



# Maritime Dispute Resolution and the Future of the Asian Order



## PELL CENTER

for INTERNATIONAL RELATIONS  
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# How the United States Can Promote Resilience and Democracy in Timor-Leste

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**T**imor-Leste is one of the smallest and poorest countries in Asia but its unique legacy, inspiration and democracy make it so much more important. Today, there is an opportunity to help ensure the long-term stability and sustainable economic growth of this fragile democracy and the United States should lead the way.

The Permanent Court of Arbitration in The Hague recently announced that Australia and Timor-Leste had finally reached an agreement on their Timor Sea maritime border dispute that will establish a special regime for the Greater Sunrise field, paving the way for its development and the sharing of resulting revenue.<sup>1</sup> While the details are not yet public, this agreement is welcome news. The United States and the international community must now strengthen support for Timor-Leste's

efforts to diversify its oil-dependent economy to foster the inclusive and sustainable economic growth necessary to support its young and rapidly growing population.

Timor-Leste has a recent but special relationship with the United States. In 1975, East Timor, as it was then known, was invaded and occupied by the Indonesian military. The occupation raged for the next 25 years and was characterized by violence and brutality on the part of the Indonesian military. The East Timor independence movement inspired freedom-loving people around the world to take action against the atrocities committed against the Timorese people. Finally, in 1999, East Timor voted for independence and Indonesia relinquished control of the territory.

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The United States played a pivotal role in helping this country become the first new sovereign state of the 21st century in 2002. Senator Claiborne Pell of Rhode Island and other members of Congress led the effort to build and strengthen U.S. support for Timor-Leste. The independence movement that inspired so many U.S. communities and religious and academic institutions made this support possible.

Since independence, Timor-Leste has made strides in consolidating its democracy and improving stability. Timor-Leste has held multiple free and fair democratic elections, and it has enjoyed successful transfers of political power. Its leaders have strengthened the rule of law and built more sustainable democratic institutions including civil society and the press – all this despite considerable obstacles including an overall lack of capacity, high poverty rates, and difficulty creating economic opportunities and growth.

Despite its progress, Timor-Leste still suffers from fragility. United Nations peacekeepers departed as recently as 2012 after violence and political unrest destabilized the country and forced hundreds of thousands of people to flee their homes.<sup>2</sup> Without a stable economic foundation, a future natural disaster or economic crisis has the potential to lead to instability or a failed state.

We know that democracies are more stable, more prosperous, and better allies and partners. It is in America's interest to help consolidate democracy and good governance when there are opportunities. And at a time when democracy is under attack worldwide, the success or failure of democracy in small countries like Timor-Leste serves as a model for other countries whose transitions are on the brink.

Timor-Leste now needs technical assistance to make the best use of its resources, enabling its economic sustainability without assistance in the future. Sadly, too many low income countries succumb to a "resource curse" in which income exclusively from natural resources leads to less economic growth, less democracy, and hampers sustainable development compared to more

diverse economies. Timor-Leste's Strategic Development Plan 2011-2030 calls for diversification of the economy to reduce dependence on income from oil, and identifies agriculture as a key sector for development.<sup>3</sup> In order to help Timor-Leste make progress on its goals, the United States can take these small but important steps:

First, the United States should expand USAID's flagship agriculture project, Avansa, that helps farm households increase their incomes by introducing new and sustainable practices to cultivate crops that fight malnutrition.<sup>4</sup> With more than 70 percent of the Timor-Leste population relying on agriculture for their livelihoods, the challenge is to connect farmers to domestic and international markets to boost sustainable economic growth. It is expected that the project will more than double the income of more than 30,000 farmers in 250 communities while simultaneously addressing environmental challenges, food insecurity and malnutrition.

Timor-Leste farmers who participated in a previous, similar horticulture project significantly increased their incomes, some by 400 percent, enabling improvements to their family's nutrition and education. This project also educated rural households about nutritious foods to increase dietary diversity especially among women and children. It is estimated that more than half of children less than five years old suffer from stunting and lack of diet diversity. This program should be expanded to have an even greater impact.

Second, the U.S. State Department should make Timor-Leste's membership to the Association of Southeast Asian Nations (ASEAN) a priority. Timor-Leste has made progress since it first expressed interest in membership decades ago and it has now been six years since Timor-Leste completed its official application. The economic and political benefits of ASEAN membership would be significant especially as Timor-Leste tries to diversify its economy. While ASEAN has traditionally admitted new members without preconditions, the State Department and USAID should offer Timor-Leste whatever diplomatic and technical assistance is needed

to meet ASEAN requirements similar to how the U.S. helps other countries prepare to join the World Trade Organization.

Third, the U.S. should strengthen and stabilize its foreign assistance budget for Timor-Leste so that better long-term planning can occur. The Trump Administration budget request this year eliminated many international programs, including all of our development assistance for Timor-Leste. Fortunately, the U.S. Congress has kept these initiatives alive, at least for now. In the coming months, a strong show of support from members of Congress to the Trump administration in support of Timor-Leste would make a difference.

Last, the Millennium Challenge Corporation (MCC) should upgrade its relationship with Timor-Leste from a threshold program to a full compact. The MCC is a U.S. government agency providing foreign assistance to a small group of countries that can meet strict eligibility criteria. The current threshold program for Timor-Leste focuses on reducing corruption and creating a more effective community health system.<sup>5</sup> Timor-Leste is already one of the most democratic countries in Asia, and while it lacks capacity, it meets many of the high governance standards required for a compact. A more comprehensive compact that focuses on building capacity and economic growth would go a long way in helping this small country make progress.

The American people have been a friend and partner to the people Timor-Leste but U.S. attention has waned over the last decade as Timor-Leste has become more stable and strengthened its democracy. The most important challenge now is helping Timor-Leste use its new oil and gas resources to build a more resilient economy. The U.S. investment in Timor-Leste is relatively small but the progress on these achievable goals would have an outsized impact. A new grassroots engagement from the American people and push from key members of Congress would ensure that Timor-Leste can achieve its promise of becoming a resilient, democratic society that is able to realize its potential.

## Endnotes

<sup>1</sup> Paul Karp, "Australia and Timor-Leste strike deal on maritime boundary dispute," *The Guardian*, September 2, 2017. <https://www.theguardian.com/australia-news/2017/sep/03/australia-and-timor-leste-strike-deal-on-maritime-boundary-dispute>

<sup>2</sup> Anthony Deutsch, "East Timor May Be Becoming Failed State," *The Associated Press*, July 5, 2007. <https://web.archive.org/web/20080113222417/http://www.guardian.co.uk/world/latest/story/0%2C%2C-6759703%2C00.html>

<sup>3</sup> Timor-Leste Strategic Development Plan 2011-2030; [http://timor-leste.gov.tl/wp-content/uploads/2012/02/Strategic-Development-Plan\\_EN.pdf](http://timor-leste.gov.tl/wp-content/uploads/2012/02/Strategic-Development-Plan_EN.pdf)

<sup>4</sup> U.S. Agency for International Development Avansa Agrikultura Project; <https://www.usaid.gov/timor-leste/project-descriptions/usaid-avansa-agrikultura-project>

<sup>5</sup> Millennium Challenge Corporation, <https://www.mcc.gov/where-we-work/program/timor-leste-threshold-program>





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