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Lessons Learned in Timor-Leste

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A little more than 10 years after the people of what is now Timor-Leste voted for independence, this small, half-island country has compressed into a few short years what many other post-colonial states have taken decades to achieve. It has been largely destroyed, achieved independence, had a political crisis, transitioned to democracy, and now appears to be heading into a period of political calm and economic growth. After the near-catastrophic events of 2006, Timor-Leste’s prospects are looking relatively positive, even if a number of important caveats apply.

After roughly 300 years of Portuguese colonial neglect came to an end in December 1975, what was then known as Portuguese Timor was invaded by neighboring Indonesia. The territory became a war zone: More than a quarter of the population was killed or died as a result of the subsequent occupation (which was never recognized under international law), and the rest was deeply traumatized.

Twenty-three years later, when Indonesia’s Suharto was pushed from office in 1998, Jakarta was in the midst of a financial crisis. The cost of the occupation of Timor Leste, both financially and in terms of its continuing damage to Indonesia’s international reputation, alienated the new president, B. J. Habibie, and his technocratic peers, and interfered with his attempts to oversee Indonesia’s political reform. Faced with increasing calls for some sort of long-term political transition towards self-determination, Habibie unexpectedly announced that Timor-Leste could vote on whether it wished to be independent or an “autonomous” province within Indonesia.

In an attempt to ensure that Timor-Leste remained part of Indonesia, the Indonesian military (TNI) established pro-integration militias and embarked on a campaign of intimidation and terror. The campaign failed, and in a U.N.-supervised ballot on Aug. 30, 1999, 78.5 percent of registered East Timorese voters chose independence. In response, the TNI and its proxy militias went on a rampage, murdering at least 1,400 people and burning around 70 percent of the country’s infrastructure. International negotiations resulted in an Australian-led multinational military force, INTERFET, entering Timor-Leste. INTERFET brought an end
to the destruction and violence, the withdrawal of Indonesian forces, and the return of the U.N. But in the aftermath of the violence, Timor-Leste was left with virtually no infrastructure and a deeply traumatized, poorly educated and largely unskilled population.

In the lead-up to the ballot, popular expectations of independence were high. The post-ballot reality, however, was not only that independence had not delivered a significantly better outcome, but that living conditions actually declined. Meanwhile, the U.N., tasked with building a country from the ground up, ran the territory as a fiefdom.

Despite its many competencies, the U.N. was not especially well-suited to the job of nation-building. Many of its officials were poorly trained, incompetent or just did not care. Rather than imparting skills and building capacity, U.N. officials often found it easier just to do the job themselves, leaving untrained Timorese to watch.

It did not take long before bitterness over this new reality, desperate competition for reduced resources, and political opportunism led to a push for formalizing independence, even if it meant what then looked to be an early international withdrawal. A new constitution was drawn up, in which the parliament would be the executive body of state, with the president occupying a largely ceremonial position. In part, the move to have a ceremonial president was intended to avoid the personal excesses of other executive presidencies, not least that of Indonesia. But the largest party, Fretilin, also wished to hobble presidential aspirant Xanana Gusmao, who had been at odds with Fretilin’s political leader, Mari Alkatiri.

Independence was formally declared in 2002, with Fretilin, led by a group who had spent their exile overseas, taking two-thirds of the parliamentary seats. Gusmao became Timor-Leste’s first president, and Alkatiri was appointed prime minister.

Timor-Leste was at this time one of the poorest, most disadvantaged countries in the world. The new government was faced with running a country still only partially built, reliant on foreign aid and with a population both poorly trained and increasingly desperate. In the face of such circumstances, and with old rivalries resurfacing as the unity of the independence struggle faded into memory, East Timorese divided along political and ethnic faultlines that led to challenges to government authority. Serious rioting in 2003 and 2004 led to heavy-handed police responses, making clear that the decision to only partially retrain the police, many of whom had served under the Indonesian occupation, was an error.

As “liberators of the people,” former guerrilla armies often continue to see themselves as the guardians of the state, rather than as its servants. This has led to the active involvement of newly independent militaries in the politics of many developing countries. Similarly, the politics of post-colonial states can continue to be informed by the methods and networks of the resistance period, including top-down decision making, black market sources of income, a lack of procedural consistency or transparency, and, sometimes, recourse to intimidation and violence. All of these qualities pervaded Timor-Leste’s initial years of independence.

The question was also raised whether the creation of the Falintil-Timor-Leste Defence Force (F-FDTL) was just a sop to ex-combatants from the independence struggle. At around 1,500 troops, the army was too small to be an effective defensive force, a role that was in any case guaranteed by the international community, yet it consumed 8 percent of the budget. Its potential for becoming politically involved, too, worried many.
More positively, income from Timor Gap oil and gas resources began to accumulate in a U.S. Treasury bonds-based “oil fund.” Yet Timor-Leste’s economic problems involved not just having enough funds, but also in developing the capacity to adequately spend them. At one level, a high degree of bureaucratic centralization meant that funds were slow to be distributed, especially beyond Dili. This level of centralized control was intended to limit corruption, which was already problematic. But it also meant that financial liquidity in the districts was in desperately short supply.

In response to growing public disenchantment, the government became increasingly uncommunicative, brittle and tending towards authoritarian. Divisions opened up with the Catholic Church over education policy, the poorly trained police became notorious for corruption and brutality, and the F-FDTL became divided -- between older members and newer recruits, ex-guerrillas and the formerly Indonesian police, as well as along geographic and ethnic lines. Citing discrimination, newer army recruits constituting about a third of the army staged a protest in Dili on April 28, 2006. The protest was joined by other anti-government groups and quickly grew out of control, resulting in widespread rioting. The prime minister called in the rest of the army, and five people were shot dead, with many more wounded.

Thereafter, the state began its descent into chaos. Soldiers attacked the police, killing 11 officers even after they had surrendered. A small group of dissident soldiers went into the hills, attacking “loyal” forces that chased after them. Gangs that were organized around the martial arts, as well as others with links to political elites, attacked both each other and East Timorese from what were perceived to be competing language groups. This linguistic cleavage was quickly defined as a conflict of “East” versus “West,” and although such an oversimplification was inaccurate, its currency quickly defined reality.

As the police force disintegrated and civil violence became widespread, the Fretilin government called in international support in the form of the International Stabilisation Force (ISF) -- comprised of Australian and New Zealand soldiers and Portuguese and Malaysian paramilitary police -- and the renewed intervention of the U.N. and its police contingent. The worst of the violence was contained within weeks, although sporadic outbursts continued until the end of the following year.

As a result of the violence, more than three-dozen people were killed, and around 160,000 people -- who were either displaced from or lost their homes -- quickly settled into internally displaced persons camps in and near Dili. A gang of soldiers led by Alfredo Reinado retreated into the hills, while other dissident soldiers set up camp near Ermera, to the southwest of Dili. At an elite political level, under intense pressure, Alkatiri resigned as prime minister. Gusmao installed José Ramos-Horta as interim prime minister until the scheduled 2007 elections.

The violence and destruction of 2006 had many impacts, not least of which was to shock and further dismay a still-traumatized people. Violence in Timor-Leste, however, had become acculturated, and in some respects domesticated. But the belief that a traumatized and still poorly trained people and government could stand alone was shown to be wanting: It became clear that it was not possible to establish, much less embed, the institutions of state in a few short years, and that limited resources, patronage and corruption were an explosive mix. Timor-Leste reflected problems common to many developing countries -- including desperation, brittle control, institutional breakdown and government failure -- and almost
became a failed state.

Ahead of the 2007 elections, Gusmao established a new party, the Congress for Timorese National Reconstruction, whose initials, CNRT, played on the Council for Timorese National Resistance, which had been the coalition of all parties under which Timor-Leste won independence. The CNRT drew from other parties, but especially from disaffected members of Fretilin, many of whom resented the dominance within the party by those who had spent the occupation in exile. The initial voting for the presidency in 2007 demonstrated the erosion of Fretilin’s popular support. The party achieved the largest plurality among a crowded field in first-round voting, but at roughly 30 percent, its tally amounted to half that of the previous election in 2001. In the second-round run-off, the non-Fretilin vote went entirely to Ramos-Horta, who won with around 70 percent.

The election period was tense, with some sporadic violence. However, a relatively high international and military presence allowed the subsequent parliamentary elections to proceed more or less unhindered. Fretilin again won just under 30 percent of the vote, achieving the largest plurality and quickly demanding to be allowed to form a government on that basis. However, Gusmao put together a majority coalition of minor parties, which the new president, Ramos-Horta, appointed to govern, with Gusmao as prime minister.

Fretilin refused to accept this outcome, saying that the constitution gave the largest vote-getter the opportunity to form the government. Its militants immediately went on a rampage, burning houses and killing a small number of people. However, the constitution includes a clause allowing for a majority coalition government. Given that such a majority coalition was available, this outcome was consistent with democratic principle. Reflecting its coalition status, the government became known as the Parliamentary Majority Alliance (AMP).

In the face of continuing pro-Fretilin protests, the AMP government began initiating reforms. Key among them was to make foreign investment easier, to reduce and simplify the tax code and, as its tenure progressed, to increase government spending. It was, Gusmao said, important to save for the future, but not at the expense of being unable to live in the present.

The political situation, however, remained volatile, with Reinado and his gang playing “cat and mouse” with the ISF, dissident soldiers only slowly moving into a cantonment from where they could negotiate their grievances, and the IDP camps becoming the site of political unrest. Then, at dawn on the morning of Feb. 11, 2008, Reinado snapped. Sensing, correctly, that the government’s initial negotiations with the dissident soldiers might ultimately leave him isolated, Reinado and his gang split into two groups, one targeting President Ramos-Horta for assassination, and the other targeting Prime Minister Gusmao.

In the ensuing attacks, Reinado himself and one of his followers were shot dead. Ramos-Horta was shot and critically wounded. Gusmao escaped uninjured.

Ramos-Horta was evacuated first to an Australian military hospital and then to Darwin, Australia, for life-saving surgery. The event sent a shockwave through Timor-Leste and the international community. Yet rather than heralding further state failure, the violence shocked many East Timorese into revising their divided perspectives. Reinado’s death also left the more belligerent anti-Fretilin groups without the galvanizing figure of a romanticized outlaw hero.
The rest of Reinado’s gang was quickly captured or surrendered, and the dissident soldiers, now isolated, agreed to a deal with the government in which they would receive $8,000 in exchange for resigning from the army. With the security environment increasingly settled, the government was then able to clear the IDP camps, assisted by payments of around $5,000 per family to help them rebuild their lost homes. Further, the AMP government purchased large stocks of rice, both for subsequent warehousing and distribution at subsidized prices, in order to alleviate a shortage caused by price increases. The effort was enhanced by the end of a long-running drought, allowing local crops to again return to surplus. The injection of liquidity boosted the economy, and in an environment in which such largesse could have seriously depleted the government’s coffers, an unexpected financial windfall from rising oil revenues assisted the extra spending.

However, the decision to tap into the oil reserve fund was controversial. Fretilin attacked the government for abandoning the previous policy of only using the interest from the fund for government spending. There were also concerns about the potential impact of the so-called “resource curse,” where an economy, buoyed by resource income, inflates the value of its currency, thereby damaging non-resource export capacity, often with implications for employment. The windfall profits also often fuel corruption.

While Timor-Leste’s only export industries were hydrocarbons and coffee, its currency was the U.S. dollar. Meanwhile, unemployment was more determined by subsistence farmers moving to towns in search of paid work, limiting the potential for that component of the “curse.” However, there were numerous allegations about corruption and nepotism, most of which were not well-substantiated at the higher levels of government, but which appeared to have considerable validity elsewhere. To counter this, the government launched an anti-corruption drive, with limited success.

To further increase liquidity among the wider community, and in part to buy off potential disaffection, the government also made payments to resistance veterans. This was later supplemented by a small pension for people over the age of 60, as the average life expectancy had improved to just over 60 years of age, up from the mid-50s just a few years before.

But more importantly, the government moved to decentralize the state, reconstituting each of its 13 districts as a municipality with an elected council and an executive mayor. Each of the districts would have control over spending for a range of areas outside those retained by the central government, with funding to be distributed on a per-capita basis. The purpose of this decentralization was to give local people greater control over their lives, and to ensure that capital was adequately distributed outside Dili.

For the 2008-9 financial year, Timor-Leste recorded 13 percent economic growth, if off of a very low base and almost entirely dependent on government spending. Inflation had fallen to around 6 percent, down from highs in the low teens only a few years previously. More ominously, though, the country’s fertility rate had exploded, with eight live births per female, making it the most fertile country in the world. This not only seriously unbalanced the population, so that about half of Timor-Leste was under the age of 16, but led to population growth that could not be sustained by the productive capacity of the increasingly distressed natural environment. Despite progressive government policies, deforestation continued and potable water supplies remained inadequate. Furthermore, in order to provide electricity for the whole country, the government opted for two heavy oil generators that were not only environmentally unfriendly, but would be increasingly expensive to run.
Timor-Leste’s foreign relations were also tested, especially by Australia and Indonesia. As the main source of imports, Indonesia had considerable capacity to influence Timor-Leste’s internal affairs. As an example, in August 2009, when Indonesia’s foreign minister refused to leave the airport to attend the 10th anniversary of the ballot on independence unless an arrested militia leader was released, Prime Minister Gusmao complied, in breach of his country’s own laws. The release called further attention to how, in order to appease its large neighbor, Timor-Leste had not pursued various charges resulting from Indonesia’s brutal occupation and bloody departure in 1999.

As is often the case, many of Timor-Leste’s problems following independence were common to post-colonial states, while some remained specific to Timor-Leste. Among the former is the challenge, sometimes contentious, of combining separate language groups within a single administrative entity. Although Portuguese and Tetum are Timor-Leste’s official national languages, English and Indonesian are widely used “working” languages, with more than two dozen other languages and dialects also in use. About 70 percent of the population speaks one of the four dialects of Tetum, and 80 percent speak Indonesian. Portuguese is spoken by less than 15 percent of the population, and English is the popularly preferred third language. Since state documents and court hearings are written and conducted in Portuguese, they are inaccessible to most East Timorese. It is common for new states to develop a state language, and it seems that Tetum might become that. Tetum is the spoken language in the parliament, and there is an increasing tendency to publish in Tetum. However, while this process is underway, Timor-Leste faces, at best, linguistic confusion.

On the other hand, Timor-Leste was lucky compared with many newly independent countries, in having a relatively large oil and natural gas supply within its territorial boundaries. If managed carefully, this could underpin development for decades. However, if mismanaged, Timor Leste, like others before it, could experience the “resource curse” of increased corruption, rent-seeking behavior, an artificially inflated economy and an inevitable economic slump.

In the short term, however, much of this wealth is being used to ease some of the burden of poverty that characterized Timor-Leste, and hence to ease pressures that many developing states face before they manage to consolidate state institutions. In this, Timor-Leste has bought itself some time.

As 2009 progresses into 2010, there are increasing signs of East Timorese wanting to again take control of their own affairs. At one level, a push for greater local control is to be expected for an independent state managing to put its brush with civil conflict and potential state failure behind it. At another level, however, is the possibility that moving too quickly towards such decentralized control could result in a repetition of the failures that led to the crisis of 2006, in turn implying a cycle of failure all too common to developing countries.

However, economic growth and redistribution augured well, as did the general policy settings of both the government and the opposition. And importantly, the commitment to electoral politics by the people of Timor-Leste showed that democracy did not require a long history for it to embed itself among the country’s citizens. That, in turn, provided a managed way in which to order and resolve competing interests.

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