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Privatising Land in Timor Leste

By Prof. Tim Anderson
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In July 2008 Timor Leste's Agriculture Minister Mariano Sabino spoke at seminars about agricultural sustainability and food security in Dili and Dare. Yet a few months earlier the Minister had signed a document which could deliver the most devastating blow to Timor Leste's sustainability and food security since independence.

In a January 2008 Memorandum of Understanding (MOU) with Indonesian-based GT Leste Biotech, Minister Sabino agreed to hand over 100,000 hectares of Timor's scarce agricultural land to be used as a sugar-cane plantation.

Similarly, in February, Secretary of State Avelinho da Silva signed a contract with the Australian-based biofuel company Enviroenergy Developments Australia for Jatropha development on 59 hectares of land at Baucau. It is rumoured that even larger tracts of land are under discussion for rubber plantations.

These documents signal a move underway in the AMP Government to privatise large tracts of Timor Leste's land. Yet the country's Constitution says that "only national citizens have the right to ownership of land" (s.54). This means neither foreigners nor corporations can own land. However the recent agreements would effectively alienate prime agricultural land to foreign corporations through long term leases.

When Minister Sabino's MOU and the Enviroenergy contract were made public, they attracted widespread condemnation. Demetrio de Carvalho, Director of the Haburas Foundation, said a sugarcane monoculture would threaten East Timor's biodiversity and that the chemicals used would pollute the country's water. Fretilin MPs warned this land 'give away' was corrupt and would threaten the country's food supply. NGO representatives argued that large plantations would destroy the soil and that participation in the biofuel industry would push food prices even higher.

The AMP Government responded with counter-claims that biofuel plantations would generate thousands of jobs, provide cash opportunities for neighbouring farmers and add to the country's infrastructure and training capacity. Minister Sabino claimed the plantations would not compete with food crops and argued the benefits of biofuels.

The big powers, through AusAID, USAID and the World Bank, have pushed for commercialisation of land in Timor Leste. They would like to see Timor Leste's constitution amended, to allow foreign corporations to own land. Yet they too were unhappy, because of the way in which contracts seem to have been awarded. The corruption claims are serious, but will not be discussed here.

In this article I want to highlight the serious food security and sustainability consequences of land privatisation for Timor Leste, with reference to the experience of other developing countries in land alienation, agricultural liberalisation and large monoculture cash crops. I also present some reasons why Timor Leste's constitutional ban on foreign ownership of land is worth defending.

The problems come from three linked processes: the likely undervaluation of land, poor accounting of the costs and benefits of large monocultures, and the instability introduced through agricultural liberalisation.

Undervaluation of land Agricultural land in developing countries is seriously undervalued when it is alienated, either by long-term lease or sale. The AMP Government has suggested the land to be handed over to GT Leste is unused and 'unproductive'. But with one of the fastest growing populations on earth, Timor Leste will certainly have to expand its food crop lands, in the very near future.

Reference to land being 'unused' is one factor that contributes to undervaluation. Another is the uncertainty over title. Whose land is this that is to be leased? Many disputes over title remain in Timor Leste, a product of colonial history. A third factor is that most land has never been commercialised and there is no market for land. With no experience in valuing land, and short of cash, Timorese communities are highly vulnerable to 'bad deals'.

The undervaluation of land is widespread. Studies I have carried out in Papua New Guinea, show that local communities there have leased their land to oil palm plantations for as little as $10 per hectare per year, plus minimal royalties. Yet the subsistence production value of one hectare of good land in PNG (the local market value of one family's food, grown and consumed) will often reach $5,000 per year, or five times the minimum wage. Companion planted cash crops can add between several hundred and several thousand dollars to this amount. Imagine the total value of those thousands of dollars per year, over many generations. This capacity of land to deliver sustainable yields, year after year, is never fully reflected in rents or sale prices.

When PNG communities realise a company is making thousands of dollars from their land, they want a share of that money – but long term leases creates legal barriers to their claims. Land is a people's most precious and enduring asset – far more valuable than minerals, oil or gas. Yet cash-poor communities often give away this precious asset, in their desperation for a few dollars.

Poor accounting of large monocultures While land is undervalued, the claimed social benefits of large monocultures are typically over-stated. Corporate investors encourage this. Yet the extraction of profits from local resources and labour is the main reason large monocultures are created. So the income benefits to local communities are exaggerated and the environmental costs are played down.

The AMP government plans to charge no rent at all "during the first nine years" for the 100,000 hectares of land offered to GT Leste Biotech. The only consideration that can be seen, from the MOU and government statements (and putting aside the possibility of corrupt payments), is an "expectation" of several thousand jobs, a vague offer to "provide community facilities" and promises to share some electricity capacity and to sell sugar and ethanol at "reasonable" prices.

However, from the MOU, there would be no claim on the company if this "expectation" of thousands of jobs became just a few hundred. Further, it is almost certain that most will be lowly paid jobs. While the benefits for Timor are vague, the company's rights in the MOU are more emphatic. The first 50 years of the lease will be "irrevocable" and there will be "no state participation of any sort, whatsoever" in the business. That is, Timor Leste will not share any of the sugar-cane-ethanol profits.

There is also a suggestion to engage local smallholder farmers in cane production, to provide additional fodder for the company's sugar-ethanol mill. This is the 'agro-nucleus estate' model promoted by the Asian Development Bank, and seen in some parts of PNG over the past thirty years.

In PNG 'village oil palm' farmers are paid by for their oil palm fruit contributions to the monopoly mill. However they are forced to accept fruit prices set by the company, and complain bitterly about fruit prices. The average income for oil palm farmers in PNG's Oro province (61 Kina per week) is higher than the minimum wage (37 Kina) but less than half the average informal sector incomes (130 Kina) for example in small businesses, fruit selling and transport.

Monocultures reduce the diversity of production in a region, and reduce the capacity of small farmers to companion plant and spread their crop options. Sugar cane is similar to oil palm in this regard. The land clearing erodes and degrades the soil, silting up rivers and choking surrounding coral reef. Over half the fertiliser used runs into the water, causing algae blooms. In the oil palm areas of PNG there has been obvious loss of crop diversity, biodiversity and damage to rivers.

Finally, monocultures undermine small farming and local food production and contribute to food insecurity. The economic liberal argument is that they produce more income, which can then be used to purchase imported food. However most of that new income is appropriated by the investor company and local communities become more dependent on cash income to feed their families.

Small farms are undermined yet, as U.S. food security expert Peter Rosset says: "Small farms are 'multifunctional': more productive, more efficient and contribute more to

economic development than large farms. Small farmers can also make better stewards of natural resources, conserving biodiversity and safeguarding the future sustainability of agricultural production."

Local communities are no better off financially with these monocultures yet they bear very serious environmental and food insecurity costs. None of this is properly accounted for when governments hand over precious land to private investors.

Instability from agricultural liberalisation Concerns over sustainable agriculture are closely linked to food security concerns and to the current global food crisis. Until the recent crisis, brought on by steeply rising food prices, small farmers had been hurt by cheap imports. When imported staple food is cheap, farmers cannot justify planting next season's crop. They just cannot compete.

The earlier low prices were a result of heavy domestic subsidies by the big grain exporters, such as Australia, the EU and the USA, and pressures for agricultural liberalisation. Since the WTO's Agreement on Agriculture, the big powers have poured large subsidies into agriculture (allowed under WTO rules as they are not directly 'trade related'), yet tried to dismantle the tariff protection and food price regulation that was more common in developing countries.

The UN's Food and Agriculture Organisation (FAO) said in 2004: "Although lower basic food prices on international markets bring short-term benefits to net food-importing developing countries, lower international prices can also have negative impacts on domestic production in developing countries that might have lingering effects on their food security." Indeed, some countries experienced famines from the impact of low food prices on domestic farming.

PNG has few food security problems, because the land is fertile and families have kept their traditional lands. However if we go to a poor Caribbean country like Haiti we see a different picture. Like many countries, Haiti had moved from more diverse staple foods (rice, corn, cassava, millet) to greater dependence on rice. Yet Haiti had been almost self-sufficient in rice, until the 1980s. Then, under financial pressure from the World Bank it began to dismantle its tariffs and other forms of protection. Haiti began to import 200,000 tonnes of rice per year, mostly from the US. This drove many local farmers out of business and, when prices rose again, poor people could not afford to buy rice. Today, more than half the population of Haiti is food insecure or malnourished.

Low food prices damage local production. High food prices hit poor people who have to buy their food. This is the unstable situation created by trade-dependent food patterns.

The recent high food prices have been driven by the high oil prices (which contribute to fertiliser and transport costs), demand for richer diets (meat, oil seed) in the wealthier countries and pressure on land, including from the biofuel industry. The FAO points out that these rising prices, in the last year, have pushed the number of hungry people in the world from 850 million to nearly one billion.

Biofuels have raised introduced competition between food for people and food for cars. The UN's Special Rapporteur on the Right to Food, Jean Ziegler, who has called biofuels a "crime against humanity" puts it this way: "232kg of corn is needed to make 50 litres of bioethanol. A child could live on that amount of corn for a year."

Now, in the middle of Timor Leste's own food crisis, it has been proposed that Timor, on the one hand, gives away farm land which could produce food and, on the other hand, participates in a global industry which will raise even more the price of imported food. Will Timor export ethanol at the expense of food for its children?

Concluding comments A prudent approach to food security, in any country which does not have a staple food surplus, must involve strong measures of domestic self-reliance and self-sufficiency. This includes Timor, which has special reasons of history, environmental damage, population growth and climate to be concerned about food security and sustainable agriculture.

Putting aside the word games some agricultural exporting neighbours play with the words 'self-reliance' and self-sufficiency', self-reliance must mean Timor seeking to grow most of its own food, support small farmers to remain on their land, encourage domestic markets and place agricultural exports in second place.

Such an approach will meet hostility from the big powers who advocate agricultural liberalisation and the privatisation of land. But they are looking to their own advantage and are not the ones who have to live with food insecurity and environmental damage.

Niche and companion planted exports such as organic coffee and tropical fruits may not compromise the land, but export oriented monocultures certainly will. And after all, well managed tourism will raise many times more money that any agricultural exports, and distribute that money far more widely.

No sensible person should seriously link land privatisation and large monoculture cash crops to 'agricultural sustainability and food security', but this is now happening in Timor Leste. It is the East Timorese people who, with their great spirit of resistance, will have to ensure that they do not, once again, become beggars in their own country.

Dr Tim Anderson is Senior Lecturer in Political Economy at the University of Sydney.

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