Paper 5: Small and Vulnerable Island States: Observations from the Asia-Pacific Region

Iean Russell, R.W. (Bill) Carter and Vincente Ximenes

Abstract
Small and vulnerable states are defined in terms of the size of their population or geographic boundaries and their exposure to forces (both internal and external) that threaten the process of development. They require special consideration in development management, particularly when they are also small island states or small states sharing islands.

A common characteristic of islands of the South-East Asian and Pacific Region is a strong dependency on the natural resource base for the maintenance of the livelihood of the bulk of the population. Rapid population growth and changing aspirations have destabilised (and in some cases destroyed) the traditional arrangements linking the population to the resource base sustaining their existence. In these circumstances small island ecosystems are placed under extreme stress, as the changing patterns of dependency of the population shift the focus and pressure of resource demands.

Although nationhood is central to the identity and existence of many of the islands of the Asia-Pacific region, both the historical and continuing flux of populations suggests the likelihood of ongoing conflict in the determination of national identity. The economic divisions between the centre and the periphery that have been resident causes of much political upheaval are exacerbated in the case of island states, with a tendency for the development of a ‘capital island’ and the further development of the capital city within that island. Location economies and economies of size tend to limit development opportunities to the central location, hastening population concentration and environmental degradation. Many islands face fundamental environmental limitations in the transformation of agriculture and other livelihood sustaining activities based on the utilisation of natural resources, to support growing urban concentrations. The social implications of these changes are profound.

The boundaries of nationhood for island states are critical considerations in the analysis of development from a systems perspective. The demarcation of territory and peoples is but one aspect of this significance. The prospect of sustainable development, especially for small island states, requires that the system boundaries extend beyond the physical resources of islands and their maritime exclusion zones. Thus the system boundaries might extend to accommodate trade, knowledge and technology flows, access to international capital and labour markets, and development assistance. The analysis of development opportunities for island peoples requires a holistic, system-wide appreciation, wherein the national boundaries should not be confused with the boundaries of the livelihood systems of the island people. The challenge for island communities lies in the maintenance of the distinctive elements of culture and values that shape their identity and have served to sustain their livelihood in the past.

Introduction
This paper originates from our specific interests in East Timor, drawing on our experience working in other small island states in the search for insights into the implications of independent statehood for the development of sustainable livelihoods for island communities. The paper draws on earlier work published by Woodford, Russell and Kilminster (2000), Russell and Woodford (1999), Russell, Woodford and Kilminster (1999), Ximenes and Carter (1999), Grimwade and Carter (1999) and Carter and Davie (1996), as well as unpublished research of the authors into sustainable development and cultural change in the Asia-Pacific region. The region surveyed in this work reflect the authors’ origins and interests.

With ‘sustainable’ now almost being a tenet of ‘development’, we have become increasingly concerned for the environmental, social and cultural implications to small and vulnerable island states if sustainability is narrowly interpreted as self-sufficiency. Small countries provide holistic case studies of sustainability issues, because cause and effect relationships tend to be clearer in these circumstances. The vulnerability of countries heightens awareness of issues relating to sustainability, because the issues are not so remote to the inhabitants of these nations. For small islands with expanding populations, the issue of sustainability is central to the lives of the present as well as future generations. Thus, the small and vulnerable island nations provide a context for the study of sustainable livelihood systems in which the interactions between ecological, social and economic forces are clearly visible.

The paper considers the implications of alternative views of sustainability for island states, and questions their practicality in terms of the goal of sustainable development. The background discussion draws on observations made in the Pacific and in South-East Asia, searching for insights that may prove useful in the context of East Timor. The key question that emerges relates to the implications of independent existence for the people of East Timor and how these conditions influence the definition of nationhood and the formulation of policies. The passage to nationhood carries a number of transaction costs, all to poignant in the case of East Timor. This paper also considers the degree to which nationhood is predominantly a cultural, rather than economic issue in the light of the modern forces of globalisation.
Small Island Nations

A small nation can be defined in terms of landmass, population, or in relation to GDP (Briguglio 1995). Streeton (1993) suggests that the best simple measure is population and that, in the current era, a small country is one with less than 10 million inhabitants, and a very small country is one with less than five million. On this basis, most of the island states of South-East Asia and the Pacific fit clearly into the category of very small countries. Despite the shared characteristics of smallness, there is little common ground in the theoretical explanations and the practical realities facing each of these nations in their development pathways.

Within the Pacific there are some 21 nations and territories, with a total population of between five and six million people. Close to four million of these people live in Papua New Guinea, and over 700,000 people live in Fiji. The remaining population is dispersed across 19 nations and territories, with populations ranging down to about 2000 people (in the case of Niue). By Streeton’s definition, the whole population of the Pacific Islands is equivalent in population size to one small country. The smallest Pacific nations are small indeed, in terms of population, economy and land mass. These states tend to be referred to as micro-states in the economic literature.

Some authors have used the term micro-state to describe countries with populations of up to three million persons (Armstrong and De Kervenoal 1998, p. 641). The concept of what is a micro-state is open to debate, but certainly many of the Pacific Island nations would be included under any of the various definitions. Indeed, the archipelagic Pacific Island states are at the extreme lower limits of population in terms of their separate existence as nation states. The Pacific Island micro-states have been characterised in economic terms as ‘MIRAB’ (migration, remittances, aid, bureaucracy) nations following that appellation by Bertram and Watters (1985). The prospects for sustainable development in these islands are fundamentally influenced by these conditions. Although there has been considerable attention to the identification of the factors constraining development in the small island states, there has been a disappointing lack of success in terms of rectifying the situation for the small island developing states and their stagnating economies. Cole (1993) has been critical of the tendency to lay the blame for this situation on former colonial powers, lack of resources and distance from markets. He claims that the remedy for economic failure lies very much in the hands of the islands governments, but that this will require political will and determination on their part. Cole stressed the importance of government action to stimulate private sector development and to deregulate control over both domestic and foreign investments. He also recognised the need for these communities to invest more heavily in education, so that the island peoples are able to take better advantage of the many opportunities on offer to them.

There are a number of relatively small countries in South-East Asia, yet there are few small island states, despite the abundance of islands in the region. The remoteness of the Pacific Islands is a marked contrast with the island nations of South-East Asia. Singapore is small in land area but with a population of approximately three million it has a substantial and concentrated population resource. Singapore is a high-income country that has capitalised on its strategic position and independence to generate great wealth. Streeton (1993) suggests that the advantage enjoyed by both Singapore and Hong Kong has been the lack of a rural hinterland. He regards agriculture as a brake on total growth, especially when the bulk of agricultural activity is concerned with domestic consumption. Singapore is joined to Malaysia by bridge and ferry services that diminish the significance of its island status in terms of isolation. The critical boundaries for Singapore might well have been those that excluded the more restrictive conditions and populations of neighbouring states.

The smaller islands of Indonesia and the Philippines lack the independent status that would group them by population and land area with the Pacific Islands. Unlike the Pacific islands, they are close by larger land masses. However, the growing unrest in these islands and their separatist movements suggest that it may be relevant to consider the welfare and livelihood of these island peoples from a systems perspective that can accommodate the boundary adjustments associated with independence.

The pathway to independence is the tortured pathway East Timor has followed. East Timor has a population estimated to lie somewhere between 500,000 and 600,000 and a land area of only 19,000 km². It is a small nation, sharing an island with West Timor, a province of Indonesia. The bulk of East Timor is an intact land mass, but there are significant outliers in the Oecussi enclave (located in West Timor) and smaller islands (see Figure 1).

Vulnerability

The concept of vulnerability can also be defined in a range of ways, but the concept typically relates to economic vulnerability (Briguglio 1995). Under Briguglio’s definition of this term, economic vulnerability is not a measure of economic performance (such as GNP per capita), rather it is an indication of economic fragility in the face of external forces. In essence, a vulnerable country is one that is susceptible to forces over which it has limited or perhaps no control. This situation may arise from exposure to foreign economic conditions, remoteness and insularity, proneness to natural disasters, environmental fragility, dependence on foreign sources of finance and demographic changes. The rationale behind the exploration of the concept of economic vulnerability has been that GNP per capita is not by itself an adequate measurement of the level of development.

Briguglio (1995) constructed an index of vulnerability for 121 countries, of which 21 were small island developing states. His index is a composite based on: the ratio of exports plus imports to GDP as a proxy for economic exposure; the ratio of transport and freight costs to export proceeds as a proxy for remoteness; and the ratio of the money cost of disasters as a ratio of GDP. Other factors identified as contributing to economic vulnerability were excluded for reasons of difficulties in measurement or by virtue of their relationship with GNP per capita. Briguglio
concluded that small island developing states are generally economically vulnerable, but that vulnerability was not closely correlated with low GDP per capita. Indeed, many of the small island developing countries have relatively high GDP per capita and Human Development Index scores. Some countries that are designated as economically vulnerable display high standards of living (as measured by the conventional economic yardsticks). Singapore is an example of such a country. The vulnerability index is designed to highlight the problems faced by small island developing states and their fragility in the face of forces outside their control. Despite the emphasis on factors outside the control of the small island states, Briguigio reminds these nations of the actions that are necessary to withstand external shocks, including promotion of the ability to compete, institutional change for capacity building and regional technical cooperation.

To better understand the particular situation for a small island developing country, it is necessary to extend the analysis to consider each contributing factor in turn for the particular situation and characterise the conditions leading to economic fragility or the lack of economic success. In some cases the explanation may lie in the factors over which governments can exercise influence, but which they chose not to for various reasons. These might include land tenure, excessive build up of the public service and law and order breakdown (Cole 1993).

In addition to the concept of economic vulnerability discussed by Briguigio (1995), it is likely that small island nations are also vulnerable in other respects, such as cultural vulnerability. A small country defined by size of population is vulnerable to acculturation and ultimately, loss of cultural identity. Cultural vulnerability occurs through the alteration of social structures and institutions, either through the process of acculturation or by the substitution of economically rewarding practices for traditional practices. Where these changes are driven by exogenous forces, the extent and rate of change may be driven by external forces that traditional institutions are powerless to resist. Economic growth may be achieved at the cost of social dysfunction and a widening gulf between urban and rural populations, capital islands and outer islands, the centre and the periphery.

Other factors contributing to the economic and cultural vulnerability of nations include proximity to powerful neighbours, regional destabilisation, political fragility, and ethnic tensions. The vulnerability of nations may arise as a result of internal and external forces of aggression. Political instability is a growing feature of the region and the islands have been prone to fragmentation in the post-colonial era. Although nationhood is central to the identity and existence of many of the islands of this region, both the historical and continuing flux of populations suggests the likelihood of ongoing conflict in the determination of national identity. The violence in East Timor, Bouganville, the Solomons and Fiji are symptoms of changes occurring in the region that warrant a closer analysis of the significance of nationhood and of the internal arrangements governing the development opportunities within nations. The further potential for unrest in the islands of Indonesia and the Philippines signals an ongoing need for such work.

The economic divisions between the centre and the periphery that have been the root cause of much political upheaval are exacerbated in the case of island states, with a tendency for the development of a ‘capital island’ and the further development of the capital city within that island. Location economies and economies of scale tend to limit development opportunities to the central location, hastening population concentration and environmental degradation. Many islands face fundamental environmental limitations in the transformation of agriculture and other livelihood sustaining activities based on the utilisation of natural resources, to support growing rural populations. The social implications of these changes are profound.

Given that the conditions of remoteness, economic exposure and proneness to natural disasters only partly explain the lack of economic development of small island developing countries, the critical limitations faced by vulnerable nations may indeed relate to institutional weakness. Vulnerability through lack of institutional capacity is in many cases exacerbated by the lack of development of human capital to support the institutions necessary for development. These conditions are often blamed on the legacy of colonialism, although Cole (1993) claims that for the Pacific Islands at least, it is high time this argument was discarded. This being the case we should also look for an explanation for the lack of development in the actions of island governments and peoples themselves.

Although there are few recent economic statistics available for East Timor for comparison with other countries in the region, there can be no doubt the country is both economically fragile and suffers a low standard of living. While it is not particularly remote from Australia, the hostile borders add to the isolation of this nation from neighbours. There appears to be a high population growth, at least in terms of the number of children compared to the adult population. There also appears to be significant environmental degradation under the pressures of internal strife, population concentration and the breakdown of traditional patterns of subsistence. Certainly the country has been subjected to rapid demographic change and the continuing existence of the border camps heightens this aspect of the nation’s fragility. The dependence on external sources of finance is currently extreme.

Views on Sustainable Development

Sustainable development programs typically focus on strategies and interventions that can be made to help societies adapt towards a sustainable future. Taking the social dimension of sustainability into account, it is critical that the communities involved in these programs are able to determine the rate and extent of change for themselves. Sustainable development programs focus on issues where society has the capacity, either already or through empowerment, to make livelihood modifications and social and cultural adjustments, so as to create preferred futures and intergenerational equity. Institutional strengthening and capacity building projects are increasingly common elements of sustainable development programs.

The special characteristics of the small island states have been recognised for some time. Economists investigating these extremely small economies have identified constraints to development and searched for suitable development pathways (see for example Appleyard and Stahl 1995; Bertram and Watters 1995; and Cole 1993). Fairbairn and Worrell (1996) suggest that the small multi-island countries inevitably suffer from diseconomies which diminish the effectiveness of development programs, with many basic items of social and physical infrastructure having to be duplicated on the ‘outer’ islands.

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In the Pacific micro-states the opportunities for privately funded development are limited in the extreme. The World Bank (1993) has recognised for some time that the challenge for the smaller countries of the Pacific lies in channeling their resources to growth in the few areas of clear comparative advantage. In general, these countries have failed to stimulate private sector investment in these critical areas. Indeed, many of the Pacific Island countries have been accused of maintaining rules and regulations that effectively inhibit the development of the private sector (Fairbairn 1992). Others have made liberal concessions, yet have failed to attract investment for reasons of poor marketing, image, isolation and safety. The lack of private sector opportunities has led to questions about whether sustainable development is indeed an appropriate objective for such countries. This concern is founded on an unstated assumption that sustainable development should eventually lead to self-sufficiency, and that aid is a temporary phenomenon to put nations on the pathway towards this through economic growth. However, the shortage of commercially viable projects should not threaten the concept of sustainable development as an underpinning philosophy for development planning. This assumption ignores the phenomenon of globalisation, whereby individual societies benefit from interdependence relationships with other societies. It also ignores that sustainable development is based on the ‘triple bottom line’, encompassing social development and environmental management, extending well beyond the bounds of financial economics. By definition, financial analysis ignores both positive and negative externalities. This means that financial analysis has strictly limited application to the analysis of sustainability. Tisdell (1993) recommends that project appraisal in small island nations needs to be holistic and should take adequate account of the institutional and cultural context. He cautions that the application of conventional methods of project appraisal associated with Western values and societies.

The issue of modern efficient transportation systems linking individual islands within the Pacific micro states provides an illustration. If judged against a criterion of financial viability, then such services are unattractive on account of distance and low population numbers. The same financial criterion impacts on the so-called sustainability of health and education services to the outer islands. However, there are positive externalities associated with such services, as they decrease the effective isolation of the outer islands, and thereby reduce the social pressures for people to migrate to overpopulated capital islands, where each additional person places further burdens on water, sewage disposal systems, and fragile ecosystems. Appleyard and Stahl (1995) characterise Kiribati, Tuvalu, Tokelau, Niue and the Cook Islands as ‘unfurnished’ states. They are contrasted with the ‘fully furnished’ and ‘partly furnished’ island states on the grounds of their resource base relative to population size. Appleyard and Stahl (1995) suggest that the selection of appropriate development strategies can be guided by the classification of the island states on this basis. The unfurnished states provide examples of islands poorly served by strategies designed to promote self-sufficiency. The MIRAB appellation suggests the heavy dependency of these nations on access to labour markets and capital injections and technical assistance from outside the national boundary.

Undoubtedly the development of small island countries has been profoundly influenced by the larger powers and neighbouring states. Waddell (1997) is highly critical of the rich countries that exploit Pacific resources. He claims that richer countries have set the developing nations on a course of development that is plainly unsustainable. He further claims that it is hypocritical of richer nations to help the poorer nations to adopt and implement a strategy of sustainable development, without radically altering their own development and consumption patterns. His argument may be interpreted in terms of the interconnectedness of the futures of the developed and developing nations. The moral overtones may be difficult to justify in rational economic terms, but they reflect the continuing tendency for intervention by global and regional powers. The falling trend in overall levels of official development assistance post cold war may be a temporary phenomenon as the forces of globalisation replace the cold war incentives for intervention.

We suggest that in the case of small nations, particularly for small islands, sustainable development should not be discussed in terms of self-sufficiency. The units in question are in many cases simply too small for their populations to be sustained under anything but third world conditions. Many of the Pacific island governments have endorsed a view of sustainable development as one that is not limited to economic considerations, but which is ‘people-centred’ in harmony with the communal values of the Pacific way of life. These views are elaborated in the Suva declaration on Sustainable Human Development in the Pacific (UNDP/Forum Secretariat 1994). The achievement of sustainable human development in the Pacific requires a wide range of international links to furnish a close working relationship between government agencies, NGOs, churches, local and traditional institutions, community organisations, donors and other concerned bodies. At a local level this view of sustainable development calls for the greatest possible participation on the part of society. It is said that the ‘Pacific Way’ of making decisions by consensus is an important aspect of empowerment (Yabaki 1997). This is very much an institutional view of sustainable development and the argument is used as the basis for the continuing call for technical and financial support for island countries from concerned donor and funding agencies.

To many Pacific islanders, the increasing dependence on the world outside their region poses a threat to national integrity and autonomy. Many countries are pursuing programs designed to increase self-sufficiency and boost economic growth under the stamp of sustainable development (Nunn 1997). Some of the most economically developed small island states (e.g. Singapore) have never operated under such guidelines.

Gusmao (1999) identifies the cultural strength of the people as the cornerstone of development. He sees this as justification for national investment policies in education and health in East Timor. It also leads him to ask of the world assistance that will defend the Timorese culture and identity. He recommends an uncompromising defence of the environment, ‘with all the consequences this may bring’.
His language reflects a belief system that is consistent with **strong sustainability** (Turner, Pearce and Bateman 1994). This is a view that there are certain forms of natural capital that must be maintained for sustainable development to occur. These forms of natural capital provide critical life support functions that cannot be substituted for by other forms of human-made capital. Gusmao’s emphasis on cultural identity also suggests that there are elements of the cultural setting that are also essential for sustainable development. This viewpoint could be interpreted as an enlargement upon the concept of strong sustainability, beyond the requirement for the maintenance of critical natural capital to the maintenance of the critical institutions of cultural identity.

**System and Boundary Issues**

Systems methodologies (Checkland and Scholes 1990) are appropriate to the analysis of the problems of policy formulation and development management, particularly the application of the systems learning approaches (Bawden 1996). A systemic outlook is sensitive to the contextual outlook from which problems emerge and seeks to learn from the sources of those problems. It is particularly suited to situations it is desirable that there be joint formulation of management solutions informed by both local and non-local knowledge. Systems approaches are attuned to the nature of social and organisational processes (Ison, Maiteny and Carr 1996).

The boundaries of nationhood for island states are critical considerations in the analysis of development from a systems perspective. The demarcation of territory and peoples is but one aspect of this significance. The prospect of sustainable development, especially for small island states, requires that the system boundaries extend beyond the physical resources of islands and their maritime exclusion zones. Thus the system boundaries might extend to accommodate trade, knowledge and technology flows, access to international capital and labour markets, and development assistance. The analysis of development opportunities for island peoples requires a holistic, systemic-wide appreciation, wherein the national boundaries should not be confused with the boundaries of the livelihood systems of the island people.

So, for example, it has been argued in the past that one of the disadvantages facing small nations has been their lack of access to external capital markets. This is not supported by evidence of small islands that have attracted large amounts of capital as tax and regulation havens and through multinational investment (Streelon 1993). Information technology has virtually eliminated the problems of distance in financial dealings.

Migration has been identified as a characteristic dependency for the economies of the Pacific Island micro-states. Bertram and Watters (1985) claimed that the negative trade flows in these economies are to some extent compensated by the migration and remittances. Bertram (1993) further claimed that migration from these countries takes place in the context of a transnational corporation of kin that does not necessarily engender negative socio-cultural consequences. The analysis of emigration issues is based on implicit assumptions about scale. By definition, emigration is about exiting from the system under analysis, with the system in question being defined by the boundaries of the nation state. But such system boundaries are modern creations and would have been quite foreign to the seafaring forebears of modern Pacific Islanders.

Australians have struggled with the idea that migration from the smaller nations of the Pacific may be a viable pathway for the development of individuals from these nations. Thus, migration may serve as means of reducing population pressure, and that migration is potentially more cost effective than continuing high levels of aid in perpetuity (Jackson 1984; Tisdell 1990; Appleyard and Stahl 1995; Simons Report 1997). This is a difficult issue for the island peoples themselves. The migration solution is certainly contentious in Australia, more because of the precedent it would set rather than the actual impact of the number of people involved.

It is the political construct of a nation, and the consequent definition of system boundaries, which makes population growth and migration a major issue of sustainability. If some islands become uninhabitable through the effects of rising sea levels, then the international community will have a responsibility to resettle the citizens of these countries. Given that the rising sea levels would be an outcome arising from the activities of the rest of the world, the citizens would seem to have a moral claim to something more than refugee status. Such a policy would satisfy the judgement criteria for weak but not strong sustainability within a global framework.

Island states should not be obsessed with the idea that nationhood is predicated upon the existence and ownership of all of the institutions normally associated with nation status. In the same way that small nations should look for and pursue areas of comparative advantage in attracting private investment flows, the smaller nations should consider the allocation of scarce public resources to developing the institutions critical to prosperity. Thus, small countries may choose to develop primary or secondary school systems and leave the provision of tertiary education to larger neighbours or to a coalition between nations (as per the University of the South Pacific). It may also be possible to eliminate the defence burden that weighs heavily on the economy of small nations. Indeed, Costa Rica has abolished its army to concentrate on the provision of social services (Streelon 1993).

Some countries in the South Pacific exist without a national currency or the need for central banking functions. Kiribati and Tuvalu use Australian currency as legal tender and the Cook Islands, Niue and Tokelau use New Zealand currency, either exclusively or under dual currency arrangements. The decision allows the countries to become part of a broader monetary system that can bring greater stability and certainty. There are costs to such dependencies however, and Fairbairn notes that one intangible cost may be associated with the symbolic value of the currency for nationhood (Fairbairn 1994). These arrangements may be of greater benefit to the community than the level of independence gained by self-management of such costly institutions. Arndt (1994) endorses Fairbairn’s (1994) conclusions that there is little to be gained by micro-states in establishing independent currency and maintaining a central bank.

The United Nations Transitional Administration for East Timor (UNTAET) has adopted the currencies of expenditure during the period of reconstruction. Indonesian Rupiah, Australian dollars and American dollars were common in Dili, with a tendency for the people of the countryside to operate only in Rupiah. People were quick to establish an unofficial or ‘black market’ for money exchange to accommodate the growing numbers of UN and military personnel in the country. The American dollar has been...
adopted as an official currency as an interim measure whilst the government considers weighs the advantages of producing its own currency.

The apparent advantages of the small island states include their flexibility in responding to changing circumstances, and the relatively high per capita aid flows for their small populations. It is alleged that the higher GNP per capita scores and even the continuing existence of some of the small island developing countries stem from their strategic importance to larger powers. Their economies may be propped up by assistance and preferred access to markets. Many independent states may not have survived without these props. The cultivation of the benevolent aspects of colonial and strategic alliances may indeed be a beneficial development pathway for a small country.

It seems that many of the small island states in the region have simply adapted and adopted the bureaucratic structures and institutions of colonial government. In many cases newly independent nations have added to the burden of these structures with the creation of additional institutions symbolic of national pride and replacing those services previously rendered by the colonial system.

This leaves us to ask what institutions a newly reborn nation like East Timor should seek to develop in the vacuum left after Indonesian rule? What are the criteria that could be used in this decision-making?

The Institutions of Nationhood

The institutions of nationhood are likely to include the mechanisms for self-determination, revenue raising, currency, education systems, language (though not necessarily a unique or common language), culture, defence, land and resource ownership and law, and the legal system and enforcement. Many of these are profoundly affected by the influences of globalisation.

Transaction costs are the costs that people incur when they do business with each other. These have been largely ignored in the familiar neoclassical economic training most of us have received. We are now coming to the realisation that many of our economic exchanges take place in the presence of very significant transaction costs. These are recognised as a major cause of market failure (Wills, 1997). Transaction costs depend on how people structure the economic order through their institutions (the rules of society that structure our interactions). North and other institutionalists believe that if we can understand how institutions work and why they work well in some circumstances and not in others we have the key to understanding the wealth of nations (North 1996).

These observations leave us with more questions than answers to the problems of development for a small island state enjoying new found freedom and independence.

Which of the institutions of nationhood can a small island adopt or adapt?

What mechanisms are necessary to maintain identity as a nation?

How do our institutions evolve in order to make transactions work better?

How do we shape institutions to promote sustainable development?

Can we non-deterministically design contexts in which improved outcomes might be possible?

The need to plan these institutions carefully has been obvious to East Timorese leaders. In Gusmao’s (1999) own words:

Let us not be captivated by the methodologies of solving social emergency problems with which we are lately preoccupied. Let us conceive structured projects that guarantee sustainable development in East Timor… We will need without doubt, outside help in many diverse areas… The challenge that is facing us is one of whether our national potential can attract foreign investors to stimulate our economic development.

Our advice would be to proceed on the assumption that the systems of government and nationhood will self-organise. The critical guideline for those who seek to organise the complex system is to proceed on the basis that this will be a learning process. This requires sensitivity to the experience of stakeholders and a platform of common experience. Such have been the conditions on which the long struggle for independence for East Timor was waged. Interventions should be non-deterministic with no blueprint for the development process.

The architects of government and policy planners need to strike a balance between too much and too little control. Too much intervention according to any preconceived blueprint stunts the process of self-organisation and inhibits the capacity of systems to react flexibly to change (Stacey 1993). Too little control tends towards fragmentation and disintegration. The promotion of people-centred development requires a breakdown of the dualistic mode of thinking associated with the ‘top-down’ and ‘bottom-up’ metaphors. There are no guarantees of success in adopting a learning approach, but there is increasing support for the development of attitudes supporting self-criticism, reflection and openness about mistakes in organisational culture (Senge et al 1994).

East Timor previously operated within the broader institutions of the Indonesian State. By their achievement of independence, the costs of education, health, justice, etc, are all transferred directly to the people of East Timor and their supporters. The Indonesians are freed from the costs of the subjugation of the Timorese. The net change in terms of the flows of wealth into and out of the country are impossible to estimate. Judging by their actions, we can only conclude that those in power prior to the independence vote certainly had much to lose from this outcome. The actual costs of this transformation lie in loss of human life, trauma, destruction of infrastructure and degradation of the environment.

The mission statement for the government of East Timor set down in the Strategic Development Planning for East Timor Conference in Melbourne (1999) and endorsed in the Reconstructing East Timor Conference in Tibar (2000), is recorded as being:

• to provide services and be responsive to the needs of all citizens;
• to work towards the welfare of all citizens;
• to strengthen an active civil society;
• to work towards sustainable development goals;
• to pursue the fulfilment of five sets of rights (civil, political, economic, social and cultural);
• to create the conditions for a free and independent media.

This role for government is augmented by a vision for an independent judiciary reflecting the separation of powers and abiding by the rule of law. The economic system
chosen is an open market model, with selective intervention by government for equity, transparency and efficiency. Policy guidelines have been extended for the agriculture, tourism, education, health, gender, infrastructure and environment in concert with the role of government.

Language diversity within nations creates costs through unnecessary duplication and miscommunication. Yet language is a fundamental expression of culture. Nations sometimes willingly bear these costs to preserve cultural heritage. East Timor is faced with a difficult situation, where Bahasa Indonesian has been the language of government, commerce and education up to independence. The people faced a difficult choice in nominating an official language to replace Indonesian. There are four major language groups in East Timor, with Tetum the most widely spoken. The National Council for Timorese Resistance has chosen Portuguese as the official language to maintain historical ties. This choice helps to cement relationships with the former colonial power and with former Portuguese colonies.

The challenge for small island communities like Timor lies in the maintenance of the distinctive elements of culture and values that shape their identity and have served to sustain their livelihood in the past. Sovereignty issues and self-determination are important principals for development and thus for policy direction in the newly emerging nation.

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