

# East Timorese government promotes new “free trade zone”

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East Timor last month formally launched a Special Economic Zone (SEZ) project, establishing autonomous free trade areas in parts of the impoverished country. The creation of the zone is the government’s first step towards establishing Timor as a cheap labour platform for transnational corporate investors.

The SEZ covers two areas of East Timor—the western enclave of Oecuse, which lies within the Indonesian territory of West Timor, and Atauro Island, 20 kilometres north of the capital Dili.

Atauro Island, a former prison centre under Portuguese and Indonesian rule that has a population of 8,000, is to be developed as a tourist and casino gambling centre. Oecuse is the focus of the project’s efforts to establish export-oriented manufacturing industries, including textiles, and cash-crop agriculture.

The Oecuse region is Timor’s most isolated and among its poorest. Most of its 60,000 people survive through subsistence farming. Unemployment is more than 50 percent, according to the government’s own figures, and the majority of young people are forced to migrate to Dili and other areas and seek work in the so-called informal sector of the economy, as street vendors, house maids, restaurant staff, and construction, transportation, and warehouse workers. Wages are as low as \$US40 a month.

The government is now promoting Oecuse as a cheap labour, tax-free area for foreign investors, backed by planned multi-billion dollar public investments in pro-business infrastructure. Official documents have modelled the SEZ on free trade zones in countries like Bangladesh and Thailand.

Former Fretilin Prime Minister Mari Alkatiri is president of the “Authority for the Special Administrative Region of Oecuse.” In a speech

delivered last July, he declared that the SEZ was based on a so-called “social market economy.” Alkatiri devoted part of his speech to denouncing “Marxist socialism” and “anti-capitalism [that] ignored that the market was the operative factor of economic development.” Underscoring the pro-business perspective behind the new free trade zone, Alkatiri concluded that what was required was “the expansion of the market to make it more attractive to investment,” adding that “none of this can be achieved with the welfare state.”

Alkatiri has since made clear that the SEZ is merely a pilot project that is to be followed by converting all of East Timor into a free trade zone. “All that I will do is so that Oecuse will be a reference for the whole country,” he told the Portuguese news agency Lusa last month.

Alkatiri is the leader of Fretilin, the main element of the resistance movement against the Indonesian military occupation of Timor between 1975 and 1999. He was elected the state’s first prime minister in 2002, only to be ousted four years later in a regime-change operation orchestrated by the Australian government, after being seen as too close to rival powers China and Portugal. Alkatiri has since joined hands with the prime beneficiary of the 2006 coup, Xanana Gusmão, while Fretilin now has four of its leading members in the ruling coalition led by Gusmão’s CNRT party. (See: “East Timorese prime minister resigns, ‘national unity’ government formed”)

Former bitter rivals within the Timorese ruling elite have come together on the basis of establishing the country as a cheap labour platform. What has emerged is a tragic lesson in the dead-end of bourgeois nationalism and the myth that the creation of an “independent” East Timor could advance the social

interests and democratic rights of the working class and rural poor. In 2002, with the formal adoption of Timorese independence, the *World Socialist Web Site* noted: “‘Independence’ has become synonymous with attracting transnational investment, setting up free trade zones and meeting the dictates of the IMF and World Bank.”

As the unelected head of the SEZ, Alkatiri enjoys sweeping powers in Oecuse. The free trade zone law adopted by the Timorese parliament not only gives Alkatiri the right to create a separate taxation and regulatory system for Oecuse but also throws out the window existing constitutional restrictions on foreign nationals and overseas companies owning Timorese land. This law states: “The state guarantee the right to use and enjoyment of land for development of investment projects... The land is ceded to investors according to their respective needs and terms for duration of contracts, according to each type of economic activity.”

While the free trade zone projects are only now being developed, two SEZ offices have been set up, in Jakarta and Macau, as part of the government’s bid to woo corporate investors. Alkatiri has travelled around the world in the last two years, consulting with World Bank officials in Washington and meeting with potential investors in Singapore, Indonesia, Malaysia, South Korea, Portugal, Cuba, and China. In April last year, he accompanied Gusmão on a week-long tour of China, which included visits to that country’s Special Economic Zones.

According to Alkatiri, he received three investment proposals from Chinese companies that wanted to control the entire SEZ project. These were declined, however, with the government apparently looking to diversify investment in Oecuse. Alkatiri has nevertheless promoted “a banana plantation on an area of 400 hectares that would export to China and another for pineapple production on a 100 hectare plot.”

As outlined in the SEZ’s “master plan,” the first priority is to develop pro-investment infrastructure projects such as roads, bridges, power plant, water irrigation, telecommunications, airport and seaport facilities, and public transport. Total public investment by 2025 is projected at US\$2.75 billion.

Indonesian and other companies are already working on the ground, constructing roads, bridges, irrigation

facilities, and a 20-megawatt power plant. Negotiations are now underway with a Singaporean company to build a 50-room hotel, which should be ready by October.

It remains to be seen whether the government’s grandiose plans of a massive influx of investment ever eventuates. Official SEZ documents notably feature a range of identified risks to the project, including “political and social unrest” in Oecuse and a “global recession or a marked slowing down of growth in key markets such as China, India and the US” that would “greatly impact the feasibility of the [SEZ] initiative.”

The Timorese government is nevertheless pressing ahead, desperate to find some means of avoiding outright state bankruptcy as the massive Greater Sunrise oil and gas reserve remains undeveloped and the Bayu-Undan field, which currently funds more than 90 percent of total state revenue, is expected to run dry within a decade.



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