

**Remarks by H.E. Mr. Yoshitaka Hanada,
Ambassador of Japan to Timor-Leste
on the occasion of the National Infrastructure Conference on 29 October,
2012**

H.E. Fernando Lasama de Araujo, Vice Prime Minister,
H.E. Gastao da Sousa, Minister of Public Works,
H.E. Flavio Cardoso Neves, Vice Minister of Transport and
Communications,
Distinguished Government Members,
Members of the Diplomatic Corps,
Distinguished guests,
Ladies and gentlemen,

Good morning.

Thank you very much for inviting me to the National Infrastructure Conference.

Timor-Leste, after 10 years from the restoration of the independence, has successively carried out three national elections this year in a peaceful manner which confirmed to the international community that consolidation of democracy is taking place in this country. Japan as a very close friend of Timor-Leste and actively engaging in Timor-Leste's nation-building since its independence, is very pleased to see the country's stability today. Timor-Leste is advancing towards full-fledged nation-building from post-conflict reconstruction. It is in this context that the Government of Timor-Leste has launched "Strategic Development Plan (SDP)" in July 2011, which sets out a vision for the next two decades. The Government of Japan is strongly committed to support Timor-Leste's nation-building in alignment with the SDP. It is our, the Japanese people's, strong desire and hope that we could contribute to a more accelerated development for the benefit of all the people in Timor-Leste.

In order to accelerate Timor-Leste's development, industrialization is vital. Industrialization in Timor-Leste means vitalizing production activities by the agriculture and manufacturing sectors.

In reference to the agriculture sector, the Government of Japan sets "Agriculture and Rural development" as one of priority areas in Japan's Country Assistance Policy for Timor-Leste, and has been strengthening its cooperation in this sector, especially through the irrigation projects, which contribute to improve rice productivity in farming communities.

In order to develop the manufacturing industry in Timor-Leste, we need to improve both hard and soft infrastructure. Hard infrastructure means setting up roads, electricity and water supplies. The Government of Japan set "Establishing Foundation for Promoting Economic Activities" as one of priority areas in Japan's Country Assistance Policy for Timor-Leste and has been carrying out substantial assistance. Soft infrastructure means developing human resources. It is quite clear that Timor-Leste will have to make more efforts to tackle human resources problem. In this connection, the Government of Japan set "Capacity Development of Government and Public Sector" as one of priority areas in Japan's Country Assistance Policy for Timor-Leste and has been carrying out series of seminars, various training programs and providing scholarships.

It is without saying that for the industrialization by the agriculture and manufacture sectors to bear fruit to the nation, there must be job creation. Creating jobs through industrialization is indeed difficult challenge and we must always bear in mind about the theory of supply and demand. As in terms of supply, improving peoples skills is essential; thus, establishing vocational centers will be effective for this purpose. For the demand side, actually getting a job for the skilled worker is vital, yet we see the unmatched reality of this supply and demand theory. For example, a Japanese NGO JDRAC has been carrying out "Project for Auto-Mechanics Training in Timor-Leste"; however, participants who have completed the training course face difficulties in getting a job because enough number of job have not yet been created in this country.

Generally speaking, the type of industry which can create jobs are parts industry and home appliances industry. As in the case of Timor-Leste, we need to carry out thorough studies and analysis in order to identify what kind of domestic industry can lead to creating jobs. The home market in Timor-Leste is limited to just one million people. Therefore,

Timor-Leste must export its products. And when Timor-Leste exports the products, they must make internationally competitive products. It is very important for Timor-Leste to identify competitive products with comparative advantage in such a unique environment as high labor cost, U.S.Dollar economy and limited number of skilled workers available in the country.

Since the independence, economic cooperation by the development partners and high revenues of oil and natural gas has been sustaining the country. In despite of the fact that the main partners including Japan will continue to assist in Timor-Leste's nation-building and development, in the next decade, cooperation with the private sector will be indispensable. Thus, how Timor-Leste can promote its comparative advantage and attracts foreign private companies to investment in Timor-Leste will be the key. It is no exaggeration to say that foreign private companies will not invest in Timor-Leste under such present situation as high labor cost, high consumer price and limited educational level of workers as long as the Government does not take daring measures which are favorable to the companies.

From this perspective, accession to ASEAN by Timor-Leste is vital. It will enhance its credibility and brings positive effect to attract foreign private companies to Timor-Leste. From this perspective, we need to rethink how Timor-Leste can promote its comparative advantage to these companies.

By providing employment opportunities to the nation and engaging in inclusive economic development, Timor-Leste will be able to alleviate poverty. In other words, direct payments without the government's industrial and employment policies will not bring fundamental solution to poverty.

Infrastructure development must be put in the overview of the national development strategy based on above mentioned points. And infrastructure development is necessary to tackle those points. We must avoid such situation where infrastructure development precedes and alleviation of poverty is left out.

Thank you very much for your kind attention.

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