

11. Transitional Social and Economic Development

The previous chapter dealt with transitional justice; this one deals with transitional social and economic structures after the conflict. Again we engage a networked governance and separations-of-powers lens upon the topic. We do not consider all the key economic development challenges—only those that illuminate the relationship between networked separations of powers and development.

Timor-Leste is very poor, though much less poor than it was when it was part of Indonesia, when the gap between it and the rest of Indonesia in per-capita GDP was cavernous (and where its meagre income was disproportionately captured by immigrants from Java and other parts of Indonesia). Since 2006, Timor-Leste has enjoyed exceptionally strong economic growth (with official estimates ranging from 5 to 12 per cent in 2009—the height of the global recession [UNDP 2011:17]). It moved past 22 developing countries that had been ahead of it on the UNDP's Human Development Index, grinding from a ranking of 142 in 2004—one above Sudan and two above Democratic Republic of Congo—to a ranking of 120 among the world's nations. This occurred in spite of a huge, 5.8 per cent contraction in the non-oil economy in 2006 as a result of the violence that took over the streets in that year (UNDP 2011:4).

Timor-Leste remains a subsistence agricultural economy that is forced to import large amounts of food, where the overwhelming majority of the population goes hungry every year in the months before and after Christmas (Grenfell et al. 2009; UNDP 2006:20). The argument of this chapter is, first, that the steady, impressive improvement on the Human Development Index is a result of some progress in dispersing monopolies of control over economic power, though much monopoly remains and monopoly power is proving a resilient adversary to a fundamentally social-democratic polity. Then the chapter considers separations of powers between the Central Government and the governance of villages, formal power and customary power. Oil is central to Timor's story and therefore must be central to well-crafted separations of powers in Timor. We find the Petroleum Fund has interesting design features in republican terms. Finally, the chapter considers donors and other international influences, using Cuban influence over Timor's health institutions as a positive exemplar. Outsiders can contribute to more richly separated domestic powers over human development, or they can diminish republican freedom as non-domination.

We argue in the early sections of this chapter that the mentality of most leaders of Indonesian East Timor was one of exploitation, of using the province to build

personal wealth in the process of being a loyal part of Suharto's crony capitalism. Whatever their flaws, this has not been the mentality of the front-line leaders of the independence movement—Gusmão, Ramos-Horta and Alkatiri—or of the former student leaders of the clandestine network so dominant in NGO networks today; or of the many individuals in Timor's international support network. While the members of the international support network live wealthy lives in places like Australia, working for East Timor's development was not a strategic way for people to maximise their wealth. Timor-Leste's first three prime ministers all worked long days and nights while they served in that office, driven by a deep desire to reduce poverty in their long-suffering country. Their disagreements with one another—including disagreements over the politics of pluralism, and the old disagreements over Maoism versus social democracy—were and are disagreements underwritten by different visions of how to conquer poverty, which for all of them continues to be the imperative that matters most. Even at the conservative end of Timor-Leste politics, Mario Carrascalão, businessman and a governor during the Indonesian occupation, is a social democrat driven by a politics of poverty reduction. That political consensus—like the growing consensus for political pluralism, constitutionalism with a separation of powers and the consensus for more *suco*-centred governance—is a source of hope. In a way, the elite consensus is not only a social democratic one, but a civic republican one as well. As Douglas Kammen (2003:81) argued, Xanana Gusmão's ideological leadership buried the revolutionary socialist discourse that was prominent in the 1970s and built unity around an older master–slave metaphor: a vision of the Maubere people throwing off the shackles of foreign and feudal dominations forever.

While corruption is a huge obstacle to social and economic development in Timor-Leste, it would be inaccurate to put Timor-Leste in the same category as certain post-conflict African states that have been characterised as suffering from a criminalisation of the state. These are leaders who disagree on the past more than on the future. There is considerable disagreement between Fretilin and the Gusmão Government on whether more than 3 per cent of the Petroleum Fund should be used each year for infrastructure development in the present. In one of our interviews with him, Mari Alkatiri saw great importance in a separation of powers between the meddling and sometimes corrupt hands of this generation of politicians and the Petroleum Fund. He believed there was not yet the capacity to manage these funds well at the national or local levels. This is a big contest, but a healthy one. Western economists also cannot agree upon how to get the balance right between investing in the social and economic development of the current generation and savings for their grandchildren's development projects. It is a good contest of ideas for development that occurs within the context of all Timor factions agreeing on the desirability of having a Petroleum Fund that is constitutionally proofed against looting by any oligarch of the present generation.

Colonialism and Monopolisation of Economic Power

Many senior Indonesian military officers considered a period posted to East Timor as their opportunity to make a little pot of gold. They monopolised the coffee trade, retailing and other business; they stripped the sandalwood trees that became harder to find, though more valuable as they became rare. The mentality was one of exploitation, of using the province to build personal wealth as a cog of Suharto's crony capitalism.

Obviously, this was a failure to separate the powers of the military from self-interested influence over commercial affairs. So we see this as an interesting further dimension of the separation of powers problem that is a theme of this book. It has two aspects. One is military power that overreaches to dominate the commercial life of a province. The other is monopoly power, whether imposed by a military or by other means. Monopoly concentrates economic powers that should be separated and put in competitive tension. Dispersed, competitive economic power is the most important check and balance on exploitation of consumers. Any kind of highly concentrated economic power—whether in the hands of the state, the military or mega-corporations—risks domination of citizens and of states.

In the aftermath of the 1975 invasion, the Indonesian military seized central control of agricultural policy in Timor, shifting production sharply away from traditional subsistence agriculture and towards cash crops, particularly coffee but also rice and other niche crops. The military could extract most of the profit from cash crops in a way they could not from subsistence agriculture. This had a doubly negative impact on Timor's poverty. First, hunger increased because fertile land previously dedicated to diversified subsistence agriculture was converted to cash monoculture. Second, exploitation by the military meant that farmers lost most of the benefits of their labour. After the invasion, P. T. Denok Hernandes International was established under the nominal control of two Indonesian Chinese in Dili, but actually under the control of General Murdani and other leading generals (Taylor 1999:125). It took over the coffee plantations formerly owned by a Portuguese state company. A coffee export monopoly was then constructed step by step by confiscating the land of other plantations and the smallholders who comprised the rest of the coffee industry. The military enforced rules requiring all coffee trading to occur through Denok's regional agents. Other military rules punished possession of more than 10 kg of coffee and any transportation of coffee other than by Denok. Before petroleum, coffee was by far Timor's most important export; post conflict, one-quarter of Timor-Leste households continue to be involved in coffee production (Nevins 2003:687).

Then Denok moved to take control of the sandalwood trade¹ in similar fashion and other smaller export commodities like cumin, copra and cloves. Monopoly power allowed Denok to reduce catastrophically the prices paid to farmers; in West Timor in the 1980s, farmers were receiving six times the price for coffee that East Timor farmers received (CAVR 2006:Ch. 7.9, p. 14). When the Suharto family, especially the President's wife and his son-in-law Prabowo, noticed the profitability of Murdani's Denok monopoly, they claimed a stake in the systemic control of the commerce of the province, sometimes allowing Denok to run local collection while they controlled export marketing. The monopoly system shut down industrial as well as agricultural diversification. Prior to the invasion, Portuguese Timor produced some basic tools for agriculture, manufactured clothing (in addition to handwoven *tais*), household goods, building materials and food processing (Taylor 1999:127). Apart from traditional *tais*, these all disappeared, with the purchase of such goods integrated into Indonesian trading chains controlled by Suharto cronies/family.

The demise of Indonesian occupation ended military-orchestrated commercial monopoly. Understandably, therefore, neither the UN transitional administration nor the parliaments of Timor-Leste's first decade prioritised an anti-monopoly law and a competition regulator. There was precious little commercial activity to monopolise during the first decade. During its second or third decade, however, Timor-Leste will need to attend to this risk to its future. Case by case, the government started this process with the telecommunications sector in 2010. In 2002 the government granted a medium-term licence for Portuguese Telecom to launch Timor Telecom as a monopoly provider. The government decided in 2010 to undo this monopoly in light of evidence of much cheaper telephony in West than East Timor. Fewer than one Timor-Leste citizen in five ever uses a telephone (Grenfell et al. 2009). The irony could be that Indonesian telcos that are providing those cheaper prices to West Timor could in future be the firms that break the Timor Telecom monopoly and improve the quality and reach of its service to consumers.

Electricity is another service fundamental to improving investment in other sectors that is also cheaper in West Timor (one-quarter of the East Timor price [Moxham 2008:14]) and much more prone to blackout in the East. Electricity reached only 10 per cent of rural households in 2006 (UNDP 2006:2). Most people in Timor-Leste believe that their electricity supply is getting worse rather than better (Grenfell et al. 2009:20). In this case, it was UNTAET as the monopoly public provider of electricity that grossly mismanaged and under-invested in electricity infrastructure that would by now have paid for itself many times over (King's College Report 2003:205). This was investment that would have

¹ Forestry generally seems to have been virtually unregulated in East Timor during the Suharto years, with a number of areas experiencing declines in woodland of up to 96 per cent (CAVR 2006:Ch. 7.9, pp. 17–18).

been made in any contestable private market for electricity. There remains considerable potential for poverty alleviation by tackling the inefficiencies of the electricity monopoly. Investment in Timor's considerable potential for hydroelectric power sits as a great opportunity for the future.

Other revivals of Indonesian and Chinese commerce in Timor-Leste are proving less welcome, generating some localised resistance, resentment and even violence. One small-time Indonesian retailer of pots and pans was murdered after he returned to a rural area to restart his business during our fieldwork. Of more general political concern was the secret approval of a US\$150 million shopping centre and hotel on prime Dili real estate formerly used by the United Nations and Timor-Leste's security forces (Murdoch and Hyland 2009). This is the largest non-petroleum private project the new nation has seen. Jakarta tycoon Tommy Winata is the beneficiary of this approval, which was granted without a tendering process for the public land. Winata is widely viewed as the 'banker' for the Indonesian military and a large donor to Indonesian political parties. His Artha Graha Group is a huge Indonesian player in gambling, nightclubs, logging and plywood, hotels, real estate, information technology, insurance and banking. We interviewed one prominent general who was indicted for crimes against humanity in Timor who retired to Winata's payroll; it is alleged he is not the only one (Murdoch and Hyland 2009).

One associate of Tommy Winata is an East Timor-born organised crime boss in Jakarta, Hercules Rozario Marcal. These two men also share in common past links to Kopassus and to Suharto's son-in-law Prabowo Subianto. Before Winata's hotel approval, Hercules received government approval to build a mini-mart and swimming pool on the site of the former refugee camp opposite Dili's main wharf (Murdoch 2008b; Murdoch and Hyland 2008). This approval does not seem to have been implemented to date. Approval of this 2008 development proposal raised a storm, particularly when Hercules announced that he was interested in other investment opportunities in Timor-Leste (Wilson 2010). Bu Wilson (2010:153) has quoted a UN security source that Timor-Leste's Chief of Police, 'Longinhos Monteiro has close links with Hercules who organizes his hotels and other arrangements when Monteiro is in Jakarta'. The reason this blew up as such a controversial business approval in 2008 was not only that Hercules was a notorious Jakarta gangster, virtuoso of protection rackets and enforcer of the Suharto regime whose thugs terrorised East Timor independence activists in Jakarta in the 1990s. It was also that Hercules had contact with and might have met rebel leader Alfredo Reinado days before he was accused of shooting President Ramos-Horta. Reinado's telephone had a listing for 'Hercul'. Two of Reinado's men who got away after involvement in the attack on the President and Prime Minister were later arrested by the Indonesian Government in Hercules' home in Jakarta (Murdoch 2008b).

While all economic monopoly is bad by the light of republican political theory, some monopolists are worse than others. In Chapter 9, we saw that a depressing statistic of the Timor-Leste economy is that the two largest private sector employers are both private security firms. We also saw that one of these firms was controlled by leaders of one of the most violent and politically powerful of the martial arts groups that terrorised the streets of Dili from 2006 to 2008, PSHT, and mostly employed PSHT members. There was also local concern at the political implications of Seprosetil Security's purchase by an ex-Federal Bureau of Investigation (FBI) officer to become APAC (Myrntinen 2008:12). At least this sector is a duopoly rather than a monopoly. The concerns, whether well placed or misplaced, over the political agendas of their owners highlight the risks of any kind of excessive concentration of economic power in sensitive or strategic industries.

A more positive piece of the competitive landscape is banking. While commercial banking is restricted to Dili, there are three banks competing there: one Australian, one Indonesian and one Portuguese. Three is as many as such a small market could reasonably be expected to support. These licensing decisions brought in from the outset the Indonesian competition so lacking in the public and Portuguese monopolies granted to electricity and telcos respectively. The three banking licences have also gone one each to the countries most likely to be sources of private sector investment in Timor-Leste. Prospects for nurturing from scratch indigenous Timorese banking know-how could come from the bottom up in future from the micro-finance sector. The World Bank supported village micro-finance as part of the Community Empowerment Project (CEP) and a Small Enterprise Project (SEP) for business loans in regional towns. CEP and SEP, however, experienced poor repayment rates of approximately 40 and 60 per cent respectively (Marino 2006:117). The most successful micro-finance initiative in terms of membership, and a repayment rate of 98 per cent, seems to have been Moris Rasik ('independent life' in Tetum) (Marino 2006:118). It used the Grameen Bank model of lending only to poor rural women, reaching 7000 clients through 10 western branches by 2004 and more than 100 000 in 2008 (UNDP 2011:36). It was supported by HIVOS (Netherlands), Grameen Foundation USA, AusAID, NZAID, USAID and several Singapore-based organisations as part of CASHPOR, the network of Grameen Bank replications in Asia (Marino 2006:118).

Micro-finance in developing economies should be seen as a crucial plank, in republican political theory terms, of a separation of financial powers for securing freedom as non-domination (Pettit 1997). Small economies need big banks to link them to fruitful forms of foreign investment. Big banks with networks of ATMs are also one of the elements that nurture tourism from their home countries.² Our

² The ANZ Bank manager explained how promoting Australian tourism was good for his bank as well as for the economy of Timor-Leste. He took pride in the increase in Australian tourist arrivals from 3000 in 2006 to 6000 in 2007 and 12 000 in 2008.

interviews with managers of these big banks indicated that this was where their interest resided and where they had a sense of corporate social responsibility to contribute to peacebuilding.³ They saw lending to the micro-businesses of the rural poor as a market where they lacked expertise.⁴ In this way micro-credit is a check and balance on the bias of big banks to only take care of the big end of town, including bigger NGOs.⁵ Micro-finance is republican finance because it is a dispersal of financial power and a corrective to arbitrary exclusions of access of the poor to finance.

This section highlights an error in Gough Whitlam's analysis of why poverty reduction in East Timor would be better served by integration with Indonesia. Yes, electricity and telecommunications are much cheaper for West Timor's poor than for those of Timor-Leste. Just as Timor-Leste has benefited from competition from Indonesian banking, however, likewise it can choose a competition policy that allows electricity and telephone consumers to benefit from Indonesian contestation into these markets. All things considered, and notwithstanding the challenges of economic recovery from the ravages of war, today there is less poverty in Timor-Leste than in Indonesian West Timor,⁶ and economic growth has been faster in Timor-Leste in recent years. If small economies get their economic policy settings right, whether they are in Europe, Asia or Africa, they can draw in the benefits that big economies in their neighbourhood generate, without themselves being absorbed by those big economies.

Media policy is another example of this. Many Timorese still listen to Indonesian radio and some even continue to read quality Indonesian newspapers, drawing on the considerable diversity of the contemporary Indonesian media. Timor-Leste itself has avoided the worst excesses of monopoly that afflict the media in many other countries. There are competing newspapers and electronic broadcasters. There is also an Internet community of conversation over news across the border into democratic Indonesia and into the many countries where the solidarity movement has left rich residues of engagement with Timor's democracy. Information monopoly is not one of the burdens on the development of Timor-Leste.

3 One Dili bank manager we interviewed saw the three banks doing a good job of compliance with money-laundering rules as another important corporate social responsibility to anti-corruption and peacebuilding in Timor.

4 One banker said they nevertheless had an important role when micro-finance organisations came to them with loans by their clients that were so big they could risk the future of a tiny bank. The big bank could then negotiate to take over those lumpy loans.

5 In a crisis of violence on the streets, serving NGOs by taking risks to keep cash flowing from ATMs to NGOs who need to pay men with trucks to transport refugees to safety can be a crucial contribution to peacebuilding. The ANZ Bank manager told of braving the violent streets of Dili in 2006 with a suitcase filled with \$1 million he carried from Australia to refill his empty ATMs.

6 Poverty is much less in Indonesia as a whole (thanks to the prosperity of industrial centres like Jakarta) than in Timor-Leste. But in terms of the Whitlam analysis, the West versus East Timor comparison seems the more relevant one of like with like.

New Separations of Local Economic Power

Chapter 8 discussed the World Bank and Asian Development Bank Community Empowerment Project (CEP)⁷ as an effort to disperse economic power over development that was resisted by centralists of UNTAET. It was at least an early effort of the people of Timor-Leste learning to become democratic. Village Development Councils with equal numbers of men and women were established across the country based on 3000 hamlet-level elections of some kind (Ospina and Hohe 2002:78). Each subdistrict received US\$25 000–75 000 to decide their own local development projects at the village level, with a requirement that half of them had to come from women's groups. Traditional leaders were not eligible for election—a policy not intended to undermine their leadership, though it was often criticised for that reason, but rather intended to disperse power through a new institution. The CEP was an impressively Timorised program that did not draw internationals away from the comforts of Dili. A majority of those elected were young, at least in comparison with the older traditional leaders. In observation of meetings, however, it was apparent that older traditional decision makers dominated and elected women were marginalised (Ospina and Hohe 2002:96, 110–14).

Ospina and Hohe (2002:88–9) undertook the most systematic research on the CEP and found it mostly popular at the local level because it was more participatory and inclusive than past development planning and supported projects villagers mostly felt were worthwhile (see Box 11.1). There were, however, many examples of waste, embezzlement and poor management of the program at the local level that were seized upon by UN and international NGO leaders who sought to discredit it. The CEP had to contend with top-down opposition from internationals and bottom-up opposition from traditional leaders—and sometimes former resistance leaders—who felt their exclusion delegitimised the decision making (Hohe 2004). Perhaps a more sustainable path might have been a CEP that significantly improved the dispersal of local power without turning it upside down, but with a clause that made continuing funding conditional upon continuous improvement in inclusiveness and broadened participation of women, youth and lower-class citizens. It was a mistake of the World Bank to think there was a local governance 'vacuum' that it could fill with a visionary bottom-up form of governance. It might have done better to

7 The CEP was a successor to the Kecamatan Development Program (KDP) in Indonesia, but much more ambitious because it occurred in a context where there was no local level of government to support it. Indeed, part of the overreaching ambition of the project was to constitute a new post-conflict, local level of governance. The KDP has been transplanted, in modified form, to the reconstruction program in Afghanistan and the Philippines, to a KDP extension into Aceh post conflict, to Bangladesh and beyond. World Bank evaluation research suggests that poverty reduction has been greater in KDP areas than in control areas and that it has achieved some limited success in creating bottom-up demand for good governance and to stop corruption (Davis 2007).

start by providing resources to extant traditional and resistance power-holders on condition of future elections that would broaden participation and secure that continuous improvement of inclusion.

From a civic-republican perspective, the ambitions of the CEP were important. People not previously empowered to lead decision making were elected at hamlet and village levels to come up with local development plans that would be more than just decisions to build a bridge or plant a plantation. The idea (that has been more or less realised in Indonesia and elsewhere) was that village plans would be building blocks for subdistrict development plans, then district plans, until ultimately planning meetings at each of the lower levels would feed into national plans.

Example of a Community Empowerment Project in Afaloikai, Baguia Subdistrict, Baucau

Afaloikai (*afa* = stone, *lokai* = herdsmen), the most remote village in Baguia Subdistrict, is located on the slopes of Matebean Mountain (*Matebean Mane*). Its 1048 inhabitants live in four hamlets: Oquilari, Waimata, Buibela and Lena'a, the last two high in the mountains, a three-hour walk from Afaloikai town. The majority of the population speaks Naueti, an Austronesian language. The population of Afaloikai was exiled to Baguia and Watecarbau (Viqueque) for more than 10 years during the Indonesian occupation; in two hamlets, resettlement was not allowed until 1994. During these years, only guerilla fighters and the Indonesia army were in the area.

The people of Afaloikai have a very positive perception of CEP. They are unanimous about its positive impact and about the fact that the community participated actively in it for the development of their village. The village chief confirmed that community members expressed satisfaction with the program's achievements during both cycles.

The program has been very inclusive without distinction to gender or religion: men and women, Catholics, Protestants and animists worked together for the welfare of the village. Although those who worked received a modest stipend, this was not their prime motivation, as stated by a Catholic catechist:

The community is involved in this process, people come to work on a self-supporting basis but at the end we receive a

small honorarium but it is not so much. For us the important thing is that we must do something for our village, especially as development is already a commitment for Afaloikai people.

The grant for the Emergency Cycle (R20 million) was used mainly to rehabilitate 4.5 km of road from Disoe to Afaloikai. The four hamlets agreed to use the funds in the reconstruction of the village road, and people from all four hamlets worked on the project, receiving R23 000 per day.

In the first cycle the money from the World Bank was finished and we did self-supporting to finish our program. We had to do that because the program is for the community, not something else that only makes one person rich, but we do it for all the people. (OJT leader, Afaloikai)

According to the villagers, CEP would have a major impact if the authorities at the subdistrict level, such as the CNRT subdistrict chief and the ETTA/UNTAET administrator (DFO), made a serious effort to rehabilitate the road between Osso Huna and Haikoni.

In the second cycle of CEP, the people chose another infrastructure project: water supply. Again, the four hamlets agreed to work together, using half of the R40 million grant to the village. The money was controlled by the Village Development Council and each person working received R20 000 per day (about US\$2). Local leaders and the hamlet chiefs supervised the work and the CEP Village Facilitator kept a daily checklist of the workers. The CEP noticeboard displayed all expenditures on materials and wages.

The project had been finished for three days before the visit of the research team and was changing the daily life of the people, particularly women and children who previously carried water more than 1 km at least. Now each hamlet has a tank and each compound its own tap. With the other half of the grant it was proposed that the OMT would buy a sewing machine or, if there was enough money, one for each hamlet.

Village Development Council members are proud of their position and believe the program makes a difference in people's lives. Their major motivation and satisfaction are working for their people and seeing progress in the area. The community trusts the program and supports it, even if the work is hard and they have to go to each hamlet on foot, sometimes returning very late.

The relationship between the Village Development Council and the other major actors in the village is outstanding. Council members discuss and consult with the *chefe do suco*, the *chefes d'aldeia* and the elders about their projects. This good relationship is in part the result of the election process to select council members. All the population from the four hamlets came to the *suco* and elected the members by a show of hands. Village facilitators (one female and one male) were also selected through a public meeting attended by the people of all hamlets.

In Afaloikai, gender balance is not an issue for the people. Men and women on the Village Development Council participate equally in providing ideas and, with equal numbers and pay, in project implementation. This was underlined by the OMT leader:

In our village no-one has come to say, why just men come to work or why just men get paid because we have a good coordination amongst each other: if men come to work women also come to help, this is the reality of Afaloikai.

And confirmed by the village chief:

In other areas women do not work as carpenters, only men. Here women know how to build houses and make other things. For instance to build houses: men have their one concept but women also have their own ideas and contribute to it...Women are working side by side with men for the development of their village.

Men and women have the same right to participate in meetings:

Because now the situation is changing so women and men have the same right to be involved in the decision-making process.

The consultation and decision-making processes take place through public meetings organised by the Village Development Council. Everyone participates and gives their opinion. Ideas are noted during the public meeting and, on the grounds of these notes, the council writes proposals to the Subdistrict Development Council, where the final decision is taken.

Decision-making power is with the people. The community decides what to do in the hamlet. Afterward the decisions are passed to the Village Development Council and then to the Subdistrict Development Council. (Village chief)

Decision making by discussing at the village level provides the opportunity for all community members to be involved in the activity and strengthens the moral responsibility to participate and to help decide. (OMT representative). Ospina and Hohe (2002:91–2).

In the years after the CEP was sunk, all major political parties came around to the view that development planning had been too top down and Dili centric since 1999. Xanana Gusmão led the way in this policy shift. He saw a need to ‘widen opportunities for the poor to organize themselves’ especially at the hamlet and village levels (Gusmão 2006:i). Central to his rationale for this were checks and balances from below: local participation and ‘empowerment of the poor...would also contribute to higher accountability and transparency of the use of public resources that are spent in their name’ (Gusmão 2006:i). It is possible that in learning to be democratic, the development of rural infrastructure and agricultural development, where most of the poverty is to be found, would have been better served by developing local governance institutions before a national parliament, rather than after. Two elections at the village (*suco*) level have been held, in 2004 and July 2009. Under the rules for these elections, 27 per cent of those elected must be women and, in practice, in 2008, 28 per cent of the 4877 *suco* council members elected were women. Adding reserved seats for women, the UNDP (2011:38) reports 45 per cent of council members were women in the latest data. The 2004 and 2009 laws that enabled *suco* council elections embraced a hybridity of traditional and modern legitimation (Cummins 2011:91): traditional authority was both legitimated and co-opted by guaranteeing a place for *chefe de sucos*, *chefe d’aldeias* and *lia nain* (animist ritual leaders and interpreters of indigenous law) in the *suco* council, while grafting the ‘modern’ elements of women and youth representatives. At this stage, the modernist graftings have not taken deep root: ‘viewed from the inside, the *suco* council represents a very thin layer of “modernity” over what are essentially traditional governance relationships that the state has recognized and co-opted’ (Cummins 2011:93), and women council members are mostly mute, though not always (Cummins 2010). *Suco* governance has no budget to speak of. Many among Dili elites continue to believe that *suco* leaders are too primitive and unsophisticated to be capable of good governance. So leadership ideals to devolve governance are being frustrated by urban elites; their ideals to modernise traditional governance by grafting gender and age equality are being frustrated by local elites for now.

Three-quarters of the population is engaged in agriculture, but agricultural productivity is low because of under-investment by development programs in remote rural areas. This policy error is now being slowly reversed and prospects

for poverty reduction as a result are considerable. Fishing is also undercapitalised and under-regulated for sustainability. Decentralised development assistance to target the productivity of fishing could enhance sustainability and considerably reduce rural poverty and hunger. As with farming, investment in fishing skill development as well as in cheap technologies is needed.

Separating Powers Over Oil

Chapter 1 referred to Australia's aggressive negotiation with Indonesia and then Timor-Leste for a share of the petroleum resources offshore between Australia and Timor as an Australian betrayal of Timor. The Treaty on Certain Maritime Arrangements in the Timor Sea was finally signed by Australia and Timor-Leste in January 2006. Many have written on the many stages of those negotiations and whether they were an abuse of the spirit of the international law principles at issue—at the hands of a more powerful state negotiating with a fragile one desperate for cash flow (Cleary 2007; Drysdale 2007a, 2007b; Munton 2006; Neves et al. 2008; Nicolau and Scheiner 2005).⁸ It is not the purpose of this book to add to or evaluate that debate. What is of central interest for our purposes is the way the Government of Timor-Leste led by Prime Minister Alkatiri established the Petroleum Fund with the royalties that are now flowing from the petroleum exploration in the Timor Sea.

We construe the Petroleum Fund Law as a distinctively important separation of power. In effect, it checks and balances the timing of oil profit spending. It makes it difficult for contemporary politicians to squander a proportion of the largesse from oil and gas sales that exceeds the absorptive capacity of their fledgling economy. The Government of Timor-Leste constrained itself initially to spend each year only 3 per cent of the value of the petroleum wealth in the ground that has been licensed for development plus 3 per cent of interest and other assets. Amendments in 2010 to the Petroleum Fund Law increased this to 5 per cent after arguments had been canvassed in an election campaign that somewhat more investment in education and infrastructure today would be a better investment for the future—a position that American development economist Jeffrey Sachs has argued in Dili in recent times. Whether it should be 3 or 5 per cent, why is this constraint important? Contrast the behaviour of Colonel Gaddafi of Libya in 2011, who used Libya's oil revenue to pay mercenaries from Chad and elsewhere to kill his own people, to pay members of the Libyan diaspora to show up at pro-Gaddafi demonstrations in cities like London, to hire terrorists to launch

⁸ Cleary (2007:xxx) put the allegation against Australia this way: 'The Australian government believed it could grind down its opponent by dragging out the negotiations for decades. Over the course of these negotiations, which spanned six years, the Australian government's tactics even involved threatening to block development that would provide vital revenue for the mammoth task of post-war reconstruction.'

revenge attacks on civilians on the soil of his enemies—all this after decades of waste of public monies to support his dictatorship. Fortna's (2008:63) data from 95 civil wars show that the effect of possession of oil on prospects for freedom and democracy post conflict is hugely negative. She interprets this result in the same terms as Ross (2001): oil riches allow governments to fund patronage that thwarts pressures for reform, to fund repression of reformers and to benefit from economic growth that does not depend on education and entrepreneurship (that can energise demand for reform). Putting most of the oil loot aside for future generations averts such tendencies to tyranny.

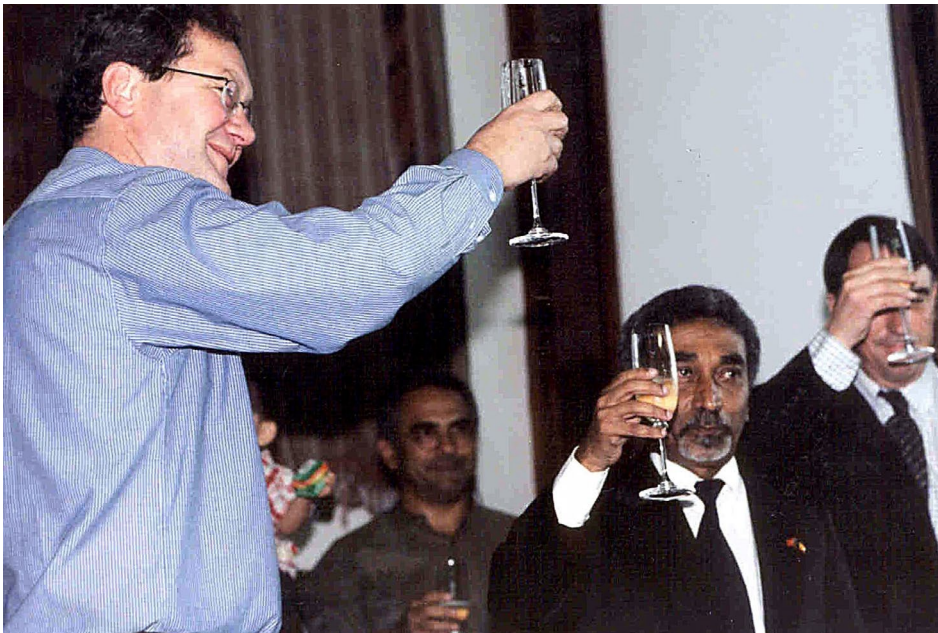


Figure 11.1: Toasting series: Australian Foreign Minister, Alexander Downer, toasts Timor-Leste Prime Minister Alkatiri after signing the Timor Sea Treaty, July 2001

Photo: Kerry Weaving/AFP

So how does it work? Timor-Leste's Petroleum Fund Law of 2005 mandates that all public revenue from petroleum exploitation flows directly from the oil firms to the Petroleum Fund. Then the law mandates the Central Bank of Timor-Leste, which enjoys legal independence from the executive government, to manage the fund conservatively, which means mainly government bonds. Only 10 per cent of the pool was available for higher-risk investments in the early years while the Central Bank was learning to be a prudent fund manager. Amendments in 2010 allowed 50 per cent of investments in equities. The executive government cannot withdraw monies from the fund without the approval of a vote of Parliament for that specific withdrawal. Before the vote in the Parliament,

input must be received from the Petroleum Fund Consultative Council, which includes technocratic, church and civil society expertise. This report includes an estimate of the sustainable income from the fund at that time and whether the proposed withdrawal would exceed it. There are also rules about where and how these monies can be deposited. In combination, this regime creates considerable transparency and checks and balances that make it politically difficult—though not impossible—in a democracy for the government to overspend the estimated sustainable income. The IMF is also an important external regulator that produces reports on compliance by the Timor-Leste Government with its Petroleum Fund rules.⁹ In 2008 the Fretilin opposition, with support from civil society and transparency groups, petitioned the Timor-Leste Court of Appeal, which ruled in its favour that the government's US\$400 million mid-year budget was illegal in that it was greater than the sustainable income (ABC 2008). Oversight of use of the fund, as the key development strategic issue for the nation, has continued to be active by both the courts and the Parliament.

Jenny Drysdale (2007a, 2007b) has used the Petroleum Fund for a productive analytical engagement with the idea of the 'resource curse' in the peacebuilding literature. This is the idea that exploitable natural resource riches increase risks of civil war as a result of political factions seeking to use armed force to secure control of the exploitable resource. Drysdale's contribution is to argue that whether resources are a curse or a development blessing depends on the quality of the institutions of a polity. Our particular focus in this work is on institutions of separations of powers. Like Drysdale, we also see the Ombudsman, the Inspector-General, the Special Purpose Auditor, the Anti-Corruption Commissioner and the courts as checks and balances on Petroleum Fund misuse. Joining Drysdale in a specific way, our hypothesis is that if separations of powers work well in a polity, resource riches will deliver fiscal balance and sustainable growth that create legitimacy for the democratic governance that separates those powers. On the foundation of that legitimacy, militaries are likely to stay loyal to elected governments and eschew coups to exploit the resource fund.

9 See IMF (2010): 'TLS [Timor-Leste] has made significant progress on fiscal transparency over the last few years, as a result of a wide range of reforms in line with international good practice. These include: (1) a transparent and sustainable framework for the governance of the petroleum sector, with a well-managed, supervised, and regularly audited Petroleum Fund; (2) a relatively, well-structured, basic budget process; (3) adequate reporting of annual donor-funded commitments and expenditures in the budget; (4) use of a modern integrated financial management information system; and (5) an efficient treasury single account (TSA) that executes almost all budgetary transactions. Budget documentation is comprehensive, and quarterly and annual fiscal reports on general government (GG) and the Petroleum Fund are available to both executive and parliament in a timely fashion. New legislation on budget and financial management, procurement, civil service, and the petroleum sector has supported these reforms, while on the institutional side, restructuring of the ministry of finance (MOF) and, recently, the establishment of a new Public Service Commission and an Anti-Corruption Commission have been important developments.' On the other hand, this report is also critical that 'an independent State Auditor, while required by the constitution, is still lacking and internal audit is very weak'.

Aid and the Powers of Donors

From the beginning of the UN transitional administration, Australia lobbied for recognition of the exploration rights that had only just begun to produce oil under the agreement for sharing the Timor Sea bed Australia had negotiated with Indonesia. Australia complained to the Secretary-General about the obstinacy of UN staff in Dili (Cleary 2007). The UN Department of Political Affairs quickly realised that there could be no automatic transfer of this agreement to Timor-Leste. Oil was as big an issue as there was in the triangular diplomacy of Australia–Timor-Leste–Indonesia. Timorese leaders resented the way Australia recognised an illegal invasion as a step towards sharing sovereignty with Indonesia over a seabed that was not Indonesia's to share. When the UN Department of Political Affairs stood up to Australia, the latter backed off and Foreign Minister Downer agreed to the negotiations described in the previous section.

In terms of our analysis, we can understand this as the United Nations being a crucial part of a separation of powers within Timor, securing the Timorese from domination by a more powerful country. In times of transitional administration the United Nations has a special importance in domestic separations of powers. Moreover, the United Nations has an important place in all nations' separations of powers at all times. This might seem a peculiar conception of separations of powers: surely, readers might think, the idea of the separation of powers is about the partition of domestic sovereignty in a democracy where the people of that place are ultimately sovereign. International interference is an infringement of that sovereignty of that people, not a partitioning of it. This marks a clear distinction between liberal-democratic theory and civic republicanism. For the civic republican, democracy and sovereignty are not good in themselves. They are only virtues insofar as they contribute to people's freedom as non-domination (Pettit 1997). For the same reason, a rush to a democratic election months after a civil war to supplant a UN transitional administration is a good thing in liberal terms because it replaces international paternalism with the sovereignty of the people. It is usually a bad thing according to republican theory because a rush to elections before separations of powers are in place, particularly institutions like independent election commissions, political parties with platforms they have had time to hammer out and courts, runs great risks of an election outcome that will be discredited and recontested through violence (see also Paris 2004). On the republican analysis, such premature elections are good if what one values is liberal democracy for its own sake, bad if one's yardstick is republican freedom as non-domination. National elections are important to securing separations of powers that work in guaranteeing republican freedom. But elections are only one of many separations of powers that help secure liberty.

In 2000, UNTAET was more important than elections to securing freedom from domination by Australia for Timor's poor. For a republican, the test of the normative value of a separation of power is how much it contributes to protecting people from domination by arbitrary imposition. Republicans can therefore accept the United Nations exercising its power to stand up to Australia, even when that power had no democratic grounding in the sovereignty of the people being protected. Those people also did not belong to a state that was a UN member at that time.

More controversially perhaps, interference by the World Bank (an agency controlled by the major economic powers) can be beneficial on a republican analysis. Hence, in our discussion of the Community Empowerment Project, consider World Bank funding conditions that half the elected members of village councils be women and half the projects funded from women's groups. These conditions can be viewed as positive if the marginalisation of women is so bad that such bold steps are needed to begin to unlock the domination of women by men. In terms of liberal-democratic theory, it is more difficult to justify such foreign interference in local democratic processes and choices.

In developing countries, donors like the World Bank are an important part of the separated powers on the ground. Because outside donors are funding so much of the poverty-reduction work, their role is vital in enhancing freedom as non-domination. Again, there is a key difference between liberal and republican theory here. According to liberal theory, a person can be poor but politically free; by republican lights a poor person can never be free from domination by those with wealth and power to whom they must submit to survive (Pettit 1997). Of course, there are countless examples in the history of development assistance, including in Timor, of donors dominating more than helping to reduce domination. The republican remedy to this risk is contestation of donor power. Donors like the World Bank must have constitutions that render their power transparent and contestable from multiple quarters, but particularly from the people who are being served by its poverty-reduction initiatives. This is one of the senses in which the CEP was virtuous; it shifted power over project selection from World Bank offices in Washington and Dili to village councils in rural areas. Indeed, we must go further and say that donors *only* become a useful part of domestic separations of powers when donors render their power non-arbitrary by constituting its own contestability.

Donors frequently fail this republican test. In Timor-Leste, Australia failed it consistently throughout the 1970s, the 1980s, the 1990s and the 2000s. Australia threatened to withdraw its foreign aid in retaliation for Prime Minister Alkatiri not acceding to Australia's terms for Timor Sea exploitation. AusAID also cut off funding to Timorese NGOs because they publicly criticised Australia's oil politics of the 2000s (Cleary 2007). Alkatiri rightly responded that Timor-Leste

would rather do without Australian aid if the condition for getting it were Australian domination. This was Alkatiri's finest moment. This is not to suggest that everything Alkatiri did in the negotiations was right and everything Australia did was wrong. Our point is that Alkatiri led the kind of contestable republican politics that is vital if donors are to be accepted as contributing to developing-country separations of powers in ways that are not arbitrary external impositions that actually reduce freedom as non-domination.

Useful contrasts for understanding the republican politics of donors with a place in developing-country separations of powers are health and education policies in Timor-Leste. If courts, prosecution, police and justice are the domains where Timor-Leste has put in a worse performance than many other post-conflict states, health is where it has put in a comparatively better performance. Improved health outcomes are one reason Timor-Leste is moving up the Human Development Index (UNDP 2011). In the short space of nine years, between 2001 and 2010, life expectancy in Timor-Leste improved from 57.6 to 62.1 years, infant mortality fell from 68 to 44 per 1000 births and the incidence of malaria and tuberculosis halved (UNDP 2011:21–2, 30), and this occurred on top of the structural improvement in life expectancy created by the ending of the long civil war in 1999. Much of the credit for this must go to the good governance performance of the health ministers and the senior Timor-Leste health bureaucrats of the past decade. One donor might also be singled out: Cuba. Cuba exercised considerable influence in shaping the steady progress of the Timor-Leste health system. Why was Cuba a more civic-republican donor than Australia? One reason is it was not a regional player and had no interest in Timor-Leste's oil, or in getting anything much from Timor-Leste. This leads to perhaps a general principle of republican aid: the most non-dominating donors tend to be faraway countries that have no regional axes to grind. As one senior Australian military officer with wide experience of many peacekeeping operations put it: Australia has done the worst job 'where we wanted to shape an outcome'. Small countries also tend to be less dominating than major powers that have interests in constituting a new state as a compliant member of the world order they dominate.

The history of Cuba's engagement with health system improvement in Timor-Leste is particularly paradoxical. In interviews, we were told that when Fidel Castro met with the leadership of CNRT after 1999, he said he felt bad that he had given so much support to so many unsuccessful or corrupted revolutionary movements while giving none to a Timor-Leste that actually had a successful revolution. Castro said he wanted to make up for this with support Timor-Leste's leaders thought would be useful. In the short term, that support became 300 Cuban doctors to take the places of the Indonesian doctors who had fled, followed by scholarships for 600 Timorese to study medicine and other health sciences in

Cuba. Cuba also helped Timor-Leste institutionalise the training of its own new generation of doctors, nurses, and hospital and health centre administrators for its 65 Community Health Centres and 175 health posts (Anderson 2007:73). Cuba thus supported the right of Timorese to health; it exerted benign influence over health policy; it did so by serving the legitimate leaders of Timor-Leste; it did not seek to take over.

Ninety per cent of East Timor's schools were burnt in 1999; 88 per cent of the teachers who taught in them were non-Timorese and comparatively privileged employees of the Indonesian state who mostly fled to West Timor. Collier and Hoeffler (2000:23) found that increasing secondary school enrolment for males by 10 per cent above the global median reduces the risk of the onset of war by 30 per cent from the median risk of war. Previous generations of children had missed education in the decades of fighting before 1999. Yet education never shut down and Timor-Leste did not have to build educational institutions from scratch because of the role of one non-state institution in its separation of powers over education policy and practice: the Church. The Catholic Church made a great contribution to the education of the 1975 generation of Timorese leaders (Hill 2002). The quality of that education reverberates in the formidable intellects and the breadth of sophistication of these leaders.

While the Catholic Church in Timor-Leste is highly indigenised, a considerable part of its educational excellence can be attributed to the fact that it is a global institution that draws teachers and donor funds from around the world to support education in an impoverished Catholic enclave like Timor-Leste. In a number of countries in the South-West Pacific, and in other Indonesian provinces like West Papua, state education systems are corrupt and teachers often take their pay packet without turning up to school—as happened a lot in Indonesian East Timor. Yet operating in parallel with them across the region are church and Islamic education systems where teachers do turn up for classes and where the dedication and quality of education are high. This situation gives donors who wish to support the education of a future leadership for a poor country an alternative to pouring funds into a leaking, corrupt state system. In a place of utter educational failure like West Papua, this can be done by supporting educationally excellent Islamic schools, Protestant schools and Catholic schools. Among the educationally disadvantaged indigenous minority children of the Chittagong Hills Tracts of Bangladesh, where the Peacebuilding Compared project is currently in the field, one of the best ways—almost certainly, the best way—of donors supporting improved educational outcomes is to support Buddhist schools (that accept non-Buddhist indigenous children).

Put another way, our point is that the separation of powers between the state and religious institutions opens a path for donor power to compensate for state failure. There is a more general point about the virtues of opening up more

separations of powers so there are choices for donors between more and less corrupt and efficient conduits for service delivery. The same can be said of the rich development of an NGO culture in Timor-Leste (Patrick 2001) with some 400 local NGOs. NGOs becoming stronger in itself contributes to separations of powers and opens alternatives to state funding paths for getting services to recipients. Rebecca Engel (2007:23) reports the number of NGOs increasing from 34 between 1975 and 1999 to more than 300 by 2003. She also reports, however, a mixed record of coordination among NGOs and donors to make their impact effective and a tendency for internationals on postings too short to acquire an understanding of the country to often call the shots over the heads of local NGO leaders. It was part of the philosophy of the Community Empowerment Project that village councils would become focal points for donors to directly connect funds to a locale without necessarily going through dysfunctional state delivery (Cliffe et al. 2003:4).

Catholic Church education is a good example of why a separation of powers within the state is an impoverished way of viewing the requirements of contemporary republican theory. Republican thought will be more relevant to the conquest of poverty and other sources of domination when it becomes more open to state and non-state separations of many powers, where civil society powers such as those of the Church, and foreign powers such as those of donors or the IMF, can also be constitutive of freedom as non-domination (or destructive of it).

Of course, a counter-argument is that when donors abandon the state education system hope fades for the majority of children who have no choice but to attend state schools. It need not if donors commit to continue to direct their support to non-state schools until corruption is reduced in the state system and until there is evidence of regular attendance of teachers at schools and step-by-step improvement in educational quality. Donor power can be used this way as a lever to improve the prospects of state schoolchildren being lifted out of poverty. Meanwhile, investment in the religious education system can constitute benchmarks of excellence the state system can aspire to when it commits to liberation from corruption. Meanwhile, a future elite like Timor's 1975 generation of politicians can be trained and generations of teachers experience what an outstanding school should look like. The members of the 1975 elite and teachers who enjoyed the benefits of a good-quality Catholic education are indeed now on the way to transforming Timor-Leste's state education system.¹⁰ In 2001 the UNDP's (2011) measure of gross enrolment in primary, secondary and tertiary education institutions stood at 56 per cent. By 2009, it had leaped to 71 per cent. For primary education only it has increased from 65 per cent to

10 Helen Hill commented to us that 'under the Portuguese there were two types of Catholic education system: one good quality for the middle class; another designed to take away ambition for the poor' (see also Hill 2002:34-9).

83 per cent (UNDP 2011:111). Adult literacy had increased from 36 per cent in 2000 to 58 per cent in just seven years to 2007 and for 15–24 year olds even more sharply, from 50 per cent in 2001 to 81 per cent in 2007 (UNDP 2011:47). Health and education together have been domains of comparative progress (Sakabe 2008).

Vernacularising Separations of Powers

Sally Engle Merry's (2006) *Human Rights and Gender Violence* introduces an interesting way of thinking about how separations of powers can be brought to life in the interaction between the local and the international. In this chapter, we seek to turn its insights away from the soil of human rights and feminist politics where they germinated. We seek to use Merry's theory to understand how indigenous Timorese resource development can inform national environmental and economic policies and then the interaction between local economic development policies and those of global institutions such as the IMF.

Merry's (2006) book is a study of how local actors creatively adopt human rights ideas and find a way of channelling them through indigenous discourses to reshape social relationships. One of Merry's case studies is the reaction of the international human rights and feminist communities to the Fijian reconciliation tradition of *bulubulu*. The concern at the Committee on the Elimination of Discrimination against Women (CEDAW) hearings at the United Nations has been that *bulubulu*—enacted as a person apologises for wrongdoing, offers a whale tooth and a gift and asks for forgiveness—has been widely used for rape. After Fiji's 1987 coup, the indigenous coup leaders declared use of *bulubulu* for rape legal. Western human rights and feminist resistance to this fuelled ethnic nationalist defiance, even from Fijian feminists. Use of *bulubulu* for rape increased rather than decreased.¹¹ The upshot was that discourses of indigenous justice, human rights and feminism were all discredited.

Merry also describes a number of much more positive encounters between local tradition and global discourses of women's rights where rights discourse was translated into the local vernacular ('vernacularised'). The key actors in these accomplishments were local intermediaries who had a 'double consciousness' that combined logics of global human rights and local ways of thinking about grievances. 'They move between them, translating local problems into human rights terms and human rights concepts into approaches to local problems'

11 In conversation, Sally Engle Merry interpreted the tension as one of *bulubulu* working rather effectively, rather restoratively and in accord with custom in rural areas of Fiji. In urban areas, in contrast, it was captured by a politics of legal convenience that sometimes made *bulubulu* an easy way out that protected men in urban rape cases. These urban rape cases of convenience were what the international NGO activists saw and, reasonably enough, reacted to.

(Merry 2006:229). Another lesson of Merry's work is her empirical finding that global discourses (of rights) were translated 'down' more than grassroots perspectives were translated 'up'.

Lisa Palmer and Demetrio do Amaral de Carvalho (2008) provide a Timorese counter-example of vernacularisation upwards. They found that rural Timorese did not wait for the UN transitional administration, donors and their state to write land and resource management laws and policies.

[Rather,] local people in Timor-Leste are making and remaking their own laws, mobilizing their customary practices and increasingly, 'performing' their traditions in public demonstrations of their extant capacities. In part, this process can be read as a way of enticing in outsiders, making them a party to the law making process, a witness to its legitimacy. Often critical to such processes, is the ability of local level leaders to draw in outsiders through their engagements with the idea of 'nature'—a concept which allows diverse interests to come together in conversation and build relationships despite what is often a dissonance in the meanings and priorities attributed to the concept. (Palmer and de Carvalho 2008:1321)

Palmer and de Carvalho (2008) show how rural people in one region of Timor-Leste held firmly to their ritual world of resource management. They then performed their rituals, as illustrated by the customary resource management practice of an annual harvest of the culinary delicacy of sea worms. UN officials, Western tourists and the urban educated class of Timorese state leaders were invited to witness the harvest ritual and other resource management rituals. One year it was filmed for television. Vernacularisation was accomplished through the 'power of spectacle'. Then locals invited the outsiders to interpret what locals were doing in their local ritual world in terms of outsiders' more global discourses of resource management and nature conservation.

Through the public staging of the annual *mechi* harvest, local community leaders sought to engage their guests in conversations about 'nature' and its protection, recognising the use-value of the concept of nature. Here the concept of nature acts as a bridge, an 'engaged universal' (Tsing 2005),¹² which allows local leaders to converse with both other Timorese people and the international community over local environmental protection challenges (Palmer and de Carvalho 2008:1323).

12 'Universals are effective within particular historical conjunctures that give them content and force. We might specify this conjunctural feature of universals in practice by speaking of engagement. Engaged universals travel across difference and are charged and changed by their travels. Through friction, universals become practically effective. Yet they can never fulfill their promises of universality. Even in transcending localities, they don't take over the world. They are limited by the practical necessity of mobilizing adherents. Engaged universals must convince us to pay attention to them...To study engagement requires turning away from formal abstractions to see how universals are used' (Tsing 2005:8-9).

In other words, their self-limiting resource consumption rituals were vernacularised up into global environmental management discourse. This is not translation of environmental treaties and national law down into local custom. It is a reverse process of locals asserting 'here is our custom; please appropriate it into your policy understanding of what will make for effectiveness in implementing the environmental sensibility and the conservation laws to which you are attached. Please incorporate our resource farming rituals into your national development plans.' They are saying to outsiders that they know outsiders value 'natural' and 'cultural' 'heritage'. So the plea is to allow them to show cosmopolitans how to integrate their local life world into global values. A practical part of this was engaging a Dili NGO, the Haburas Foundation, in a participatory-action research project with local people to document their cultural traditions and rituals that animated environmental management practices.

This seems a splendid documentation of the ritual and political power of the local to enrol national power and the global power of environmental donors. 'Rather than a romantic return to a bygone or even feudal era, this is about local peoples embracing change and opportunity on terms in which they themselves can have an active decision making role' (Palmer and de Carvalho 2008:1334). While Merry's work is about the global idea of human rights as a context for conversations that can build relationships between locals and cosmopolitans who might have rather different agendas, Palmer and de Carvalho's work is about the global idea of nature conservation as a conversational bridge.

Such productive conversations across such conceptual bridges constitute the local as a separated power and the national/global human rights or conservation movement as another separated power. On this view, Merry's vernacularisation of mutual respect actually constitutes or reinforces both these radically different kinds of separated powers. Conversely, a disrespectful contest where the two sides stigmatise each other, sticking within the terms of their own discourse as they do so, as with the *bulubulu* contest, de-legitimises and weakens the contribution both feminism and UNIFEM can make to the separation of powers on one side, and the contribution of indigenous voices and customary institutions on the other. Vernacularisation is constitutive of a republic of respectful conversation because it is constitutive of richly plural separated powers. The art of acquiring a double consciousness of indigenous discourses and global discourses of human rights, environmental protection, transparency and good governance, and so on, is something that can be learnt and taught. The getting of such wisdom counts among the more nuanced skills of the republican craft. Ideologues of global discourses often have globally powerful institutions like the United Nations, the United States, the European Union, the World Bank and the IMF on their side. This means in the long run of globalisation they have reasonable prospects of prevailing over peripheral indigenous discourses.

Prevailing through coercive Western imposition might be pyrrhic, however, delivering a form of compliance but a substance of defiance to domination and a politics that is neither republican nor respectfully conversational. At worst, as we argued in the conclusion to the previous chapter, it might lead to the people inviting in the Taliban.

Dani Rodrik's (2011) wonderful book, *The Globalization Paradox: Democracy and the future of the world economy*, makes a similar case for attuning development policy to the warp and woof of unique national economic traditions, discourses, institutions and histories. Rodrik struggles to understand why so many of the poor countries that have performed best during the past few decades are those which have rejected both the Washington Consensus and the Washington Consensus Plus, as well as good governance templates. Nobel Laureate Joséph Stiglitz (2002) reached a similar conclusion that the Asian societies that had bounced back best from the Asian financial crisis of 1997–98 were those that crafted unique solutions attuned to their own strengths and weaknesses. The success stories of recovery from crisis were the Asian states that most firmly rejected the disciplines of the IMF templates of that time. Instead, they diagnosed the specificities of the bottlenecks in their own economies that had to be opened up if development were to flow again. As the boom economies around it faltered in 1998, China never even entered the Asian financial crisis, just as it continued to grow at a stupendous rate by Western standards during the global financial crisis of 2008–09.

Rodrik sees a key to China's success in growing from near-universal poverty to overtake Japan, becoming the number two economy in the world, as being that it embraced globalisation in its own way, refusing for most of its long boom to join the World Trade Organisation (WTO) because it did not see WTO rules as sensible for China, just as it rejected many of the neo-liberal disciplines of the World Bank and the IMF. Rodrik (2011:150) points out that in the early to mid-1980s, half of all Chinese national regulations had an explicitly experimental status, targeted at dealing with specifically Chinese constraints. China embraced smart globalisation rather than maximum globalisation. Deng Xiaoping and other post-Mao leaders saw opportunities in globalisation and placed great emphasis on markets to drive development: 'But their real genius lay in their recognition that the market-supporting institutions they built, most of which were sorely lacking at the time, would have to possess distinctly Chinese characteristics' (Rodrik 2011:149).

We could say that, among other things, the institutions were vernacularised into a socialist discourse. Today, in recognition of Mao's failure to purge Confucianism from Chinese culture, Confucius is back in Chinese schools. The regime is seeking to help build social capital by vernacularising Chinese institutions in Confucian

terms.¹³ Notwithstanding this importance of vernacularisation to astute economic development, the more important part of the Rodrik prescription is to attune policies to the institutional specificities, and particularly the bottlenecks, that prevent particular projects from taking off in single economies at single historical moments:

Economic growth requires a pragmatic government willing to do whatever it takes to energize the private sector. It requires using markets and globalization strategically to diversify the domestic economy away from natural resources. The specific tools and instruments needed to achieve this can vary and will depend heavily on the context. Specific recipes for success do not travel well. It is the broad vision behind them that needs emulation. (Rodrik 2011:148–9)

A way of putting the lessons of Rodrik's and Stiglitz's work into separation-of-powers terms for nations like Timor-Leste is that, though they are weak players in the world economy, they should not allow themselves to be dominated by the templates of the IMF or the World Bank in the diagnosis of their own economic future. They can of course learn from listening to advice from institutions if they wish to be able to call upon grants and loans from them. The IMF and World Bank have a healthy role in balanced separations of powers that shape development policy in a country like Timor-Leste, but one that Timorese should never allow to be a new form of post-colonial domination. The IMF and the World Bank sometimes operate in a republican fashion to separate powers; at other times, they have operated as dominating powers. Nor for that matter should Timor's leaders allow themselves to be dominated by China as the new regional hegemon.

Timor-Leste can draw inspiration from nearby Singapore, which once was as tiny and weak as itself and which now enjoys higher GDP per capita and better universities than regional powers like Australia and New Zealand, which were once thought of as role models of development wisdom. Singapore was far from a republican democracy during its journey to become a tiny regional powerhouse. Yet the World Bank's (1993) revisionist *EastAsian Miracle* report concluded that Singapore enjoyed vigorous contestation where it counted for economic development. Separated powers of the Singaporean state, constituted from different fractions of its bureaucracy, engaged in rich and sometimes ferocious debates over the direction of economic policy. The political system might have been dominated from the centre, freedom of speech for political critics of the regime might have been crushed, but the economic system was contestatory (Pettit 1997)—open to contested Singaporean unorthodoxy from separated Singaporean economic powers.

¹³ Note here that in neither Chinese Confucianism nor Maoism is capitalism, and therefore social capital, affirmed in the discourse. So the vernacularisation moves both ways here: Confucianism vernacularises social capital into Chinese discourses and social capital vernacularises Confucianism into capitalist discourse.

Conclusion

This chapter has not offered a comprehensive treatment of the successes and failures of Timor-Leste across the range of policies necessary to secure the economic development of a poor country. It has only touched on key domains from agricultural policy to education, health, competition and trade policy, natural resource development and the environment, arguing that continuous struggle to separate powers is not an impediment to economic development, even though accountability costs can be considerable. On the contrary, a disparate variety of separations of powers is fundamental to economic development, as manifested in Timor-Leste. First, we conceived monopoly as a concentration of power (whether in the private or public sector) that threatens freedom and keeps people in poverty. We argued that some kinds of monopoly are worse than others. Particularly dangerous are commercial monopolies controlled by the military. These were dismantled in Timor-Leste but continue in places like Burma, parts of Bangladesh and many African economies. Commercial monopoly controlled by organised crime—which was part of the tragedy of privatisation of public monopolies in Russia and elsewhere—is particularly dangerous for the similar reason of combining power over violence and domination of commerce. Yet our argument is that all economic monopolies are a threat to freedom as non-domination. The poor of Timor-Leste have been much more disadvantaged than they should have been by private and public monopolies for telecommunications and electricity. In contrast, finance and the media have been less monopolised.

The Community Empowerment Project is widely regarded as a failed program by international commentators on Timor-Leste. We have argued, in contrast, that its ambitions were good ones in terms of creating new separated powers at the village level as a check and balance on Dili power, Washington power and Canberra power. It disappointed because Dili and UN power, as well as feudal power structures at the local level, defeated its republican ambitions. We suspect the current attempts to reconstitute village-level deliberation over development planning, which are seeking to draw upon the recent experiences of democratic Indonesia and Brazil, will be an important journey and a source of hope for realising the Democratic Republic of Timor-Leste.

This chapter considered the virtues of UN power, the Washington power of the World Bank and IMF, and donor power generally as having a noble place in an apt separation of powers. The nobility of such power depends on its transparency and contestability, particularly by local voices and local institutions—a feature often lacking in Timor-Leste's short history. Vernacularised power from the global to the local and vice versa (Merry 2006) was construed as a modality of respectful global–local contestation that has republican virtue.

The Petroleum Fund has been construed here as a distinctively important kind of separation of power. We saw in the previous chapter that powers do not have to be corporeal to be a check and balance that counts against the power of a prime minister. This refers to the discussion of ancestors as non-corporeal agents (whether real or not) that are granted power that in practice constrains in matters of justice and reconciliation. This chapter considers a different kind of radical rethink of the conceptualisation of separations of powers as occurring between generations. It sees the preservation each year of 95 per cent of the value of the Petroleum Fund for the control of future generations as a separation of powers between generations that constrains present leaders to spend only on those projects that have the best return for economic development, leaving comparable choices in the hands of many future generations of political leaders. Optimising that balance of power between the living, the dead and the unborn can be phenomenologically, epistemologically and technocratically tricky! Deliberative governance that embraces illiterate villagers and Washington economists in conversations in which each bridges into the vernacular of the other is the essence of governance wisdom for navigating these challenges.

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