013 to meet with his counterpart and discuss development of shared oil and gas resources in the Timor Sea. Australia and Timor-Leste also hold regular meetings of the Sunrise Commission established under the IUA. Detailed discussions have been held between experts of the two Governments and the Joint Venture on the complex legal, technical, commercial and political issues involved.

44. Under the CMATS treaty, Australia and Timor-Leste agreed to set aside claims to maritime boundaries to allow development of the Greater Sunrise area to start. CMATS was agreed after long and complex negotiations and both sides made constructive compromises to achieve a fair and equitable outcome. Prior to the negotiation of the CMATS treaty, Timor-Leste would have received 18.1 per cent of upstream revenue (90 per cent of revenue from the 20.1 per cent portion of the Greater Sunrise area that falls within the JPDA). Under the CMATS treaty, Timor-Leste's share of upstream revenue from Greater Sunrise area was increased from 18.1 per cent to 50 per cent.

45. The provisional boundary arrangements agreed under CMATS are consistent with international law and have been used several times in our region and elsewhere. Setting aside our claims and getting on with the job of resource development will bring results sooner in terms of revenue for Timor-Leste to invest in health, education and infrastructure.

### **Cultural Relations and Exchanges**

46. The National Film and Sound Archive (NFSA) holds a significant amount of material relating to Timor-Leste that is yet to be fully assessed, catalogued and preserved. The Department of Foreign Affairs and Trade provided approximately \$10,000 of funding for the initial stages of a project to help the NFSA better identify holdings in its collection relating to Timor-Leste and their cultural significance.

47. The collection includes heritage film of Portuguese colonial society from 1904 onwards; Australian footage of Australian-Timor military relations during the Japanese occupation of World War II; the Indonesian annexation and aftermath (from December 1975), including the Balibo incident and responses of successive Australian governments; and the Australian intervention in September 1999. A number of other Australian cultural institutions – such as the National Library of Australia – also hold material of Timor-Leste's history.

48. During his visit to Timor-Leste in December 2012, the Minister for Foreign Affairs, Senator the Hon. Bob Carr, gifted a profile of the NFSA's collection of film, sound, broadcasting and new media material on Timor-Leste. During Prime Minister Gusmão's visit to Australia in February 2012, Prime Minister Gillard presented him with a gift of archival audio-visual material representative of the NFSA's collection. The Governor-General presented that collection of audio-visual material at the opening of Timor-Leste's Resistance Museum and Archive to celebrate Timor-Leste's 10th anniversary of independence during her visit in May 2012.

49. The Department of Foreign Affairs and Trade hosted a visit to Canberra by the Head of Timor-Leste's Secretariat of State for Culture Department of Museums and Heritage, Mr Abilio da Silva, in June 2012. Mr da Silva met senior staff of the Australian War Memorial, National Library of Australia, National Film and Sound Archive, Museum of Australian Democracy and National Museum. The visit opened opportunities to develop capacity building links between Australian and Timorese cultural institutions and informed Mr da Silva's thinking on how to develop Timor-Leste's National Museum and National Library.

50. There is increasing collaboration in music and the visual arts between artists from both countries. In September 2011, the Department of Foreign Affairs and Trade through the Australian Embassy in Dili supported the D'Tour concert in Dili, featuring musicians from the Tiwi Islands north of Darwin and Timor-Leste. The strong people to people links between Australian and Timorese communities – particularly in northern Australia – provide a foundation on which to further build cultural exchanges.

### **People to People Links**

51. People to people links between Australia and Timor-Leste are strong and provide a solid foundation for the bilateral relationship. Among the earliest-formed and strongest of these bonds are those between World War II Australian soldiers, and their families, and those Timorese who helped them during their campaign in Timor during 1942 and 1943. The Minister for Veterans Affairs, the Hon Warren Snowdon MP, accompanied seven Australian veterans to Dili in September 2012. Their principal objective was to express their gratitude to the Timorese people for their assistance in keeping them alive. The mutual respect in the meetings the veterans had with the Timorese President and Prime Minister was clearly evident.



**Australian veterans of World War Two gather around the wreaths after a commemorative service held at the Dare Memorial in Timor-Leste in September 2012.**

### **Australian Contributions to Timor-Leste's Development**

52. Hundreds of Australians are now working in Timor-Leste with civil society groups, international organisations and the private sector. These varied contributions through communities, clubs, churches, schools and individuals have continued the friendship and respect shared between Australians and Timorese. Around 40 friendship groups have been established between communities in Australia and Timor-Leste, working in each of Timor-Leste's 13 districts to promote community-based development.

53. State, Territory and local governments have made significant contributions to Timor-Leste's development. The support provided by the Victorian Government for Timor-Leste's program of government decentralisation is one such example of this cooperation. A number of prominent Australians make an ongoing contribution to Timor-Leste's development in the public and private sectors. The Hon Steve Bracks AC, former Premier of Victoria, has worked in an honorary capacity as a special adviser on governance to Timor-Leste's Prime Minister, Xanana Gusmão, since 2007.

### **Northern Territory and Timor-Leste People to People Links**

Launched by SkinnyFish (an independent record Label based in Darwin), D'Tour is a musical collaboration between Timor-Leste and indigenous communities of Northern Australia. D'Tour seeks to support East Timorese music and arts, and develop ties and touring potential for the wider arts community across the Northern part of the Northern Territory and Asian region.

The National Critical Care and Trauma Response Centre (NCCTRC) at Darwin Hospital sent a medical team to Timor-Leste to support the Tour de Timor bike race in 2011 and 2012, at the invitation of former President José Ramos-Horta. The 18 member team provided medical assistance to the 400 support crew travelling with the riders and set up a field hospital each day. The NCCTRC took the opportunity to gift medical supplies before the start of the 2012 race.

The Sail Timor-Leste – Darwin to Dili Yacht Rally is an established event on Timor-Leste's tourism calendar, which takes place in July each year.

Charles Darwin University has been active in promoting relationships between Timor-Leste and the Northern Territory. In 2012, Charles Darwin University conferred on Prime Minister Xanana Gusmão an honorary doctorate in recognition of his contribution to nation building in Timor-Leste.

The Chamber of Commerce and Industry – Northern Territory hosts regular visits to Timor-Leste to develop business links. Its most recent business delegation visited Timor-Leste in March 2013.

### **Contribution to Development of the Timorese Diaspora**

54. Thousands of Timorese arrived in Australia in the period leading up to and during Indonesian rule between 1975 and 1999. According to the 2011 census, around 9,200 people born in Timor-Leste were living in Australia. Many Timorese leaders have studied or lived in Australia, and some have children enrolled in Australian schools and universities.

55. The role of the Timorese diaspora in Australia's relationship with Timor-Leste is unique, given the role Australia played in providing refuge to significant numbers of Timorese, and the circumstances in which Timor-Leste achieved independence in the 1999-2002 period. Members of the diaspora were instrumental in the establishment of key political and community organisations, including those which championed Timor-Leste's path to nationhood, and have

assumed roles in government, business and civil society in Timor-Leste.

56. Many members of the Timorese diaspora in Australia returned to Timor-Leste following the 1999 referendum and were approached by members of the Timorese leadership to assume leadership roles. There are a number of current and former Timorese Members of Parliament and Ministers who are dual citizens and retain strong links to Australia through family who remain living here.

57. From an Australian perspective, our officials are now able to interact with senior Timorese officials and politicians who have a strong understanding of our economic, legal and political systems. The enduring strength of their personal, political and commercial networks in Australia, have proven to be an enduring component of the Australia-Timor-Leste relationship.

58. Many Timorese continue to study in Australia before returning to Timor-Leste to take up positions in government and diplomacy, including several individuals who have enjoyed periods of employment with the Australian agencies operating in Timor-Leste. We expect that many of these Australian-educated Timorese will assume senior roles over time, strengthening personal linkages and fostering broad engagement between governments.

59. In business, a number of members of the diaspora returned to Timor-Leste following independence to invest in its nascent commercial sector. The Jape family, who left Timor-Leste in 1975 for Darwin where they built successful commercial property developments, have also made a significant investment in Timor-Leste through the Timor Plaza commercial and residential development they opened in 2011. Other members of the diaspora have invested in property development, logistics and a range of small retail businesses.

### **Sporting Links**

60. Sporting ties continue to grow between the people of Australia and Timor-Leste. Teams from Timor-Leste, the Nusa Tenggara Timur province of Indonesia and the Northern Territory compete annually in the Timor Sea Cup football tournament, which was launched in 2008. A large portion of the competitors in the Dili Marathon and Tour de Timor mountain bike race are Australian. The Darwin-Dili Yacht Rally, first held in 1973, was relaunched in 2010 and has had a growing number of participants from around Australia each year.

## **Regional Security**

61. Australia supports Timor-Leste's aspiration to become a member of the Association of South East Asian Nations (ASEAN). ASEAN works to accelerate economic growth, social progress and cultural development in Southeast Asia and to promote regional peace and stability through the rule of law. Timor-Leste is geographically a part of the Southeast Asian region and has developed close links with ASEAN's member states.

62. Timor-Leste formally applied for membership of ASEAN in March 2011. ASEAN leaders, at the 19<sup>th</sup> ASEAN Summit in November 2011, tasked the AESAN Coordinating Council to consider Timor-Leste's application through a working group. Membership of ASEAN would provide Timor-Leste with greater opportunities to cooperate with its neighbours on regional security issues. Membership would also increase Timor-Leste's economic connectivity within its immediate region, promoting development through trade and inward investment.

63. Australia and Timor-Leste work together to promote peace and stability in the region through both countries' membership of the ASEAN Regional Forum. Timor-Leste has been a member of the ASEAN Regional Forum since 2005, where it has made a contribution to enhancing regional security cooperation. With support from Australia, Timor-Leste hosted a meeting of the ASEAN Regional Forum Experts and Eminent Persons Group in January 2011. Timor-Leste also invited ASEAN Regional Forum members to observe its parliamentary elections in July 2012 as a practical regional security cooperation activity.

64. Australia also works in the region with Timor-Leste to address people smuggling and trafficking in persons through the Bali Process on People Smuggling, Trafficking in Persons and Related Transnational Crime. The Bali Process has raised regional awareness of the consequences of people smuggling and trafficking in persons and developed strategies and practical cooperative measures to respond to these issues. Australia has supported Timor-Leste's participation in the Bali Process through the International Organisation for Migration.

## **Annex A: Post-Independence History of Timor-Leste**

Timor-Leste achieved its independence on 20 May 2002, following a UN-sponsored referendum held in August 1999. The referendum proposed a package of special autonomy for Timor-Leste to remain as a province within Indonesia. 78.5 per cent of voters elected not to accept the special autonomy proposal. The United Nations established a transitional administration leading the way to full independence.

Timor-Leste's first legislative elections were held on 30 August 2001, to elect members of a Constituent Assembly that drafted the Constitution. Over 91 per cent of Timor-Leste's eligible voters participated in the election. In March 2002, the Constituent Assembly approved Timor-Leste's Constitution, with an elected President as head of state and a Prime Minister appointed from the political party, or alliance of political parties, with a majority in the unicameral National Parliament. Upon independence, the Constituent Assembly became Timor-Leste's National Parliament. Mari Alkatiri from Fretilin (which won a majority of seats at the 2001 parliamentary election) was appointed as Timor-Leste's first Prime Minister. Xanana Gusmão was elected Timor-Leste's first President at an election in April 2002.

Following an escalating political and security crisis in 2006 and at the invitation of the Timorese Government, Australia led an International Stabilisation Force to provide security assistance to Timor-Leste. Dr Jose Ramos-Horta replaced Mari Alkatiri as Prime Minister. The UN Security Council mandated the UN Integrated Mission in Timor-Leste to provide policing functions and support the Timorese Government to consolidate stability, enhance governance and facilitate political dialogue among Timorese stakeholders.

Jose Ramos-Horta successfully contested Timor-Leste's Presidential elections in April and May 2007. Xanana Gusmão was appointed Prime Minister following parliamentary elections in June 2007, when his National Congress for the Timorese Reconstruction (CNRT) party formed a parliamentary alliance with the Association of Timorese Social Democrats (ASDT), the Democratic Party (PD), and the Social Democrat Party (PSD).

The former Chief of the Timor-Leste Defence Force (F-FDTL), Taur Matan Ruak, replaced Dr Jose Ramos-Horta as President on 20 May 2012, following elections in March and April. Timor-Leste held its most recent Parliamentary elections in July 2012. Prime Minister Xanana Gusmão's CNRT received the highest percentage share of the votes (36.68 per cent), followed by Fretilin (29.89 per cent), PD (10.30

per cent) and Frenti Mudansa (3.11 per cent). Following the elections, CNRT formed a parliamentary coalition with PD and Frenti Mudansa.

Xanana Gusmão was appointed Prime Minister for a second term and his Government was sworn in on 8 August 2012. It is firmly focussed on the implementation of the Strategic Development Plan, which it released in July 2011 and outlines a vision of Timor-Leste as a middle-income country by 2030. Through implementation of the Strategic Development Plan, Timor-Leste seeks to use its oil revenue to support of long-term economic development, diversification of the economy and poverty reduction. The Timor-Leste Government has made clear its priorities to develop infrastructure and social services and promote initiatives to generate employment and private sector growth over its 2012-2017 term in office.



# TIMOR-LESTE

Fact Sheet

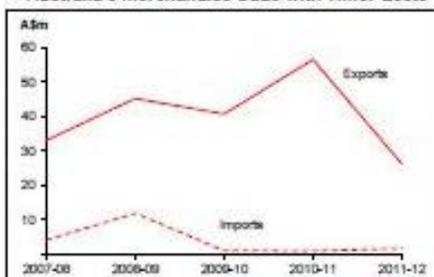
## General information:

Fact sheets are updated biannually; June and December

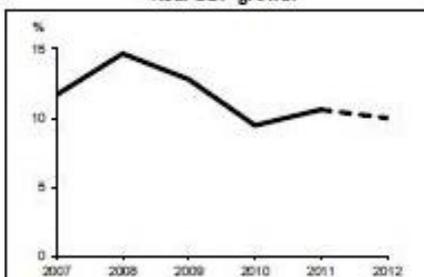
Capital:	Dili	Head of State:	
Surface area:	14,874 sq km	President HE Mr Taur Matan Ruak	
Official languages:	Portuguese, Tetum		
Population:	1.1 million (2011)	Head of Government:	
Exchange rate:	A\$1 = US\$1.0468 (Aug 2012)	Prime Minister HE Mr Kay Rala Xanana Gusmão	

Recent economic indicators:	2007	2008	2009	2010	2011 (a)	2012 (b)
GDP (US\$m) (current prices):	1,808	3,035	2,634	3,199	4,539	4,214
GDP PPP (Int'l \$m) (c):	5,691	6,669	7,587	8,417	9,507	10,628
GDP per capita (US\$):	1,821	2,985	2,530	2,999	4,154	3,766
GDP per capita PPP (Int'l \$) (c):	5,734	6,559	7,285	7,889	8,701	9,500
Real GDP growth (% change yoy):	11.7	14.6	12.8	9.5	10.6	10.0
Current account balance (US\$m):	1,177	2,023	1,363	1,538	2,598	1,914
Current account balance (% GDP):	65.1	66.7	51.7	48.1	57.2	45.4
Goods exports (% GDP):	3.8	1.9	2.1	2.0	na	na
Inflation (% change yoy):	10.3	9.0	0.7	6.8	13.5	12.0

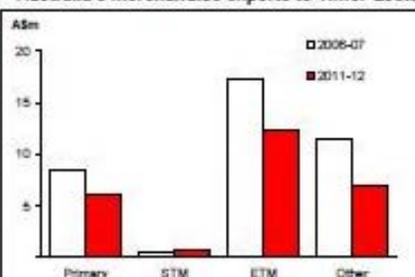
Australia's merchandise trade with Timor-Leste



Real GDP growth



Australia's merchandise exports to Timor-Leste



## Australia's trade and investment relationship with Timor-Leste (d):

<b>Australian merchandise trade with Timor-Leste, 2011-12:</b>		<b>Total share:</b>	<b>Rank:</b>	<b>Growth (yoy):</b>
Exports to Timor-Leste (A\$m):	26	0.0%	86th	-53.6%
Imports from Timor-Leste (A\$m):	2	0.0%	142nd	66.6%
Total trade (exports + imports) (A\$m):	28	0.0%	109th	-51.3%

### Major Australian exports, 2011-12\* (A\$m):

Passenger motor vehicles	3
Refined petroleum	2
Milk, cream, whey & yoghurt	1
Beef	1

\*Includes A\$6.8m of special transactions, 26% of total exports.

### Major Australian imports, 2011-12 (A\$m):

Refined petroleum	1
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### Australia's trade in services with Timor-Leste, 2011-12:

Exports of services to Timor-Leste (A\$m):	na	<b>Total share:</b>	na
Imports of services from Timor-Leste (A\$m):	na		na

### Australia's investment relationship with Timor-Leste, 2011 (e):

Australia's investment in Timor-Leste (A\$m):		<b>Total:</b>	np	<b>FDI:</b>	np
Timor-Leste's investment in Australia (A\$m):			np		nil

## Timor-Leste's global merchandise trade relationships:

### Timor-Leste's principal export destinations, 2010:

1	Australia	73.0%
2	United States	5.1%
3	New Zealand	4.5%

### Timor-Leste's principal import sources, 2010:

1	Indonesia	39.0%
2	Singapore	18.3%
3	Australia	10.2%