

# The La'ó Hamutuk Bulletin

Vol. 3, Nos. 2-3

April 2002

The United States, as the world's only superpower, is active everywhere. In 1975, U.S. permission was given for Indonesia's invasion of East Timor, and the U.S. continued to provide diplomatic and military support for the occupation until 1999. Since then, the U.S. has supported self-determination and independence here, although American strategic and economic interests still guide global U.S. policy.

This *Bulletin* reviews some of the ways the United States is involved in East Timor during the transitional period. More specifically, we examine USAID bilateral aid programs and the role of the U.S. military. An in-depth exploration of East Timor's coffee industry highlights the U.S.-funded NCBA project. Other articles include a report from the World Social Forum in Brazil, an introduction to Popular Education, and brief items on recent events.

## United States Government Aid to East Timor

The United States is one of the largest donors to East Timor. Many of East Timor's NGOs, media, local communities and small businesses have received gifts from the United States Agency for International Development (USAID), the government agency which manages and distributes these grants. This article will discuss where and why the U.S. targets its contributions, how East Timorese recipients are handled differently from international agencies, and how much East Timor's people are helped by this aid.

*La'ó Hamutuk* has asked many donor countries and grant recipients for information in the course of our investigations. USAID gave us extensive documentation of their list of grantees and projects, as well as some reports submitted by grantees. Although they have sometimes been slow, and they didn't give us everything we asked for, USAID provided a lot of information, especially about the OTI-administered grants.

### Why the U.S. gives foreign aid

The United States is the most powerful nation in the world, and one of the richest, but it is stingy when it comes to foreign aid. The United States gives away only 1/1000

of its gross domestic product, the least of the 22 wealthiest nations, and one-fourth of those nations' average, according to the Organization for Economic Cooperation and Development (OECD). Nevertheless, because the U.S. economy is so large, this is around \$10 billion per year, second only to Japan. Much U.S. aid goes to buy goods from the United States and to pay the salaries of American staff and consultants. According to the *Reality of Aid 2000* (Earthscan Publications), 71.6% of U.S. bilateral aid worldwide in 2000 was tied to purchases from the United States.

In 1961, the U.S. Congress established USAID to "promote the foreign, security and general welfare of the United States by assisting peoples of the world in their efforts toward economic development and internal and external security." Although foreign aid can benefit people in recipient countries, it is primarily intended to advance U.S. interests.

The United States portrays itself as a global leader for freedom and democracy. But it also has global economic interests, such as "free trade" which gives multinational corporations and investors unrestricted access to global

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markets and resources. The U.S. uses political, military and economic tools, including foreign aid, to achieve its foreign policy goals.

Since 1999, the U.S. Congress has designated \$25 million per year as foreign aid for East Timor. This is large for the size of this country — around 50 times more per capita than Washington gives Indonesia. But it is miniscule compared with the more than \$1 billion U.S. companies made selling weapons to Indonesia during Indonesia's occupation of East Timor.

The East Timor *Action Network* (ETAN) — a grassroots NGO in the United States — and others have lobbied Congress for a decade to support human and political rights for the people of East Timor. In response, Congress gradually reduced U.S. support for Indonesia's military, and pushed President Clinton to finally support East Timor's self-determination. Another result of this continuing advocacy is a core group of Congresspeople who care about East Timor — and these "Friends of East Timor" have been able, so far, to ensure significant U.S. economic support for East Timor.

### Who gets the money?

The U.S. has different funding priorities in East Timor than other donors. Although the U.S. supports some basic services (including education, health, and infrastructure), their main priorities are export products, elections and governance, justice, media and local development.

Other articles in this *Bulletin* detail the two recipients of the largest U.S. contributions in East Timor. The U.S. Support Group East Timor (USGET), a military presence, is described on page 8. USGET is financed from U.S. Department of Defense (Pentagon) money, separate from the

foreign aid budget. The largest recipient of U.S. foreign aid (\$13 million since 1999) here is the National Cooperative Business Association (NCBA), whose involvement in the coffee industry is discussed on page 12.

The U.S. has made other payments for East Timor. Because it has the world's largest economy, the U.S. is assessed the most dues for UN peacekeeping missions, so it has paid around \$200 million for UNTAET, nearly a quarter of UNTAET's budget. During the emergency situation

in late 1999 and early 2000, the U.S. donated \$36 million in surplus food and other materials as well as tens of millions more through multilateral agencies. The U.S. has allocated \$1 million over the past two years for East Timorese

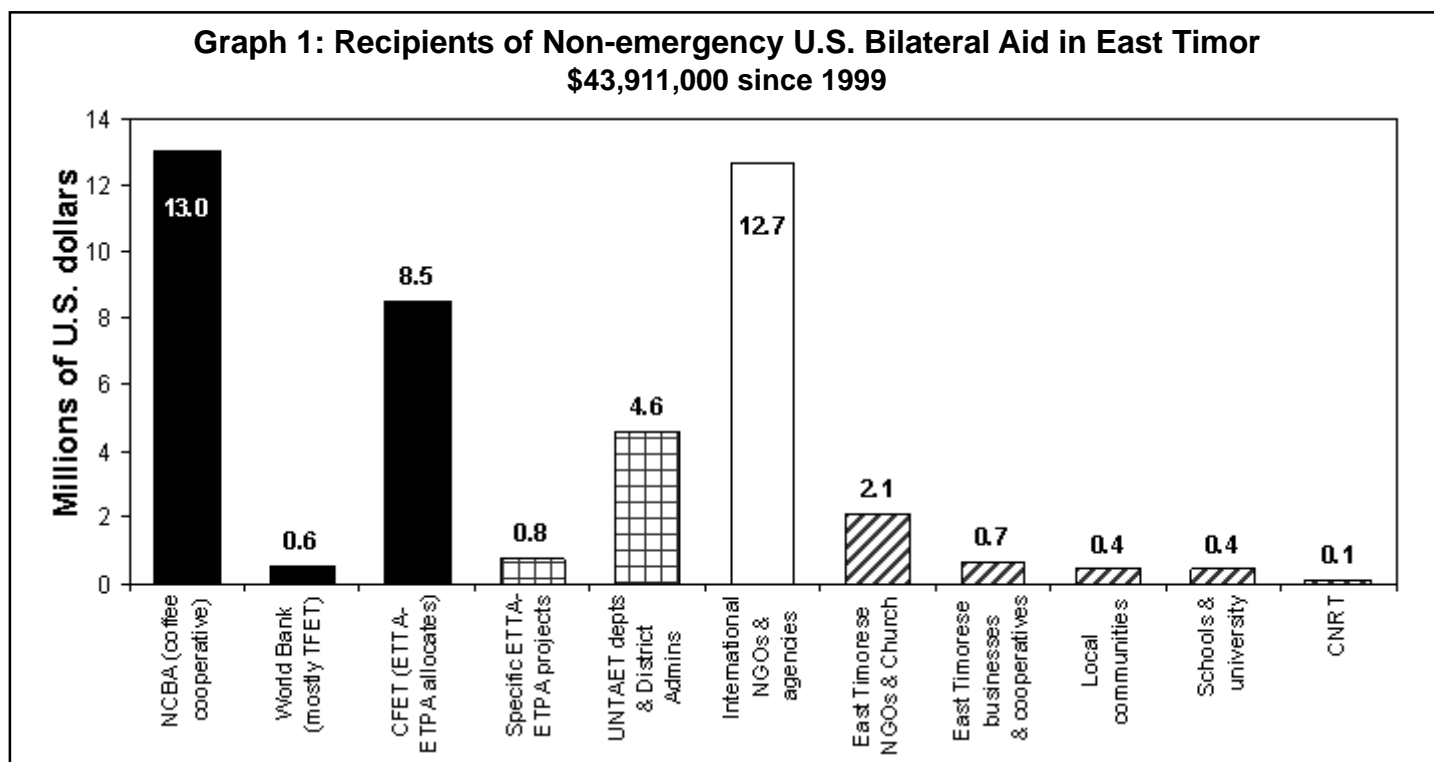
students, diplomats, and others to study in or visit the United States. It also contributed \$8.5 million to the Consolidated Fund for East Timor (CFET), managed by East Timor's government. The remainder of this article describes other U.S. assistance to East Timor, and the funds and amounts listed above (except NCBA and CFET) are not included in Graph 1 below.

The graph shows the total amount received by each type of organization from USAID since September 1999. The three black bars on the left represent contributions to NCBA, the Trust Fund for East Timor (TFET, managed by the World Bank) and the Consolidated Fund for East Timor. (For more on these funds, see *La'o Hamutuk Bulletin* Vol. 3, No.1.) These three contributions are not discussed further in this article.

The next two (cross-hatched) bars represent targeted donations to particular government departments or programs. The next (white) bar, \$12.7 million to international non-governmental organizations (INGOs) and agencies is

Although *La'o Hamutuk* receives grants from foundations and some small countries' governments, we do not accept support from the United States government or any other institution (UN, major donors, World Bank, etc.) with significant involvement in East Timor. If we did, our ability to monitor their activities objectively could be compromised.

**Graph 1: Recipients of Non-emergency U.S. Bilateral Aid in East Timor**  
\$43,911,000 since 1999



**Table 1: International NGOs and agencies receiving over \$250,000 from USAID**

Grantee	Grants	Total \$	Largest programs
International Organization for Migration (IOM) (composed of governments, not an NGO)	7	\$2,584,944	Ex-FALINTIL reinsertion (FRAP); Local community projects (BELE)
Internews Network	8	\$1,997,630	Media training (see below)
The Asia Foundation	3	\$1,393,974	Survey of voter knowledge; Train East Timorese election monitors; get-out-the-vote campaign; support for Yayasan HAK and other local and national human rights groups; import experts for the Constituent Assembly
National Democratic Institute (NDI)	2	\$1,131,129	Focus-group studies of citizen knowledge and attitudes; Civic Forum discussions; stimulating public discussion on the role of the military in society.
Family Health International	1	\$1,000,000	HIV/AIDS education (part of global USAID program)
International Foundation for Election Systems (IFES)	2	\$799,997	Train election officials; monitor technical administration of elections. Also train judges and public defenders
International Republican Institute (IRI)	1	\$725,000	Train political parties in election law, monitoring, and "message development"
International Development Law Institute (IDLI)	2	\$706,624	Train judges, prosecutors and public defenders
Coalition for International Justice (CIJ)	3	\$674,963	Support UNTAET Serious Crimes Unit with interpreters, investigators, and public outreach
The Carter Center	2	\$603,959	Election monitoring in the broader political environment
Freedom House	2	\$513,757	Support local human rights organizations
Other INGOs receiving smaller grants	19	\$578,580	
<b>Total for all International NGOs</b>	<b>53</b>	<b>\$12,736,757</b>	

broken down in Table 1. These are almost all cash grants, and the larger projects are discussed later in this article.

A few of the organizations listed (especially The Asia Foundation and Freedom House) sub-grant to East Timorese NGOs, but most provide services, such as training by international experts, foreign consultants, or educational materials. The two IOM-managed programs are described on pages 4 and 7.

Unfortunately, only a fraction of the dollars granted to international NGOs for work in East Timor stays in the country – most goes to pay foreign staff or consultants (who save or send most of their salaries outside East Timor), or to import equipment and supplies. Neither USAID nor the grantees would give *La'o Hamutuk* information about how much of the money pays East Timorese staff or is spent within this country.

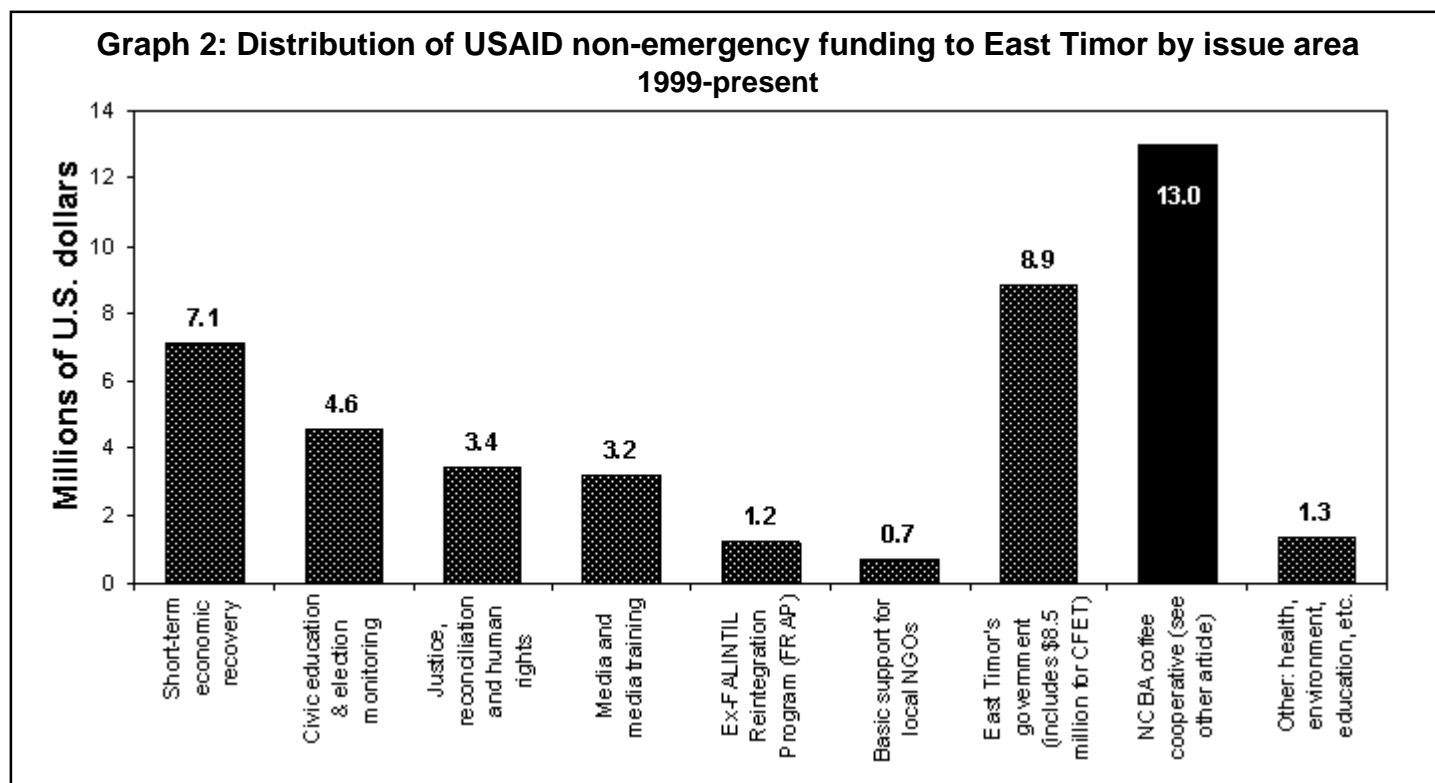
**Table 2: East Timorese groups receiving \$50,000 or more from USAID**

Grantee	Grants	Total \$	Largest programs
<i>Timor Post</i> newspaper	7	\$176,750	General support
Print Consortium	6	\$169,661	Operations; training; maintenance
NGO Forum	8	\$156,588	Internet center; equipment; civic education
RENETIL	5	\$135,827	Office support; civic education
Judicial Systems Monitoring Programme	2	\$131,678	Monitor court system
CNRT	4	\$127,123	Office support; media relations; diplomacy training
University of East Timor	3	\$102,668	Renovate building; transport staff
Yayasan HAK	5	\$101,745	Office repair and construction
BIA Hula Foundation	3	\$100,922	Local clean water systems (BELE)
Salesians of Don Bosco in East Timor	3	\$94,420	Rehabilitation and equipment for agricultural and technical schools
East Timor Action for Development (ETADEP)	3	\$80,673	Re-establish office; Transport for farmers (BELE)
FOKUPERS	4	\$76,724	Re-establish office; publish "Buibere" book in Tetum
<i>Suara Timor Lorosa'e</i> newspaper	4	\$70,402	Equipment, transport, salaries
Probem Foundation	2	\$67,691	Clean water systems (BELE)
<b>Total for those listed above</b>	<b>59</b>	<b>\$1,592,872</b>	
Other East Timorese media	26	\$299,942	Smaller grants to newspapers, magazines, radio
Projects in local communities via local NGOs	99	\$803,411	BELE and TEPS programs (excluding items listed above, INGOs and UNTAET)
Other East Timorese groups (smaller grants)	79	\$1,034,917	Smaller grants for East Timorese NGOs for reconstruction or projects
<b>Total for East Timorese non-governmental recipients (NGOs, businesses, co-ops, schools, communities, Church)</b>	<b>263</b>	<b>\$3,731,142</b>	More than \$1 million went to local communities and cooperatives in small grants for short-term economic recovery (see below)

As Table 1 shows, many of USAID's projects relate to elections, media and the judicial system – areas crucial to democracy. The United States prioritizes these areas for aid worldwide, encouraging political leaders, journalists, activists and attorneys to adopt the U.S. view of the demo-

cratic process, and to feel grateful for U.S. support. The U.S. recognizes these people as among the most influential in any society, especially one emerging into self-government.

These funding priorities are also reflected in the \$3.7 million in support USAID has given to East Timorese NGOs,



media, cooperatives, businesses and communities. Those who got the most are listed in Table 2. In contrast with the cash grants to large international organizations, nearly all of these grants are in-kind. That is, USAID purchases computers, trucks, motorcycles, tools, office supplies, construction or other materials to help the recipient carry out the purposes of the grant. In exceptional cases, cash can be given for specific expenses (such as monthly salaries or consultants' fees). USAID says that small and local groups have not demonstrated the financial management capacity required by the U.S. government, and that in-kind support frees grantees from burdensome paperwork and procedures. However, it also creates the perception that USAID doesn't trust East Timorese recipients to handle money.

USAID has prioritized several sectors in East Timor, which

are shown in Graph 2 and discussed in more detail below.

### Short-term Economic Recovery \$7,100,000

USAID has funded several programs for local employment and small-scale infrastructure repair, thereby stabilizing local communities following the devastation of 1999. These programs began in early 2000 and will end in May 2002. Most of the individual projects are small, such as reconstructing one building; repairing a road; constructing water supply, a sports facility or irrigation for one village; or material support for a local cooperative or business. Although in a few earlier programs local workers were paid, the later model was for the administering agency (see below) to identify a local community leader or organization, ask them what project their community needed, and supply

**Table 3: Economic recovery programs for community-based projects**

Program name	Administering agency	Dollars	Where	When	Description
Transitional Employment Program (TEP)	Mostly through UNTAET District Administrations	\$4,493,000	All districts	Jan - Aug 2000	Salaries, tools, equipment and supplies for initial phase of community cleanup, building demolition, sports, road and drainage projects.
Transitional Engagement for Population Support (TEPS II)	Two-thirds through UNTAET District Administrations, rest through local organizations	\$663,000	All districts	Sep 00 - Mar 2001	In-kind support for small projects, such as market rehabilitation using community-supplied labor.
Building Empowerment, Leadership and Engagement (BELE)	USAID through community-based organizations	\$887,000	Manatuto, Baucau, Ainaro, Manufahi, Bobonaro, Liquiça	Apr 01 - Jan 2002	Community selects project, USAID works through local group to give in-kind support (no salaries) for small-scale agriculture, roads, water systems, community buildings, sports facilities or in-kind support for cooperatives.
BELE through IOM	IOM through community-based organizations	\$1,093,000	Seven districts not listed above	Sep 01 - May 02	Community-selected projects like USAID BELE (previous row), using IOM's sub-offices to manage and procure materials.

tools and materials if the community would provide volunteer labor. The projects were chosen and done quickly, without a lot of administrative overhead or review, with a goal of rapid response to identified local needs.

Nearly all of these projects were implemented as part of larger programs, described in Table 3. In addition to the programs in Table 3, USAID directly funded 21 similar projects totaling \$326,000, mostly through local NGOs, and granted \$250,000 to IOM's Community Assistance for Population Stabilization (CAPS) program. (The numbers in Table 3 were provided as totals by USAID, and differ from more detailed data that forms the basis of the rest of this article.)

*La'o Hamutuk* has not reviewed these programs at the district or community level. But according to internal evaluations given to us by USAID, the programs were successful in rapidly bringing money, materials and jobs (TEP and TEPS) to communities, often restoring important local services. But the haste with which these programs were undertaken and the chaotic condition of local infrastructure and society after 1999 sometimes led to waste or unfinished projects. At times the goal seemed to be to spend money as quickly as possible – IOM's mid-term BELE report discusses "an average burn rate of \$59,199 per month." (The phrase "burn rate" normally describes how fast rocket fuel is used up.) Since the program only lasts eight months, it does not include follow-up to see if the project succeeded and the money was used effectively. While this has the advantage of rapid response and flexibility, it can distort local community structures or lead to corruption. It is no surprise that USAID's end-of-project review of BELE and TEPS II found that these projects are more likely to succeed if they "consciously build on a partnership with some local supportive organization or institution."

These programs will end before East Timor becomes independent. Although they have met some infrastructure needs in some communities, local water supplies, roads, schools, markets, and community buildings in villages all over East Timor are still unrepaired or inadequate. We hope that East Timor's government, working with donors, will be able to continue the task.

### **Civic education and election monitoring: \$4,562,000**

U.S.-based international NGOs received 93% of this money, with most of the rest (\$227,000) going to East Timorese NGOs. The primary focus has been the Constituent Assembly elections in August 2001 – training political parties and election monitors in the mechanics of the voting process.

Around the world, the United States promotes a view of democracy which emphasizes peoples' ability to cast ballots as the most important factor, and USAID's grants advance that perspective. Much attention is given to electoral laws and the voting-day process, with less focus on substantive issues, politics between elections, or to the ways citizens can communicate with and influence public officials. Civic education for citizens and politicians neglected the principle that the government exists with the consent of the

people, and its purpose is to serve the public interest. Since this is different than East Timor's experience during the last four centuries, this is fundamental to the transition to democracy.

During the August 2001 Constituent Assembly elections, different manuals for election monitors were written and published in several languages by UNDP (not USAID-funded), the Asia Foundation, and the International Republican Institute. All contained the same information, detailing the me-

chanics of the voting process and the role of election observers. While giving redundant attention to monitoring, USAID and other international donors paid little attention to the decisions members of the Constituent Assembly would make when they write the Constitution, or to explaining to the public or the legislators how political parties would operate in the Constituent Assembly and Parliament. The question of whether a

second election should be held for Parliament, which became a public controversy in early 2002, was not included in civic education, even though it had been mentioned in the March 2001 UNTAET regulation which authorized the Assembly.

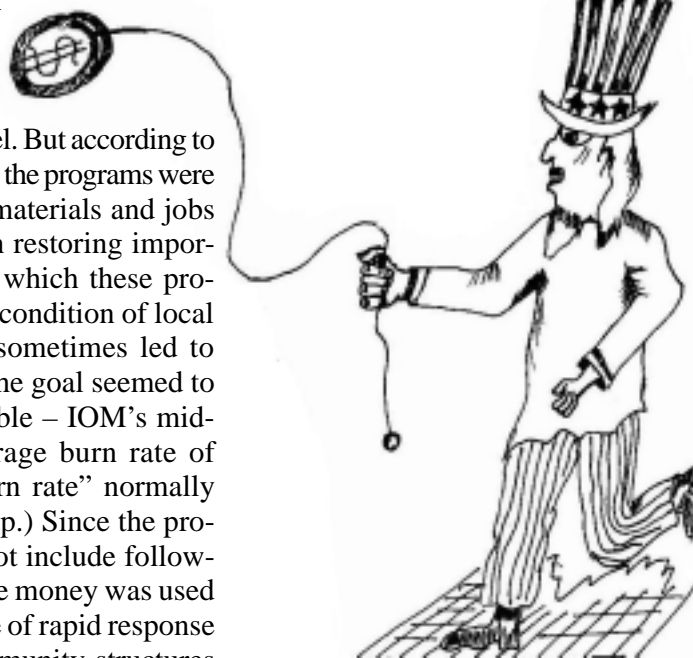
With East Timor's next parliamentary election five years off, it is crucial that East Timor's citizens know and use a range of persuasive and pragmatic powers to help their representatives represent them. People here have had a resistance relationship with foreign-imposed governments for centuries, and it will take education and experience in more than marking a ballot to make this country truly democratic.

The major civic education programs undertaken by each U.S.-based NGO are described as part of Table 1.

### **Justice, reconciliation and human rights: \$3,419,000**

Although the United States government often enabled human rights violations here during the first 23 years of Indonesia's occupation, Washington has prioritized this area for aid. At the same time the U.S. refuses to use its political muscle to encourage effective action by the UN to hold Indonesian military and political leaders (not to mention U.S. officials) accountable for crimes they directed and committed here between 1975 and 1999. UNTAET's Serious Crimes Unit seems to follow the same policy when it comes to prosecuting high-level TNI officers (see *La'o Hamutuk Bulletin* Vol. 2, No. 6-7).

More than two-thirds of this money was given to international NGOs, as included in Table 1. In addition, USAID



directly funds UNTAET, the East Timorese government and local NGOs working for human rights, justice, and reconciliation. Many of them do excellent and important work, and USAID's support soon after the devastation of 1999 got them back on their feet. *La'o Hamutuk* has concerns about dependency on U.S. funding – especially in the under-resourced court system.

- **UNTAET Serious Crimes Unit** - \$296,000 mostly for investigators, translators, and equipment
- **Ministry of Justice** - \$260,000 for equipment support for judges, prosecutors, public defenders and the courts
- **Judicial Systems Monitoring Programme (JSMP)** - \$132,000 to monitor the judicial system
- **Yayasan HAK** - \$75,000, mostly for office construction to support human rights work
- **Commission for Truth, Reception and Reconciliation** - \$67,500 in startup costs
- **Suai and Baucau parishes** - \$67,000 for reconciliation and human rights work
- **Eleven other East Timorese NGOs** - \$179,000 in smaller grants to work on justice, human rights and reconciliation

### **Media and media training: \$3,224,000**

Most of this funding (eight grants totaling \$2 million) has gone to U.S.-based Internews Network, Inc. Internews has trained East Timorese print and radio journalists in many subjects, provided media support during the Constituent Assembly elections (radio program and newspaper inserts), brought in an expert on media law to advise the Constituent Assembly, and is staffing a press office for the Assembly. Although not included in the media total above, the Asia Foundation and other international NGOs also train and support East Timor's media with USAID-supplied resources.

The remaining \$1.2 million has been distributed widely, and provides essential support for the two daily newspapers, nearly every radio station, the Print Consortium and most magazines. USAID supplied more than 1,000 wind-up radios which were distributed throughout the districts by local NGOs, and also purchases bulk copies of most newspapers and magazines to provide financial support and help with distribution, including in West Timor.

Much of USAID's support for local media has been training and equipment. As in any large widely-based program, there have been some problems with the applicability and usefulness of the equipment, and with follow-through from the funder. But overall, USAID support has enabled a variety of groups to publish and broadcast. However, nearly all of East Timor's independent media depend on United States

### **Bureaucracy and profit: OTI and DAI**

U.S. foreign aid programs in East Timor are funded and administered by the United States Agency for International Development (USAID), the division of the State Department which handles such things worldwide. But the bureaucracy is not that simple.

The Office of Transition Initiatives (OTI), a component of USAID's Washington structure, was established in 1994 to handle small grants in a few "priority conflict-prone countries" undergoing political transition. OTI works more quickly and with less bureaucracy than standard USAID procedures, in order to respond to rapidly changing conditions.

Currently, OTI works in Afghanistan, Sierra Leone, Zimbabwe, Serbia, Macedonia, Peru and Indonesia, as well as East Timor, where it has been since 1999. OTI has disbursed about \$14 million of the \$44 million in U.S. bilateral aid shown in Graph 1. It does not fund the three black bars (NCBA, TFET and CFET) or the large grants to international NGOs for "democracy and governance" activities. All direct grants to East Timorese communities and organizations have been through OTI.

East Timor's transition is nearing an end, and OTI will leave after November 2002, transferring its responsibilities to USAID's regional Asia Near East (ANE) Bureau. OTI's pending departure raises concerns that the small USAID grants for local NGOs and communities may be cut back, although USAID "has every intention of ensuring the small grants funding mechanism remains in place after the transition."

USAID has hired an American corporation, Development Alternatives International (DAI), to operate their office in East Timor. DAI calls itself "an international consulting firm that provides economic development solutions to business, government, and civil society worldwide."

Except for a few top officials, everyone in the USAID/OTI Dili office is employed by DAI, which USAID claims can manage personnel and bookkeeping more efficiently than the government. DAI has worked for USAID in Indonesia since November 1998, and in East Timor since February 2000. The contract for East Timor was renegotiated in December 2001 for another year, although ongoing discussions will most likely extend it to the end of 2003. USAID officials hope "the transition [from OTI to ANE] will be relatively seamless," but it could affect their ability to process small grants quickly.

DAI is a for-profit business. Their financial information is secret, but *La'o Hamutuk* has learned their approximate costs and the profit they receive here, which is 2% of every grant they administer plus 7% of their operational costs. This could be an incentive to maximize their operational costs, reducing the amount available for grants. During their 1999-2001 East Timor contract, DAI managed 386 grants totaling \$9,300,000. They spent \$4,200,000 on operational costs, and made a profit of about \$500,000. In other words, about one-third of the money given to OTI for foreign aid in East Timor paid for DAI's costs and profit.

government support, a situation that endangers their ability to provide unbiased news coverage, especially where U.S. interests are involved. Few if any of them will survive financially without U.S. government funding unless other sources materialize.

Over the next few months, the government media (TVTL, Radio UNTAET and *Tais Timor* newspaper) will close or change radically, with TV and radio responsibility being transferred from the UN to the East Timorese government (which has no budget for this), probably with Portuguese government support. Like *La'õ Hamutuk*, USAID "is very concerned about the sustainability" and continuing independence of the media they have supported, especially Radio UNTAET.

### **Falintil Re-insertion Assistance Program (FRAP) \$1,219,000**

International Organization for Migration (IOM) administers this project, which is funded by USAID, the World Bank and Japan. FRAP helps FALINTIL veterans who were not selected for East Timor's Defense Force (FDTL) reintegrate into their families and communities. IOM worked in coordination with the FALINTIL High Command, USAID, UNTAET, the World Bank and the Office of Defense Force Development to conduct the program, which began with a survey of 1,896 FALINTIL veterans in December 2000. Some FALINTIL veterans were selected as soldiers for the FDTL in February 2001. Of those who were not, 1,283 registered with FRAP to receive benefits.

The FRAP program included a "Transitional Safety Net" of five monthly payments of \$100 each, from March to July 2001, totaling \$623,000. FRAP intended that \$200 be used for household investment and \$300 for basic food, clothing and health needs. FRAP also offered counseling and vocational training, trying to help veterans prepare for economic self-sufficiency.

For veterans with income-generating plans, FRAP provides start-up funding, livestock, tools or other support to get their businesses started, a package value of up to \$572 per veteran. This part of the program, budgeted at \$632,000, is funded by the World Bank's Post-Conflict Fund and Japan.

### **Other**

In addition to the program areas described above, USAID has provided funds or in-kind support for a wide variety of other projects. These are a few of the more interesting ones:

➤ Twenty grants (\$707,000) to core operations of local NGOs, including \$141,000 to international NGOs supporting local groups. USAID gave \$226,000 worth of in-kind support during 1999 and January 2000 to re-establish the offices of ten key NGOs after "black September." USAID also supports the NGO Forum's Internet center (\$77,000; the Forum received an additional \$58,000 for other projects.). Most of the remainder NGO operational support goes to trainings, conferences, vehicles, computers, etc.

- Eight grants (\$226,000) for rehabilitation of school and university buildings. These are in addition to the BELE/TEPS grants used for similar projects.
- Three grants (\$221,000) to help the East Timor Public Administration define land and maritime borders with Indonesia and Australia
- Three grants (\$64,000) to local NGOs that provide health services
- Two grants (\$62,000) to the ETPA Central Payments Office to facilitate understanding and use of the U.S. dollar as the national currency

### **Conclusion**

USAID has funded a variety of programs in East Timor, including most of our local NGO colleagues who are doing vital and important work. USAID has also helped local communities reconstruct their infrastructure and economy, and grappled with difficult problems like the justice system and the demobilized FALINTIL veterans. If this funding had not been available, East Timor would not have made as much progress as it has since 1999. Although much of the money ended up back in the United States, a significant portion did support the East Timorese population. In a just world, the U.S. would pay East Timor many times this amount for reparations, but this new nation needs all the dollars it can get. At present, cash in hand is more useful than debts.

We worry about dependency and the vulnerability of USAID grantees to shifts in political winds in Washington. Thus far, the "war against terrorism" that followed the September 11 attacks has not significantly affected USAID programs here, and we hope that new U.S. policy priorities will not reduce commitments for East Timor. But USAID is a United States government program, designed above all to "promote the foreign, security and general welfare of the United States." In a country as small and impoverished as East Timor, reliance on such funding leaves the government and civil society open to foreign manipulation. The U.S. has used these tools in the past, and could do so again.

One way the U.S. could support East Timor financially and politically would be to place more trust in the East Timorese people to make funding decisions. To that end, we encourage the United States to increase its donations to operations and services as decided by East Timor's elected government. For the next few years, this government will need a significant increase in foreign donations to avoid going into debt. The United States can and should help provide this money, either directly or through whatever financing mechanism is established. ❖

## USGET and DynCorp, Inc.

Living and working on the Central Maritime Hotel boat, U.S. soldiers stationed in East Timor are arranging for U.S. warships to sail into Dili harbor. But this is not another foreign invasion – at least not one intended to kill and conquer. The United States Support Group East Timor (USGET) provides short-term aid in villages across East Timor.

USGET is not a USAID program. It is a Pentagon project, funded by the U.S. Department of Defense and commanded by the U.S. Pacific Command in Hawaii. Admiral Dennis Blair took over that command in February 1999; since then he has been the strongest U.S. advocate for supporting Indonesia's military.

From February 2000 until the end of 2001, USGET had 15 soldiers based on the Central, reduced to ten for the year 2002 and perhaps longer. These troops, who rotate every three months, prepare for the visits of U.S. warships to East Timor. One or three ships arrive about every six weeks. During their 2-5 day visits, the sailors help local communities. Because their visits are so short, the work is simple: pulling teeth, repairing schools, giving out eyeglasses, distributing medicine. They perform cataract surgery, but anything that can't be finished in a few hours, or requires follow-up, isn't attempted. USGET also does two or three larger projects each year, bringing U.S. sailors for a few months to do construction or engineering on power or water systems.

Humanitarian assistance isn't USGET's main purpose. According to one USGET Commander, they are here to "show the flag" – to demonstrate that the U.S. military supports the successes of the UN and the East Timorese people. U.S. officials won't say openly who they are showing the flag to. They hint that it's for Jakarta – to remind Indonesia that the Pentagon would side with East Timor this time (a shift from 1975-1999). But others think the U.S. troops could be a signal to East Timor not to pursue policies which Washington might find uncomfortable.

According to U.S. military and State Department officials, the U.S. has no plans for a military base on Atauro island, as is often rumored, or anywhere else. They say the U.S. has "no strategic interests" in East Timor. But the rumors persist, and the U.S., as a global power, has strategic interests everywhere. USGET says they stay on the Central for security reasons and to avoid malaria. But should anyone be surprised that the presence of a dozen uniformed American soldiers, sailors and marines, not under UNTAET/PKF command, living and working in high-tech offices on a ship anchored in Dili Harbor, has raised questions?

USGET costs around \$11 million per year, more than the USAID Office of Transition Initiatives budget for grants in East Timor, and it comes from the U.S. military's budget. Most of the money goes to DynCorp Incorporated, a huge Texas-based company which performs services for U.S. and other militaries and governments around the world. DynCorp is responsible for logistical support for USGET – housing, food, security, communications, computers, transportation, mail delivery, electricity, and medical care.

DynCorp employs about 30 people to support USGET's 10 soldiers – nine unarmed East Timorese and three armed American security officers, seven drivers, two medical staff, a computer technician, plus logistics personnel, translators and management. DynCorp billed the Pentagon \$6,020,751

(more than a million dollars per year per soldier) for services for the first half of 2002, and the contract has been extended for the entire year.

This is not the first time the U.S. government brought DynCorp to East Timor. The U.S. Army, in coordination with UNTAET, hired DynCorp to provide heavy-lift helicopter services in November 1999. The State Department pays DynCorp to recruit and administer the 80 U.S. CivPols here. DynCorp organized training for the Timor Lorosa'e Police Service (TLPS) in January 2001 as part of the U.S. Justice Department's worldwide International Criminal Investigative Training and Assistance Program (ICITAP), a training which will be repeated. The U.S. Defense Department will pay DynCorp to provide logistical support for East Timor's Defense Force (FDTL) after independence. But USGET is DynCorp's largest involvement here, and the only continuous presence.

DynCorp is a private company started by the U.S. government in 1946. It employs 23,000 people worldwide to carry out its U.S. government business, often with disastrous effects. We have not heard of similar problems with their presence in East Timor, but their record elsewhere gives cause for concern.

Ecuadorian farmers and Amazonian Indians are suing DynCorp, charging the company with "torture, infanticide and wrongful death" for aerial spraying of highly toxic herbicides along the border of Ecuador and Colombia, South America. The U.S. Army has paid DynCorp \$600 million to spray the chemicals on coca (cocaine) fields as part of its "war against drugs" in Colombia. They sprayed on the Ecuador side of the border. DynCorp is also a proxy for the U.S. military, providing military training and support for the Colombian military and police in their battle against revolutionary guerillas, which helps both governments avoid responsibility. It's a similar tactic to Jakarta's use of militias here to deflect international pressure from TNI during 1999.

In Bosnia, DynCorp employees under contract with the U.S. Air Force have been accused of "engaging in perverse, illegal and inhumane behavior [and] were purchasing illegal weapons, women, forged passports and [participating in] other immoral acts." In a lawsuit filed against the company by ex-employee Ben Johnson, DynCorp workers and supervisors are alleged to have organized child prostitution and sexual slavery with girls as young as 14. According to *Insight* magazine, (14 January 2002), a U.S. Army investigation verified these charges, but no criminal prosecutions resulted, and DynCorp kept its contract. Only a few whistleblowers lost their jobs.

Johnson, who was fired by DynCorp in Bosnia after reporting these actions, says "The Bosnians think we're all trash. It's a shame. When I was there as a soldier they loved us, but DynCorp employees have changed how they think about us. I tried to tell them that this is not how all Americans act, but it's hard to convince them when you see what they're seeing."

Johnson's allegations, as well as those of the Ecuadorian farmers, will have their day in court. But the U.S. government has not brought criminal charges against DynCorp or any DynCorp employees. The U.S. continues to give them nearly two billion dollars in business every year, including more than ten million for work in East Timor. ❖



# Focus on Coffee and East Timor

Coffee has been a major part of East Timor's economy for well over a century. With international prices at an all time low, East Timor's coffee industry faces both global and local challenges. The following articles examine some of these issues, providing a context to take a closer look at the largest and longest-running U.S. government assistance program in East Timor, the NCBA's Cooperativa Café Timor (CCT) project.

## Coffee in the World Economy

For most of the post-World War II era, coffee has been the second most valuable commodity traded internationally after oil. Over the last few years, however, other commodities – such as aluminum and wheat – have emerged as more important in the international economy. In part, this is because of the very low prices currently paid for coffee beans on international markets. Nevertheless, coffee remains extremely important internationally and is a key export for numerous “developing” countries.

More than 90% of coffee production takes place in relatively low-income, developing countries such as East Timor. The biggest producer by far is Brazil, which, together with the next two most important coffee-growing countries (Vietnam and Colombia), is responsible for almost half of all coffee production. East Timor is a very small player in the overall global coffee trade, producing much less than one percent of the international total, but coffee is extremely significant in this

country's economy. It is the most important source of foreign exchange for East Timor (although revenues from oil and natural gas will soon overtake coffee), and it serves as the primary source of income for about one-fourth of the country's population—about 44,000 families. In some countries—such as Burundi, Ethiopia, and Uganda—coffee exports provide more than 50 percent of national income. Worldwide, an estimated 20 million households produce the crop.

According to a report by Oxfam Great Britain, international coffee prices have dropped by half in the last three years, to the lowest level in 30 years. Adjusted for inflation, current coffee prices are the lowest ever.

World coffee sales in 1997 were more than \$43 billion, but the countries that produce the coffee received less than one-third of the total revenue, and individual coffee farmers received much less. Most of the money went to large, transnational companies that control the

international coffee trade and coffee processing and by major coffee retailers such as Starbucks, which buys the majority of East Timor's certified organic coffee.

History, geography, and political power help explain why coffee prices are so low. Coffee production in most parts of the world has its roots in colonialism. Colonial powers saw coffee as a good method for earning profit, while satisfying rapidly growing demand for stimulants in places like Western Europe and the United States. From the beginning,

the majority of benefits from coffee production and sales has gone to the people and companies who dominate the trading and processing of coffee, not to those who actually grow the crop.

It was for such reasons that major coffee-producing countries began to band together in the aftermath of World War II to organize for better prices and a more just distribution of profits. This culminated in the signing of the International Coffee Agreement (ICA) in 1962.



Significantly, the signatories to the ICA included not only most of the coffee-producing countries but also most of the consuming countries.

Through the International Coffee Organization (ICO), the ICA established a regulatory system that set a target price for coffee and assigned export quotas to each producing country. When the price on the international market was greater than the target price, the ICO would relax quotas, allowing countries to export more. And when the market price fell below the target price, the ICO would lower the export quotas. Although there were problems with this system, most analysts agree that it led to stable coffee prices and higher incomes for coffee farmers.

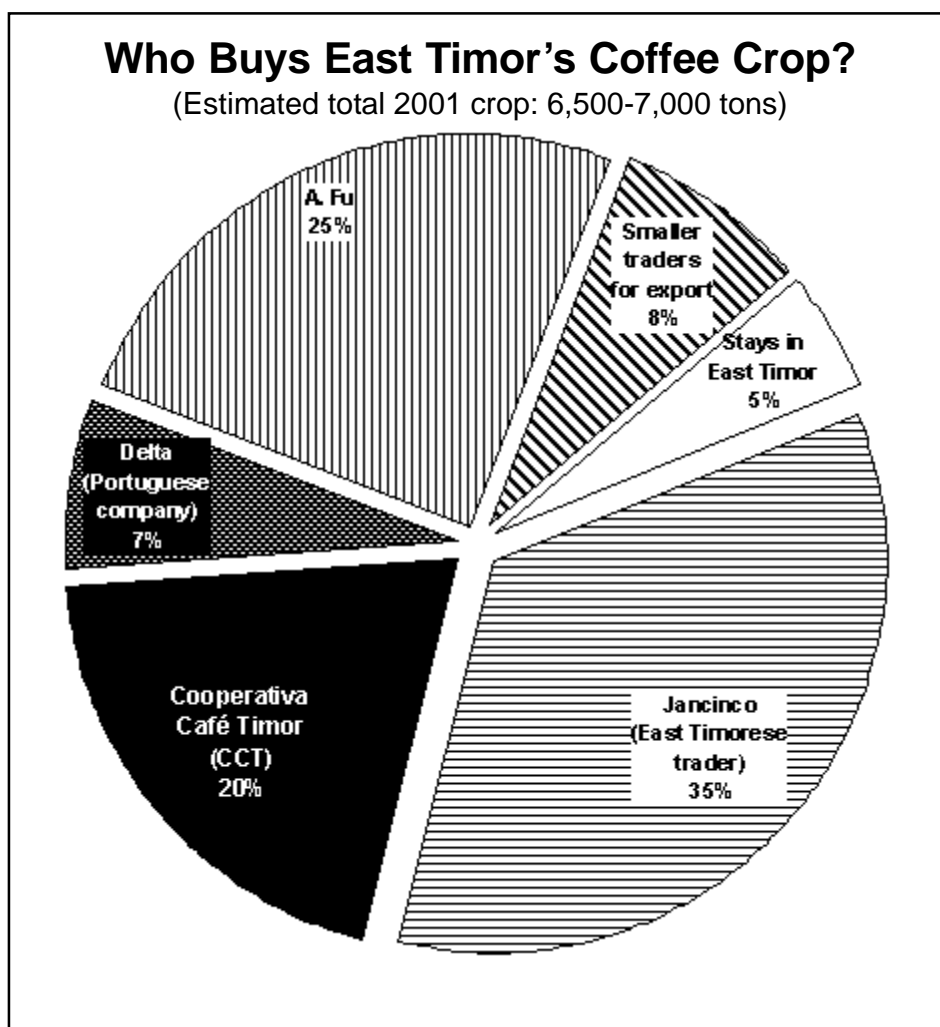
For a variety of reasons, the ICA system fell apart in 1989. These included differences among producing countries over quotas, the growing volume of coffee traded outside the ICA system, and changes within the international coffee market. Also significant were changes in U.S. policy towards Latin America in the 1980s. In Central America, the United States wanted to increase coffee imports from countries whose governments it regarded as friendly to U.S. corporate and military domination—such as El Salvador—and decrease imports from countries regarded as unfriendly to Washington's regional agenda, especially Nicaragua. Coffee export quotas un-

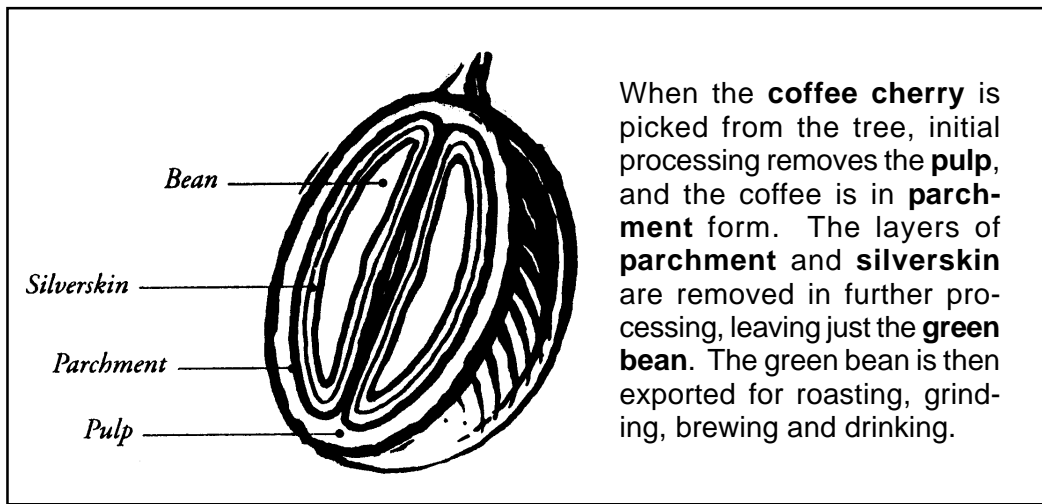
dermined U.S. government interests in this regard.

The breakdown of the ICA system has hurt coffee farmers and producer countries. Prices have become much more unstable and there has been a shift of coffee revenues from farmers and producing countries to traders and retailers. Most consumption of coffee takes place in relatively wealthy, highly industrialized countries such as Germany and the United States. Similarly, the companies that most heavily influence the international trade in coffee are based in these countries.

During the 1970s, coffee growers received an average of 20 percent of total international income from the trade and sale of coffee—a percentage that remained roughly constant through 1989 while the ICA was still in place. During this time, coffee traders and retailers in consuming countries received approximately 55% of total income. Since the breakdown of the ICA system, there has been a dramatic shift in distribution of revenues. By 1994-95, coffee growers were receiving only 13% of total revenues, while consuming countries were receiving 78%. Thus, coffee traders and retailers have become increasingly wealthy as coffee farmers have become increasingly impoverished.

This is the context that East Timorese coffee farmers must deal with. ❖





When the **coffee cherry** is picked from the tree, initial processing removes the **pulp**, and the coffee is in **parchment** form. The layers of **parchment** and **silverskin** are removed in further processing, leaving just the **green bean**. The green bean is then exported for roasting, grinding, brewing and drinking.

## Coffee in East Timor Today

After the 1999 referendum the Indonesian army (TNI) and its militias devastated East Timor's coffee industry by killing and displacing farmers and their families, stealing and destroying most of the coffee crop, and destroying roads, warehouses, and other infrastructure vital to the industry. However, coffee remains the only, although still very small, source of cash income for many farmers' families, and the industry has been rebuilding quickly.

Different factors affect the quality and price of East Timorese coffee, and the crop can be loosely divided into 'high-end' and 'low-end' categories. High-end coffee, about 30% of East Timor's crop, is bought at slightly higher prices and marketed as specialty coffee in developed nations. High-end coffee in East Timor is of the *arabica* variety (80% of East Timor's coffee is *arabica*, and 20% is *robusta*), and is given increased value primarily by having official organic certification and going through a wet-milling process. With the exception of some of the coffee purchased by Delta, CCT buys almost all the high-end coffee in East Timor. Although most of East Timor's coffee could be considered organic, internationally recognized certification requires considerable paperwork and control inspections, making organic certification difficult for smaller groups.

Wet-milling, or "washing," is a time-sensitive operation, in which the coffee beans are separated from the fruit, or pulp, within 24 hours after being picked from the trees, and soaked in water to remove the mucus surrounding the bean before sun-drying the beans. This process significantly increases the quality and the value of the coffee. Wet-milling is also difficult for smaller groups, and with the minor exceptions of a few small, mainly NGO-run projects, CCT is the only producer of wet-milled coffee.

Farmers use more traditional dry-processing methods for most of the rest of East Timor's coffee, sun-drying the cherries directly after they are harvested. The farmers remove the pulp themselves and sell the beans in a

form called parchment for further processing in another country. This coffee makes up the low-end sections of East Timor's coffee industry, being of much lower quality and sold at a lower price.

After the initial wet-milling or dry-processing, the coffee is known as parchment and undergoes further processing. Jancinco and CCT process some coffee in East Timor (USAID requires that all processing be done in the country), but the majority of the crop is sent to Indonesia for further processing (even the coffee that is processed in East Timor is later sent to Indonesia for distribution to the international market). From Indonesia, about 85-90% of East Timorese coffee is further exported, with the lowest quality part of the crop, 10-15%, being consumed by the Indonesian domestic market. One reason for the lack of processing facilities in East Timor is coffee companies' reluctance to employ East Timorese for the production process, citing the current relatively higher wages in East Timor than in neighboring Indonesia. During the transitional period CCT has reduced the number of manual laborers used in their processing facilities, and other companies are expected to minimize the labor employed for any future processing.

During the last harvest, CCT bought red cherries for wet-milling from the farmers at \$.10/kg if collected at the roadside, \$.12/kg if the farmers delivered the cherries to the processing facility. (About five kg of cherries makes one kg of parchment.) Other buyers usually bought dry-processed parchment from the farmers at \$.40-\$.60/kg, and Delta paid up to \$.70/kg for good quality parchment. Many farmers who sell cherries to CCT are reluctant to sell their entire crop. Instead, they process some of the coffee themselves, since the dried parchment can be stored for selling later, with the hope of higher prices in the future. The World Bank recently estimated that an average coffee producing family in East Timor (about six people) has an annual cash income of about \$200, 90% of which comes from coffee. ❖

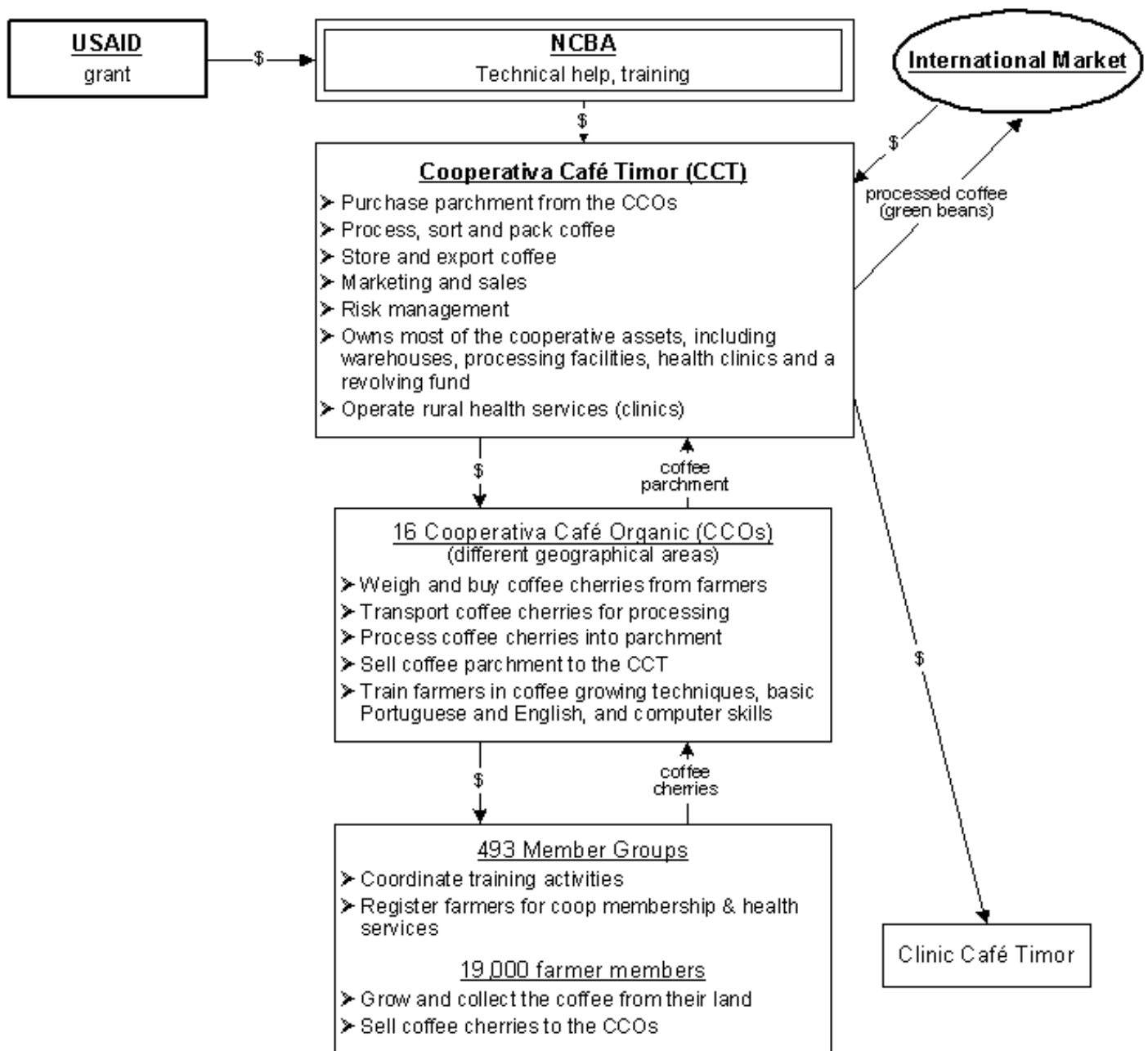
# NCBA's Coffee Project

USAID began supporting the National Cooperative Business Association of the USA (NCBA) in implementing a coffee project in the region in 1994, before most development agencies came to East Timor. Since then, NCBA's coffee project has become the largest private-sector employer in East Timor, the main supplier of health care in rural areas, and one of the most controversial development projects in the country. This article presents an overview of the structure and main activities of the project, and explores some of the issues raised by the project.

NCBA, formerly known as the Cooperative League of the USA (CLUSA), is a trade association of several thousand cooperative businesses in the United States. Cooperative businesses are owned by the employees who work at them, the consumers who utilize them, or, in the case of most agricultural cooperatives, the producers of the goods sold by them. In addition to representing cooperatives' interests in the US, NCBA works around the world, usu-

ally with funding from USAID, to develop business cooperatives in other countries. NCBA began operating in Indonesia in 1977, developing cooperatives in furniture production, vanilla, shrimp farming, and other businesses. In July 1994, USAID gave NCBA a US\$6.8 million grant to the Timor Economic Rehabilitation and Development Project (TERADP). Although the first phase of the project, developing coffee cooperatives, was originally scheduled to end in mid-1999, USAID has extended it until the end of 2002, with the NCBA receiving about \$21 million in grants from USAID for this project from 1994 until now. According to one NCBA publication, the goals of the current project are to:

- Contribute to the rehabilitation of the economy of East Timor
- Improve income levels and living conditions of small-scale farm families
- Employ large numbers of Timorese in viable and sustain-



## Coffee history

Coffee—the *arabica* variety—has its origins in northeast Africa. It is not completely clear when coffee production first began in what is now East Timor. It is thought that the Dutch first introduced the coffee plant to the western half of the island. While there are a few references in reports of travelers and colonial documents to the presence of coffee in Portuguese Timor in the early 1800s, it was not until the 1860s that coffee suddenly came to dominate the colonial economy. According to official records, coffee accounted for only about 7% of the value of total exports from 1858 to 1860. But by 1863-65, it accounted for an amazing 53%.

The Portuguese colonial governor from 1859 to 1869, Afonso de Castro, ordered numerous areas of East Timor to be planted with the coffee plant, imposing a regime of forced cultivation. Working through the *liurai* (local kings), the Portuguese authorities coerced the indigenous population to grow coffee.

The efforts were a success from the perspective of the Portuguese as coffee soon replaced sandalwood as the colony's primary export commodity. During Portuguese colonial rule, coffee's share of total export value was never less than 51.8% after 1862 with the exception of one year (in 1909 when sandalwood exports rose dramatically). In most years, coffee comprised more than three quarters of total exports.

The rise of coffee production was part of an intensified Portuguese effort to "modernize" the East Timorese economy. The worldwide economic depression that began in 1929 combined with World War II interrupted this effort. But in the aftermath of the war, the Portuguese renewed efforts to cultivate coffee.

At the same time, the Portuguese authorities tried to diversify the colony's exports, with limited success. By the mid-1970's, Portuguese Timor's dependence on coffee was greater than ever. At that time, over half of all coffee production was in the hands of East Timorese (*liurais* and peasants), with the rest produced by small Portuguese farmers and a Portuguese company, the SAPT (Sociedade Agricola Patria e Trabalho).

In the aftermath of the Indonesian invasion, the Indonesian military, through a company it owned - P.T. Denok - simply took over the SAPT and its coffee plantations, as well as the larger coffee trade. East Timorese farmers were forced to sell all their coffee through Denok. Because of its monopoly, Denok was able to set prices, ones that were always significantly lower than they would have been had there been other buyers. In effect, coffee farmers were forced to finance the very military that was oppressing them. However, in the mid-1990s, this monopoly began to disintegrate.

able occupations

- Improve the business capacities and business operations of rural enterprises.
- Contribute to the development of a policy environment favorable to small-scale agriculture and to small and medium-scale enterprise
- Reduce time required for transition to a viable economy
- Reduce need for continued external relief assistance

The NCBA has organized small-scale coffee farmers into a national cooperative structure known as the Cooperativa Café Timor (CCT), with the plan to become a self-sustaining, independent East Timorese cooperative business producing high-end coffee for export. Some of the profits are to be used for collective services for the farmers, such as basic skills training and health care. The diagram on the preceding page outlines the system's structure and functions.

In theory, the coffee farmers are the owners of the CCTs, which in turn own the CCT, and should have control over the



activities of the business. However, coffee farmers *La'o Hamutuk* interviewed had no sense of such ownership, not realizing that their relationship with the cooperative should extend beyond selling coffee cherries and receiving basic training and health care. Most observers agree that NCBA officials are the ultimate authorities, with the system working more from the top down than from the bottom up.

USAID plans to end assistance to the NCBA for CCT's coffee buying, producing, marketing and selling activities at the end of

this year. CCT management expects that they will still need NCBA's assistance, especially with the marketing and selling of coffee abroad, and will look for other funding sources to continue NCBA's involvement in the project. But other aspects of the project, such as coffee plant nurseries and the rural health clinics (see below), will continue to receive USAID funding through NCBA. USAID and NCBA are also planning to expand their activities in East Timor with new agricultural cooperative projects, in areas such as rice, corn and

livestock. These projects will probably commence next year, and are currently waiting for formal approval from Washington.

### **Café Timor Health Clinics**

Responding to the lack of basic health care in rural areas, NCBA has set up rural health clinics, known as Clinic Café Timor. According to NCBA officials, one reason the CCT project established the clinics was the assumption that healthy farmers would be more productive workers. So in addition to providing a much needed service to farmers' families, the clinics would increase the cooperatives' profits. Theoretically, the clinics will be self-sustaining, funded by CCT's profits from coffee sales. Those members and their families who sell at least 1000kg of coffee per year to the cooperative will receive free services, while other patients will have to pay fees for each visit. However, since the clinics are currently the only health care available in most areas where they operate, they have been providing services free of charge to all patients regardless of their membership status.

With 8 fully operational clinics and 24 mobile clinics, they are considered to be the largest provider of rural health care in the country, a significant accomplishment. The clinics are coming under increasing strain as they are receiving twice as many patients as before July 2001, which they attribute to most international health NGOs ending or decreasing their activities in East Timor. As USAID grants do not cover all aspects of operating the clinics, NCBA is currently also using their own funds to help maintain the clinics, and premiums from coffee that is sold under "Fair Trade" certification also help pay for the services. It is unclear how long this situation will continue, and the NCBA is working with the Ministry of Health to find a more permanent solution.

### **Insufficient Transparency**

Detailed information about NCBA and their coffee project is very difficult to obtain. In our investigations, *La'ó Hamutuk* often had difficulties setting up appointments with NCBA and CCT officials, and both groups have been unwilling to give clear and accurate information. Others have experienced similar difficulties, and even NCBA and CCT employees have told of their own frustration in trying to obtain precise information. The project's lack of transparency has nurtured the growth of rumors concerning their activities, and little information has been made available to prove or disprove these rumors.

Some of the most common rumors are about corruption in the CCT and NCBA. According to NCBA officials, NCBA regularly carries out internal auditing to prevent corruption within the CCT. As in any country, some small-scale corruption is to be expected when dealing with large amounts of money, and the NCBA is apparently taking steps to combat this. Based on their internal investigations, they have filed twelve separate cases involving corruption, mainly at the lower levels of the cooperative structure, filed in East Timor's emerging legal system. However, these

appear to be minor cases and there is no clear evidence of widespread corruption in the project. But the difficulty in obtaining precise information, and contradictory statements from NCBA and CCT officials makes it impossible for independent groups to disprove these rumors. Continued widespread beliefs of corruption will probably persist unless the project becomes more transparent.

With coffee prices at their lowest point in history, it is not surprising that over the past two years farmers have consistently complained about the prices that the cooperatives have been paying for their coffee. Farmers we interviewed have some understanding that low prices on the international coffee market were affecting the prices they receive from the cooperatives, but they want CCT to provide better explanations of the low prices. They are suspicious of CCT in general, and convinced that corrupt CCO employees are to blame for the low prices. Furthermore, if the low prices continued they do not plan to sell their coffee to CCT in the next harvest. The project has recognized the need to educate farmers about this and other matters concerning the cooperatives.

Given the current international market conditions, it would be extremely difficult for any coffee exporter to run a profitable business paying significantly higher prices than the CCOs. At the same time, however, companies on the other end of the distribution chain, such as Starbucks - a US-based coffee retailer giant and the largest buyer of CCT's coffee - continue to increase profits year after year. Although efforts should continue to help the farmers increase their standard of living, USAID is essentially supporting a project in a coffee market that benefits companies in the developed world much more than the farmers who produce the coffee. Promoting expansion in the coffee sector is promoting further East Timorese dependency on an export commodity that will not provide dependable and sustainable development in the long-term.

In the short time since the 1999 referendum, the NCBA project has worked quickly under difficult conditions. Although it has made mistakes, the project has set up a national structure that has helped the farmers export their crop, and has been generous in providing basic rural health care. Of course, there is still room for improvement. It is encouraging to see that USAID and NCBA are recognizing the need to diversify East Timor's agricultural sector, with their plans to start projects in other products. Future projects must learn from the difficulties encountered during the CCT project. Future cooperatives must have full transparency and real ownership by the farmers, building sustainable and not just export-based businesses in order to truly improve the lives of East Timorese farmers and their families. ❖

# Report from the World Social Forum II

## Porto Alegre, Brazil, 31 Jan – 5 Feb 2002

For the second year, civil society activists from all over the world met at the World Social Forum to discuss alternatives to neo-liberalist globalization. More than 50,000 people from all parts of the world, representing 4909 organizations, joined with 20,000 local participants in Porto Alegre, Brazil, in January and February 2002. Using the slogan “Stop the Tyranny of Neo-Liberal Globalization,” the World Social Forum II created a World Social Network (WSN), a movement that will develop concrete alternatives to neo-liberalism. It will be a stimulant for economic solidarity, cultural and art activities, popular education, as well as access to information and technology. This network will encourage the development of independent international public opinion, via the democratization of communication.

Brazilian committees organized the first World Social Forum in Porto Alegre in January 2001. Together with social movements and NGOs from Porto Alegre and other parts of the world, they explored alternatives to counter strategies and policies made by the capitalist countries. It is a people’s alternative to what takes place at meetings, such as the World Economic Forum, organized by elites from Japan, USA, UK, Germany, Italy, France, and other powerful countries.

The World Social Forum is open to exchange thoughts, democratic ideas, proposals and experiences. It establishes networks for effective actions by civil society to oppose neo-liberalism and the domination of capital and other forms of imperialism, and is linked to the development of a society aimed towards harmony between human beings on this earth.

The World Social Forum opposes totalitarianism and the suppression of opinions, as well as a narrow view of history, and the use of violence as a form of social control. It supports human rights, clear democratic practices, democratic participation, peaceful relationships, and equality and solidarity between people, seen both from a gender perspective, as well as an ethnic and societal perspective, and aims to eliminate all forms of domination and degradation between human beings.

This year, the WSF considered the military aggression against Afghanistan by the United States and several other countries after the terrorist attack of 11 September. The Argentine financial crisis, and the grassroots opposition, also had a strong influence in the discussions at the WSF.

### **The East Timorese Delegation at the WSF**

The delegation from East Timor was able to attend the Forum thanks to a Brazilian NGO, IBASE, and OXFAM Australia. Using the theme “Building a New Nation,” Oxfam sent 10 representatives from East Timorese NGOs to the Forum. Five of them presented papers at the Forum, including:

Igildo Tilman from Centro do Desenvolvimento da Economia Popular (CDEP) presented a paper about Popular Economy. In his economic analysis after the transition period, he predicted that there will be an increase in unemployment after the UNTAET mission ends in May, and food dependency will increase, with the population relying on imported products. He also warned of difficulties in capacity building. Igildo also discussed many other obstacles that will have to be faced after the transition period, without even taking into account strong intervention from the international financial institutions, regarding East Timor government policy.

Joaquim Fonseca of Yayasan HAK, in his paper “Accountability for Crimes against Humanity in East Timor in the Global Political Context,” said that only an international court can answer the demand for justice by the East Timorese people. This is the final solution offered by the East Timorese people to 24 years of the colonization of East Timor by the Suharto regime, during which the people suffered much oppression and violations of human rights. During the current transitional period, UNTAET’s Serious Crimes Unit has not been able to satisfy the demands from victims and their families. The justice system in East Timor is still being run by the UN Security Council, which places hope in the Megawati government in Indonesia to deal with the most serious cases of crimes in East Timor.

Nuno Rodrigues of the Sa’he Institute for Liberation, in his paper titled “Rebuilding A Social Movement Against Neo-Liberalism,” analyzed two phases of destruction of history. The first was the destruction of national liberation politics during the beginning of the resistance period, as national liberation leaders such as Rosa Muki, Mau Lear, Bie Kie Sa’he and Nicolau Lobatu were killed by Indonesian troops, without even receiving a proper burial. The second phase was the destruction of the people’s organizations, when the international community did not initially acknowledge FALINTIL as the liberation army, and the clandestine networks such as NUREP, Caixa, and other national liberation networks were excluded from the transitional government.

Also addressing the Forum was Deometrio Amaral of Fundasaun Haburas with the paper “The Environment in East Timor: Between National Interest and International Politics.” Deometrio argued that we will never be able to gain a clear picture about environmental issues in East Timor if we do not understand the nation’s history. Part of Deometrio’s presentation described two historical periods, Portuguese colonialism and Indonesian annexation, that have caused great damage to the environment in East Timor. Thomas Freitas also gave a paper about the International Financial Institutions in East Timor, which is available on La’o Hamutuk’s website.

As a follow up from the WSF, the ten participants will organize a workshop in Dili in the near future. ❖

# Reviving and Reinventing Popular Education

In January 2002, close to twenty organizations gathered in Dare to discuss popular education and the formation of the new *Dai Popular* - the East Timorese National Network for Popular Educators. The meeting brought together women and men who were part of popular education campaigns in East Timor in 1974-75 (campaigns cut short by the Indonesian invasion and occupation) and younger activists with new energies and insights. After three days of discussion, participants developed a common understanding about what popular education is, what it means for East Timor today, and some concrete plans to move forward collectively.

Brazilian educator Paulo Freire helped to start an international popular education movement through his book *Pedagogy of the Oppressed*. Freire described some of the key principles on which “liberating” or “popular” education is based. In the early 1970s, East Timorese Vicente “Sa’he” Reis met Freire in Portugal and discovered a kindred spirit with a shared vision of “liberation.” Sa’he then brought the term “popular education” to East Timor, and introduced these ideas to the grassroots movements. The brutal Indonesian military occupation systematically destroyed East Timor’s experiments with popular education. Today, these concepts are being revived and put into a new framework for a new East Timor.

Popular education is more than simple methods of teaching and learning – it depends on a political analysis of power and a commitment to equality and democratic process. It is a collective process that seeks to give voice to those who have been silenced, to empower those who have been disempowered, and to bring about liberation, on both personal and societal levels. Liberation grows out of social awareness, community organizing, creative action, self-reliance, the use of local resources and culture, and a persistent commitment to human dignity.

## Reading the World

Popular education starts from the real-life experiences of people in grassroots communities, and openly examines issues of inequality, injustice and oppression. “To read the world” means to see and understand our world, our society, our history, relationships to others, and ourselves. Reading the world requires what Freire refers to as “conscientização” or a deepening awareness of power and oppression, and the ex-

PLICIT naming of who has power and who does not. Too often, the world is defined by those with power for the purpose of maintaining the present social order. Popular education methods push us to critically examine what we are told is “the way things are,” including questioning socialized ideas about gender, race, class, age, sexuality, and beauty. We consider from whose perspective information comes, and start to build

new sources of information, from the perspective of the poorest and most oppressed communities.

## Everyone a Teacher and Learner

Conventional education distinguishes distinct roles of teacher and student: teachers teach and students learn. Conventional models generally view teachers as all-knowing and the students as empty minds which the teacher fills with information and ideas. In this view, there is a flow of in-

formation in one direction only, from the expert (teacher) to the non-expert (student). In contrast, popular education views everyone as both teacher and student. It recognizes that everyone has knowledge and that no one has absolute knowledge. By pulling together everyone’s knowledge, each person’s “expertise”, we are collectively smarter, richer, and able to see a much more real, complete world. We also are able to practice a democratic and liberating process of communal learning from which everyone benefits.

## Practical Action and Reflection

Popular education is about action toward making our world better. Too often, formal conventional education is limited to a schoolroom where textbooks and lectures are the methods, and tests show the end result. In popular education, life itself is the classroom and making our collective lives better is the ultimate aim. Popular education addresses the most pressing aspects of our lives: economics, health, education, culture, religion, and the day-to-day relationships between people. It is practiced through literacy classes, women’s centers, crèches, cooperatives, community radio, cultural groups, and the development of natural health remedies and community gardens. Action, however, must always be balanced with reflection and continuing analysis of the work we do. Through both personal and communal reflection on our work, we are able to improve strategies and move ourselves closer to our broader goals.





## Social Transformation and Movement Building

The overriding goal of popular education is liberation or social transformation. Popular educators commit themselves to the elimination of oppression in forms such as economic exploitation, patriarchy and racism, and to the creation of a world that is more just, equitable and humane. Popular education is necessarily a collective process. Each practical action is part of a broader popular movement towards a more just and liberating world.

Today, popular education is already much more than just an idea in East Timor. In Bucoli, Vicente Sa'he's hometown, there are literacy classes, youth and women's groups, and cooperatives. In Ermera, a youth group is using methods of popular education to organize the communal cultivation of unused land. In Los Palos, a women's group has organized a soap-making cooperative. One community in Liquiça is working to develop more sustainable methods of forest use. In various parts of East Timor, the Secular Institute for Brothers and Sisters in Christ is using the Catholic gospel to examine power relations, and inspire community action and transformation.

At the January meeting in Dare, the organizations making up the *Dai Popular* committed themselves to strengthening the network of organizations and popular educators in East Timor in order to share experiences and ideas and to offer mutual support and guidance. The *Dai Popular* will also build relationships with popular educators in other countries, so that East Timor can participate in this growing international movement.



## **Dai Popular Mission Statement and Strategic Goals**

### **Vision of the Network**

The East Timorese Popular Educators' Network (*Dai Popular*) is a national network formed to support and develop popular education as a tool in the process of democratization and social transformation. We view the principal aim of popular education as eliminating economic and patriarchal exploitation, social and political domination, and cultural dependency. It aims to build a society in which men and women live in equality, with a culture based on self-sufficiency and self-determination. Popular education is not a new practice in East Timor and we are committed to increasing and expanding its practice in forms such as literacy campaigns, cooperatives, crèches, popular health programs, and others social activities based on communities' needs. Popular education is a collective action that must grow from base communities organizing into social, cultural, and religious movements.

### **Objectives**

1. To deepen and develop our understanding about popular education, including its definition, philosophy, methods, and techniques to better implement it in East Timor.
2. To build and strengthen cooperative relationships between organizations which carry out popular education in East Timor.
3. To build and strengthen relationships between organizations in East Timor and organizations in other countries that have the same vision as we do.

## **International Responsibility**

*La'ó Hamutuk* empathizes with the innocent victims of the terrorist attack on New York last 11 September. We also join people worldwide in condemning the violence inflicted in response against the people of Afghanistan, as well as violence perpetrated or supported by the United States and other governments against civilians in Palestine, Iraq and elsewhere. East Timor's long struggle against the Indonesian occupation received support from people of conscience around the world. In this difficult time, we urge people everywhere to take action for justice, peace and human rights in the Middle East and Southwest Asia.

## **Who is La'ó Hamutuk?**

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*La'ó Hamutuk* thanks the government of Finland for supporting this publication.

## In Brief. . .

**More than 50 lawyers and legal scholars urged the United Nations to establish an international tribunal to prosecute crimes committed against the people of East Timor.** Their statement was issued on 31 January, the second anniversary of the U.N. International Commission of Inquiry on East Timor's call for the United Nations to establish an international criminal tribunal for East Timor. Organizers of the effort are still collecting signatures. For more information, contact Anthony DiCaprio (apdicap@aol.com) of the Center for Constitutional Rights or John Miller (fbp@igc.org) of the East Timor *Action Network*.

In mid-February, **East Timor's request for observer status within the Association of South-East Asian Nations (ASEAN) was blocked by the Burma (Myanmar) military regime.** The rest of ASEAN supported East Timor's request. The Burma dictatorship, which took power 40 years ago in a military coup, said that some of East Timor's leaders, especially Foreign Minister José Ramos-Horta, were too close to the Burmese democratic opposition. In the past, Ramos-Horta has supported and received support from fellow Nobel Peace Prize Laureate Aung San Suu Kyi, whose party received 80% voter support in 1990. The military regime refused to accept the election results or conduct further elections, and has kept Ms. Suu Kyi under house arrest or restricted her movements since then. In response to the regime's snub, Mr. Ramos-Horta told them that they "should not worry that we would be unhelpful." He mentioned that he had helped to weaken a Nobel laureates' statement critical of the Burmese regime, which regularly commits gross human rights violations.

La'o Hamutuk comment: *It is important to East Timor's future to have good relations with other countries in the neighborhood. But we believe that those relationships should be with the people of those countries, not with whatever regime is in power. During East Timor's quarter-century of Indonesian occupation, East Timor and José Ramos-Horta struggled alongside pro-democracy leaders from around the world, including Aung San Suu Kyi and Tian Chua (currently imprisoned in Malaysia).*

British Prime Minister Tony Blair told the UN "The treatment of Aung San Suu Kyi by the Burmese regime is a disgrace. I call on the Burmese government to let her go free, and I call on fellow world leaders to back that call." U.S. President George Bush has called her "a tireless champion of human rights and democracy in Burma." We urge Mr. Horta and other East Timorese leaders to remember their principles as East Timor pursues regional solidarity and cooperation.

According to a 15 February article in *The Jakarta Post*, the **Indonesian Minister of Justice and Human Rights, Yusril Ihza Mahendra, pledged, on behalf of the national government, to extend an 6 April 2000 Memorandum of Understanding (MoU) signed with UNTAET.** The MoU obligates the two parties to "afford to each other the widest possible measure of mutual assistance" in areas such as executing arrests, providing relevant documents and records, and

interviewing witnesses and suspects. While Indonesian authorities took advantage of the MoU to question East Timorese witnesses regarding cases Jakarta was investigating, the Indonesian government, for its part, failed to live up to its obligations under the accord. And despite the most recent pledge to respect the accord, Jakarta has refused to comply with UNTAET's request to extradite 17 individuals now in Indonesia. UNTAET issued indictments on 18 February against the Indonesian soldiers and militia members for crimes against humanity.

On 4 March, **over 50 East Timorese human rights activists peacefully protested the arrival of the first Japanese military engineers in the territory.** The demonstrators demanded an apology and reparations for Japan's bloody occupation of East Timor during World War II. Atrocities committed by the Japanese occupation forces—combined with Allied bombing of the territory—led to the deaths of 40,000 of East Timorese civilians. Demonstrators held various signs including ones that said "Go Home Japanese Self-Defense Force," "remember Article 9 of your constitution" and "Japanese troops are same as Indonesian military." Among the protesters were two elderly East Timorese women forced by Japanese troops during the war to be sexual slaves. Around 800 of these former "comfort women" are still alive in East Timor. Some elderly male survivors of the war also attended. According to a spokesman for the Foundation for Compensation of Victims of Colonialism in East Timor, there are 3,450 surviving victims.

On the following day, East Timor's Minister for Foreign Affairs **José Ramos-Horta issued a statement asking the East Timorese people to forget the tragic events of World War II.** Stating that "Japan has been in the forefront of East Timor recovery efforts since 1999" and that "Japan has atoned in many different ways for its past," Ramos-Horta said that East Timor needs the technical assistance that the Japanese soldiers will provide. The Foreign Minister called on people to "celebrate ... greater and more glorious days" that have come and to "focus on the present and build a better, more prosperous and peaceful future."

On 7 March, **Australian officials announced the first specific moves to resume ties with Indonesia's military.** Australia broke most of its military ties with Jakarta immediately after the United States did so on 11 September 1999—one week into Indonesia's scorched earth campaign following the announcement of the result of the UNAMET-run vote. The renewed ties will include cooperation in fighting "terrorism" and talks about joint military exercises. Indonesian military officers will also begin attending the Australian Defence Force Academy next year. Australian Defence Minister Robert Hill called the renewed ties "a good investment for Australia in terms of future defence leaders of this country [Indonesia's] understanding our society. We would like to think it's a good investment for Indonesia as well," he said. According to Hill, the ties do not depend on the Indonesian military's performance in observing human rights.

On 7 March, UNTAET head Sergio Vieira de Mello expressed his disappointment with the decision of an **Indonesian court to sentence a former East Timorese militia member to only six years in prison.** The militia member, Yacobus Bere, is guilty of killing Private Leonard Manning in July 2000. Prosecutors had asked for a 12-year sentence. “We hope there will be an appeal which would result in the full sentence sought by the prosecution,” de Mello said.

La’o Hamutuk comment: *The Transitional Administrator is correct to criticize the inadequate sentence. We urge him to take a similarly strong stance criticizing the fatal flaws in the Indonesian ad-hoc tribunal, which, as it now stands, will only prosecute for crimes committed in the two months of April and September 1999 and only those that took place in three of East Timor’s 13 districts. By not strongly and consistently criticizing the extremely restrictive mandate of the court, and instead focusing their criticisms on technical matters, UNTAET officials have given the court a legitimacy it does not deserve. In doing so, they could undermine the prospects for more serious and far-reaching prosecution of those responsible for war crimes and crimes against humanity in East Timor.*

On 15-16 March 2002, the Australian Council of Trade Unions and the Confederated Union of East Timor (Konfederasi Sindakatu Timor Lorosa’e) held a **seminar on training and work opportunities in Timor Gap oil and gas development.** The seminar was held to raise public awareness of the need to ensure that East Timorese will receive training and employment benefits in oil and gas related work in addition to the expected oil revenues. The two groups proposed the establishment of a cooperative training center funded by a wage scheme where the difference between the Australian and East Timorese wage standard would be paid by the oil companies into a training fund for East Timorese. The proposal envisions that, under such a scheme, East Timorese workers could constitute 90% of the Timor Gap workforce over a planned period of time, correspond-

ing with East Timor’s current rights related to Gap revenues, with Australian workers making up the other 10%.

**Twice as many women die in childbirth in East Timor than in any other country in Southeast Asia and the Western Pacific.** The United Nations Development Program reported this on 8 March, International Women’s Day. According to research conducted by the World Health Organization (WHO), less than 25 percent have ready access to a health facility or a qualified midwife. Currently, there are only 196 midwives in East Timor (out of a total population of approximately 800,000). The WHO believes that efforts to recruit and train midwives must increase significantly to combat the high death rates of women giving birth in East Timor.

At a Dili press conference on 13 March, *La’o Hamutuk* released information about **interference from United Nations Headquarters in New York with the East Timor Revenue Service’s (ETRS) ability to collect taxes from foreign companies** doing business with the UN in East Timor. New York officials have been pressuring UNTAET to overturn an ETRS effort to collect U.S. \$766,000 in back taxes from the owners of the Amos W floating hotel. Although East Timor’s tax law, in effect since June 2000, is clear that such businesses must pay taxes, UN headquarters wants East Timor’s government to ignore the law, and has directed East Timor not to tax UN contractors. The full report is available on *La’o Hamutuk’s* website.

La’o Hamutuk comment: *Much of the economic aid that has come to East Timor since 1999 has gone right out again, to foreign companies and the overseas accounts of international staff. East Timor is desperate for money to cover basic government services, and it should be able to tax any commercial business conducted here. When the independent country negotiates a tax agreement with the United Nations, we hope it can keep this essential source of revenue, which is a large part of the country’s economy.* ❖

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## Editorial: Challenging the Injustice of Coffee *(continued from back page)*

ply and possibly lower prices. Of course, if East Timor falls behind others’ efforts to improve crop quality, farmers could be hurt even harder by lower prices.

“Fair trade” coffee—by which coffee is sold internationally at prices that ensure a minimum and “fair” income for farmers—is one potential option for East Timorese producers. But present international demand for such coffee is less than East Timor’s annual crop and it relies on the consciousness and good will of individual retailers and consumers. In this regard, the potential benefits of “fair trade” for East Timor are rather limited and would probably only help a small number of coffee farmers.

As the article on coffee in the world economy (*page 9*) demonstrates, the route to stable and higher incomes for *all* coffee farmers is through a regulated international market, one that establishes quotas for producer countries and establishes minimum prices. That such a market no longer ex-

ists speaks to the declining power of the “Third World” relative to the countries that dominate the world economically, politically, and militarily—most especially the United States, but also the European Union, Japan, and Australia, who are all buyers of East Timorese coffee. It is also a manifestation of the rising influence of multinational corporations. Given East Timor’s small size and tiny share of world coffee production, this country alone cannot effectively challenge the free market dogma and the unjust trading relations that underlie today’s world economy. But East Timorese civil society and the government, assuming that it has a progressive vision, can join with other governments, coffee farmers and consumers in different parts of the world to challenge the injustice of the international coffee market. Failure to do so will only help to perpetuate the poverty experienced by East Timorese coffee growers, despite the wealth their product helps generate for others. ❖

## Editorial: A Bitter Drink: Challenging the Injustice of Coffee

Coffee, enjoyed by so many drinkers throughout the world, is a crop of poverty for those that grow it, mostly small farmers in the developing world. In East Timor, coffee farming families earn only \$200 per year. Coffee is also a commodity of wealth for coffee traders and retailers who are typically based outside the countries where the crop is produced. But despite the fundamentally unjust nature of the international coffee market—one that consigns small coffee producers, and their countries as a whole, to poverty—the World Bank, the United Nations, USAID, and elements of the East Timorese leadership encourage the expansion of coffee production. Nevertheless, there are several things farmers, local NGOs, and international donors can pursue in East Timor to help improve the fate of coffee producers.

One area of great need is that of education. Coffee farmers generally have a very low level of understanding of how international and regional coffee markets work—largely a legacy of the isolation imposed by the Indonesian occupation, which prevented farmers from organizing themselves. They also have little awareness of how the coffee production process (from raw bean to ground coffee) functions and what choices they have of to whom and where they can sell their beans. Apart from education focusing on coffee-related matters, there is also a great need for general education and training programs in coffee producing regions—especially those aimed at youth—with the goal of diversifying economic activities so that there are other viable means to earn cash income.

Farmers also need alternatives to existing buyers and processors of coffee. In this regard, coffee grower cooperatives need to be encouraged and constructed in a grassroots, participatory manner. These cooperatives need to ensure that farmers participate in as many stages of coffee production and trade as possible, including marketing. With government and/or donor assistance, the cooperatives could help establish communal facilities for processing coffee, thus ensuring higher quality and better prices. These cooperatives will have the added benefit of playing an important educational role among farmers and within their communities.

At the same time, coffee growers need to be able to get their crop to processing facilities and potential buyers more easily. For this reason, the East Timorese government and donors need to improve transportation infrastructure in coffee-growing regions. As in all rural areas, roads are often of poor quality and most farmers do not have access to affordable transportation, thus limiting their marketing options. For such reasons, communally owned forms of transportation need to be encouraged and facilitated and roads must be improved. And because most East Timorese coffee is exported, the East Timorese government should avoid any export taxes on the commodity, while heavily taxing coffee imports.

The government must also clarify the status of the land used by coffee plantations established and maintained by colonial occupiers—the Indonesian military's PT Denok and, prior to that, SAPT, a company mostly owned by the Portu-

guese government. This land can and should be redistributed to individual farmers or to local cooperatives.

Intensified agricultural extension can also help improve the production and incomes of coffee growers. Such extension can take various forms, including educational programs aimed at improved agricultural techniques (more systematic pruning, for example), help for local farmers to gain organic certification of their crop, and the distribution of young coffee trees for free.

While these programs can provide higher prices and greater levels of security for East Timorese farmers, the increase in income will not be nearly enough to escape the coffee poverty trap. The challenges faced by local growers are not unique: low prices for coffee growers are a global problem. And just as East Timorese farmers and various agencies know the need to improve the quality of local coffee, farmers and governments in coffee-producing countries throughout the world are also endeavoring to improve their crop quality. In this regard, improved East Timorese coffee will not necessarily lead to significantly higher incomes for local farmers as one can expect increasing yields of such coffee in other countries as well, thus leading to greater sup-

*(Continued on page 19)*

### What is La'o Hamutuk?

*La'o Hamutuk (Walking Together in English)* is a joint East Timorese-international organization that monitors, analyzes, and reports on the principal international institutions present in Timor Lorosa'e as they relate to the physical, economic, and social reconstruction and development of the country. *La'o Hamutuk* believes that the people of East Timor must be the ultimate decision-makers in the reconstruction/development process and that this process should be democratic and transparent. *La'o Hamutuk* is an independent organization and works to facilitate effective East Timorese participation in the reconstruction and development of the country. In addition, *La'o Hamutuk* works to improve communication between the international community and East Timorese society. *La'o Hamutuk's* East Timorese and international staff have equal responsibilities, and receive equal pay and benefits. Finally, *La'o Hamutuk* is a resource center, providing literature on development models, experiences, and practices, as well as facilitating solidarity links between East Timorese groups and groups abroad with the aim of creating alternative development models.

*In the spirit of encouraging greater transparency, La'o Hamutuk would like you to contact us if you have documents and/or information that should be brought to the attention of the East Timorese people and the international community.*