CHAPTER 2

The Challenges of Nation-State Building

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Introduction

Eleven years since Timor-Leste became a nation-state, it is now timely to reflect upon where the country has come from, what has been done to build the state—particularly the institutions of the state—and to lay out the direction that nation-state building has taken and will continue to take into the future. This nation-state account is done by way of a narrative, as it comes from an actor’s perspective, an actor who is actively involved in driving the state apparatus, charged with legal-rational responsibility to do so. I do this with honest reflection.

I shall also account for the development, design and delivery of the country’s *Strategic Development Plan 2011–2030* (RDTL 2011). This seminal work and the commitment to its steady implementation will see Timor-Leste develop into a society that has a large middle class, a vibrant private sector with a diversification of the resources economy, an educated and healthy population, and, importantly, a society based on the rule of law. For Timor-Leste, it is not a case that development must come first and democratic values will follow, but a case that both should proceed simultaneously. The *Strategic Development Plan* is the culmination of years of painstaking work, replete with consultations, debates and discussions, leading to multipartisan political agreement and acceptance by the people.

The task of nation-state building is not one that comes easy or naturally. One has to learn, and be willing to learn. One has to be courageous enough to fail and to admit failure and to change course. All failures are of course loudly trumpeted, with successes receiving much less attention.

After the jubilation of the 20 May 2002 restoration of independence celebrations, the political leaders had to quickly absorb the mammoth challenge that lay ahead. The dawning day brought with it the reality of government. We now had our own executive, parliament and judiciary—and indeed the nation and the state—and we were responsible for it. We had barely a dollar to bless ourselves with, but we had our freedom, our dignity, and some very capable leaders. The latter cannot be underestimated, as political leadership is one of the key determinants of successful nation-state building, but not much touted and largely absent from the development nomenclature. Technocrats alone do not a nation-state build. The nation requires nurturing; it requires care; it requires leadership. The state requires institutions to be created and given competency with staff and systems.

On 20 May 2002, there was no blueprint handed to our political leaders or to our handful of public servants that said: ‘This is a How to Build a Nation-State’. There were no 30-second nation-state building books available. The United Nations (UN) had kick-started the process in 1999, also without a blueprint or guides. The UN had never in its history had to build a state or govern one. There was no red book as there is in Australia to prepare incoming governments. There was no blue book either presented from the UN Transitional Administration in East Timor (UNTAET), when they handed over power. There was no guide.

I recall here what our former Prime Minister Xanana Gusmão said in a speech he gave at the Johns Hopkins University in 2011. The speech captures the challenges that our people and political leaders faced:

When, on 20 May 2002, we became the masters of our fate, as a State that was finally independent and sovereign, the expectations were that we, Timorese, might decide the future of our Nation. Naturally we believed that this future, in freedom, was promising. But I would like to remind you that there were some factors that seriously threatened this ideal, namely: lack of prepared and qualified human capital; lack of political experience in democratic governance—a system that was completely new to our society; lack of basic infrastructure and other essential equipment; and most importantly, the lack of financial resources of the Country itself (Gusmão 2011).

I have read the critiques of our nascent state, which cause me to take a sober look at how we are building the nation-state. Frequently, though, they draw their critique from a ‘developed state’ perspective, with little understanding of nation-state building and the heavy impact of donor policies and approaches.

They are mostly post-hoc, detailing where they think we have gone wrong, or have given too much here or too little there; not spending enough resource fund money, or spending too much; doing too little for health and education, and too much for the veterans, with no real impact on living conditions. Critiques are valued but one cannot ignore the fact that nation-state building is a daunting, long-term process.

The birth of the state

The official name of our state is Timor-Leste. This name was agreed to and acquired on 20 May 2002, when Timor-Leste became a sovereign independent state. As the national flag of the Democratic Republic of Timor-Leste was raised at midnight, the world's then newest independent country was born. Given the great jubilation of the people, the ceremony itself was solemn. The secretary-general of the UN, Kofi Annan, Australian Prime Minister John Howard and Indonesian President Megawati Sukarno Putri witnessed the birth of the new nation-state.

Our nation-state's momentous birth became a reality after almost a quarter of a century of conflict imposed by the illegal occupation of the territory by the Republic of Indonesia, with full support from Australia, the United States and the United Kingdom. In the UN, however, international law prevailed, and the question of East Timor remained on the list of the Special Committee on Decolonization until the territory exercised its inalienable right to self-determination and independence. There is much to be said for international law, even if it is sometimes said that it is soft law. Importantly, it carries moral persuasion.

Soon after, in September of the same year, Timor-Leste became a full member of the community of nations—becoming the 191st member of the UN. In his first speech to the UN General Assembly, president Xanana Gusmão reminded the international community that the core reason for Timor-Leste's success in achieving independence was its people. He noted that:

Our people proved to the world to be worthy of the respect that we all owe and know'. It is the respect that we, one of the world's smallest states, is starting to garner for our solid work to consolidate peace and to take our place as an open democracy in the international community (Gusmão 2002).

It is against this backdrop of history that one can begin to understand the Timor-Leste of today. First, it is a democratic republic subject to the rule of law. Its constitution is recognised as one of the finest examples of liberal constitutions in the world. It is a constitution that the people take pride in. The respect for

law and human decency is enshrined in the constitution and the objectives of the state are in accord with the most valued principles of the UN. These are values I know are shared by Australians as well, including the refusal to accept capital punishment.

Security Council Resolution 1272, which authorised the establishment of UNTAET on 25 October 1999, mandated that it would have full responsibility for the administration of East Timor and control of the executive, legislature, and the administration of justice. UNTAET would also maintain law and order, assist in the development of the civil services, facilitate the delivery of humanitarian aid and humanitarian assistance, support capacity-building, and establish an effective administration and conditions for sustainable development. This resolution bestowed upon the transitional administrator, Sergio Vieira de Mello, the powers of a Roman governor. He exercised executive, legislative, and judicial powers. Under UNTAET, transitional governance institutions were established (UNSC 1999). These institutions were developed from the perspective of what was required in a post-conflict, war-torn country that needed time to recover and to identify the best possible ways to move forward.

At the same time, intense consultation with the leadership of Timor-Leste was occurring to ensure that whatever the UN was planning to do not only reflected the best possible expectations of the Timorese people, but would also have sufficient legitimacy to survive the challenges of a post-UN era. For our leadership, that was one of our most pressing challenges; given that the UN had some human resources and some expertise, we had ourselves and our friends from the years of the struggle. We drew heavily on our friends for advice and information, and set about making new friends who had the human resources, the skills and the expertise we needed.

We actively participated in the consultative and governance mechanisms established by UNTAET regulations, but we were not in charge—the UN was. The Timorese political leadership, however, were not passive during this period, undergoing whatever preparedness technical training and professional development for independence we could muster, but there was no corporate governance history or architecture to step into, to inform us and to build on.

From September 1999 until May 2002, East Timor evolved steadily into a nation-state, with its sense of sovereignty enhanced and with a strong sense of pride for finally attaining the goal of independence. The road ahead was filled with uncertainties. Who were our true friends? Who were or could become our enemies? These were legitimate concerns for a nation embracing peace after almost 25 years of living in an environment of conflict against illegal occupation. We asked ourselves which nations were truly receptive to our national interest and our future and which nations may not be. We understood that Timor-Leste

would stand the best chance of survival if it had no enemies. We also recognised that in a world dependent upon energy self-sufficiency, and with Timor-Leste being a country rich in oil and gas, we ought to expect the best but be prepared for the worst, hoping that the latter would never materialise.

In the first decade after May 2002, Timor-Leste strove to consolidate peace-building, and, despite a number of serious internal conflicts, there is a general consensus that it succeeded. As we enter the second decade of independence and sovereignty, Timor-Leste has said goodbye to conflict, to welcome development. Development is being carried out within the framework of the *Strategic Development Plan*. This conflict-free phase gives the government the breathing space it needs to focus on development. For development to succeed, any country needs, above all, to be conflict-free. Timor-Leste is no exception. I am not referring to small-scale conflict which every country, big or small, developed or developing, necessarily confronts every now and again, particularly in the political sphere, but conflicts that can derail national development. Timor-Leste has evolved since 1999 as a post-conflict nation.

From the Restoration of Independence Day on 20 May 2002 (which we mark and celebrate every year) until 2006, Timor-Leste experienced its own serious conflicts that arose almost at the rate of one a year. In 2007, this trend was finally broken when our leader, Kay Rala Xanana Gusmão took over the executive of the country and successfully strengthened governance. The period from 2007 to 2012 was the first time a prime minister had managed the country for a full five-year mandate. While the surprise attempt to assassinate President Ramos-Horta on 11 February 2008 and the attack on Prime Minister Xanana Gusmão shook the nation, the Timorese leadership successfully took control and prevented undesired collateral damage against the state. Both these attempts, in fact, were not part of a new development, but were a direct consequence of the unfinished saga of our 2006 crisis.

From a positive point of view, 11 February 2008 set a benchmark for the capacity of the country to act with resilience and to sustain serious conflict without allowing collateral damage to further hinder national peace and stability. The manner in which the pillars of sovereignty handled this crisis was exemplary. The international community recognised the maturity of our leadership at this time. It was a significant benchmark in the process of nation-state building. February 2008 represented a turning point. It demonstrated that the resilience we had exercised during the long and brutal occupation was transferable to nation-state building. We had achieved our own successful skills transfer, and a significant one at that.

Our people acted with shock, yes, but restraint, as did the leadership. As President Ramos-Horta recovered in Darwin Hospital, cared for by the Australian and Timorese community, Prime Minister Gusmão took over the security portfolios, including the armed forces and police. His leadership enabled both forces to build their own capacity while having their most trusted leader at the helm. This demonstrated again the primacy of trusted and effective leadership.

Key themes in the *Strategic Development Plan*

Since 2007, a conflict-free nation-state has been evolving. Ideas are maturing and governance capacity grows. The nation's very first *Strategic Development Plan* became the official long-term plan of the country. It envisages that by 2030 Timor-Leste will have a population that is healthy, well educated and prosperous, with a mature and diversified private sector supported by productive infrastructure, including a national road network, an extensive electricity generation and distribution system, and efficient ports and airports. Our strategic aim is to have a broad and large middle class by 2030. Some question its attainability, but if we do not set these goals, we shall never realise them. The key themes for the government in 2014 were:

- implementation of the *Strategic Development Plan*
- decentralisation of governance
- implementation and socialisation of law.

The latter two themes are key to sustainable development.

Development of Timor-Leste's institutions of law and order, defence, governance, pillars of sovereignty, and civil society are of paramount importance. These are integral to the successful implementation of the *Strategic Development Plan*. The state, as a juridical entity, needs to be equipped with the necessary capacity to safeguard the country's sovereignty—a nation-state's primary duty. Institutional capacity-building becomes, therefore, the central focus of nation-state building.

We were told by the international community that we must decentralise and we agreed, but we first needed to strengthen the centre before we could competently do this. At an international decentralisation conference, sponsored by the Timor-Leste Government and held in Dili in 2013, Prime Minister Xanana Gusmão, during his keynote presentation and reflections during the conference, stated that social, economic and political components vary from country to country and that 'all theories are good; but the only one that is useful, is the one that fits the reality of our country' (Gusmão and Soares 2013).

Australia, Cabo Verde and other nations took part in this conference, sharing their experiences of successes and challenges in the building of local power. Lessons learned were presented along with the benefits and constraints for Timor-Leste if the decentralisation models of other countries were to be adopted without taking into account the importance of specific local realities. We also learned from presentations during the conference that the process of setting up local government and of creating and developing municipalities to make local power work effectively takes considerable time, and, in some cases, has taken more than 100 years.

During this same conference we laid out our decentralisation plans and sought constructive support, yet we were criticised by some of our development partners for not devolving sooner. The question we faced was ‘which structures to devolve and to whom?’. We knew that decentralisation was for the benefit of people at local level, to enable them to receive services directly and to have a voice in decision-making. Yet we needed to develop structures and systems to deliver those services. That required some central core to work with and from. Without the machinery of government in place (and we started with none) this would be next to impossible.

So what can be said now by way of an update?

Timor-Leste’s leaders recognise that the most important indicators of development are the happiness and well-being of the people. In this context, our challenge effectively becomes implementing inclusionary policies leading towards an equitable sharing of all the nation has to offer. The leaders of Timor-Leste are very conscious of this priority, and this in itself is already a major step forward towards successful nation-state building.

As a good example, CNRT (*Congresso Nacional para a Reconstrução de Timor-Leste*; National Congress for the Reconstruction of Timor-Leste) and FRETILIN (*Frente Revolucionária de Timor-Leste Independente*; Revolutionary Front for an Independent East Timor)—the two major political parties in Timor-Leste—are working in consonance with national priorities. Liberal democracy is adversarial, but institutional solidarity is much needed to forge the mentality that democracy is positive; it can be a uniting force benefiting nation-state building and national sovereignty.

In the Five-Year Program of the Fifth Constitutional Government, social inclusion features as an important strategic policy (RDTL 2012). This entails not only the need to support the elderly and the disabled, but also to support the veterans and the poor, while striving for full gender equality. The youth are also not

ignored. The government has a secretary of state solely dedicated to youth and sport. Having a majority young population, Timor-Leste needs to always build in the needs of the youth in national policies.

Like any other country, Timor-Leste places employment generation on the list of top priorities. Timor-Leste also needs to constantly focus on generating employment for the young generation—the future leaders. That is why vocational training programs and employment policies and programs are also given such high priority.

A country can only truly be happy if the most vulnerable of its population are cared for. A fund for human capital development has been established by law, which provides scholarships for Timorese to build their skills to match the needs of the country to achieve inclusive national development.

Development is also about the economy. And the economy is also about industries and international relations. It is also about regional economic co-operation as we strive to become a member of the Association of Southeast Asian Nations (ASEAN). The complex, interconnected nature of development means that Timor-Leste requires sophisticated know-how and this, in turn, means that building adequate human capital is a determining factor for the success of national development. In addition, sustainability requires basic skills to build roads, schools and hospitals, and manage, install and fix electricity, plumbing, cars, computers, and more.

A fund for infrastructure has also been established with the expectation that infrastructure development will enhance inclusiveness and offer opportunities for all, without neglecting the most disadvantaged. As a result, a national electricity grid, together with fibre-optic cables for internet access, is almost completed across the country. The range of benefits deriving from easy access to electricity for a developing country is immeasurable. Health, education, agriculture, business and economic progress draw their vigour and higher productivity from the power of electricity.

Along with roads and bridges, which are a key part of the infrastructure fund's priorities, one can say with a satisfactory level of confidence that Timor-Leste is heading in the right direction, on an inclusive and sustainable development path, guided by its *Strategic Development Plan*.

Another key challenge is foreign investment. Although not a new challenge in developing nations, for Timor-Leste this means a stable legal framework, and a capable and internationally competitive labour force with salary levels and incentives that are competitive with similar countries in our region. Timor-Leste

enjoys national stability and peace, which can be a determining factor in attracting foreign investment. This peace and stability is promising and will be long-lasting.

In due course, the development of human capital and infrastructure will reach a higher level and the attractiveness of the country for foreign investment will also be enhanced. There is no reason why Timor-Leste will not succeed in this path. We know we have to succeed. Our leadership, the business community, and civil society are all conscious of and committed to this.

Ultimately, the challenge for any government is to create sufficient employment to respond to current and emerging needs. Foreign investment is also an important factor in providing jobs, as is infrastructure development. Successful diplomacy is yet another important factor. Smart politics, which is often underestimated by governments, has a vital if not overarching role. It is interesting that in the world of aid and development, political development is usually a low priority or does not rate. Yet without it, institutions do not develop.

Those who choose to stay aside will perish. Those who embrace the challenges of competition within the rule of law, including international law, will survive. Those who, in spite of opting to be in the competition ring, choose to adopt dishonest and illegal means to defeat their adversaries will, sooner or later, pay a high price. It is imperative that the global competitive environment is strongly guided by the rule of international law, because this is where countries such as Timor-Leste, existing between two regional giants, identify fairness and legality as their own national interest.

We are getting tired of being lectured about the need for good governance by some of our development partners, when the principles that underpin good governance—a commitment to the rule of law, accountability, and transparency—are sometimes lacking in our bilateral relations.

Setting new boundaries

Timor-Leste strives to work together with other countries to establish new boundaries. In our short history, we have had very positive bilateral relationships with our regional giant neighbours, Indonesia and Australia. In the case of Indonesia, we have demonstrated the importance of defining our relationship by looking forward rather than looking back. We do not and can never forget the past and we have a strong responsibility to care for our people who were traumatised. As a government, we cannot, however, be captive to our past. We now consider Indonesia one of our closest friends. We share more

than a land border (which is about to be finally settled following a respectful negotiation process). We share a history of colonisation and oppression and a striving for democracy.

In the case of Australia, our bilateral relationship has also been positive. Australia led the International Force for East Timor military mission in 1999, with Sir Peter Cosgrove at the helm. Australia contributes more direct development assistance than any other development partner. However, there is one aspect of our relationship with Australia that has not been so positive: our efforts to negotiate a permanent maritime boundary in the Timor Sea. In the spirit of looking forward, and not back, this is something I hope can be resolved sooner rather than later. It will also provide certainty for our friends in the oil and gas industry, and an equitable outcome negotiated according to the principles of good governance and international law.

Maritime boundary issues cannot be resolved without both parties entering into a structured engagement negotiations framework. This is very difficult considering that in 2002 Australia withdrew from the jurisdiction of the International Court of Justice regarding the UN Convention on the Law of the Sea and the International Tribunal on the Law of the Sea in matters of the delimitation of maritime boundaries. This leaves no regular umpire to settle such matters, leaving it up to Timor-Leste and Australia to resolve the issues themselves.

New boundaries are important in relationships as well, as there are times in which they should be reset. In our engagement with fragile states, including Timor-Leste's leadership of the g7+, we have succeeded in forging the New Deal.¹ What's 'new' about this deal is that it focuses on promoting peacebuilding and nation-state building as a foundation for sustainable development among g7+ countries. Timor-Leste was the architect of this New Deal and has been investing in setting the right pace towards transforming mindsets. There is a compelling need to set new boundaries in regards to the way states share information, such as the commitment already stated by the G20 in terms of collaboration beyond borders to counter corporations' tax evasion. Setting new boundaries in terms of the delineation of national borders also needs to occur, with particular consideration to where they should fall, because this will allow for the enhancement of co-operation in trade, investment, regional stability and prosperity for all. It is also vital for a nation-state's sovereignty.

1 The New Deal for Engagement in Fragile States (the New Deal) was advocated by the g7+ and developed through the forum of the International Dialogue for Peacebuilding and Statebuilding. It was presented at the fourth High Level Forum on Aid Effectiveness in 2011, where it was widely endorsed.

Timor-Leste is clear about its strategic national interest and is committed to promoting and protecting it. It builds the best possible relations with its neighbours and, within this realm, Australia and Indonesia occupy a very important place. Timor-Leste also sees its accession to ASEAN as part of its national interest. Strong relations with the countries of the Portuguese-speaking community, which includes Brazil, Portugal, Angola, Mozambique, Cabo Verde, São Tomé e Príncipe and Guinéa-Bissau, are also extremely important, due to the historical and cultural attachments between the governments and peoples of these countries that have been forged over many centuries. Such an alliance can also be very useful in the political power posturing that is played out at the UN. It was certainly one of the most important factors in our victory in the struggle against the illegal occupation of East Timor by Indonesia, which occurred with the full connivance of successive Australian governments.

The way forward

Timor-Leste has recently completed the cycle of the budget debates within the parliamentary standing committees. The national parliament has now adopted the law pertaining to the state (national) budget that has become the 2014 Budget. This is a process that sees the prime minister actively involved. He both provides oversight of early bids and reviews final ones from ministers before proceeding to the parliament to promote and defend the budget. In developing our budget, the government placed particular emphasis on the Millennium Development Goals (MDGs). This includes funding the rehabilitation of schools and providing them with the equipment, security and minimum conditions necessary for the students to achieve what their intellectual potential allow them to. The MDGs, and improving the educational environment of the younger generation, will now fall under the direct responsibility of the prime minister.

Our nation has moved from an annual budget of under US\$63.4 million in 2002 to a current budget of US\$1.6 billion. We have also moved from a situation in which our infrastructure was lacking or destroyed to one in which we now have basic infrastructure such as the national electricity network detailed above. Schools and health clinics are being built or repaired. We are moving at a faster pace to provide water and sanitation, and to grow a mature private sector to play a more effective role as a partner of the government.

We know that our citizens want a reliable power supply, safe roads, good education and employment opportunities, and we are working right now to realise them. These issues are central to the program of government and reflected in our *Strategic Development Plan*.

We have many positive indicators that are consolidating each year. Here are a few:

- Economic growth has been high and non-oil growth averaged 11.9 per cent between 2007 and 2013.
- Agricultural output of major crops is on the up each season.
- The number of tourists in 2013 was 74 per cent higher than in 2012.
- Timor-Leste has reached the 2015 MDGs target in reducing infant and maternal mortality.
- Timor-Leste joined other Southeast Asian nations in being officially certified polio free by the World Health Organization (WHO).
- WHO also declared Timor-Leste to be on target for more than a 75 per cent reduction in the incidence of Malaria cases.
- Timor-Leste is one of the top six countries where life expectancy increased the most between 1990 and 2012 from 50 to 66 years. During that same period, Australia increased from 77 years to 83 years. (WHO 2014).

Australian politicians of all persuasions so often say that 'Australia punches above it weight'. So does Timor-Leste, and our leadership has a unique and keen understanding of the UN and the international community. Timor-Leste has worked with both in ways that very few nations get to do, in order to garner support for our legal and just cause of self-determination, and in partnership to build our nation-state. Timor-Leste takes seriously its role as an international citizen and strives to be a good one, given our singular experience.

On the international stage, our nation has landed a number of global governance roles. These include:

- chairing the United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) with its 62 member countries
- chairing the g7+, which represents 20 conflict-affected countries and which Timor-Leste was instrumental in establishing
- representation on the board of the Extractive Industries Transparency Initiative (Timor-Leste also being the third country in the world to achieve compliance status with it)
- presidency of the *Comunidade dos Países de Língua Portuguesa* (Community of Portuguese Language Countries)
- representation on the United Nations Committee on the Elimination of all Forms of Discrimination Against Women
- joining ASEAN when the preparedness work is finalised to satisfy the criteria.

When we give it proper thought and consideration, we can comfortably state that much has been achieved since 1999. But we must also be frank in acknowledging that much still has to be accomplished before our people can be fully satisfied; before we can say that the sacrifices made during 24 years of conflict have been honoured with the transformation of our nation from being a victim to one where the international community praises our advanced progress in nation-state building in accordance with the rule of law.

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