



Timor-Leste: Background and U.S. Relations

Overview

Timor-Leste (also known as East Timor), is one of the world's youngest nation-states, having gained its independence from Indonesia on May 20, 2002. The United States and the U.S. Congress have lent significant support to the new nation's efforts to provide stability, economic prosperity, and democratic governance. Timor-Leste's independence ended more than three centuries of foreign rule, including over 300 years of Portuguese rule followed by 24 years of Indonesian control. Following a 1999 nationwide referendum that supported independence, paramilitary militias supported by elements of the Indonesian military killed around 1,300 Timorese and displaced nearly 500,000. Today, with a population of 1.5 million, Timor-Leste is one of the world's poorest nations, although it has made progress in many social development indicators over the past 25 years.

Timor-Leste also has made considerable strides in building stability and democratic institutions, although it continues to face challenges in consolidating its democracy. The nation's 2012 presidential and parliamentary elections, conducted peacefully as a U.N. peacekeeping mission prepared to leave the country, were widely seen as a turning point in Timor-Leste's development. Subsequent elections have seen high voter participation, with many international observers describing them as largely free and fair. However, the country frequently has been led by weak and unstable political coalitions, leading to periodic stages of political stalemate and crisis. Although Timor-Leste has the youngest and fastest growing population in Asia, young Timorese are underrepresented in the political sphere, as the dominant parties remain led by a small group of leaders who were part of the country's independence movement.

The most powerful political figures in Timor-Leste remain Xanana Gusmão and José Ramos-Horta, both veterans of the independence struggle and both in their 70s. In 2022, Ramos-Horta, leader of the National Congress for Timorese Reconstruction (CNRT) party, won the presidency with 62% of the vote in a runoff election. Ramos-Horta, who won the Nobel Peace Prize in 1996 as an exiled leader of the independence movement and previously served as President from 2007 to 2012, took office in May 2022. (The Presidency traditionally has held relatively little formal authority, although some Presidents—notably Gusmão, Timor-Leste's influential "founding father" who served as President from 2002 to 2007—have used it to exert considerable informal authority.) In July 2023, Gusmão became Prime Minister for the second time, having served in that role from 2007 to 2015. Gusmão's strategic plan focuses on reducing poverty, increasing employment, and improving health outcomes.

Timor-Leste's economy is deeply dependent on energy resources in the Timor Sea. Oil generates substantial revenues managed in a Petroleum Fund, from which the government can withdraw a limited amount of funds annually. The fund's balance stood at \$18.2 billion as of December 2023. The issue of how deeply to tap the fund's reserves for infrastructure development is hotly debated in Timor-Leste. Previous governments have broadened the scope of fund investments to include large-scale infrastructure and human capital projects, while opponents alleged the government was spending unsustainably. The World Bank projects that without significant change Timor-Leste could experience a budgetary catastrophe in the next 10 years. However, this could potentially be avoided by diversifying the economy and developing the Greater Sunrise hydrocarbon gas fields located 150 kilometers south of Timor-Leste.

U.S. congressional concerns focus on internal security, human rights, and the development of democratic institutions. The House Democracy Partnership (HDP) initiated a Timor-Leste program in 2006 that has managed training programs for Timorese legislators, and assisted with the building of a parliamentary library and the improvement of information technology in the Timorese parliament. HDP has organized six Congressional Delegations to Timor-Leste, and organized a series of seminars and training programs aimed at helping Timorese legislative staff learn about the legislative process.

Population: 1.5 million
Area: Slightly larger than Connecticut
GDP (Purchasing Power Parity): \$5.3 billion (2022)
GDP/capita (USD): \$3,900 (2022)
Population below poverty line: 41.8%
Languages: Tetum, Portuguese, Bahasa Indonesia, English
Religions: Roman Catholic 97.6%; Protestant 2%; Muslim 0.2%; Other 0.2%



Source: Graphic created by CRS. Data are from CIA *World Factbook* and World Bank.

Historical Background

During the 1640s, Portugal began to assert control over Timor-Leste, a small outpost surrounded by Dutch-ruled Indonesia. Although Indonesia won its independence in the 1940s, Portugal's colonial presence lasted until 1975, when the Revolutionary Front for an Independent Timor-Leste (Fretilin) gained ascendancy and declared independence on November 28, 1975. Indonesia invaded Timor-Leste on December 7, 1975, and began a period of occupation in which an estimated 100,000 to 250,000 Timorese were killed. The United Nations did not recognize the Indonesian

action, and human rights violations in Timor-Leste by the Indonesian military became a long-standing thorn in U.S.-Indonesia relations.

Following the 1998 fall of Indonesia's authoritarian government, Timor-Leste held a national referendum to choose either autonomy within Indonesia or independence. Seventy-eight percent of the nearly 99% of registered voters who turned out opted for independence. This led to widespread retaliation and destruction by militias backed by elements of the Indonesian military that were in favor of integration with Indonesia. In addition to widespread killings and displacements, militias destroyed or damaged much of Timor-Leste's economic infrastructure, including homes, public buildings, utilities, schools, and medical facilities. 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.

Relations with the United States

U.S. relations with Timor-Leste focus primarily on fostering political stability and economic development and diversification with a young nation that has major needs in many areas, and deepening the U.S. relationship with a developing nation within the Indo-Pacific region. Since Timor-Leste's 2002 independence, the United States has provided \$500 million in assistance. The Departments of State, Defense, and Justice, and the U.S. Agency for International Development (USAID) all have presences in Timor-Leste. The Millennium Challenge Corporation (MCC) signed a compact with the Timor-Leste government in July 2022, focused on water sanitation and education. This agreement, totaling \$484 million, includes investments of \$420 million from the MCC and \$64 million from Timor-Leste.

U.S. programs include training for staff at the Ministries of Finance, Health, Tourism, and Agriculture; efforts to raise farmers' incomes and improve resilience to environmental shocks; raise nutrition standards; and deliver healthcare for women, newborns, and young children. The United States offers International Military Education and Training (IMET) courses for Timorese defense forces. U.S. development assistance is delivered through USAID governance, health, tourism, private sector productivity, digital connectivity, and agricultural programs; year-round rotations of U.S. Navy Seabees; and a Peace Corps program.

External Relations

Timor-Leste receives extensive political, economic and security assistance from Australia, New Zealand, Portugal, and the United Nations. Australia is the largest international donor to Timor-Leste, and it played a large role in providing stability in the new nation's early years. Timor-Leste and Australia settled a long-standing maritime boundary dispute in 2018, utilizing compulsory dispute resolution under the United Nations Convention on the Law of the Sea (UNCLOS). The two nations are in negotiations about the joint development of hydrocarbon resources in the

Timor Sea. As part of the Sunrise Joint Venture (SJV), Timor-Leste hopes to construct an onshore Liquefied Natural Gas (LNG) processing plant, while the Australian company Woodside Petroleum favors LNG processing at existing facilities in northern Australia. Concurrently, SJV and the two governments are writing a new production sharing contract, petroleum mining code, and fiscal regimes to ensure the project can proceed.

Timor-Leste has maintained good working relations with Indonesia. It is also seeking full membership in the Association of Southeast Asian Nations (ASEAN). Timor-Leste was granted official observer status in 2022, and in 2023, the member states approved a road map for the country's full ASEAN accession. (Timor-Leste is the only Southeast Asian nation not currently in the grouping.)

China has increased its assistance to Timor-Leste over the past two decades. Although its overall aid totals are lower than those of many donor nations, China constructed Timor-Leste's Parliament building, presidential palace, and foreign ministry headquarters. China also sold Timor-Leste two naval patrol boats in 2010, and provided training to dozens of Timorese government officials. Many analysts posit that Timor-Leste may be amenable to greater Chinese investment in the country's infrastructure. President Xi Jinping met with Prime Minister Gusmão in Hangzhou in September 2023, and the two countries upgraded their bilateral agreements to a strategic partnership on agriculture, infrastructure development, media partnerships, military exchanges, and economic and technical cooperation.

Development Challenges

Timor-Leste is one of the world's youngest nations, with 34% of its population aged 14 or younger. Although it has made progress in many human development measures, it remains one of the poorest nations in Asia. According to the CIA World Factbook, more than 41% of the country's population lives below the poverty line. The World Food Programme estimates that some 47% of children under five years of age are stunted, and 8.6% suffer from acute malnutrition. Further, Timor-Leste has one of the highest levels of maternal mortality (204 deaths per 100,000).

Many international donors seek to promote development of agriculture. Some 75% of Timor-Leste's population lives in rural areas, and 41% of the labor force works in agriculture. Food security is a concern: Timor-Leste faces rising food prices, shortages of dietary staples, scarcity of arable land, frequent typhoons, and the impacts of climate change. High unemployment rates continue to pose a challenge. 80% of Timorese are not formally employed, with 43% actively looking for work.

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