



THE AUSTRALIAN NATIONAL UNIVERSITY

E P R E S S

## Out of the Ashes: Destruction and Reconstruction of East Timor

### Abstract for chapter 11

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‘The strategic implications of an independent East Timor’ considers the far-reaching strategic implications of events leading to an independent East Timor for South-east Asia and for Australia’s relations with Indonesia.

The chapter addresses the following issues: Australia’s security concerns; the ASEAN dilemma with its loss of credibility and influence since the Asian economic crisis; the ‘Wahid factor’ or the necessity to meet the political, economic and religious aspirations of the Acehnese for a speedy return to stability throughout the archipelago, and questions of whether indeed East Timor is viable economically.

#### *Keywords*

Abdurahman Wahid, Aceh, ASEAN, Australia, CNRT, Indonesia, Interfet, Islam, Java, Mahatir Mohammad, Papua, Soeharto, TNI, UNTAET

## The strategic implications of an independent East Timor

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East Timor's independence and the turmoil that has enveloped Indonesia since President Soeharto's political demise in May 1998, will have far-reaching strategic implications for South-east Asia and Australia's relations with Indonesia. It is sobering to recall that only a few years ago, the region was still basking in the glow of its economic and diplomatic successes. There was much talk of Asian economic miracles and a growing belief that South-east Asia was in the midst of an historic transition to peace and prosperity based on the establishment of a genuine security community and enhanced intra-regional trade. National economies were expanding at impressive rates and ASEAN was on the verge of bringing all ten South-east Asian states within its protective embrace. The sense of optimism was palpable, reinforced by significant progress in developing multilateral security structures like the ASEAN Regional Forum and the successful management of long-standing regional conflicts.

Today it is the fear of implosion rather than the inevitability of transition that dominates political discussion about the region. 'Arcs of crisis' have supplanted 'economic miracles' as the dominant theme of countless newspaper editorials and opinion pieces. Some consider that 'the Pacific century is now officially on hold' (Friedman 1999:8). However, just as the metaphor of an economic miracle failed to encapsulate the complexity and realities of South-east Asia's development over the past two decades, so too the evocative image of an arc of crisis exaggerates the region's predicament. Democracy,

admittedly flawed and hesitant in its progress, has spread its fledgling wings over much of the region including in Indonesia, where the election of Abdurrahman Wahid represents a decisive break with the authoritarian past. Most South-east Asian states are gradually returning to positive economic growth and the region is still relatively conflict-free if judged by the standards of its modern history. Nevertheless, Indonesia's uncertain future and the violent aftermath of the United Nation's-sponsored ballot on East Timor underlines the challenge to regional order posed by continuing instability in the archipelago.

### *Australian security concerns*

Of all Indonesia's neighbours, Australia was the country most affected by the turmoil in Indonesia and East Timor's bloody transition to independence. Whatever his domestic sins, Soeharto's great strategic virtue was that he presided over an unprecedented era of stability and predictability in Indonesian foreign policy. East Timor's descent into anarchy was an unpleasant reminder to Australians of how benign their immediate strategic neighbourhood has been for most of the Soeharto period. The ferocity of the militia assault on East Timor, aided and abetted by elements of the Indonesian armed forces (TNI), not only killed many innocent people and almost completely destroyed the province's infrastructure; it was also a major setback for Australia's relations with Indonesia. The violent aftermath of the ballot led to the unravelling of the strategic partnership between the two countries, painstakingly constructed since 1992. The failure of this bold but flawed initiative in regional confidence-building was dramatically symbolised by Indonesia's unilateral decision in September 1999 to abrogate the 1995 security agreement with Australia.<sup>1</sup> The security agreement foundered because Australia was ultimately unable to reconcile two conflicting national interests – the desire to deepen defence and security ties with Indonesia and the conviction that the East Timorese were entitled to a genuine act of self-determination.

Australia faces three major challenges in East Timor. First is the danger of a military confrontation between Australian members of the UN security force in East Timor and the pro-integration militia.

<sup>1</sup> For an analysis of the 1995 Agreement on Maintaining Security, see Alan Dupont, 'The Australia-Indonesia security agreement', *Australian Quarterly*, 68(2), Winter 1996, pp.49-62.

Concerns that the Indonesian army might support a guerrilla campaign from West Timor aimed at destabilising East Timor have eased since Wahid's election as Indonesia's fourth president. Nevertheless, as long as armed militias operate with impunity across the poorly demarcated border, the risk of military confrontation and miscalculation remains. An armed clash resulting in Australian or Indonesian casualties, as occurred in October 1999, could easily set off another round of recriminations and jeopardise the tentative rapprochement that has taken place since Wahid's election. Second, there has been a marked, negative shift in Indonesian sentiment towards Australia that will take a long time to dissipate and will impede the reconciliation process. Many Indonesians wrongly believe that Australia precipitated East Timor's march towards independence and the adverse international reaction to Indonesia's management of the East Timor problem which followed. Third, public and elite opinion in Australia towards Indonesia has been soured by the violence in East Timor which will circumscribe and complicate the Howard government's attempts to rebuild the relationship.

### *ASEAN's dilemma*

A once robust and assertive ASEAN has suffered a major loss of credibility and influence since the economic crisis which has been exacerbated by Indonesia's travails. Enlargement, the absence of Indonesian leadership, and divisions over the organisation's future direction and guiding principles have diminished its coherence and reduced its ability to play a stabilising role in the region. Gone is the euphoria and sense of optimism that prevailed before the economic crisis and the widespread belief that ASEAN could provide a significant counterweight to the great powers. This is now a more distant prospect. Australia's advocacy on behalf of the East Timorese has accentuated differences between Australia and South-east Asia about how best to handle East Timor and has further weakened ASEAN, which has had little to say publicly about events in Indonesia or East Timor.

The notable exception has been Malaysia's outspoken Prime Minister, Mahathir Mohammad, who castigated Australia and Western nations for their alleged hypocrisy in rejecting Indonesia's occupation of East Timor while turning a blind eye to similar transgressions by other countries. Mahathir accused the West of seeking to break up

Indonesia and asserted that Australia would be 'the main beneficiary'.<sup>2</sup> The Malaysian Prime Minister's comments failed to elicit much support regionally but they underline South-east Asian uneasiness about the wider strategic ramifications of East Timor's violent separation from Indonesia. Although many South-east Asian states have made significant contributions to Interfet and its peacekeeping successor, they are primarily in East Timor because of Jakarta's wish that Asian states be represented in both forces, not through any abiding concern for East Timor. On the other hand, there is a growing recognition that East Timor is a regional problem that requires a regional response.

ASEAN's reluctance to criticise militia violence in East Timor reflects a desire not to offend its most powerful member. It should not be forgotten that the main reason for ASEAN's establishment in 1967 was to place regional reconciliation with Indonesia 'within an institutionalised structure of relations' (Leifer 1995:50). There is concern in South-east Asia that Australia has put East Timor ahead of its relations with Jakarta and that in doing so, it has contributed to instability and encouraged separatism in the archipelago. An additional worry, in the weeks after the ballot, was that the International Monetary Fund, the World Bank and the Asian Development Bank would cut off funds to Indonesia, and Western nations might withhold aid and investment in order to punish Jakarta for its behaviour in East Timor (MacIntyre 1999:13). Pessimists feared that if this happened, Indonesia's nascent recovery could quickly stall, worsening domestic political instability and heightening the possibility that other parts of South-east Asia could be drawn into ethnonationalist conflict. Worse still, Indonesia might eventually break up in much the same way as Yugoslavia and be replaced by a number of chronically weak and unstable successor states.

Although misplaced, these anxieties are understandable. Since Soeharto's fall, the severity and incidence of ethnic, religious and political strife has risen alarmingly throughout the archipelago, especially in Aceh, Kalimantan and Ambon. None of this means that Indonesia will necessarily fracture and disintegrate in the manner of Tito's Yugoslavia. On balance, Indonesia should muddle through, but the risk is greater than at any time since the 1950s, when Jakarta faced powerful secessionist movements in West Java, Sumatra and Sulawesi. The Balkans' analogy fails to capture the

<sup>2</sup> Mahathir also predicted that East Timor would become 'Australia's Vietnam'. 'Timor will be Australia's Vietnam, says Mahathir', *The Straits Times*, 14 October 1999, p.23.

gravity of Indonesia's potential break-up. Even before its dissolution, Yugoslavia was a relatively small country located on the periphery of Europe. Indonesia, on the other hand, dominates South-east Asia geographically because of its size, population and its strategic location at the region's maritime crossroads. It sits astride the crucial sea lanes through which passes much of East Asia's trade with Europe, the Middle East and Australia. The situation in Indonesia today is more analogous to that of the Soviet Union in the late 1980s. Like the Soviet Union, Indonesia is more an empire than a country. Its political weight and strategic importance in Asia far exceeds that of Yugoslavia in Europe.

While East Timor's independence is unlikely to lead to the 'Balkanisation' of Indonesia, the handling of the issue by the Habibie government and the armed forces leadership under General Wiranto, was an unmitigated disaster for Indonesia. The violence and intimidation carried out by the TNI-sponsored militia prior to the ballot, and the scorched earth policy conducted after the overwhelming vote against autonomy undermined international confidence in Indonesia's political process, threatened the country's fragile economic recovery and renewed doubts about the military's commitment to reform. East Timor's independence has already provided encouragement to 'freedom' movements elsewhere in the archipelago, especially in Aceh and Papua (Irian Jaya). However, the key to the successful resolution of these long running conflicts rests with the Indonesian government. Greater political autonomy and a more equitable distribution of Aceh and Papua's rich natural resources would go a long way towards defusing anti-Javanese feelings and reducing the impetus for independence. No regional state will want to become involved in either dispute. Australia has made it quite clear that East Timor is a special case and that there are no parallels with Aceh or Papua. International support is therefore unlikely to be forthcoming. Without it, neither the Free Aceh Movement nor its Papuan counterpart, the Free Papua Movement, have the political or military strength to win independence in the face of Jakarta's obduracy. Nevertheless, both insurgencies will continue to fester until such time as the government seriously addresses their underlying causes.

### *The Wahid factor*

President Wahid clearly recognises the importance of tackling head on the grievances of regional Indonesia. His election, and that of

Megawati Sukarnoputri, represent Indonesia's best hope of reuniting the country and bringing to an end the sectarian strife and political turmoil which has plagued the nation since Soeharto's departure. In taking on personal responsibility for Aceh, Indonesia's new president has signalled the importance his administration attaches to bringing the outer provinces back into the fold of a unitary state. If he can satisfactorily resolve Aceh, the other rebellious provinces are likely to fall into line. Failure to meet the political, economic and religious aspirations of the Acehnese would undermine Wahid's presidency and bode ill for a speedy return to stability throughout the archipelago.

There are many other domestic challenges that the new government will have to meet, notably kick-starting a moribund economy, reining in endemic corruption and maintaining what is still a fragile coalition in the national parliament. There are three competing centres of power in post-Soeharto Indonesia – the military, secular nationalists and those who want to see an end to the separation between Islam and the state. Since no one group has sufficient strength to dominate the political agenda as Soeharto was able to do, Indonesian politics will be hostage to the tensions between them for many years to come. Wahid, however, brings to the presidency several important political assets. As head of the 35 million strong Nahdlatul Ulama, the largest Muslim organisation in Indonesia, he is one of the few Indonesians with experience in the art of mass politics and the skills to match. These skills were clearly in evidence during the frantic manoeuvring which preceded the presidential vote. Wahid played a consummate game of political poker with opponents and allies alike, seeing off the challenge of the incumbent, Habibie, and then cobbling together enough votes to win the ultimate prize. In doing so, he demonstrated an impressive ability to draw support from a broad coalition of parties and interests across the political divide, from the Muslim right to the secular left.

Wahid has the legitimacy and moral authority that Soeharto and Habibie lacked and is widely respected within the country. Even though he heads a conservative religious organisation, he is at heart a moderate and a nationalist who opposes the establishment of an Islamic state for fear that it would promote disunity and inter-communal violence. The new president has three of the attributes considered vital for a successful Indonesian leader. He is male,

Javanese and has impeccable Muslim credentials. But his health is poor following a serious stroke and an unsuccessful operation to arrest his failing eyesight. The major question mark over Wahid's presidency is whether he has the physical resilience to withstand the pressures of national leadership. That is why the choice of Megawati as his vice president was so crucial. If Wahid is unable to serve out his full term because of illness or death, under the constitution, she will assume power.

Wahid has moved quickly to assert his authority over the military whose reputation at home and abroad has been severely tarnished by its excesses in East Timor, Aceh and Java. The issue here is how to reform the armed forces and make it more accountable without emasculating its legitimate security functions. The appointment of a civilian, Juwono Sudarsono, as Defence Minister and the elevation of a naval officer to the position of armed forces commander, indicate that Wahid is determined to accelerate military reform. His end game is to professionalise TNI and eventually transform it into a modern, apolitical defence force. This will not be easy. Hard-liners will resist modernisation and will be supported by conservatives in the political parties and bureaucracy as well as the still influential armed forces' retired officers' association (PEPABRI). There is no guarantee that the new armed forces commander, Admiral Widodo, will be able to impose himself on a truculent and resentful army long accustomed to being the pre-eminent service. What is required is no less than a fundamental change in Indonesia's military culture. The armed forces will eventually have to accept that their national security function must be subject to the rule of law and their leaders accountable to an elected president and national assembly.

Internationally, Wahid's election has been genuinely welcomed. He is relatively well-known in South-east Asia and regarded as an able and moderate leader. His long-standing association with Australia has been generally warm and productive notwithstanding his criticism that Canberra has been too assertive, diplomatically and militarily, in responding to the East Timor crisis. The silver lining in the political storm clouds that have hung over Indonesia for the best part of two years is that Wahid has begun his term of office unencumbered by the East Timor issue. The removal of arguably the major irritant in Indonesia's relations with Australia, Europe and the US for the past quarter of a century provides the basis for a much sounder relationship

with the West. This will be critical for Indonesia's future because Wahid's government inherits a fragile and poorly performing economy that will require substantial foreign investment for years to come.

*Will an independent East Timor be viable?*

Much the same could be said about Indonesia's new neighbour. The crucial difference is that Indonesia retains the capacity to shape East Timor's future as an independent nation while Dili will have little clout in Jakarta. A hostile, resentful Indonesia would make it extremely difficult for East Timor to prosper and the embryonic nation has many other challenges to overcome if it is to progress, economically and politically. There are many who doubt East Timor's economic viability, especially since the massive destruction of infrastructure and essential services wreaked by the militia. East Timor's gross domestic product is only US\$113 m. Spread over its population of 830 000, this gives the East Timorese a per capita GDP of around US\$138, less than half that of Indonesia, making it one of the poorest states in the world (Murphy 1999:46).<sup>3</sup> The local economy is heavily dependent on coffee. Arabica coffee beans from East Timor command a high price on the international market because of their blending qualities, but coffee alone cannot sustain the economy. Unfortunately, apart from coffee and a little sandalwood, there is not much else of economic value. East Timor will also have to make do without the substantial sums of money pumped into the economy by Indonesia since 1975. It will therefore begin life as a very poor country and will struggle to survive for the first few years of independence without substantial foreign aid.

On closer examination, however, the country's economic prospects are not quite as grim as these statistics suggest. There are grounds for optimism that East Timor may not necessarily suffer the fate of other struggling micro-states. Half of East Timor's budget during Indonesia's occupation went towards paying for a bloated bureaucracy which at its height numbered around 24 000 civil servants (Murphy, McBeth and Lintner 1999:20). Australia and Portugal have committed themselves to making up East Timor's financial shortfall during the transition to independence. The World Bank and the Asian

<sup>3</sup> These figures are for 1997.

Development Bank are also likely to grant generous development assistance. This will provide a much needed economic breathing space for the new government and allow it time to begin rebuilding infrastructure and attracting foreign investment which is the key to East Timor's longer-term economic future. There is also potential for diversification into tourism and agribusiness. In conjunction with rehabilitation of non-productive coffee plantations and proceeds from oil and gas from the Timor Gap, within a decade East Timor could have the makings of a small but vibrant economy, sufficient to provide a modest standard of living for most of its population.

Ultimately, however, East Timor's future will be determined by politics rather than economics. Political stability will be critically dependent on the capacity of East Timor's elites to reach an accommodation with one another. Xanana Gusmão's National Council of the East Timor Resistance (CNRT) will need to provide assurances to erstwhile opponents that there will be no vendettas or discrimination against them. As part of the peace process, the CNRT will probably have to accept the incorporation of some militia units into an integrated East Timorese constabulary in exchange for the militia's agreement to disarm and refrain from hostile acts. For their part, former pro-integrationists will have to demonstrate their commitment to the new East Timor and to renounce their loyalty to Indonesia. The establishment of new political institutions and the development of a political culture that encourages broad-based participation and ends the feudal practices of the past 400 years will be an important early test of leadership for an East Timorese government.

East Timor's future external orientation is an issue of more than passing concern to its neighbours. One of the reasons for Indonesia's occupation of East Timor in 1975, and Australia's tacit approval, was fear that a Fretilin victory could promote pro-communist and anti-Western influence in South-east Asia. Even today, many TNI officers passionately believe that the CNRT is really just a front for a left leaning Fretilin leadership which will pursue policies inimical to Indonesia and Australia once entrenched in power. In reality, however, these fears have little substance. For a start, East Timor will be run by the UN transitional administration (UNTAET) for at least three years and possibly five before an East Timorese government assumes power. As a small nation, sandwiched between much larger neighbours that are endowed with abundant resources and possess overwhelming

military strength, East Timor is hardly in a position to directly threaten the vital national interests of the two preponderant powers of the south western Pacific, especially as the East Timorese leadership will be preoccupied with the demands of nation-building for at least a generation, and dependent on Australia and Indonesia's continuing good will for vital economic and political support. East Timor's new leaders have already indicated their intention to seek membership of the Pacific Island Forum and ASEAN. Given the often stated commitment of the CNRT to the rule of law, respect for democratic institutions and the maintenance of good relations with its neighbours, it is unlikely that an independent East Timor would become a hot-bed of political radicalism or pursue a foreign policy significantly at odds with Australia or Indonesia.

The real danger is that East Timor could become a weak state rather than a rogue state. Much will depend on the attitude of Indonesia and the level of support provided by Australia and the international community. A weak and chronically unstable East Timor could present opportunities for unwelcome external power involvement by states with anti-Western leanings, although it is difficult to see the circumstances under which such a scenario might be played out. In any event a policy of destabilisation would be directly counter to Indonesia's own strategic and political interests. There is a much greater risk that poverty, intercommunal tensions and entrenched political violence could lead to social unrest which would inevitably spill over East Timor's borders creating friction with Indonesia and other regional states. Another possibility is that an impoverished and anarchic East Timor would provide opportunities for transnational criminal organisations dealing in drugs, people-smuggling and money laundering as has occurred elsewhere in the Pacific.

One problem for the new government in Jakarta is that the East Timor issue has become so politicised domestically that it will be difficult for Wahid to develop a constructive relationship with Dili. A premature attempt to do so could invite condemnation by extreme nationalist elements, inevitably drawing accusations of betrayal and selling out to foreign interests. The dilemma for Indonesia, however, is that continued intransigence towards East Timor will risk alienating those nations most able to provide the economic assistance that Indonesia desperately needs, namely the US, Japan and the Europeans. Thus, even as an independent nation, East Timor's future will be

inextricably tied to that of Indonesia and to a lesser extent Australia. If Australia and Indonesia remain at loggerheads, the prospects for East Timor will be bleak indeed. Improved Australia-Indonesia ties must therefore be a primary foreign policy objective for East Timor's new government. Without progress in this area, no amount of foreign aid or investment will bring about the transformation in their lives that the long-suffering people of East Timor desire and deserve.

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