

Hal Hill and João Saldanha, editors. *East Timor: Development Challenges for the World's Newest Nation*. Institute of Southeast Asian Studies, Singapore, and Asia Pacific Press, The Australian National University, 2001.

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After almost twenty-five years of Indonesian occupation, East Timor became the twenty-first century's first independent nation on May 20, 2001. Having gained its political independence, it is now embarking upon the first steps of its path towards economic development. In this, it faces many daunting challenges.

Standards of living are low in East Timor, with an average life expectancy of fifty-seven years. Forty-one percent of the population lives below the poverty line, which was estimated at US \$0.55 per day in September 2001. Many of the population die from diseases preventable with treatment readily available in other Southeast Asian countries. Infant mortality rates have been estimated in recent years variously at between 78 to 149 per thousand live births. Similarly, maternal mortality is high: in the year 2000, 860 women died for every 100,000 live births. One in five children is chronically malnourished.¹ According to UNDP *East Timor Human Development Report 2002*, 49 percent of the male population and 64 percent of the female population are illiterate.² The net primary school enrollment rate is approximately 70 percent. About 80 percent of primary schools were partially or completely destroyed during the September 1999 Indonesian-directed paramilitary rampage. In the 2000–01 school year, of the country's 2,091 secondary school teachers, only 106 had any formal training.³ Access to safe water, sanitation, and electricity is very low in rural areas, and access to roads and communication is a major constraint to development.

Agriculture was severely affected by the 1999 events, with the GDP estimated to have declined by 40 percent relative to 1998. Currently, the medium-term outlook for the crop and livestock sector is relatively poor, with low world prices for exported commodities such as coffee and copra, and a very limited marketing system. In every economic sector, productivity is low, with management, technical, and administrative skills in short supply. The capacity of the private sector is extremely limited. During the main phase of United Nations' presence (September 1999–May 2002), industries servicing the international sector—in infrastructure, construction, manufacturing, catering, and domestic consumption—experienced a mini-boom. Downward adjustments are currently occurring, with increases in unemployment, falling wage levels, and some decline in living standards in the urban areas of Dili and Bacau by mid-2002.

The challenges faced both for economic development, and for the newly independent government managing the economy, are thus formidable. This is the case particularly in the short-term, for the next three to four years, or until the country

¹ These figures cover a range of statistics provided from the 1999 Indonesian Socio-Economic Survey (SUSENAS), data from the UN 1999 Joint Assessment Mission, and the East Timor Living Standard Measurement Survey, undertaken by the UN in 2001.

² *Ukun rasik a'an: East Timor: the Way Ahead* (East Timor Human Development Report, UNDP, Dili, 2002).

³ See *East Timor: National Development Plan*, Planning Commission, Dili, 2002, p. 143.

begins to benefit seriously from the revenues from extraction of oil and gas from the Timor Sea. It is predicted that this will provide approximately US\$3.2 billion to East Timor through 2021. Until this time, however, the country will remain heavily dependent upon donor support, both from the industrialized countries and, regionally, to finance its budget deficits.⁴

East Timor: Development Challenges for the World's Newest Nation outlines some of these challenges and—in some areas—suggests how they might be addressed. The book comprises a selection of essays based on papers given to the Dili Economic Forum, held March 26-28, 2001, organized by the East Timor Study Group, and funded by the Asian Development Bank. The contributors range from East Timorese economists Helda da Costa and João Saldanha, to academics from the US, Australia, and Europe, and regional specialists.

The contributions provided by these authors are somewhat uneven. The introductory essay, by Saldanha and Hal Hill, provides an overview of the main issues facing East Timor's economic development. Its attempt to set out the elements of an economic policy effectively deals most with the (then) current situation, and is rather weak on specific policy suggestions. Where these are offered, there is reference to neo-classical texts whose general prescriptions for East Timor's rather specific situation are not readily apparent. This latter trend is also evident in several other contributions—based upon development experience in Pacific island countries, Papua New Guinea, the "African Experience," and lessons from war-torn economies. Clearly, it is important for East Timor to avoid the negative economic experiences of Papua New Guinea (particularly in recent years) and to learn from the aid strategy of Botswana, but one wishes that the authors could have made their analyses more specifically relevant to the East Timorese situation.

Comprehensive summaries of the rural economy, food security, strategies for coffee cultivation, and rural development are provided by Timmer, Barlow, Pomeroy, and da Costa. Combined with James Fox's detailed outline of the diversity of agricultural development in East Timor's regions, the contributions from these authors produce the most successful section of the text, on agricultural and the rural economy.

Property rights currently are one of the most difficult issues facing the East Timorese government. Rights to land in both rural and urban areas are claimed on several (often conflicting) grounds: traditional, customary use, Portuguese titles, ownership claims from the Indonesian periods, and long-term squatters' rights. Fitzpatrick details these claims, and gives serious suggestions for reconciling them through a principled and transparent legal process. This has important resonance for the present situation in East Timor, and his cautions on favoritism and rent-seeking are particularly important currently, as East Timor's parliament debates legislation in this area.

Gavin Jones's assessment of appropriate health and education policies focuses on the key areas of primary education, teacher training, improvements in literacy levels, gender access, the treatment of basic health needs in the rural areas, and reproductive

⁴ The East Timorese government is already receiving some support to fund its deficits from oil revenues. For example, in 2001-02, oil revenue was US \$12 million. By 2004-05, however, this is projected to increase to US \$101.9 million. For the fiscal year 2003, the deficit will be -50.2% of the GDP.

health. Attempting to develop and deliver policies to these areas is a key feature of East Timor's first National Development Plan, covering the period 2002–07. In the first year of this Plan, for example, approximately 25 percent of expenditure is devoted to education, of which 45 percent is earmarked for primary education. Similarly, infrastructure development is a key area for development strategy. Here, Chris Cheatham and Sirpa Jarvenpa give a comprehensive synthesis of the transport and power sector issues facing the government. They detail the impact of the havoc wreaked in this sector by the 1999 events, and its long-term effects. Of particular importance to the contemporary situation is their detailed assessment of the severe lack of institutional capacity and lack of knowledge of customer base and assets in the power sector.

Of less immediate relevance is Anne Booth's analysis of East Timorese living standards, which, while providing thorough and detailed assessments of Indonesian data on poverty, inequalities in per capita income distribution, and consumption, employment, and land distribution during the later years of the occupation, gives only general suggestions to an independent government for improving conditions in each of these areas. Again, one would have liked to see an analysis directed more specifically to the particularities of the East Timorese context. This is even more the case with Mackie's presentation on future political structures and institutions in East Timor, which argues for a semi-presidential government, the creation of strong political parties, and a flexible constitution, and advises against the creation of a developmental state, the politicization of the bureaucracy, and the spread of corruption. These are all laudable aims for any new state, but they are not assessed in the East Timorese context, nor is their relevance argued for systematically on the basis of similar countries' experiences.

The contributions of Hill and Soesastro analyze trade and commercial policies, and economic relations with Indonesia. The former is notable particularly for its assessment of the potential role of small and medium-sized enterprises, while the latter is useful for its presentation of important contemporary issues such as repatriation of refugees and cross-border relations, rather than specific economic issues, such as relevant trade or investment policies.

In the monetary and fiscal areas, two articles present useful introductions to each of these topics for contemporary East Timor. De Brouwer provides detailed arguments for the selection of an appropriate currency. As we know, this was resolved in favor of the US dollar in 2000, but it is important that the arguments for and against this are available in such an accessible and readable form. Rosengard similarly provides a highly readable account of the importance of areas such as developing an enabling environment for private enterprises and local community organizations, and saving surpluses or short-term revenue windfalls for future development needs. Both these are major concern of the country's National Development Plan (notably the creation of a trust fund from oil revenues), and it is extremely useful that they are discussed in such detail in this article.

Finally, I feel that I must make one additional comment on this text. The people of East Timor suffered the most appalling human rights abuses during the Indonesian occupation, as a result of which we now know that at least 200,000 (or slightly less than the country's pre-1975 population) died. This reached its apotheosis in September

1999, when, after the vast majority of East Timorese had voted for Independence, Indonesian-directed paramilitary gangs rampaged through the country, destroying the territory, forcing most of the population out of their homes, and driving more than 250,000 people across the border into Indonesian Timor. This history figures little in the text, except where some authors assess the effects of this rampage on areas such as infrastructure, education, and health. I would have liked this contemporary history to figure a little more prominently in the text—particularly since it had a profound effect on the people for whose development we are assessing strategies and possibilities. Possibly the relatively small space devoted to this is excusable, since it is primarily an economics text. However, what is less excusable are the various ways in which the paramilitary rampage is referred to by several authors. The forcing of people across the border is referred to as “some 200,000 people were evacuated by the Indonesian military” (p. 24). Similarly, the September 1999 paramilitary destruction is described in phrases such as the “mayhem” (p. 166) or “massive dislocation” (p. 9). Many of the authors’ treatments of these events should be compared with the introductory contributions to the text by key East Timorese leaders such as Xanana Gusmão and Jose Ramos-Horta, where the impact of the Indonesian occupation figures prominently, as affecting profoundly the social and economic context for East Timor’s development.

East Timor’s immediate economic outlook undoubtedly is difficult. However, its human potential is substantial. Throughout the Indonesian occupation, its people fought and achieved independence against overwhelming odds. Such courage and determination certainly will play an important role as they tackle the human challenges of development in the coming years.