

Taming the «Banana Republic» The United States in East Timor

In March last year, a USAID funded children's book released in East Timor provoked outrage. *Faty and Noi's Adventure to Parliament*, was produced by the International Republican Institute (IRI) to teach Timorese kids about democracy. All the characters in the book were drawn as monkeys, including the Government leadership, who appeared on the front cover like a line-up of suspected criminal apes.

«"This is definitely an attempt to humiliate us", said Lu-Olo, the Fretilin party head of Parliament, who has spent most of his life dodging US-manufactured bullets as an independence guerilla. «We may be a small country with many poor people but we still have our dignity »¹.

Parliament passed a resolution condemning the book and it was withdrawn, but not without a very public catfight. The responsible IRI project staffer quarreled with President Xanana Gusmao - the revered resistance leader - for withdrawing his support for the publication. IRI complained that the books had cost \$15,000 to print and banning it was a denial of their right to free speech.

IRI claimed that they had consulted broadly on the book, a claim the government contests. Regardless of where the truth lies, commentators are right to point out that «monkey-gate» was a convenient political distraction from corruption allegations thrown at the Government at the time. Yet the racist and condescending tone of the book and brash IRI response is typical of US actions in Timor and around the world².

The monkey book is just a small result of the US foreign policy goal of «expanding democracy and free markets» around the world, as the USAID website puts it. While this policy may be dying on the battlefields of Iraq, a fragile East Timor - emerging from its bloody transition to independence in 1999 - has been an «open slate» for US political, economic and military designs.

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1. *Timor Post*, «IRI book an offence to the people of this country», March 16, 2004.
 2. Prior to the recent recall referendum in Venezuela, a puppet show was held in the US embassy in Caracas depicting Venezuelan President Hugo Chavez as a monkey. It seems that along with re-embracing the term «empire», the US is also renewing its license to use the coloniser's insults that go with it: See Tariq ALI, «Why He Crushed the Oligarchs: The Importance of Hugo Chavez», *Counterpunch*, August 16, 2004, available at <[www. Counterpunch.org](http://www.Counterpunch.org)> accessed August 2004.
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«Whistling in the Dark»

In Timor, USAID bankrolls most of the non-government media and many civil society organisations working on legal reform, media training and policy research³. It is however, the «democracy promotion» agencies funded by the quasi-US governmental National Endowment of Democracy (NED) that have attracted the most controversy. The IRI and the National Democratic Institute (NDI) – the respective foreign policy wings of the US Republican and Democrat Parties – are the key tools in containing and directing the political agenda in countries, such as Timor, undergoing «transition»⁴.

At best, this US mission to spread democracy can be «dangerous whistling in the dark», as the historian Eric Hobsbawm describes it. For Hobsbawm, it can be a naïve and self-interested attempt at imposing a US ballot-box brand of democracy that has little local resonance⁵. At worst, it is political meddling. It was NED groups that infamously stirred up the failed coup in Venezuela and the successful one in Haiti⁶. IRI is also openly hostile towards Hun Sen's government in another «reconstructing» country, Cambodia⁷. While nothing as confrontational or conspiratorial is being hatched in Timor, things are drifting this way.

IRI, in particular, has been training the country's fledgling political parties in the tricks of the trade. Through circumstances both deliberate and coincidental, they have ended up helping only the Washington-friendly opposition⁸. While IRI sees itself as «life support» for the country's opposition, the ruling party, Fretilin, see it as interfering. In response, they enacted a repressive and open ended immigration law banning foreigners from «engaging in political activities». Many see it as a direct response to IRI activities. Fretilin even threatened to deport IRI staff under the law after IRI sponsored an opinion poll that Fretilin felt was worded to deliberately undermine them. An interview with IRI for this article yielded nothing but «off the record» comments, but it's safe to say that they view Fretilin through the paranoid haze of Cold War goggles.

For the opposition parties it is a tricky bind. Despite reservations they may have with the US, USAID are offering them needed resources at the same time the Fretilin Government is trying to silence them. A prominent example was the suspension of 32 civil servants for attending a meeting of the rival *Partido Democratica* (Democratic Party) in Suai district. They were

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3. For an overview of USAID activities in Timor, see «US Government Assistance and Coffee», *La'o Hamutuk Bulletin*, III (2-3), April 2002 available at <www.etan.org/lh> accessed August 2004.
 4. See for example, William ROBINSON, «What to Expect from US «Democracy Promotion» in Iraq», March 30, 2004, available at <<http://www.focusweb.org/peace/html/Article236.html>>, accessed September 2004.
 5. Eric HOBBSAWM, «Spreading Democracy», *Foreign Policy*, Sept./Oct. 2004: 42
 6. Thomas MONNAY, «Anti-Aristide Groups Split Threat to Future», *Sun-Sentinel.com*, February 14, 2004; Andrew BUNCOMBE, «U.S. Revealed to be Secretly Funding Opponents of Chavez», *The Independent*, 13 March 13, 2004.
 7. Andrew WELLS-DANG, «When Democracy Promotion Turns Partisan», IRC Right Web (Silver City, NM: Interhemispheric Resource Center), April 5, 2004.
 8. Upon asking Avelino Coelho, the head of the Timor Socialist Party, if his party received assistance from IRI he responded «Who are they? We'll consider their support if they are offering», Interview, June 2004.
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accused of skipping work, even though the meeting was held on the weekend.

Many individual USAID projects are harmless and sometimes sorely needed e.g., NDI's lobbying to ensure civilian control of the military. But step back and what emerges is a US political hegemony over civil society, spread by USAID's cheque book. From generous project grants to prominent positions in USAID-backed NGOs, the US is grooming a set of domestic political elites and subtly co-opting and depoliticising the radicalism of the independence movement.

In the fortress-like US embassy, now appropriately located in the former Indonesian governor's house, an «Unnamed Diplomatic Source» discusses the underlying tension between the US and Prime Minister Mari Alkatiri's Government. «Timor is at a crossroads... I feel that Alkatiri is trying to follow the Malaysian model of development», with the attendant «weakening of democratic institutions», he comments.

Yet Alkatiri's Mahathir-style posturing is mostly just that⁹. The Government is on the tight leash of an international donor community that continues to wield quasi-sovereign power. However, even with its limited space for manoeuvre, the Government has frustrated US attempts at influencing policy, especially in the justice sector which the US views as incredibly weak. If the stand off continues, comments the Diplomatic Source, «We will direct our resources into other areas such as building civil society and increased support for IRI and NDI».

The Structural Adjustment of Independence

The irony of promoting democracy in Timor is that all major decisions since independence have been made by the US, other international donors and the Bretton Woods institutions. State utilities have been partially privatized. The IMF effectively controls a non-interventionist Central Bank. The entire economy has been thrown open with all tariffs, (save on luxury goods) set at six per cent. And the Government, restricted to 17,000 staff under structural adjustment-style conditionalities and a miserly \$75 million budget, is unable to meaningfully govern beyond the city limits of Dili. The Ministry of Agriculture for example, has an annual budget of just \$1.5 million, yet 85 per cent of the country relies on agriculture for their livelihood¹⁰. In contrast, the former Indonesian occupiers had 33,000 people on the government payroll managing \$135 million in 1997. That was just to administer what was then a distant province, not a nation-state.

Radical liberalisation of the economy combined with the inflationary pressures of a well funded international donor elite has rendered most

9. It was Mahathir, in his last overseas trip as Malaysian Prime Minister, who presciently warned the Timorese leadership against the bullying tactics of the Australia Government over the dispute over oil revenues and Washington's control over their economic policy generally. To countervail such moves, the Timorese Government has moved diplomatically closer to Malaysia, China and Cuba.

10. Another bitter irony is that the lack of staff, especially experienced ones, makes it difficult for ministries to spend their money. Nine months into the FY03/04 financial year the Ministry of Education had only been able to spend 41% of its budget forcing most schools in the country to charge their students fees to cover basic expenses, possibly violating Section 59 of the Constitution in the process.

Timorese «economically unviable». With just under half of its 925,000 inhabitants living in «extreme poverty» as defined by the UN, Timor is already the poorest nation in Asia and getting worse. For each of the last two years the economy has shrunk by two per cent and a further decline of one per cent this financial year is predicted¹¹. At the same time, the population has grown by 17.5 percent since 2001, adding at least 15,000 people to the workforce each year. Even the IMF concedes that these pressures are, «reinforcing widespread poverty and serious underemployment»¹².

With the national budget already facing serious shortfalls, it's hard for the Government to get the courage to deviate from donor policy orthodoxy – especially as donors fund a little under half of it. «Put bluntly», opines a US Congress memo on activities in Timor, «it seems likely that assistance levels will decline if East Timor's government pursues economic or budgetary policies which were unacceptable to donors»¹³.

At the Altar of Private Sector Growth

At the May 2004 donors meeting the IMF summarized donor's solutions to Timor's economic malaise: «Development of a dynamic private sector is key to attaining higher economic growth, generating increased employment opportunities, and alleviating poverty»¹⁴. It's a pervasive and unchallenged idea in Timor.

Looking at Timor, with its crumbling roads, UNHCR-tarpaulin covered markets, low-skilled workforce and comparatively high-waged economy, talk of creating «enabling environments» for the private sector or attracting foreign direct investment (FDI) looks like a dance to the rain gods. «The start up costs here are 30% higher and the operating costs are 50% higher than the rest of the region», says Jose Goncalves, the US government-funded senior investment advisor with the Ministry of Development and Environment. «There aren't too many areas for investment in this country», he adds, after a long pause.

Low levels of investment are a common story among the least developing countries (LDCs). Indeed, according to the United Nations Commission on Trade and Development (UNCTAD), the LDCs in Asia experienced a decline in annual FDI from a 1995 to 1999 average of \$786 million down to \$339.7 million by 2002¹⁵.

Yet the US continues to push heavily for foreign private sector-led growth. It is funding a number of studies on FDI promotion, agribusiness development, a finance sector framework and developing a land law regime friendly to the private sector¹⁶. Our Unnamed Diplomatic Source sees this

11. INTERNATIONAL MONETARY FUND, *Timor-Leste and Development Partners Meeting: IMF Staff Statement, Asia and Pacific Department, Dili, May 17-19, 2004* : paragraph 3.

12. INTERNATIONAL MONETARY FUND, *Democratic Republic of Timor-Leste: 2004 Article IV Consultation, IMF Country Report, 04/321, October 2004* : 17.

13. CONGRESSIONAL RESEARCH SERVICE, *Memorandum, [United States], March 27, 2002*.

14. INTERNATIONAL MONETARY FUND, *Timor-Leste and Development Partners...*, *op. cit.* : paragraph 15.

15. UNCTAD, *Least Developed Countries Report 2004: Linking International Trade with Poverty Reduction* : 16-17.

16. GOVERNMENT OF THE DEMOCRATIC REPUBLIC OF TIMOR-LESTE, *Private Sector Investment Program, Draft, March 2004*.

last policy as Timor's only option to attract investors. «The government has tons of land, about two thirds of the country», he proclaims, «some of which of course is tied up in Adat (traditional title). This is one incentive they can offer. They can give out land for FDI».

Assuming this strategy succeeds and that whole villages don't mind being thrown off their land, will it actually be beneficial? UNCTAD in their latest report on LDCs, has asked why, «there is no guarantee that export expansion will lead to a form of economic growth that is inclusive»¹⁷. UNCTAD's former secretary-general Rubens Ricupero, blames what he labels «enclave-led growth» and paints a classic picture of colonial capitalism: «A relatively rich commodity-exporting sector, well connected to roads and ports and supported by ancillary services, existed side by side with large undeveloped hinterlands where the majority of the population lived»¹⁸. If donor plans for building an export processing zone (EPZ) in the town of Baucau happen, Ricupero's description is probably the best Timor could hope for. However, the «build it and they will come» faith behind EPZ promotion is a gamble that has failed in the LDCs.

Yet with a decent flow of oil revenue expected over the next twenty years, Timor has one chance to «cross the desert» of underdevelopment, as Goncalves puts it¹⁹. It is a critical choice. Does Timor gamble on EPZs, or instead, use the revenue to invest in health and education, strengthen rural communities and economies and create mutually beneficial linkages between the domestic and international markets? The answer may seem obvious, but is it even a choice Timor has the political space to make?

Baseless Rumours?

The grandeur of US plans to spread liberal democracy and capitalism over the world is bettered only by Pentagon-delusions of achieving global «full spectrum dominance». Indeed, the two crusades are intimately and contradictorily linked, as the residents of Fallujah can attest.

While Timor isn't being bombed into freedom by the US, the frequent visits of US warships and marines to Dili firmly place Timor under the US military umbrella. It's a tricky bind for PM Alkatiri. The US military presence reinforces an already distasteful US «democracy promotion» agenda, yet also provides a perceived counter to Indonesia, which looms large in all of Timor's foreign policy calculations. Dili recognises their vulnerability towards their former occupiers across the border. Jakarta would only have to block imports of instant noodles into Dili to bring them down.

17. Rubens RICUPERO, *The Least Developed Countries Report 2004 Overview by the Secretary General of UNCTAD*, 2004: 7-8.

18. *Ibid.*

19. Assuming of course the Timorese can get the Australian Government to return the many oil and natural gas fields in the Timor Sea they are illegally claiming. As a result, «Timor-Leste loses \$1 million a day due to Australia's unlawful exploitation in the disputed area», commented Alkatiri. According to Australian academic Tim Anderson, after balancing the aid and oil revenues flows between the two countries, Australia is set to take ten times the amount in oil that it has committed in aid to Timor because of a «grossly unfair oil deal». See Tim ANDERSON, «Aid Trade and Oil: Australia's Second Betrayal of East Timor», *Journal of Australian Political Economy*, 52, December 2003.

But Uncle Sam could be staying for more than just the weekend. One of the most persistent rumours in Dili is US plans to build a military base on the back of Atauro Island, about 20 km north of Dili. The official US response is denial: «We have no interest in Timor whatsoever – zero», responds the Unnamed Diplomatic Source, making a zero sign with his left hand.

Many well-placed government sources privately contradict this, as does the US' own historical strategic interest in the submarine passages lying North of Timor. This was a key reason for the US giving Suharto the green light to invade Timor in 1975. The US needed the «the continuing good will of the Suharto Government», to guarantee «American security interests», writes John Taylor. «Paramount in these interests was the use of the Ombai-Wetar Straits for deep-sea submarine passage»²⁰. These straits have increased their significance for the Pentagon since the recent identification of Southeast Asia as a zone of «instability». They are also critical trade routes, especially for Australia²¹ and New Zealand who are also rumoured to be investigating setting up facilities.

Their Freedom and Ours

For Timor's Independence Day on May 20th, 2004, the US navy ship the USS Vandegrift anchored off the coast of Dili to pay a diplomatic visit. Republican-appointed Ambassador Joseph Rees commented on why the ship's presence was important: «Timor Leste wants a close relationship with the US, not only because they believe it enhances their security, but also because they share our commitment to freedom and democracy»²².

But the hundreds of Timorese that protested two months earlier outside the old US embassy on the first anniversary of the US occupation of Iraq didn't share Rees' idea of freedom or democracy. And nor does the average Timorese who has long lamented the US backing of Indonesian atrocities committed against them.

One body that could have deterred or perhaps punished such genocide – had it been formed earlier – is the International Criminal Court (ICC). Created in 1999, it is designed to catch those committing crimes against humanity who would otherwise slip through the gaps of politically compromised national jurisdictions. This is exactly the problem currently facing both the Indonesian and Timorese legal systems responding to the Indonesian military orchestrated murder of an estimated 1,500 Timorese, the forced deportation of two-thirds of the population and the destruction of 75% of the country's infrastructure in 1999²³.

The US has waged a campaign to undermine the ICC. It has been twisting the arms of dozens of poor and weak nations into signing Article 98

20. John G. TAYLOR, *East Timor: The Price of Freedom*, London, Zed Books, 1999 [2nd Ed.]: 74.

21. JOINT STANDING COMMITTEE ON FOREIGN AFFAIRS DEFENCE AND TRADE, *Near Neighbours – Good Neighbours: An Inquiry into Australia's Relationship with Indonesia*, May 2004: paragraph 3.2.

22. Tracie WEBBER, «Vandegrift Concludes Diplomatic visit to Dili», *USS Vandegrift Public Affairs*, available at <www.news.navy.mil/local/c7f>, accessed August 2004.

23. «No one's being punished for East Timor killings», *Australian Financial Review*, 6th November, 2004.

«non-surrender» agreements committing them to never handing over US citizens to the ICC. In the case of Timor, the US didn't twist Dili's arm, they broke it. «If Timor hadn't signed those agreements then we would have pulled out any military from here», comments the Diplomatic Source. US Secretary of State Colin Powell went further, writing to the incoming Government in April 2002 urging them to sign the agreement, otherwise the US Congress would find it difficult to continue giving aid²⁴. According to diplomatic sources in New York, the US even engaged the Timorese government in some «special coaching», as Anett Keller puts it, «during the weeks preceding East Timor's signature to the bilateral agreement»²⁵. In June 2002, they even threw a tantrum at the UN Security Council, threatening to not replace their three UN Mission for East Timor (UNMISSET) members if they couldn't secure immunity from the ICC for all UN peacekeeping missions.

The Timorese quickly buckled. Timor's strongly pro-US Foreign Minister Jose Ramos Horta, perhaps needing US backing for a suspected stab at the UN's highest job, signed the ICC «Article 98» exemption and a Status of Forces Agreement (SOFA) on October 1st 2002. One year later, Timor's Council of Ministers approved this «Article 98» with the United States, binding East Timor to never surrender or transfer, «current or former government officials, employees (including contractors), or military personnel or nationals» of the United States to the International Criminal Court²⁶. Forcing a nation that barely survived genocide into their campaign to undermine the ICC is a truly tragic example of who calls the shots in the world's newest nation.

In addition, the SOFA gives diplomatic immunity to US military personnel in Timor from any criminal matter and an economic agreement between the two governments exempts US staff from paying tax, bothering with immigration requirements, makes their property «inviolable» and makes them immune from civil suit. For all the US complaints about the weak rule of law in Timor's justice sector, US citizens seem to be exempt from every law in the country.

The Quiet Americans²⁷

Pressured on the issue of military bases, the Diplomatic Source adds, «Timor is just not a factor in the strategic thinking of the United States. It is really a question as to what Timor becomes. If it is a failed state like PNG, then it has no importance to the United States - we'll walk away. If it is a prosperous and democratic state then it could have important symbolic

24. Jonathan STEELE, «East Timor is independent, as long as it does as it's told», *The Guardian*, May 24th, 2002.

25. Anett KELLER, «US-East Timor agreement on ICC Article 98 detrimental to the protection of human rights», *Indonesien-Information*, No. 3/2002 available at <http://home.snafu.de/watchin/USET_ICC.htm>, accessed 19th September, 2004.

26. United States-Timor-Leste Agreement on Article 98 available at <www.etan.org/et2002c/september/01-07/02us-et.htm>, accessed 20th September 2004.

27. «I never knew a man who had better motives for all the trouble he caused», from Graham GREENE, *The Quiet American*, Penguin Books, 1973 edition.

value for the region, "look here, Timor did it, so can you" ». But which of those options are US actions contributing to?

Perhaps Timorese elites can avoid failed-statehood by walking the fine line between placating local constituents while following the prescriptions of their international overlords. But there is a more likely scenario. Imagine an anxious Prime Minister Alkatiri, at his office desk, painstakingly searching for more funds in his flimsy national budget to silence the din of angry protestors outside his window. Yet, further limiting his policy options would also be the groundwork laid by the Quiet Americans: no control over a dysfunctional economy, «Venezuela»-style moves by the IRI, and that US warship with its 1800 marines sitting out in the Dili Harbour. On deck unnamed US officials are no doubt muttering something about yet another «failed state».

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