

Timor-Leste in 2009

Cup Half Full or Half Empty?

ABSTRACT

Timor-Leste (East Timor) appears to have put the crisis of 2006 behind it. No major outbreaks of violence recurred. The security dividend translated into tangible economic progress. Added to that, the otherwise impoverished, half-island Southeast Asian nation has joined the holders of sovereign funds. Still, macro-development indicators do not give cause for unbridled optimism.

KEYWORDS: Timor-Leste, peacebuilding, justice, reconciliation, security

IN 2009, TIMOR-LESTE appeared to have put the crisis of 2006 and its bloody sequels, including the near-assassination of President José Ramos-Horta, behind it.¹ No major outbreaks of violence recurred. The last of the Internal Displaced Persons (IDP) camps was closed. The security dividend also translated into a spurt of construction in the capital, Dili, and sprouts of capitalism have even appeared in the countryside largely ignored by a succession of governments and rulers. Added to that, the otherwise impoverished, half-island Southeast Asian state has joined the holders of sovereign wealth funds or state-owned assets designed to maximize long-term returns, having accumulated US\$5 billion since independence in 2002 from petroleum-generated royalties. The fourth constitutional government, led by Prime Minister José Xanana Gusmão and his *Alliança para a Maioria Parlamentar* (Alliance for a Parliamentary Majority, AMP), may take credit for its policy of budget surpluses and expanded public expenditure. Still, its propensity for corruption scandals, amid much internal bickering, does not bode well for

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1. See Joseph Nevins, "Timor-Leste in 2006: The End of the Post-Independence Honeymoon," *Asian Survey* 47:1 (February 2007), pp. 162–67; Matthew B. Arnold, "Challenges Too Strong for the Nascent State of Timor-Leste: Petitioners and Mutineers," *ibid.*, 49:3 (May 2009), pp. 429–49.

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the alliance's longevity. Neither do macro-development indicators give cause for unbridled optimism. Meantime, the 650-member, Australian-dominated International Stabilization Force serves as the major backstop pending renewed confidence in the security sector, just as the U.N. hedges against repeating the error of mid-2006 by signaling a premature withdrawal of its resident mission.

POLITICAL EVENTS

Taking power in August 2007, the Gusmão-led AMP government has been dogged by internal bickering and plagued with corruption scandals. Although the Frente Revolucionário do Timor-Leste Independente (Revolutionary Front for an Independent Timor-Leste, FRETILIN) has taken its place in the Parliament as the leading opposition party, it still insists that the government is illegitimate, especially with FRETILIN winning a plurality of votes in the 2007 elections. Whereas in the past, corruption is known to have touched lower officials, recent allegations of collusion, corruption, and nepotism under the AMP government have been directed at, variously, the prime minister, deputy prime minister, justice minister, and finance minister. Undoubtedly, the highest profile scandal relates to the prime minister, who awarded a multi-million dollar contract for the purchase of rice to a company part-owned by a relative (his daughter). This is illegal under Timor-Leste law, prompting the opposition to question how the contract was awarded and calling upon Gusmão to resign.²

In Timor-Leste, peacekeeping continues hand in hand with peacebuilding. A multitude of U.N. agencies are represented in the country within and without the U.N. Integrated Mission (UNMIT). Notably, UNMIT has overseen the progressive transfer of most policing responsibility to the Policia Nacional de Timor-Leste (National Police, PNTL). In September 2009, the PNTL took over management of a U.N.-supported police training center in Dili. On October 9, watched over by UNMIT and the PNTL, Timor-Leste voted in village (*suco*) and sub-village (*aldeia*) elections for chiefs and councils. These were technically non-party elections, but FRETILIN claimed victory based on a non-official count of allegiances.

2. "AM: East Timorese Prime Minister in Corruption Scandal 26/06/09," Australian Broadcasting Corporation's *AM* (current affairs radio program), <www.abc.net.au/am/content/2009/s2609065.htm>, accessed August 5, 2009.

Just as Timor-Leste warms to its giant neighbor and former colonial master, Indonesia, many civil society groups were concerned to learn that in August a condemned militia leader, Marternus Bere, had been released from captivity on the instruction of the Timorese prime minister. In February 2003, along with 12 other members of his Indonesian-backed Laksuar militia, Bere was convicted by the U.N.-backed Serious Crimes Unit in Dili of “crimes against humanity, murder, extermination, enforced disappearance, torture, inhumane acts, rape, deportation, and persecution.” More generally, the militias sought to crudely influence the outcome of the August 1999 U.N.-conducted ballot for independence. Bere was transferred into the hands of the Indonesian Embassy, an act also personally decried by U.N. Secretary-General Ban Ki-moon. A spokesperson for the secretary-general stated that Bere’s release contravened Resolution 1704, which set up UNMIT in 2006, and also conflicted with the U.N.’s position of no amnesty or impunity for crimes against humanity. Responding on October 11, FRETILIN launched a censure motion in Parliament that if adopted would have meant dissolving the government. In the event, with the government offering “national interest” as a defense, the motion was defeated 38–25. Meantime, Timor-Leste’s supreme court is investigating the case to determine if Bere’s release violated the Constitution. Vocal in opposition, FRETILIN has gained much traction by taking the moral high ground, especially on corruption and other constitutional issues.

ECONOMY

Driven by rapid increases in government spending as well as recovery in agriculture from a 2007 drought, the Timor-Leste economy posted high growth rates over the past two years. Non-oil, real gross domestic product (GDP) growth reached almost 13% in 2008. Through that year, petroleum revenues soared on the back of high oil/gas prices and an increase in production volumes, leading to an expansion of the fiscal and external surpluses. The global crisis had little immediate impact on Timor-Leste, although lower oil prices in 2009 imposed a limit upon the sustainable level of public spending.

Compared to its FRETILIN predecessor which, following World Bank leads, ran budget deficits, the AMP government has drawn down on the nation’s Petroleum Fund. Flush with additional cash, it has increased pension

payouts to the elderly and veterans, offered subsidized rice, sponsored a cash-for-work scheme, and doled out generous cash handouts to IDP families that fled their homes following the 2006 crisis. While the AMP spending spree may have helped to secure social cohesion, critics aver that the drawdown has breached the sustainability principle underpinning management of the nation's finite resources. Outside of construction, especially in the hotel industry, private investment remains small. Inflation peaked at over 10% year-on-year in mid-2008 but has since declined significantly, along with international food prices. According to an International Monetary Fund (IMF) assessment, the near-term outlook is still positive, with real, non-oil GDP growth expected to moderate somewhat but remain at high levels.³

Public expectations of reaping the benefits of hydrocarbon resources may be high, but Timor-Leste is still among the least developed countries in the world. According to a World Bank report of August 2009, although the political situation has stabilized, the country remains fragile in consideration of the deep-rooted social tensions brought to light by the 2006 crisis. Not only is the population increasing very rapidly, notably in urban areas, but the economy is unable to provide enough work for those entering the labor market.⁴ According to the annual U.N. Development Program (UNDP) Human Development Index (HDI), weighing average life expectancy, income, and literacy, Timor-Leste was ranked at an alarming 162 out of 182 countries. It actually slipped in rank owing to a change in methodology used to calculate the index.⁵

INTERNATIONAL ISSUES

Neighborhood obviously matters for Timor-Leste: relations with Indonesia appear primordial. Boundary issues remain on the agenda, including the detention in early October 2009 by PNTL border police of nine Indonesian military personnel for illegal entry in a disputed area (Naktuka) of the

3. "IMF Executive Board Concludes 2009 Article IV Consultation with the Democratic Republic of Timor-Leste," IMF Public Information Notice (PIN), no. 09/88, July 24, 2009, <<http://www.imf.org/external/np/sec/pn/2009/pno988.htm>>, accessed October 5, 2009.

4. World Bank, "Timor-Leste Interim Strategy Note (ISN)," August 12, 2009, <<http://go.worldbank.org/BBQEYH9C10>>, accessed October 5, 2009.

5. "UNDP: Human Development Report 2009: Timor Leste: The Human Development Index—Going Beyond Income," <<http://hdr.undp.org/en/reports/global/hdr2009/>>, accessed October 11, 2009.

Oecusse enclave, a part of Timor-Leste. But the centerpiece of Indonesian-Timorese rapprochement is the joint Commission of Truth and Friendship whose report was completed in mid-2008 and subsequently accepted by both Parliaments.

With pride, on August 30, 2009, Timor-Leste celebrated the tenth anniversary of its “freedom ballot,” recalling memories of horrific violence committed by Indonesian-backed militias. Notably, on this occasion, President José Ramos-Horta went out of his way to reject the idea of an international tribunal on the violent events of 1999 and said it was time for the U.N. to disband the Serious Crimes Unit in Dili. With Jesuitical skill, the 1996 Nobel Peace Prize laureate defended his nation’s “exemplary” reconciliation with a former adversary. He cited, for example, the failure of the U.N. to act when in charge; the example offered by other successful reconciliations (South Africa, Mozambique, Portugal); and he pointed out that foreign governments were also complicit in the Indonesian occupation of then-East Timor.⁶

Meantime, Australia’s federal police decided that it would investigate allegations of war crimes. This followed a state-level coroner’s inquiry into the deaths of five newsmen working for Australian television (known as the Balibo Five) who were killed at the border town of Balibo by invading Indonesian forces. This occurred in October 1975, prior to Jakarta’s taking control progressively of the former Portuguese colony after a full-scale invasion that December. The timing may have been coincidental, but in mid-2009, the Australian-produced blockbuster movie *Balibo*, recounting the events, became a media sensation in Australia and Timor-Leste alike, especially as the role of the current Timorese president—then a young journalist—was evocatively recalled.

Undoubtedly, becoming a member of the Association of Southeast Asian Nations (ASEAN) remains a major goal on the part of the new nation, but, aside from building bridges with such established aid donors and/or security patrons as Australia, Portugal, and Japan, Timor-Leste has also secured support from a range of unlikely allies. These range from Portugal’s former African colonies (symbolic support, but also lending skills); to Brazil (educational

6. President José Ramos-Horta, president of East Timor and 1996 Nobel Peace Prize laureate, “Challenges in Nation-Building,” Massachusetts Institute of Technology, Legatum Lecture Series, Legatum Center for Entrepreneurship & Development, September 29, 2009, <<http://legatum.mit.edu/RamosHorta>>, accessed October 4, 2009.

support); to China (whose support includes the construction of prestige buildings); to the U.S. military (that in October engaged the fledgling Timor-Leste security forces in their first ever joint training exercise). Then there is Cuba, which hosts Timorese medical students while providing bare-foot doctors much appreciated in the countryside, where health provision is practically non-existent. Also in 2009, the first group of East Timorese workers was received in South Korea. It is easy to see the imprint of Ramos-Horta in this design, as it is with Timor-Leste's principled diplomatic support for the self-determination of Western Sahara, or through his personal support for fellow Nobel Peace Prize winner Aung San Suu Kyi, in detention in Myanmar.

At the U.N., where Japan serves as the lead country of several in discussions on Timor-Leste, talks continue over how to fine tune peacekeeping and peacebuilding. In February, UNMIT's mandate was granted a year's extension, with the mission slated to leave in 2012 ahead of general elections that year—or earlier, if the FRETILIN opposition gets its way. As Foreign Minister Zacarias da Costa noted in Lisbon in mid-July 2009, although Timor-Leste was on “the verge of collapse in 2006,” today, having moved on, it is “far from being a failed state.”⁷ Even so, as U.N. Secretary-General Ban warned on October 12, the “[R]oot causes of the community tensions behind the violence that shook Timor-Leste in 2006 remain, threatening the nascent country's fragile security.” The rising level of poverty, persistent unemployment, lack of an effective land and property regime, and under-strength justice and security sectors could still destabilize the country, he warned.⁸

7. Abel Coelho de Morais, “Timor-Leste este longe de ser un Estado falhado” [Timor-Leste is far from being a failed state], *Diário de Notícias (DN) Globo* (Lisbon), July 19, 2009, <http://dn.sapo.pt/inicio/globo/interior.aspx?content_id=1311811&seccao=CPLP>, accessed October 20, 2009.

8. “Persistent Tensions Threaten to Undermine Progress in Timor-Leste, Warns Ban,” United Nations News Center, October 12, 2009, report is at <<http://www.un.org/Docs/journal/asp/ws.asp?m=s/2009/504-JMM>>, accessed October 20, 2009.