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After the 2006 crisis:
Australian interests in Timor-Leste

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Introduction

After the collapse of state authority in Timor-Leste in mid-2006, Australia, along with other countries and the UN, committed itself to assist the government of Timor-Leste re-establish law and order, support presidential and parliamentary elections, and revive the institutions of state. With the election of a new president, José Ramos Horta, on 9 May 2007 and a new parliament on 30 June, followed by the formation of a new coalition government under Prime Minister Xanana Gusmao, the former president, on 6 August 2007, it is time to review how these developments might affect Australia's long-term interests in Timor-Leste.

Australian interests

Australia has six broad security interests in Timor-Leste. First; that no foreign military bases be established in Timor-Leste. Second; that Timor-Leste maintains mutually beneficial relations with Indonesia. Third; that the treaties and agreements regulating exploitation of the shared Timor Sea

East Timorese President Jose Ramos-Horta, center, flanked by newly sworn in Prime Minister Xanana Gusmao, left, and Secretary General of the opposition Fretilin Party Mari Alkatiri, right, 8 August 2007 in Dili, the capital of East Timor. AP via AAP/Binsar Bakkara © 2007 the Associated Press

resources be honoured. Fourth; that adequate provision be made for the security of the off-shore resources in the Timor Sea. Fifth; that Timor-Leste become an effective partner in maintaining regional security, including the fight against transnational crime and terrorism. And finally; that Timor-Leste implements the full range of bio-security control measures relating to humans, animals and plant life.

How significant are these interests and what effect and priority should they have on Australian policy?

Foreign military bases

The 2000 Defence White Paper stated Australia has an 'overriding strategic interest in being able to protect our direct maritime approaches from intrusion by hostile forces'. Timor-Leste is one of the closest parts of the archipelago to Australia's north, but its conventional security threat potential is limited: it will never challenge Australia in its own right and there are no current or projected plans to establish foreign military bases there. It is also unlikely that any Timor-Leste government would pursue this option, as it would be contrary to the letter and spirit of ASEAN's Treaty of Amity and Cooperation, which Timor-Leste signed before becoming the 25th member of the ASEAN Regional Forum (ARF) on 26 July 2005.[1]

China has a large embassy in Timor-Leste and is a major aid contributor, although the motivations for its interest are not altogether clear apart from the obvious reasons of giving it leverage in relation to Taiwan, access to government infrastructure projects and the energy industry, and as part of a broader policy to lift its regional status vis-a-vis the United States. Establishing a military base there might seem a rational response to the prospect of strengthening defence relations between Japan, Australia, India and the US. However, Indonesia is one of the key countries in China's strategic calculations: it straddles the choke points for oil and gas shipments from the Middle East and Africa, exports energy to China, and can assist in neutralising, if only indirectly, Indian and American ambitions in the region. China is, therefore, most unlikely to offend Indonesia's long held sensibilities by seeking to insert a military base into the archipelago.

It is also unlikely that Timor-Leste would invite Indonesia to establish military bases in Timor-Leste. If it did so, however, it would not necessarily be contrary to Australian interests and under foreseeable circumstances the invasion of Timor-Leste by Indonesia is equally unlikely. Indonesia has no historical claim to Timor-Leste, the justification that it was invited to intercede in 1975–76 is no longer valid—if it ever was, the anti-colonial and ideological justifications are no longer relevant, and any likely rewards would be far outweighed by the likely political and economic repercussions.

Likewise, neither the US nor Australia needs a military base in Timor-Leste and they would be most unlikely to antagonise Indonesia and the broader ASEAN community by building bases there in the absence of overriding strategic considerations.

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Consequently, although it would be contrary to Australia's interests, the establishment of foreign military bases in Timor-Leste, by invitation or invasion, remains highly unlikely. Being such a remote possibility, the threat does not present Timor-Leste with a bargaining chip and should not influence or determine Australia's engagement in the area under present and foreseeable circumstances.

Although Indonesia and Australia have different perspectives on Timor-Leste's relevance, they have to incorporate Timor-Leste into their respective relationships simply because of its geographic location.

Timor-Leste, Indonesia and Australia

The 2000 Defence White Paper noted that: 'Our biggest and most important neighbour is Indonesia. ... Australia's fundamental interests and objectives in having a good defence relationship with Indonesia remain as important as ever'. The independence of Timor-Leste does not change this fundamental pillar of Australian security policy. Although Indonesia and Australia have different perspectives on Timor-Leste's relevance, they have to incorporate Timor-Leste into their respective relationships simply because of its geographic location.

With Indonesia's centre of gravity in population, economic activity, and external security centred on Java and the South China Sea, Timor-Leste is (literally) of peripheral interest. Indonesia's primary concern is to secure its land border and, to a lesser degree, its maritime border with Timor-Leste. Historical border crossing, heightened by the influx of 20,000 East Timorese who chose to stay in West Timor after the 1999 ballot, means that the greatest challenge is to stop the border area becoming a haven for criminals involved in violent crime or theft on either side of the border.[2]

Smuggling is a daily occurrence, but because Timor-Leste is the major beneficiary, due to Indonesian subsidies, and the quantities involved are not significant for Indonesia, there is little incentive to stop it. However, small-scale illegal fishing by Indonesians in Timor-Leste waters could become a source of irritation if the industry in Timor-Leste expands. Conversely, the granting of fishing

permits by Timor-Leste to foreign fishers, without sufficient controls, could also aggravate trilateral relations.

The relationship has minor benefits for Indonesia because it is the primary supplier of imports, especially foodstuffs, daily necessities and clothing to Timor-Leste. By contrast, exports to Indonesia are inconsequential because of Timor-Leste's limited productive capacity and relatively high labour costs.

Land border demarcation is almost complete between Indonesia and Timor-Leste, except for the Oecussi enclave. When the land border is agreed the much more complex issue of defining the maritime boundary with Indonesia will commence. These negotiations are likely to be long and torturous but apart from minor fish stocks there are no other known resource issues that might further complicate border demarcation.

As Indonesia borders ten countries, and still has to settle maritime borders with Malaysia, the Philippines and Timor-Leste, it has little interest in disputing already settled borders. Some of Indonesia's maritime boundaries with Australia were settled in 1972 and the remainder delimited in the 1997 Perth Treaty yet to enter into force. While there is the potential for local West Timorese interests to seek political support in Jakarta to dispute the border delimitation with Australia, either separately or in partnership with Timor-Leste, it is unlikely to become a major issue unless it gets entangled in a larger nationalist power play.

Apart from a shared interest in the Joint Petroleum Development Area (JPDA), trade between Timor-Leste and Australia is minuscule totalling $18.5 million in 2005–06 of which less than 3% was exports to Australia. Australia is Timor-Leste's major export market, mainly coffee, and second largest source of imports after Indonesia.

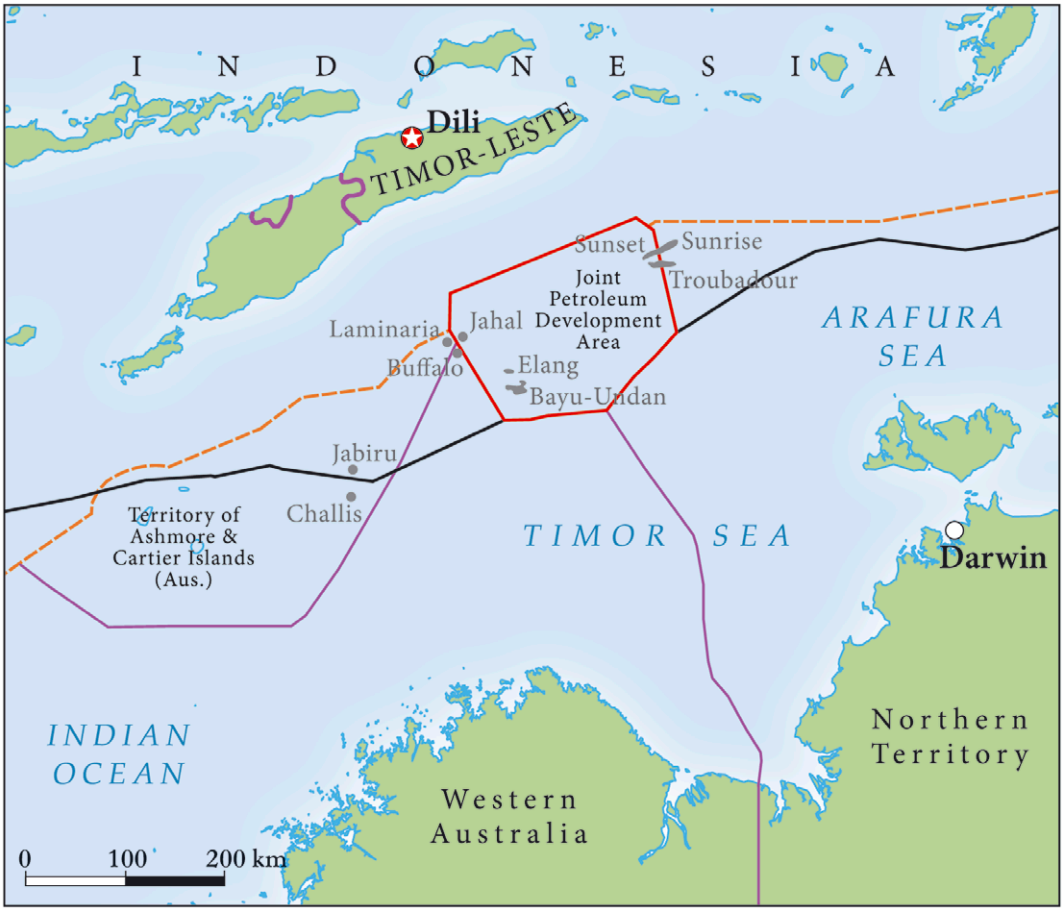
Consequently, because Timor-Leste is not central to Indonesia or Australia's primary economic or security interests, it has little capacity to aggravate relations between its two large neighbours, so long as Australia has no intention of establishing permanent military bases there and keeps Indonesia informed of activities that might affect it. While a case could be made that possible seismic shifts in political and ecological conditions could raise tensions it should be possible to adjust to these as they emerge. In addition to routine diplomatic exchanges, the annual trilateral meetings of foreign ministers, commenced in 2002, provide a forum for raising matters of common interest.

Nevertheless, because of the circumstances surrounding Timor-Leste's achievement of independence, Jakarta does expect that Australia will continue to play an active role in assisting Timor-Leste develop the capacity to manage its borders and fulfill its regional and international obligations as they affect Indonesia. This, of course, assumes a functioning and reasonably effective state.

Timor Sea oil and gas

Timor Sea oil and gas revenues are critical to the viability of the Timorese state and central to its relations with Australia. On 23 February 2007, Australia and Timor-Leste brought into force the 2006 Treaty on Certain Maritime Arrangements in the Timor Sea (CMATS) and the 2003 International Unitisation Agreement (IUA) for Greater Sunrise.

Under the agreements, Timor-Leste will receive 90% of the upstream tax revenues of fields in the JPDA and 50% of the Greater Sunrise field with the issue of sovereignty rights and jurisdiction being set aside for fifty years without prejudice to the claims of either side. In addition, Timor-Leste also has the right to the fish stocks of the JPDA.



KEY

- Petroleum Resource Site
- Joint Petroleum Development Area (JPDA)
- 1997 Exclusive Economic Zone (EEZ)
- 1972 Seabed Boundary
- Country Border
- State/Territory Border

The Boundaries and names shown on this map do not imply official endorsement or acceptance by ASPI.

Although the benefits flowing to Timor-Leste are crucial to its economic development and long term stability they should not be overstated. It is envisaged that they will receive US$15 billion from Bayu-Undan over the life of the field and US$10 billion from Greater Sunrise, the equivalent of less than two years of the Australian defence budget, but there is some prospect of other fields being discovered and exploited within the JPDA and in Timor-Leste in the longer term.[3]

Oil revenues are Timor-Leste's only major source of government revenue. Consequently, while the economic value of Timor Sea oil and gas to Australia is relatively insignificant, and could be exploited regardless of the political situation in Timor-Leste, the most concrete means Australia has to influence Timor-Leste, and minimise Australian aid commitments, is to help them maximise the benefits from the oil revenues including helping to broaden its economic base.

Oil revenues are Timor-Leste's only major source of government revenue.

Security of off-shore resources

A bilateral Ministerial-level Maritime Commission was established under CMATS to discuss maritime security, natural resource management and environmental protection. An MOU on security in the JPDA was signed between the two governments in October 2006: it allows both parties to respond to security threats and incidents and facilitates cooperation and coordination between them.

The greatest threat to off-shore production facilities is the power of nature and errant ships. Responsibility for containing these risks rests with the companies involved and shipping regulatory authorities. The isolation and confined access to off-shore production facilities makes securing them against illegal entry relatively easy. The danger comes from collusion between rig workers and criminal or politically motivated gangs and from improvised maritime or air attack.

Security from these forms of attack can only be provided by close coordination between Indonesia, Timor-Leste and Australia to identify and pre-empt such attacks, intercept attacks underway, and limit the damage from attacks that succeed. Such arrangements include effective intelligence collection and sharing, policing, industrial security measures, surveillance, and reaction forces.

Timor-Leste could eventually contribute to these activities in a limited way, primarily through the creation of effective policing services to detect and pre-empt threats to off-shore facilities by criminal or politically motivated groups. Primary responsibility will, however, remain with Australia, simply because of its greater capacity.

Transnational crime and terrorism

To date, there is no indication that Timor-Leste has become a major target for transnational crime or terrorism and it is unlikely to do so because of the ease with which foreigners can be identified, and Timor-Leste's limited trade, travel and communications with Australia make identification and interception relatively easy. Nevertheless, having an effective justice sector in Timor-Leste would add depth to Australia's efforts and minimise the potential for friction with Indonesia. The recent establishment of an Indonesian police transnational crime coordination centre in Kupang, West Timor, will also help improve trilateral coordination and cooperation.

Biosecurity control measures

Timor-Leste could be the source or transit point for a number of animal, human and plant diseases or infestations that could have major health and economic repercussions were they to reach Australia. Although their transmission can, to a large degree, be arrested at the border, it would obviously add depth to Australia's preventive measures if Timor-Leste had effective control measures and could fulfill its obligations to the World Health Organisation for the monitoring and reporting of disease outbreaks.

Summary

One way of interpreting this analysis of Australian interests is that there is no prospect of foreign military bases being established in Timor-Leste under foreseeable circumstances: the oil and gas from the JPDA could be exploited regardless of political

conditions in Timor-Leste; and transnational crime and global health matters could be managed from the Australian side of the border if need be. And, while an anarchic Timor-Leste could become an irritation in Australia–Indonesian relations, both have larger interests to pursue in common.

If this analysis is correct, why did Australia go to Timor-Leste's assistance in mid-2006? There are four reasons. First, it was invited to do so. Second, there was an expectation (from the UN, Indonesia, and the publics of Timor-Leste and Australia) that Australia help save what until then had been considered one of the UN's success stories. Third, Australia had made such a significant investment in the transition to nationhood and state building that it could not ignore the call for assistance without tarnishing its international image and credibility.[4] And, underlying these reasons, it is more effective to pursue Australian interests in cooperation with a functioning and relatively effective state than to isolate or neglect it.

Consequently, given the cost of such interventions, it is also in Australia's interests that there be an effective and resilient state in Timor-Leste that can uphold its obligations to its own people, its neighbours and the region. So why did the state collapse and how might Australia contribute to strengthening it?

Why the state collapsed

United Nations Independent Special Commission of Inquiry

The United Nations Independent Special Commission of Inquiry provides the most relevant insight into the causes of this particular state collapse.[5] After a recital of the historical political cleavages that influenced the composition of the first government and opposition to it, the UN Report identified several specific reasons for the meltdown.

It found that the power imbalance between Fretilin and its political opponents meant that parliament was unable to fulfill its constitutionally designated legislative and oversight role, especially in relation to defence and security matters. The role and demarcation between the police (PNTL) and the military (F-FDTL) also remained contentious, especially after the formation of the Police Reserve Unit (URP) and the Border Patrol Unit (UPF). There has been a bias in recruiting from the west, resulting in perceived acts of discrimination and nepotism both in and between the police and military.

Underlying these weaknesses was the absence of a national security framework to establish responsibilities for policy formulation, crisis management, and roles of the various agencies along with gross deficiencies in policy, command and management of the F-FDTL. Compounding these shortcomings, the police force had been politicised and factionalised, resulting in deficiencies in the impartial application of the law, command and control, administration, procedures for police–military cooperation and the loss of public trust.

In summary, the Commission found that:

> While recognizing that Timor-Leste is a fledgling democracy with developing institutions, it is the view of the Commission that the crisis which occurred in Timor-Leste can be explained largely by the frailty of the state institutions and the weakness of the rule of law. Governance structures and existing chains of command broke down or were bypassed; roles and responsibilities became blurred; solutions were sought outside the existing legal framework.

Contrary to some reports, the meltdown was not the result of an attempted coup d'etat by the military or the police, although other peripheral unarmed parties, such as Colimau 2000 and the Committee for the Popular Defence of the Republic of Democratic Timor-Leste (CPD-RDTL), that took part in the

demonstration triggering the collapse had long sought a change of government.

It might be argued that the withdrawal of the last UN security forces in May 2005 occurred too early but this was done with the agreement of the Timorese Government and UN capacity building programs continued along with other multilateral, bilateral and NGO assistance programs across all sectors of the state.

Comparative 'phenomena'

Timor-Leste is only one of a number of small countries in the region experiencing social and political turmoil.[6] After the coup d'etat in Fiji in 2000 and the ejection of the elected government of the Solomons Islands by the Malaitan Eagle Force a few weeks later, Dr Benjamin Reilly, the current Director of the Centre for Democratic Institutions at the Australian National University, theorised that there were worrying signs of progressive 'Africanisation' in the countries of the South Pacific.[7] By this he was referring to four inter-related phenomena that have long been associated with violent conflict and the failure of democratic government in Africa. These included: the growing tensions in the relationship between civil regimes and military forces; the intermixture between ethnic identity and the competition for control of natural resources as factors driving conflicts; the weakness of basic governance such as prime ministers, parliaments and political parties; and the increasing centrality of the state as a means of gaining wealth and of accessing and exploiting resources.

Reviewing conditions in Timor-Leste against these phenomena helps identify weaknesses and vulnerabilities and might help focus future Australian assistance.[8]

Civil-military tensions

While a disgruntled group of soldiers (the *Petitioners*), some of whom had political connections and agendas, created the circumstances exposing the longstanding flaws in the structure and governance of the state, neither the *Petitioners* nor the military command was vying for control in the first instance, although the crisis was exploited by others to obtain the change of government that subsequently occurred.

Armed with hand weapons, feuding mobs give chase to rivals in the East Timor capital of Dili 30 May 2006. REUTERS/Adrees Latif © 2006 Reuters

Nevertheless, the military does have a nascent 'Guardianship' ethos similar to the pre-1998 Indonesian military and has ambitions to assume routine police functions (on the border and at sea). Many of its members have little respect for the rule of law, and even less for the police. The crisis has only hardened these pre-existing attitudes.

Ethnic identity and natural resources

There are no fundamental ethnic divisions of political significance relating to the control of Timor-Leste's principal resources, oil and gas, mainly because the resources are far off shore. However, were exploitable deposits of oil or gas or other minerals found on land or close inshore, resource ownership disputes would undoubtedly arise and would need careful management, starting before exploration commences.

Likewise, although land ownership is still contested all over the island, as a result of the Portuguese colonial legacy and subsequent Indonesian occupation, it is not ethnically based, except in Dili, where Easterners were seen to have a disproportionate share. Consequently, while land ownership remains a major political and legal issue, it does not represent a significant political cleavage.

The east-west divide that surfaced in 2006 has an anthropological basis and was a background factor in the founding of the police and the military but was mainly manifest in the capital, Dili, where people have gathered from all over the island. However, it was the government's failure to take responsibility for the administration and welfare of the police and military that allowed this cleavage to grow to political significance before and during the crisis.

Nevertheless, the east-west divide is unlikely to become an unbridgeable political cleavage, given a modicum of good government. The party list proportional representation electoral system gives some assurance that the whole country is fairly represented in parliament at least. Effective resettlement programs and non-discriminatory employment and economic opportunities backed by effective oversight by parliament, the Ombudsman and NGOs, could also pacify many of the remaining tensions reasonably quickly, even though distrust and bitter memories of past suffering will linger.

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Weakness of governance

Fretilin's dominance after the 2001 elections allowed it to subvert the parliament into a rubber stamp of government, but the emergence of four major parties from the 2007 elections gives some hope that the institutions of state might become more autonomous. Whether the new coalition government can remain united, and Fretilin can adjust to the role of loyal opposition, remains to be seen, but at least the foundations are in place.

The UN Report on the crisis identified the fundamental weaknesses of governance that must be addressed: post-crisis governments have begun to tackle them, but they will need considerable and sustained international assistance if they are to succeed.

One of the challenges they face is that Portuguese, the official language, is spoken by only about 10% of the population and, as well as the translation costs incurred, this effectively bars most of the population from active participation in parliamentary politics and the justice sector. Any measures that alleviate this problem would boost security by making the justice sector more accessible, efficient and credible and allow people to participate more effectively in policy debate

and in exercising social control over the abuse of power.

The potential for the abuse of power is of growing significance given the centrality of the state as the means of access to wealth and resources.

Centrality of the state as a means to wealth

The potential for the abuse of power is of growing significance given the centrality of the state as the means of access to wealth and resources. Non-oil per-capita income is less than US$2 per day so there are very few tax payers and government revenues come principally from foreign aid and oil and gas revenues.[9] Most of the service sector is in the informal economy, with coffee being the main non-oil export. Government is therefore the major employer in the formal sector and has direct control of the income from the only significant economic resources. Consequently, there is an unhealthy scramble for government jobs, sinecures and contracts, and supplicants seeking government assistance for a variety of causes, some worthy and others less so.[10]

Timor-Leste government revenues are deposited in an escrow account and withdrawals made through the government budget as approved by parliament. The fund currently stands at over US$1.8 billion and, as the account grows, it will provide a more substantial foundation for government capital projects and social programs. Nevertheless, assuming, optimistically, retention of capital and an annual 10% return on US$25 billion, the potential per capita return is only US$2500 on current population figures compared with Australian government budget expenditure of US$17500 per capita in 2006–07.[11]

Moreover, as International Monetary Fund (IMF) reports outline, unless Petroleum Fund expenditure is linked to non-oil GDP and capital spending is targeted at infrastructure likely to stimulate private investment, Timor-Leste is likely to suffer the 'Resource Curse' and fail in its efforts to alleviate poverty.

Curbing the temptations to corruption will be a major challenge to effective government for many years to come.[12] Inoculating a developing state against this disease requires effective laws, genuine separation of powers, effective oversight, a lean and adequately funded state, and protection of the press. Even this is likely to be insufficient in the short-term without the participation of external actors in critical line positions and to monitor political developments.

Expatriates in critical posts like chief of police, prosecutor general, and senior court appointments could provide a circuit-breaker from political interference as well as promote professional development and an ethos of public service complementing the political and economic advice and audits provided by UN missions and the IMF.

The long term answer is to foster the development of the private sector, but this will take many years and its prospects are severely limited by structural factors. These include a poorly-educated and unskilled workforce, relatively high labour costs, the absence of obvious large-scale investment opportunities, other than oil and gas, incomplete legislation and regulation, and an obstructive bureaucracy. Nevertheless, much can be done to make Timor-Leste more attractive to small-scale domestic and foreign investors in the first instance.

Lessons for Australia from the 2006 crisis

The lessons for Australia from the 2006 crisis and examination of the causes are that poverty, poor governance and the military will be continuing threats to the state. In a more

positive vein, there are no insoluble national political cleavages; the violence in 2006 was largely confined to Dili; the Resource Curse can be avoided; and it is not too late to tame the military, if it cannot be demobilised.

Poverty

Poverty was not the cause of Timor-Leste's problems in 2006 but when combined with one of the highest population growth rates in the world, and virtually no non-oil investment since independence, it provides fertile ground for political and social unrest. Even if the forecast increases in government investment over the next few years do achieve the targeted 7–8% annual growth in GDP, the number of people in poverty will continue to grow for the next few years.[13]

The government's sector investment program supports the annual budget cycle and the international financial institutions provide guidance and advice on budget management, but much work is needed to facilitate delivery of related services and relevant and timely capital investment projects. However, even with a projected three fold increase in government capital investment over the next few years, maintaining budget discipline will impose continuing political strains, especially for a fledgling coalition government.

Parliament and government

The 2007 elections potentially free parliament to fulfill its constitutional legislative and oversight responsibilities, although it will require additional resources and considerable assistance to acquire the skills, support and facilities to do so.

The election of an activist president who has publicly stated his desire to exercise executive authority over the security agencies, contrary to the provisions of the Constitution, highlights unresolved tensions in the structure of government and ignores one of the key findings of the UN Commission. If respect for the separation of powers and the rule of law is to be upheld and the problem of divided responsibility is to be avoided, it is essential that this issue be resolved. The new government should be encouraged to adhere to the Constitution, and amend it if necessary, rather than adopt ad hoc changes setting an example that will inevitably be followed by others.

Given the small size of the military, there would be efficiencies and functional and cultural advantages in having the police, military and emergency services under one ministry.

The Timor-Leste Government should also review the ministerial arrangements for the security agencies. Given the small size of the military, there would be efficiencies and functional and cultural advantages in having the police, military and emergency services under one ministry.

Police

The UN Report highlighted the need to locate police reform within the context of the overall justice sector. That will be a major and ongoing task assisted by the United Nations Integrated Mission in Timor-Leste (UNMIT) and other UN agencies. However, as well as assisting with the development of professional skills, Australia should closely monitor developments to ensure that PNTL is genuinely depoliticised and develops the professional leadership required to fend off political interference and contain the inevitable periodic outbursts of political and social unrest.

The presence of an international police force will allow time to revise police legislation, commence their depoliticisation, and begin to entrench a community policing

ethos. However, it will be years before the PNTL matures and gains public respect. Consequently, providing PNTL with experienced foreign leadership (via the UN or direct appointment) able to instill professional standards and resist political interference is essential. Such arrangements should remain in place until after the next elections in 2012 to facilitate the phasing out of the international police, cultivate the new Timorese police leadership, and maintain public confidence in the force.

The presence of an international police force will allow time to revise police legislation, commence their depoliticisation, and begin to entrench a community policing ethos.

Although Australia should continue to be a major contributor to the professional development of PNTL, it should not seek to lead it because of political sensitivities in Timor-Leste.

Military

Although an effective police force is essential, Timor-Leste does not need a military, but it has one: and there is little prospect of any political configuration having the courage to demobilise it.

The first step therefore in military reform is to separate the issue of veterans from that of defence. Veterans of the armed struggle and their spouses should be given adequate pensions and those ineffective veterans still serving in the military should be pensioned-off. The recent award of medals to the various classes of participants in the struggle has provided some symbolic recognition of their service and sacrifices: more might be done to foster veterans' organisations without unduly politicising them.

Ideally, the next step would be to freeze military recruitment while the issue of the *Petitioners* is resolved and the role of the military is considered within the framework of a broader review of national security requirements. The Department of Defence has produced a paper, *Force 2020*.[14] It does not, however, address whole-of-government issues relating to constitutional responsibilities, policy making, crisis management and the development of all the relevant agencies and their interrelationships.

Defining the respective roles and responsibilities of the police and military along with related legislation, policy and crisis management arrangements will be critical in avoiding further clashes between the police and military and establishing a healthy and cooperative working relationship between them, where necessary. If Timor-Leste has a military, it is unrealistic to expect that it can be excluded from providing assistance to the civil community or the civil power, its only conceivable role. It should not, however, be allowed to become involved in routine policing.

UNMIT is assisting the government to work through these issues. As Australia will bear the consequences, it is essential that it ensures that the outcome does not lead back to crisis. Australia has provided assistance valued at $7–8 million dollars a year to the F-FDTL but, as the crisis demonstrated, unless the political superstructure is based on sound constitutional arrangements responsibly administered, its efforts to professionalise the military will be futile.

Incidents as simple as soldiers being pulled over by traffic police have the potential to lead to clashes that could rapidly escalate out of control, given the fragile political and social conditions. Consequently, it will be necessary to keep some foreign military capacity in place until the policy, structures and processes outlined above have been instituted and practiced and a level of confidence attained

in their efficacy. The level of foreign forces and how long they will be required will be a matter of judgment. However, Timor-Leste's political leaders should not be allowed to use the foreign military presence to cover bad policy or delay the institution of the measures outlined above.

In summary, the Timor-Leste Government should be encouraged to keep the military as small as possible, closely define its role, exclude it from routine police functions (including on the border and in the maritime domain), foster military–police relations and cooperation, and establish clear lines of authority and responsibility for policy making and crisis management. This should include measures to break the 'Guardianship' image of the military while preserving 'Traditions' that might provide positive motivation and direction for military service.

Advancing Australia's interests in Timor-Leste requires cooperation with the government of that country.

Conclusions

Advancing Australia's interests in Timor-Leste is best achieved by cooperation with the government of that country. The alternative of isolation and neglect, would undermine the financial and material commitment Australia has made to Timor-Leste's security and development since 1999, and risk a return to crisis.

The path of cooperation assumes a functioning and effective state which the current UN mission supported by various bilateral programs is helping to resurrect. However, as the de facto internal security guarantor of last resort, Australia has a special interest in seeing that these efforts succeed. It should also be prepared to intervene if policy directions are likely to threaten the viability of the state, if it wants to avoid the cost to the Timorese and its own interests of another state collapse.

The weaknesses of the state were evident right from its creation, particularly the weaknesses of its security policy making and crisis management mechanisms and the leadership and management of the police and military. Although the various UN missions and agencies had primary carriage of assistance with state capacity building, it could have been anticipated that Australia would be a primary player in rescuing the state if it collapsed, so perhaps there was more that could have been done to save the expense of a second intervention.

Admittedly, the government of Timor-Leste was particularly jealous of its newly won independence and was not particularly open to advice. Nevertheless, the recent crises in Timor-Leste, the Solomons and Fiji indicate that it would be beneficial for Australia to re-examine its crisis pre-emption policies, strategies and structures. This should involve identifying critical issues that threaten small states in the region with a view to providing more focused advice on policy options that would help regional leaders resolve these issues without undermining their political interests.

In addition to monitoring general developments, it might be useful to devise a checklist, with policy boundaries, of those measures that Timor-Leste will need to implement to prevent a re-occurrence of the crisis of 2006, and closely monitor implementation. The areas where this might be applicable could include: the activation of the parliament's legislative and oversight functions; the resolution of constitutional tensions between the presidency and executive government; the adoption of an effective structure and process for managing national security policy and crisis management; amendment of the police law to take the minister out of

the chain of operational control and provide operational autonomy to the police subject to parliamentary and judicial oversight; appointment of a foreign chief of police until after the 2012 elections to complement capacity development assistance; a national security review to clarify the role and responsibilities of the police and military; resolving the veteran and *Petitioner* issues; keeping the military small and out of routine policing; building cooperative links between the police and military, including exercising aid to the civil community and aid to the civil power; and the strengthening of political and judicial accountability mechanisms to prevent high-level corruption.

Recent political developments have provided Timor-Leste with a chance to reorder its political arrangements and depoliticise its bureaucracy and government agencies. The problems are not insurmountable and the financial and other resources are readily available either locally or from the international community. It is to be hoped that the new arrangements can overcome the challenges of unsustainable population growth, extreme poverty, and the paucity of human resources and physical infrastructure to provide a more secure and relatively prosperous life for its people. It would certainly be to Australia's advantage if it succeeded.

Endnotes

1 Timor Leste has yet to become a member of ASEAN.

2 The population of West Timor is 1.6 million with an average per capita income one third that of Indonesia as a whole and has no natural resources to supplement subsistence agriculture. It does, however, benefit from central government subsidies and access to national educational and employment opportunities.

3 Exploration has already commenced in some areas.

4 Over and above the billions spent in maintaining military and police forces in Timor-Leste, Australia has invested over $550 million on Official Development Assistance since 1999 and has budgeted $73 million for 2007–08.

5 *Report of the United Nations Independent Special Commission of Inquiry for Timor-Leste*, Geneva, 2 October 2006. The Commission was appointed by the OHCHR. For another comprehensive review see, *Resolving Timor-Leste's Crisis*, International Crisis Group, Asia Report No. 120, Brussels, 10 October 2006.

6 These points are elaborated in: James Cotton, 'Timor-Leste and "state failure" in comparative perspective', in Dennis Shoesmith ed, *Timor-Leste: Understanding the Past, Imagining the Future*, Charles Darwin University Press, Darwin, 2007.

7 Ben Reilly, 'The Africanisation of the South Pacific', *Australian Journal of International Affairs*, Vol. 54, No. 3, 2000.

8 For a critical view of Reilly's thesis see Jon Fraenkel, *The coming Anarchy in Oceania? A Critique of the 'Africanisation' of the South Pacific Thesis*, USPEC Working Paper No. 2, Suva, February 2003.

9 See IMF Country Reports 07/79 and 07/86 of February 2007 for a comprehensive review of the economy and recommendations for the future. 75% of the labour force is in subsistence agriculture and only 12% in the formal sector with half of those (about 17000) employed by the government.

10 Freedom House ranks Timor-Leste 3 for Political Rights and 3 for Civil Liberties (on a scale of 1 to 7 where 1 is free and 7 not free) classifying Timor-Leste as 'partly free' because of deficiencies in the rule of law and press freedom. www.freedomhouse.org. District and sub-district administrators are also political appointees who then

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appoint family and party colleagues to subordinate posts.

11 Not including state and local government expenditure.

12 Timor-Leste scored 2.6 on the Transparency International corruption perception index (CPI) for 2006 (where 1 is corrupt and 10 is corruption free) putting it on the same level as Albania, Vietnam, Kazakhstan, Guatemala and Yemen among others, and ranking it 117 of 163. www.transparency.org

13 IMF Country Reports 07/79, February 2007, p.13 and 07/86, p.6. Critics of the IMF approach would give more emphasis to state intervention, especially in the agricultural sector.

14 *Force 2020 (Draft)*, Ministry of Defence, G-RDTL, Dili, TL, January 2007.

Acronyms and Abbreviations

ARF	ASEAN Regional Forum
ASEAN	Association of Southeast Asian Nations
CMATS	Treaty on Certain Maritime Arrangements in the Timor Sea
CPD-RDTL	Committee for the Popular Defence of the Republic of Democratic Timor-Leste
F-FDTL	Falintil—Forças de Defesa de Timor-Leste
IMF	International Monetary Fund
IUA	2003 International Unitisation Agreement for Greater Sunrise
JPDA	Joint Petroleum Development Area
MOU	Memorandum of Understanding
PNTL	Polícia Nacional de Timor-Leste
UNMIT	United Nations Integrated Mission in Timor-Leste
UPF	Unidade de Patrulhamenta Fronteira (Border Patrol Unit)
URP	Unidade de Reserva da Polícia (Police Reserve Unit)

Important disclaimer

About the Author

Bob Lowry was an adviser on the development of national security structures and processes in Timor-Leste from mid-2002 until mid-2003. He also evaluated the National Democratic Institute's security sector reform projects in Timor-Leste in early 2005 and visited Timor-Leste in 2007 in the course of preparing this paper. In 2001, he worked for the International Crisis Group in Jakarta on military and police reform issues and chaired the Fiji National Security and Defence review in 2004. During his service with the Australian army he also served in South Vietnam, Singapore and Indonesia, where he attended the Indonesian Army Command and Staff Course and was an attaché in the Australian Embassy in Jakarta 1983–86.

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Z00 31160

RRP $5.00 ISSN 1449-3993