

# Timor's Oil: Blessing or Curse?

by Guteriano Neves

Oil has different meanings for different societies. For developed societies like the United States, Japan, and Western Europe, oil is like an addictive drug that people only want more and more of. It enables them to go everywhere. It helps them cook and regulate the temperature of their dwellings. Without oil, people in these societies couldn't sustain their way of life. For these reasons, many countries go to war for the sake of securing access to oil.

However, oil has different significance for developing countries whose economies heavily depend on exporting oil and gas. When oil was discovered in their territory, it was their expectation that oil exports would help to boost their domestic economy through creating jobs, improving human resources, developing the non-oil economy, building infrastructure, and funding other social services. But this has rarely come to pass.

Most countries in the global south that depend on oil have discovered that oil comes with disaster, civil war, foreign intervention, human rights violations, authoritarian regimes, environmental degradation, corruption, social inequality, and endemic poverty. Chad, Nigeria, Angola, Ecuador, and Iraq are only a few of the countries to learn this difficult lesson. Peter Maas in his book *Crude: The Violent Twilight of Oil* elegantly put it this way: "one of the ironies of oil-rich countries is that most are not rich,

nisms. High dependency on oil is leading Timor-Leste to what scholars call a rentier economy, in which the state generates its revenues not from taxing its citizens but merely from extracting oil. This in turn undermines the state's relationship with its citizens, and citizens are less likely to demand accountability from their officials.

After the Indonesian military destroyed the country, the Timorese were left in a state of disarray. Around 80% of infrastructure was destroyed, public administration was in collapse, 50% of the population was illiterate, and other social and economic problems proliferated as well. Billions of dollars spent by the international community in the form of foreign aid did not lift up the country's economy.

In this circumstance, Timor-Leste might have initially been considered blessed in discovering a small reserve of oil. If used wisely, this small reserve could boost Timor-Leste's economy. Such a resource could also help non-oil sectors, primarily agriculture, as well as social services such as education and health. TL's Prime Minister Xanana Gusmao summed up these expectations in a 2009 speech, declaring that if TL's petroleum is wisely and transparently managed, "it will allow us, as a sovereign nation, to use our own resources to improve our infrastructure, invest in health and education and grow our economy so that we can build our country and provide a brighter future for our children."

These expectations are not far-fetched, given TL's small population. Nevertheless these dreams are still far away. Timor-Leste is obviously following a familiar pattern in which oil does not lead to economic development. Rather than a blessing, it has increasingly become a curse.

## The petroleum fund's successes

The government of Timor-Leste has tried to a certain extent to ensure that the country would not follow the same pattern as other developing countries. In 2005, TL's legislative body unanimously voted to establish a Petroleum Fund Law. This law,

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## Oil comes with disaster, authoritarian regimes, environmental degradation, corruption, social inequality, and endemic poverty.

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that their oil brings trouble rather than prosperity." Christian Aid, in its report *Fuelling Poverty: Oil, War and Corruption*, found that at the global level, the oil economy is irrelevant to poor people, who have no access to electricity or to cars, and whose fuel comes not from oil but from wood. As Nnimmo Bassey, a Nigerian poet and current president of Friends of the Earth International, once wrote, "We thought it was oil, but it was blood."

## Timor's oil

The situation is even more complex in post-conflict countries like Timor-Leste (TL). Indonesia, which occupied TL illegally for decades, signed most of the oil deals with oil companies like ConocoPhillips and Woodside. When TL won its independence in 2002, it had no freedom to make its own decisions about its natural resources. Much of the revenue, which should have belonged to Timor-Leste, was already flowing to Australia and Indonesia.

Moreover, TL's non-oil economic sectors remain very poor, and sturdy public institutions aren't in place. Those that are in place are still fragile, and law enforcement is weak. This means that the risk of corruption involving high officials and oil companies is very high given the weak oversight mecha-

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## Oil does not lead to economic development.

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modeled on Norway's pension fund model, is the cornerstone of TL's petroleum revenues management. TL's petroleum fund was established on principles like intergenerational equity, transparency, and accountability, and it was designed to provide fiscal stability for the government. To guarantee intergenerational equity, the fund set guidelines for the government not to spend all of the money as it came in or when oil prices were high. This law also established several measures for transparency through quarterly performance reports, annual reports, and audits. Finally, this law also defined the roles and responsibilities of public institutions like parliament, government, the central bank, and civil society organizations. Former Prime Minister Mari Alkatiri affirmed that "good management of petroleum revenues, sustained economic growth, alleviating of poverty, and a stable political future are essential parts of this law."

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of development possesses certain features of the resource curse, which even Nuno Rodriquez, a member of the Petroleum Fund Consultative Council, acknowledged in an interview with the author.

First, there is no indication that Timor-Leste's dependence on petroleum revenues is lessening, at least for the near future. From 2005 to 2011, more than 90% of the government's revenue came from petroleum. On the other hand, non-oil revenues during this period were less than 10%, even dropping to 3% as recently as 2007. Every year since 2005, transfers from the petroleum fund accounted for more than 90% of the

government's annual budget. This number will only increase as the government increases its annual budget.

Second, since TL's independence, investments in productive sectors have been very low. Despite billions of dollars in foreign aid and the government's huge spending over the last several years, the real impact on the domestic economy has been very small. The country still imports everything. According to TL's Bank and Payment Authority's December 2010 report, TL's trade deficit for goods and services has reached \$881.2 million—an increase from \$261.1 million in 2008 and \$297.0 million in 2009. TL's Ministry of Finance recently admitted that 70% of government spending flees the country. Based on this data, the Bank and Payment Authority warned that "if policy makers fail to take decisive action to improve budget deficit and investing productively, by 2030 the current account deficit will continue increasing and increasing. The nation could be continuing transferring most of fund resources and its percentage of GDP annually to foreigners."

This data clearly indicates that the huge spending of petroleum revenue has not led to the development of a non-oil sector, not even to substitute for imported goods.

Third, unemployment, one of the biggest problems facing post-conflict countries, is a time bomb that can explode into conflict and civil unrest. The oil industry traditionally does not produce many jobs because it's a high-tech industry and mostly requires highly educated people. Very few Timorese have qualifications for that kind of work. The situation is even worse in Timor's case because upstream processing takes place in Australia, so TL gets little out of the production, including few of the spin-off

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Parliament approved the law in 2005 in a unanimous vote. It was considered one of the best petroleum management laws in the world. Overall, the petroleum fund has provided a strong foundation for the fiscal stability of the TL government. As of the end of June 2011, the petroleum fund balance had reached \$8.3 billion, \$7.1 billion of it sitting in the US Federal Reserve Bank, and the rest invested in international equities and bonds from other governments.

The fund also helped stabilize the economy as a whole. As the International Monetary Fund observed in its 2010 report, "Driven by higher oil-financed public spending and a rebound in agriculture from the 2007 drought, non-oil growth averaged 11% during 2007–09. A recent estimate by the World Bank also shows a decline of poverty incidence from 50% in 2007 to 41% in 2009."

**The fund's failures**

Despite these successes, the petroleum fund has proven to be insufficient. Timor-Leste's current state

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effects. Further, since non-oil sectors remain weak, job opportunities for young people are few. With TL's fertility rate the highest in the world, more people keep entering the job market. The agriculture sector, which employs most Timorese, is still underdeveloped. The Timorese even have to depend on imported rice from nearby countries like Vietnam.

### Social disruption

The dark side of the economic growth connected to oil exports is social inequality. Most economic activity at present takes place in the capital Dili, whereas the rural regions are characterized by poor infrastructure. During the last four years, the government has invested more than \$2 billion to improve rural infrastructure. But because of poor planning, poor execution, and lack of oversight and quality control, the gap between urban and rural Timorese remains.

Many people have left the agriculture sector to try to find jobs in Dili. Massive government spending benefits only a small elite in Dili, especially those that get contracts from the government. However, it has negative impacts on the majority of people who live outside of Dili. For those who do not

share the benefits, or those who work in low-paid jobs, the increase in prices, especially for food, means that economic growth is not a benefit at all for the vast majority.

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### Petroleum dependency turns out to be a curse.

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The case of Timor-Leste proves once again how petroleum dependency turns out to be a curse rather than a blessing. The petroleum fund model, in and of itself a good idea, cannot solve the complexities that post-conflict countries like Timor face. "The petroleum fund is only one mechanism to help achieve good governance," says Jose Texeira, a member of the parliament from the opposition party. "But to avoid the resource curse also requires a political commitment from all parties."

This article is a summary of the author's 2010 Summer Research Project, funded by the University of Hawaii at Manoa. It first appeared in *Foreign Policy in Focus*. The author is currently working as researcher at Timor-Leste's Institute for Reconstruction and Development, La'o Hamutuk: [www.laohamutuk.org](http://www.laohamutuk.org).

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## E-Waste Recycling Is Deceptive

by Paul Palmer

What's that you say? You've read about this disaster in China and Ghana? No, I'm not referring to that at all. I'm referring to the grand deception practiced in the USA by environmental groups that are more interested in their public relations and their support for garbage creation than their stewardship of the planet.

There is a program for "collecting e-waste" in this country, and it is fostered by local governments that rely on a shared, cultural assumption that garbage is universal and must be accepted for all time. Since it is always more acceptable to act in synchrony with cultural assumptions, rather than against them, many environmental groups have adopted convenient and profitable notions built around processing electronic goods into various forms of garbage, while making a great show of recovery or refurbishing.

As soon as you read "e-waste" you know something is wrong. If you are concerned with saving planetary resources, which must be done by reuse, why would you emphasize the status of products as "waste?" Why would you adopt the terms of the garbage industry suggesting that all unwanted goods are useless bits of trash, destined soon for the dump or incinerator?

Why would you want to cede control of the subject to those who are hell-bent on destroying the planet by over-consumption followed by easy discard? Yet this is the uninformed approach so beloved of the recyclers. There are much better ways to approach the basic problem which do not imply such negatives. Let's ask ourselves how we can design systems for dealing with "expired or unwanted electronic goods." That's at least a neutral and correctly

descriptive term. Leave terms that end with "waste" to the despoilers of the planet.

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**...environmental groups... are more interested in their public relations... support... than their stewardship of the planet.**

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I assume you have all heard ad nauseam about the villages in China and Africa where old electronics are burned in large smoking piles to extract the valuable metals; where children and adults are contaminated and made ill for desperately needed income. Sounds awful, doesn't it? But let's ask how to frame the core objection to these activities. When you think about it, the objection is made to *what is being done with the expired goods*. The message is that it is not acceptable to burn them in the open air,

even if this is the best process that poor villagers can devise to recover value.

So if we are to design a better, more civilized, more acceptable approach to recovery or reuse, you would expect that our core task is to devise *a better way to treat the expired goods*.

In this country, certain environmental groups are strongly urging their own versions of what they call “e-waste recycling.” One of the most prominent is the Basel Action Network. And in fact, they are the ones most active in bringing forward the pictures and videos from China and Africa. So let’s see what these groups, and the local governments who are passing legislation to support their views of the world, are putting forward as a better way to treat the expired goods.

Some of their programs and writings are noted in the references at the end. I’ve searched tons of their plans, programs and campaigns and there isn’t any such discussion. Actually they don’t

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## What should really count is changing design in the direction of easy reuse.

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have, or want to reveal, any better way to treat the expired goods. It seems they don’t care much about that aspect of their plans.

No, the plans are managerial, or bureaucratic, or political plans. Actual physical operations aren’t mentioned. What are mentioned in excruciating detail are operations such as specifics of legislation, names of collectors of e-waste, and fees charged by collectors.

I don’t see any reference to what is actually done with the goods. Wasn’t that the whole point? To do better than the Chinese and African villagers? Apparently the whole point of the program was to control the *collection*, leading to control of the *subsidies and fees*. Could the real point be to *manage the profits*?

The reference to *reuse and refurbishing* may appear to concern an actual operation on the goods, but whenever the garbage industry lays its heavy thumb on the scale, beware the price. In fact, there was a relatively thriving Refurbisher industry that was clawing its way up the ladder of acceptance and respectability before any of this e-waste legislation came along. Refurbishing under the best of conditions is not very profitable because *these goods are designed for a short life followed by discard*, but the fate of the computers they did manage to repair was transparent and socially beneficial.

Thousands of computers were donated to schools and charities every month. Microsoft even provided a cheap operating system to help them out. The industry sponsors an annual conference. But this new e-waste legislation has marginalized the refurbishers. Now the states have stepped in and mandated the primacy of collection over everything else.

### “The e-Stewards Standard is the only e-waste standard that:

- Requires a certified ISO 14001 environmental management system that builds in occupational health and safety requirements specific to the electronics recycling industry, minimizing exposure of recycling workers to hazards;
- Prohibits all toxic waste from being disposed of in solid waste landfills and incinerators;
- Requires full compliance with existing international hazardous waste treaties for exports and imports of electronics, and specifically prohibits the export of hazardous waste from developed to developing countries;
- Prohibits the use of prison labor in the recycling of toxic electronics, which often have sensitive data embedded;
- Requires extensive baseline protections for and monitoring of recycling workers in every country, including developed nations where toxic exposures are routinely taking place;
- Is written for international use.”

Had the refurbishers been put at the front of the line for subsidies and support, the incentives that followed might have been for designs for reuse, a Zero Waste program. But with mere collection given pride of place, the designs will all be for efficient discard, collection, destruction, capture of a few major materials like copper, gold and leaded glass, and destruction of everything else. In the context of reuse, collection is trivial because it is a garbage-inspired concern. What should really count is changing design in the direction of easy reuse.

### Certification

Certification is the elephant in the room. One after another, various groups have sprung forward for a piece of the tasty pie that has been baking in the public arena with the campaign against export of electronic goods to other countries. These are the certifiers, who propose to set up standards that an industry must follow. If they do their job well, they can swing an industry into a productive channel. Some certify the use of natural products, such as the Marine Stewardship Council, which certifies fisher-

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ies, or the Forest Stewardship Council that certifies logging and forest management. The International Standards Organization (ISO) certifies general business practices. And sure enough, there are a few that certify recycling practices, especially for electronic goods.

The e-Stewards Council advertises itself as *The Globally Responsible Way to Recycle Your Electronics*. Surely these people are here to make sure that recycling operations are fine tuned for the health of the planet. Or are they? The box has a collection of bad notions from their home page.

It gives you the flavor of the gum they are chewing. If there is any conventional, mom and apple pie buzz word, they cover it. Toxic this and that, employees, social justice, hazardous waste, international use, prison labor etc. You can look over the rest of their documentation and you'll find the same beat going on. The one thing you will not find is any description of what the hell happens to the stuff.

In my humble opinion, this is no accident. Our ancestors observed already that you can't make a silk purse out of a sow's ear. If you design an entire product line to be used for a short time, then be obsolete and discarded, there is no way you are going to do anything with it after it no longer does the job you needed it for, except somehow discard it, then destroy it. The things are not made to be reusable! You may hate to waste anything, you may des-

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perately strive to make no garbage at all but you are out of luck. The very best you can do, and it's not much, is to reduce everything to its lowest common denominator, the barest of bare materials, put them into different bins and hope to melt down or grind up each material in some desperate form of reuse. As for the real inherent value of your goods, the high function that each one was painstakingly assembled for, it's gone. All the work that went into designing and financing and molding and creating and assembling and testing—all gone and has to be done over. What a waste!

That is why you can search up and down to the far reaches of the e-waste legislation, the certifications, the fancy stories about how much better it will

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be done here than in China and Africa, and at the end of the day, your fine words will butter no parsnips. The mentality that talks about e-waste is the same mentality that sees the world in terms of consumer waste and hazardous waste and nuclear waste and green waste and medical waste, etc.

Once you decree that your public attitude, your laws and regulations are going to be about **waste**, you are talking the talk of **garbage** and you are not going to be saving the planet but trashing it. This is where those plastic gyres and

those depleted fisheries and vanishing species come from. Because we as a culture really don't give enough of a damn whether the planet is exhausted or not.

Join me at the Zero Waste Institute and give a damn. Go to a public meeting in your community and explain that recycling is not the answer. Shake up the reigning mentality of discard. Stop all this talk of merely collecting discards and make them talk about how they are going to design for using functions over and over and over. Nothing else will work.

Paul Palmer is Director of the Zero Waste Institute, [www.zerowasteinstitute.org](http://www.zerowasteinstitute.org), [zwi@sonic.net](mailto:zwi@sonic.net).

References

- Certification: <http://e-stewards.org/certification-overview/Washington> and Oregon e-waste programs: [http://zerowasteinstitute.org/?page\\_id=1429](http://zerowasteinstitute.org/?page_id=1429)
- Battery recycling collections: <http://mycall2recycle.com/>
- Seeking certification: <http://www.wasterecyclingnews.com/email.html?id=1284995216>
- Chinese recycling: [http://www.time.com/time/photogallery/0,29307,1870162\\_1822148,00.html](http://www.time.com/time/photogallery/0,29307,1870162_1822148,00.html)
- The Zero Waste way to reuse CRT's: [http://zerowasteinstitute.org/?page\\_id=154](http://zerowasteinstitute.org/?page_id=154)

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