



FLOWERS IN THE WALL
Truth and Reconciliation in Timor-Leste, Indonesia, and Melanesia
by David Webster

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Development and Foreign Aid in Timor-Leste after Independence

LAURENTINA “MICA” BARRETO SOARES

State-building and development is a continuous process. Timor-Leste has been engaged in this endeavour since the restoration of its independence in 2002, following a period in which the United Nations helped lay the groundwork for institutional development from 1999 to 2002. Many have acknowledged Timorese development is a difficult process, especially given the fact that it started almost from scratch. Timor-Leste has achieved some remarkable progress. However, efforts so far have placed more emphasis on economic development than human development. This continuing focus is evident in the state budget allocation for the past five years, in which the bulk of funds have gone to infrastructure while allocating limited funds to other sectors—particularly agriculture, tourism, health, and education programs.

This leads us to ask: when we talk about development, what do we mean? What is development? Are we talking about cultural development, economic development, political development, or social development?

In 1996 the United Nations Development Programme defined development as a process that not only focuses on economic growth—although that is crucial—but also on human development, on health, education, and the environment.¹ This is important because when most capitalist

governments talk about economic growth, they do not necessarily emphasize what such growth means for the people.

During its attempts at state-building and development, Timor-Leste received foreign aid from multiple donors, including the Canadian government. The largest contributions came during the United Nations Transitional Administration (1999–2002) and the early years after independence in 2002. According to the local NGO La'o Hamutuk, from 1999 to 2009, donors gave an estimated US\$5.2 billion to Timor-Leste.² The major part of these funds, however, went to pay for the salaries of so-called international advisers and for other overhead bureaucratic costs; only one-tenth of it entered into the country's economy.³ Donor contributions slowly decreased after 2009 due to donor countries' changing priorities and perhaps also donor fatigue and Timor-Leste's increased ability to generate its own resources. Despite reducing their assistance, a significant number of donors continued to engage in Timor-Leste. These included the European Union, the World Bank, the Asian Development Bank, United Nations specialized agencies, Australia, Germany, the United States, Portugal, and Japan. The People's Republic of China is also among the current crop of donors to Timor-Leste. China's assistance is comparatively small in quantity, but its presence and engagement is on the rise and it is seen, particularly by Timorese leaders, as a significant contribution to the country's state-building and development efforts.

This chapter will focus on state-building, development, and foreign aid in Timor-Leste after independence. The first part will provide an overview of Timor-Leste's development over the past fourteen years by highlighting some of the progress it has made and the challenges it has faced. The second part will discuss foreign aid and state-building with a focus on China's engagement in Timor-Leste's state-building and development. It will conclude by linking Timor-Leste's development with reconciliation; given Timor-Leste's past experience of atrocities committed by the Indonesian military between 1975 and 1999, as well as the internal crisis of 2006, these two aspects are closely linked.

Overview of Timor-Leste's Economic Development: Progress and Challenges

In May 2002, Timor-Leste restored its independence after two years under UN transitional administration. From the start it was plagued by many troubles. In 1999, after the Timorese voted for independence, pro-Indonesia military and paramilitary groups destroyed about 70 per cent of public buildings, homes, and schools. The violent last days of Indonesian rule also saw 75 per cent of Timorese people displaced from their homes.⁴ In 2006, Timor-Leste was tested again as it went through an internal crisis in which more than a hundred thousand people were displaced, mostly to the capital, Dili.⁵ Many houses in the city were burned, both in 1999 and in 2006. This crisis led to, in 2008, the attempted assassination of José Ramos Horta and Xanana Gusmão, at the time the president and prime minister, respectively. Ramos Horta was seriously injured and had to be hospitalized in Australia.

Despite these problems, Timor-Leste has witnessed remarkable progress over the years since independence. On the political front, after 2008, Timor-Leste enjoyed relative political stability. At the 2017 presidential and parliamentary elections, the country held its fourth round of peaceful democratic elections. In February 2015, a new prime minister took office in a peaceful transfer of power, although some have questioned what they perceive as a lack of transparency and consensus within the members of the coalition government led by then prime minister Kay Rala Xanana Gusmão from the CNRT. The new prime minister came from the opposition Fretilin. Many regarded his appointment as part of power-sharing executive and “political reconciliation,” especially between the two leading figures, Xanana Gusmão and Marí Alkatiri of Fretilin. After the 2017 elections, Alkatiri became prime minister and Xanana went into opposition.

In 2011, Timor-Leste came up with a new strategic development plan (SDP) that set its vision for development over the period of twenty years (until 2030). This twenty-year strategic development plan covers four main pillars: social capital; infrastructure development; economic development; and institutional framework. While this plan intends to mirror Singapore's development preference, many observers view it as overly ambitious for Timor-Leste and are critical of its tendency to privilege economic infrastructure goals, particularly in the first two decades, over human

development objectives. Critics have also pointed at the absence of clear strategic guidelines for the implementation of the plan and milestones of achievable results. In addition, it has been revealed that the new SDP failed to reflect the previous development plan that was established in 2002 (and which was slated to last until 2020). There was no evaluation of the previous SDP, which was drafted with assistance from the international community. Timor-Leste created a petroleum fund based on the Norwegian model, a fund to save the revenues coming from its main natural resource, oil and gas. This fund has been widely regarded as a strong example of a sovereign wealth fund for managing petroleum resources in a fragile or post-conflict setting.⁶ However, its successful management is highly dependent on institutional strength. Compared to the Norwegian model, with its well-established institution and over forty years of experience, the Timor-Leste petroleum fund, though it appears resilient, remains untested.⁷ Nonetheless, it is a major income source for the state budget: indeed, about 90 per cent comes from oil and gas revenues. Another significant development has been the creation of a transparency portal, which aims to increase transparency, building trust and good governance. Although it has yet to be further developed, the system has so far housed information on Timor-Leste's state budget, donors' contribution, electronic procurements, and development results.

Timor-Leste has been able to lay the foundations for state institutions, gradually strengthening them with international support. Women's role in the public sphere has slowly increased despite the country's predominantly patriarchal culture. For example, Timorese women's representation in the National Parliament is 27.69 per cent, the highest in the region. This has been made possible because of a quota system in which every political party is required to have one woman for every three candidates they field. And yet, while women's participation in politics is high, Timor-Leste has yet to demonstrate evidence of the quality of women's participation and what women of Timor-Leste have produced so far in order to be mirrored by other countries. The situation still leaves many things to be desired, including better communication.

In social-sector development, an increased number of children have access to education. As of 2013, 91.9 per cent of children were enrolled in primary school.⁸ Timor-Leste has increased the number of health facilities as well: the government has clinics in many areas, with a good structure

from the national to the village level. Again, the quantity looks promising, but the quality of the health-care system is still far from adequate. The Cuban government established a scholarship program and almost a thousand Timorese medical students studied in Cuba. After they graduated, these Cuban-trained Timorese doctors were deployed to the villages, but they cannot do much because there is not enough medication, facilities, or transportation. In Timor-Leste, most people are treated with simple analgesic and antibiotics due to lack of proper medication.

Timor-Leste has also been active in international forums. The country is now a party to many international treaties, but it experiences issues when applying for these agreements due to various factors, including its human-resources capacity. The government has in particular signed most international treaties related to human rights issues. Timor-Leste also plays a leading role in the G7+, a group composed of countries that have recently emerged from conflict. It is a member of the Community of Portuguese Speaking Countries, an observer in the Pacific Development Forum, and is in the process of joining the Association of Southeast Asian Nations (ASEAN). Timor-Leste was one of ten countries given responsibility for the implementation of the UN Special Development Goal 16, concerning peace, justice, and strong institutions.

Significantly, Timor-Leste has assisted other countries as well. It has done so as a soft power, one that has advanced its diplomatic currency to promote its global image as a responsible member of the international community. In 2013, it successfully led the voter registration process in Guinea-Bissau. The United Nations had estimated a large budget for Guinea-Bissau's needs. The Timorese government was then invited to do its own calculations, coming up with a lower cost and providing figures to justify it. The Timorese government then contributed to the US\$63 million budget for Guinea-Bissau's government to register voters for their elections.⁹ Similarly, since 2005 Timor-Leste has been a humanitarian aid donor, providing aid for natural disasters to, among others, the United States after Hurricane Katrina in 2005, to Cuba and Haiti after the 2010 earthquake, and to Portugal, most recently in 2016 after a spate of forest fires.

Yet Timor-Leste can also be viewed as a petro-state because the majority of the state budget comes from oil and gas. The country does not yet have many programs to diversify the economy, except for an initial attempt at creating two megaprojects: the Tasi-Mane project for a supply base in

Suai district, on Timor-Leste's south coast, and a special economic zone called ZEEMS (Zona Especial Ekonomia Merkadu Sosial, or Social Market Economy Special Zone) in Timor-Leste's exclave district of Oecusse. The supply-base project and special economic zone are still in their early stages of development and they have yet to deliver revenue, and both projects face domestic criticism. Already some experts say that these sources of income will be depleted in five to seven years. At the time of writing, Timor-Leste was involved in a dispute with Australia over maritime boundaries, with the government seeking to determine the future exploration of oil and gas in the Greater Sunrise field. This is a major prospect for Timor-Leste to generate future income to run the country. Timor-Leste is calling for Australia to resubmit to the maritime boundary jurisdiction under the International Court of Justice.

Timor-Leste also has high youth unemployment. Roughly 70 per cent of the country's population is below thirty and about 54 per cent is below working age.¹⁰ Some 13,000 to 15,000 people enter the job market every year, but there are very few industries available in the territory to provide jobs to these people. In the meantime, Timor-Leste still has very poor quality education. As a result, while there are many people available, the country does not have the ability to educate them.

Furthermore, Timor-Leste has a poor health-care system. At one point, the entire country was dependent on warehoused supplies in Dili to provide medication but these supplies ran out and shipping issues have caused further medication to arrive late. Some of the medicine that was already purchased was unusable because of these shipping issues. There are also issues with the allocation of money to buy medication.

Another challenge is the rate of malnutrition: according to one recent study 47 per cent of children under the age of five are malnourished.¹¹ The government denied this statistic, but many still cite it. Statistics are hard to obtain in Timor-Leste, but according to civil-society groups, there has not been much improvement. There are gaps in economic opportunity because everything is centralized in the capital. Dili is the centre of the country's prosperity at the moment. The city has seen the increased presence of migrants and sojourners from Indonesia, the Philippines, China, Portugal, and Vietnam, many of whom are involved in various economic activities or are seeking jobs. For example, small kiosks run by Chinese traders abound all over the country, but local Timorese people run far fewer. The

presence of these new Chinese traders has created a sense among some that Timor-Leste is being taken over by the Chinese.

Timor-Leste also faces a high rate of population growth, with current levels projected to double in seventeen years.¹² Currently, Timor-Leste has 1.2 million people; this is a very rapid increase from the population of 1999, which was only around 800,000 people.

Finally, there is the challenge of institutionalized, systemic corruption. One hot topic among activists and students is a protest movement against the national government regarding one specific law: No.1/2007, called *Pensão Mensal Vitalícia dos Deputados e Outras Regalias* (Lifetime Monthly Pension and Other Benefits for Members of Parliament). As its title suggests, the law creates a lifetime pension for former members of the government and parliament. Protesters call it a disaster for the future because it provides benefits only to certain people, not to the entire population—many of whom are still living on one or two dollars per day. The law was then revised by the National Parliament and repromulgated by the president in 2017. Nonetheless, a majority of the people continue to demand its total abolition. Similarly, without any public discussion, following a public protest through social media against a large payment of national advisers at the Office of Prime Minister—it was higher than the president's US\$5,000 monthly salary—the government created a decree law aimed at securing and protecting advisers' assigned salary scale. Some international advisers earn more than US\$10,000 monthly. This issue has profound implications for budget sustainability.

Foreign Aid and State-building

Foreign aid remains an important part of Timor-Leste's state-building efforts. Over the last sixty years, state-building has emerged as a key practice in international relations, generating different outcomes and fuelling debate amongst scholars, key actors, and practitioners. The central debates focus on the relationship between state-building, democracy, peace, and security in weak states, as well as issues of power and national ownership—particularly in the context of traditional donors' agendas—and ultimately, sovereignty. The key schools of thought on state-building include the realist, liberal, post-structuralist, and post-colonial perspectives. Realists view external players' state-building actions as overriding the traditional

principle of Westphalian sovereignty, while liberals see it as imperative for maintaining global democratic peace through the establishment of democratic institutions, the rule of law, human rights, and free-market economics.¹³ Post-colonial analysts view externally led state-building as a form of colonialism because the arrangement is imposed upon the targeted people and is therefore considered “exploitative.”¹⁴

Among different approaches to state-building, most traditional donors within the Organization of Economic Co-operation and Development (OECD) and its Development Assistance Committee (DAC) adopt the liberal approach as a guidance paradigm for their policies and programs.¹⁵ There are, however, a growing number of scholars who criticize the liberal approach to state-building. Their critique focuses on the method by which proponents of state-building operate in the field.¹⁶ For example, David Chandler outlines critiques of the liberal approach based on power relations, concepts and ideas, and critical consensuses about policy intervention.¹⁷ Chandler criticizes the liberal approach to state-building, arguing that the international community lacks “transformative aspirations,” demonstrates a lack of accountability, creates a sense of dependency on international supervision, and denies local capacity for self-government.¹⁸ Oliver Richmond’s critique focuses on the liberal approach to state-building, which he argues has a tendency to neglect local concerns about identity and culture.¹⁹

Julien Barbara offers an alternative approach to state-building. His critique of the neo-liberal approach is focused on the “constitution of free markets” as undermining the consolidation of effective and strong states, maintaining that it has been “ineffectual” in boosting the economic growth of states in need.²⁰ Inspired by the successful state-building approach of East Asian countries (notably Taiwan, South Korea, and Singapore), Barbara argues for a “developmental state” to address the development and economic challenges of countries in need. Such an approach would require the international community to acknowledge the failures of the neo-liberal approach to state-building. On the other hand, Marquette and Beswick argue for a state-building agenda with a need for building state institutions and ownership, as well as politics and legitimacy.²¹ In this case, the authors stress the need to consider “whose” state-building agenda is implemented, not only “what” has been built. Thus the authors argue that the issues of ownership in the state-building process are of paramount importance.

I side with the authors who argue for the importance of considering the social, political, and cultural aspects of states in need as well as the importance of inclusiveness for state-building in order to create a sense of local ownership and legitimacy in the state-building process for post-conflict societies. In post-conflict states, while most of the state apparatus is either absent or weak, it is important to emphasize the agenda of building a strong and effective institutional framework to be able to provide service delivery for human development as well as economic rules and regulations to contribute to the stimulation of economic growth.

Case Study: China and State-building in Timor-Leste

The international community's engagement in state- and peacebuilding efforts in fragile or weak states is no longer dominated by the DAC countries such as the United States, Australia, the United Kingdom, and France. Instead the significant role played by the BRICS (Brazil, Russia, India, China, South Africa) countries and others such as Kuwait, Thailand, and South Korea, as non-traditional donors in these efforts has been on the rise.²² A key new development-assistance actor is the People's Republic of China. China does not employ the term *state-building*, preferring to speak of non-intervention in other countries' internal affairs. A number of governments have welcomed this approach. In Timor-Leste, China's assistance is relatively small, but is highly visible through its focus on strategic infrastructural development, including major government buildings in Dili, such as the foreign ministry and presidential palace. Chinese assistance is on the rise through grant aid for public infrastructure projects, technical and economic co-operation through trade, and investment and military training programs. From 2002 to 2011, China contributed more than US\$55 million to Timor-Leste.²³ In 2015, during Timorese president Taur Matan Ruak's state visit to China, the Chinese government pledged to provide another US\$13 million.²⁴

China's international engagement has increased since the end of the Cold War, and it has followed a different aid model than most traditional donors. Chinese assistance prioritizes physical infrastructure projects in an attempt to gain access to contracts and resources.²⁵ China argues that, as a non-traditional donor and a developing country itself, it has a distinctive approach and objective in providing its international assistance.

As stated in its foreign aid policy, Chinese assistance aims to promote recipient countries' self-development through a South-South co-operation framework of self-reliance, non-interference, non-conditionality, and equal and mutual benefit.²⁶ In recent years, some observers, such as Richmond and Tellidis, have noted that China has adjusted its engagement in a general sense towards embracing some aspects of the liberal peace approach to state-building, such as a desire for a stable bureaucratic state with control of the means of violence and varying degrees of capitalism.²⁷ Within the BRICS countries, India, Brazil, and South Africa have stressed democracy, the rule of law, human rights, and a robust civil society as elements of liberal peace while continuing to be critical of some aspects of the state-building approach advocated by the traditional donors, particularly the "interventionism" aspect.²⁸

As China has gradually moved towards embracing some aspects of the liberal peace approach to state-building, however, its engagement has continued to emphasize the policy of "non-interference" in foreign relations. It traces this doctrine to the Five Principles of Peaceful Coexistence between China and India in the 1950s and the Ten Principles of the Bandung Conference adopted by twenty-nine Asian and African countries in 1955.²⁹ China argues that the main purpose of its policy of non-interference is to gain greater "understanding, trust, and co-operation for the betterment of all." China's stated non-interference policy in international engagement is parallel to the realist view of international state-building approaches in that it is critical of the interventionist approach, which tends to override the traditional principle of Westphalian sovereignty. This is in contrast to the liberal view of international state-building as imperative for maintaining global democratic peace.³⁰

China's policy application, however, is subject to question. I argue that in reality China has not always followed its stated norms and principles. Increased Chinese aid to Timor-Leste serves as an example. Timorese leaders in both the current government and the opposition parties have welcomed Chinese aid as a pivotal part of the country's state-building process. In a speech during the inauguration of the Chinese-built defence ministry building in 2012, then prime minister Xanana Gusmão praised China's assistance in "the development and consolidation" of the state of Timor-Leste.³¹ This statement was echoed by President Taur Matan Ruak during his visit to Macao in 2012: "Our relations with the People's Republic

of China are excellent ... co-operation between our governments has been intense and fruitful.”³²

China’s donor relationship with Timor-Leste is indicative of power dynamics in the region, and it has broader relevance for debates about emerging power constellations in the region. The visit of US Secretary of State Hillary Clinton to Dili in 2012 sent a “clear and unmistakable message” about the United States’ role and interest in the region.³³ China’s growing presence in the region is significant to Australia, which has been regarded as the “big brother” or “viceroy” of the Pacific region.

At the signing of the diplomatic communiqué between China and Timor-Leste in 2002, the policy of non-interference was stressed. Timor-Leste has respected the One-China policy and been unwavering in its support of China in dealing with the issues of Taiwan and Tibet.³⁴ However, it is important to ask whether China’s non-interference policy really applies to Timor-Leste. China has departed from its non-interference policy on multiple occasions. In the early years of the Indonesian occupation of East Timor, China provided support in the form of money and small arms to the Timorese resistance led by Fretilin.³⁵ During Timor-Leste’s twenty-four-year independence struggle, the People’s Republic of China was a strong supporter of Timorese independence. Diplomatically, China was the only permanent member of the UN Security Council to consistently vote against the Indonesian invasion and occupation of Timor-Leste. In this context, Timor-Leste regarded China as a “true friend” during difficult times.³⁶ China’s support was a far cry from Western governments’ acceptance of Indonesian rule over East Timor.

In 1999, China voted in favour of the UN Security Council resolution authorizing the UN peacekeeping mission to Timor-Leste—a gesture that many observers saw as an indication of China’s active involvement in international affairs through multilateral arrangements. In the post-independence period, through its embassy in Timor-Leste, China has continued to be tacitly involved in Timorese affairs. In 2012, the state-run company China Nuclear Industry 22nd Construction Company (CNI22) allegedly provided financial support to one of the parties in the coalition government, the CNRT, during the election campaign. Chinese representatives gave political speeches at Timorese political party events, such as in 2001 during the launch of the Democratic Party and at a Fretilin event in 2006.

While China presents its non-interference policy as a way to gain trust from countries that it engages with, it is China's direct and indirect *interference*, through a soft-power approach, that has gained Timor-Leste's trust. Timor-Leste now considers China to be an important development partner. As Timor-Leste embarks on a pilot megaproject worth more than US\$4 billion to build the ZEEMS special economic zone in Oecusse, the need for private-sector investment is crucial.³⁷ China has expressed interest in participating in the development of the zone.³⁸

China's engagement in Timor-Leste's state-building and development has generated some discomfort among other donors. Most of these concerns address the form and location of Chinese engagement and the strategic position of Timor-Leste. On the strategic issue, a report from Norwegian Co-operation in Timor-Leste concluded that China's presence in Timor-Leste shows a desire for strategic competition for influence over Timor-Leste's natural resources and strategic position in the region.³⁹ Molnar also argues that Timor-Leste's natural resources and geopolitical position influenced donors' strategic considerations beyond their stated goals of providing assistance to Timor-Leste's state-building process.⁴⁰ So far, China has not publicly addressed the criticism from other donors regarding its engagement in Timor-Leste. China's confidence perhaps has been boosted by the government of Timor-Leste's high regard for China's role as a partner in the state-building and development process.

The China-Timor-Leste relationship offers rich insights into both state-building and new power relations in the region. China's stated approach to state-building leans towards the realist view, particularly the sovereignty aspect. Its stated policy of non-interference, however, has not always been reflected in practice. As Timor-Leste's state-building process continues to take shape, China's involvement will continue to be important. China may continue to argue the importance of its non-interference policy in dealing with the international community, but the actual application of such a policy is dependent upon pragmatic concerns, specifically its contemporary political and commercial interests.

Development and Reconciliation

Timor-Leste is still in the earliest stages of independence, and economic development is still in its infancy. There are certainly many lessons to be

learned. The country must focus on achieving economic growth in parallel with inclusive human development. One concrete action would be to balance the allocation of the state budget and spend it sensibly and effectively across the country. The looming end of oil revenues makes the role of outside development partners crucial for the future. However, Timor-Leste should be mindful of its past, since much of the foreign aid it has received has been contingent on events and the bulk of foreign aid contributions have not gone towards Timor-Leste's development. While donor assistance remains important for Timor-Leste's future, this assistance must reflect the needs of Timor-Leste, rather than simply being spent in Timor-Leste.

As the country moves forward with its strategic development plan for 2030, both Timor-Leste and the international community should be aware that the role of development and state-building strategies are vital in considering reconciliation. Indonesia once justified its occupation of Timor-Leste as a contribution to the territory's economic development (*pembangunan*). Increasingly, Timor-Leste's post-independence government also relies on development strategies coming from outside the country.

The *Chega!* report addresses the years from 1974 to 1999, a period of violence that was the responsibility of another country, Indonesia, with the support of major Western powers. The internal political crisis of 2006, on the other hand, took place among "us"—that is, among Timorese. With international peacekeepers gone, Timorese leaders turned against each other and there was violence and massive displacement of people. Though the immediate crisis has been resolved, and displaced people have returned home, internal conflict and the memories of the 2006 crisis still represent a major challenge for both Timor-Leste and the international community.

Development and reconciliation should be closely linked; after all, there can be no proper development, let alone human development, without seriously addressing the wounds left behind from past atrocities. Those wounds are a barrier to development, to moving forward. Internal conflict also "un-develops" by destroying past progress. On a personal level, my parents' house was set on fire and burned down twice. In 1999 it was completely burned down by the pro-Indonesia militias. It was partly burned down again in 2006 during the internal crisis.

It is much more difficult to deal with issues when they involve our own people, our neighbours or our friends. I have discussed with my friends and family the importance of avoiding a victim mentality; we need to

move on. We experienced crisis, but so what? This kind of philosophical thinking actually helps us to carry on living. Although we acknowledge that things have happened that were utterly unjust, there will be a time to deal with all these things. We as Timorese people have faced atrocities but life must continue!

Notes

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