



DEMOCRATIC REPUBLIC OF TIMOR-LESTE

**REMARKS BY
HIS EXCELLENCY THE PRIME MINISTER
KAY RALA XANANA GUSMÃO
AT THE WORLD HARMONY FORUM ON
INVESTMENT OPPORTUNITIES IN THE
DEMOCRATIC REPUBLIC OF TIMOR-LESTE**

21 FEBRUARY 2011

New York, New York

Mr. Frank Lui, President of the World Harmony Foundation

Mr. Ian Williams

Mr. Lelei Lelaulu

Mr. Albert Appleton,

Mr. Adrien Corbett,

Distinguished Investors,

Guest and friends,

This forum in New York is a first for Timor-Leste.

Allow me to extend my gratitude to some persons who have made this event possible.

First to Mr. Richard Jordan, I thank you for your long time support and for your role in 2006 for inviting me to ring the Harmony Bell as a token of international peace and friendship in the world.

I would also like to thank the members of the World Harmony Foundation: Bunny Dublin, Nicole Richards, Wenbo, Jeff Gold, Lord Colin Campbell, Kenneth Chang, Wei Wei Gao. As well as Greenhouse New York, Griffin Allen, Richard McIntosh, Peiling Jiang and Bianca Chen - thank you for your leadership and interest in Timor-Leste.

I am also pleased to be in the presence of Joni Sledge and her protégé Kaitlin Jones who will sing for us later.

It is my great pleasure to be here with you today to exchange views with investors from Wall Street. I understand many of you are institutional investors and we are encouraged by your presence.

For us, it's been a long journey since the restoration of our independence in 2002. We are a young nation and this may we will be 9 years old. (And by the way in 2012 we will be 10 years old and would be pleased at that time to have **Kaitlin Jones** perform at our celebrations and of course we will have to invite **Joni Sledge** to perform as well.)

We face challenges but also great opportunities, for us as a people and for our development partners, in our *Nation Building Endeavor*.

And now I am here to inform you that Timor-Leste is open for business!

In the last 4 years, my government has made tremendous strides to create the conditions necessary for investment to take place. When I took office as Prime Minister in August 2007, my first priority was to consolidate the democratic institutions of state and my government has succeeded in doing that by creating the longest period of sustained peace and stability, breaking the cycle of instability that is a feature amongst post conflict countries.

We have created conditions for sustained and high growth and we have achieved double digit economic growths rates.

Let me share with you some recent statistics. Benchmarked against global indices, Timor-Leste's economic growth in 2009 of 12.9% was the highest growth rate in the region and the national economy was ranked as one of the top ten fastest economies in the world. As a result, there is a boom of economic activity throughout the country.

In 2010 our economy has grown in our estimation by around 10% and we believe that by 2011 we will maintain double digit economic growth rates.

We have worked to create a business environment that will support the private sector to partner with the Government of Timor-Leste in our Nation Building Endeavor. We believe that we have set out on the right path for sustained development. The partnership between Government and private sector will play a pivotal role in our Nation Building Endeavor.

The fundamental principle of good governance has required a gradual reform process which my government commenced in its first year of Office. Continued efforts are being made to strengthen these foundations.

As regards to the Millennium Development Goals (MDGs) , the United Nations benchmarks for reducing poverty by 2015, Timor-Leste is on its way to be an early achiever of some of the health related MDGs. For example we have made great strides toward reducing infant mortality rates, reducing maternal mortality and we have eradicated Tuberculoses.

Timor-Leste has made exceptional progress toward eliminating illiteracy and from 2011 we will be constructing about 11,000 houses each year for the most vulnerable in our society in a 5 year programme that will result in 55,000 new homes. Our combined efforts so far have resulted in a 10% reduction in Timor-Leste's poverty rate, since coming to Government.

Timor-Leste's taxation regime has been ranked 19th best in the world in the World Bank "Doing Business" Report.

It is my Government's goal to serve the best interests of the People and to rise to new challenges.

Our Sovereign Wealth Fund, known as the Timor-Leste Petroleum Fund, has been ranked as the number 1 fund in Asia in 2010 by the Peterson Institute in regards to good governance and transparency. It currently stands at approximately 7.2 Billion US Dollars from the Bay

Udan field and it is expected to grow to more than 20 Billion US Dollars in the next 10 years. We also expect that by then new receipts will further grow the Petroleum Fund from our other two oil fields – Kitan and Sunrise.

Timor-Leste's Petroleum Fund Law is being reviewed for legislative changes to allow for greater flexibility and a more optimal strategic asset allocation. This diversification of our petroleum fund will complement the Government's goal of also diversifying the economy from being oil dependent to non-oil dependency.

Timor-Leste was the third country in the world to be granted full compliance status with the Extractive Industries Transparency Initiative.

In 2010, the Revenue Watch Institute and Transparency International classified Timor-Leste as being in the group of the countries that are the most transparent in terms of revenues.

One of the pre-requisites *for yourselves* as investors is good infrastructure. To this end, in 2011 Timor-Leste's State budget has created two Special Funds:

- 1) The Infrastructure Fund
- 2) The Human Capital Development Fund

These funds are the mechanisms on which the **New** Timor-Leste will emerge from a post conflict State to a "middle income" country with a diversified economy within the next 20 years.

In July of this year, I will be launching Timor-Leste's Strategic Development Plan which will signal the commencement of our mult-billion dollar infrastructure programme. On conclusion of this programme we believe Timor-Leste would have created the foundations of a diversified economy

where Foreign Direct Investment (FDI) has played a pivotal role in this outcome.

The Strategic Development Plan will be built on three pillars: **oil and gas; agriculture and fisheries; and tourism, *in particular eco-tourism***. An oil industry will be established in the South Coast with a supply base, a refinery and an LNG plant. And we will also focus our investments in agriculture and fisheries industries and other extractive industries. We have put special focus on tourism, particularly eco-tourism because of our Country's raw beauty and we would like to see Timor-Leste as an alternative destination for this type of tourism.

Our fisheries are losing more than 40 Million Dollars a year from illegal fishing. Our seas is stocked with the best tuna and I would understand that some of you may be interested in this industry. I would like to invite you all to be present in the launch of our Strategic Development Plan in July this year.

We welcome you all, as investors, to explore the beauty of our beloved country and to partner with the Government and people of Timor-Leste in this strategic infrastructure and development plan.

Timor-Leste straddles the time zones that encompass the capitals of Tokyo, Beijing, Jakarta, Singapore, and resource rich Western Australia, capitals that are expected to control more than 50% of world trade in the 21st Century.

In 2009, on the 10th Anniversary of the United Nations led "popular consultation" that affirmed the democratic will of the people to restore Timor-Leste's independence, our people have adhered to the motto: **Goodbye Conflict, Welcome Development**. Ironically, in this visit to your beautiful city, New York, I will be addressing the United Nations Security Council to inform that our people have **said goodbye to conflict** and now I'm in front of

you to welcome you all to become partners in the development in the New Timor-Leste.

Thank you for taking time from your public holiday, President's Day, to attend this event.

Thank you very much.

Kay Rala Xanana Gusmão

21 February 2011