



The road to nationhood

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The impoverished country, which recently marked its sixth year of independence from Indonesia, should be able to meet its infrastructure needs – such as roads, bridges, new ports and power supplies – within five to ten years, Ramos-Horta says, adding that it plans to spend US\$100m annually over 10 years. Much of the funding could come from its state petroleum fund, which is expected to top US\$3 billion by the end of this year, he adds.

Additional funding could come from the Middle East in the form of ‘soft loans’. Ramos-Horta says Timor-Leste can borrow money from Kuwait at an interest rate of about one per cent, while its investment portfolio can generate interest of four to six per cent.

The investments in infrastructure will complement Timor-Leste’s domestic agricultural and fisheries investments to help secure its food supplies and

reduce the country’s reliance on rice imports. Climate change and industrialisation in rice-producing countries such as China, India and Vietnam, will reduce the amount of agricultural land and consequently decrease rice exports.

“We, Timor-Leste, cannot allow ourselves to be choked to death because of this, so let’s invest much more on land and agriculture,” says Mr Ramos-Horta, co-recipient of the 1996 Nobel Peace Prize, who survived an assassination attempt in February.

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Timor-Leste is able to afford the bill, as it earns up to US\$200 million a month from its Bayu-Undan oil field in the Timor Sea. It also has a wholly self-financed budget of US\$540 million for this year, up from about US\$80 million five years ago. Furthermore, it will receive US\$200 million in aid this year, of which Australia, the largest aid donor, will contribute US\$90 million. The next largest aid donor is the European Union which has upgraded its mission in Timor-Leste to a full embassy.

While Timor-Leste's oil and gas resources have shored up its treasury, the bulk of its state petroleum fund is invested in US Treasury bonds. Consequently, the fund has been hit the depreciation of the US dollar as well as low interest rates.

"Way back five years ago, I was alerting my colleagues to pay attention to the coming

devaluation of the US dollar, to the coming increase in oil prices," says Ramos-Horta, who was at that time the foreign minister, and had lobbied his colleagues to diversify the country's investment portfolio.

"Well, no one listened. Today almost 100 per cent of our money is invested in US Treasury bonds." Ramos-Horta adds that the depreciation of the US dollar will drive up oil prices and inflate the cost of living in Timor-Leste and other developing countries.

"In the next few months, we are going to see a lot of instability in many developing countries," he warns. "Poverty levels will increase and there will be

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serious setbacks in achieving the Millennium Development Goals" set by the United Nations to halve the poverty levels around the world by 2015.

Aside from building Timor-Leste into a viable nation, Ramos-Horta says the government wants Timor-Leste to become a member of the Association of Southeast Asian Nations (ASEAN) by 2012. "We set this target as pressure on ourselves to work harder in order to be eligible to join ASEAN because, obviously, ASEAN countries, with the embarrassing problems of Myanmar (Burma), wouldn't want a basket case, an unstable new member. So we have to work hard."

Timor-Leste has been a full member of the security-focused Asean Regional Forum in the past few years, and all the ASEAN countries have agreed to Timor-Leste's entry into the regional grouping, says Ramos-Horta. Indonesia has also agreed to assign a senior diplomat to assist in the preparations to join ASEAN, he adds.

Timor-Leste President José Ramos-Horta was speaking at a Foreign Correspondents Association gala dinner held recently in Singapore. The event was co-sponsored by INSEAD Knowledge.

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