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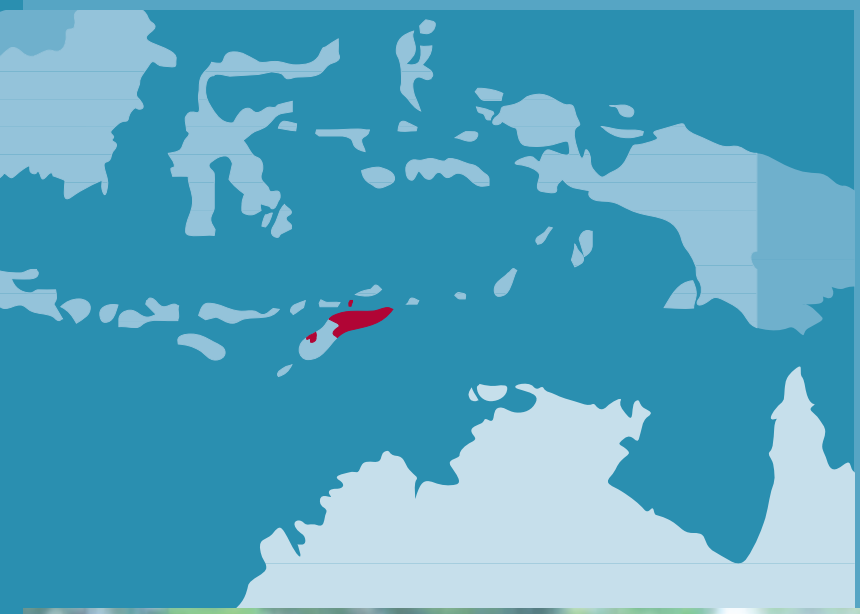
New Neighbour, New Challenge

Australia and the Security of East Timor

AN ASPI POLICY REPORT



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Cover pic

Refugees return home to East Timor from Atambua in West Timor near the town of Memo on the East-West Timorese border, 20 October 1999.
AFP/AAP/John Feder; © 1999 AFP

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AN ASPI POLICY REPORT

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Director's introduction

As East Timor's transition to independence is completed at midnight on 19–20 May 2002, one long and troubled story has come to an end. In Asia, perhaps only Vietnam has had a longer and more difficult transition from colony to independent state. And probably no issue since the Vietnam War has been as complex, contentious and demanding for Australian strategic and foreign policy as East Timor. The details of Australia's part in that long story, from the years leading up to Indonesia's incorporation in 1975 to the events of 1999, have been exhaustively examined by the media, in universities, and in public.

But of course as that old story ends, a new story begins. Australia has a big stake in its new neighbour. We now need to turn our attention to the future of that country, and to the approaches Australia needs to take to protect our interests there.

Australia's stake in East Timor constitutes what Lord Palmerston called 'permanent interests'. Those interests have been evident in different forms for a century, and they persist notwithstanding East Timor's emergence as an independent state. But the circumstances in which Australian policy must work to promote those interests have changed radically.

The management of Australia's defence and security relationship with a new and independent East Timor is a major national challenge. This 'Policy Report'—the first major study to be published by the new Australian Strategic Policy Institute—proposes specific policy directions to meet this challenge.

ASPI has been established by the Australian Government as an independent, non-partisan centre which will provide both Government and the public with fresh ideas on Australia's strategic and defence policy choices. In keeping with ASPI's charter, this paper is strongly focused on *Australia's* policy choices. It aims to explain Australia's interests and how

they can best be served in the light of East Timor's circumstances as it achieves independence.

But it is also important that our thinking about Australian policy should take proper account of the views of other key actors. For that reason we have incorporated within the report discrete contributions from Dr José Ramos Horta, East Timor's Minister for Foreign Affairs and Cooperation, and Professor Hadi Soesastro, the Executive Director of Indonesia's Centre for Strategic and International Studies (CSIS), providing East Timorese and Indonesian perspectives. We are delighted to be able to provide the views of people of their high standing as an input to our thinking about Australia's way forward.

Their contributions aside, this paper is a collaborative effort among the contributors listed on the title page. We at ASPI would like to thank Alan Dupont, Professor James J Fox, and Ross Thomas for their highly valued input. This report has benefited greatly from their perspectives, insights and expertise.

We have also benefited from the comments and advice of many people, including Professor Ross Babbage, MAJGEN Adrian Clunies-Ross (Retired), Professor James Cotton, Professor Paul Dibb, Mr Bob Lowry, Mr Des Moore, MAJGEN Roger Powell and MAJGEN Mike Smith (Retired), as well as officials from a number of departments and organisations in their personal capacity.

The task of drawing together all these inputs has been accomplished in fine style by Dr Elsina Wainwright, Director of ASPI's Strategy and International Program. My thanks and congratulations to her.

With so many contributors and helpers, diversity is inevitable. So not all of our contributors would necessarily support all that is said within these covers. Responsibility for the views expressed here lies with me and Dr Wainwright.

Australian thought and talk about our relations with East Timor remains primarily focused on the mistakes and misfortunes of the past. But the important issue for us, and for East Timor, is to fashion policies that will provide a better and more secure future for both countries and for our other neighbours, especially Indonesia. Our aim in this paper is to nudge the development of Australian policies in the right directions to achieve that.

Hugh White
Director

Executive summary

Australia's long-term strategic objectives in East Timor are to help it become a viable state, free from foreign interference and serious internal unrest, and to ensure that East Timor does not complicate our relations with Indonesia.

Australia's key policy challenge is to help East Timor meet its urgent security problems, and to encourage other countries to do the same. In the long term that challenge is best met through economic growth and political development. But before that can happen, East Timor needs to overcome pressing internal security and law and order problems. The new Government in Dili does not have the capacity to meet these problems. Australia's current program of aid to East Timor is doing little to help in these sectors, and other donors are doing no better. If we fail to help effectively, Australia's security interests in a stable East Timor and a peaceful region will be at risk: East Timor may become a failed state, and a source of continuing tension between Australia and Indonesia.

East Timor's pressing security problems include organised gangs challenging central authority, smuggling and other border security issues, the latent threat that militia will resume infiltration from West Timor, and the risk that security forces will be drawn into politics.

The new East Timor Government's security apparatus is ill equipped to deal with these problems. The police are poorly trained, have almost no equipment, and are severely under-funded. The justice system is weak, with a court system that is hardly functioning. The East Timor Defence Force (ETDF) has limited capabilities and no clear role in meeting East Timor's current security problems. There are doubts that East Timor will be able to fund the police and defence forces as currently planned, and risks that the defence force could operate beyond its constitutional mandate.

International support for East Timor's security sector is poor. The United Nations Transitional Administration in East Timor's (UNTAET's) efforts

have focused on maintaining security during the transition period, with large international peacekeeping and police contingents. These are now being drawn down, and will be gone in two years according to current plans. Insufficient effort has been invested in building East Timor's own police and justice capabilities. The ETDF has been better supported but it still lacks the help needed to make it a viable military force. International support, both multilateral and bilateral, will probably fall steadily over coming years.

Indonesia's attitude to its new neighbour remains ambivalent. President Megawati Sukarnoputri's Government has shown itself willing to work constructively with Dili, but many in Indonesia view East Timor with resentment. Overt hostility against East Timor is most unlikely, at least for now, but there is a risk that Indonesia may become uncooperative and even obstructive in its relations with East Timor. East Timorese remain highly suspicious of Indonesia, and the new country's leaders will need to work hard to build a cooperative relationship. Many Indonesians are suspicious of Australia's motives in East Timor, and will be quick to misread Australian support for Dili as directed against them. This will be an important issue in shaping our policies towards East Timor.

Australia has established a substantial post-independence aid program for East Timor. AusAID's projects cover education, health, infrastructure and governance, water supply and sanitation, and rural development. The Department of Defence is providing support to East Timor's Defence Force, and the Australian Federal Police is providing assistance as part of the UN Civilian Police Force. These efforts are important, but they are not addressing East Timor's most urgent security needs.

Australia should therefore develop an expanded program of security assistance to East Timor that addresses the following policy imperatives:

- **Recognise the scale of the task.** Support for East Timor's security will be a major long-term commitment for Australia, and it needs to be funded and coordinated accordingly.

- **Take a comprehensive approach.** All elements of the security sector need to be supported, and this support should be backed by a program to help overall security coordination in East Timor. We also need to build Australia's credentials as a committed long-term friend of East Timor.
- **Give police priority.** Our highest priority should be to help the East Timor Police Service, now starved of international support, to establish the capabilities needed to maintain basic law and order. We also need to help develop the justice system.
- **Support border security.** Managing East Timor's border with Indonesia and East Timor's maritime zones is a major challenge that East Timor is poorly placed to meet. We can help by developing infrastructure, encouraging bilateral cooperation with Indonesia, and providing maritime surveillance support.
- **Recognise the ETDF's limits.** Our support for the ETDF will need to focus on developing a small force of good quality, which will require the trimming of current plans for the force and clarification of its roles. Our program will need to take account of the risk that the ETDF may develop in ways we do not like.
- **Build international support.** We should work to encourage other countries to continue to support East Timor's security over the longer term, and expand cooperation between donors. Working more closely with Portugal is important. And we need to encourage Indonesia to work with us and East Timor to promote shared interests.
- **Clarify our own commitment.** The Government should clarify the extent of Australia's commitment to maintain forces in East Timor after the transition to independence. Australia should not leave operational forces there after the UN Peacekeeping Force is withdrawn. But we should make clear that, in keeping with our broader policy towards our small neighbours, we would be likely to provide help if East Timor was subject to unprovoked aggression.

CHAPTER
1

Australia's policy challenge

Australia has a lot at stake in the future of our new neighbour. Altruistically we hope the people of East Timor can enjoy a peaceful and prosperous future. More self-interestedly, their success or failure will directly affect Australia's own prospects for security. Serious problems in East Timor would undermine Australia's enduring strategic interests in the stability of our immediate neighbourhood, and risk more tension in our relations with Indonesia.

Australia's key policy challenge is to help East Timor meet its urgent security problems, and to encourage other countries to do the same.

We need to find ways to protect Australia's interests by helping to ensure East Timor's future success. The challenge is urgent, and the problems are large. Despite strong international support, committed political leadership, and broad popular determination to make things happen, East Timor could become a failed state. It is a very poor country—one of the poorest in the world—and it is starting from scratch to build the skills and institutions needed to function and develop. In the long term the surest foundation for peace and stability will be economic growth, political development and good governance. But to make progress on those fronts, the Government of East Timor will have to address serious security problems, each of which in different ways is a product of East Timor's sad history. These problems need to be dealt with quickly if East Timor is to avoid the familiar pattern of state failure seen so often elsewhere—a vicious circle of poor security, economic stagnation, political repression and social breakdown.

Timor–Australian Guerillas in Timor, 9 December 1942. © Australian War Memorial AWM 013797

East Timor's own security institutions are not equal to the task of breaking that circle. So Australia's immediate policy objective should be to help East Timor meet its pressing security challenges, and to encourage other members of the international community to do the same. The UN's efforts to maintain security will decrease quickly after independence. To overcome its problems East Timor will therefore need to develop its own security institutions so they become effective, affordable and subordinate to the rule of law. Only East Timor's new Government can achieve this outcome, but international support from the UN and from individual countries can make a big difference.

And Australia can play a valuable role. We are East Timor's most prosperous neighbour. Our interests are directly engaged and, under UN auspices, we have been helping to support East Timor's security since September 1999. We have extensive experience in working with small states in the South Pacific on security issues. But our experience in the South Pacific is not encouraging. The poor performance and troubled recent history of the Papua New Guinea (PNG) Defence Force show how hard it can be to assist in the development of another country's defence forces, even with huge investments of money and effort.

Australia's challenge is to learn from these lessons, and to develop a security relationship with independent East Timor that supports East Timor's security, protects Australia's strategic interests, and does not complicate our relationship with Indonesia.

The Indonesian angle

One of our key concerns will be to prevent problems between Dili and Jakarta from damaging our relationship with Indonesia. Of course Australia should encourage good bilateral connections between Indonesia and East Timor, based on a clear mutual recognition of each other's legitimate

interests. Australia will have an interest in making sure that Indonesia fully respects East Timor's sovereignty, but equally that East Timor does not cause Indonesia legitimate grievances over the management of their border and other Indonesian security concerns.

We should also take care that we do not become part of the problem. Australia will need to be very conscious of the way in which our activities in East Timor are interpreted in Jakarta. The turbulent events of 1999 left suspicion among an influential minority in Indonesia that Australia's policy over East Timor was motivated by our own strategic ambitions. Some Indonesians think that our aims were to establish East Timor as a strategic asset for Australia in the archipelago, and perhaps even as a long-term base for Australian forces. Another influential view is that East Timor's independence was only the first step in a campaign to detach parts of Indonesia's eastern territory, with Papua (Irian Jaya) seen as the next target.

These views are deeply mistaken, but they cannot be ignored. They foster a sense of strategic competition between Australia and Indonesia, focused on East Timor. Even among the majority of Indonesians who do not share these suspicions, there is a degree of sensitivity about Australia's strategic presence in East Timor. Whatever we think of the history of Indonesian rule in East Timor, we should recognise that East Timor's separation from the Republic has been a traumatic and sensitive issue for Indonesians, raising strong emotions not just for old *Tentara Nasional Indonesia* (TNI) generals but even among the young and liberal-minded. The management of our relationship with East Timor will need to take account of Indonesian sensitivities and perceptions. Otherwise we might find that Australia's legitimate support for East Timor could become a source of real tension between Canberra and Jakarta.

Of course in many ways our interests in East Timor coincide with those of Jakarta. Indonesia shares our concern that East Timor should not fall under the influence of external powers that could destabilise our neighbourhood. And they would share our concern that East Timor should not become a base for transnational crime. One of the challenges to Australian policy is to build on these common interests. If we are to succeed it will be essential that we take seriously Indonesia's legitimate security interests and concerns in relation to East Timor.

By any hardheaded calculation, Australia's interests in Indonesia are greater than our interests in East Timor. That at least was the traditional calculus of Australian governments up to and including 1999. But the experience of that year shows that such simple weightings will not resolve the policy dilemmas we are likely to face between Dili and Jakarta over the coming years and decades. Tension between Dili and Jakarta will inevitably affect Australian–Indonesian relations, whether we like it or not. From here on in, the path from Canberra to Jakarta will often detour through Dili.

Australia's 'permanent interests'

East Timor's security from external subversion or aggression is an enduring strategic interest for Australia—and it is an interest we share with Indonesia. Australians have always been concerned that a weak and vulnerable neighbour could allow an outside power to establish a strategic presence—and perhaps even base forces—close to Australia. This concern has dominated Australian strategic policy towards the islands across our north for more than a century. It was an important factor in Australian attitudes to Indonesia's incorporation of East Timor from 1974: successive governments judged that a weak independent East Timor would provide easy opportunities for hostile intrusions into our region, especially in the atmosphere of the Cold War.

The continuing importance of this consideration in Australian policy towards East Timor was made clear in the Defence White Paper published in December 2000. Australia's key strategic interests in relation to our immediate neighbourhood, including East Timor, are spelled out in these terms:

> *We would be concerned about major internal challenges that threatened the stability and cohesion of any of these countries. We would also be concerned about any threat of outside aggression against them. We have a key interest in helping to prevent the positioning in neighbouring states of foreign forces that might be used to attack Australia.* [Paragraph 4.8]

These concerns remain valid. Despite all the advances in military technology over the past century, distance is still a key factor in military operations. Australia's vulnerability to many types of armed attack depends on a potential adversary's ability to base forces close to our shores. East Timor is very close to Northern Australia. Hostile forces based in East Timor could again—as they did in the Pacific War—significantly increase the scope for military action directly against Australia.

The risk of course is very small. But remote as this scenario is, preventing it remains an enduring Australian strategic interest. We cannot be sure how our wider strategic environment may develop, and our policy should not lose sight of such less probable but very serious outcomes. At the same time we need to be careful that these remote scenarios do not make us overlook the many immediate security challenges that East Timor faces. Our aim should be to help East Timor's economy and political system to develop robustly so it can resist pressures from outside, and build the international linkages which provide a level of security against aggression or subversion.

CHAPTER 2

East Timor's security problems

East Timor's security problems start with the fact that it is a small country that has not been well endowed by nature. The population is only 800 000—smaller than that of Adelaide—and is surprisingly diverse, with significant ethnic and linguistic differences. East Timor has a tiny land area—about one-fifth the size of Tasmania. Its terrain is rugged, its soils are poor, the climate is harsh, and it is isolated from major centres of population and commerce. It is surrounded by Indonesia, and a significant portion of its territory—Oecussi—is an enclave within Indonesian West Timor. The Oecussi enclave has few transportation links to the rest of East Timor, and very meagre resources. And to many East Timorese its other big neighbour, Australia, is also a worry. Sandwiched between two big countries with potentially divergent interests and expectations, the central strategic dilemma for East Timor is how to accommodate them both without sacrificing its capacity for independent action.

East Timor is one of the poorest countries in the world. GDP per head is less than US$500—about the same as Cambodia, and little more than half the figure for PNG. There are prospects for growth, but there are also real constraints. Even with three-quarters of the population in the countryside, East Timor is not expected to be able to grow enough food to feed itself. Food security could become a critical issue. Too little has been invested in agriculture during the United Nations Transitional Administration in East Timor (UNTAET) period, and there is a significant risk of El Niño-induced crop failures. In a bad year, East Timor would need to rely on massive outside assistance to avoid serious famine.

Foreign aid is the current mainstay of East Timor's economy—about 45% of the US$77 million budget sought by East Timor's Council of Ministers for 2002–03 will be donor funded. The best prospect for sustainable economic development in East Timor is offshore oil and gas. The UN estimates that East Timor could receive US$2.5–3 billion over 17 years

An armed group of mountain Timorese parade in Dili in the lead up to the presidential election, 13 April 2002. Picture courtesy of James J Fox.

from oil and gas revenues when the Timor Sea comes on line in mid-2004. Some more optimistic estimates suggest that East Timor would receive three times that amount over the 17-year period.

The Timor Sea revenue will be critical to East Timor's viability, but its value will depend critically on how it is spent. If it is used to fund infrastructure that will encourage private investment, the benefits will endure. If not, it will be wasted. And it will not solve East Timor's immediate problems. East Timor can expect 'three lean years' after independence. Its economy may go backwards for a time, as the UN-funded community leaves, taking Dili's bubble economy with it. Non-oil GDP is projected to grow only modestly from a very low base. Timor Sea revenues will perhaps mean an additional US$500 per head in GDP, but East Timor will still be one of the poorest countries in Asia.

So even with oil and gas revenues, East Timor is going to have real difficulties funding government, including security institutions, especially if, as is very likely, the level of international aid falls sharply over the next few years. Fiscal constraints will make it harder to deal with a raft of economic and social problems. Infrastructure was poor before 1999, and much was destroyed. Literacy is low among older age groups, and infant mortality is high. Urban unemployment is estimated at 70%, and 50% of the population is below 20 years of age. And as the UN draws down its presence, East Timor will find it hard to deliver many basic functions of government from its small indigenous skill base.

To promote economic growth, East Timor's Government will need to adopt and implement economic policies that encourage the development of private enterprise, including foreign investment, and stimulate desperately needed employment. Such policy settings may not be palatable to some of East Timor's political elite.

Finally, East Timor faces significant political challenges. Progress in building the machinery of government over the past two years has been rapid and impressive. But there remains a long way to go to establish a stable and robust political system that can provide East Timor with the leadership it needs to take tough decisions about the country's future. East Timor does not have a tradition of representative government and the rule of law. Feudal and authoritarian concepts inherited from the colonial era have been reinforced by the decades of Indonesian rule. Some of East Timor's leaders may want to move to a one-party political system. The constitution leaves much to be clarified about how power will actually be distributed and exercised. Tensions are already evident within the political elite over the workings of the constitution. And the major task of reconciling those who supported Indonesian incorporation and those who supported independence has only begun. It is against this background that East Timor needs urgently to address a range of security problems.

East Timor is going to have real difficulties funding government, including security institutions.

Internal security

East Timor's security problems start at home with internal security and law and order. Reported crime remains low except for domestic violence, but in the towns, especially Dili, poverty and unemployment make a dangerous mix; without effective policing, urban crime could become a real constraint on economic development.

Outside the towns, land tenure is a major problem that has ramifications for both law and order and economic growth. But the bigger problem is the emergence of organised groups with a propensity to violence. These include former Falintil fighters who have not been recruited to the new defence force, and who have few prospects in East Timor's battered economy. Recently leaders of the more important of these local groups have come together to form what they call a 'New Falintil Force' and have established a district command structure under former Falintil commanders. Members of these groups are suspected to be involved in robbery, extortion and other crimes. They present local police with their greatest problem, and could become future equivalents of PNG's raskol gangs.

Likewise the remnants of old clandestine groups and secret organisations set up under Indonesian rule are reviving. Many of these groups will seek to perpetuate the local influence they had during the Indonesian occupation, and may tend to use violence to get their way on issues such as land disputes. They may also become involved in local politics.

There is a continuing risk of violence against those who supported integration with Indonesia, and especially those who were involved in the militias in 1999 and before. Generally the return of refugees from West Timor and the resettlement of former militia members have gone smoothly, with strong support from the UN. But continuing violence between pro- and anti-independence supporters remains a real risk. The new Government will need to assure militia leaders and their followers that there will be no vendettas or recriminations, and that the issues of justice for the events of 1999 and before will be dealt with by due process and under the rule of law. For their part, pro-integrationists will need to demonstrate their commitment to the new nation, and renounce their loyalty to Indonesia. Otherwise the violence of earlier periods could be perpetuated.

Border security

Like many developing countries, East Timor will find it hard to secure and manage its borders both at sea and on land. At sea, East Timor has a significant maritime economic zone. Fishing is a potentially valuable resource that will need protection. Piracy is endemic to the archipelago, and could become serious for East Timor. The offshore oil and gas fields will be East Timor's most important independent source of income. Control of movements in and out of the country will be crucial to minimising transnational crime through East Timor to its neighbours. For example, Canberra will have direct concerns about the potential for transnational arms and drug trafficking and people smuggling through East Timor towards Australia.

East Timor's land borders will be an even more important security issue for the new Government. The borders themselves, including Oecussi's, are comparatively long, rough and difficult to police from either side. Smuggling will be a significant issue, because Indonesia's comprehensive program of subsidies for basic commodities provides an irresistible incentive to buy goods at subsidised prices in West Timor and sell them in East Timor. There is already evidence of illegal cross-border trade in a variety of items, ranging from petrol and tobacco to electrical equipment that is available more cheaply in West Timor.

But the real concern is the critical issue of controlling the movement of anti-independence militia from West Timor into East Timor, including the Oecussi enclave. These militias were of course responsible for much of the violence in 1999. After their post-ballot rampage they fled to West Timor, whence they made some early attempts to re-insert armed groups into East Timor. At present the problem appears to be under control. For the time being the threat from the militia within East Timor can be regarded as low in all but the border areas, where it might be assessed as low to medium. Militia infiltration across the border has been on a downward trend for some time, and there have been no serious clashes or incidents in East Timor for nearly a year.

There are several reasons for this. Perhaps the most important has been the presence of substantial UN peacekeeping forces in the border areas, mostly Australian, New Zealand and Korean units, maintaining active patrols. The Indonesian Government and TNI have also made an important contribution. They have helped to curtail militia activity on the Indonesian side of the border by a program of disarmament. They have also encouraged militia leaders and members to return to East Timor, and have withdrawn financial and other assistance from the militia leaders who remain in the camps. Increasing awareness among the people in the camps about improving conditions and reconciliation efforts in East Timor has no doubt also helped reduce militia activity, as some influential militia leaders and their followers have joined the flow of refugees choosing to return home.

East Timor's security problems start at home with internal security and law and order.

But the problem has not gone away. There are still some 50 000 displaced East Timorese in the refugee camps in West Timor, and of these perhaps 30 000 may choose not to return home. The reservoir of potential militia members is therefore substantial. A core of committed militia leaders remains opposed to the creation of an East Timorese state, and have obstructed the return of some refugees. With their hard-core followers, who number a few hundred at most, these militia leaders could pose a serious problem for East Timor. They and their Indonesian backers may simply be waiting until the UN peacekeepers leave, and international attention moves elsewhere, before resuming cross-border infiltration operations. So as the UNTAET military presence in the border areas diminishes in the next couple of years, militia activity could re-emerge.

As long as the Indonesian authorities, including TNI, continue to cooperate with East Timor in managing the border and by sidelining the pro-independence leaders, the militia is unlikely to pose a major threat to East Timor's stability. However, it could be a serious problem in other ways. Future low-level cross-border militia activity into East Timor seems as likely to involve smuggling and other criminal activity as focused military action to destabilise the Government in Dili. But the problem would be more serious if the militia leaders regain support from TNI. This is not impossible; militia leaders remain important in West Timor, and some are influential and well connected in Jakarta. The threat from militia would be increased further if the reconciliation and social reintegration process in East Timor does not go well.

The risk to East Timor could then be serious. In the past, some militia have shown themselves to be well trained and highly motivated. If they were provided with support from groups in Indonesia they could pose a major challenge to the security of the new country.

An East Timorese child pushes a cart with a flat tyre loaded with a sack of rice and his little sister on board down a street in Dili, 6 February 2000, as the city tries to return to normality. AFP/AAP/Weda; © 2000 AFP

External security

East Timor does not face a threat of overt military action from any other country. Apart from its immediate neighbours, no country would appear to have any reason to move against East Timor, except to provide a base for action against Australia or Indonesia. This could only happen if intense strategic competition between major powers undermined wider regional security—not impossible over the longer term, but far from likely.

East Timor's most pressing external security concerns are closer to home, in the management of its bilateral relationship with Indonesia. This is not going to be easy. It will always be uncomfortable for a country as small and weak as East Timor to share a border with a neighbour as large as Indonesia. The facts of geography make a good relationship with Indonesia essential for East Timor, but the legacy of recent history will cast a long shadow, and Indonesia will almost inevitably loom as East Timor's primary external security concern.

East Timorese anxiety about Indonesia is understandable. However, in reality the current risk of large-scale overt military action against East Timor by Indonesia is very low. The Government of Megawati Sukarnoputri clearly accepts East Timor's independence, as did her predecessor. Future governments in Jakarta are unlikely to revive Indonesia's claim to East Timor, at least while East Timor remains in the international eye, if only because of the enormous damage that would do to Indonesia's international standing.

In the longer term the possibility of overt conflict may increase. Indonesia's democratic constitution could be overturned by a revival of authoritarian rule, perhaps led by elements in the military with a stridently nationalistic agenda. East Timor could become a potent issue for such a regime. Real or imagined problems between Indonesia and its small neighbour could become the reasons or pretexts for armed clashes along the border. And hostilities, once begun, could simmer for years or escalate sharply.

But in the meantime, the more serious risk is that poor relations between Indonesia and East Timor could lead to uncooperative or obstructive policies in Indonesia which would undermine East Timor's ability to manage its current security problems, especially on the border. So far Indonesia's Government has worked well with the UN and the East Timorese leadership. But Indonesian goodwill is not to be taken for granted. There is an animosity in Indonesia regarding East Timor that will not dissipate quickly. Many of Indonesia's military leaders served in East Timor. It is difficult for them to accept that the Indonesian occupation of East Timor was an error, and the deaths of many Indonesian troops were a waste.

Even among Indonesia's civil elite, including the bureaucracy and many politicians, attitudes towards East Timor are uncooperative at best. As the international spotlight leaves East Timor, Indonesian approaches may get even tougher. Animosity may manifest itself in different ways: obstructing access to Oecussi, delays in cross-border traffic, lax policing of the militias, diplomatic delaying tactics to frustrate East Timor's access to forums like the Association of South-east Asian Nations (ASEAN), and inhibiting the development of economic relations. More seriously, covert and supposedly deniable support could be provided to anti-independence militias infiltrating from West Timor or elsewhere in Indonesia. Such policies might not even originate in Jakarta, but may arise at the local level in West Timor or elsewhere, especially if weakness in Jakarta leads to a loss of control in Eastern Indonesia.

The problem is not one-sided. Like Australia, Indonesia has legitimate security concerns about East Timor, including its capacity to manage its borders, control transnational crime and resist potentially hostile intrusions into the neighbourhood. Furthermore, some in Jakarta may worry that East Timor's independence could encourage separatist sentiments in West Timor. They would also be alert to any suggestion that East Timor was sympathetic to separatist movements elsewhere in Indonesia.

Historical sketch

Portuguese traders and Catholic missionaries came to East Timor in the early sixteenth century. The 1859 Treaty of Lisbon divided the island of Timor between the Dutch, who took the west, and the Portuguese, who took the east and the enclave of Oecussi, which was the initial capital of Portuguese Timor.

Portugal moved towards democracy in 1974, and announced it would grant independence to East Timor. As East Timor prepared for independence, the political parties Revolutionary Front of Independent East Timor (Fretilin), the Timorese Democratic Union (UDT: *União Democratica Timorense*) and the pro-Indonesian leaning Timorese Popular Democratic Association (Apodeti) came into conflict. In December 1975, Indonesia invaded East Timor.

Throughout the struggle for independence, Falintil maintained an armed presence in the mountains of East Timor and continued guerrilla operations against the Indonesian army. Numbers varied from over 25 000 in the mid-1970s to as few as a couple of hundred in the 1990s. From 1975 to 1987, Falintil functioned as the armed wing of Fretilin. Falintil was backed by the clandestine movement, and the diaspora also supported the struggle.

In 1981, Xanana Gusmão assumed command of these forces and in August 1987, as part of a widening resistance strategy, he cut Falintil's formal ties to Fretilin, and restructured Falintil as a national army under the direction of the National Council of Maubere Resistance (CNRM: *Conselho Nacional da Resistencia Maubere*). In 1997 this Council became the National Council for Timorese Resistance (CNRT: *Conselho Nacional da Resistencia Timorense*) which continued in existence under Gusmão's leadership until June 2001.

Fretilin took 57% of the vote at the parliamentary elections held on 30 August 2001. The presidential elections took place on 14 April 2002, and were won by Xanana Gusmão, standing as an independent, with nearly 83% of the vote.

An East Timorese perspective

East Timor's leaders are well aware of the many problems confronting the country and have a realistic appreciation of the sacrifices that will be required if East Timor is to make a successful transition from a colony of others to an independent nation. Our security concerns are threefold.

First, we must reconcile differences among the East Timorese themselves in order to unify the nation and focus our resources on the enterprise of nation building. If we cannot heal the emotional wounds generated by past conflicts then peace will almost certainly prove elusive. Without political stability and social cohesion East Timor will find it difficult to attract the foreign investment and international aid that is vital to economic reconstruction and development.

Second, we must protect our land and sea borders in order to provide a secure environment for our country to develop and prosper. This will be the primary responsibility of the East Timor Defence Force, which must also have a capacity to support the broader task of nation building and to assist the civil authorities in times of national emergencies and disaster relief. The ETDF has only a limited defence budget and we will continue to rely on the goodwill and support of our neighbours in our efforts to enhance the operational and logistic capabilities of the ETDF and our police force.

Third, East Timor faces a range of non-military threats that must be factored into our national security planning. Once the UN has departed, international criminals may seek opportunities to target East Timor as a safe haven for drug trafficking and money laundering activities. People smugglers could attempt to use East Timor as a transit destination for their human cargoes, exploiting our strategic location mid-way between Australia and Indonesia. We will also need to maintain vigilance against the spread of infectious diseases like AIDS which has already gained a foothold in many parts of the region.

A central tenet of our defence and foreign policy will be to consolidate and maintain good relations with Indonesia and Australia. East Timor's security is inseparable from that of Indonesia's. Our geography and history are testimony to this inescapable strategic reality. Indonesia has shown a commendable willingness to assist in reducing potential sources of conflict, especially in the sensitive border region, and we are actively working on a range of bilateral measures to enhance security dialogue and defence cooperation. We intend to seek Indonesia's support in joining ASEAN and building ties with other South-east Asian nations.

We owe a debt of gratitude to Australia for its courage and support at our time of greatest need and are mindful of the costs incurred. The bond that unites us will underpin and sustain our relationship as it develops and matures. Notwithstanding our disparate size and strategic weight our future relationship must be one of equals. We cannot and should not expect defence and security guarantees from Australia in the form of treaties or agreements. But Australia can contribute to strengthening East Timor in other ways—through technical assistance, education and training, trade, investment and by using its good offices to promote East Timor's engagement with the region.

Our extensive international ties built up during our long struggle for independence, must also be nurtured and enhanced, for small nations are necessarily reliant on larger and more powerful states to maintain global order and equity. Within our region, we regard Japan and China as having important roles to play in promoting economic growth and security. We value our close association with the United States and our special relationship with Portugal that will continue to play a prominent role in East Timor's development. Finally, we are grateful to the United Nations for taking on the onerous task of administering and helping to reconstruct our ravaged nation during the difficult transition period. It is imperative that the UN retains a peacekeeping presence on the ground after independence to allay East Timor's security concerns and provide sufficient time for the ETDF to become fully operational.

José Ramos Horta

CHAPTER 3

What is being done

Since the vote for independence in 1999 a significant effort has been made to develop the machinery that East Timor will need to function as a modern state. The UN has led this effort—UNTAET probably has no precedent for multinational participation in nation building.

This support will continue, at least for a while. The UN will stay committed and will remain a major contributor to East Timor's security in the post-UNTAET period. UNTAET has been a major test of its capabilities, so it has a lot invested in East Timor's success. In late April the UN Secretary-General announced plans for a new mission to replace UNTAET after independence. Other multilateral agencies are also making sustained commitments to help fund East Timor's development. The World Bank and Asian Development Bank jointly manage the Trust Fund for East Timor (TFET) which finances reconstruction and development. Commitments totalling about US$150 million have been made thus far (of which some US$80 million had been expended by February 2002). And individual donor countries, including Portugal, the European Union, Japan and Australia, have made important contributions to TFET, and to the Consolidated Fund for East Timor (CFET), which will provide budget support of about US$20 million a year.

Nonetheless, East Timor will be increasingly on its own after independence. The UN successor mission will be much smaller than UNTAET, with fewer resources and less authority. There is clearly a risk that the priority given to East Timor in New York over the coming years will wane, and there are already signs that some donors are turning their attention to other, newer crisis spots such as Afghanistan. France and the United States have argued for the UN to wind down its efforts in East Timor even faster than is currently planned, and European Union (EU) spending on East Timor will fall by about two-thirds this year. Even Portugal might find itself pressed by other demands, such as the need to support a peace process in Angola.

There is no area of government responsibility in which this waning attention will be more keenly felt than in security, where UNTAET's prime

Officers of the East Timor Police Service (ETPS) march in Dili, 27 March 2001, to commemorate the first anniversary of the ETPS' creation. AP via AAP/Firdia Lisnawati; © 2001 The Associated Press

focus has been to restore law and order after the traumas of 1999. Less emphasis has been given to building the capabilities and institutions that East Timor will need to address its security problems over the next few years. While a start has been made in many areas, there is much still to be done, and it will need to be done quickly.

The police

For the past two years UNTAET has fielded a major international policing element in East Timor, with contributions from many countries, including Australia. Since 2000 the Australian Federal Police (AFP) has been sending 80 to 100 personnel—mostly Federal but also some State and Territory police—on six-month detachments to East Timor. The UN Civilian Police (CivPol) has maintained internal law and order during the UN-sponsored transition to independence. But CivPol force numbers are already being drawn down from a peak of over 1600 to around 1000 today, with further reductions expected. Transfer of responsibilities will be completed within about 18 months—East Timor has not got long to get its policing in order.

A start has been made. The East Timor Police Service (ETPS) has been established with a clear constitutional role to preserve internal security. The ETPS has a target strength of up to 3000 officers. This would provide a respectable sized force, with one police officer for every 250 citizens, compared to one officer for 1000 citizens in PNG. Candidates have been carefully selected to ensure their acceptance by the community. Around 1500 officers have already been deployed with at least rudimentary training—mostly on-the-job training provided by the CivPol contingents. The police also received some initial assistance from many countries, including the construction of barracks in Dili, a well-equipped training college, uniforms and weapons.

But much remains to be done before the ETPS can meet East Timor's law and order needs at even the most rudimentary level. Very few officers have the training to fill management positions, and even fewer have more

advanced skills in investigation, legal proceedings and administration. The ETPS will need to develop these skills, and promote strong leadership if it is to gain community credibility.

Likewise the ETPS almost completely lacks the key equipment and facilities needed for an effective police force. It depends on the UN for transport, communications and other essentials—and these may depart with the UN. There will not be much money to meet these needs; the budget is estimated at US$7.5 million for 2002–03, rising to nearly US$11 million in 2004–05. It is not clear where that money is going to come from.

These deficiencies have been compounded by a lack of coordination or planning for future needs among donors, and by widely differing approaches to policing among the ETPS' many and varied donors, which have caused confusion in the new force.

The UN is aware of the problems. In his January 2002 report to the UN Security Council, the Secretary-General said that:

> *The development of the East Timor Police Service continues to be constrained by the lack of resources. The current budget can only satisfy initial training, salary and deployment, however, and the Service suffers from a critical shortage of communications and transport resources. It also lacks the means to meet recurring costs for the maintenance of vehicles, weapons and other equipment and for the purchase of consumable items.*

The prospects for future international support are not bright. Unless a new approach is taken, the range of training and other contributions to the ETPS will dwindle as CivPol draws down and national police contingents leave. Few countries plan significant ongoing aid programs for the police. Police assistance does not feature in the Australian Agency for International Development's (AusAID's) current four-year A$150 million program in East Timor.

The justice system

An efficient and fair system of justice is as important to law and order and wider security as a good police force. Like the police, East Timor's justice system is currently under the purview of the UN. But this is one area in which UNTAET has made little progress in building East Timor's own capacities. It will take many years for East Timor to establish a workable justice system. Limited resources and capacity are serious problems. The UN Secretary-General said in his report on East Timor in January 2002:

> *There are still few experienced and trained East Timorese judges, public defenders and prosecutors, and support services for the courts remain limited. Courts and investigators are hampered by the difficulty in obtaining translations to and from English, Portuguese and the many local languages… public defenders still require intensive training, continuing legal education and technical support.*

The East Timorese justice system therefore requires continued international support and funding, and especially judicial expertise. The UN is looking for funding. As the UN Secretary-General warned, 'Any precipitous withdrawal of this support would be prejudicial to security as it would be likely to seriously undermine the judicial process and the rule of law'. And that in turn would undermine East Timor's prospects for economic growth and political stability.

East Timor's under-funded police force is overstretched and its defence force has too little to do.

The defence force

Since the International Force for East Timor (INTERFET) withdrew, East Timor's security has been in the hands of the UN Peacekeeping Force (PKF). From a peak of 8950, it has now been reduced to 5000 military personnel. Under the current plan the PKF will draw down to approximately 2780 by mid-2003 and depart by mid-2004, unless there is a sharp deterioration in security. Australia will continue to play a large—and indeed relatively larger—part in the PKF as it draws down. Australia currently has 1450 peacekeeping forces in East Timor. This will be reduced to about 1250 by mid-2002. Decisions on the size of our contribution to the force beyond that have not yet been made.

Once the PKF leaves, East Timor's external security will become the responsibility of the East Timor Defence Force (ETDF)—known formally as Falintil-ETDF. The establishment of the ETDF was a marked departure from the earlier policy of some of East Timor's leaders. In accepting the Nobel Peace Prize in 1996, José Ramos Horta proposed that a future East Timorese state would possess no army, but only a gendarmerie. Two things caused a policy shift in late 1999. The first was the violence and destruction of September 1999, which persuaded East Timor's leaders that the threat from militia groups was too great to be handled solely by a police force. It also reinforced concerns about the possibility of an Indonesian military threat to an independent East Timor.

The second reason to create an East Timor Defence Force was to defuse the danger posed by disaffected Falintil veterans. There were increasing concerns over the erosion of discipline. Several incidents alerted UNTAET officials to the fact that the Falintil veterans could become a security problem, and by June 2000 Xanana Gusmão described Falintil as 'almost in a state of revolt'. In November 1999, the National Council for Timorese Resistance leadership sought to gain formal recognition for Falintil as East Timor's defence force.

In July–August 2000, UNTAET invited an independent study team, organised by King's College, London, to assess security force options for East Timor. The King's College team presented three options for a future defence force. Option three called for a light infantry force of 1500 regulars and 1500 part-time reservists. Ex-Falintil soldiers were to make up most of the first battalion in the ETDF. The King's College report recommended that one battalion be equipped and trained by the time of East Timor's independence. This option was adopted in September 2000.

Recruitment to the first battalion began with an intake of 650 recruits drawn, as planned, from Falintil. Former Falintil Commander Taur Matan

An East Timor Defence Force recruit runs through basic training exercises in the forest near Metinaro, East Timor, 17 August 2001. AP via AAP/David Guttenfelder; © 2001 The Associated Press

Ruak was appointed Chief of the ETDF with the rank of Brigadier-General. In July 2001 the first class of 247 recruits graduated from the new training facility built by Australia at Metinaro. Elements of the first battalion have now been posted to Los Palos, and the selection of recruits to form the second battalion is complete. This selection process has enlisted younger and better-educated recruits. It is envisaged that each regular battalion will eventually comprise a mix of ex-Falintil and new recruits.

This progress has been made possible with a lot of international support. Australia and Portugal have taken the lead: along with about 11 other countries, they have provided help in accordance with a broadly coordinated plan. Australia acted quickly to construct the training camp at Metinaro, and has also provided some equipment and specialist training programs including infantry skills, officer training, communications, military information and English language. About 30 Australian Defence Force (ADF) personnel are on long-term posting in East Timor to coordinate and support the training activities.

Australia's assistance to the ETDF will continue at relatively high levels, valued at between A$30 million and A$40 million over the next five years. Portugal is also expected to remain a major contributor. Most other donors are likely to lose interest over the next few years. In the longer term Australia will almost certainly be East Timor's most important source of defence assistance.

But there are significant uncertainties about the future of the ETDF. The first is funding. Even a modest defence force along the lines proposed in the King's College report will be very expensive. The planned force is probably unsustainable from East Timor's slender fiscal base in the light of other urgent demands. Projected costs for the complete force as currently planned would be around US$3.3 million, excluding equipment and facilities, and the ETDF budget for the fiscal year 2001–02 is US$2.85 million.

But already appetites are growing; early reports of the ETDF's budget bid for next fiscal year were around US$9 million including some procurement costs. That would be 12% of the Council of Ministers' total budget proposal of US$77 million. Such levels of defence spending are likely to prove unaffordable. This raises doubts about the achievability of the current plans for two regular and two reserve battalions, especially when the need for equipment, facilities, training and operations are considered (for example, the high operating costs for the ETDF's two Portuguese-supplied patrol boats).

The second uncertainty is the ETDF's role. Under the constitution the defence force is responsible for external defence, and the police service is responsible for border protection and maritime enforcement. This leaves East Timor's under-funded police force too overstretched to perform its vital tasks, and an expensive ETDF with little to do. There is a potential legal and political minefield concerning proper responsibility for responding to problems such as low-level militia incursions and gang violence, especially as the ETPS plans to develop its own well-armed mobile forces.

In fact, although the ETDF is supposed to be exclusively concerned with external security, its major concern at present appears to be the threat posed by the growth of organised armed gangs within East Timor such as the 'New Falintil' group of disgruntled former Falintil veterans. These internal security concerns are likely to become the major preoccupation of the ETDF, raising serious questions of legality and accountability.

The impression left on many Falintil veterans after 25 years of observing TNI's Dwi Fungsi role, and the example of Portugal's tradition of a paramilitary internal security force, may contribute to the ETDF's aspirations for a larger role in internal security than is permitted by East Timor's constitution. Inadequate budgets may also tempt the ETDF to emulate TNI by going into business and finding other ways to raise money from local populations. And their long experience of guerrilla warfare may make it hard for some veterans to submit to the demands of military discipline and the rule of law.

Third, there is a risk that the ETDF will be drawn into politics. Already in last month's presidential election ETDF leaders offered public partisan support to their preferred candidate, Xanana Gusmão. The constitution stipulates that the ETDF should be non-partisan, but this may not be widely understood or accepted within the broader leadership of the force, and in the ranks. Again, TNI's place in Indonesian politics under the New Order may be an attractive role model. With the ETDF's evident allegiance to the President, there is even a risk that if the police form an alignment with the Prime Minister the two forces could find themselves in partisan opposition to one another.

Fourth, there are concerns that the establishment of the ETDF has not succeeded in solving the problems posed by disgruntled Falintil veterans. Indeed, the selection of recruits for the ETDF's first battalion may even

have exacerbated them, because veterans from eastern districts and with loyalties to particular commanders were strongly favoured. This has left other factions of Falintil veterans angry, and has spurred the growth of organised gangs. The King's College team had intended that these discontents would be contained by the formation of a 1500-strong reserve force which would accommodate Falintil veterans who were not selected for the ETDF. But plans for the reserves are on hold, and are unlikely to be revived because of funding constraints.

There are significant uncertainties about the future of the ETDF… The planned force is probably unsustainable from East Timor's slender fiscal base in the light of other urgent demands.

Security coordination

East Timor is establishing machinery to coordinate security issues, not just between the police and the military, but also with a number of other security and security-related agencies, including intelligence services. Such coordination is clearly very important.

The Constitution establishes a Superior Council for Defence and Security under the President, though its mandate and membership have not yet been decided. The position of East Timorese National Security Adviser has also been established—this adviser reports to the Prime Minister. However, many details concerning how these mechanisms will operate remain unclear, and important aspects of the national security architecture are yet to be resolved. Getting this machinery to work, and keeping it clear of political disputes between the President and the Prime Minister, will need to be high priorities.

Diplomacy

East Timor's ability to handle today's urgent security issues, and to manage the risks of further problems in the future, will depend critically on the development of its international relationships. In particular, it will depend on the vital relationship with Jakarta. So good diplomacy is going to be essential. Among East Timor's leaders there are a number of figures, especially Ramos Horta and Gusmão, who are international figures and accomplished diplomats with a genuinely strategic view of relations. There are also some good younger people.

The Ministry of Foreign Affairs and Cooperation is now fully staffed, with 30 members of the Ministry having been trained in 14 countries. Already they are getting down to important work. But the East Timor Foreign Service has been built from scratch, and it will take time for it to develop expertise.

The high-level bilateral meeting between Indonesia and UNTAET/East Timor in Bali on 25 February 2002 addressed a number of critical issues and thus laid a solid foundation for future relations between Indonesia and East Timor. Among the most important issues, the parties agreed to a land border demarcation process, which was begun in March; arrangements on traditional and customary border crossings and regulated markets; facilitation of the movement of people and goods from Oecussi to other parts of East Timor; and the continuation of study programs of East Timorese students at Indonesian institutions of higher learning. A commitment was also made for 'a comprehensive solution to the question of East Timorese refugees in East Nusatenggara Province'.

Generally, progress by the Joint Border Committee has been slower, mainly due to Indonesian intransigence in dealing with UNTAET on this issue. Securing East Timor's borders will require effective bilateral arrangements to manage customs, immigration, border control and maritime policing. A joint border demarcation process has been commenced, but more work will be needed to establish a viable border regime that protects the security interests of both Indonesia and East Timor.

Such a regime is fundamental to the stability of the whole island. It would help to ease communications with Oecussi, encourage trade flows to and from West Timor, and prevent smuggling and other illegal movements across the border. In the longer term the two neighbours should aim to establish a demilitarised zone along their border, and perhaps including the whole Oecussi enclave.

Apart from the critical relationship with Indonesia, East Timor will need to build effective bilateral relationships with other regional neighbours, and embed itself in the region's wider community through the multilateral network. The East Timor Government has also taken formal steps towards accession to regional and international groups and organisations, including seeking observer status in ASEAN, and membership of the Community of Portuguese-Speaking Countries. It has also decided to sign the Treaty of Amity and Cooperation in South-east Asia.

Lastly, of course, East Timor will need to tend its relationships with key aid donors and benefactors, including the EU and especially with Portugal, Japan, the US and the international financial institutions. East Timor will not have a lot of money to spend on embassies and diplomats, but the development of good relations with its immediate neighbours and an active engagement with the regional and wider international community will be essential to its survival and development.

An Indonesian perspective

The development of a defence relationship between Australia and East Timor is likely going to arouse negative reactions in Indonesia. This is because it could easily be perceived as being directed against Indonesia. The severity of the reactions will depend on the *nature* of the defence relationship being contemplated and the *approaches* being made towards Indonesia. To some extent, *timing* can be an important factor. As the recent past has shown, issues in Australia–Indonesia relations can become embroiled in domestic politics.

Australia's future defence relationship with East Timor should be seen within the development of three sets of relationship: the *overall* Australia–East Timor relationship, Australia–Indonesia relations, and Indonesia's relations with East Timor. East Timor has been a sour point in Australia–Indonesia relations. That is not totally over. Australia's *military involvement* during the separation of East Timor from Indonesia can always be used by certain political groups in Indonesia as an indication of Australia's 'hidden designs' towards Indonesia. However, there appears to be a general view in Indonesia that Australia should be prepared to underwrite East Timor's economic development for many years to come. If Indonesia is consistent with its own strategy, it should accept that East Timor's economic development also depends on the maintenance of its security. This should provide an in-road to Australia's involvement in East Timor beyond economic assistance. Australia needs to formulate this involvement within the framework of an *overall cooperation* (including security cooperation) rather than a narrowly defined *defence relationship*. It is critically important that Indonesia be adequately informed of this beforehand.

East Timor's main security challenges are internal, but they can be exploited by external involvement, including from within Indonesia. At present, due to its preoccupation with its own problems, Jakarta has not given much attention to East Timor's future security. In fact, it can be said that East Timor has totally disappeared from Jakarta's radar screen. Security issues between Indonesia and East Timor are

handled at the lower levels of bureaucracy in Jakarta and on the ground at the borders between the two countries. This is rather unfortunate, but perhaps neglect is better than mishandling.

East Timor's future security is *with* Indonesia, rather than *against* Indonesia. Thus, Indonesia needs to be brought on board. Indonesia and Australia will also need to restore their Security Maintenance Agreement, which was unilaterally abrogated by Indonesia, also within a *new*, *overall* (comprehensive) agreement, encompassing political, economic, social, security and defence fields. All these require proper timing that is not there yet. However, initial approaches need to be made, and this should begin as early as possible although in a low-profile fashion.

There are different models for Australia's future defence relations with East Timor. The first model is that of the US–Taiwan security relationship. It is immediately clear why this is totally unacceptable, not only to Indonesia but also to the wider region. The second model is that of the US–Philippines security relations. Its historical origin makes it no longer relevant to the situation today. To have Australia base its forces in East Timor will also be totally unacceptable to Indonesia. The third model, US–Singapore security relations, which is much less formalised than that between the US and the Philippines, is perhaps most acceptable to Indonesia, short of Indonesia's involvement in it. Perhaps the fourth model, namely the Five Power Defence Arrangement, without referring to it as such, could be contemplated as a framework to bring Indonesia on board.

In the broader context, East Timor's best defence is diplomacy. Involvement in regional cooperation structures, such as ASEAN, is one important means for this. Unfortunately, several ASEAN members are not keen to bring in East Timor. Former President Wahid's proposed Western Pacific Forum lacks a meaningful rationale. Perhaps a trilateral forum of sorts, involving Australia, Indonesia, and East Timor, is more realistic and relevant. This should complement either a bilateral Australia–East Timor security relationship or one that eventually involves Indonesia.

Hadi Soesastro

CHAPTER
4

What Australia can do to help

In the years up to and including 1999, successive Australian governments supported East Timor's incorporation into Indonesia because they doubted whether East Timor could be viable as an independent state. They worried especially about such a state's ability to manage internal and external security issues. We now know that incorporation into Indonesia was not the solution, but the evidence so far confirms that the earlier concerns about East Timor's security were justified. East Timor's security institutions and capabilities are poorly placed to meet its very real and urgent needs. The risks to Australian interests are high if those needs are not met. We therefore need to do what we can to help. How?

First, recognise the scale of the task

Australia may be underestimating the overall scale of effort required to protect Australia's strategic interests in East Timor. East Timor's problems, including its security problems, are serious, and Australia's interests are acutely and immediately engaged. Major security problems in East Timor are not unlikely over coming years if conditions do not rapidly improve. We have spent a lot of money helping to bring East Timor to independence, but in our own interests we are going to have to spend a lot more to help East Timor succeed.

This effort should focus initially on East Timor's urgent security problems. Of course in the longer term East Timor's security will depend on economic development, good governance and political stability. We should do all we can to support these processes. But all that is in danger of being sidelined by the security problems which have been outlined in chapter two of this report, and are in some ways being exacerbated by the emerging security arrangements outlined in chapter three.

AusAID has done a commendable job focusing on its key priority sectors of education, water supply and sanitation, rural development, governance

An Australian policeman at a UNAMET polling station in Cova Lima, 30 August 1999.
Picture courtesy of James J Fox.

and health. This program should be continued, and perhaps even expanded. The planned levels of AusAID funding—A$150 million over four years—while substantial, may be lower than East Timor's needs and our interests warrant. We continue, for example, to provide almost A$350 million per year to PNG, and A$73 million per year to Vietnam.

And plans to support East Timor's security sector have apparently been constrained by concerns about funding within traditional bureaucratic boundaries. Australia's substantial commitment to support the ETDF has not been matched by funding to help the ETPS, perhaps because Defence has been traditionally reluctant to support police forces, and Australia's police do not have the resources to undertake sustained aid programs.

Of course funding is always limited, and must always be committed cautiously. But it would be false economy and unrealistic policy to tightly limit spending on support to East Timor on programs which have a reasonable chance of helping to solve security problems which affect our interests. It would also be unrealistic to expect the task to be over soon. Some aid planning seems to be based on a hope that Australian assistance can be significantly reduced after a few years. But, like PNG, East Timor is likely to be a drain on our resources for a long time to come. We might as well start planning on that basis now.

The scale of the task also calls for a more coordinated approach to East Timor issues. There is evidence that Australia's overall effort has not been as well coordinated in Canberra as it might have been, especially between security and non-security sectors. In view of the scale of the task, the Government should establish a mechanism that ensures that East Timor's special problems are given the priority, resources and coordination they require to deliver a program of assistance which meets East Timor's needs and serves our interests. This might, for example, require a senior-level task force drawing together the different agencies involved in contributing to support, including security support, for East Timor.

Second, take a comprehensive approach

One clear conclusion to draw from this survey is that East Timor needs help and support across its security sector, from the police and the courts to border security and the military. Australia should take a comprehensive approach to the task. All elements of the security sector will need to be supported. One important step would be to help East Timor coordinate its security effort through support to the national security mechanisms which are attempting to develop an overarching security posture for East Timor. More broadly, we need to adjust our priorities to meet the most urgent demands. For the time being, East Timor's needs and Australia's interests are clearly focused on internal security and trans-border security issues.

A comprehensive approach also requires that we lay the foundations for a strong long-term relationship with East Timor. Notwithstanding the gratitude of many East Timorese for our leadership of INTERFET and our role in UNTAET, Australia should not take their goodwill for granted. There is evidence that some East Timorese resent Australia's past policies, and are perhaps understandably uncomfortable about Australia's strong regional presence.

A comprehensive approach to our interests in East Timor should therefore also give priority to building a better long-term understanding of our interests and priorities, through a program of sponsored visits to Australia for influential East Timorese from many walks of life. We should also offer wider English language training for East Timorese to help build the people-to-people bridge.

Third, give police priority

Because East Timor's most urgent security problems are law and order and border security, we should give highest priority to supporting the development of East Timor's police service. There are some significant challenges in making this happen. For good reasons, police forces have not usually been a foreign aid priority for Australia, or for other western countries. Agencies like AusAID naturally focus on the economic and social roots of crime and disorder, rather than the symptoms, although some exceptions have been made, for example in PNG. The scale and nature of East Timor's problems suggest that the police need to be our priority for security assistance there. This assistance should not come at the expense of the ETDF, but as an increase in support to the overall security sector.

That means Australia should undertake a sustained and substantial program of support to the ETPS. This probably needs to cover all aspects of the service's development, including infrastructure, training, communications and equipment. If the fiscal screws in Dili tighten, we may even need to consider direct funding to support the maintenance of the ETPS numbers at an adequate level, provided the East Timor Government continues to give the service appropriate priority.

A program of support to the ETPS would not be an alternative to existing AusAID programs. It would therefore require additional funding. As a rough guide, a well-targeted long-term program of around A$6 million per year—comparable to the Government's plans for Defence support to the ETDF—would provide a major lift to the police.

Australia would need to work closely with other countries, especially Portugal, to deliver an effective aid program to the ETPS. The AFP, which already has an outstanding record of service in East Timor, would also have a big part to play. But it would need funding: the AFP does not have the money to undertake major aid programs like this from its normal budget. It could also draw on the ADF's skills and capabilities, and on Defence's experience in delivering assistance programs to police forces in South-west Pacific countries that have no defence force.

Australia's interests would also be served by helping other elements of East Timor's justice system, without which a police force is ineffective. Areas for consideration might include its criminal code, courts and judiciary, and even its prisons, if other countries are not already providing adequate support. Justice is not one of the key sectors in the AusAID bilateral program, because the system of European law that East Timor is seeking to establish means that other donor countries are better placed to help in this area. But if that help does not materialise, Australia's interests would be served by doing what it can.

Our highest priority should be to help the East Timor Police Service to establish the capabilities needed to maintain basic law and order.

Fourth, support border security

Responsibility for day-to-day border security belongs to the police, but they do not have the resources to do the job. The ETDF has clear legal responsibility only for responding to external military threats. One solution would be for the East Timor Government to draw the defence force into routine border security operations, which would provide them with a useful role and help relieve pressure on the police service. But there are some sizeable problems with that idea. There is no legal framework, and the ETDF is unlikely to be willing to work under the police. Employing the defence force on the border would preclude the development with Indonesia of a demilitarised border zone, which is an important and promising option for the long-term management of the border. And deploying the ETDF to Oecussi could be seen by Indonesia as an inflammatory gesture.

So it is probably better to support the police directly in their border security role, especially with training and equipment. We should also support border security by helping to develop infrastructure and facilities that will make it easier for the police to operate in the border area. And we should target development programs aimed at helping to build the capabilities needed to manage border security problems.

We should also support East Timor's maritime patrol capability. East Timor will find it hard to operate its Portuguese Albatross patrol boats effectively, especially off its southern coast where the most important part of its exclusive economic zone (EEZ) lies. Legitimate concerns about its ability to operate Pacific Patrol Boats effectively caused Australia to decide not to offer them to East Timor. With the benefit of hindsight, however, it might have been better to make the offer—complete with training, maintenance and operating support—as we have to many of our South Pacific neighbours. It may be worth revisiting that idea when the Albatross boats are withdrawn from service. In the meantime we can probably contribute most effectively to East Timor's maritime patrol capability by promoting the idea of a trilateral joint patrol program by Australian, Indonesian and East Timorese vessels, along the lines of the earlier bilateral Australian–Indonesian program in the Timor Sea.

Perhaps most importantly, Australia should set up arrangements to provide East Timor with maritime surveillance information about movements in its vicinity. We are making major investments in systems which will provide the capability for comprehensive surveillance of East Timor's waters, and a modest investment would allow us to share some of that information with Dili for little cost. In addition we could consider funding Coastwatch to provide East Timor with coverage of its southern approaches.

Fifth, recognise the ETDF's limits

On present plans the ETDF will be by far the largest recipient of Australian aid in East Timor's security sector. But the reality is that even with massive aid, East Timor will not be able to afford a defence force capable of sustained conventional military operations. In particular, the ETDF would not be able to defend East Timor against Indonesian forces were they to clash in sustained conventional engagements. Since East Timor has little strategic depth it cannot trade space for time and would have to resort to guerrilla tactics if confronted by a superior military force. Fortunately the East Timorese have shown throughout their history an impressive capacity to wage effective unconventional warfare from bases hidden in mountain and forest redoubts.

But in the meantime, while the ETDF will not be able to protect East Timor's sovereignty from the unlikely contingency of major attack, or even deter or significantly delay an aggressor, it will draw resources away from the police and the other institutions which are urgently needed to address

Ex-Falintil recruits to the East Timor Defence Force as they train with the ADF, 28 August 2001. Picture courtesy of NewsPhotos.

East Timor's current security problems. And there is also a risk that the ETDF will become part of those problems by getting drawn into civil conflict, party politics, or crime.

There now seems no prospect of the ETDF being scaled down, or amalgamated into the police service. Politically that would be very risky for the new Government, and it might indeed lead to violence. Since the ETDF has been set up, we need to work with it. But we will need to be conscious of the dilemmas presented to us by the ETDF's growing engagement in politics and civil affairs, and by the potential for it to operate outside our norms of conduct. We may in fact be faced with some of the problems and issues that have beset our relations with TNI over the years.

With funds so limited and skilled East Timorese personnel in such short supply, the key to effective Australian support for the ETDF is to trade off quantity for quality. The larger the force, the less well trained and equipped it will be. It will also be less well disciplined, and less well managed. And once a larger force has been established, experience shows that it will be hard to scale it back. The consequences can be seen in PNG, where this year Australia is devoting A$20 million specifically to a program to shrink the PNG Defence Force, with only modest prospects of success.

The practical implications of this are that Australia should support the idea of delaying the full establishment of the ETDF's second battalion, and for the time being keep the ETDF to about its present size of around 600–800 personnel. It should be trained and equipped primarily for light patrolling operations, but we should also encourage creative thinking about how else it can best work to serve East Timor, including undertaking community development and engineering tasks. The best model for the

future ETDF may not be the Australian Army, but aspects of the roles of some South-east Asian armed forces in combining regional development work and counter-insurgency operations. Of course the people of the ETDF should also be educated in the strict observance of the ETDF's constitutional role and human rights.

This is a tall order. Decisions on the size and role of the ETDF are, of course, ones for East Timor's Government to make. It will be a challenge to Australian diplomacy to convey to them effectively the arguments in favour of the approach that we propose. And we know from long experience in PNG and Indonesia how hard it is for outsiders to have any durable effect on the culture of a foreign defence force on issues like politics and human rights. Australian public opinion may also become hostile towards supporting the ETDF if it develops a pattern of political activity and human rights abuses.

We can make things easier by offering a comprehensive program of support for the ETDF that is strongly focused on our preferred outcomes. That program would aim to ensure that the smaller force we are advocating is properly trained and equipped. It could include ongoing training, both in-country and in Australia. And it could involve provision of equipment, with ongoing maintenance and support programs sourced as much as possible from local commercial sources.

Finally we should encourage the development of the ETDF reserve, both as a cost-effective alternative to the second battalion, and as a way to help manage the very real problem of the future of Falintil veterans who have not found a place in the ETDF. Australia should also underwrite a new program of resettlement for former Falintil members, to replace the one wound up last year, which would be a more efficient and sustainable way to help Falintil veterans than enrolling them in the ETDF. That will save money in the long run.

But programs like these will be expensive, and will need to be sustained for years. The present planned defence program of around A$6 million per year would provide a long-term basis for Australia to make a significant contribution to a viable and useful ETDF, but more funding might be needed to support the reserve and demobilisation programs.

Sixth, build international support

East Timor cannot meet its security needs by itself. We in Australia can and should do a lot to help, but we cannot do it all. For a start, it would be very costly. It would distort our bilateral relationship with East Timor if we became too dominant a partner in this critical element of its national life. And an exclusive security relationship between Australia and East Timor would damage our relationship with Indonesia, feeding suspicions that Australia's strategic objectives in East Timor are contrary to Indonesia's interests.

We should not overestimate the extent to which East Timor would welcome or even accept Australian support on security issues, and in many cases other countries would be better placed to provide the expertise that East Timor needs.

Support for East Timor's security will be a major long-term commitment for Australia, and it needs to be funded and coordinated accordingly.

So it is essential for Australia's interests, as well as East Timor's, to sustain active and diverse international support for East Timor's security. Our first priority should be to encourage and support the UN to remain active in East Timor's security for as long as possible, both by helping in East Timor and promoting this idea in New York. We should of course remain key contributors to both the PKF and CivPol elements of the post-UNTAET mission. The trend of international support will almost certainly be downwards; we cannot expect the world to keep regarding East Timor as a top priority after the crisis has passed. Our aim must be to help stabilise that support at a sustainable but adequate level. As we have seen, international support for East Timor's security institutions has been uncoordinated and competitive. As international aid funding falls, it will be more than ever important to spend the money effectively and efficiently on East Timor's real priorities. So, with East Timor, we should take the initiative to set up an informal consultative group of countries interested in East Timor's security, including of course Indonesia. Given sufficient profile, such a forum would not only help to spend money more efficiently: it might also help to slow the fall in aid funding to East Timor's security institutions, and to sustain broad international commitment and engagement.

Our next step should be to work with the East Timorese Government to establish a mechanism in Dili to coordinate international support to the ETPS, as is already being done informally for the ETDF. This mechanism would work with the international consultative forum suggested above, to make sure that the help provided to the ETPS addresses its most urgent needs and contributes to a coherent and workable plan for the long-term development of the force. Of course this will not work if it is—or is seen to be—aimed at imposing Australian wishes or solutions on the ETPS or other donors. The coordinating mechanism needs to work carefully with everyone involved to reach mutually agreed objectives.

These mechanisms would have the important benefit of increasing transparency and cooperation between donors. We in Australia need to be

careful not to be too possessive about East Timor. Other countries like Portugal which might be willing to make a sustained long-term commitment to supporting East Timor need to be encouraged to do so. Their objectives and approaches will always differ somewhat from ours, but we stand to benefit from their continued engagement, and should be willing to compromise on non-essentials to maintain that engagement.

Working with Portugal should be a particular priority. Australia has tended to be a bit uneasy about Portugal's standing in East Timor and its efforts to rebuild its influence. This is foolish. Portugal's support for East Timor is strong, will last longer than that of any other country beyond our region, and brings with it the clout of the EU. It is a valuable asset. Portuguese priorities and approaches will often be different from ours, but there need be no difference in our long-term objectives. Australia's interests would therefore be served by developing a much closer and more harmonious working relationship with Lisbon. Indeed it may be that working closely with Portugal, and cooperating in the delivery of programs, will be essential for Australia to meet its security objectives in East Timor. Lisbon has shown some willingness to work more closely with Australia, for example by posting a defence attaché to Canberra. We should reciprocate.

Most importantly, of course, we need to find ways to draw Indonesia into our approach to supporting East Timor's security. Quite simply, East Timor's security cannot be assured without the help and cooperation of Indonesia, and Australia's relationship with Indonesia cannot prosper if East Timor's security remains a problem between us. We in Australia need to start by recognising the legitimacy of Indonesia's strategic interests in East Timor, just as they need to recognise ours. Australia and Indonesia share basic strategic interests in the security and viability of an independent East Timor. Neither of us wants it to become a source of instability in our neighbourhood, threatening our own security or complicating our bilateral relationship. Our task is to identify and build on that foundation of shared interests, so we can cooperate, with East Timor, to promote them.

We can do that at several levels. Multilaterally, Indonesia should be part of the kind of consultative mechanisms proposed above. Bilaterally, we need to encourage East Timor and Indonesia to reach workable arrangements for managing their shared borders, access to Oecussi, control of maritime zones, and the continuing problem of militia in West Timor. And trilaterally we need to build on the meetings that have already been held to provide a regular, high-level forum for discussion of security issues between the three countries, such as this year's meeting of foreign ministers of the three countries in Bali, and the recent meeting of police officers in Dili.

Seventh, clarify our commitment

Finally, Australia needs to clarify the scope and limits of its commitment to East Timor's security. In the 2000 Defence White Paper, the Government said:

> *Within a short time, East Timor will pass from UN authority to full independence. Australia will seek to develop an effective defence relationship with East Timor, as we have with all of our near neighbours. East Timor faces formidable security challenges. Our aim will be to provide, with others, an appropriate level of help and support as it builds the capabilities and institutions needed to ensure its security and thereby contribute to the security of its neighbourhood.* [Para 5.57]

The key to effective Australian support for the ETDF is to trade off quantity for quality.

It is already clear that the point at which East Timor will be able to ensure its own security is, at best, a very long way off indeed. We therefore need to consider how far we are prepared to go in helping East Timor, beyond providing the kind of programs and initiatives outlined in this section so far.

The first question we may need to settle is how long and under what circumstances we are prepared to leave Australian forces based in East Timor to provide security directly. The ADF has been there in significant numbers for two and a half years now; is the commitment to become indefinite? It is important that this should not happen. The ADF should be a major contributor to the UN post-independence force for as long as that remains; it is now scheduled to depart in 2004. There may be merit in the UN extending the PKF deployment further until local capabilities to effectively manage the border have been developed—if that happens Australia should continue to provide a large contingent. But the Australian Government should state now that Australia will not leave operational forces in East Timor after the UN departs.

There are four reasons for this approach. First, a sustained and open-ended operational deployment of critical elements of the ADF carries significant strategic costs and risks in reducing our ability to undertake other more urgent tasks that may arise. Second, the maintenance of ADF operational deployments is enormously expensive; it would be much more cost-

effective to meet the security demands on the East Timor border by supporting the development of East Timor's own capabilities. Third, an open-ended Australian commitment would remove incentives for East Timor to build its own security capabilities and to take other critical steps to strengthen its security. In particular, it would remove incentives to work constructively with Indonesia. And fourth, an open-ended Australian military presence on the Indonesian border would risk damaging our relationship with Jakarta, and confirm Indonesian suspicions about Australia's motives and objectives in East Timor. For all these reasons, the sooner we make it clear that the troops are coming home the better.

The second question we need to consider is perhaps the most basic issue of all: under what circumstances would we send armed forces back to help defend East Timor if it was attacked? The scenarios in which such a choice might need to be made are remote, but the issue is important today for three reasons. First, if we are to persuade Dili to be realistic in its expectations of the ETDF, and especially about its ability to defend East Timor from major attack, it would be reasonable to give the East Timorese

It seems unthinkable that Australia would stand aside if East Timor was the victim of aggression.

some idea of the support they could expect in such a crisis. Second, if we wish to have the option of providing such support, we need to consider what it might demand of our own capabilities. Third, a long-standing and clearly articulated Australian commitment to help defend East Timor could be a significant deterrent to any aggression against it. If we are committed to defend East Timor, it could be a costly mistake not to let any potential aggressor know what they would be up against.

Do we, or should we, accept such a commitment? We do not start answering this question with a blank sheet of paper. The 2000 White Paper says Australia 'would be concerned about any outside aggression' [Para 4.8] against any of our immediate neighbours, including East Timor. Elsewhere the White Paper is clear about what this means for our other

small neighbours. It says 'We would be very likely to provide substantial support in the unlikely event that any country in the South-west Pacific faced substantial external aggression' [Para 5.54], and that there is an 'expectation that Australia would be prepared to commit forces to resist external aggression against PNG' [Para 5.51]. And in analysing the strategic tasks for the ADF, the White Paper says 'Australia would want to be in a position, if asked and if we concluded that the scale of our interests and the seriousness of the situation warranted such action, to help our neighbours defend themselves' [Para 6.11]. In the light of these clear statements, we need to ask ourselves whether Australia should extend the same policy approach to East Timor.

For most Australians, the answer must surely be yes. In view of our interests in East Timor and in the wider stability of the region, reinforced by our feelings for the East Timorese people, it seems unthinkable that Australia would stand aside if the country was the victim of aggression. Of course much would depend on the circumstances, as the wording in the White Paper makes plain. But as a general proposition it would be entirely appropriate to extend to East Timor the policy undertakings outlined in the White Paper in relation to PNG and the South-west Pacific. It would therefore be appropriate for the Government to clarify the position set out in the White Paper by stating that the policy made in relation to PNG and the South-west Pacific also applies to East Timor.

There may be an argument that we should at some stage go further and formalise our policy in a security agreement with East Timor, perhaps along the lines of the security clauses in the Joint Declaration of Principles which we signed with PNG in 1997. But the counter-arguments are formidable; a formal bilateral agreement may antagonise Indonesia, and may erode Dili's incentives to work cooperatively with Jakarta. So there seems no reason to pursue this idea.

A better long-term approach might be eventually to explore a trilateral agreement between Australia, Indonesia and East Timor, involving mutual undertakings by both Indonesia and Australia to respect and help protect East Timor's sovereignty, independence and territorial integrity. Such an agreement would reflect the genuinely shared interests we all have in East Timor's security. But the events of 1999 are probably too close for this to be placed on the agenda just yet—perhaps in a few years time.

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Acronyms and abbreviations

ADF	Australian Defence Force
AFP	Australian Federal Police
Apodeti	*Associacão Popular Democratica Timorense* (Timorese Popular Democratic Association)
ASEAN	Association of South-east Asian Nations
AusAID	Australian Agency for International Development
CFET	Consolidated Fund for East Timor
CivPol	Civilian Police (United Nations)
CNRM	*Conselho Nacional da Resistencia Maubere* (National Council of Maubere Resistance)
CNRT	*Conselho Nacional da Resistencia Timorense* (National Council for Timorese Resistance)
EEZ	Exclusive Economic Zone
ETDF	East Timor Defence Force
ETPS	East Timor Police Service
EU	European Union
Falintil	*Forças Armadas da Libertacao Nacional de Timor Leste* (East Timor National Liberation Army)
Falintil-ETDF	East Timor Defence Force
Fretilin	*Frente Revolusionaria de Timor Leste Independente* (Revolutionary Front of Independent East Timor)
GDP	Gross Domestic Product
INTERFET	International Force for East Timor
PKF	Peacekeeping Force (United Nations)
PNG	Papua New Guinea
TFET	Trust Fund for East Timor
TNI	*Tentara Nasional Indonesia* (Indonesia's Military)
UDT	*União Democratica Timorense* (Timorese Democratic Union)
UNAMET	United Nations Mission in East Timor
UNTAET	United Nations Transitional Administration in East Timor

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New Neighbour, New Challenge

Australia and the Security of East Timor

East Timor is now Australia's newest neighbour. We have deep interests in its future security as a viable state, free from foreign interference and serious internal unrest, and at peace with Indonesia. Australia's key policy challenge is to help East Timor meet its urgent security problems, and to encourage other countries to do the same.

In the long term that challenge is best met through economic growth and political development. But before that can happen, East Timor needs to overcome pressing internal security and law and order problems, and build a workable relationship with Indonesia.

The new Government in Dili does not have the capacity to meet its security problems. The police are poorly trained, have almost no equipment, and are severely under-funded. The justice system is weak, with a court system that is hardly functioning. The East Timor Defence Force (ETDF) has limited capabilities and no clear role in meeting East Timor's current security problems. There are doubts that East Timor will be able to fund the police and defence forces as currently planned, and risks that the defence force could operate beyond its constitutional mandate.

Australia's current program of aid to East Timor is doing little to help in these sectors, and other donors are doing no better. If we fail to help effectively, Australia's security interests in a stable East Timor and a peaceful region will be at risk: East Timor may become a failed state, and a source of continuing tension between Australia and Indonesia.

Australia should therefore develop an expanded program of security assistance to East Timor that would:

- Recognise the scale of the task, and commit resources to it.
- Take a comprehensive approach, covering all aspects of the security situation.
- Give police priority for Australian assistance.
- Support border security and encourage cooperation with Indonesia.
- Recognise the ETDF's limits and help build a sustainable force with a clear role.
- Build and sustain international support, and work more closely with Portugal.
- Clarify our own commitment to help East Timor defend itself.