

Independent development in Timor-Leste?

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Independent development is possible, but difficult, in a small country like Timor-Leste. It requires solidarity and independent thinking. Yet independent thinking is constantly under threat from what might be called the 'Anglo economic technocracy', a mindset which stresses privatisation, uncoordinated investment and supposed open markets.

This paper will discuss some of the problems of Australian engagement with East Timorese development, then consider the independent elements of East Timorese development policy, before reflecting on some future possibilities.

Australian development thinking has been shaped in a neoliberal environment, conditioned by an Anglo-imperial legacy, which has created a self-image of competitive, free market achievement, and of international mentoring in the canons of 'good governance'. The fact that substantial public investment and subsidy underlies Australia's own 'open markets', and that Australian overseas interventions are generally viewed with deep suspicion and hostility barely ripples the public debate in this country. There is a great Australian bewilderment over the causes of this foreign suspicion and hostility.

This blind spot is most obvious in the case of Australia's intervention in Iraq which was initially to avert a supposed threat, but continues in the name of helping the Iraqi people. A similar situation applies in Timor-Leste. The aggressive pursuit of commercial advantage by the Howard administration in its oil and gas negotiations has alienated many East Timorese, destroying much of the goodwill created by Australia's belated protective role in 1999. Yet a parallel set of problems for the relationship has been set in train through the Australian projection into Timor-Leste of its own development ideology — a mindset based on privatisation, land registration, big corporate development, leverage through aid agencies, 'open markets' and education in the doctrines of 'Anglo economic technocracy'. Australians who see themselves as friends of Timor-Leste might like to reflect on the problems caused by projection of this neoliberal ideology.

Myths of neoliberal development

No developed nation became wealthy through a programme of 'open markets'. Rather, such an approach has been promoted by the imperial powers, in pursuit of new market openings. The wealthy nations made their gains mostly through a

combination of building important public institutions, mass education, the strategic coordination of public and private investment, and outright colonial plunder.

Arguments for a developing country to intensely specialise and focus on 'export oriented agriculture' will benefit small groups of exporters and foreign investors, as well as providing some foreign exchange for imports. They will also contribute to substantial environmental damage. However, such developments will not translate into mass education, health care and the infrastructure necessary for local markets and widespread economic participation. Papua New Guinea (PNG) is a classical example of the failure of export oriented, resource based development. Massive amounts of export revenue (consistently over 40 per cent of GDP) have been generated over three decades from mining, oil, gas and logging, but the economic benefits were largely captured by foreign investors and some local privateers. There was very little trickle down. Most children in PNG still do not have affordable access to a secondary education, and basic health indicators are very poor (UNDP 2004). An 'Anglo economic technocracy', in the form of World Bank technical assistance and numerous AusAID programmes, must bear much of the responsibility for the failure of the PNG model.

Australian ignorance of this problem is linked to some domestic illusions. Over the past two decades, Australia has presented itself as an example of a robust, open market model, with a speciality in agriculture. Successive governments repeatedly claim that Australia would compete better internationally if only unfair barriers to agricultural trade were removed. Drawing on this self-image, Australia urges open market agriculture on its small aid-dependent neighbours (see, for example, Vaile 2002).

However, the commercial success of Australian agribusiness was built on several important non-market developments. The first of these was the theft of the land mass from the indigenous population — a still unresolved and bitter issue. Second, substantial public or public-backed infrastructure in the form of roads, rail, ports, finance, communications and scientific support (for example, the CSIRO), underwrote and continue to underwrite the capacity of Australia's exporters. Thirdly, historical advantages accrued through the British system of imperial trade preferences (dismantled in the 1960s), a range of internal and external protection measures (for example, margarine quotas to protect the milk industry), as well as the

assistance of the price stabilisation authorities for wheat and wool. Finally, there are ongoing rural industry subsidies in the form of diesel fuel rebates for the transport of rural produce (currently about \$2bn per year), the semi-permanent drought relief packages, which encourage farming in semi-arid areas, well-funded industry restructuring packages (for example, to help consolidate the sugar and milk industries), and remediation programmes for the environmental damage caused by farming (such as salination). The fact that taxes on imported agricultural products (tariffs) are low in Australia is no real measure of the 'open market' status of Australian agriculture. In any case, small developing countries have little capacity to replicate this complex subsidy structure.

None of these lessons of history have deterred Australian and World Bank officials from preaching their open market dogma to the East Timorese who, for example, wanted assistance in the transition period (1999-2002) to rebuild some self-reliant grain production and storage capacity. The consolidation of rice production and grain storage was opposed by the World Bank, which proposed instead a focus on export crops and a 'buffer fund' for food emergencies (World Bank 2000:21; IDA 2000:3-4). After independence, the World Bank maintained its stance that East Timorese food security should not be achieved through food self-reliance strategies, but rather through commercial development, land registration and a buffer fund for emergencies. The latter is dangerous, as cash reserves are the first thing to disappear in a crisis. Australia also maintained its argument for export-oriented agriculture, despite the lack of a likely candidate for cash cropping in Timor-Leste. The Australian Government maintains:

Transforming subsistence farming, which dominates the agriculture sector, into an export-oriented industry, is a difficult challenge. Key crops such as coffee and vanilla and potentially candle nut and palm oil will be targeted for increased capital investment (DFAT 2005:4).

But East Timorese priorities have been to stabilise the subsistence sector and develop domestic markets, before devoting limited resources to export options.

An independent policy?

Despite pressure from the development banks and Australia, Timor-Leste has maintained some elements of an independent economic policy. Among the confidence-building measures aimed at foreign investors (joining the World Bank and IMF, signing the Multilateral Investment Guarantee Agreement) and prudent measures to manage oil and gas revenue, there are also commitments to a development plan and strategic investment programme (Planning Commission 2002). Prime Minister Mari Alkatiri has urged greater coordination in

investment, aid and resource use, mass education, greater self-reliance and 'new ways of thinking'. A Sectoral Investment Programme will act as a road map for this strategy. Foreign debt has so far been avoided (see Alkatiri paper, this issue). The development plan includes a consolidation of the subsistence and domestic produce sectors, and licensed control of natural resource use.

Agriculture remains central to planning, yet foreign aid agencies have had little enthusiasm for capacity building that was not export-oriented. Agriculture Minister Estanislau da Silva complains that the UN transitional administration (UNTAET) 'did little in their two and a half years', and adds that the government is now committed to rehabilitating irrigation and dry lands rice fields (da Silva 2005). Despite the ideological resistance of the World Bank and AusAID to a focus on Timor-Leste's rice industry, a draft National Food Security Policy has emphasised consolidating and improving domestic food production. Practical measures are to be directed at support for small farmers and include improved seed supplies, home gardening, livestock development measures, some expansion of irrigated rice areas and diversified cash crop development. Home gardening and permaculture of fruit and vegetables would be supported. Infrastructure and other support would be through modest extension services, unsecured microcredit, feeder roads and possible marketing support (MAAF 2005:18-28). Rice production could be doubled to make Timor-Leste 75 per cent self-sufficient in its rice needs with improved seed varieties and an expansion of irrigated areas, even without additional fertiliser. Food reserves (rather than buffer funds), in case of 'harvest failures or disruptions in supply' would underwrite this food grain policy (MAAF 2005:18-20, 32).

Secretary of State for Tourism, Environment and Investment, José Texiera, has said that, as 80 per cent of East Timorese people get their income from agriculture, 'the improvement and development of agriculture is a key priority of this government' (Teixiera 2002). So support for stable and diverse production, as well as access to local markets, must take first priority. This means local roads and affordable inputs as opposed to the PNG model of rural infrastructure serving only the export-oriented plantation industries.

Agricultural export capacity would be a modest addition to this central food security concern. Export income is expected from the improvement of coffee quality and coffee marketing, and from the diversified group of crops serving subsistence and local markets. The development of copra, vanilla, fruits, spices, cassava, nuts, beans and chicken could allow wider participation in local markets. There is as yet no suggestion of oil palm estate or mill development, nor the consolidation of land required for such a move (MAAF 2005:21-22).

Problems and lessons

Independent development policy in Timor-Leste faces two major problems: the determination of the development banks to open large infrastructure investment opportunities for foreign companies; and the disempowering, neoliberal education offered to its young people.

Working with the World Bank, the Asian Development Bank (ADB) has assumed responsibility for power and water in Timor-Leste. It has a privatisation agenda (ADB 2002) that is not reflected in, and is in some respects contrary to, the National Development Plan. Privatisations may also breach Sections 8 and 54 of Timor-Leste's Constitution, which seeks to maintain local ownership of land and 'permanent sovereignty' over East Timor's wealth and natural resources (Constituent Assembly East Timor 2002). Nevertheless, the ADB (2002) sets out clear plans for water privatisation in Timor-Leste, a plan consistent with its earlier report *Water in the 21st Century* (ADB 2000), which argues the case for moving water 'from a public good to priced commodity'. But what does this mean for poor people's access to water? Bolivia is currently in the middle of a revolution, due in part to the rejection of World Bank water privatisation programmes.

In power, the ADB has received private consultant reports which recommend privatisation of management and billing, supposedly to deal with the recurrent blackouts in Timor-Leste towns. It might be, for example, that a large public debt will be proposed to build the infrastructure for a national power grid based on the suggested Los Palos hydroelectric scheme. Yet ADB managed privatisations will be pushed in Timor-Leste because they are good for big foreign investors, not because they are appropriate for Timor-Leste. Major problems of access will arise in any privatisation scheme, and this will generate inequality and resentment. The ADB argues that Timor-Leste does not have the capital or the expertise to provide basic power, water and sanitation, and the country's insecurity about its poor basic infrastructure makes it vulnerable to these arguments. But the ADB's policy leverage on the government would increase with a large loan. Big borrowings from a development bank would weaken the capacity of an East Timorese Government to pursue further public infrastructure development and investment coordination.

The influence of disempowering, neoliberal education among East Timorese youth could work to internalise the assumptions of 'Anglo economic technocracy'. This will not contribute to 'new ways of thinking'. Haven't some East Timorese students already returned from US and Australian universities, preaching 'free markets'? There are murmurings in East Timorese debates about the need for a new educated elite, Timor-Leste's own 'Chicago boys'. But while the call for a new educated class is totally appropriate, the form of education sought should be discriminate. The 'Chicago boys' were a neoliberal trained group of North

Americans who helped Pinochet's dictatorship in Chile, after the 1973 coup, and went on to pioneer the hated structural adjustment programmes of the 1980s in Latin America. Timor-Leste can do better than this.

The real lessons for East Timorese students of development lie in East Asian models of coordinated public and private investment, along with the United Nations Conference on Trade and Development (UNCTAD)-backed model of industrial cluster development. Looking at the coordination of networks of small and medium businesses in a range of developing countries (but Bangalore in India is the model case study), UNCTAD stresses the need for improvement in technology, skills, innovation, trust, cooperation and learning, as well as competition and exports (UNCTAD 1998:7). In practical terms, in Timor-Leste, this might mean the linking of public colleges and infrastructure development with a well-planned tourist industry, as well as coordinated marketing initiatives in coffee, processed foods and textiles. The country's comparative advantages have to be progressively upgraded, not locked into low return rural commodities. This certainly demands a long term commitment to mass education, and to 'new ways of thinking'.

Conclusion

Independent development in Timor-Leste is a promising but delicate creature. It faces some formidable structural and ideological obstacles, not least from its Australian friends, whose track record for respectful foreign interventions is not good. The myth of development through simple 'open markets' has been faced down to some extent by the East Timorese leadership. In the field of agriculture, through keenly felt need and past food insecurity, a genuinely autonomous policy is being developed. Challenges lie ahead in infrastructure and education. None of these problems have quick and easy answers. Mass education and the building of public institutions and domestic infrastructure will bring returns in the longer run. But to develop new commercial opportunities, Timor-Leste might better look to the lessons of the East than the ideology of the West.

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