



ASIA MAIOR

Vol. XXX / 2019

Asia in 2019: Escalating international tensions and authoritarian involution

Edited by
Michelguglielmo Torri
Nicola Mocci
Filippo Boni

viella

A large, faint, light blue decorative mandala graphic is positioned on the right side of the cover, partially overlapping the text area. It features intricate geometric and floral patterns.

CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

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The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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When this Asia Maior issue was finalized and the Covid-19 pandemic raged throughout the world, Kian Zaccara, Greta Maiorano and Giulio Santi, all children of Asia Maior authors (Luciano Zaccara, Diego Maiorano and Silvia Menegazzi), were born. We (the Asia Maior editors) have seen that as a manifestation of Life, reasserting itself in front of Thanatos. It is for this reason that we dedicate this issue to Kian, Greta and Giulio, with the fond hope that they will live in a better world than the one devastated by the Covid-19 pandemic.

TIMOR-LESTE 1945-2019: FROM AN ALMOST FORGOTTEN COLONY TO THE
FIRST DEMOCRATIC NATION OF THE 21ST CENTURY*

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This article has two main aims: to give a comprehensive view of the transformation of Timor-Leste from an almost forgotten colony of Portugal to the first independent country of the 21st century, and to analyse its attempt, as an independent state, to create a nation based on democracy. This very long and winding road underwent four stages which are contemplated in turn: the late years of Portuguese colonialism, the quarter-century neo-colonial domination by the Republic of Indonesia, the two-and-a-half year transitional period under the auspices of the United Nations, and the period after the official restoration of independence on 20 May 2002.

1. Introduction

This article is divided into three sections. First, the historical background to the current situation of Timor-Leste¹ as an independent country will be provided. Second, an overview of the domestic policies implemented since independence, followed by an assessment of the country's economic performance during the same period, focusing on the opportunities granted by the exploitation of oil and gas resources in the Timor Sea. The third

A different format has been used from that usually adopted in the essays published in this journal. It was considered constructive to offer not only an analysis of the most recent political and economic developments in Timor-Leste, but a historical introduction as well. It is the editors' view that more scholarly attention should be given to this extremely interesting and little-known small nation.

* The research for this essay was made possible through the financial support received from the Portuguese Foundation for Science and Technology (FCT), namely through grants SFRH/BPD/71238/2010 and PTDC/HAR-HIS/30670/2017, as well as from generous aid provided by the Orient Foundation in Lisbon and Dili.

1. The new country's name, Timor-Leste, as chosen by its authorities, is used throughout this essay. In the colonial past, the country was known as «Timor Português», namely «Portuguese Timor». During Indonesian occupation, as that country's 27th Province, it was known as Timor-Timur. Of course the name «East Timor» is widespread among English speakers and is in consonance with that prevailing in many languages (e.g. «Timor oriental» in French or «Timor Est» in Italian). The inhabitants are called East Timorese.

and final section will be devoted to a survey of the political and economic turbulent situation after the 2017 cycle of presidential and legislative elections, which continue to persist even after the early parliamentary election of 2018.

2. *A long and winding road (1945-2002)*

In little more than half a century, Timor-Leste experienced several dramatic upheavals. The Portuguese colony was invaded at the beginning of World War II by Dutch and Australian troops (1941), and later fell into the hands of the Japanese (1942-1945). After being returned to the Portuguese overseas empire, there followed 30 years of near stagnation. It was offered the chance to start its self-determination process in 1974-1975. In December 1975, Indonesia invaded the territory and remained the administrative power *de facto* for 24 years. In 1999 a UN-supervised referendum revealed the East Timorese desire for independence, officially declared on 20 May 2002. This long interim period left deep marks in the fabric of Timorese society. The experience of suffering under brutal regimes is critical to an understanding of the way in which the new nation has been operating.

2.1. *The emergence of decolonization*

The origins of Timor-Leste's recent history began in August 1945 when its Japanese invaders were defeated in the Pacific War (1941-1945). For those Southeast Asia colonies occupied by the Japanese, war created «an opportune moment» making it difficult if not impossible for colonial powers to reassert their dominance over those countries.² The most striking example came from the Dutch colony in the region which proclaimed independence on 17 August 1945 as the Republic of Indonesia. This declaration pioneered what became a tectonic shift, one of the most important in the second half of the 20th century, and would radically reshape relations between European colonial powers and their colonized subjects. Portuguese Timor, as it was called at the time, would be involved in this sweeping process. It would nevertheless be almost 30 years before it gained a significant impetus. Portugal was able to return to the territory in 1945, as its authoritarian ruler António de Oliveira Salazar had secured the Allies' support for this solution in 1944 when he authorized their use the Lajes air base in the archipelago of Azores, situated mid-Atlantic, and which was

2. Martin Shipway, *Decolonization and its impact: a comparative approach to the end of the colonial empires*, Oxford: Blackwell Publishing, 2008.

strategically crucial for the USA and the UK during the war.³ Even though the Allies doubted the Portuguese capacity to administer a territory located so far away from its European base, Portugal secured formal support towards the integrity of its colonial possessions.⁴ The newly independent Indonesia, for its part, was primarily concerned with assuring control of the whole territory which comprised the Dutch East Indies, an ambition only fulfilled in the late 1960s with the integration of West Papua/Irian Jaya. Accordingly, Indonesia's Constituent Assembly did not venture to claim any territory outside the Dutch East Indies' former borders.

The returning colonial administration benefitted from the engagement of several Portuguese (many of whom were active opponents of the Salazar regime who had been deported to the island) in the attempt to organize some form of resistance to the brutal Japanese occupation, and was to a certain extent welcomed by the Timorese. A «development plan» was supposedly created to provide special relief to the population and to improve its living standards. However, 30 years later the former minister for the colonies Silva Cunha (1965-1973), acknowledged that the effort of rebuilding Portuguese Timor was still under way.⁵ A governor of Portuguese Timor, Filipe Themudo Barata (1959-1963), also recognized that «the success of economic development was very modest» as the colony «had no port, no roads, no agriculture».⁶ By 1970, if one disregards the military presence of several hundred who stayed in the territory for a maximum of two years, the presence of European colonizers was limited to no more than 300 individuals.⁷ Compared with other Portuguese colonies, the ratio of colonizers to the native population was by far the lowest, which resulted in poor education and health services. One may consider that Portugal exercised a feeble form of colonial presence in Timor-Leste. However, this presence – maybe precisely because it was so feeble – was accepted by most Timorese as a fact of life, and did not trigger the urge to put an end to it.

3. Luis Nuno Rodrigues, 'Os Estados Unidos nos Açores: o acordo luso-americano de 1944', in Luís Nuno Rodrigues, Iva Delgado & David Castaño (eds.), *Portugal e o Atlântico: 60 Anos dos Acordos dos Açores*, Lisboa: Centro de Estudos de História Contemporânea Portuguesa, 2005, pp. 75-100; Keneth Maxwell, 'Os Estados Unidos e a Descolonização Portuguesa (1974-1976)', *Relações Internacionais*, No. 8, Dezembro 2005, pp. 5-37.

4. Moisés Silva Fernandes, 'O apaziguamento ocidental da Indonésia. Como o consenso político a partir de 1960 facilitou a invasão por Jakarta de Timor em 1974-1975', in Rui Graça Feijó (ed), *Timor-Leste: Colonialismo, Descolonização, Lusotopia*, Porto: Edições Afrontamento, 2016, pp. 243-265.

5. Joaquim da Silva Cunha, 'Entrevista', *Encontros de divulgação e debate em estudos sociais*, Vol. 1, 1995, pp. 63-65.

6. Filipe Themudo Barata, 'Depoimento', *Encontros de divulgação e debate em estudos sociais*, Vol. 1, 1995, pp. 51-60.

7. Luis Filipe Thomaz, *De Ceuta a Timor*, Lisboa: Difel, 1994.

In the period between the end of World War II and the Portuguese Revolution of 1974, one major uprising took place in 1959 in the mountainous district of Viqueque.⁸ Instigated by Indonesian refugees who were supposedly separatists fighting for the independence of part of eastern Indonesia, and thus not supported by the official regime of Jakarta, this revolt against the Portuguese administration had a limited impact, not only geographically, but also in the nascent East Timorese nationalism. In fact, prior to 1974 there were some erratic attempts at creating political organizations worthy of challenging Portuguese rule, none of which survived after the Carnations Revolution (25 April 1974).⁹ The fledgling nationalism only appeared in the early 1970s, together with a new generation of youths with a somewhat higher degree of schooling.

In the meantime, some international players kept an attentive eye on developments in the region. In the early 1960s, representatives from the USA, the UK, Australia and New Zealand held secret talks on the future fate of Portuguese Timor. They deemed that changes would come sooner rather than later, as they doubted the Portuguese capacity to pursue its colonial policies for long. The result of those talks was a secret agreement that Portuguese Timor was in no conditions to survive as an independent nation and that, accordingly, the security of the region would benefit from the integration of this territory in the Republic of Indonesia, which, differently from what had happened in the case of Goa, Daman and Diu, which had been militarily invaded by India, should be peaceful.¹⁰ Curiously, at a time when the Cold War was at its height and the regime of Sukarno was a leading member of the so-called non-aligned countries, the Western powers preferred to see Indonesia annex Portuguese Timor rather than face the uncertainties of any possible attempt at independence on the part of the former Portuguese colony. In 1967, the fall of Sukarno and the rise of the authoritarian, highly anti-communist and pro-Western regime of Suharto made things easier for the Western powers when the Portuguese colonial era in Timor actually reached its end in 1974.

8. Ernest Chamberlain, *Rebellion, defeat and exile. The 1959 uprising in East Timor*, Point Lonsdale: author's own publication, 2009; Janet Gunter, *Violence and «being in history» in East Timor*, Lisbon: dissertation presented to the degree of Master of Arts, ISCTE, 2007; Valentim Alexandre, *Contra o Vento. Portugal, o Império e a Maré Anticolonial (1945-1960)*, Lisboa: Temas e Debates, 2017, esp. pp. 728-746.

9. Moisés Silva Fernandes, 'A União da República de Timor: o atrofico movimento nacionalista islâmico-malaio timorense, 1960-1975', in Armando Marques Guedes & Nuno Canas Mendes (eds.), *Ensaio Sobre Nacionalismos em Timor-Leste*, Lisboa: Instituto Diplomático do Ministério dos Negócios Estrangeiros, 2005, pp. 355-431. Draft #2.

10. Moisés Silva Fernandes, 'O apaziguamento ocidental da Indonésia'.

2.2. *An interlude: 1974-1975*

The Carnations Revolution of 25 April 1974 was placed under the banner of three D's – Democratize, Decolonize, Develop. After a stubborn resistance to grant the right of self-determination to the «non-autonomous territories under Portuguese administration» recognized by the United Nations and pursued by the regime of Salazar and Marcelo Caetano, Portugal took a leap forward and in the course of 18 months the old empire was gone (except for Macau, a special case due to the Chinese claims regarding its sovereignty). Timor-Leste then had the chance to prepare for self-determination.

In May 1974 the governor made the new orders emanating from Lisbon known: political associations could then be formed to express the views of the East Timorese. That same month, three major political associations were formed. One was UDT – *União Democrática Timorense* (Timorese Democratic Union), which stood for the continuation of close relations with Portugal in the framework of a federal solution. When this solution fell in Lisbon together with the first post-revolution president, General António de Spínola, UDT first chose as its political objective the attainment of independence in the medium to long term, but ended up supporting the Indonesian invasion.

Another political association formed at the time was ASDT – *Associação Social Democrática Timorense* (Timorese Social Democratic Association), which stood for independence. ASDT first accepted a transition programme towards independence, to be implemented in the medium term. Subsequently, however, some radicalized students returning from Portugal joined forces with this group, and it became known as FRETILIN – *Frente Revolucionária de Timor-Leste Independente* (Revolutionary Front for an Independent Timor-Leste). As a consequence, in September 1974 the former ASDT placed independence as a short-term goal.

The third association created following the 1974 Lisbon orders was APODETI – *Associação Popular Democrática de Timor-Leste* (Popular Democratic Association of Timor-Leste), which stood for the integration of the territory into the Republic of Indonesia. APODETI, however, never gained traction in the territory, despite the support of several traditional leaders (*liurais*) and wealthy settlers. Some individuals involved in the Viqueque uprising of 1959 also lent this organization their support.

For its part, UDT had a strong base among the white administration together with some locals who had been co-opted to serve alongside them, and gained substantial popular support right after its creation. With regard to ASDT/FRETILIN, it inherited, to a large extent, the proto-nationalist ideas and personnel who had, from the late-1960s, begun to express dissenting views towards the status quo, and merged that line with a radical view espoused by a few students radicalized in Lisbon in far-left ideologies. Eventually, these students managed to gain ample support for FRETILIN, both in urban and rural areas, thanks to their own support towards co-oper-

atives and literacy campaigns inspired by the progressive ideas of Brazilian educator and philosopher Paulo Freire (1921-1997).

In early 1975, UDT and ASDT formed a coalition whose common goal was the prospect of a mid-term independence for the territory. Portugal, for its part, promoted a summit in Macau (June) meant to be attended by the leaders of those three movements. As the coalition had broken down in late May, FRETILIN declined to attend, and refused to accept the results of that meeting: elections for a Constituent Assembly in October 1976, followed by two years to decide on the best way to implement self-determination. A governor appointed by Lisbon would rule with two Portuguese secretaries and one from each of the East Timorese parties, starting in September 1975. By then, amid growing tension, FRETILIN was claiming – conforming to what happened to several other liberation movements around the world that tended to disregard pluralist forms of nationalist organization – to be the «sole legitimate representative of the Timorese people». Eventually, tension escalated to the point that UDT staged a *coup d'état* on the night of 10-11 August 1975, claiming the exclusion of FRETILIN and the expulsion of several Portuguese officers regarded as too close to that group. Five days later, FRETILIN responded by initiating a brief but bloody civil war that would leave deep scars on the East Timorese perception of party politics for years to come. The Portuguese governor, who disposed of the best force in the territory (some 70 paratroopers) decided not to intervene and withdrew with his troops to the tiny island of Ataúro, north of Dili, where they were to remain until their repatriation. FRETILIN took the upper hand in the military operations, and UDT (together with APODETI) were driven across the border to Indonesia. Governor Mário Lemos Pires refused to return to Dili and decided to remain equidistant from the local factions. Unable to secure Portuguese protection while it exercised effective military control, FRETILIN took the bold step, on 28 November 1975, of proclaiming the unilateral independence of the territory. This proclamation would have little or no international impact, except in Indonesia. The day after a visit by the US president Gerald Ford and his secretary of state Henry Kissinger, the Indonesian military launched an operation to occupy Portuguese Timor. Portugal finally brought the issue to the UN Security Council, which passed a resolution of condemnation. However, as the ambassador of the United States to the UN, Daniel Patrick Moynihan would later reveal:

The United States wished things to turn out as they did and worked to bring this about. The Department of State desired that the United Nations prove utterly ineffective in whatever measures it undertook. This task was given to me, and I carried it forward with no inconsiderable success.¹¹

11. Daniel Patrick Moynihan, *A Dangerous Place*, Boston: Little Brown & Company, 1978.

2.3. *The Republic of Indonesia's 27th Province (1975-1999)*

The Indonesian military operation was a success, mainly in the urban centres. However, in the countryside it took several years to complete thanks to the resistance organized by FRETILIN. The Indonesian military had boasted that they would have breakfast in Batugadé [a Timorese border town], lunch in Dili [Timor-Leste's capital] and dinner in Lospalos [the easternmost town of the territory]. They were wrong: the Indonesian army took years to complete the military conquest of the territory, until the fall the last «liberated area» under FRETILIN control in Mount Matebian in late 1978.

In mid-1976, the Indonesians organized a meeting to which they «invited» the East Timorese traditional leaders (*liurais*), who were persuaded to publicly take position in favour of Timor's formal integration into the Republic of Indonesia. This replicated what had happened years before, to international approval, when Irian Jaya had been annexed to Indonesia. On 17 July 1976 the authorities in Jakarta declared Timor-Timur to be the country's 27th province.

The Indonesian occupation used a two-pronged strategy and combined accelerated economic and social development with brutal repression. Indonesia claimed to have brought development to a territory hitherto despised by the Portuguese, and to have broken the colonial yoke that had separated people who had once lived together for centuries. But while roads, schools and health facilities were built, Timor-Timur nevertheless remained among the poorest regions of Indonesia. Rod Nixon draws a critical balance of the material improvements which were counterweighted by the flux of Indonesian migrants, who were given fertile land where to settle, or by the intensive exploitation of natural resources (such as the forests) carried out by companies closely associated with Indonesian army officers.¹² A quarter of a century after the invasion, Timor-Leste had become a more urbanized country, and the literacy of its population significantly increased – changes that were not necessarily appreciated by the occupiers who witnessed the rise of new classes of people highly dissatisfied with the brutality of the regime.

Assessments of the Indonesian regime's brutality point to the number of deaths by direct (military operations) and indirect means (starvation, forced displacement, lack of medical conditions, napalm bombings...), in the range of a minimum of 102,800 to a maximum of 183,000. The report of *Comissão de Acolhimento, Verdade e Reconciliação* (CAVR – Commission for Reception, Truth and Reconciliation) from which these figures were taken also mentions that those estimates, based on sophisticated methods, are compatible with even higher estimates made by several other sources over

12. Rod Nixon, *Justice and Governance in East Timor: Indigenous approaches to the 'New Subsistence State'*, London: Routledge, 2012, pp. 86-101.

the years.¹³ If one accepts a median value of around 150,000 deaths out of a population of about 610,000 inhabitants in 1970, we conclude that close to a quarter of the population was exterminated. This compares with the much-trumpeted genocide perpetrated by the Khmer Rouge in Cambodia (about 2 million in a 8 million population).

Benedict Anderson analysed the failure of the Indonesians to effectively incorporate Timor-Leste into the Indonesian nation. He claimed that their attitude of brutality had the consequence of accelerating the «imagination» of Timor-Leste as a separate polity. «Their relations are best regarded as those of colonizer and colonized, which produced in Timor-Leste the same effect that Dutch colonialism once produced Indonesian nationalism.»¹⁴

Resistance to Indonesian rule continued to the end of the occupation, but it underwent significant changes which still resonate in today's Timor-Leste. At first, FRETILIN, which spearheaded the resistance, accentuated its radicalism, declaring itself the «Marxist-Leninist avant-garde» of the East Timorese people. This political move led to internal strife among those who were fighting the invaders. One significant episode was that involving Francisco Xavier do Amaral, a FRETILIN founding member, who had been sworn in as the country's first president on 28 November 1975. When, ten days later, Indonesia invaded Timor Leste, Amaral fled into the mountains, where he led the resistance. However, in 1977, FRETILIN's radicalization resulted in Amaral's ousting and imprisonment, together with that of several of his followers. This strategic orientation was sectarian and ultimately led to the fall of the «liberated camps» to the Indonesian occupation forces and the death on 31 December 1978 of Nicolau Lobato, the new resistance leader. The «diplomatic front» of the liberation struggle was also witnessing growing difficulties, as support for Indonesia was growing in the UN General Assembly.

The 1980s, however, brought a significant shift in positions. Xanana Gusmão, who had succeeded Lobato as head of the resistance, realized the way forward meant strategic change. He broke up with FRETILIN and declared that the group of guerrilla fighters he commanded – the FALINTIL (*Forças Armadas de Libertação Nacional de Timor-Leste* – Armed Forces for the National Liberation of Timor-Leste) to be «nationalist soldiers», no longer obeying a single party (despite their origin as an armed wing of FRETILIN), but representing all those who rejected the occupation. He welcomed the political reorientation of the Catholic Church from that of supporter of the annexation to a force opposing occupation. He secretly met with the «apostolic administrator» of Dili, Dom Martinho da Costa Lopes, a gesture

13. CAVR, *Chega! The Report of the Commission for Reception, Truth and Reconciliation of Timor-Leste*, Dili: CAVR, 2006.

14. Benedict Anderson, 'Imagining East Timor', *Arena magazine*, No. 4, April-May 1993.

that would later bring about major positive developments in the liberation struggle. Gusmão also realized that the armed front should be supported by a much wider network of «clandestine» members. Consequently, he concluded that instead of antagonizing traditional leaders, as FRETILIN had done, claiming they represented «feudalism», an alliance with the existing social structures of power at all levels was critical in securing sound support for the resistance. Meanwhile, FRETILIN agreed to abandon the claim to be the East Timorese people's sole legitimate representative and recognized the importance of the emerging forces of opposition to Indonesian rule. Following this transformation, the nationalist movement became more diverse. This was evidenced in April 1998 when the *Conselho Nacional da Resistência Timorense* (CNRT – National Council of the Timorese Resistance) was finally created, bringing together former foes who now rallied to combat Indonesian oppression.

The net result of this evolution was that the Timorese Resistance acquired the characteristics of a democratic, pluralistic movement, which gave it a position of strength at international level in the years ahead. Also important is the fact that from the early 1980s, the Resistance accepted that Timor-Leste would remain a «non-autonomous territory under Portuguese administration» (rather than a self-proclaimed independent nation). This allowed Portugal to include the case of Timor-Leste in its foreign policy, developing a significant strategy which eventually culminated in the UN-sponsored agreement between the Portuguese and the Indonesian governments. The agreement, which only became possible after the financial crisis in Indonesia and the fall of Suharto, was signed in New York on 5 May 1999.

The Portugal-Indonesia agreement opened the doors for a self-determination referendum. It must also be added that, after the fall of the Berlin Wall (1989) and the end of the Cold War, the situation had started to move in favour of the East Timorese. This was aided by the broadcasting internationally of the shocking images of the Santa Cruz massacre (November 1991), which caused justified furore.¹⁵ Moreover, the shifting of international public opinion in favour of the East Timorese was both highlighted and strengthened by the joint award of the 1996 Nobel Peace Prize to the bishop of Dili, Dom Carlos Filipe Ximenes Belo, and the mastermind of the Timorese Resistance diplomatic front, José Ramos-Horta.

15. On 12 November 1991, a demonstration that started at the Church of Motael in central Dili, composed mainly of students, converged on the Cemetery of Santa Cruz to pay homage to a colleague who had been killed the previous week. There, the Indonesian army opened fire, killing a vast number of peaceful demonstrators. Many others were imprisoned, some tortured and killed in custody. The final number of deaths was estimated at between 250 and 300. The massacre was filmed by Max Stahl who managed to have the tape delivered to international media networks. The brutal images of the massacre were widely broadcast and generated outrage among international public opinion, marking a significant turn in the global understanding of the East Timorese case.

The international community was itself moving from its previous position of complacency. Australia, for instance, was among the few countries to formally recognize the annexation of Timor-Leste, with its eyes on a lucrative treaty on the natural resources of the Timor Sea (notoriously celebrated by the foreign ministers of the two countries, sipping champagne on board an aircraft flying over those rich oil fields in December 1989). In 1999, however, Australia realized that the Indonesian position could not be sustained for good and became a «reluctant saviour».¹⁶ In the United States of America, President Clinton was also pressed to apply his principles of human rights to this case. Indonesia was becoming increasingly isolated and desperate for much needed help in a time of dire economic crisis.

2.4. The Self-determination Referendum of 30 August 1999 and the transitional administration of the United Nations (1999-2002)

The referendum was held on 30 August 1999 and it returned a landslide victory for independence by 78.5% of the voters. However, with the announcement of results, denounced by Sir Jeremy Greenstock, the British ambassador to the UN who toured the country a few days later, «hell descend[ed] on earth».¹⁷ The Indonesians reacted to the announcement by running amok and devastating Timor Leste. Indonesian-backed militia burned to the ground most of the material infrastructures and closed down the public administration which was under its control, while the Timorese resistance showed unusual self-restraint. They refused to retaliate, and remained in their assigned cantonments away from Dili, the scene of the most brutal violence. The Indonesian migrants returned to their country of origin leaving the public administration completely abandoned (some of those Timorese who occupied positions in that administration had also fled). The exodus of fearful people may have seen as many as 250,000 leave their homes. The number of casualties from what was to go down in Timorese history as «Black September» was in excess of 2,000 in just two weeks.¹⁸ The state apparatus was utterly destroyed, and many observers referred to the situation as «tabula rasa», «terra nullius», «ground zero» or «empty shell».¹⁹

16. Clinton Fernandes, *Reluctant Saviour*, Melbourne: Scribe Publications, 2004.

17. Quoted in Peter Carey, 'The Security Council and the Question of East Timor', in Vaughan Lowe, Adam Roberts, Jennifer Walsh & Dominic Zaum (eds.), *The United Nations Security Council and War*, Oxford: OUP, 2008, pp. 346-367.

18. Rui Graça Feijó, *Dynamics of Democracy in Timor-Leste. The birth of a democratic nation, 1999-2012*, Amsterdam: AUP, 2016.

19. Simon Chesterman, 'East Timor in Transition: From conflict prevention to state building', New York: International Peace Academy, 2001; Astri Suhrke. 'Peacekeepers as National Builders: Dilemmas of the UN in East Timor', *International Peacekeeping*, Vol. 8, No. 4, 2001, pp 1-20; Joseph Nevins, '(Mis)representing East Timor's Past: Structural-symbolic violence, international laws and the institutionalization of justice', *Journal of Human Rights*, Vol. 1, No. 4, 2002, pp. 523-540; Nicolas Lemay-

Even though these observations seem to disregard the fact that the political legitimacy of the new-born nation did not die, truth is that the machinery of a modern state had been so extensively damaged that it needed to be constructed from scratch.

In October 1999 the United Nations took over the administration and felt compelled to assist the East Timorese lay the grounds for independence. A mission was established vested with the most extensive powers ever attributed to any similar venture. In the so-called «UN Kingdom of East Timor» the Special Representative of the Secretary General (SRSG), the Brazilian-born diplomat Sérgio Vieira de Mello, conferred on himself vast legislative, judicial and executive powers.²⁰ The chosen method of intervention was seen as «benevolent», but also «autocratic», «despotic» or even «dictatorial»; Vieira de Mello was likened to a «pre-constitutional monarch in a sovereign state», and the whole operation was equated to a form of «benign colonialism».²¹

The role of the Timorese, namely the CNRT who had obtained a resounding victory in the referendum, was as consultants to the process. In fact, the Timor file, customarily attached to the UN Department of Political Affairs, which was knowledgeable on the intricacies of the players on the ground, became part of the UN Department of Peace Operations (DPO), known to have a template to apply in all circumstances. This template was based on a false premise in the case of Timor-Leste: there were no two warring factions, the pro-integration one having as good as disappeared from the scene. This conferred a strong legitimacy on CNRT, which, as noted above, had swept a democratic ballot, winning an overwhelming majority in the independence referendum. This was a situation which seldom exists in the contexts where the DPO and its military *longa manus*, the UN Department of Peace Keeping Operations, operate. Unfortunately Timor Leste's different situation was not acknowledged by the UN.

Being mere «consultants» in a National Consultative Council was frustrating for most East Timorese leaders. The Special Representative of the Secretary General (SRSG), Vieira de Mello, pleaded on their behalf and eventually they were elevated to National Council. Still it remained under

Hébert, 'The «Empty-Shell» Approach: The setup process of international administration in Timor-Leste and Kosovo: Its consequences and lessons', *International Studies Perspective*, No. 12, 2011, pp. 190-211.

20. Jarat Chopra. 'The UN Kingdom of East Timor', *Survival*, Vol. 42, No. 3, 2000, pp. 27-39.

21. Joel C. Beauvais, 'Benevolent Despotism: A critique of UN state-building in East Timor', *International Law and Politics*, Vol. 33, 2001, pp. 1101-1178; Simon Chesterman, 'Building Democracy through Benevolent Autocracy', in Edward Newman & Roland Rich (eds.), *The UN Role in Promoting Democracy*, Tokyo: United Nations University Press, 2004, pp. 86-112; Samantha Powell, *Chasing the Flame: Sérgio Vieira de Mello and the fight to save the world*, London: Allen Lane, 2008; Chopra, 'The UN Kingdom of East Timor'; Damien Kingsbury, *East Timor: The price of liberty*, Basingstoke: Palgrave Macmillan, 2009.

the executive prerogative of the SRSG. In this context – and somewhat favoured by both the UN Security Council’s refusal to commit itself for periods longer than six months at a time, and its anxiety to see a positive conclusion of an expensive mission – the East Timorese pressed for a short transitional period, claiming their right to independence without delay.

The critical issue was the drafting of a constitution to the new country that would encompass the fundamental principles of political orientation. This was achieved by means of an elected Constituent Assembly (30 August 2001) entrusted with the task of approving a document within three months, later extended to six. But this democratic exercise represented a breach in the functioning of CNRT and what one could consider «consensus democracy». Rather, it required the formalization of political parties in a very short period of time, and the staging of free elections early in the process. Many voices – including Xanana Gusmão, the charismatic leader, José Ramos-Horta and the bishops of Timor-Leste – expressed serious reservations about the perils of introducing competitive mechanisms in lieu of sustaining some form of consensual democracy that had proved successful in the last years of the occupation. One may recall the idea put forward by Fareed Zakaria that «paper power» (i.e. a constitution) should be placed before «people power» (i.e., elections), saying:

It’s crucial that before the first elections, before politicians gain enormous legitimacy through the polls, a system is put in place that limits governmental power and protects individual liberty and the rights of minorities. [...] The focus should be more on constitutions, and less on elections.²²

Timor-Leste did not follow this route. The formalization of political parties and the staging of competitive elections preceded the drafting of the constitution. The consequences were felt soon after the restoration of independence under the guise of political instability.

Equipped with a constitution adopted by majority, and having organized presidential elections according to the constitutional prescriptions (14 April 2002) in which Xanana Gusmão easily beat Francisco Xavier do Amaral (who had been nominated president on 28 November 1975) by a margin of 83.7% to 17.3%, Timor-Leste ventured to proclaim the restoration of independence on 20 May 2002. The ceremony was witnessed by UN Secretary-General Kofi Annan, the presidents of Portugal, Jorge Sampaio, and Indonesia, Megawati Soekarnoputri, and former US President Bill Clinton. This time, Timorese independence was rapidly accepted by most nations, and the country soon became the 202nd member of the Organization of the United Nations (which maintained a new support mission in the territory without a fixed term).

22. Fareed Zakaria, ‘Write a Constitution’, *Time*, 25 March 2013, p. 33.

3. *The first new nation of the 21st century (2002-2016)*

3.1. *State building and democracy*

Timor-Leste as an independent nation was confronted by a double challenge: building a modern state apparatus and simultaneously adopting a democratic regime.²³ Underlying this double task was the enormous process of nation-building, affecting the social fabric of Timor-Leste, and contributing to the more narrowly defined institutional level that will be the focus of the remainder of this essay.²⁴

The first challenge derived from the extensive destruction brought about in the «Black September» of 1999, which the transition administration of the United Nations had but started to remedy. The second derived from the character of East Timorese nationalism as an organized movement, encompassing quite different political positions. Fortunately, the international environment was propitious to the building of a new democracy and impressed by the East Timorese leadership's democratic credentials. These had already been highlighted by José Ramos-Horta, who, when accepting the Nobel Peace Prize in Oslo on 10 December 1996, had unambiguously stated

We will endeavour to build a strong democratic state based on the rule of law which must emanate from the will of the people expressed through free and democratic elections.²⁵

This double task was a very difficult one. For one, as Sonja Grimm and Julia Leininger aptly remarked, not all good things always go well together, given that each process has its own requirements, and there is a risk of existing conflicting priorities and predicaments.²⁶ Also, the political science literature tends to assume that the existence of a functioning state administration is a prerequisite for the establishment of democratic rule, and thus state-building ought to take precedence over democracy-building. This has been expressed in a synthetic formula by Juan J. Linz when he uttered: «No state, no *rechtsstaat*, no democracy».²⁷ Finally, even if one does

23. Oisín Tansley, *Regime Building: Democratization and international administration*, Oxford: OUP, 2009.

24. For a comprehensive view of the nation-building process and its implications, see Michael Leach, *Nation-building and national identity in Timor-Leste*, London: Routledge, 2017.

25. José Ramos-Horta, *Nobel Prize Acceptance Speech*, 10 December 1996 (<http://ramoshorta.com/president-jose-ramoshorta/nobel-peace-prize>).

26. Sonja Grimm & Julia Leininger, 'Do All Good Things Go Together? Conflicting objectives in democracy promotion', *Democratization*, Vol. 19, No. 3, 2012, pp. 391-414.

27. Juan J. Linz. 'Democracy Today: An agenda for students of democracy', *Scandinavian Political Studies*, Vol. 20, No. 2, 1997, pp. 115-134.

not adhere to the formal view positing that there has to be a set of prerequisites for the establishment of a democratic polity, the power of initiative and human agency being factors militating against such determinism, one must nevertheless consider that Timor-Leste was facing formidable odds to secure success in the face of enormous challenges.

Eighteen years after this endeavour began, Timor-Leste's success in building a democratic state is clear, in spite of the many difficulties it had to overcome and the fact that, still at the time when these lines are written, its democracy is neither consolidated nor devoid of fragilities. In fact, most synthetic indices used in political literature (Polity IV, the Economist's Intelligence Unit Democracy Index or Freedom House's Freedom in the World) assess Timor-Leste to be a democratic polity. More sophisticated methods, inspired by Dahl's methodology perfected by Schmitter and Karl, suggest that Timor-Leste is indeed a democratic polity, post-independence.²⁸ That said, it is necessary to acknowledge that the process of state-building remains fragile.

3.2. *The affirmation of a democratic polity*

Testimony to the relative stability of Timorese political life is the fact that its constitution, approved by a Constituent Assembly elected on 30 August 2001 – two years after the referendum – was ready on the day that independence was officially restored, 20 May 2002. It has been in force ever since. This is a remarkable feat in a region characterized by constitutional instability.

The preparation of the Constituent Assembly required that political parties be formally constituted in order to run. This move was widely criticized at the time given that most movements which emerged under the Indonesian occupation had little time to prepare and formalize their existence, while it offered a comparative advantage to the historical FRETILIN, with its well organized structures throughout the country. The early emergence of party politics was also regarded as running against the chosen method of consensual decision-making adopted by the Resistance umbrella organization, CNRT, and reminiscent of the hasty creation of competing political organizations back in 1974-1975. One of the consequences of the UN mission's decision to organize competitive elections at the onset of the democratic period was that key figures such as Xanana Gusmão or José Ramos-Horta declined to join or form any party at the time, and were thus excluded from the Constituent Assembly. This made it more difficult for its results to be widely accepted by all stakeholders.

28. E.g. Philippe C. Schmitter & Terry Lynn Karl, 'What Democracy Is... and Is Not', *Journal of Democracy*, 2, 3, January 1991, pp. 75-88. For an application of this methodology to Timor Leste, see Rui Graça Feijó, *Democracia: linhagens e configurações de um conceito impuro*, Porto: Edições Afrontamento, 2017.

However, the resulting constitution has proved resilient and capable of framing political disputes.

One of the reasons for the success of the East Timorese political system is its inclusive mechanisms for participation. It has also remained fairly open to actors who do not stand on partisan platforms, thus allowing «independent» personalities of high public profile to play important political roles. To be precise: Timor-Leste is the only country in Southeast Asia to have adopted a semi-presidential system, i.e., one that is defined by the conjugation of a president of the Republic who is elected by universal and direct suffrage with a government headed by a prime minister who must enjoy the support, or at least the acquiescence, of a parliament which is itself elected by direct popular vote.²⁹ This duality of powers is both a strength and a weakness of the system. It may be a weakness if it leads to a confrontation between the president and the prime minister, namely two political figures who are endowed of competing legitimacies and may be expression of different political majorities (we shall see, further on, that this is currently the case in Timor-Leste)³⁰. But it may also be a strength if the president, thanks to its popular mandate, is able to act «above the party fray», conducting inclusive policies that go beyond the majority/minority divide that marks parliamentary life.³¹

This was indeed the case with the first three presidents – Xanana Gusmão (2002-2007), José Ramos-Horta (2007-2012) and José Maria Vascócelos, generally known as Taur Matan Ruak, literally «Two Sharp Eyes» (2012-2017). The fact that two of them, rather than trying to be elected president a second time decided to form political parties to enter the parliamentary game, does not invalidate that they acted mostly as impartial political arbiters while in office, without systematically taking position either in favour or against the government of the day. Their overall attitude contributed to lowering the political heat that is normal in parliaments, and to offer minorities a voice (as in the case of their appointment to positions in the consultative Council of State). Some local actors disagree with this view. FRETILIN, for instance, is critical of Xanana Gusmão's handling of the situation. However, while Mari Alkatiri was prime minister, the president only vetoed two legislative initiatives, both on the advice of the Constitutional Court because they infringed basic principles inscribed in the Constitution regarding guarantees of public liberties. Procedural neutrality must not be confused with accepting all the government's wishes,

29. Robert Elgie, *Semipresidentialism: Sub-types and democratic performance*, Basingstoke: Palgrave Macmillan, 2011.

30. See Gianfranco Pasquino, 'The Advantages and Disadvantages of Semi-presidentialism: a West European perspective', in Robert Elgie & Sophia Moestrup (eds.), *Semi-presidentialism outsider Europe*, London: Palgrave 2007, pp 14-29.

31. This idea is further developed in my 'Semi-presidentialism, moderating power and inclusive governance', *Democratization*, Vol. 21, Issue 2, 2014, pp. 268-288.

and the use of presidential competences should be always regarded as part of a complex system of checks and balances that characterize democratic polities. The early years after independence were, in this regard, critical, as FRETILIN possessed absolute majority in the National Parliament, and used it in ways that were regarded as prone to facilitate the emergence of authoritarian temptations.

The first term of parliament was marked by the fact that the Constituent Assembly had become the legislative chamber without fresh elections, which, many argued, would be timely and might have returned a different composition. FRETILIN inherited thus an overall majority; this did not grant it the strength to pass the constitution without having to bargain with smaller parties, but, in the case of the legislative chamber that works on the principle of simple majority, put it in a position of strength. So Mari Alkatiri formed a single-party government, with the presence of two symbolic «independent» ministers. It was the first such experience after years of compromise with the other political forces which had been part of the CNRT, namely umbrella organization of the Resistance. Many expressed the idea that FRETILIN was intent on creating the conditions for «50 years of government» (as the historical party of the Resistance), and accused it of aggressive behaviour towards the opposition. FRETILIN's «authoritarian temptation» was singled out as its main problem by many analysts.³² And it did have consequences.

In 2006 a major crisis erupted between the Alkatiri government and President Xanana Gusmão regarding the armed forces. The president as commander-in-chief of the armed forces disagreed with the government's policy towards dissatisfied military who had protested, and who were dismissed from the army by the chief of general staff, Major-General Taur Matan Ruak, with the backing of the prime minister. One third of the army was expelled from the ranks. The situation worsened to the point that the expelled military clashed with National Police, which caused several casualties and the collapse of the police forces. The violent clashes turned over 100,000 people into «internally displaced people». Eventually, the president threatened to resign, prompting the fall of the prime minister. International aid was requested to restore peace and order. A compromise was reached by which President Xanana Gusmão refused to dissolve parliament

32. E.g. Sven-Gunnar Simonsen, 'The Authoritarian Temptation in East Timor: Nation building and the need for inclusive governance', *Asian Survey*, Vol. 46, No. 4, 2006, pp. 575-596; Jacqueline Siapno, 'Timor-Leste: On the path to authoritarianism?', *Southeast Asian Affairs*, Vol. 1, 2006, pp. 325-342; Damien Kingsbury & Michael Leach (eds.), *East Timor: Beyond Independence*, Melbourne: Monash University Press, 2007; Pedro Bacelar de Vasconcelos & Ricardo Sousa da Cunha, 'Semipresidencialismo em Timor: Um equilíbrio institucional dinâmico num contexto crítico', in Marina Costa Lobo & Octavio Amorim Neto (eds.), *O Semipresidencialismo nos Países de Língua Portuguesa*, Lisboa: ICS, 2009, pp. 231-260.

and remove the FRETILIN majority, but agreed to appoint another prime minister to carry on until the general elections scheduled for the following year. José Ramos-Horta took the reins of government for that one-year period, and most ministers retained their portfolios.

In 2007, the first elections in Timor-Leste since the proclamation of independence returned Ramos-Horta as president. A few months later, the legislative election returned FRETILIN as the party with the highest number of seats but without the absolute majority or the allies to form one. Ramos-Horta took the bold decision to ask Xanana Gusmão, by then the leader of the party with the second highest number of seats, the *Congresso Nacional para a Reconstrução Timorense* – National Congress for Timorese Reconstruction (CNRT)³³ to form a government. FRETILIN raucously repudiated this decision. In the end, it had to accept it, as Xanana Gusmão managed to build a majority coalition which included his own CNRT plus the ASDT-PSD (namely the Coalition between the Timorese Social-Democratic Association of Timor and the Social Democratic Party) and the Democratic Party.

Echoes of the military disquiet persisted into the following year, when Alfredo Reinado, the leader of the «petitioners» (the name under which the military discontent were known) ambushed and shot President Ramos-Horta. Ramos-Horta was flown to Darwin for urgent surgery, the speaker of the House acting as interim president. The same day, other «petitioners» ambushed Prime Minister Xanana Gusmão, but he escaped unharmed. Reinado was killed in the attack against Ramos-Horta, together with one of his men, while several other «petitioners» were later arrested. Two months later, President Ramos-Horta returned to the presidency.

In 2012, a new president was elected, Taur Matan Ruak, who had previously served as chief of general staff of the armed forces. In the following legislative elections, the governing coalition obtained the majority of seats, and the CNRT, Xanana Gusmão's party, became the largest in the House. However, soon after being returned to the premiership, Xanana Gusmão announced he would step down before the next elections, while his government entered negotiations with FRETILIN to have the 2013 budget approved unanimously. This was the first step in establishing a new relation with FRETILIN, which was followed by two other initiatives. One was the appointment in 2015 of FRETILIN's leader, Mari Alkatiri, as President of the Authority for Special Administrative Region of Occusse (RAEOA)

33. Although Xanana Gusmão's party, formed in 2007, retrieved the acronym CNRT, it was an altogether different organization from the umbrella organization of the Timorese Resistance. The original CNRT was formally dissolved on 7 June 2001 after a three-day extraordinary conference in Dili. The idea behind the decision was «give the power to the people», namely leave the political field free for the creation of ideologically homogeneous new parties, which could democratically compete for power. See 'East Timor: UN lauds move to dissolve CNRT resistance organization', *ReliefWeb*, 11 June 2001.

and Special Zones for Social Market Economy of Timor-Leste (ZEESM TL), which put him in charge of one of the major economic projects of the government (on this, see below). It was a position of high visibility that had the additional advantage to keep Alkatiri away from Dili. Second, Xanana Gusmão eventually stepped down to offer the premiership to a new figure. Instead of choosing among his party members, he selected Rui Maria de Araújo, who had served as «independent» minister in Alkatiri and Ramos-Horta's cabinets but had joined FRETILIN and become a member of its central committee. This was prompted by two considerations: Rui Maria de Araújo was not a party leader, so he was expected to serve in a position that allowed him to negotiate with all parties on an equal footing. He was a member of the «Gerasaun Foun» (lit., the new generation, i.e., those who had come of age under the Indonesian occupation), and as such was distant from the historical controversies and personal feuds that still marred the «Generation of 75». Agio Pereira, Xanana Gusmão's right-hand man, greeted this move as the transition from «belligerent to consensual democracy», as the new government could count on the de facto, even if not formal, support of all parties in parliament.³⁴ A new chapter was being written.

3.3. *The impetus for development*

Timor-Leste achieved independence with a very fragile economic structure, highly dependent on foreign aid. The first few state budgets reflected this weakness. They pointed to public spending below US\$ 500 million per annum for a population of a little over one million. This changed in 2006 with the first instalments from the exploitation of mineral resources in the Timor Sea, allowing for rapid growth of the state budget. By 2012 this was in excess of US\$ 1.5 billion and has since hovered around this figure. Trebling the amount of money to be injected into the economy helped the government to devise some important social policies with significant impact on the quality of life of the population. This is evidenced in a brief survey of the United Nations Human Development Index.

Figures for 2002 place Timor-Leste as the 158th country in the world, among those with low development indices, and a Human Development Index (HDI) of 0.436. In 2016 the country had advanced to the group of «middle development» with an HDI of 0.625, and now placed 132nd in the world.³⁵ This is, by any measure, a significant improvement in a relatively short period. That it was the result of socially-oriented policies was undisputed.

34. Rui Graça Feijó, 'A Long and Winding Road: A Brief History of the Idea of a 'Government of National Unity' in Timor-Leste and Its Current Implications', Canberra: Australian National University SSGM Discussion papers 2016/3. Draft #2.

35. United Nations Development Programme, *Human Development Reports* (<http://hdr.undp.org>).

On the one hand, some measures had a major impact in reducing poverty, such as the «Bolsa da Mãe» (mothers grant), inspired by the Brazilian experience under Lula da Silva. This falls into the category of conditional cash transfers as it makes the transfer of funds contingent on the mothers taking specific actions, namely placing their children in school. More than 55,000 families were assisted in this way (as of 2014). This programme had, in that year, a budgeted expense of US\$ 9 million. Another important public policy programme was the one initiated under the first Xanana Gusmão government designed to provide electric power to the population of Timor-Leste. It now covers the entire country.

Even if these can be singled out as major positive policies, the overall budget for health and education remained fairly poor. In the budget for 2017, these two departments taken together received only 15% of expected public spending. Conversely, the programme to assist the «veterans of the liberation struggle» (which is a powerful tool to maintain peace among an important segment of the population, but whose effects on social development are far inferior to other alternative strategies), captures over half of that amount and yet touches only a fraction of the population.

The strategic choices of the mid-term development programme, running up to 2030, aim to turn Timor-Leste into a «high middle-level development country» by the end of this period. They prioritize the development of heavy physical infrastructures, in particular by implementing two main projects. The first is the Tasi Mane (lit. the Sea Man) Project, designed to prepare the southern coast to host an industrial cluster of oil and gas infrastructures. The second is the «Social Market Economy» project in the exclave of Oecusse and the island of Ataúro, turned into a Special Administrative Area, and which is supposed to attract private investments and become a service provider for larger areas in Southeast Asia, for health and higher education. So far, however, private capital has been sceptical about the feasibility of the mid-term programme, and most works (airport, roads, new urban development, hotels) rely heavily on public financing. In fact the fundamental goals of the programme have been questioned with regard to their feasibility, *modus operandi*, and the political options they embody. Firmer support of social policies intended to alleviate and improve the quality of life of the present generation has been suggested as an alternative.³⁶

36. On the projects of Oecusse, see the work of Laura S. Meitzner Yoder, namely her chapter 'Reconceptualizing land and territory in Oecusse Ambeno's enclave Special Economic Zone', in Susana de Matos Viegas & Rui Graça Feijó, (eds.), *Transformations in Independent Timor-Leste*, London: Routledge, 2017, pp. 142-155. On the Tasi Mane projects, see the work of Judith Bovensiepen, namely her edited volume *The Promise of Prosperity*, Canberra: ANU Press, 2018.

4. *Timor-Leste 2017-2019: one step backwards?*

4.1. *The return of «belligerent democracy»*

The beginning of 2017 promised to consolidate the transformations that had already occurred. President Taur Matan Ruak, who had been a supporter of the convergence between Xanana Gusmão and Mari Alkatiri, and had later distanced himself from the strategies of the government led by Rui Maria de Araujo, declined to seek a second term, preferring to create a new party. His new party, *Partido Libertação Popular* (People's Liberation Party – PLP) was the only one to openly challenge the fundamental options of public policy pursued by the government, namely the strategic decision to embark on mega-projects in Oecusse/Ataúro and on the south coast, with a consequential downgrading of investment in human capital. In the circumstances, Xanana Gusmão took the unprecedented step of supporting the candidacy of Francisco Guterres *aka* Lu-Olo, the chairman of FRETILIN, who presented himself for the third time in the presidential elections, and easily won on the first ballot. For the first time, Timor-Leste had a president who was a prominent member of an active political party – and this would be consequential. However, in spite of the changing circumstances, Xanana Gusmão was once again on the winning side of this election. In the run up to the legislative elections of July, the parties in government did not indicate whether they would propose changes to the current accommodation. The impression was that, under President Lu-Olo, the government formula of a broad coalition was to be maintained. Taur Matan Ruak's PLP was the main voice advocating a change of that formula. The elections returned a sound victory for the parties in government, with a significant detail: FRETILIN maintained its position of largest party, having polled a little over a thousand more votes than Xanana Gusmão's CNRT and obtained one more seat than his rival. This detail would prove critical.

In the face of these results, Mari Alkatiri as leader of FRETILIN claimed the right to become prime minister again. This challenged the two assumptions under which the Government of National Union had been established in 2015, as Alkatiri was both a party leader and a relevant member of the «Generation of 75». Xanana Gusmão reacted by declaring he would rather sit in opposition, leading to presidential attempts to dissuade him, and to agree to a wide spectrum coalition. These efforts failed. President Lu-Olo decided to accept Alkatiri's claim and appointed him prime minister before he secured a majority in the House. Negotiations took place that eventually led to FRETILIN joining hands with the *Partido Democrático* (Democratic Party – PD) and the newcomer *Kmanek Haburas Unidade Nasional Timor Oan* (Enrich the National Unity of the Sons of Timor – KHUNTO) to elect the speaker of parliament. Thus FRETILIN, with less than 30% of the popular vote, succeeded in controlling the elections of the three leading figures in the state hierarchy.

In several quarters of East Timorese society, this concentration of powers evoked memories of the first experiment of FRETILIN in power, which had left visible scars, renewing fears of an emerging authoritarian «temptation». Reacting to this situation, Xanana Gusmão and Taur Matan Ruak were able to convince KHUNTO to join them in opposition, creating a new majority in parliament, alternative to Alkatiri. In the East Timorese system, having the confidence of the president is a necessary but not sufficient condition for a government to be installed, as it also requires parliamentary investiture. This can be achieved by winning a vote of confidence in the government's programme, by defeating a rejection motion tabled by the opposition, or by mere parliamentary lack of initiative after the program is presented. In the case under examination, the opposition tabled a rejection motion that obtained the majority in parliament. Mari Alkatiri was faced with either the possibility to reconquer the majority in parliament, by presenting a second version of his programme within a month, or resigning. He did neither and was kept on as a caretaker prime minister. The opposition claimed the right to be offered a chance of forming a majority government without FRETILIN, but the president did not accept this challenge. A stalemate was created, and it was by then quite obvious that «belligerent democracy» had once again come to dominate the political scene.

The president was constitutionally forbidden to dissolve parliament in the first six months after its election, which would happen only in January 2018. The government in a caretaker condition could not submit fundamental legislation, such as a state budget for 2018. The opposition submitted a new censure motion on the government, trying to bring it down; the speaker of the House, however, did not agree to put it to a vote and used delaying tactics. All indications were that the president would maintain the situation as it was for several months until such time as fresh elections could be called, and eventually the benefit of incumbency might advantage his own party. That situation lasted until January, when Lu-Olo dissolved parliament and called for fresh elections to be held in May 2018.

The first ever early elections in Timor-Leste returned the three-party opposition coalition as the winners of the ballot (34 seats), securing an absolute majority. FRETILIN held on to its 23 seats, but PD, its ally in government, lost two. President Lu-Olo could not avoid appointing a political figure from the winning group to form the new government: Taur Matan Ruak was chosen by the three parties to hold the position, Xanana Gusmão (leader of the largest party in the coalition) preferring to stay as minister of state and councillor to the prime minister, holding also a portfolio related to strategic development.

Following his appointment, in June 2018 the Prime Minister proposed a list of 42 members of government, including militants of PLP, CNRT and KHUNTO. The President, however, had the final word, and rejected 12 of those names – almost all CNRT members. Lu-Olo justified his move on the

grounds that, with the exception of one member facing bureaucratic difficulties that were soon overcome, the remaining people lacked the necessary «moral standing» to be in power; some were suspected of being involved in corruption schemes. Even though the coalition protested that there were no pending cases in court or under judicial investigation, the president stood by his decision. In taking this stand, Lu-Olo had on his side the precedents set earlier both by Ramos-Horta and Taur Matan Ruak – now the appointed prime minister – who, as presidents, had rejected the names of some of the proposed members of the governments which they had sworn in. But he was taking this stance a step further, as it denied the largest party in the coalition its presence in the cabinet

Xanana Gusmão reacted angrily and although he was not among the 12 rejected names, declined to serve in government. Some other CNRT appointees refused to be sworn in. Taur Matan Ruak agreed to substitute two the government members he had originally proposed with others, who were subsequently sworn in. Eighteen months into its term in office, the government had yet to appoint several key members, such as the ministers of finance, health or natural resources. Some hitherto rejected ministers are known to have been appointed as advisors to junior ministers. In this way they play an active role in the formulation of government policies in an unofficial capacity. However, as they do not sit in the cabinet, the CNRT, the largest party in the coalition, has a very small representation.

In retaliation for the president's refusal to accept those ministers, the parliamentary majority has systematically denied Lu-Olo official permission to travel abroad, arguing that the country is unstable and requires his constant presence. The President, for his part, delayed approval of the special budget for 2018 and also for 2019, which he first vetoed (January 2019), and then promulgated after it was modified in the House. Also, in 2018, he vetoed a set of amendments to the oil operations law focused on financing the purchase of two holdings in the Greater Sunrise field consortium. Those amendments aimed at favouring the state's exploitation of the Timor Sea wealth, and, in vetoing them, Lu-Olo openly contradicting one of the key principles of the government's new economic policy.³⁷ Parliament voted a second time on this bill, forcing the President to enact it against his will. Lu-Olo also withheld the appointment of a significant number of ambassadors proposed by the government. The tug-of-war is set to continue.

In any semi-presidential regimes the risk of conflict between a president and a prime minister representing different political forces is high, as shown by the well-known experience of France and many other countries having adopted this system. Each one of those political figures sits on a direct electoral legitimacy that sustains their claims to a fair share of

37. 'President of Timor-Leste vetoes changes to the oil operation laws', *Macaohub*, 12 December 2018.

power. In Timor-Leste, the conflict between President Lo-Olo and Prime Minister Taur Matan Ruak merely confirms this rule. However, it is worth stressing that the danger of institutional conflict between the president and the prime minister had been avoided before the Lu-Olo's election in 2017, when the supreme office of the state had been held by personalities who had shown themselves able to act *super partes*.

4.2. Economic decline

The East Timorese economy is dominated by two major factors: the income accruing to the government from the exploitation of natural resources in the Timor Sea, and public spending. According to Charlie Scheiner, of the NGO La'o Hamutuk, well over three-quarters of the country's GDP derives from oil and gas, placing the country among the world's leading nations in oil-dependency – after South Sudan, Libya and, maybe, Equatorial Guinea.³⁸

For this reason, the continuation of oil and gas exploitation is of paramount importance to the country's economy. Oil extraction peaked a few years ago and has since been in slow decline – although the impact of this decrease appears to have been mitigated by the rise in world market prices. The largest field under exploitation – Bayu-Undan – is expected to be exhausted by 2022. This situation calls for decisive action. The Petroleum Fund reached US\$ 17.69 billion at the end of 2019. The government's withdrawals to finance the state budget have been in excess of the estimated sustained revenue, so the growth of the fund is slower than that anticipated at the time of its inception.³⁹

Apart from the revenues from mineral resources, the economy is also highly dependent on public spending. The political instability referred to above had a very detrimental effect on economic activity, as the positive economic atmosphere that marked the preceding years gave way to a period of slowdown and even contraction of production.

Figures for economic performance in 2017 and 2018 are disputed. As for 2017, the Asia Development Bank estimated that GDP decreased by 5.3%; the International Monetary Fund calculated a fall by 4.6%; and the World Bank pointed to negative growth in the order of 1.8%. The government, in its presentation of the 2018 budget recognized that in 2017 the non-oil sector had fallen by 5.3%. In general, all agree that the contraction of the Timorese economy was driven by a reversal trend in governmental

38. Charles Scheiner, 'Consequences of Timor-Leste's Dependency on Oil and Gas', Paper presented at the workshop Timor-Leste: Development Issues and International Relations, Flinders University, Adelaide, 19-20 April 2016 (www.laohamutuk.org/econ/briefing).

39. 'Fundo Petrolífero timorense valia 15,96 mil ME no final de dezembro', *Porto Canal com Lusa*, 3 February 2020.

spending. However, the Central Bank of Timor-Leste disputes those figures and estimates that the country witnessed a positive growth of circa 3% (although it is not clear if the oil sector is included in the overall figure).⁴⁰

As for 2018, in spite of early projections of a moderate growth, the continued political instability meant the contraction of the East Timorese economy was telling. The World Bank estimated it to be -8.0.⁴¹ This figure converges with other evidence which points to a high number of enterprises declaring the suspension of activity for fiscal purposes (about one thousand of them), or a sharp fall in the number of containers that passed through the port of Dili. Late in 2019, the World Bank suggested that this contraction of the East Timorese economy in 2017-2018 had provoked a loss of US\$ 350 million in potential output.

The year 2019 seems to have been fairer. Estimates by the World Bank suggest a return to positive growth, albeit on a modest scale (about 2% for the GDP per capita). Recovery in public spending (even though this may have been less significant than the budget allowed) is regarded as the key factor. This analysis places great significance on the political situation, because, as already noted, continued instability will prevent a more robust economic performance.

In any case, it is evident that the political instability that engulfed the country in the wake of the electoral cycle of 2017 has had serious impact on the country's economic performance. This has substantially declined, as shown by negative growth figures – something that had never happened after independence. It has put in relief the fact that Timor-Leste's economic structure is still fragile and susceptible to fluctuate according to political events.

4.3. The diplomatic agreement with Australia over maritime borders

On 6 March 2018 at the headquarters of the United Nations in New York, and in the presence of UN Secretary General António Guterres (who had been the prime minister of Portugal at the time of the 5 May 1999 agreements which paved the way for the referendum and the independence of then Portuguese Timor), representatives of Timor-Leste and Australia signed a Memorandum of Understanding regarding the maritime borders in the Timor Sea. This protocol brought the East Timorese authorities' long quest, aimed at overcoming the agreement signed in 2006, to an end. The 2006 agreement stipulated a moratorium of 50 years before the final set-

40. Asian Development Bank, *Asian Development Outlook 2018 Update*; International Monetary Fund, *World Economic Outlook (2018)*; World Bank, 'March 2018 Timor-Leste Economic Report: Lower Public Spending Leads to Slower Growth'; 'Banco Central projeta crescimento negativo de 3% da economia timorense em 2018', *Global Media Group*, 16 October 2018.

41. The World Bank, *World Development Indicators 2018*.

ting of the Timor-Australia border in the Timor Sea, and offered a 50% share of the natural resources in the disputed area to each country. Xanana Gusmão had set in motion the attempt to arrive at a more equitable final solution of the Timor Sea dispute under the aegis of the United Nations and on the basis of the U.N. Convention on the Law of the Sea (UNCLOS). In pursuing this objective, Timor-Leste benefited from an international situation characterized by the growing importance of similar issues, in particular the South China Sea dispute. Given the analogy between on the one hand the international and China stands concerning the South China Sea, and the Timor-Leste and Australian stand concerning the Timor Sea, there was widespread international goodwill for Timor-Leste's position. This factor limited Australia's capacity to impose its will on the apparently much weaker neighbouring country.

This Timor Sea question was the first compulsory conciliation process under a multilateral treaty, which accordingly received a great deal of international attention, as it would set the benchmark for future cases. The treaty was ratified by the exchange of diplomatic notes in Dili on the occasion of the 20th anniversary of the self-determination Referendum, in the presence of the Australian Prime Minister and Timor-Leste's high authorities.

The newly ratified treaty was highly relevant for Timor-Leste, as it granted the island nation enhanced access to the wealth of the formerly disputed area. It is estimated that the Greater Sunrise field contains 5.13 trillion cubic feet of liquefied natural gas and 225.9 million barrels of oil. At current 2018 prices, this would generate a total wealth of more than US\$ 65 billion and extend the life of the exploitation of resources in the Timor Sea for another 20 years or more.⁴² There are new ventures exploring the possibility of increasing untapped resources in the Timor-Leste side of the maritime border.

The signing of the treaty did not signify the end of the process. Some pending questions remained. Above all, the share of revenues from the exploitation of this rich area was contingent on the decision of where to process the extracted resources. Timor-Leste has been battling for a pipeline bringing oil and gas to its southern shore (in which case, the split of the revenues would be 70/30 in favour of Timor-Leste), whereas Australia was keen on using the facilities already established in Darwin (so much so that Canberra, in exchange for the utilization of the Darwin facilities, was ready to accept a sharing of revenues equal to 80/20 in favour of Dili). In order to reinforce its bargaining position and maximize its benefits, Timor-Leste took the bold decision to buy a substantial part of the shares of the consortium in charge the exploitation of the Timor Sea gas and oil. First, Dili bought US\$ 350 million worth shares from ConocoPhillips – significantly

42. Henning Gloystein & Sonali Paul, 'How Australia-East Timor Treaty unlocks 65 billion gas field', *Reuters*, 7 March 2018.

the company which used to raise more questions regarding the East Timorese goal of processing the Timor Sea products on the country's southern shore. Then Dili went on buying US\$ 300 million worth shares from Shell. The end result of this acquisition strategy is that Timor-Leste, as the owner of 56.56% of the consortium shares, is now in a dominant position in the consortium, and at liberty to determine as it sees fit the way in which the Timor Sea natural resources are to be processed.

Timor-Leste's strategy aimed at developing an industrial cluster associated with oil and gas on national soil has been sustained by a narrative that see the successful completion of this strategy as the achievement of the last stage of self-determination, and the final building bloc in the construction of East Timorese independence.

Curiously, the whole negotiation process has been conducted by Xanana Gusmão, who ceased to be a minister in July 2017, but who was confirmed in the role of key negotiator on Timor-Leste behalf by all major Timorese political stakeholders. This reveals the significant extent of the political power still commanded by this charismatic leader of the Resistance, regardless of the institutional framework within which he performs. It also reveals the high degree of informality which has presided over the functioning of the new state, since the realisation of national independence. A clear example of this informality is the weight that a small group of individuals locally referred to as the *katuas* (lit., the elders) still carries. This group comprises Xanana Gusmão, Mari Alkatiri, José Ramos-Horta, eventually the current president and Lere Anan Timur, the military commander – almost all of them were active in 1974-1975 when the process of self-determination was set in motion. Even though there is no constitutional role for such a group (many of whom sit in the Council of State), it is widely regarded as a group that commands high respect.