

## 5 Statebuilding versus state-formation in East Timor

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### Introduction

East Timor has been the target of two very different, externally-driven statebuilding projects since its erstwhile colonial overlord, Portugal, withdrew in 1975. From 1975–99, it was forcibly integrated into the Republic of Indonesia and sustained efforts were made to transplant the Indonesian developmental state into the territory. From 1999–2004, and arguably thereafter, a series of interventions led by the UN and associated donor agencies and countries have sought to cultivate state structures appropriate for a market democracy modelled along western lines. Neither statebuilding effort proceeded according to plan. Despite bringing enormous resources to bear, external statebuilders have always confronted local societal groups with interests and agendas different to their own, generating struggles over the distribution of state power and resources that inevitably distorted the original statebuilding vision. During the Indonesian occupation, this led to the creation of a rentier state, dominated by the interests of the Indonesian army and Timorese elites, while under the UN, conflicts between Timorese social forces were reflected in the instability and breakdown of externally-imposed state structures.

These outcomes, while in one sense unique and specific to East Timor itself, are in another sense quite typical of the divergence between statebuilding projects and state-formation in practice. States are never neutral in their effects. Like all institutions, they distribute power and resources, and they exhibit a 'strategic selectivity' granting some societal groups better access than others (Jessop 2008). Naturally, therefore, these groups disagree over how the state should be structured. Conflict over the nature and distribution of state power is a normal part of political life and, while it takes different forms across time and space, it shapes the process of state-formation in all societies, not just so-called 'failed' or 'fragile' states (Hameiri 2007). What is specific to post-colonial contexts, however, as the editor of this volume points out, is the context in which state-formation has occurred (cf. Bliesemann de Guevara in this volume). As the East Timorese case illustrates all too well, no society is an island. The strategies,

capacities and resources of societal groups are powerfully conditioned by the economic, geopolitical and ideological contexts of which they are a part. Colonialism, the Cold War, late capitalist development, and (neo) liberal ideological currents have all profoundly influenced state-formation.

The two sections that follow cover the two periods described above. Each briefly outlines the official statebuilding project as conceived by its architects, and the context which gave rise to it. I then describe the most important social forces involved in the practical processes of state-formation and how their interests, strategies and ideologies matched or deviated from those of the forces behind the statebuilding project. I then examine in some depth how the resultant conflicts and compromises over state power produced very different states than those originally intended.

### **Colonial statebuilding: 1975–99**

In 1975, at the height of the Cold War in Southeast Asia, Indonesia invaded and annexed East Timor by force, fearing that it would otherwise become a pro-communist enclave. Over the next 24 years, Indonesian officials sought to legitimise East Timor's incorporation into the Republic of Indonesia by establishing a developmental state in the territory. Despite marshalling considerable resources to this end, they failed. State power was instead dominated by the Indonesian military, due to its crucial role in establishing and maintaining coercive control over the population, and by patrimonial networks through which rural and urban elites were co-opted. Resistance to Indonesian agendas occurred at all levels of Timorese society, and because the state had to rely on Timorese officials to maintain day-to-day rule, this distorted policy implementation in various ways. What emerged as a result of these struggles closely paralleled the situation in Indonesia itself: a rentier state, narrowly socially-based, and highly dependent on external resources and internal coercion to maintain its rule.

The nature of the Indonesian statebuilding project in East Timor was heavily conditioned by the Cold War dynamics that had prompted the initial invasion. The viciously anti-communist Suharto regime, which had seized power in 1965, was confronting serious international and domestic crises by the time Portugal decided to decolonise neighbouring East Timor. Internationally, in 1975 Indochina fell to communism and there was a dramatic upswing in communist insurgency in neighbouring countries. Domestically, the regime faced its worst social unrest since coming to power, as students – apparently backed by some leading generals – protested against authoritarian rule and state corruption in response to the spectacular bankruptcy of the state oil company (Anderson 1995: 138–41). Given this context, Indonesian military intelligence worried that an independent East Timor could become a regional 'Cuba', a base for leftists and separatists to subvert Suharto's 'New Order' (Singh 1996: 23–102). These fears were only heightened by the emergence of the Frente Revolu-

cionária de Timor-Leste Independente (FRETILIN) – a left-wing movement explicitly modelled on Mozambique's FRELIMO – as Timor's leading pro-independence party. Led by teachers, low-ranking Timorese officials, students, and veterans of revolutionary movements in other Portuguese colonies, FRETILIN promised radical post-independence reforms to Timor's society and economy.

Jakarta tried in vain to cultivate support for the territory's integration into Indonesia through the Associação Popular Democrática Timorense (APODETI), a party based around the *liurai* (chief) of Atsabe and his patronage network. Indonesia also tried to work with FRETILIN's moderate rivals in the União Democrática Timorense (UDT), led by conservative, pro-Portuguese elites, including village chiefs, plantation owners and senior Timorese colonial administrators alarmed by FRETILIN's agenda. However, in August 1975, UDT tried to safeguard Timor's future independence by forcibly seizing power in the colony and seeking to expel all leftists from the territory. FRETILIN struck back, recruiting the predominantly Timorese colonial garrison to its cause, and quickly triumphed over UDT in a brief civil war. Indonesia was therefore forced to invade East Timor in order to pre-empt the establishment of an independent, leftist state on its border. In April 1976, the territory was formally incorporated as a province of the Republic of Indonesia.

East Timor was thereby annexed into wider processes of statebuilding and state-formation underway within Indonesia itself, the understanding of which is crucial in order to understand what happened next. The Suharto regime had sought to stabilise capitalist social order through a combination of repression, economic development, and an official ideology stressing mass depoliticisation and 'consensual' decision-making (Antlöv 2000). The official goal, formulated by Suharto's team of US-trained Indonesian economists, known as the 'Berkeley Mafia', was to build a technocratic, developmental state modelled on those of East Asia (Robison 1986: 108–9). This statebuilding project was enabled by domestic oil revenues, and aid from anti-communist western states totalling over US\$50 billion over 1967–91 (INFID 2007: 21). These rents provided the regime with resources and wide latitude for coalition-making, co-optation, intimidation and outright oppression. However, this did not result in the smooth implementation of the technocrats' vision. They were confronted by more powerful social forces determined to mould state power to suit their own preferences. In order to sustain the support of military and capitalist elites in particular, development spending was used not in an economically rational manner but to cultivate a gigantic patronage network centred on Suharto (Robison 1986). Rapid economic growth was generated, but so too were entrenched patterns of corruption and rent-seeking by politico-bureaucratic officials.

The officials sent to govern East Timor essentially imported the official Indonesian project of a developmental state and the structures and

ideology accompanying it. A formally democratic, but in reality tightly policed, provincial parliament was created. Leftist political parties were banned, rigged elections were held to ensure that the provincial political agenda corresponded to Jakarta's nationalist and developmental goals, and procedural rules entrenched decision-making by 'consensus' to mask social conflict and entrench popular depoliticisation (Budiardjo and Liong 1984: 96–7). Above all, Indonesia's statebuilding project was legitimised using developmentalist ideology. Per capita development spending in East Timor was the highest in the country (Soesastro 1989: 221). New schools were built and Indonesian teachers hired to indoctrinate Timorese youths into the New Order's nationalist-developmental ideology (Budiardjo and Liong 1984: 111; Gunn 1997: 13–15). With World Bank support, model 'guided villages' were established and transmigration from Java sponsored to foster the adoption of modern agricultural techniques (Taylor 1991: 124). This was all sustained by large-scale transfers of central funds from Jakarta, which comprised 93 per cent of the local administration's income (Gunn 1997: 22).

However, as in Indonesia proper, this official technocratic-developmental vision ran up against the interests and strategies of other societal groups whose practices profoundly shaped the real processes of state-formation, particularly the Indonesian military and Timorese elites. Indonesia's acquisition of East Timor was achieved militarily, in the face of fierce resistance from FRETILIN's armed wing, the *Forças Armadas De Libertação Nacional De Timor-Leste* (FALINTIL). 10,000–35,000 Indonesian troops were required to establish and maintain Indonesia's grip over the territory through a series of brutal counter-insurgency campaigns. Despite the official rhetoric of harmonious development, therefore, the practical process of state-formation was in fact highly coercive. Having failed to cultivate mass support for Indonesian rule prior to the invasion, the new state apparatus was forced to attempt a 'comprehensive resocialisation' of the territory (Aditjondro 1994: 10). Starved and bombed down from the mountains where they had taken refuge with FRETILIN, the population was herded into new villages like the US's 'strategic hamlets' in Vietnam, while existing villages were physically reorganised to separate FRETILIN from its mass base (Kohen and Taylor 1979: 88–9; Budiardjo and Liong 1984: 76–8, 183–222). State-formation was heavily conditioned by the practical requirements of counter-insurgency, which claimed up to 114,800 lives (CAVR 2005: 44). Naturally, this also undermined the state's developmental goals by disrupting agriculture, causing widespread social upheaval and destroying infrastructure (Soesastro 1989: 210, 222–5; Aditjondro 1994: 41–5; Mubyarto *et al.* 1991: 23).

The military's dominant position in the process of state-formation was reinforced by its control of the local economy. The Indonesian army had long been underfunded, maintaining itself through military-owned businesses and illegal activities. In East Timor, the army seized control of most

significant businesses and plantations, amalgamating them beneath a holding company, PT Denok, which was milked to provide rents to leading generals and finance the occupation. PT Denok also regulated the wider economy by becoming the monopoly exporter of coffee, the territory's major cash crop, forcing Timorese farmers to sell their harvests at deflated prices. The army further reinforced this structural domination by cultivating corrupt relationships with local Indonesian bureaucrats, and by seizing *de facto* control of development spending from the local governor. This enabled the army to appropriate the lion's share of state expenditure through outright embezzlement and by diverting funds to its own businesses (Retbøll 1980: 50; Aditjondro 1994: 57–8; Saldanha 1994: 105–28). The official developmental goals of the state were obviously profoundly undermined by these practices. Coffee production, for example, actually declined under PT Denok's monopolistic shadow, while economic growth generally stagnated and incomes declined through the 1980s (Aditjondro 1994: 44–5; Saldanha 1994: 196).

Although the military clearly occupied a dominant role in state-formation, we also need to consider the agency of local actors. Accounts of Indonesian rule in East Timor typically neglect the role of the local population in constituting state power, implying that the entire population was engaged in resistance and that the military ruled entirely in a vacuum. This is both historically inaccurate and a naïve view of the nature of power. As John Agnew notes:

power is not some thing or potential vested solely in states (or associated political institutions) but the application of agency inherent in all action to achieve social ends ... [consequently] the power of states over populations can be understood as resting largely on power 'from below' ... the territorial state draws its power in capillary fashion from social groups and institutions rather than simply imposing itself on them.

(Agnew 2009: 88–9)

This is true even of highly coercive and imperialist state projects, since the constant requirement for human agency to carry out states' day-to-day functions always requires some degree of cooperation from the 'ruled'. We therefore need to ask how this cooperation was gained in East Timor and how this affected the process of state-formation.

The Timorese were co-opted into the Indonesian state project in various ways and their agency, while heavily constrained by the military's structural domination, nonetheless shaped state-formation processes. To help legitimise an essentially colonial project, the Indonesians required Timorese elites to participate in the local parliament and – uniquely within Indonesia – a local was also appointed as the provincial governor. Anti-FRETILIN elites from APODETI and UDT filled these roles, forming

a local political class. They also helped staff the local bureaucracy, and provided militias drawn from their personal networks to help police the territory. Collaboration with the Indonesian military was often required in order to retain their business interests or to establish new ones (Aditjondro 1994: 57; Pedersen and Arneberg 1999: 38). In rural areas, Indonesia retained the formal district-level administrative structures and the informal system of rule through local chiefs established by Portugal (Ospina and Hohe 2001: 52–60). The Timorese masses were also incorporated into subordinate positions within the state structure, as low-ranking administrators, police officers, militiamen and soldiers. The importance of this enrolment in constituting the local state's coercive power cannot be overstated, despite being systematically overlooked in most accounts of the period. Timorese police and auxiliaries were responsible for a third of conflict-related deaths, over a third of torture cases, and 40 per cent of ill-treatment cases documented by the Commission for Reception, Truth and Reconciliation (CAVR 2005: 44, 59–60, 63, 84, 103).

The Timorese were thus co-opted into the statebuilding project both through enrolment in the *formal* state apparatus, and also through parallel structures depending upon *informal* patronage relationships. The urban and rural elites Indonesia relied upon in both structures were those who could tap existing clientelistic and/or tribal networks to exercise power at the local level. Consequently, state power in East Timor relied primarily not upon visible and official state structures, but on an invisible and unofficial 'web of patron–client relationships comprised of members of the local government, distinguished military [officers], technocrats in charge of firms, influential families, political and traditional leaders and business elites' (Pedersen and Arneberg 1999: 116). Rather than simply being dominated by a foreign power, therefore, many Timorese were active participants in a colonial system of rule. One Timorese intellectual thus wryly observed that 'the worst colonisers of Timor are the Timorese people themselves: *liurai*, *dato* [local chiefs] and then the ... integrationists, militias. Then there are the Portuguese and Indonesians' (Ospina and Hohe 2001: 61).

Timorese elites' formal and informal roles allowed them to influence state-formation processes to some extent. At the centre, while the Timorese political class was severely constrained by the army's *de facto* dominance, some elites were able to exploit their *de jure* positions to struggle against the military. Governor Mario Carrascalão, for example, was able to use his office and the courts to purge a number of egregiously corrupt Indonesian officials in the early 1980s, and establish some control over the development agenda (Saldanha 1994: 122–8). In rural areas, the state's reliance on local chiefs afforded them significant influence. They were able to manipulate local elections to their continued benefit, and their resistance to land reform efforts (coupled, perhaps, with sheer incompetence) undermined the state's official development programmes (Ospina

and Hohe 2001: 54–6; Saldanha 1994: 217; Mubyarto *et al.* 1991: 28–30). Furthermore, FRETILIN had established a 'parallel system of governance' at the local level to mobilise support for the resistance, which was often manned by the same rural elites staffing the formal administrative structures (Ospina and Hohe 2001: 58–9). This helped to keep resistance to the Indonesian state project alive within its very own structures.

These struggles produced state-formation processes which diverged considerably from the official statebuilding project. Rather than a technocratic, developmentalist state capable of integrating the Timorese into a national body politic, what emerged was a highly repressive, deeply corrupt and fairly ramshackle entity, which systematically failed to develop the local economy and thereby cultivate popular legitimacy. By the late 1980s, agricultural and industrial output was actually worse than before the occupation (Soesastro 1989: 210, 214–16). The 150,000 Javanese transmigrants supposedly brought in to improve agriculture were seen locally as monopolising the best land and employment opportunities, leading to serious inter-ethnic tensions (Mubyarto *et al.* 1991: 51–7). Timorese elites increasingly blamed Indonesian soldiers and officials for economic stagnation, and popular resentment at being 'colonised' by government-backed monopolies also grew (Mubyarto *et al.* 1991: 62). This was particularly stark among Timorese youths raised under Indonesian rule: they had been told to expect development and enhanced job prospects, but instead experienced mass unemployment. By the early 1990s, 10,000 disaffected youths had formed a clandestine, urban network linked to the resistance, and protests by unemployed youths frequently erupted into anti-state riots and demonstrations demanding western intervention to liberate East Timor (Saldanha 1994: 146–7; Singh 1996: 145–51; Pinto and Jardine 1997; Carey 2005: 44). The processes of state-formation had thus generated new social contradictions that undermined the state's own foundations.

Renewed social unrest in East Timor eventually combined with changing international dynamics to end Indonesian rule in the territory. With the end of the Cold War, unflinching western support for Suharto was moderated by a new liberal agenda promoting human rights and democratisation. In response to brutal crackdowns on protesting youths in East Timor, some major donor countries suspended aid relations with Indonesia while others pressured Jakarta to make concessions to the opposition. However, Suharto was able to pacify most western states and sustain flows of aid through some relatively superficial personnel and institutional changes, which largely involved replacing the army's domination of the economy with those of the president's own cronies (Taylor 1991: 126–7; Inbaraj 1995: Ch. 5; Singh 1996: 179; Robinson 2001: 238; Aditjondro 1999). In 1997, however, the Asian financial crisis led to a full-blown crisis of Indonesia's rentier state, toppling Suharto from power. In a desperate bid to secure the support of external donors, upon whom the state's

survival now depended, Suharto's successor, President B. J. Habibie, granted East Timor a referendum on regional autonomy or independence. Despite severe intimidation, the population voted overwhelming for independence on 3 September 1999. The Indonesian army and collaborationist Timorese elites and their militias went on a violent rampage, razing the territory as they withdrew, destroying 70 per cent of the infrastructure and precipitating a humanitarian emergency. Within weeks, more foreign troops were on the ground, and the UN-led period of statebuilding was about to begin.

### International statebuilding: 1999–2006

The UN Transitional Administration in East Timor (UNTAET) remains the most ambitious statebuilding project in the organisation's history, having assumed full sovereignty over the territory from 1999 until 2002. Its goal was to construct an efficient, minimalist bureaucracy, democratic political structures, and a market-based economic system. While the project was initially hailed as a great success, by 2006 the Timorese state was again on the verge of collapse. This section explores how international statebuilders' official project corresponded to or contradicted with the interests, ideologies and strategies of Timorese social forces. The post-1999 period was dominated by a struggle for control of state power between two Timorese resistance factions, which profoundly influenced state-formation processes. The resources dispensed by UNTAET and the strategic selectivity of the state structures they sought to impose played into this conflict, empowering some groups while excluding others. Ultimately this exacerbated social tensions, which were expressed directly through the emerging state apparatus.

Let us first outline the official UN statebuilding project. As with other international statebuilding efforts, the project's contours were set by the interests and ideologies of powerful western states, which had become dominant after the Cold War. In contrast to Indonesia's vision of an authoritarian, developmental state, UNTAET's goal for East Timor was to erect state structures consistent with western norms of democratic governance and neoliberal economic orthodoxy. In practice, this involved western technocrats designing and constructing a rational, efficient institutional structure, then engaging in 'capacity-building' to train Timorese bureaucrats to staff the administration (Beauvais 2001; Chopra 2002). UNTAET also sought to facilitate a 'neutral' political environment for multi-party elections, scheduled for 2001. However, the basic contours of state policy were set well in advance of any popular consultation. The influence of neoliberal donor agencies like the World Bank ensured that the state would be limited to a regulatory role in the economy (Anderson 2003). While UNTAET's operating budget was US\$692 million, the future budget for the Timorese state, with a population of over 850,000 and an

annual per capita income of little more than US\$220, was set at just US\$59 million (Beauvais 2001: 1125). This envisaged a dramatic transformation of the state's function, since development spending had been the lifeblood of the patronage systems which had previously constituted state power in the territory. International statebuilders seemed ignorant of this fact, however. Perhaps as a result of the staggering material devastation produced during the 1999 crisis, UNTAET and the World Bank treated East Timor as a *tabula rasa*; they were, claimed the UN Transitional Administrator Sergio Vieira de Mello (1999), 'starting from scratch'.

The reality, of course, was quite different. As Chopra and Hohe (2004: 298) remark, even in post-conflict scenarios, '[t]here is never a vacuum of power on the ground ... traditional structures evolve, social organisation is redefined, and people continue to survive, filling the space; if it ever existed in the first place'. In East Timor, two resistance factions quickly began struggling for power. Tensions between them long predated UNTAET's arrival. In 1984, FRETILIN's armed wing, FALINTIL, led by Xanana Gusmão, separated from FRETILIN following a prolonged dispute over ideology and strategy. Gusmão organised an avowedly non-ideological 'national front', which eventually encompassed the clandestine urban youth network and an alliance of resisters and disillusioned collaborators, the Conselho Nacional da Resistencia Timorese (CNRT). This non-radical alternative to the Marxist-Leninist FRETILIN secured western recognition and support, while FRETILIN leaders abroad – exiled largely in Mozambique – were gradually marginalised, joining the CNRT only late and grudgingly. FRETILIN leaders were also cut off from FALANTIL members who rejected Gusmão's decision and formed their own splinter groups (Shoesmith 2003: 235–41; ICG 2006: 3). When the occupation ended, these various resistance factions began vying to acquire the reins and spoils of power, and this contest would significantly shape state-formation.

Timorese society was also marked by many other struggles over inequalities of wealth and power that would inevitably affect the statebuilding project. Urban and rural elites and their networks had not simply dissolved in 1999. However, they were subject to profound social flux. In rural areas, many people forcibly resettled by the Indonesians tried to return to their ancestral villages, either willingly or because they were expelled by those upon whom they had been foisted. Land disputes within and between villages surfaced; and in this situation of profound flux, younger Timorese began to challenge the authority of the elders formerly backed by Indonesia (Ospina and Hohe 2001: 65–6, 70, 93, 120). In urban areas, this challenge from youths was even stronger, and conflict over land and infrastructure surfaced almost immediately as refugees grabbed what little was left standing (Harrington 2007).

International statebuilders thus arrived not into a vacuum but a complex web of power struggles that would shape state-formation processes. Despite

UNTAET's ideological commitment to building politically neutral state apparatuses, constructing any institution always involves distributing power and resources in a particular way. UNTAET's statebuilding project would thus inevitably include and empower some social groups while excluding and disempowering others. Those who already had some power and control over resources were best poised to exploit the economic opportunities offered by UNTAET. Elite former collaborators used their land and political connections to work as intermediaries for foreign businesses and thereby recover their dominant positions (Aditjondro 2000a). Returning refugees, initially mostly easterners, seized property in the capital, Dili, leasing it to UNTAET at inflated rents. UNTAET's subsequent efforts to regulate property rights recognised many of these seizures, thereby heightening conflicts between the post-1999 occupiers and those with claims to the property under previous legal regimes (Harrington 2007). Others, too, found themselves excluded. UNTAET's largesse was limited by its neoliberal strategy, and by the fact that a mere 5 per cent of its vast budget actually reached the Timorese themselves (La'o Hamutuk 2009). Competition for jobs with UNTAET was consequently so fierce that peacekeepers had to quell two riots at recruitment centres in early 2000 (Beauvais 2001: 1125). Armed gangs quickly emerged in Dili to establish control over major commercial centres, transport routes, and protection and gambling rackets (Scambary 2009: 267). Others protested against the UN, demanding jobs and food (Aditjondro 2000b). Clearly, the distribution of economic resources was a vital issue for the impoverished Timorese population.

UNTAET's emerging state structures also affected the distribution of political power among societal groups, though here the UN had no choice but to work with established power centres and thus see its pristine vision considerably distorted. Despite its liberal goal of creating a neutral environment for free and fair elections, like Indonesia before it, UNTAET was dependent on local actors to actually constitute state power. This overwhelmingly meant the CNRT's networks, which were required to govern the country below the district level, where the UN lacked any presence (Hohe 2002: 579–82). Consequently, the CNRT dominated UNTAET's 'consultative council', which was later elevated into a position of 'co-governance' with the UN wherein CNRT members like FRETILIN's Mari Alkatiri and close Gusmão ally José Ramos-Horta were appointed to 'cabinet' positions (Chopra 2000: 31–3).

The CNRT's domination of the apex of the emerging Timorese state allowed its members to exercise significant control over the distribution of power, offices and resources. Perhaps most importantly, in exchange for providing charismatic leadership to maintain domestic order and prevent the CNRT's disintegration, Xanana Gusmão was permitted to handle the recruitment of East Timor's new armed forces, which he promptly stuffed with his FALINTIL allies (Hood 2006: 148). The police and civil

administration also filled up with Gusmão supporters. Bureaucratic UN procedures designed to prevent such nepotism merely generated further resentment from rival ex-guerrilla groups, as they systematically favoured people with experience (i.e. officials of the occupation era) or education (i.e. elite youths or former exiles) over them (Matsuno 2008: 66).

FRETILIN countered Gusmão's growing monopolisation of state offices by seizing governmental power in the August 2001 elections and seeking to collapse the distinction between their party and the Timorese state. By using its clandestine rural networks to mobilise voters, FRETILIN won 57.4 per cent of the vote and 55 of the constituent assembly's 88 seats (Hohe 2002: 580). FRETILIN then counteracted the Gusmão faction with its own state project. It drafted a constitution centralising power in a strong parliament and creating a weak presidency, correctly anticipating that Gusmão would seek and win the position. FRETILIN also sought to identify itself permanently with state power by adopting FRETILIN's flag and anthem as national symbols, and renaming the army from *Forças de Defesa de Timor-Leste* (FDTL) to *FALINTIL-FDTL* (F-FDTL). To the annoyance of many Indonesian-educated youths, the constitution also made Portuguese the national language.<sup>1</sup> Many scholars considered this bold capture of state power scandalously 'authoritarian' or even 'feudal', despite its accomplishment through formally democratic means (Simonsen 2006; Hohe 2004).

In practice, despite its 'authoritarian' reputation, FRETILIN's government programme was heavily conditioned by the UN statebuilding project and the ideological climate it represented. With the end of the Cold War, international support for FRETILIN's previous, socialist programmes had evaporated. FRETILIN's 1999 party congress had therefore adopted a 'pragmatic' line on economic policy, adjusting itself to the prevailing neoliberal orthodoxy. Its 2001 election campaign appealed less to promises of social transformation, as in the past, than to feelings of nostalgia, relying heavily on clan networks to mobilise voters (Hohe 2002: 580). Once in government, FRETILIN largely followed guidance from the IMF and the World Bank, reflecting the importance of these neoliberal institutions in the UNTAET state project (Rosser 2009: 178).

Any attempts to use the state to promote development and foster popular loyalty to the government were curtailed by donor intervention. For example, FRETILIN's plan to build infrastructure to create local agricultural cooperatives was squelched by the World Bank's flat refusal to fund it, since it 'would inhibit private entrepreneurship' (Anderson 2003: 7). Furthermore, while expenditure on the military and police was capped at 20 and later 25 per cent of the tiny state budget, initially just 1 per cent was allocated to agriculture, which supported over 70 per cent of the population (Burton 2007: 104; Fox 2008: 124). The economic constraints placed on FRETILIN made it extremely difficult to dispense the material benefits required to cultivate loyalty to itself and the state. Its



experience mirrors that of elites elsewhere, who are increasingly finding it difficult to maintain order and stability through patronage networks in an age where globalisation is eroding their control over rents and patronage resources (De Waal 2010). Arguably, however, it also reflected a serious tactical error by FRETILIN. Caroline Hughes (2009) argues persuasively that FRETILIN's uncritical embrace of neoliberalism severely damaged its chances of building popular support through state spending.

FRETILIN's weaknesses led it to seek alliances in its struggle against the Gusmão faction, with significant consequences for state-formation processes. After the 2001 elections, veterans of the ex-FALINTIL splinter groups staged street protests against Gusmão's monopolisation of posts in the armed forces. Seeing an opportunity to widen their support base and weaken Gusmão, FRETILIN appointed the protest leader, Rogerio Lobato, as interior minister. FRETILIN then supported Lobato's bid to build up the police force (PNTL) as a rival power-base to the F-FDTL (Sahin 2007: 265; OHCHR 2006: 19). UNTAET's statebuilding strategy was vital in enabling this. In a vain attempt to ensure that the police were 'politically neutral', UNTAET constructed the police force in total isolation from parliamentary oversight, retaining operational control over the PNTL until 2004, two years after East Timor became independent (Hood 2006). Thus, when it was handed over to Lobato, no accountability mechanisms had been established, and he was able to create new paramilitary units and pack them with his supporters, quickly establishing a 'state ... within a state' (Sahin 2007: 265).

The major cleavages within Timorese society had thus become expressed within the new state apparatuses themselves as different factions came to dominate different parts of the security services. Almost immediately, and particularly as international aid began to decline, competition for power and resources began to occur between the state apparatuses. The police and army quickly began squabbling over their respective roles, while Gusmão's faction complained that donors were spending too much money on the PNTL and not enough on the F-FDTL. The police were also internally divided as Indonesian-era veterans recruited under UNTAET were sidelined (OHCHR 2006: 57–60; see also Goldsmith and Dinnen 2007: 1097–104). Violence between PNTL and F-FDTL members broke out soon after control of the PNTL passed to the government (OHCHR 2006: 53). The processes of state-formation had clearly produced a very different entity than that designed by international statebuilders.

Initially, competition over scarce resources was kept within tolerable bounds, but when it became superficially mapped onto a regional east-west divide, the situation deteriorated rapidly. East Timorese have long held mild prejudices about 'westerners' and 'easterners', with the former being characterised as placid peacemakers and the latter as fiery warriors (Aditjondro 1994: 26–7). This was fairly harmless until the divide was mobilised as part of the post-independence power struggle. It was

plausible to attempt this because, by historical accident, the spoils of independence had accrued along lines which (very crudely) corresponded to this divide. The best F-FDTL posts went to easterners, because FALINTIL was based in the eastern mountains in the 1980s; the best land in Dili was seized by easterners, because they returned more quickly after the 1999 crisis; many PNTL posts went to westerners because Lobato's supporters were based there, and so on. As conflict over resource distribution mounted, some easterners tried to justify their privileges by branding westerners as 'collaborators' with Indonesia. Rather than representing an 'ethnic' conflict, however, as some have argued, the east-west divide was being used as a 'vehicle' to mobilise support and lay claim to scarce resources in an extremely competitive environment (Harrington 2007).

The coalescing of grudges along this east-west line nonetheless helped precipitate the collapse of state institutions in 2006. Early that year, 'western' army personnel claiming to have suffered discrimination launched protests against the government in Dili, apparently winning President Gusmão's support against FRETILIN (ICG 2006: 6–7). Anti-FRETILIN forces converged on this opportunity, including veterans' groups, western-backed opposition parties,<sup>2</sup> and youth gangs linked to opposition elites (Scambary 2009: 272–3). The protests erupted into violence. Reflecting the way the state apparatus was shot through with these wider social conflicts, it rapidly disintegrated. The PNTL and F-FDTL divided into factions supporting their allies beyond the state, joining the violence and attacking each other, with the F-FDTL commander arming 'eastern', and Lobato 'western', civilian groups (OHCHR 2006). Youth gangs seized the opportunity to displace rivals from their properties in Dili, with landlords supplying them with lists of people to evict in some instances (Harrington 2007). The violence spread well beyond the capital, along fault-lines established by rivalries over land and local state patronage (Scambary 2009: 279–80). Unable to re-establish order, the Timorese government was forced to ask international peacekeepers to return to the territory.

These events dealt a severe blow to FRETILIN and have enabled the Gusmão faction gradually to establish a more stable hold over state power. Lobato and FRETILIN Prime Minister Mari Alkatiri were both forced to resign. In the 2007 elections, FRETILIN's support was nearly halved and Gusmão became prime minister at the head of an anti-FRETILIN grand coalition, with his ally José Ramos-Horta succeeding him as president. Although a group of soldiers led by Major Alfredo Reinado remained in rebellion against the government after 2006, they were killed following an unsuccessful attempt on Ramos-Horta's life in 2008 (Kingsbury 2008: 40–1, 47). Thereafter, order has generally been restored. Gusmão has promoted a pro-business, conciliatory ideology and made shrewd use of Timor's oil revenues, which came on-stream after the 2006 crisis, to widen government employment, and, using state resources and contracts, bring NGOs,

gang leaders, disgruntled veterans, business groups, and even the Church into his patronage network (Gusmão 2007; Kingsbury 2008: 10–11; Scambary 2009: 278; Holland 2009). In part, Gusmão has succeeded where FRETILIN failed because, rather than adopting international donors' neoliberal prescriptions wholesale, he has used state spending for explicitly political ends.

State-formation in post-occupation East Timor has thus diverged considerably from the technocratic vision of international statebuilders. State-formation processes were influenced not only by UNTAET and associated agencies, but by the international political economy, neoliberal ideology and the strategies of domestic social forces. UNTAET was forced to work with existing power centres in Timorese society, and the structures it created distributed resources and power very unevenly among societal groups, exacerbating social conflict, which eventually expressed itself through the state apparatus itself. The UN's policies, and the neoliberal ideology of associated donor agencies, made it difficult for any one group to establish hegemony within the emerging state, prolonging the country's political instability. It was not until one force was decisively defeated and another gained access to patronage resources they could use to bind social groups more tightly to the state that relative stability could be created. Order has thereby emerged, but it is not the sort of order that UNTAET intended. By way of illustration, as this chapter was being completed in September 2010, Deputy Prime Minister Mario Carrascalão resigned from office after accusing Gusmão of involvement in a US\$300m corruption scandal, claiming that 'corruption, collusion and nepotism remain rampant' (Jakarta Post 2010).

## Conclusion

As this chapter illustrates, even when international statebuilding projects are backed by tremendous coercive and/or financial resources, state-formation processes often generate states very different to those originally envisaged. This is true not only of contemporary interventions but also more overtly colonial enterprises, highlighting the limitations of statebuilding in general. Understanding these limits involves relativising the position of international statebuilders. They should be seen not as simply attempting to create neutral, bureaucratic structures but, reflecting their embeddedness in particular social, institutional, economic and ideological settings, as attempting to define the distribution of power and resources in the target society. When deployed, these projects will always be confronted by other social forces, whose agendas, ideologies and strategies often diverge considerably from international statebuilders'. Because the constitution of day-to-day state power requires active social cooperation, powerful societal groups will always be involved in practical state-formation processes (cf. also Kurz, and Veit in this volume). As this case shows,

attempts to insulate these processes from domestic influences are fundamentally futile. While externally-imposed structural constraints can shape power struggles in the state being built, they cannot determine their course, let alone expunge them from the state.

How, then, should social forces be incorporated within statebuilding projects, and by whom? Chopra and Hohe (2004) advocate a half-way house whereby international statebuilders try to make themselves more accountable to the domestic populace, but also engage in 'social engineering' to adapt the population's 'traditional' governance structures to the demands of 'modern', liberal-democratic statehood. In a less radical fashion, Andrew Rosser (2009: 172) argues that since state capacities can only develop when dominant socio-political coalitions consent to their emergence, international statebuilders must construct not simply institutions but 'a set of relationships between competing coalitions of interest that enables state capacity to emerge in relation to particular objectives'. As Rosser states, this would require compromises on both sides; western statebuilders would, for instance, have to moderate their neoliberal designs to accommodate statist-developmental projects.

Even were they willing to do this, however, it is highly questionable whether foreign interveners have the capacity or legitimacy to engage in 'social engineering' or to forge socio-political coalitions capable of dominating state power. Even the East Timor case, where internecine power struggles are relatively mild, suggests that intervention may inflame rather than tame social conflict. Conscious attempts to forge stable coalitions in Iraq and Afghanistan have empowered some of the most predatory, violent and retrograde forces, a form of 'social engineering' which recalls the worst Cold War-era interventions. This makes a mockery of the liberal justifications for such intervention, and may be unable even to deliver a limited goal of 'stability' and security.

Moreover, as Alex de Waal points out, coalitions established under conditions of foreign intervention last only as long as that intervention lasts; when external support for particular social groups is withdrawn, 'rival elites will want to renegotiate'. As a result, interveners 'become entrapped. They cannot resolve conflicts and the more they try to do so, the greater the part they play in the dynamics of the [political] marketplace itself, meaning they now can't withdraw' (de Waal 2010). Encouraging ever-deeper 'social engineering' by foreign interveners thus seems like a recipe for perpetual meddling in the affairs of the target society, further deferring any real possibility of self-determination. The cultivation of hegemony fundamentally remains a task for domestic actors. Arguably, international statebuilders should recognise the limits of their power, and withdraw.



## Acknowledgements

This chapter draws on sections of Jones, L. (2010) '(Post-)Colonial State-building and State Failure in East Timor: Bringing Social Conflict Back In', *Conflict, Security and Development*, 10(4): 547–75.

## Notes

- 1 This is often understood as an anachronistic move by FRETILIN leaders who had spent decades exiled in Lusophone ex-colonies. However, 80 of the 88 assembly members supported the policy, and none opposed it, indicating a wide degree of elite consensus. Aside from the practical benefits of integration into an international Lusophone community, and an ideological desire to reject Indonesian as the basis of an independent 'nation-building' project, this can perhaps also be understood as an attempt by a Portuguese-educated generation of elites to ensure their privileged access to the state.
- 2 Anti-FRETILIN parties have been supported by US 'democracy-promotion' institutions (Moxham 2005).

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