



**DIRECTORATE-GENERAL FOR EXTERNAL POLICIES OF THE UNION
DIRECTORATE B
- POLICY DEPARTMENT -**

NOTE

THE SITUATION IN TIMOR LESTE

Abstract:

Independent since 20 May 2002, Timor-Leste is the world's newest nation and the last ACP member so far. The country was often presented as a good example of nation-building under the UN auspices. However political violence before and after the 2007 general elections show that the situation is very volatile and that many efforts remain to be done to consolidate the young democracy. Indeed Timor-Leste is one of the poorest countries in the world with barely 1.000.000 inhabitants, and many are Internally Displaced People (IDP). Timor-Leste is rich with oil and gas but its economy is still based on agriculture. The use of these new resources for development will be the main challenge of the recently elected Timorese administration. The potential of increase in State resources created great expectations in a country where 40% of the population lives under poverty line. José Ramos Horta, the 1996 Nobel Peace Prize winner, was elected president in 2007.

The EP follows closely the situation in Timor-Leste. The 1999 Sakharov Price for Freedom of Thought was attributed to the current Prime Minister Xanana Gusmão, shortly after his release from prison. In 2006 the EP sent a delegation to assess the political situation and examine the adequacy of EU assistance programmes. An EP delegation also joined the EU EOM to monitor the 2007 presidential and parliamentary elections.

Any opinions expressed in this document are the sole responsibility of the author and do not necessarily represent the official position of the European Parliament.

FOR EUROPEAN PARLIAMENT INTERNAL USE ONLY

This note was requested by the European Parliament's Committee on Development.

This paper is published in the following languages: English (original)
Portuguese
Spanish

Author: Armelle Douaud
Directorate-General External Policies
Policy Department

Manuscript completed in November 2008.

This note is available on the [intranet](#) of the Policy Department of the Directorate-General for External Policies of the Union.

This note is also available in the catalogue of the European Parliament's [Library](#).

Copies can be obtained through: E-mail: xp-poldep@europarl.europa.eu

Brussels, European Parliament, 3 November 2008.

Main sources:

European Commission
United Nations - UNMIT
UNDP
Economist Intelligence Unit
International Crisis Group
Human Rights Watch
UN News Centre

BASIC INFORMATION

Area: 15,007 km²

Population: 1.1 million in 2007 (3.3 expected in 2050)¹

Capital: Dili

Religion: Catholic (91%)

Languages: Portuguese and Tetum (official), English and Bahasa Indonesian (working languages). 40% of the population, including most young people speaks Bahasa.

Currency: US\$

GNI per capita PPP\$ (2005): 3,010²

Human Development Rank: 150/177 (UNDP 2007-2008)

Life expectancy at birth: 57 years

HISTORICAL BACKGROUND

A Portuguese colony

In 1904 the two colonial powers divided the entire island of Timor into a Dutch controlled western part and a Portuguese controlled eastern part, with the exception of the enclave of Ocusse Ambeno where Dominican friars started a mission in 1556 and which remained within Portuguese administered East Timor.

During the Second World War, the Japanese army occupied the territory and some 50 000 East Timorese who helped the Australian soldiers were killed or died of starvation. In December 1949 Indonesia, including West Timor became independent from the Netherlands and East Timor remained an "overseas province" under Portuguese colonial rule.

In 1974 the return of Portugal to democracy led to a policy of rapid decolonisation. In 1974-1975 Portugal's African colonies became independent. In July 1975 Portugal adopted a law that allowed East Timor to form a transitional government to prepare for the election of a peoples' assembly in 1976, and the end of Portuguese sovereignty was planned for October 1978. Among the political forces emerging in East Timor the Frente Revolucionária Timor-Leste Independente (Fretilin) rapidly became the main one. It was divided though between a radical faction and a party which developed closer relations with Indonesia (the UDT – Timorese Democratic Union).

Civil war in 1975

However, the situation in East Timor deteriorated and escalated into Civil War. In May 1975, Indonesia warned UDT leaders that Indonesia would invade East Timor in order to prevent "Communist" Fretilin from coming to power. The UDT responded first by pulling out of the coalition with Fretilin and then by staging a coup in Dili on 11 August with the assistance of the police force. The Portuguese Governor, Col Mário Lemos Pires, was under official instructions not to intervene and withdrew to the offshore island of Ataúro. Fretilin with the aid of local army units launched a counter-attack and retook Dili by 27 August 1975.

¹ UNFPA : State of World Population 2007, Unleashing the Potential of Urban Growth.

² *Ibidem.*

Invasion of Indonesia on 7 December 1975

On 28 November Fretilin declared East Timor's independence as the Democratic Republic of East Timor. Indonesia responded with a naval and aircraft attack on Dili on 7 December. In the period during and after the capture of Dili, Indonesian troops killed several hundred East Timorese civilians suspected of offering resistance or supporting Fretilin. On 17 December Indonesia set up a "provisional Government" of East Timor led by a political party advocating integration to Indonesia (APODETI) and a number of UDT leaders. In May 1976 a "People's Assembly" of 37 specially-selected delegates formally petitioned Indonesia for integration.

Indonesian Rule

Although the USA and Australia had made it clear that they would not intervene against Indonesia, the UN Security Council passed a resolution on 23 December 1975 urging Indonesia's withdrawal and East Timorese self-determination. On 17 July 1976 Indonesia finally integrated East Timor as its 27th province, ignoring the UN resolutions calling for withdrawal. Indonesia presented "economic development" as a justification for its armed occupation. Large-scale transmigration programmes brought over 100,000 Indonesians from other islands, mainly Java and Bali, to East Timor. Central elements of the Indonesian integration strategy were the imposition of education and media in the Bahasa Indonesia language. Substantial development aid was also allocated to the province producing a dramatic improvement in infrastructure and education. Bahasa Indonesia came to be widely spoken and many East Timorese sought employment elsewhere in Indonesia, particularly in Bali. External interests came to dominate East Timor's economy. An Indonesian military-controlled company obtained an effective monopoly on the coffee crop — the territory's main export commodity — while military-controlled companies also dominated the construction and service sectors. However, throughout this period, Indonesia continued to oppress the East Timor population and evidence of widespread killing and systematic torture was found by the European Community and international human rights organizations, notably Amnesty International. Between 1974 and 1980, East Timor's population declined by at least 130,000 people. During the years of occupation by the Indonesian army, an estimated 250,000 people, nearly a third of the East Timorese population, died.

East Timorese Resistance Movement

Many members of the Armed Forces for the Liberation of East Timor (Falintil) were captured and killed by the Indonesian army in subsequent years. Within the first two months following the invasion some 60,000 East Timorese were killed. Fretilin maintained a broad based support amongst the East Timorese. Fretilin's military success was due to its access to modern weapons from the former Portuguese forces, and to the fact that some of its troops had gained previous battle experience in Portugal's African colonies. Also the terrain was highly suitable for guerrilla warfare.

In the mid-1980s resistance re-emerged, led by the Fretilin commander, José Alexandre "Xanana" Gusmão. This was encouraged by renewed international support for East Timor. Portugal in particular reasserted its claim to East Timor, supported by the UN, and used its new position of EC member. In November 1992, the resistance suffered a major setback when Xanana Gusmão was captured near Dili. He was imprisoned until February 1999 when his

detention became house arrest. Meanwhile the conflict with Indonesia began to take a religious dimension. The predominantly Catholic East Timorese were deeply offended by incidents such as the mistreatment of nuns, the desecration of churches and general anti-Catholic attitude of Muslim Indonesia.

On 12 November 1991 Indonesian security forces fired on a demonstration at the funeral in Dili of a Fretilin sympathizer, killing some 180 people. Foreign press representatives were present and footage of the massacre was widely broadcast. Although the Indonesian armed forces initially claimed that only 19 had died and that the troops involved had been "provoked" by Fretilin supporters, intense international pressure led the Indonesian Government to establish a separate inquiry, which found that 50 had died and 90 had "disappeared". Public criticism was widespread. Furthermore, international awareness was highlighted in October 1996 when Bishop Carlos Ximenes Belo and resistance leader Mr José Ramos Horta were jointly awarded the Noble Peace Prize. The award especially enhanced Mr José Ramos Horta's campaign to seek international support for East Timorese self-determination.

The election of 30 August 1999 and the escalation of violence

With the collapse of the Suharto regime in Jakarta following the Asian economic crisis of 1997, an agreement was signed on 5 May 1999 between Indonesia and Portugal as the administering power of the non-self-governing territory. This agreement initially provided for a "popular consultation" to be held on 8 August 1999 concerning East Timor's future. The date of the consultation fell in the middle of Indonesia's first free presidential elections in 44 years. On 11 June 1999, the Security Council established the UN Mission in East Timor (UNAMET) to organise and conduct a referendum.

On 30 August 1999, under the threat of violence by pro-Indonesian militias, 78.5% of a total of 438,968 of those who voted rejected the proposed autonomy within the Republic of Indonesia. This referendum result soon led to terror, destruction and violence throughout East Timor. Some 500,000 people were displaced and at least 1,000 murdered. Faced with this situation, in September 1999 the UN Security Council authorised a multinational force (INTERFET), under a unified command structure headed by Australia, to restore peace and security in the territory and facilitate humanitarian assistance operations. On 7 September Xanana Gusmão was released. On 28 September 1999 Indonesia and Portugal agreed to transfer authority in East Timor to the United Nations. On 19 October 1999 the Indonesian People's Consultative Assembly (MPR) formally recognised the result of the referendum. The UN established the United Nations Transitional Administration in East Timor (UNTAET) on 25 October 1999 thus beginning the transition towards real East Timorese independence.

Towards independence

The UN Transitional administration in East Timor (UNTAET) involved the most complex operations attempted by the United Nations in recent years and was seen as unique in its history. UNTAET was established rapidly to stem the violence caused by anti-independence militias supported and organised by the Indonesian military in 1999. It took over responsibility for peacekeeping from the original INTERFET operation. A UN civilian police force with strength of up to 1,640 officers was part of the public administration component.

The demands of security were swiftly overtaken by the demands for political and economic development in preparation for independence. UNTAET was in fact orchestrating "state-

building" activities, where it has attempted to develop the institutions of government by assuming some or all of those sovereign powers on a temporary basis in East Timor. UNTAET held effective treaty-making powers, entered into a treaty with the World Bank's International Development Association, and negotiated on behalf of East Timor with Australia on the new Timor Gap Treaty signed on 5th July 2001. Full legislative and executive powers were concentrated in the hands of the Special Representative of the Secretary-General (SRSG) and Transitional Administrator, Mr. Sergio Vieira de Mello.

Following the first democratic elections in East Timor on 30 August 2001, Fretilin was declared the winning party. On the basis of these elections an 88-member Constituent Assembly was established on 15 September 2001, with the primary task of elaborating and agreeing a Constitution by the end of 2001. In March 2002, the territory's first Constitution entered into force. Shortly after, Xanana Gusmão was elected President after winning 82.7% of the votes in the 14 April 2002 presidential elections, observed by the EU. Mari Alkatiri, Fretilin's Secretary-General, became Prime Minister. The Democratic Republic of Timor-Leste gained its independence on 20 May 2002.

INDEPENDENT TIMOR-LESTE

The independence also marked the official end of UNTAET's mission. However UNTAET was replaced by the UNMISSET (UN Mission of Support in East Timor). UNMISSET provided assistance to core administrative structures crucial to the viability and political stability of Timor-Leste, in addition to interim law enforcement and local and national security issues. UNMISSET was replaced by UN special police mission (UNOTIL) from April 2005 to mid-2006.

April-May 2006 crisis

A worrying crisis occurred in April-May 2006, one year before the first self-administered general elections and had consequences even after the elections. It showed that the situation is still extremely fragile and volatile in Timor-Leste and that the international community's attention towards the country should not be withdrawn.

The crisis was sparked by the sacking in March 2006 of 600 soldiers. This led to ethnic and gang violence which causes tens of thousands of people to flee their homes. The spark for the unrest was the fracturing of the fledgling defence force, Forças de Defesa de Timor-Leste (F-FDTL). Around 600 soldiers, mostly from the west of the country, were sacked in mid-March after going on strike, claiming they had suffered discrimination under eastern military officers.

However, the problem was more complex³. The roots of the conflict lied in the internal divisions within the Fretilin in the 1980s and the 1990s, particularly between Fretilin central committee members, who spent most of the occupation in exile, and Xanana Gusmão, then commander of the guerrilla army Falintil. These divisions have been carried over into the post-conflict government. Falintil fighters were partially incorporated into the army (FDTL), which then became the Falintil-FDTL (F-FDTL). But some ex-Falintil fighters were left aside.

³ *Resolving Timor-Leste's crisis*, Asia Report n°120, 10 October 2006, *International Crisis Group*.

From April 2006, and for several long weeks, the rebel soldiers led by Major Alfredo Reinado and their supporters rioted in Dili, damaging buildings and clashing with police. Armed gangs, some aligning themselves with the rebel forces, went on the rampage. The police force, which comprises mostly westerners and some former members of the Indonesian military, also became embroiled in the unrest. Some deaths were reported, including police officers under UN protection who were killed by F-FDTL soldiers. The Government called for international assistance and Australia, New Zealand, Malaysia and Portugal agreed to deploy up to 2,200 troops (mainly Australians). The situation became relatively calm by June 2006 thanks to the presence of foreign troops.

The violence pushed around 150,000 civilians to leave the capital, worsening even more the living conditions of the population and increasing the number of Internally Displaced People (IDPs).

The whole episode dealt a major blow to the political credibility of the Fretilin administration. The party and its leader, Mari Alkatiri, who resigned as Prime Minister on 26 June 2006, faced intense criticism for the failure to prevent the problems in the defence force from escalating. Criticism had also centred on the Fretilin government's failure to improve the livelihood of the people. Indeed, although the initial spark for the unrest came from the split in the defence force, local gangs were quick to capitalise on the deterioration in law and order.

Despite his party's majority in parliament, and its success in winning the 2005 local elections, Mr Alkatiri had failed to gain the overall support of the people since coming to office, and public antipathy towards him intensified as the violence flared.

José Ramos Horta, a Nobel Peace Prize winner and former Foreign Minister, was named Prime Minister in July 2006. Mr Ramos Horta, like President Gusmão, is not a member of the ruling Fretilin party. Under the Constitution, the party which holds a majority of seats in parliament should choose the next Prime Minister, but Fretilin's image had been badly tarnished by the violence which had engulfed the capital. One of the new Premier's tasks was to restore political stability. Jose Luis Guterres, former Timor-Leste ambassador to the UN, was appointed Foreign Minister, while Mr Ramos Horta also held the post of Defence Minister.

On the request of José Ramos Horta, the UN established an **Independent Special Commission of Inquiry for Timor-Leste** to review the violent incidents of April-May and "*other related events on issues which contributed to the crisis*" which released its report in October 2006.

The Commission concluded that both PNTL (police) and F-FDTL (army) weapons were distributed to civilians. In arming civilians, the Minister of Interior Rogerio Lobato, the Minister of Defence Roque Rodrigues and the Chief of Defence Force Taur Matan Ruak acted without lawful authority. According to the Commission, they should be held accountable for illegal transfer of weapons. As far as the former Prime Minister is concerned, the Commission declared that Mari Alkatiri failed to use his authority to denounce the transfer of weapons but that there is no evidence that he was personally involved in the illegal movement. Nevertheless the Commission suspected that he knew about the illegal arming of civilians by police weapons and recommended carrying out further investigations to determine whether Mr Alkatiri bears any criminal responsibility with respect to weapon offences.

The 2007 elections

Constitution: 22 March 2002

State: Parliamentary Republic

Head of State/Capital: directly elected President, for 5 years and a maximum of two terms

Prime Minister: really holds the executive power, designated by a political party/alliance with the majority in Parliament

Government: Ministers officially appointed by President, under recommendation of Prime Minister.

Parliament: 65 member-unicameral "Parlamento nacional", directly elected for 5 years.

Right to vote: all citizens above 18.

After the 2005 village elections ("sucço"), which were the first elections directly managed by the Government of Timor-Leste, the newly appointed government had to prepare the first self-managed presidential and parliamentary elections. The 2007 general elections were regarded as a test for the young country, especially after the spring 2006 unrest and the division of the political elite.

There was a clear division inside Fretilin between those who remained in the country during the struggle for independence and the party's elite, an older generation, many of whom (including Mr Alkatiri) lived overseas for much of Indonesia's occupation. Before the elections Fretilin held a large majority in Parliament controlling 55 of the 88 seats. The opposition was represented by the Democratic Party of Ferando de Araújo. All the more after the April-May 2006 crisis José Ramos Horta and Xanana Gusmão formed the real opposition to Fretilin.

The first round of the presidential elections was held on 9 April 2007. Two of the eight candidates were selected for the 9 May run-off: Francisco Guterres for the Fretilin and former Prime Minister José Ramos Horta (as independent candidate?), with respectively 27.89% and 21.81%. José Ramos Horta was backed by most of the defeated candidates and he won a landslide victory with 69% of the votes.

Political parties in Parliament

Fretilin: Mari Alkatiri, former Prime Minister forced to resign in June 2006; Fretilin presidential candidate was Francisco Guterres, former Speaker of the Parliament. He lost the second round of presidential elections in front of Ramos Horta.

National Congress for Timorese Reconstruction (CNRT): party of Xanana Gusmão. His party supported José Ramos Horta for the presidential election.

Democratic Party (PD), part of the ruling coalition

Timorese Association of Social Democrats and Social Democratic Party (ASDT-PSD), part of the ruling coalition

Party of National Unity

Democratic Alliance

National Union of Timorese Resistance

The parliamentary elections were held on 30 June 2007. The government is the branch of the executive which really holds power. Indeed Xanana Gusmão, the first President of independent

Timor-Leste, did not run for the presidential election but created a new party (the CNRT) with which he ran for the parliamentary elections.

The defeat of Fretilin, after having lost the presidential election, was expected. The party declined from 55 seats in the previous 88-member Parliament (57% of the votes) to 21 (29% of the votes) in the newly elected one (which only comprises 65 seats) but still has the largest number of MPs. Indeed none of the parties won absolute majority in Parliament. The Gusmão's CNRT ranked second with 18 seats (24% of the votes). The party formed an alliance with ASDT-PSD and PD, which gave a majority of 37 seats. In total seven parties are represented in Parliament.

Due to the necessity to form a coalition the new government was only installed in August 2007. Violence flared again in Dili when it was announced that Gusmão would form the new government. Fretilin had complained that it would have been entitled to try to form a governmental coalition as the biggest party in Parliament. Some vain attempts were made to form a government of national unity with Fretilin.

The European Union deployed an EU EOM to the presidential and to the parliamentary elections of April and June 2007. The mission was led by Javier Pomés Ruiz. An EP delegation led by Ana Gomes joined the EU EOM. In its statement the EU EOM praised the exceptional turnout, the calm atmosphere and the respect for the electoral procedures showed the Timorese people's commitment to democratic values.

The current political situation

The aftermath of the 2007 elections was marked by the **attempt of assassination against President Ramos Horta**.

On 11 February 2008 the President was attacked at his house and the Prime Minister in his car: the President was seriously injured whereas one of his attackers, Major Alfredo Reinado, a former major in the army and the fugitive leader of a rebel group that was at the centre of the April-May 2006 violence, was killed during the attack. President Ramos Horta recovered from his injuries during a long stay in Australia and could only come back to Timor-Leste in April. The suspected rebels surrendered in April 2008.

These events show that Timor-Leste needs to reform its fragile, inefficient and politicised security sector. Security Sector Reform remains the main issue in Timor-Leste. The succession of violent events stressed the country's fundamental security problems: a culture of political violence, the high incidence of criminality and the gang violence, especially in Dili. Besides security, the second challenge for the government will be to fight poverty. Both issues are not independent from one other: poverty has empowered the rebel movement.

One important issue that the Government has to resolve rather quickly is the fate of the 20,000 to 30,000 **Internally Displaced People** (IDPs) still living in camps outside Dili. Most of these people escaped from the April-May 2006 violence. Some 70,000 other people would also be

Key Ministers:

Prime Minister: Xanana Gusmão

Foreign Affairs: Zacarias da Costa

Finance: Emilia Pires

Justice: Lucia Lobato

Infrastructure: Pedro Lay

Development: João Goncalves

Health: Nelson Martins

Education: João Cancio

IDPs but unreported because they do not stay in camps. *International Crisis Group*⁴ commented that insecurity and the lack of trust in security forces are the main reasons preventing people to go back home. Some of the IDPs in Dili come from the countryside: they prefer to stay in town where job opportunities are greater. Housing is a problem in Timor-Leste. Part of the problem is to be found in land ownership law. Indeed most land ownership records were destroyed in 1999.

No development of Timor-Leste can be envisaged without a thorough **Security Sector Reform**. Police forces and the army should be reformed and better trained. There is no national security police, and there are important gaps in security-related legislation. Too often the authorities call the army in times of troubles. Police should be given resources, training and backing to effectively guarantee internal security⁵.

The EC, through its Instrument for Stability, is considering deploying staff to line ministries in some key priority areas in order to assist mostly with coordination. It is also envisaging giving its support to initiatives mainly in the sectors of Security Sector Reform, and employment opportunities for youth or returnees.

To genuinely achieve SSR, one challenge would be to rethink the composition of the defence and police forces that have been divided along the lines of people from the East (*Lorosae*) and those from the West (*Loromonu*). The April-May 2006 crisis was caused by tensions between both groups in the army.

In addition it should be highlighted that national judiciary is very poor due to a lack of Timorese lawyers. Under Indonesian rule, no Timorese could access to any important position in the judicial system. Important efforts should be done in favour of the judicial system to have a functioning system of law and order.

The recent political situation was marked by some **divisions in the ruling coalition**. The Alliance of the Parliamentary Majority (APM) formed after the 2007 elections by the CNRT, the PD and the ASDT-PSD showed signs of division when the ASDT signed an alliance with Fretilin to run together the 2012 elections. The ruling coalition could lose its majority in Parliament if further defections were to happen.

THE UN ROLE IN TIMOR-LESTE

The United Nations have accompanied Timor-Leste before and after its independence. The idea was to leave after the elections but the tense political situation prevented the UN to withdraw its mission.

Following the riots in April 2006, the UN mandate was extended until a longer term solution is found. Prior to the unrest, the UN had been debating whether to maintain a presence in the country, owing to concerns over the potential for instability in the run-up to the 2007 elections. Indeed, the UN had faced some criticism for withdrawing its peacekeeping troops from the fledgling nation too quickly. The Security Council, by its resolution 1704 of 25 August 2006, established a new, expanded operation - the United Nations Integrated Mission in Timor-Leste (UNMIT) - to support the Government in "*consolidating stability, enhancing a culture of democratic governance, and facilitating political dialogue among Timorese stakeholders, in their efforts to bring about a process of national reconciliation and to foster social cohesion*".

⁴ *Timor-Leste's displacement crisis*, Asia Report n° 148, 31 March 2008, *International Crisis Group*.

⁵ *Timor-Leste: Security Sector Reform*, Asia Report n°143, 17 January 2008, *International Crisis Group*.

UNMIT took over from the United Nations Office in Timor-Leste and its mandate ran until 25 March 2007. In the wake of the attacks on President José Ramos Horta and Prime Minister Xanana Gusmão, the Security Council, by its resolution 1802 of 25 February 2008, extended the mandate of UNMIT for one year, until 26 February 2009. Ramos Horta would like the UN mandate to be extended until 2012.

UNMIT has an authorised strength of 34 military officers; 1,748 police; 432 international civilian personnel; 756 national staff and 131 UN Volunteers. The General Assembly appropriated US\$160.6 million for UNMIT for the 2007/2008 financial year. The Mission is headed by the **Special Representative of the Secretary-General (SRSG) for Timor-Leste, Atul Khare**. He is supported by the Deputy SRSG for Security Sector Support and Rule of Law (currently vacant) and the Deputy SRSG for Governance Support, Development and Humanitarian Coordination.

By **Resolution 1802 of 25 February 2008**, the Security Council requested UNMIT:

- (a) To continue its efforts, adjusting them as necessary to enhance the effectiveness of the judiciary system, and assist the Government of Timor-Leste in carrying out the proceedings recommended by the Commission of Inquiry;
- (b) To support the Government of Timor-Leste in its efforts to coordinate donor cooperation in areas of institutional capacity-building;
- (c) To intensify its efforts, working with partners, to assist with further training, mentoring, institutional development and strengthening of the PNTL with a view to enhancing its effectiveness, including with respect to addressing the special needs of women, while continuing to ensure, through the presence of UNMIT police component, the restoration and maintenance of public security in Timor-Leste through the provision of support to PNTL, which includes interim law enforcement and public security until PNTL is reconstituted.

Source: UNMIT

UNMIT will therefore, in close cooperation with the Timorese Government, continue focusing efforts on the four priority areas outlined in the Secretary-General's report: review and reform of the security sector, strengthening of the rule of law, economic and social development, and promoting a culture of democratic governance, in particular facilitating dialogue and reconciliation, the restoration and maintenance of public security, further training, institutional development and strengthening of the national police, the conduct of a comprehensive review of the future role and needs of the security sector, promoting a "compact" between Timor-Leste and the international community, further building the capacity of State and Government institutions such as the justice sector, monitoring, promoting and protecting human rights and facilitating the provision of relief and recovery assistance. Poverty, massive youth unemployment and a solution to the situation of the 100,000 internally displaced persons.

The UN Country Team for Timor-Leste is also supporting the country, shifting from emergency relief through rehabilitation to longer-term socio-economic sustainable development.⁶

⁶ UNMIT - Background note.

Timor-Leste is situated between two big neighbours with whom it needs good relations: Australia and Indonesia.

With Australia: battle around oil fields

Relations with Australia are largely conditioned by the sometimes bitter negotiations on the sharing of oil-gas resources in the Timor Sea. Timor-Leste and Australia agreed on 12 January 2006 to share revenues from the reserves, allocating 50% of the revenues to Timor-Leste. As a part of the deal, Timor-Leste agreed not to dispute the maritime boundary for 50 years. At independence, Timor-Leste signed the Timor Sea Treaty with Australia securing 90% of revenues from the "Joint Petroleum Development Area", an arrangement which however excluded most of "Greater Sunrise", a larger and more lucrative gas field, due to a difference of interpretation of respective maritime boundaries. The January 2006 agreement resolved the issue but left unanswered the question of whether the gas will be processed in Darwin or in Timor-Leste.

On the other hand, Australia is guaranteeing Timor-Leste's security since 2006 and 750 troops are still present, in addition of 180 troops from New Zealand. Relations of Australia with President Ramos Horta and Prime Minister Gusmão are very good, which was not the case with former Prime Minister and Fretilin leader Mari Alkatiri.

With Indonesia: the ghosts of war crimes

The shared land border between Indonesia and Timor-Leste is now mostly peaceful and the militias are no longer a serious security threat⁷. But human rights violations from the time of the Indonesian occupation still need to be addressed.

In March 2005 Timor-Leste and Indonesia established their own joint body to look into crimes committed in East-Timor in 1999. the **Commission of Truth and Friendship (CTF)** was set up to establish agreed-upon facts regarding the events prior to and immediately after the 1999 referendum, with a view to further promoting reconciliation and friendship between Indonesia and Timor-Leste. The body was widely criticized by victims' groups and civil society in both countries for being unrepresentative of victims' wishes for justice and accountability, and for effectively promoting impunity. The U.N. Commission also expressed reservations about the CTF, noting that the Truth Commission's terms of reference, which include amnesty provisions even for perpetrators of the worst crimes, "*contradict[ed] international standards on denial of impunity for serious crimes.*" The UN repeatedly expressed its opposition to the CTF, with the UN secretary-general, Ban Ki-Moon, going so far as to call on UN officials not to testify at the CTF hearings⁸. Five Indonesian and five East Timorese commissioners started their work in August 2005⁹. They handed their final report to the Timor-Leste and Indonesia's authorities in July 2008. According to their findings the blame is to be put on Indonesia's military which is requested to make a formal apology. Indonesia's President expressed his regret over the 1999 events.

⁷ *Managing tensions on the Timor-Leste/Indonesia border*, Asia Report n°50, 4 May 2006, *International Crisis Group*.

⁸ *Human Rights Watch*, World Report 2008.

⁹ *Human Rights Watch*.

This reconciliation is very important but the issue is even more sensitive now that the crimes committed during the Indonesian occupation have been displayed in the 2000-page report of the CAVR. The **Commission for Reception, Truth and Reconciliation in Timor Leste** (Comissao de Acolhimento, Verdade e Reconcilio de Timor Leste, **CAVR**) is a national, independent, statutory authority mandated by law to undertake truth-seeking, facilitate community reconciliation, report on its work and findings, and make recommendations for further action. Created in 2001 by the UN, the CAVR has been largely successful in its initial efforts to promote national reconciliation through national hearings on a wide range of issues, truth seeking, and public community-based reconciliation processes - an ambitious task after twenty-five years of violence in East Timor. On 20 January 2006, after three years of inquiry and having heard more than 7000 victims, the CAVR submitted its final report, providing a record of human rights abuses from 1974 to 1999, to the UN Secretary General¹⁰. The report accuses the Indonesian army of having systematically killed, raped, tortured and starved the Timorese population. The Indonesian occupation is said to have been responsible for between 100.000 and 180.000 death, the one third of the population. These crimes are qualified as war crimes and crimes against humanity. Hunger was used as a weapon by the Indonesian army.

Nevertheless reconciliation with Indonesia seems to be of the utmost importance for Timor-Leste authorities. Xanana Gusmão, president when the report was released, was not in favour of an international tribunal which would hamper Timor's relations with Indonesia. In addition, Mr Ramos-Horta said that no Indonesian leader was currently powerful enough to have high ranking army officials sued.

For International Crisis Group there is a risk that both government try "*to bury the issue through the Commission on Truth and Friendship, which appears more at finding a mechanism for amnesties rather than justice.*"

ECONOMIC AND SOCIAL SITUATION

GDP/sector (% share of GDP) in 2006

Agriculture	32.2
Industry	12.8
Manufacturing	2.6
Services	55.1

Source: Asian Development Bank, Key Indicators of Developing Asian and Pacific Countries, 2007.

Timor-Leste has a rural based economy and is a very poor and underdeveloped country. Moreover the Indonesian army destroyed most of the infrastructure when leaving the country in 1999. However, vast offshore oil and gas fields in the Timor Sea hold much potential. The economic development of the country will depend on the use of its resources.

The huge revenues that Timor-Leste can expect from the petroleum and gas reserves in the Timor Sea can lead to a major change in its macroeconomic situation. This could be a possible destabilising factor. The revenues to be obtained under the agreement from the Bayu Undan field alone were expected to deliver US\$ 11 billion over the next 20 years, with an expected US\$ 10 billion for the Sunrise field. Parliament has adopted a strong legal framework for on- and off-shore petroleum production. The Petroleum Law, passed unanimously by Parliament, commits the Government to saving most of its petroleum revenues in a state-of-the-art

¹⁰ *Human Rights Watch.*







Norwegian-style petroleum fund designed to yield a sustainable income in perpetuity. This legal framework makes Timor-Leste a leading model in the Extractive Industries Transparency Initiative. At the end of 2007 the fund contained nearly US\$2.1bn. Oil revenues increased of course following the rise of world market prices.

But the risk is that Timor-Leste be contented merely with oil and gas revenues without diversifying other sectors. This scenario would be catastrophic for its social-economical development. Farming remains the sole source of income for about 80% of rural households, and will remain the main source of employment and income for the majority of the population for the foreseeable future, although it only counts for one third of the GDP. Efforts in the agriculture sector have thus to be made. Coffee is the main non-oil export.

Another side effect of the Indonesian occupation is the lack of skilled Timorese workers. Most of the skilled positions were occupied by Indonesians who left after independence. Fortunately this has been partially compensated by the return of Timorese skilled diaspora. The educational system remains poor. The Catholic Church has a very important role in the provision of social services in Timor-Leste, especially health care and schools.






At independence Timor-Leste chose Portuguese and Tettun, the most spoken local language, as official languages. But most young people, and in total 40% of the population, speak Bahasa (an Indonesian language) due to Indonesian occupation but this is not an official language. This is a problem for many young people who cannot work for any institution as they do not speak Portuguese. Portuguese is not so broadly spoken anymore but teaching programmes are encouraged, especially through Portuguese development aid.

Timor-Leste's achievement of Millennium Development Goals

Countries	Goal 1 	Goal 2 	Goal 3 	Goal 4 	Goal 5 	Goal 6 	Goal 7 	Goal 8 
Timor Leste								

Source: UNDP

Icon Legend:

-  Achieved;  Very likely to be achieved, on track;  Possible to achieve if some changes are made;  Off track;
-  Insufficient information

The eight MDGs are: end poverty and hunger; universal education; gender equality; child health; maternal health; combat HIV/AIDS; environmental sustainability; global partnership.

Progress toward achieving the country’s twin objectives of economic growth and poverty reduction in the framework of the MDGs has been limited mainly because of current problems in budget execution. Socio-economic indicators point to low life expectancy, high illiteracy, widespread food insecurity, and limited access to basic services. Timor-Leste scores lower on the human development index than any of the Member States of the Association of Southeast Asian Nations (ASEAN). Since 2001 poverty and unemployment increased¹¹.

¹¹ UNDP.

Timor-Leste is an ACP country. Its membership was accepted by the ACP-EU Council of Ministers on 16 May 2003 and its Parliament ratified the Cotonou Agreement in December 2005. In 2008 the European Commission has established a full delegation in Dili.

European aid did not start with the signature of the Cotonou agreement. Timor-Leste has been a major beneficiary of ECHO funds and the Commission also supported financially the UN Trust Fund, covering expenditures of the Transitional Administration. Funds were allocated under the Asia/Latin America cooperation aid budget lines. EC-approved contributions to Timor-Leste since September 1999 amounted to €203.50 million. The European Union as a whole, including Member States and the Commission's contributions, has contributed one half of total assistance to Timor-Leste since 1999 (over €600 million). The major EU donor is Portugal.

Once an ACP State, Timor-Leste has been allocated €18 million under the 9th EDF: €12 million for rural development and €6 million for capacity-building.

European Commission Country Strategy

Under the 10th EDF (2008-2013) some € 66 million should be allocated to Timor-Leste. The Country Strategy Paper foresees three focal areas:

- **Sustainable rural development:** socio-economic development of the poorer rural areas, in order to achieve sustained poverty reduction and food security and improved service delivery. This supports the Government's own sector investment plan for agriculture and rural infrastructure such as rural roads, water supply and electricity (€ 35 million).
- **Health:** improve the availability, accessibility and affordability of health services to all people in Timor-Leste and the participation of the community and other stakeholders in the implementation of the National Health Plan (€ 8 million).
- **Institutional capacity building,** which is in line with the Government's goal of achieving sustainable national capacity for improved service delivery within the executive and in the institutions which are responsible for checks and balances (€ 12.5 million).

In addition € 8 million should be allocated to the civil society and technical cooperation activities.

The EC is also an important provider of humanitarian aid to Timor-Leste. Since 1999, the European Commission Humanitarian Aid department (ECHO) has provided close to €47 million in emergency assistance to the most vulnerable victims of violence and in response to alarming levels of malnutrition. ECHO provides aid to the IDPs. Feeding programmes were phased out when development aid programmes aiming at reducing food insecurity were put in place. In 2008 ECHO planned € 2 million mainly to support IDPs and monitor their return.

The EP and Timor-Leste

The European Parliament has always followed closely the situation in East Timor, especially focusing on human rights issues. In 1999, the Sakharov Prize for Freedom of Thought was attributed to Xanana Gusmão, shortly after his release from prison.

Since independence the EP has supported Timor-Leste's application to join the ACP group. In its last resolution, adopted on 15 June 2006, the EP decided to send a delegation to assess the political situation and to examine the adequacy of EU external assistance.

EP RESOLUTIONS ON EAST TIMOR SINCE 1996

B6-0337/06	East Timor
B5-0625/01	East Timor
B5-0271/99	the situation in East Timor
B4-0459/99	the situation in East Timor
B4-0383/99	the situation in East Timor and Indonesia
B4-0252/99	the human rights situation in Indonesia, the Moluccan Islands and East Timor
B4-0056/99	the human rights situation in Indonesia and East Timor
B4-0624/98	the human rights situation in Indonesia and East Timor
B4-0503/97	the elections in Indonesia and the situation in East Timor
B4-0764/96	the situation in East Timor and the violation of human rights in Indonesia

