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## Timor-Leste in 2013

*Marching on Its Own Feet*

### ABSTRACT

In early 2013, Timor-Leste started to walk solely on its own feet, after the departure of the United Nations Integrated Mission in Timor-Leste and the International Stabilization Force. The year has proved to be broadly peaceful, signifying that the country has learned to live within its own resources. The level of political consensus has increased, as Timor-Leste engages in a process of generational turnover.

**KEYWORDS:** generational turnover, U.N. departure, state budget, economic model and transparency, foreign policy

JANUARY 1, 2013, BROUGHT A NEW CHALLENGE to the young nation of Timor-Leste. After thirteen-and-a-half years of direct involvement through a string of special missions, the U.N. ceased to have a direct presence there.<sup>1</sup> Together with the departure of the UNMIT, the remnants of the International Stabilization Force (ISF) established in 2006 to help contain violence and restore the authority of the internal security forces also withdrew. Timor-Leste emerged with a host of bilateral agreements with friendly nations and with the presence of several multilateral agencies.<sup>2</sup> It was understood

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1. UNAMET (U.N. Mission in East Timor, 1999), UNTAET (U.N. Transitional Administration in East Timor, 1999–2002), UNMISSET (U.N. Mission of Support in East Timor, 2002–05), UNOTIL (U.N. Office in Timor-Leste, 2005–06), and, finally, UNMIT (U.N. Integrated Mission in Timor-Leste, 2006–12). These U.N. organizations' mandates ranged from the organization of the referendum of August 30, 1999, that established independence, across the full administration of the transition period, to the coordination of multistranded international cooperation with the new Timorese authorities.

2. Such as the U.N. Development Program (UNDP), U.N. Children's Fund (UNICEF), International Labor Organization (ILO), and the U.N. Educational, Scientific, and Cultural Organization (UNESCO).

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to require international assistance but also was able to walk its chosen path on its own feet.

One year on, Timor-Leste has witnessed no major event that could jeopardize its efforts over the previous decade to succeed as a nation. The year before was marked by free and fair elections that resulted in peaceful change: replacement of the president of the republic and substantial recomposition of the government. In 2013, no major news hit the international headlines, reinforcing perceptions of the Timorese capacity to deal with domestic challenges and to consolidate the democratic state-building process.

## POLITICS

The most significant developments of 2013 were the result of the presidential election held in March and April 2012. The incumbent José Ramos-Horta, long associated with the diplomatic front of the Resistance against Indonesian occupation and possessing cosmopolitan values, was defeated in the first round. In contrast, the candidates who fought the second round—Taur Matan Ruak and Francisco Guterres Lu Olo—had a shared past of leadership in the Resistance’s internal fronts, armed and clandestine, and an association with local, populist values. Ruak’s election clearly affirmed Timorese fatigue with an internationally inspired agenda. It also set the scene for what could have been considered a new presidential interventionism in the political arena, inspired both by his experience as a military commander and the presumed link between the president and the people.

However, 2013 saw no such radical reinterpretation of the presidency. Instead, President Ruak stood in the broad framework of his constitutionally assigned role, using mainly the “power of words” to make himself heard on political issues, including critiques of governmental performance (e.g., poor road conditions) and in pursuit of campaign assertions (e.g., the need for military conscription of both genders). Regarding Prime Minister Xanana Gusmão, Ruak has been far less vocal, reluctant to challenge someone who as party leader had been critical to Ruak’s own electoral success. To date, the president has not vetoed any legal document linked to the prime minister, nor referred any for constitutional review.

Moreover, the president has favored political compromise with the major opposition party, FReTiLI (Revolutionary Front for an Independent East Timor), resulting in parliamentary unanimity on the state budget vote in early

2013, expected to be repeated in 2014. This also brought about the appointment of FReTiLIn's leader, Mari Alkatiri, in 2012 to lead the team of experts designing the contours of the special economic region in Timor-Leste's western district enclave of Oecusse.

Gusmão, with his return to power as prime minister in 2012, introduced substantial changes to his government. The results of the 2012 legislative elections reduced the number of political parties with parliamentary seats, and some members of the ruling coalition failed to secure representation in the national Parliament in Dili, the capital. The recomposition of the support basis for the new government did not include an agreement with FReTiLIn, thereby preserving a distinct opposition party.

### STATE BUDGET

Though late, on February 18, 2013, the national Parliament voted unanimously (one member being absent) in favor of the state budget for 2013. The initial proposal presented by the government was cut by US\$150,000 to a grand total of \$1.6 billion. In November, the government approved a new proposal for the state budget for 2014 that was smaller than the previous one (\$1.5 billion) but above the actual level of expenditure. The 2014 state budget allocated almost one-third of expenses to "development capital," an index that sustains a more prudent approach to spending, in the face of pressures to direct funds toward the most dramatic needs of the population and to preserve financial capacity for the future. This represents a decrease of about 28% from 2013. In January 2014, the new state budget was approved, again by unanimous vote.

### THE ECONOMY

The economic model favored by Gusmão's current government mirrors that of his previous administration. It can be summarized in three main tenets:

- (a) public spending is the motor for economic growth and development, and government should invest in basic infrastructure. The inauguration in August of the nation's second power station, in the southern coastal town of Betano, is perhaps the single most important example of such investment in 2013. In addition, the government created a generously endowed special fund for human resources development, though its potential as an economic motor remains unclear.

- (b) the government should provide incentives for private sector development through competitive bidding on large projects instead of direct public sector investment. Where major opportunities may attract foreign investment, as in liberalizing of the telecommunications market in 2013, smaller projects will offer investment opportunities to Timorese private capital. The government hopes to create a local business community and a strong middle class in Timor-Leste.
- (c) the government should create social security benefit networks to raise the level of private consumption and alleviate the burdens of poverty. Widening the number of beneficiaries has substantially reduced the number of poor. The UNDP estimates that 37% of the population currently lives in poverty, compared to more than 50% only a few years ago.

In spite of witnessing one of the highest economic growth rates in the world over the past few years, almost always in double digits, the basis for the economy is unbalanced and fragile. In 2013, the non-oil sector was expected to grow at 8%, while agriculture was stagnant or even in recession. The economy's strong performance mostly derives from fossil fuel revenues. It is also feeling demographic pressures from fertility rates that hover around 5.7%—one of the highest on earth. Timor-Leste is thus quickly becoming one of the countries with the largest proportion of young people, squeezing schools and health facilities and pushing up unemployment rates, especially among young adults. The departure of hundreds of international workers affiliated with the U.N. and the ISF was also expected to have negative consequences for the country's economy.

### **The Corruption Issue**

Moreover, Gusmão's economic model demands that public spending be carefully audited and that corruption be severely combated. In 2013, the Chamber of Audits was strengthened in its technical capabilities with the support of international cooperation; it is now better equipped to pursue its task through new procedures. As for corruption, an endemic problem in the region, the Anti-corruption Committee, created in 2009, placed two former cabinet members under investigation in the course of 2013, revealing its capacity to conduct high-profile initiatives and maintain a robust degree of independence. The Committee's efforts during the year also led to the sentencing of the former junior minister for the environment in Gusmão's first cabinet to five years in jail, pending an appeal.

In line with the nation's determination to fight corruption, the Transparency International Corruption Perception Index has shown Timor-Leste to be approaching a more "clean" environment. However, the 2013 Index reveals a small decline in the country's performance, falling from 33 to 30 points, and from 113th place in the world corruption ranking of nations to 119th.

## FOREIGN POLICY

A major goal in Timorese foreign policy is obtaining full membership of the Association of Southeast Asian Nations (ASEAN). This is one of the reasons why Gusmão chose José Luis Guterres, former ambassador to the U.N., for the critical role of foreign minister in 2012. In 2013, the prime minister made state visits to several ASEAN countries, trying to boost the pressure on the 10 current member-states to admit Timor-Leste no later than 2015.

Timor-Leste's defiance of Australian interests has also been a central part of the country's foreign policy. For example, commercial partners in Australia have opposed the onshore processing plants for oil and gas proposed for Timor-Leste's south coast in the Strategic Development Plan. Dili responded in diverse ways to such opposition, demanding international arbitration, raising a high profile taxation case against Australian companies, and threatening to lift a 50-year moratorium on the definition of maritime borders with Australia. Disclosure of Australian spying activities in the office of Timor-Leste's prime minister during negotiations over a petroleum treaty have fueled increasingly nationalist foreign policy responses.

Relations with Indonesia—Timor-Leste's other powerful neighbor—remained calm in 2013, despite the fact that the agreement over land borders is still pending 14 years after Indonesia's withdrawal. Such stable relations are perhaps related to the fact that Indonesia remains Timor-Leste's principal trade partner. Indonesian companies continued to benefit from Timorese government policies in 2013 over contracts and to play an important role in the local economy.

## UPDATE

In late November 2013, Gusmão announced that he would step aside as prime minister within two years, paving the way for a successor to be chosen and groomed before the next general election in 2017. A few weeks later, he

admitted he might depart as early as September 2014. This decision, if upheld, is in line with other moves that place the issue of generational renewal among Timor-Leste's top priorities. The change may be emulated, as Gusmão himself encouraged, by other active members of the "Generation of 1975," i.e., those who came of age in political terms at the end of the Portuguese colonial presence, before the Indonesian occupation.

However, given the role of Gusmão's charismatic leadership in the democratic process and his resistance to populist tendencies, his announcement could represent a threat to, rather than an opportunity for, democracy. His National Congress for Timorese Reconstruction (CNRT) party, so far lacking a solid ideological basis, may devolve into an organization determined to hold political power rather than provide a vision of a better political future. Gusmão's commitment to democracy may also be prone to challenges from ideologies that sustain authoritarian agendas under the guise of "Asian values." Perhaps Gusmão's announcement is the event in 2013 that potentially most influences the democratic future of the young country.