

[Unofficial translation from Portuguese by La'o Hamutuk.]

Speech by His Excellency Kay Rala Xanana Gusmão on

**Economic Diversification in the Region: Best Practices and Sustainable Economic Models:
Lessons Learned by Timor-Leste**

World Energy Forum of the Atlantic Council

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Good Morning.

Excellencies, ladies and gentlemen.

It is a great pleasure to be here in Abu Dhabi to tell the story of our nation, Timor-Leste, and to discuss ways in which resource rich countries can diversify their economies.

It is inspiring to have this discussion in Abu Dhabi which has undergone so many transformations, using the resources with which it was blessed to create a beautiful and thriving city in the desert.

This discussion comes at a critical juncture in which countries scattered around the globe are struggling to meet the challenges of modernity to support a young, fast-growing population and to create sound and sustainable economies.

This is a great challenge, especially for countries blessed with energy resources, which must avoid the “resource curse” and build bridges which link petroleum and prosperity.

While I am aware that this issue is hotly debated in the Middle East, let me tell you that it is the same in other parts of the world. In fact, it is an existential challenge for Timor-Leste, the youngest country and democracy in all of Asia.

Timor-Leste is a small nation that occupies half an island, being situated between two giants of the region.

We are located in the largest archipelago in the world, Indonesia. With its vast wealth of natural resources and with more than 250 million inhabitants including the largest Muslim population in the world, Indonesia is fast becoming one of the world's leading economies.

To the south we have Australia, with its mature and modern economy. Built on its natural resources, Australia has already diversified its economy and today has a vast and highly skilled tertiary sector.

Thus, although Timor-Leste is fortunate enough to be located in East Asia, one of the most dynamic regions on the planet, it is necessary that we know how to seize this opportunity and create solid economic foundations for our future.

The Timorese people have a difficult past, having endured 500 years of Portuguese colonialism and 24 years of brutal foreign occupation. Timor-Leste gained its independence in 2002, after a long and bloody resistance, but the independence had a high price.

As in many post-conflict countries, the first years of independence in Timor-Leste were difficult. We needed time to get back on our feet and to focus on creating peace and building an effective State.

However, we are resilient. And so we began slowly to create an open economy and a vigorous democracy.

Timor-Leste is currently considered a leader among post-conflict and developing countries, because of our leadership role in the g7+ organization. This organization consists of a group of countries from the Caribbean to the Middle East and from Asia to the Pacific that seek to assist each other in building solid states, which is essential for peace and development.

Although our population remains poor, Timor-Leste is relatively rich in natural resources. These resources include oil reserves both in our seas and within our shores. It is this wealth that we need to use to develop our country. One of the priorities of Timor-Leste's first post-independence government was to create institutions that deserved the trust of our people.

One of our best decisions was to create a sovereign wealth fund. Our Petroleum Fund is mandated to manage our energy resources in a transparent and sustainable manner, for the benefit of all citizens, as well as of future generations.

Inspired by the Norwegian model, every dollar from our oil resources is put into the Fund. Created in 2005 with an initial balance of \$205 million, the Fund currently holds more than \$16 billion, after having invested more than \$10 billion in our annual budgets.

Timor-Leste is committed to the openness and good governance of this Fund, so we are proud to be the first nation in the Asia Pacific region to achieve compliance with the Extractive Industries Transparency Initiative.

The Fund invests 60% of its capital in bonds and 40% in stocks, which has allowed us to generate returns of more than \$4 billion. It is these funds that allow us to build our basic infrastructures, schools and hospitals, and provide other services. Timor-Leste is now fortunate enough to be able to start exploring for the first time the potential of one of our largest gas fields, known as Greater Sunrise.

We will be able to do so thanks to the agreement we have with our neighbor Australia through the first ever Conciliation Commission, initiated by Timor-Leste under the auspices of the United Nations Convention on the Law of the Sea.

Through the Conciliation Commission we have succeeded in reaching a historic agreement with a view to a treaty on maritime borders between our two nations, thus paving the way for the development of Greater Sunrise.

In a world where disputes around maritime borders are causing increasing tensions and uncertainty at the global level, we have shown that the provisions of the UN Conciliation Commission can be a vehicle for a peaceful and cooperative settlement, even of disputes which seemed insurmountable.

In this way, the exploitation of the Greater Sunrise field will fuel the economic and social development of our country which is about to turn 16 years old.

Being one of the youngest nations in the world, we had the opportunity to learn from the successes and failures of others. We are well aware of the dangers of over-reliance on resources.

With these challenges in mind, we started in 2010 to prepare a 20-year Strategic Development Plan, which was approved by our National Parliament in 2011.

This plan establishes our vision of a stable Timor-Leste, a solid economy and public services and strong state institutions, and a prosperous society capable of generating employment for our people.

The plan covers three key areas of social capital, economic development and infrastructure development.

Investments in social capital aim to build a healthy and educated society, capable of responding to the social needs of our people.

Investments in economic development will enable Timor-Leste to create a modern and prosperous economy. Most importantly, they will enable job creation.

We currently have a complete infrastructural plan for the construction of ports, roads, water and sanitation and airports, as well as for the transformation of our southern coast into a regional oil center.

The development of our oil center is called the Tasi Mane project. The name comes from the strong sea that bathes the south coast of Timor. The Tasi Mane project will include the development of:

- an open access facility by sea and a Liquefied Natural Gas Plant
- a pipeline to our shores
- a Petroleum Refinery and a petrochemical industry
- a logistics base for the industry; and
- a 160km motorway linking the three groupings
- and, if necessary, installation and upstream operation.

Together, these projects will use Timor-Leste's oil resources for the long-term benefit of our people. The projects will lay the foundations for diversifying our economy by building other sectors of strategic industries including manufacturing, agriculture, forestry, fisheries and tourism.

Tourism is another strategic industry that we have defined as a priority. Apart from the beauty of its mountains, Timor-Leste has great potential in specialized tourist markets, such as underwater diving, historical tourism and cultural tourism. We expect to increase the number of people who visit us in the future and we hope that many of them will come from the Middle East!

Timor-Leste has plans for its development through a diversified and sustainable economy.

However, we know that our small island nation is not alone in the world.

Thanks to lessons learned from other countries and to partnerships established in the region and around the world, Timor-Leste has succeeded in creating a sustainable development strategy.

I believe we are well placed to avoid the dangers of abundance and to become a prosperous nation with a happy future.

Timor-Leste hopes to be a good reference for other countries with the same conditions and challenges. However, to ensure that our example is positive we count on your partnership at this critical moment.

This conference is an excellent example of how people from different countries and I believe that oil companies can join together not only to share ideas and lessons learned, but also to build partnerships for friendship, cooperation and solidarity.

Thank you very much.