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Timor-Leste Beyond 2012: A Turning Point

By Mallika Naguran

Synopsis

As it enters into the second decade of self-rule, with a change of governing powers mid-year and with UN Peacekeepers gone by year-end, will Timor-Leste make it on its own?

Commentary

On 20 May 2012, Timorese celebrated ten years of the restoration of independence and striking out on their own. Since the end of the UN transitional administration on 19 May 2002 after 25 years of occupation by Indonesia since 1975 (following 300 odd years of Portuguese colonization), a wounded Timor-Leste (formerly East Timor) became the youngest nation to chart its own destiny. But how long will the euphoria last?

Ten years ago, the country was in acute disrepair: little roads, fewer still in good condition, a clutch of health services, poor access to clean water and sanitation, widespread poverty, and on top of all, internal conflict and factional fighting in 2006 that tore the tattered fabric of society to shreds.

Today, rural villagers get on with subsistence farming, youths go to high school in capital city Dili, and women get their voices heard as elected member of parliaments. Private businesses and investments in Timor-Leste contribute to double-digit economic growth in a stable and conducive environment. A thousand Timorese will become qualified doctors by 2016.

Changes are afoot

Timor-Leste, once referred to as a failed state, is showing signs of progress. The indicators reflect gains in social and economic development (even in non-oil sectors), health, education, political tolerance, and more. From a mere US\$20 million national budget in 2002, the nation in 2011 had more than one billion dollars of its own to spend. Timor topped every other country in the world with a budget surplus at 186% of its GDP last year.

Prime Minister Xanana Gusmao's Strategic Development Plan (SDP) 2011-2030 has mapped out three areas - social capital, infrastructure and economic development - that aim to lift the society back on its feet. The country's oil and gas revenue has bolstered strong economic and human progress. Saving oil wealth for the future through a sovereign oil fund created in 2005 means that Timor-Leste is self-sufficient and secure until 2050 when the known oil resources run out.

By having its own funds to spend, Timor-Leste will avoid the resource curse experienced by most developing countries. Assets of the oil fund have been invested in US Treasury Bonds, and the government may look at diversifying to other sovereign debts or assets in an effort to mitigate financial risks. There are financial resources and political will to drive the macro-economics of progress.

However, poverty will continue to be the thorn in the foot as the distribution of wealth is inadequate in spite of rural development programmes and welfare benefits for the seniors. With 41% of the population still languishing below the poverty line, 43% of the rural folks not having access to improved drinking water, 75% of the same not having access to improved sanitation, two thirds of the country not within reach of electricity, and a third of women and children under the age of five suffering from malnutrition, living from day to day can be pretty hard. Human security remains a challenge even as the country has achieved energy security and financial independence. This presents an even greater challenge to the new leaders post parliamentary elections on 7 July, and the greatest reason for them to get their act together quickly.

Nearly all of the UN Peacekeeping Force would have left by end 2012, and along with their exit, life in Timor-Leste will return to normal. The police and military groups will continue to demonstrate some form of unity. With the difficult times of political differences and civil strife behind them, the spotlight is cast on economic challenges.

Challenges for sustainable development

Timor-Leste, according to The Economist, ranks among the top ten fastest-growing economies in the world. That's good news. The bad news is inflation. Inflation rate shot up from 8% in 2010 to 13.5 % in 2011 caused mostly by price increases in food and beverage, property, and transport. Failure to take immediate steps to arrest climbing inflation rate will mean that Timor-Leste may lose out in international competitiveness. The Growth National Income per capita has increased by 230% over the last five years to stand at more than US\$2,650. In the meantime, rural folks up in the hills wait somewhat patiently to reap the benefits of independence.

Around three quarters of the population dwell in far-flung remote areas, and 70% live off subsistence farming. Tropical storms, weather affliction (worse now with climate change), poor infrastructure for roads and transport, and lack of foreign investment are barriers to boosting agriculture development. Unless rural development is prioritized alongside oil and gas extraction, confidence in the Timorese self-rule beyond the first decade will start to wane. The present disconnect between the haves (townsfolk in Dili and progressive districts) and have-nots (rural folks, mountain tribes, landless farmers) if left unchecked will grow and loom larger to become social rifts, ripe for internal conflict.

With the country's openness to foreign skilled workers, new rich immigrants taking on building and land leases and with Timorese relegated to subordinate tasks and menial jobs, there will be risks of social displacement. Land rights disputes have to be resolved even as doors are opened to foreign direct investment and smallholder-based operations to stimulate markets in staples, livestock, forestry products and cash crops such as coffee, which accounts for 80% of non-oil exports.

While Timor-Leste hurtles towards speedy development, the environment must not be held to ransom. Strict regulations and monitoring safeguards against excessive waste generated by industry and consumers have to be in place to prevent pollution and preserve biodiversity. Sustainable development is the only way for Timor-Leste to chart real success from 2012 and beyond.

The writer is an energy security and environment researcher, consultant and founder of Gaia Discovery, an online media to promote eco living and sustainable tourism.