



Timor-Leste: Political Dynamics, Development, and International Involvement

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Summary

The Democratic Republic of Timor-Leste gained independence on May 20, 2002, after a long history of Portuguese colonialism and, more recently, Indonesian rule. The young nation, with a population of 1.1 million, has been aided by the United Nations under several different mandates under which the U.N. has provided peacekeeping, humanitarian, reconstruction and capacity building assistance to establish a functioning government. The current United Nations Integrated Mission in Timor-Leste (UNMIT) is slated to withdraw from the nation at the end of 2012.

The independence of Timor-Leste (also known as East Timor) followed a U.N.-organized 1999 referendum in which the East Timorese overwhelmingly voted for independence. In response, Indonesian-backed pro-integrationist militias went on a rampage, killing an estimated 1,300 people and destroying much of Timor-Leste's infrastructure. For several years thereafter, the international community's main concern focused on possible tensions in East Timor's relations with Indonesia. Since 2006 the main threat to East Timor has been internal strife resulting from weak state institutions, rivalries among elites and security forces, deep-set poverty, unemployment, east-west tensions within the country, and population displacement.

The situation in Timor-Leste in 2012 is relatively calm compared with recent periods of political strife and insurrection. The country held Presidential elections in March and April, which led to the election of Tuar Matan Rauk, a former army chief. The U.N. described the polls as "peaceful, smooth and orderly." Parliamentary polls are due on July 7. Stability has been aided by the 2006 reintroduction of peacekeeping troops and a United Nations mission, the flow of revenue from hydrocarbon resources in the Timor Sea, and improved political stability. East Timor has significant energy resources beneath the Timor Sea.

That said, Timor-Leste faces many serious challenges as it seeks to establish and deepen a stable democracy and develop its economy. Many institutions in the young nation remain weak, and tensions remain between the young country's political elites and among security forces. Timor-Leste remains one of Asia's poorest nations, ranking 147th out of 187 countries on the United Nations Human Development Index. Generating economic opportunity and employment are among the government's greatest challenges.

Congressional concerns have focused on security and the role of the United Nations, human rights, East Timor's boundary disputes with Australia and Indonesia, and the strengthening of the nation's political system and functioning of its parliament. Key challenges for Timor-Leste include creating enough political stability to focus on building state capacity and infrastructure, providing employment, and preventing the oil-and-gas revenue stream from being squandered by corruption or poor investment decisions.

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Introduction

On May 20, 2002, the Democratic Republic of Timor-Leste gained its independence, and on September 27 of the same year it became the 191st member of the United Nations. With the help of the U.N. Transitional Administration in East Timor (UNTAET), Timor-Leste's independence marked the end of three centuries of Portuguese rule and 24 years of Indonesian control.¹

One of the world's poorest nations, Timor-Leste (also known as East Timor) continues to face many challenges in consolidating its democracy and developing its economy, though it has made considerable strides in building stability and democratic institutions. The current U.N. mission, the United Nations Integrated Mission in Timor-Leste (UNMIT), has been present since a breakdown in civil order in 2006. It is preparing to wind down operations by the end of 2012.

Timor-Leste emerged in 2002 as an independent state after a long history of Portuguese colonialism and, more recently, Indonesian rule. Independence followed a U.N.-organized 1999 referendum in which the people of Timor-Leste overwhelmingly voted for independence, after which Indonesian-backed pro-integrationist militias rampaged, killing an estimated 1,300 civilians and destroying much of Timor-Leste's infrastructure. Under several different mandates, the United Nations has provided a range of assistance, such as peacekeeping, supporting capacity building efforts to strengthen the security and justice sectors, and ensuring the provision of humanitarian and reconstruction aid.²

The current situation in Timor-Leste is relatively calm compared with past periods of political strife and insurrection. That said, some underlying tensions, such as with the security sector, remain to be resolved. In a February 2012 report, the International Crisis Group reported: "The country is markedly more peaceful than when general elections were last conducted in 2007, but many of the root causes of fragility persist."³

The main threat to Timor-Leste is not external, but rather internal strife resulting from weak state institutions, rivalries among elites and between security forces, and large-scale youth unemployment. The reintroduction of peacekeeping troops and the UNMIT mission in 2006, the flow of revenue from hydrocarbon resources in the Timor Sea, and improved political stability are helping Timor-Leste move towards more effective democratic government. Timor-Leste's economy is deeply dependent on energy resources in the Timor Sea, which generate substantial revenues that are managed in a Petroleum Fund from which the government can withdraw a limited amount of funds annually. As of the end of 2011, the fund's balance stood at \$10 million, and withdrawals accounted for 90% of government revenues. A key issue facing the nation is how this wealth will be managed and spent in the years ahead.

Many other challenges remain, including the need for economic development that can generate jobs. Congressional concerns have focused on internal security and the role of the United Nations, human rights and the development of democratic institutions and the nation's parliament. The

¹ See U.N. Transitional Administration in East Timor (UNTAET) at <http://www.un.org/en/peacekeeping/missions/past/etimor/UntaetF.htm>. See also Slobodan Lekic, "Timor-Leste's Historic Vote Hailed as a Success," *Associated Press*, August 31, 2001.

² See U.N. Integrated Mission in Timor-Leste at <http://www.un.org/en/peacekeeping/missions/unmit/background.shtml>.

³ International Crisis Group; *Timor-Leste's Elections: Leaving Behind a Violent Past?*, February 2012.

House Democracy Partnership has had a Timor-Leste program since 2006, which manages training programs for Timorese legislators, and which has authorized grants for the building of a Parliamentary library and the improvement of information technology in the Timorese parliament.

Recent Developments

2012 Elections

Timor-Leste held two-stage Presidential elections in March and April, 2012, and will hold nationwide Parliamentary polls on July 7. Many observers consider the polls to be an important test of Timor-Leste's stability. In 2007, following the last nationwide elections, violence flared in several cities and towns, and dozens of houses were burned.

On April 16, 2012, Jose Maria de Vasconcelos (also known as Taur Matan Rauk⁴), a former army chief who was a rebel leader under Indonesian rule, was elected as Timor-Leste's third president in a runoff election. Though the Presidency is viewed as largely ceremonial, the position is highly coveted and the country's first two Presidents – Xanana Gusmao and Jose Ramos-Horta – were both considered among the most powerful figures in government. The endorsement of Gusmao, a hero of the Timorese independence movement, was seen as critical to Vasconcelos's victory. The U.N. described the presidential polls as “clean and orderly.”

Twenty political parties are contesting July 7 elections for the 65-seat Parliament, the most powerful body in Timor-Leste's Parliamentary system. The country's two largest political parties are the ruling Congresso Nacional de Reconstrucao de Timor-Leste (CNRT), led by Gusmao, and the Frente Revolucionaria de Timor-Leste (Fretilin), a rival party that emerged directly from the independence movement. A third key party is the Partido Democratico (Democratic Party), behind which former president and Nobel Peace Laureate Jose Ramos-Horta has thrown his support.

UNMIT Plans for Withdrawal

With clear improvements in stability and economic growth, the role of the United Nations in Timor-Leste is changing and plans are in place for the United Nations Integrated Mission in Timor-Leste (UNMIT) to come to a close at the end of 2012. The Joint Transition Plan, a collaborative effort between the government of Timor-Leste and UNMIT, is guided by four assumptions:

- the maintenance of stability;
- completion of national elections in accordance with international standards;
- the formation of a government based on the outcome of the elections;

⁴ Taur Matan Rauk was Vasconcelos's *nom de guerre* during the years he led the independence militia known as Falentil under Indonesian rule. It means “two sharp eyes” in Tetum, one of the nation's national languages.

- the ability of the political opposition to operate within democratic principles.⁵

The main purpose of the Joint Transition Plan is to assist with the completion or handover of UNMIT activities by the time the mission departs and to ensure continuity in the transition from peacekeeping to statebuilding. The High-Level Committee on Transition (HLC) is a joint mechanism established for transition planning and implementation. The HLC currently oversees seven working groups which bring together staff from the government and the U.N. system to focus on the transition process.

In November 2011, at the second meeting of the HLC, the government of Timor-Leste requested that UNMIT present options for a post-UNMIT engagement in the country. Four possible models of a future U.N. presence in Timor-Leste were put forward. Still under discussion, any future U.N. engagement would need to support the government and other national institutions and reflect the scope of tasks and activities required beyond December 2012, possibly as identified through the working groups involved in joint transition planning.

Petroleum Fund

The management of the Petroleum Fund, which finances around 90% of government spending, is one of the government's largest economic challenges. The fund had a balance of around \$10 billion as of the end of 2011.⁶

Over the past two years, Timor-Leste has announced substantial increases in government spending, drawing on its steadily growing petroleum reserve, from which it is allowed to withdraw only a limited amount annually. The government's FY2012 budget rose 30% from FY2011. In addition to directing funds towards traditional areas such as infrastructure, rural development and public services, it has also created new funding vehicles for large-scale infrastructure and human capital. The political opposition has alleged that the government is spending unsustainably, that its investments are reaching a small minority of the population, and that the expansionary budget has brought inflation that stands around 18%. One of the United States's assistance goals through a \$10 million Millennium Challenge Compact signed in 2010 is improving the government's capacity in managing financial controls.

External Relations

Timor-Leste continues to receive strong political, economic and security assistance from Australia, New Zealand, Portugal, and the United Nations. Timor-Leste and Australia have an ongoing dispute over their joint development of hydrocarbon resources in the Timor Sea. Timor-Leste hopes to construct an onshore Liquefied Natural Gas (LNG) processing plant, while the Australian company Woodside Petroleum favors offshore processing. Continued disagreement over this matter has the potential to strain relations with Australia. Timor-Leste is also seeking to become a member of the Association of Southeast Asian Nations (ASEAN) and has broadly maintained good working relations with Indonesia. China has substantially increased its

⁵ See Government of the Democratic Republic of Timor-Leste and United Nations Integrated Mission in Timor-Leste, "Joint Transition Plan: Preparing a New Partnership in a Peaceful and Stable Timor-Leste, September 2011. See also, UNMIT in Transition at <http://www.unmit.enuuz.com>.

⁶ Russell Searancke, "Timor Leste Finance Row," *Upstream*, October 29, 2010.

assistance to Timor-Leste in recent years. It recently established a \$1 billion fund for Portuguese-speaking nations and has plans to train 1,500 officials for work in these countries, which could include Timor-Leste.⁷

Political Leaders⁸

Xanana Gusmao

Xanana Gusmao is the current prime minister and former president of Timor-Leste. As one of the most visible symbols of the Timorese independence movement and a leader who has been part of each successive government, Gusmao remains perhaps the most popular and powerful public figure in the country.

Gusmao was a civil servant under Portuguese rule before taking up arms against the Indonesian occupation of Timor-Leste. Gusmao became leader of the resistance in Timor-Leste after the death of Fretilin commander Nicolau Lobato in 1978. Gusmao was captured by Indonesian forces in 1992 and sentenced to life in prison. He was released by Indonesian President B.J. Habibie in 1999. Gusmao became Timor-Leste's first president following elections on March 16, 2002. In 2007, Gusmao stepped down from the presidency to run for the office of prime minister, which he achieved through forming a coalition with smaller parties.

Taur Matan Rauk

President Taur Matan Rauk is a former Army chief. Before Timor-Leste gained independence, he was a leader of Falentil, the largest anti-Indonesian militia. Elected as president in April 2012, he was an inexperienced politician who derived much of his support from Gusmao's endorsement. His political inclinations are unclear.

Jose Ramos-Horta

Jose Ramos-Horta, a Nobel Peace Laureate, has served as both president and prime minister of Timor-Leste. Ramos-Horta left Timor-Leste days before Indonesian troops invaded Timor-Leste in 1975. He went on to represent Fretilin abroad and press for Timor-Leste's cause on the international stage. In 1996 he was awarded the Nobel peace prize, along with Bishop Belo, for his work to promote the independence of Timor-Leste. He was appointed president after the resignation of Mari Alkatiri in July 2006. Ramos-Horta was seriously wounded in an assassination attempt led by former Major Alfredo Reinado on February 11, 2008, which also slightly wounded Prime Minister Gusmao.

Mari Alkatiri

Mari Alkatiri was prime minister until he resigned in the wake of unrest following the dismissal of a dissident group of Timor-Leste troops in 2006. He remains Secretary General of Fretilin, the

⁷ "Wen Offers Aid at Macao Forum," *China Daily*, November 14, 2010.

⁸ "Political Leadership, Timor-Leste" *Janes Security Sentinel*, May 1, 2009.

largest opposition party, and he has considerable support within the country. Like Ramos-Horta, Alkatiri went abroad as Indonesian forces invaded Timor-Leste in 1975. Alkatiri is part of the small minority of Muslims in Timor-Leste. Many observers describe the relationship between Alkatiri and Gusmao as one of intense rivalry.

Structure of Parliament

The Democratic Republic of Timor-Leste has a unicameral national parliament of 65 members. The current parliament was elected on June 30, 2007. A new body will be selected in elections on July 7, 2012.

The parliament grew out of an 88-member Constituent Assembly that was elected in August 2001 and drafted a constitution for Timor-Leste that went into effect in 2002. Timor-Leste at that time was under the administration of the United Nations, which had taken control in late 1999 after Indonesia withdrew from the territory. Timor-Leste formally became independent on May 20, 2002. The new constitution provided for an elected parliament of 52 to 65 members, but the Constituent Assembly declared itself the first national parliament of the new state. Fretilin is the party that led the resistance to Indonesian rule. The constitution also provided for parliamentary government with a largely symbolic, popularly elected President.

The parliamentary election of 2007 led to a coalition government headed by Xanana Gusmao who was sworn into office on August 6, 2007. Gusmao heads the *Alianca com Maioria Parlamentar* (APM), or Alliance of the Parliamentary Majority, which is a four party coalition. The parties included in the coalition are: the National Congress for Timorese Reconstruction, the Democrat Party, the Timorese Association of Social Democrats, and the Social Democrat Party. The main opposition party is the *Frente Revolucionario do Timor-Leste Independencia* (Fretilin).

The unicameral 65-seat national parliament faces many challenges. Many members fought with the Fretilin resistance to Indonesian rule and entered parliament with no legislative experience. Few members are college educated. The business of parliament is hampered by the practice of Members using both legal languages, Tetum and Portuguese. Committees reportedly attempt to exercise oversight over the executive branch, but the committees have few staff. Members have little staffing support and few computers.

The Economy

Timor-Leste is one of the poorest countries in the world with approximately half of Timorese living on a dollar a day or less. Generating employment is one of the government's most pressing challenges. Nearly 80% of the population lives from subsistence farming.⁹ Unemployment and underemployment combined are as high as 70%, with a 20% unemployment in urban areas and a 40% rate among youth.¹⁰ The government estimates that around 40% of the population lives below the poverty line, and per capita income is estimated at \$542 per annum.

Timor-Leste is one of the most energy-dependent economies in the world, based on revenues from development of oil and gas in the Timor Sea. It has developed some small-scale agricultural

⁹ "A Widening Gap," *The Economist*, June 19, 2010.

¹⁰ U.S. Department of State, Congressional Budget Justification Document, Regional Perspectives, 2013.

exports, particularly coffee, and tourist arrivals have risen rapidly, though still only reached 27,000 in 2009. The economy is almost exclusively dependant on government spending and foreign donor contributions. Much infrastructure development is needed. According to the State Department's budget justification document for FY 2013: "Non-existent or under-developed infrastructure, high unemployment, and the potential for insecurity pose major development challenges as the country tries to make the transition from post-conflict recovery to long-term economic and political development."¹¹

Portugal, Australia, and New Zealand have been three of the more active supporters of Timor-Leste. Timor-Leste and Australia have a joint agreement for the exploitation of the oil and gas resources in the seabed that lies beneath the Timor Sea that separates the two nations. The largest oil and gas field is known as Greater Sunrise. While the Greater Sunrise area has yet to achieve development leading to full production, Timor-Leste has built up considerable reserve funds from the smaller Bayu-Undan oil and gas field. These reserves are thought to be worth approximately \$6 billion.¹² One key controversy involves the Australian consortium's intensions to build a liquefied natural gas (LNG) processing plant offshore rather than in Timor-Leste. Timorese government officials have long sought an onshore LNG facility to boost employment.

Historical Background

In the 1640s, the Portuguese began to assert control over Timor-Leste. This colonial presence would last until 1975 when the Revolutionary Front for an Independent Timor-Leste (Fretilin) gained ascendancy over the Timorese Union Party, pushed them out of Timor-Leste in a brief civil war, and declared independence on November 28, 1975. Indonesia invaded Timor-Leste on December 7, 1975, and began a period of occupation during which an estimated 100,000 to 250,000 Timor-Lesteese died.¹³ Indonesia's annexation of Timor-Leste as its 27th province was not recognized by the United Nations.

¹¹ Ibid.

¹² John McBeth, "Dark Clouds Over Timor-Aussie Sunrise Tussle," *The Straits Times*, June 15, 2010.

¹³ "Background Notes: Timor-Leste," U.S. Department of State, September 2006.

Under the supervision of the United Nations, a national referendum to decide on either autonomy within Indonesia or on independence from it was held, under U.N. supervision, in Timor-Leste on August 30, 1999. Seventy-eight percent of the 98.6% of registered voters who voted opted for independence. This led to widespread retaliation and destruction by pro-integrationist militias backed by elements of the Indonesian military who were in favor of integration with Indonesia. More than 1,300 Timor-Lesteese were killed, and the displaced included more than 260,000 in West Timor and 200,000 in Timor-Leste. Seventy percent of Timor-Leste's economic infrastructure (such as housing stock, public buildings, and utilities), 80% of the schools, and virtually all medical facilities were destroyed by the militias. To quell the violence and restore order, a U.N.-authorized peacekeeping mission International Force Timor-Leste (INTERFET) was established (under Australian command) and deployed on September 20, 1999. Australia has continued to play a leading role both in U.N. operations and on a bilateral basis with Timor-Leste since 1999.

Timor-Leste in Brief

Area: 14,609 sq km (slightly larger than Connecticut)

Capital: Dili

Population: 1.1 million

Religion: 96.5% Catholic, 1% Muslim, 1% Protestant

Language: Tetum (91%) and Portuguese (13%) are the official languages. Indonesian (43%), English (6%), and other indigenous languages are also spoken

Literacy: 50.1%

GDP growth rate: 7.3% (2011 est.)

GDP per Capita: \$542

Unemployment: unemployment and underemployment are estimated to be 70%

Poverty: Roughly half of the population is below the poverty line.

Exports: Coffee, oil, and natural gas

Markets: Australia, Europe, Japan, United States

Life expectancy at birth: 59.8 years male, 61.5 years female

Infant mortality rate: 64 per 1,000 births

Sources: *CIA World Factbook*; U.S. Department of State; Australian Government, Department of Foreign Affairs and Trade; World Bank, *World Development Indicators*

Internal Strife and Political Turmoil, 2006-2008

A police mutiny in 2006 led to the deterioration of Timor-Leste's internal security situation and the reintroduction of foreign peacekeepers, from Australia, New Zealand, Portugal, and Malaysia. The Australian military contingent was the largest with some 1,100 troops in country. The peacekeepers were deployed at the invitation of the Timor-Leste government.¹⁴ U.N. Security Council Resolution 1704 of August 25, 2006, established the United Nations Integrated Mission in Timor-Leste (UNMIT) with up to 1,608 police personnel and up to 34 military liaison and staff officers. UNMIT's mission included supporting the Timor-Leste 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."¹⁵

The turmoil of 2006 can be traced to former Prime Minister Alkatiri's dismissal of 591 members of the 1,500-man military in March 2006. Those dismissed had protested their working conditions and pay and claimed discrimination against members of the force from western districts of Timor-

¹⁴ Australian Department of Defence, "About Operation Astute," <http://www.defence.gov.au/opastute/default.htm>.

¹⁵ United Nations, SC/8817, "Security Council Establishes New, Expanded UN Mission in Timor-Leste for Initial Period of Six Months," August 25, 2006.

Leste. In July 2006, it was reported that the police had broken into factions, with some taking their weapons to join rebels in the hills.¹⁶ The March 2006 dismissal of the protesting troops led to rioting, looting, a number of deaths, and the fleeing of tens of thousands of mostly eastern Timor-Leste from the capital, Dili, beginning in April 2006. As a result, Alkatiri stepped down.

A U.N. investigation found Alkatiri to have failed “to use his firm authority to denounce the transfer of security sector weapons to civilians.”¹⁷ Former Interior Minister Rogerio Lobato was sentenced to seven years imprisonment for authorizing the transfer of weapons to pro-Fretilin supporters and a Fretilin-linked hit squad.¹⁸

Another dimension of the escalating violence in Timor-Leste is the gangs of largely unemployed youth. With the collapse of law and order in the wake of the May 2006 police and military clashes, gang violence swept through Dili, leading to further deaths, the displacement of more Dili residents from the capital, and the widespread destruction of property.¹⁹

One of the leaders of the violent protests of March 2006, which resulted in the mutiny of soldiers from western districts, was Major Alfredo Reinado. Two years later, on February 11, 2008, a group of assassins led by Reinado failed in their attempt to assassinate president Ramos-Horta and Prime Minister Gusmao. Reinado, who was killed in the failed attempt, was the leader of a group of over 600 former soldiers who had been fired from the army for striking over perceived regional discrimination in April 2006. The new leader of Reinado’s group subsequently surrendered in April 2008.

Population Displacement and Humanitarian Issues²⁰

Overview of Humanitarian Developments

In addition to the U.N. peacekeeping operation, the international humanitarian aid community in Timor-Leste includes the United Nations, international organizations, non-governmental organizations, and donor governments that provide contributions and in-kind bilateral assistance. The international community works closely with the East Timor Red Cross (Cruz Vermelha de Timor-Leste) and with other national and local organizations.

Many of the civilians displaced by civil disturbances and strife in 2006 returned to their homes in the 2008-2009 time period. By April 2008, internally displaced persons (IDPs) willing to return received recovery and reintegration packages and the government began to decommission some of the IDP camps (at the height of the crisis there were reportedly 65 IDP camps.) The Ministry of Social Solidarity (MSS) oversaw the returns process with assistance from international organizations such as the International Organization for Migration (IOM). In November 2008,

¹⁶ “E Timor Prime Minister Sworn in,” *BBC News*, July 10, 2006.

¹⁷ “E Timor Ex-PM Accused on Unrest,” *BBC News*, October 17, 2006 and “Commission of Inquiry Issues Report on Violent Crisis that Shook Timor-Leste,” *UN News*, October 17, 2006.

¹⁸ “Timor-Leste: Poll is Unlikely to Boost Stabilization,” *Oxford Analytica*, March 13, 2007.

¹⁹ U.S. Department of State, “Timor-Leste: Background Notes,” December 2006.

²⁰ For background information on population displacement and humanitarian issues from 2006 – 2009, see CRS Report RL33994, *East Timor: Political Dynamics, Development, and International Involvement*, by Rhoda Margesson and Bruce Vaughn.

roughly 10,400 families received recovery packages and returned and approximately 21 camps closed, while transitional shelter sites were constructed and continued to house some of the displaced. On February 28, 2010, the last transitional shelter officially closed. On May 31, 2010, the MSS concluded the housing assistance component. Unseasonable rains in July and August 2010 caused severe floods and landslides on the southern coast and in the Dili District, necessitating a disaster-response effort.

Timor-Leste no longer has a humanitarian crisis. However, much of its population remains highly vulnerable because the country continues to face challenges with regard to poverty. Along with increasing food prices and shortages of dietary staples, scarcity of arable land and the impact of natural disasters have been cited as the primary reasons for a deterioration in food security. Furthermore, the sustainability of returns has been impacted by unsettled land disputes, condition of the homes destroyed or damaged during the conflict, and fear of violence in home villages, all of which have continued to present difficulties with reintegration of IDPs into their original communities.²¹ Local communities may develop resentment towards the government if new land title laws prove to be disruptive to local residents, many of which hold their land under customary practice.

In December 2008, the U.N. Office for the Coordination of Humanitarian Affairs (UNOCHA) ended its formal mission in Timor-Leste. In 2010, the U.N. Deputy Special Representative for Governance Support, Development and Humanitarian Coordination relinquished the title of Humanitarian Coordinator, a further indication that the humanitarian crisis was over. Support from UNOCHA continues for specific, long-term activities. For example, on December 1 and 2, 2011, it helped organize a workshop on disaster risk management, the focus of which was to review the state of preparedness for natural disasters and the contingency planning process. Efforts involving other U.N. entities have included climate change adaption strategies and planning.

Proposed Regional Refugee Processing Center

In a speech on July 6, 2010, Julia Gillard, the Prime Minister of Australia, announced a new initiative under discussion with President Jose Ramos-Horta, to establish a “regional processing center for the purpose of receiving and processing irregular entrants to the region.”²² The proposal was introduced as part of an effort to curtail human trafficking and smuggling, to reduce the number of asylum seekers arriving by boat, and to ensure a fair and consistent process for those seeking asylum in Australia or elsewhere in the region. Australia currently processes asylum seekers at its Immigration Detention Centre at Christmas Island, but reportedly the increasing number of asylum seekers has forced the Australian government to open centers on the mainland.

²¹ Land ownership legislation currently under review by parliament may be a future source of conflict. An estimated 97% of land in Timor-Leste is held under customary land practices based on clan and social hierarchy. Many titles to land were destroyed in 1999 and much land has been illegally occupied since. Many also now live on government land. A 2003 law declared all land abandoned by foreigners or those fleeing to West Timor as state land. Thin Lei Win, “Why is Land Such a Big Issue in East Timor?” AlertNet, October 21, 2010. See also International Crisis Group, “Managing Land Conflict in Timor-Leste,” September 9, 2010. For background on those who remain in camps along the border in West Timor/Indonesia, see Internal Displacement Monitoring Centre, “Durable Solutions Still out of Reach for Many ‘New Citizens’ from Former East Timor Province,” August 25, 2010.

²² Prime Minister of Australia, Speech, “Moving Australia Forward,” 06 July 2010. See <http://www.pm.gov.au/press-office/moving-australia-forward>.

In her speech in July, Prime Minister Gillard stated there would be ongoing discussions with regional governments and the U.N. High Commissioner for Refugees (UNHCR).

Concerns were raised, mainly in the media, that the refugee processing center would encourage asylum seekers to focus on one destination in the region. Others pointed to the many problems that already existed in Timor-Leste and its inability to take on such an initiative. Still others saw Australia as pushing its weight around and casting a problem on Timor-Leste that Australia should deal with itself.²³ Activists in Timor-Leste rejected the plan early on.²⁴ The Timorese parliament also voted it down on July 12, 2010. In September, the Timor-Leste government denied that it had identified a possible site for the center.²⁵ In October, President Ramos-Horta reportedly said that Timor-Leste had a “humanitarian obligation” to accept Australia’s proposal, but also said that it would only be on a temporary basis and that Timor-Leste would not pay for the center, estimated to be \$30 million for construction and possibly the same in annual running costs.²⁶ Other reports suggested that it was agreed that a “high-level task force consisting of senior officials on both sides” would be established.²⁷ At the time, it was not clear which country or organization would lead the center and whether it had been discussed with UNHCR.

Ambivalence about the proposal among some regional leaders and opposition to the idea in Timor-Leste continued into 2011. The regional processing center was reportedly not a key part of the agenda at the Fourth Regional Ministerial Conference, known as the Bali Process Summit, held in March 2011 in Bali, Indonesia. While the location of a regional processing center may be viewed as part of a regional framework to combat people smuggling in the future, for now, the idea of building a facility in Timor-Leste has lost momentum and does not appear to be a national or regional priority.

United Nations Integrated Mission in Timor-Leste (UNMIT)²⁸

The U.N. Integrated Mission in Timor-Leste (UNMIT), the U.N.’s present peacekeeping mission in the country, is working towards an expected withdrawal by the end of 2012. UNMIT was established by the U.N. Security Council on August 25, 2006, with Resolution 1704 (2006), for an initial period of six months. Its mandate outlined a civilian component, police personnel, and military liaison and staff officers to help assist with the fragile security, political, and humanitarian situation. Part of the mandate also included the provision of support to the

²³ Australian Broadcasting Corporation, “Timor-Leste: Australia, Indonesia in Talks Over Refugee Processing,” July 14, 2010; Human Rights Watch, “Australia: Focus Election Debate on Protecting Refugees,” August 8, 2010; The Australian, “Talks Begin on Regional Processing Centre, but East Timor Worried It’ll Attract Asylum-Seekers,” October 12, 2010.

²⁴ Refworld, “Timor-Leste (East Timor): Activists Say No to Proposed New Refugee Centre,” July 23, 2010.

²⁵ Australian Broadcasting Corporation, “E Timor Denies Processing Centre Site Reports,” September 14, 2010.

²⁶ The Australian, “East Timor’s President Says Any Regional Processing Centre Must Only be Temporary,” October 11, 2010.

²⁷ Chris Bowen, MP, Minister for Immigration and Citizenship, “Regional Visit, Regional Protection Framework, Regional Processing Centre in East Timor, Children in Detention,” Interview with Alison Carabine, Radio National, October 13, 2010.

²⁸ For background information on the U.N. peacekeeping, 1999 – 2005 in East Timor, the U.N. Office in Timor-Leste (UNOTIL), and earlier reports by the U.N. Secretary General, see <http://www.un.org/en/peacekeeping/missions/unmit/background>. See also CRS Report RL33994, *East Timor: Political Dynamics, Development, and International Involvement*, by Rhoda Margesson and Bruce Vaughn. For information on UNMIT, see also: <http://www.un.org/en/peacekeeping/missions/unmit>.

presidential and parliamentary electoral process. In 2007, the U.N. Secretary General's report highlighted the need for a "multidimensional and integrated" mission and for cooperation from the International Security Force (ISF), which was deployed after violence erupted in April 2006 and was made up of troops from Australia, Malaysia, New Zealand, and Portugal.

On February 23, 2007, the U.N. Security Council extended UNMIT until February 26, 2008 (Resolution 1745 (2007)) and also approved temporary reinforcement of police in anticipation of national elections. Subsequently, resolutions 1802 (2008), 1867 (2009), 1912 (2010), which also endorsed the Secretary-General's intention to reconfigure its police component with the phased in policing responsibilities by the Timorese National Police Force (PNTL), and 1969 (2011) extended the mandate each year. Resolution 2037 (2012) extends the mandate at current levels until December 31, 2012 and endorses the plan of UNMIT's phased draw down, in accordance with the wishes of the Government of Timor Leste.²⁹ Finn Reske-Nielson (Denmark) is the Acting Special Representative of the Secretary General for Timor-Leste and Head of UNMIT. Sixteen U.N. entities, along with World Bank and Asian Development Bank, make up the U.N. Country Team, which work with UNMIT.

In his October 2010 report on UNMIT (for the period from January 21, 2010 to September 20, 2010), the Secretary-General covered major developments in Timor-Leste and the implementation of the Mission's mandate. He noted that the overall situation remained calm and highlighted the long-term challenges facing Timor-Leste. Among other issues, he discussed political and security questions such as the development of the National Strategic Development Plan; progress on the assumption of policing responsibilities; and the election of Aderito De Jesus as Anti-Corruption Commissioner. Under this heading, he also considered support for dialogue and reconciliation; the need to enhance democratic governance and to maintain public security; and support for and institutional strengthening of the security institutions. The second area of focus was promotion of human rights and administration of justice. The third area included support for the international compact for Timor-Leste and progress towards meeting the national Millennium Development Goals in Timor-Leste, socio-economic developments, and humanitarian assistance.³⁰

The January 2012 Report of the Secretary-General on UNMIT, which covered the period from September 20, 2011 to January 6, 2012, focused on five main themes:

- political and security developments since September 2011;
- promotion of human rights and justice;
- support for the national priorities program, socio-economic development and humanitarian assistance;

²⁹ U.N. Security Council, S/RES/2037 (2012). For historical context, in light of the political violence that paralyzed the country in 2006, many observers said that United Nations security forces left Timor-Leste prematurely in 2005. President Jose Ramos-Horta in May 2008 called for the United Nations to remain in the country for five years citing ongoing concerns over the security situation and the potential for instability to return to the country "Horta Wants U.N. to Stay," BBC News, May 12, 2008.

³⁰ United Nations, "Report of the Secretary-General on the United Nations Integrated Mission in Timor-Leste (For the period from 21 January to 20 September 2010), (S/2010/522)," October 13, 2010. For background on human rights, see UNMIT and U.N. Human Rights, "Facing the Future: Periodic Report on Human Rights Developments in Timor-Leste: 1 July 2009 – 30 June 2010;" and Security Council Report, Monthly Forecast, October 2010.

- transition preparation; and
- financial aspects of UNMIT.³¹

In his observations and recommendations, the Secretary General discussed preparations for the presidential and parliamentary elections. He also examined possible security concerns and challenges for the Policia Nacional de Timor-Leste (PNTL), the national police force, both in terms of logistical capacity and institutional development. Another area of discussion was progress towards the implementation of the recommendations of the Commission for Reception, Truth and Reconciliation and the Commission of Truth and Friendship. The report also reviewed the need for continued progress toward and effective implementation of the Joint Transition Plan, particularly in view of the expected departure of UNMIT at the end of 2012, which will influence the nature and size of the post-UNMIT United Nations engagement in Timor-Leste.

A number of challenges remain for Timor-Leste, including reintegration of those displaced by various cycles of conflict; poverty; underdevelopment; and high unemployment. This in the context of fragile judicial and political institutions and in an atmosphere punctuated by the potential for volatility and insecurity. On February 22, 2012, the U.N. Security Council met to discuss the situation in Timor-Leste and Report of the Secretary General discussed above.³² The United States representative pointed to several key priorities, while commending efforts made towards achieving them, including:

- the transfer of primary policing responsibilities from UNMIT to the PNTL and the importance of Timor-Leste maintaining stability in the election period and further developing national security institutions;
- the continued preparations of the Government of Timor-Leste for the upcoming elections and ongoing efforts of the United Nations and other international partners in supporting that process;
- the development of competent and strong rule of law and governance institutions;
- the ongoing collaborative effort between UNMIT and the Government of Timor-Leste in developing a transition plan for UNMIT's withdrawal; and
- the future engagement of the United Nations and the Security Council in Timor-Leste after UNMIT's expected withdrawal, which needs to include the Government of Timor-Leste and the international community.

³¹ United Nations, "Report of the Secretary-General on the United Nations Integrated Mission in Timor-Leste (For the period from 20 September 2011 to 6 January 2012), (S/2012/43)," dated January 18, 2012. On human rights, see also, U.N. Human Rights Council, Outcome of the Universal Periodic Review: Timor-Leste, A/HRC/DEC/19/115, April 4, 2012; and U.N. Human Rights Council, Report of the Special Rapporteur on Extreme Poverty and Human Rights, Magdalena Sepulveda Carmona, Mission to Timor-Leste, A/HRC/20/25/Add.1, May 24, 2012.

³² See U.N. Security Council, S/PV.6720, February 22, 2012.

Key Bilateral Relations

United States

U.S. aid programs in Timor-Leste have sought to build a viable and self-sufficient free market economy, develop basic public services such as healthcare, and support good governance through an emerging democratic political system and post-conflict democracy initiatives. Total U.S. foreign assistance to Timor-Leste in FY2012 is estimated at \$14.5 million. The total request for Timor-Leste in FY2013 equals \$12.8 million.³³ In May 2010, the Millennium Challenge Corporation approved a \$10 million three-year threshold program with Timor-Leste.

U.S. assistance has helped the economic and political development of Timor-Leste by supporting independent media, civil society organizations, and political parties as well as strengthening the electoral process, building judicial institutions, and strengthening governmental capacity in areas including the management of fiscal resources. In July 2011, the State Department and China's Ministry of Foreign Affairs announced a joint program to promote food security in Timor-Leste.

Indonesia

The leadership of Timor-Leste has taken a practical approach to relations with their relatively giant neighbor of over 240 million by seeking to put the past history of poor relations between the two states behind them. A final report issued by the joint Indonesian-Timor-Leste Truth Commission in May 2008 blamed Indonesia for atrocities in 1999. Though the report stopped short of recommending amnesty for Indonesian military and militia leaders, it was seen as a tacit agreement to move past the traumatic history. Indonesian President Susilo Bambang Yudhoyono expressed his "deep regret" over the human rights violations.³⁴ President Ramos-Horta urged Timor-Leste to move on and put the past aside after the report was released.

Indonesia is seen as the most enthusiastic proponent of allowing Timor-Leste membership in ASEAN. The two sides have explored energy cooperation and other economic linkages. Other programs have moved slower, including more coordination in border management, and the possibility of visa-free travel between Timor-Leste and the neighboring Indonesian province of West Timor.³⁵

Australia and New Zealand

Australia's political support for the cause of the Timorese has played a crucial role in the creation of the independent state of Timor-Leste. Many Australians have a sense of debt to the Timorese for the assistance that they gave to Australian troops fighting the Japanese there during World War II. Australia and New Zealand have helped to provide stability and have helped to preserve the law and order situation in Timor-Leste during periods of instability since 1999. As the security

³³ U.S. Department of State, Congressional Budget Justification Document, Regional Perspectives, 2013.

³⁴ "Timeline Timor-Leste," *BBC News*, April 4, 2009.

³⁵ World Politics Review, "A New Partnership Emerges for Timor-Leste and Indonesia," July 2, 2012.

situation has improved, Australia and New Zealand have reduced their military presence in the country.³⁶

Despite this involvement, relations between Australia and Timor-Leste are strained by disagreements over Timor Sea energy resources. Prime Minister Gusmao called on Australia to be more frank in its negotiations over undersea hydrocarbon resources. It is estimated by one source that Australia and Timor-Leste will share revenue of as much as \$30 billion from the Greater Sunrise field.³⁷ Timor-Leste is reportedly acquiring two Korean patrol boats in addition to the two Chinese patrol boats that it recently acquired. This is viewed as an effort to reify Timor-Leste's independence and distance itself from Australia which previously offered to conduct maritime patrols for Timor-Leste.³⁸

Timor-Leste has great wealth underneath the seabed in a large oil and gas field known as Greater Sunrise between it and Australia. Under a previous agreement, decisions on how to exploit Timor Sea energy resources were to be made on a commercial basis. Timor-Leste has been hoping that private companies would decide to build a pipeline to Timor-Leste, rather than to Darwin, Australia. Such a decision would enable Timor-Leste to develop processing facilities in Timor-Leste. The depth of the seabed and the steep rise on the Timor-Leste side of the Timor Sea have worked against Timor-Leste's case. Australian media reports say that private companies have decided to build a floating platform in the Timor Sea rather than a pipeline to either Darwin or Dili.³⁹ Woodside Corporation has stated that it believes the offshore platform will be worth \$13 billion each to Australia and Timor-Leste.⁴⁰

China

China is providing assistance with construction of government buildings and has recently sold patrol boats to Timor-Leste which should help Timor-Leste protect its maritime resources.⁴¹ Timor-Leste took delivery of two Shanghai Class naval patrol boats in June 2010. Timor-Leste loses an estimated \$40 million a year to illegal fishing in its waters.⁴² Chinese assistance to Timor-Leste may be motivated by a desire to obtain energy resources from the country. Timor-Leste's decision to purchase the patrol boats from China rather than join the Australian government's South Pacific patrol boat program may be motivated by their desire to balance their relationship with Australia.

³⁶ "New Zealand Cuts Military Deployment by Half in Timor-Leste," *Global Insight*, May 18, 2010.

³⁷ Sara Everingham, "Gusmao Wants More Frankness From Australia," *Australian Broadcasting Corporation*, August 26, 2010.

³⁸ Lindsay Murdoch Darwin, "Timor's Boats Buy Real Independence," *The Age*, November 15, 2010.

³⁹ "Ramos Horta Takes Fight to Canberra," *ABC News*, June 23, 2010.

⁴⁰ "Woodside Expects E Timor to Buckle over Gas Field," *ABC News*, May 7, 2010.

⁴¹ Seth Mydans, "Aid from China Builds an Ally in East Timor," *New York Times*, July 26, 2007.

⁴² "Timor-Leste Hopes to Boost Ties with China," *Xinhua News Agency*, May 4, 2010.

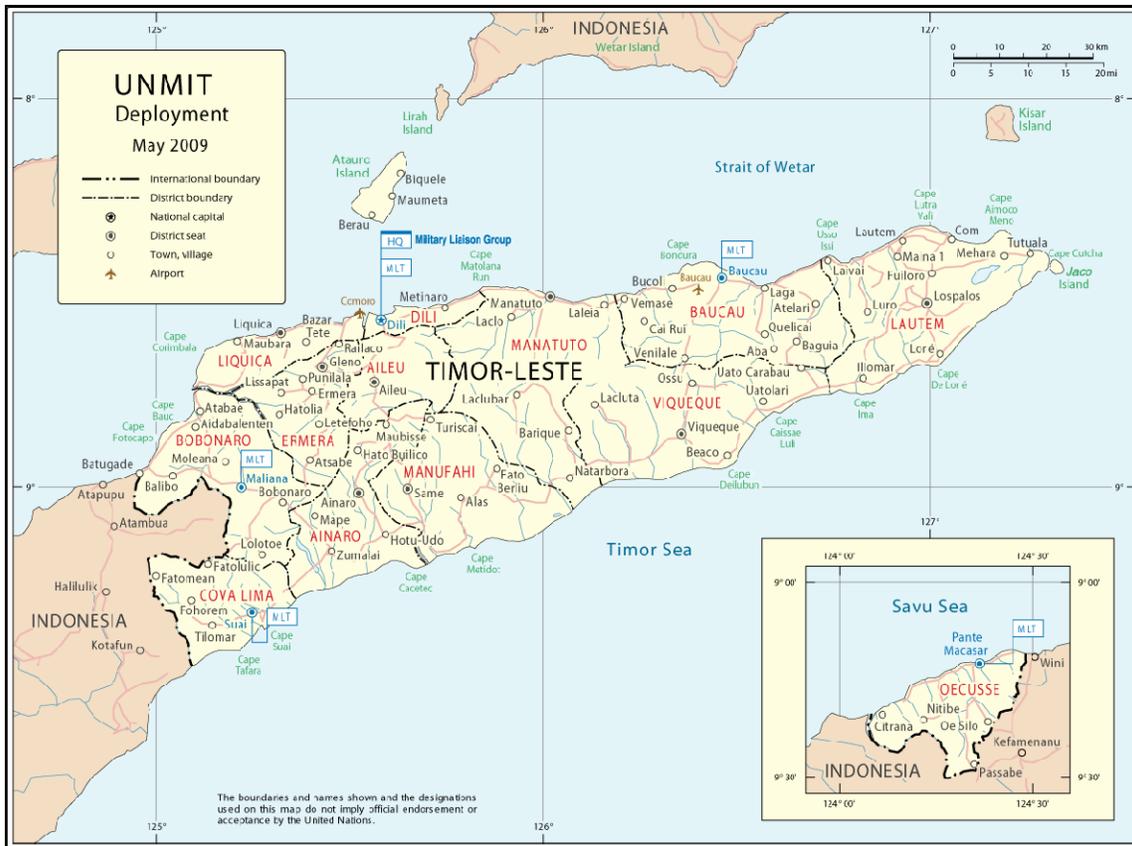
Table I. Chronology⁴³

1640s	The Portuguese begin their period of influence over East Timor.
1975	Fretilin declares independence on November 28 and Indonesia invades East Timor on December 7, 1975. Resistance, repression, and famine lead to the death of an estimated 200,000 by the end of Indonesian rule in 1999.
1999	The U.N. Mission in East Timor (UNAMET) is established in June to organize a referendum and oversee the transition. East Timorese then overwhelmingly vote for independence in the UN sponsored referendum on August 30. Some 1,300 East Timorese are killed and hundreds of thousands are displaced as a result of post referendum attacks by pro-Indonesian militias. The International Force East Timor (INTERFET) is established under Australian command and deployed on September 20. This is followed by the U.N. Transitional Authority for East Timor (UNTAET) from October 1999 to May 2002.
2000	An international commission of inquiry recommends that a special tribunal be established to look into post referendum violence of 1999.
2001	On August 30, East Timor holds elections for a Constituent Assembly to draft a new constitution. East Timor and Australia sign an MoU on Timor Sea oil and gas fields.
2002	East Timor gains its independence on May 20. The United Nations establishes the U.N. Mission of Support in East Timor (UNMISSET), which is extended until May 2006. The Truth and Reconciliation Commission opens. Indonesia opens its inquiry into the atrocities.
2004	Production at the Bayu-Udan oil and gas field begins in the Timor Sea. Only one individual, Militia Leader Eurico Guterres is convicted by Indonesian courts for abuses in the post 1999 violence.
2005	The U.N. peacekeeping mission leaves East Timor in May. The Joint Indonesian-East Timorese Truth Commission begins.
2006	
January:	East Timor and Australia sign a deal to share revenues from Greater Sunrise field without negotiating the maritime boundary.
February:	Over 400 troops strike over pay and conditions.
March:	Some 591 troops protesting pay and conditions are dismissed.
April:	Demonstrations outside the government Palace turn violent.
May:	Violence mounts: Interior Minister Lobato arms civilian groups and the government appeals for foreign assistance. President Gusmao declares a state of emergency and assumes direct control of security forces. Foreign troops arrive to restore order.
June:	Prime Minister Alkatiri resigns.
July:	Nobel Prize laureate Jose Ramos-Horta is sworn in as Prime Minister.
August:	The U.N. Integrated Mission in Timor-Leste (UNMIT) is established.
2007	
April:	First round of presidential elections leads to a run off between Francisco Guterres and Ramos-Horta and Horta wins.
August:	Following June elections Xanana Gusmao becomes Prime Minister as the head of a four-party coalition government.
2008	Attempted assassination of President Ramos-Horta and Prime Minister Gusmao. Rebel leader Reinado killed in the attempt.
2008	A joint Indonesia-East Timor truth and reconciliation commission finds rights violations during the Indonesian occupation and 1999 referendum. The leaders of both nations rule out prosecuting

⁴³ Drawn largely from BBC News reporting and "Timeline East Timor," BBC News, January 12, 2007.

	military and militia leaders.
March 2011	U.N. agencies return control of the country's security to East Timor's national police after taking over following the 2006 unrest
April 2012	Taur Matan Rauk elected President in run-off election
July 7, 2012	Parliamentary elections (scheduled)

Figure 1. Map of Timor-Leste



Source: Map No. 4286 Rev 6. United Nations, Department of Field Support, Cartographic Section. 2009.

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