

INDEPENDENT STUDY ON SECURITY

FORCE OPTIONS FOR EAST TIMOR

The Centre for Defence Studies
King's College, London

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INDEPENDENT STUDY ON SECURITY FORCE OPTIONS AND SECURITY SECTOR REFORM FOR EAST TIMOR

Centre for Defence Studies, King's College, London

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1. INTRODUCTION

1. The Centre of Defence Studies at King's College, London was asked to co-ordinate an independent study on security force options and security sector reform in East Timor. This was funded by the Conflict and Humanitarian Affairs Department of the UK Department for International Development to assist the Transitional Administration in East Timor (UNTAET). The study consisted of a multi-disciplinary and multinational team of seven people. (See Annex A: List of Team Members). The team leader and selected team members engaged in a three-week preparation in the UK prior to the entire team undertaking a field visit to East Timor from 7-21 July 2000. (See ANNEX B: Terms of Reference). The main focus of the study was essentially threefold:

- Address the future of Falintil.
- Examine the feasibility and propose options for a future East Timorese defence force.
- Analyse governance aspects in relation to security and civil-military relations.

Methodology

2. A two-week preparation period prior to the field survey consisted of a desk study and survey of documentation and reports on the recent East Timorese political and security history. Once in East Timor, the Team held discussions through group or individual consultations in Dili as well as on field visits at district, sub-district and village level, with a range of actors. These included, but were not limited to: CNRT, Falintil, UN PKF, UNTAET, international representatives of Australia, Brazil, Portugal, UK, US and Japan, the UN Civilian Police, international and local NGOs, the Women's Network, human rights organisations, the World Bank, Asian Development Bank and IMF representatives, and Church representatives. Two field visits (with an initial one of three days) took place to the cantonment area of Ailieu, as well as visits and discussions on the border, in Suai and Maliana, and Oekussi, the enclave.

Structure

3. The report is structured to cover the following areas:

4. The “Falintil” section focuses on an assessment and analysis of Falintil’s current situation, an account of its relationship and dealings with UNAMET, Interfet, PKF and UNTAET, and the factors that led to the present political impasse, addressing Falintil’s perception that its status needs to be resolved. This section also gives an account of the progression of Falintil’s views on the establishment of a future defence force with Falintil forming the nucleus, and shows that Falintil has proved flexible and adaptable in its approach, moving from the Costa Rican model to a more definitive military structure. It addresses the social consequences of moving from a guerrilla force to a professional force, outlines Falintil’s overall structure, and examines the implications of Falintil’s clandestine networks and the role they played in their struggle against Indonesian political and military control.
5. The second section, “Discussion of key factors”, puts East Timor’s internal security into a broader context. A fundamental aspect addressed in the “Governance” sub-section is the constitutional and structural arrangements within the present UNTAET structure. The study suggests mechanisms that could expedite the transition to a national defence force in the current structure, and proposes the passing of “enabling legislation” by the transitional administration which could provide the basis for a Defence Statute once East Timor is independent. Arguments are presented on the proposed option for establishing a gendarmerie. The role of the police and its relationship to aspects of restorative justice are also discussed. It addresses the issue of civil-military relations and the institutions needed to safeguard the division of powers; it provides a checklist of questions and issues involved in developing effective programmes for civil–military relations. The Mozambican experience provides a comparison on the evolution of the security sector and civil-military relations. The advantages and disadvantages of conscription and national service are discussed, as is the need for accountability and transparency in the armed forces.
6. The sub-section on the “The Economic Environment” sets out observations and ideas emanating from the military and governance analysis in the context of a difficult economic environment. It gives a brief outline of the cost implications for an affordable and sustainable defence force in an independent East Timor, given the stringency of current economic indicators.
7. The aim of the preceding sections is to set the scene for an analysis of “The Strategic Environment and Threat Assessment”. This section is essentially the lynch pin of the study. It provides a brief overview of the Indonesian political environment and a discussion on the role of the TNI, as well as land and maritime border issues and the role of the militia. Linked to this are the socio-economic aspects of the refugees and ex-militia from West Timor, as well as the potential for a refugee exodus from the Moluccas. It addresses internal threats and looks briefly at socio-economic elements that could lead to a rise in crime and the capacity of the police to deal with this.
8. Arising out of the threat assessment, the study identified the need for an East Timorese defence force and proposes three options under “Security and Defence Options”. This section is aimed at prompting a constructive debate. The options are analysed from a military, political and economic viewpoint and address the social consequences, but the study has weighted these options in favour of the third option. This section also briefly addresses options for the border regime as well as for the Oekusi enclave. To make any of the options effective, training will play an essential part in the establishment of a future defence force. Various possibilities are addressed, ranging from UN supervised to bilateral, to multilateral assistance.
9. There are limitations to this study. To be effective, and given the timeframe and scope, priorities had to be set. The aim was to strike a balance between, on the one hand, trying to produce a concrete and useable document that will assist in moving the political process forward, in particular over the Falintil issue; and on the other hand providing an account of

the recent history of relations between Falintil and the international community, and an analysis of the internal and regional strategic environment. The Team is fully aware of recent disturbing events on East Timor's border, both militarily and politically, that have continued to unfold since our departure. The killing of a New Zealand soldier near Fohorem in Covalima and the shooting of two militia near Maliana in Bobonaro have produced a situation of heightened apprehension over security and greater uncertainty about relations along the border. These issues demand further analysis and close scrutiny. It is important to note that this study does not include a detailed analysis of the militia, or any action which might be taken to facilitate the reintegration of appropriate elements of the militias who might wish to return to East Timor. Nor is it a review of the implications on security of the potential closure of the refugee camps in West Timor. The key for this study will be follow-up, and more importantly the political will to follow up. In the section "Proposed Areas For Future Study, Consultation and Debate", suggestions are made for future study needs, and where possible elements for terms of reference, such as for the development of training programmes, or civil-military relations. For future consultation and debate a follow-up meeting is proposed to discuss the implications and implementation of options proposed by the study.

2. FALINTIL

Falintil and UNTAET: The Making of an Impasse

- **Background**

10. For 24 years Falintil struggled against the Indonesian occupation without outside support, maintaining its existence and organisation despite massive losses and successive reorganisations. According to its official history, the Falintil that took to the hills to resist the Indonesian invasion in 1975 was 27,000-strong; at its lowest point, in 1992, shortly after the Indonesian capture of its commander, Xanana Gusmão, it was reduced to a force of just 150 men. It attributes its survival to its ability to build a large popular support base. In the run-up to last year's Popular Consultation and in its destructive aftermath, Falintil accepted the "cantonment" of its 1,500 troops, and maintained it in the face of the extreme provocation of militia and TNI violence. After the arrival of Interfet last October, it agreed to move to a central cantonment site, in the town of Aileu. Its commanders claim that on the basis of its historical achievements and its recent discipline its status is de facto that of a national army. As such, it argues, it has had responsibility for East Timor's security in the past and should continue to have a role in it in the future. Other sources support these claims to special status. A senior UNTAET official told the Team that Falintil can claim a double legitimacy as the force that resisted not only an occupation but one that had been condemned as illegal by the UN. Separately, senior civilian CNRT officials spoke of Falintil's "near mythical status" and "great moral authority".

11. By contrast, Falintil currently finds itself marginalised and regards itself as demeaned. It is in a legal limbo where its status is undefined. It is frustrated at the very limited formal security role it has been granted under UNTAET, and at slow progress in determining its future role. A combination of poor living conditions and inactivity have created palpable dissatisfaction in Aileu, where Falintil has been cantoned since last November, one consequence of which has been the dispersal of a substantial proportion of Falintil members to places outside the cantonment. Under these pressures there are signs that the exemplary discipline that it showed in the face of militia and TNI provocation last year and since being cantoned in Aileu has begun to break down.

- **The limits of the UN mandate**

12. Security Council Resolution 1272 and the Report of the Secretary General on the Situation in East Timor of 4 October 1999 mandated UNTAET with overall responsibility for

the administration of East Timor, including the responsibility to restore peace, provide security and maintain law and order. Both are silent on the status of Falintil. Interfet interpreted its mandate under Security Council Resolution 1264 to disarm “armed groups” including Falintil, although it backed down when Falintil simply refused to disarm. The Secretary General’s report of 4 October sets out the goal of developing rapidly an East Timorese police service, but contains no corresponding plan to develop a defence force that would take over the tasks that had been undertaken by the PKF during the transitional period. The report notes that military observers are to be assigned the task of monitoring Falintil.

13. The limitations of its mandate have placed restrictions on UNTAET’s capacity to respond to Falintil’s requests to play a more extensive security role. Following an initial meeting on 13 March 2000, attended by the SRSG Sergio Vieira de Mello, the PKF Force Commander Lt. Gen. Jaime S. de Los Santos, and Xanana Gusmao together with members of UNTAET, CNRT and Falintil, to initiate formal discussion on the future of Falintil, a “Falintil Study Group” was established to carry forward these discussions. Meetings between UNTAET and Falintil were held on the 17, 24, and 31 March. It was at these meetings that Falintil set forth its ideas for its own reorganisation and proposed closer participation with PKF at a number of levels. This included joint patrols and setting up mobile security teams, involving Falintil, Interfet/PKF, CivPol, UNMO and East Timorese police participation.

- **Background to cantonment** 14. The security annex to the 5 May 1999 Tripartite Agreement provided for steps to be taken for the cantonment and disarmament of Falintil and other armed forces, and for the demobilisation of the Indonesian military. Under an agreement reached under the auspices of the Indonesian-government’s Peace and Stability Commission in June 1999, pro-independence and pro-integration leaders pledged to work towards the cantonment of their armed forces, respectively Falintil and the militias. In late July to early August 1999, Falintil unilaterally began the cantonment of its forces at four regional bases. This was apparently in the hope of forcing the hand of the militia and the TNI commanders, who had consistently argued that they could not be expected to reduce their forces or bring the militias under control as long as Falintil constituted a threat to security. Falintil regarded its cantonment as a major concession, particularly as by putting itself on an equal footing with the militias it could be construed as abandoning the principle that its true counterpart was the TNI. Falintil commanders told the Team that they believed that Falintil had shown sufficient evidence of its good faith by its restraint in the face of the upsurge in militia violence that followed President Habibie’s offer of a vote on East Timor’s continued integration with Indonesia in January 1999.

15. The decision to canton was hotly contested at the time by senior commanders. The hoped-for militia response was not forthcoming: they carried out their own regional cantonment ceremonies, but these were pro forma: far from diminishing, militia activity actually increased in the remaining period leading up to the Popular Consultation of 30 August 1999. During the wave of violence and destruction that followed the announcement of the result of the Popular Consultation on 4 September 1999, Falintil troops remained in their cantonments, whose populations were swelled by thousands of East Timorese displaced by the violence, until November 1999. Then, on Falintil’s initiative, it was agreed with Interfet that Falintil should move to a single cantonment at Aileu, 50km south of Dili.

- **The Aileu cantonment**

16. Falintil’s cantonment in Aileu is governed solely by a verbal agreement between General Cosgrove, the Commander of Interfet, and Taur Matan Ruak concluded in November 1999. No formal agreement has been made with UNTAET. Under the terms of the informal agreement:

- all active Falintil members were to remain in the cantonment;
- Falintil was to keep its arms in the cantonment area;

- Falintil members were authorised to leave the cantonment area without weapons in order to:
 - (i) go on leave; or
 - (j) perform duties outside the cantonment.

17. Interfet and, more recently, the PKF have followed self-imposed limits on their activities within the cantonment area. UN military observers (UNMOs) maintain a Falintil Liaison Team in the cantonment with observing, monitoring and reporting functions, but the PKF operates outside the cantonment area. One consequence of this legal uncertainty has been that there has been no clear delineation of security responsibilities between Falintil and the PKF in the cantonment area. The problem is exacerbated by an expressed lack of confidence among Falintil commanders in the capacity of existing law-enforcement, investigative and judicial institutions to carry out their functions. There have been instances where Falintil has detained returning refugees alleged to have been members of the TNI or the Indonesian police, and gang members accused of assaults on Falintil members on leave. It has also taken disciplinary measures against its own members. The Team gained the distinct impression that under present conditions there is little prospect that more formal arrangements for regulating the cantonment could be arrived at. UNTAET is precluded by its mandate from entering into agreements that would be understood to confer legal status on Falintil. Falintil has anyway said that it will not sign a memorandum of understanding until the issue of its future role is resolved. Where Falintil has proposed more formal arrangements that would, for example, allow it to take part in joint patrols with the PKF or in refugee reception committees, UNTAET has found itself constrained by its mandate from endorsing these proposals.

18. The combination of circumstances that has left Falintil in an ill-defined relationship to the twin pillars of the new dispensation, UNTAET/the PKF and the East Timor government, and has caused its membership to become increasingly scattered and demoralised, has encouraged a view that the UN is conspiring at the elimination of Falintil. This opinion was aired by both commanders and ordinary troops during the Team's visit to Aileu. Some commanders go further, taking the view that that has effectively been the thrust of UN policy since the Tripartite Agreement of 5 May 1999. It is in this context that Falintil and the CNRT have called for a comprehensive solution that begins with the clarification of its present and future status, and have rejected an approach that addresses the issues piecemeal. Thus Falintil's position on demobilisation has hardened progressively since January 1999. Then, with the apparent encouragement of members of the Falintil high command, the IOM drafted an initial proposal for facilitating the transition of Falintil members to civilian life. This proposal was further refined in March 2000 and presented at a Falintil Study Group. Soon after, the Falintil deputy commander, Taur Matan Ruak, took the position that demobilisation should be part of the same process as recruitment to a new force, i.e. that there could be no question of demobilisation taking place before the broader status issue had been resolved.

19. Falintil's uncertain status is also an important reason why living conditions in the cantonment are poor. UNTAET, other international organisations and the NGO community have all proved unable to give the logistical support needed to create adequate living conditions in the cantonment. This is partly because they have been unable to find mechanisms for the delivery of essential supplies that are consistent with mandates barring them from assisting armed groups. Falintil commanders also complain that specific promises, to provide meat and beds, for example, have not been fulfilled.

20. In its visits to three company barracks in Aileu in mid-July, the commanders informed the Team that food and medical provision was still inadequate and unreliable. A Company Four commander complained that staples such as rice, oil and sugar were in short supply. At Company One barracks a commander said that the quantity of food was adequate, but that it lacked variety, chiefly because of the near absence of protein. Inadequate healthcare and poor

accommodation were described as contributing to high rates of malaria, tuberculosis and other diseases in the camps.

21. The Team was not in a position to assess these claims. However, UNTAET officials have confirmed that supplies of protein have been deficient. Humanitarian Pillar officials echoed the view of a senior PKF officer that the way in which humanitarian aspects were handled did not prevent Falintil from seeing themselves as second-class citizens. (Falintil commanders did indeed make it clear to the Team that they felt that they were being treated as second-class citizens; they also described their treatment as inferior to that accorded to former members of the Indonesian police and armed forces who had returned from West Timor.) Several people interviewed by the Team were of the opinion that the food issue had come to symbolise Falintil's broader dissatisfaction. When deliveries of food through the IOM stopped in early March, Falintil refused to participate in a programme under which food would be distributed to them through their family members on the grounds that the chosen method was not transparent.

22. Conditions in Aileu have apparently contributed to almost halving the number of Falintil members cantoned there. Falintil reports its numbers at 1,500 men, 700 of whom have been sent back to their local areas, leaving a reported 842 men supposedly resident in Aileu. Residence in Aileu is, however, fluid and many men, including commanders, often take leave for varying periods of time. During the Team's visit, 71 men from Company One with their second in command, Renan Selac, left for a period of extended leave. The number actually present in the cantonment at any given time is believed to be lower, as other members are "rotated" on short leave. It is now likely that there are fewer than 325-350 men actually resident in Aileu. The rest have been sent home on "temporary leave". The departure of so many troops has had consequences both inside and outside the cantonment.

- **Falintil outside the cantonment**

23. Falintil's uncertain status extends beyond the cantonment. Falintil members are authorised to perform certain tasks outside the cantonment area: as district representatives in radio contact with Aileu, as messengers, as (unarmed) security guards for CNRT headquarters in Dili and as liaison officers to the PKF. Even in these relatively well defined areas, functions do not appear to be clear-cut. Falintil district representatives, for example, are reported to take part in district-level discussions on such politically sensitive matters as land and property.

24. Even less well-defined are the activities of the approximately 700 Falintil members "on leave" from the cantonment and members of its clandestine network. Members are sent on leave ostensibly to rejoin their families and assist them in performing agricultural tasks. There have been reports of Falintil members on leave playing other roles, ranging from screening returning refugees to "protection" activities in the markets of Baucau, Laga and Dili. Some of the recent incidents involving Falintil members have been related to these latter activities.

25. In its struggle against the Indonesian army, Falintil (and the CNRT more generally) was assisted and supplied by a clandestine network of loyal supporters in all of the areas in which it operated. In a letter dated 9 November 1999 to Ian Martin, Taur Matan Ruak alluded to these supporters: "We are deeply grateful for their support during the occupation. They fed us, they hid us and they supported our resistance through their clandestine efforts. Out of respect for them, we want to find ways to repay them for their kindness and for the hardship and dangers they endured on our behalf and on behalf of the struggle."

26. The state of Falintil's clandestine network is obscure in many respects. Members of the clandestine network are reported to have become active in the various local-level institutions, set up by the CNRT, through the World Bank's Community Empowerment Project or UNTAET's District Advisory Committees. The need to re-deploy former members of the clandestine network has been acknowledged. In May the CNRT put in an application to the

UNDP for grants for the employment of 3,000 members of the clandestine network who had worked in administrative posts during the Indonesian occupation.

27. In fact, many local supporters of Falintil and CNRT have already been rewarded with positions in the reorganisation of the local village and district administration. Key organisations, at different levels, in the CNRT clandestine network were referred to as *nurep* and *selcom*. It is reported that many *nurep* leaders have now been appointed as village headmen (*chefe de suco*) and many *selcom* heads as hamlet chiefs (*chefe de aldeia*). More important, former clandestine leaders have been appointed as *secretario de regioao* (*kabupaten* or district) or *secretario de zona* (*kecamatan* or sub-district). CNRT's local-level administrative reorganisation is reported to have been completed in all districts except Bobonaro and Covalima, where it is still in process. Although information is sketchy, a similar pattern of village administration is reported throughout the territory. A World Bank/Asia Development Bank-funded "Community Empowerment Programme" is currently being implemented at the village level. This programme calls for the creation of democratically-elected "development councils" with two representatives (one man, one woman) from each hamlet (*aldeia*). These councils will assume a role in this local-level administrative structure along with "councils of elders" (*conselho de katuas*) which are currently being established to provide advice on traditional matters. The whole of this organisation is still in an early phase of formation.

- **Falintil's Position at the Local Level**

28. Falintil is a liberation army with a firm command structure but with no formal "rank" structure. Within Falintil, there is an emphasis on collective discussion among commanders. A common distinction is made between "veterans" and "new recruits (*novatos*)". Company commanders, however, differ in whom they regard as new recruits. Anyone who joined after 1992 may still be considered as a new recruit. These newcomers tend to refer to older veterans as "commanders", even though they are not part of the formal command structure. The highest regard is reserved for the oldest veterans, "those who never surrendered". Under the Indonesian occupation, many Falintil soldiers assumed a civilian role for a period of time and operated as "clandestine" fighters. One platoon commander, for example, joined Falintil at 12, engaged in heavy fighting for two years and was then ordered to attend school; eventually he was able to join the Indonesian military and served as a clandestine operative until his cover was exposed and he once more resumed armed service with Falintil. Quite a few of the younger recruits have had some Indonesian high school education and are better educated than many of the older veterans.

29. Although the majority of senior commanders are from areas east of Dili, Falintil as a whole is made up of soldiers from virtually every area (and every language group, large and small) in East Timor. (Only the enclave of Oekusi is under-represented in the present force.) It is Falintil policy, for ideological as well as strategic reasons, to have a representative force that is able to operate effectively in every local area. As such, Falintil is presently the only genuinely representative institution in the territory.

30. As a liberation force, Falintil's prestige is high throughout the country, but especially in the countryside where individual Falintil commanders have been called upon to intervene in disputes and reconcile opposing factions. Its intelligence networks, developed over decades, are intact and the Aileu headquarters maintains regular radio contact with most parts of East Timor.

- **Falintil Command Structure**

31. Falintil (*Forças Armadas da Libertacao Nacional de Timor Leste*) is the armed wing of the CNRT. From the time of the invasion of East Timor in 1975 until 1987, Falintil served as the armed wing of Fretilin. However, in 1987, after the formation of the *Conselho Nacional*

da Resistencia Maubere (CNRM), Falintil severed its formal connections with Fretilin and assumed the role of an all-inclusive national liberation army.

32. Falintil is under the command of “Kay Rala” Xanana Gusmão who is also President of the CNRT. When Xanana was captured in 1992, operational command passed to Ma’ Huno (José Antonio da Costa). Xanana, however, retained his role as supreme commander. When Ma’ Huno was captured, local command passed to Nino Konis Santana. When Santana died in 1998, it passed to Taur Matan Ruak (José Maria Vasconcelos).

33. In the lead up to the popular consultation, Taur Matan Ruak served as Vice-Commander of Falintil and as Commander of Region II (Baucau, Manatuto and Dili), Lere Anan Timor (Tito Ililawa) as Commander of Region I (Los Palos and Viqueque); Falur Rate Laek (Domingos Raul) as Commander of Region III (Aileu, Same, Ainaro and part of Covalima), and Ular Rigik as Commander of Region IV (Liquiça, Ermera, Bobonaro and part of Covalima).

34. In its cantonment, Falintil has organised itself into five companies of 120 men each. The composition of these companies reflects the previous regional organisation of the force. Although as a result of the reassignment of some personnel because of disciplinary problems, the structure is no longer so clear-cut. Thus, for example, Company One is made up largely of men from Los Palos with a small contingent from Baucau; Company Two mainly of men from Baucau and Viqueque. These companies, in turn, are divided into platoons. Four of the five companies have three platoons each. Company Four, which has a North and South sub-company structure is divided into four platoons, but has the same number of men as the other companies.

35. Commanders of both companies and platoons are experienced veterans. Commander Lere Anan serves as Deputy Commander under Taur Matan Ruak. He is resident commander in Aileu. Under him are Commanders Aluc Descarte (Company One), Sabica (Company Two), Falur Rate Laek (Company Three), Ular Rigik (Company Four) and Maunana (Company Five). Attached to Headquarters are Commander Filomeno Paixao and Pedro Klamar Fuik. Commander Pedro also serves as Falintil liaison officer with the PKF Headquarters.

- **Falintil History and Internal Reorganisation**

36. In the course of its history, Falintil has suffered innumerable setbacks and has been forced to undergo significant reorganisation. At the time of the invasion, Falintil was able to muster a large force (said to number 27,000), but by November 1979 its support bases had been destroyed and its forces reduced to 700 men. In 1981, Xanana reorganised Falintil’s resistance efforts and succeeded in negotiating a brief cease-fire in 1983. 1986 saw the creation of a widening national front in the face of increasing Indonesian military pressures. By 1992, at the time that Xanana was captured, Falintil had been reduced to a mere 150 men and some 60 weapons. From 1992 to 1998, Falintil recreated itself as an armed force (*Conselho Executavio de Luta Forca Armada: CELFA*) and as a clandestine force (*Conselho Executavio de Luta Forca Clandestina: CELFC*).

37. As stated above, under the 5 May 1999 Agreement, Falintil agreed to a policy of cantonment of its forces. From July 1999, regional commanders placed their forces in cantonment in four different areas of East Timor: in Uai Mori in Viqueque, Atelari in Baucau, Poetete in Ermera and Aiassa in Bobonaro. While maintaining its agreement with the UN, Falintil members regard the abandonment of East Timor to the wanton destruction that occurred in September as a breach of international good faith. The destructive events of September prompted a rethinking of the CNRT’s previously stated commitment to a gendarmerie based on the “Costa Rica” model instead of a regular national defence force.

38. This change in thinking was formally signalled as early as 9 November 1999 in a letter from Taur Matan Ruak to Ian Martin, in which the Vice-Commander of Falintil stated: “As you are aware Falintil are now in the process of transition. Many of our soldiers will want to return to civilian life and some will want to be trained for integration into a security force.” This letter is significant in that it is the first indication from Falintil of its plans after the events of September 2000, and signals Falintil’s change of thinking, asking explicitly that Falintil “be trained for integration into a security force”. Also, the decision to concentrate Falintil forces in a single cantonment was evidently the initial step in the new CNRT policy to establish a defence force.

39. In 26 January 2000, Falintil forces based in Aileu proposed the creation of “mobile mixed security teams” comprising Interfet/PKF, CivPol, UNMOs, the new Timorese police force and members of Falintil. Another plan for the “Reorganisation of the Armed Forces for National Liberation of East Timor – Falintil” was presented at the first Falintil Study Group meeting held on the 17 March 2000. This plan envisaged a force strength of 5,000 troops with 70% assigned to the army, 20% to the navy and 10% to an airforce. Subsequent discussion within Falintil has led to variations on this original plan with possible reductions of force strength. These various proposals are indicative of Falintil’s general willingness to consider various options, its recognition of the budgetary constraints in the formation of any kind of defence force, and the necessity for the phased development of such a force. Falintil’s determination is that such a force be created.

- **Breakdown of discipline**

40. UNTAET officials began expressing concern about a breakdown of Falintil discipline as early as last January 2000. However that concern has since increased sharply. In May-June 2000, in particular, there was a marked rise in the number and severity of incidents involving Falintil members. These incidents highlighted some worrying developments within Falintil ranks: lack of confidence in formal law-enforcement mechanisms, growing dissatisfaction with UNTAET in its dealings with Falintil, and widening divisions within the leadership and between the leadership and their troops. On 23 June 2000 the CNRT president and Falintil supreme commander, Xanana Gusmão, described Falintil as “almost in a state of revolt”.

- **Piecemeal initiatives**

41. This apparent deterioration in the situation took place despite some joint initiatives intended to improve the situation. Following a high-level meeting between the SRSG, Xanana Gusmão and Taur Matan Ruak on 13 March 2000, it was decided to hold a series of “Falintil Study Group” meetings to consider options for Falintil’s future. At the first of these meetings Falintil presented a proposal for a 5,000 strong defence force. Four options were explored in subsequent meetings of the study group:

- (a) To accept Falintil’s proposal as it stood;
- (b) To accept the proposal in principle, on the understanding that it was subject to modification;
- (c) To put forward a counterproposal such as for a paramilitary, gendarmerie-style force; and
- (d) To do nothing on the basis that Security Council Resolution 1272 does not authorise the UN to create a defence force.

42. As an interim measure steps were taken to increase Falintil co-operation with the PKF through assigning Falintil liaison officers to the PKF headquarters and regional commands. A working group was established to deal with humanitarian issues. Approval of the first East Timor government budget opened the way in July for a grant of \$100,000 from the contingency fund to supply food to Falintil for a two-month period, thus partially defusing the food issue.

• **Falintil's Current Plans for a Defence Force**

43. Falintil and the CNRT have made it clear that their preference was for Option (b). Since then both have also revised their assessments of the required size of the defence force, refined proposals for the phasing-in of the defence force, reviewed its configuration and put forward a concrete plan for recruitment and demobilisation.

44. Falintil and CNRT thinking on a future defence force is still evolving. Until the events of September 1999 caused it to rethink its position, Falintil had supported the view of the CNRT leadership that East Timor should adopt the "Costa Rican" solution of relying solely on a police force to meet its security needs. Even after September 1999 conceptualisation of East Timor's defence needs was slow. Not until the first Falintil Study Group meeting in March 2000 did Falintil put forward a set of concrete proposals. In a paper on The Reorganisation of the Armed Forces for the National Liberation of East Timor, it proposed reorganising itself into an integrated force of 5,000, of which 70% would be army, 20% navy and 10% air force. This force would have a mission to "respond to the strategic demands of East Timor's geographical reality and to protect East Timor's national interests". However, the paper was acknowledged to be incomplete. Its main focus was the personnel issues of recruitment, demobilisation and training, and although it went some way to clarify the proposed defence force's role – by ruling out a paramilitary function, for example – it did not contain a specific threat assessment and so did not explain the strategic rationale of the force.

45. By the time of the Team's meetings with Falintil in Aileu on 12-14 July, thinking on these issues had gone much further. Falintil had revised the force's proposed size to 3,000, based on an assessment of operational needs and resource constraints. It proposed that initial recruitment to the integrated force should be drawn from the 800-or-so Falintil members still cantoned in Aileu, and that in a three-phase process, involving recruitment and demobilisation, training and "integration into new missions", by independence day at the end of 2001, a group of 1,500 should have been trained. The nucleus of the new force would have been created, and the balance of Falintil would have been employed elsewhere or demobilised. Over a longer three-year period the force would be brought up to full strength and fully professionalised. Falintil envisages that the PKF will maintain a presence to ensure border security during this period. It also proposes that there should be three categories of recruits: long-term regulars, short-term regulars and national service conscripts. In some areas, including conscription and the paramilitary function, Falintil's position differs from that of the CNRT leadership, but as both stressed to the Team, the debate on East Timor's defence needs is still not closed. Falintil told the Team that it would welcome assistance with studies on such areas as budgeting, strategic analysis, training and civil-military relations.

46. In presenting its current plans to the Team, Falintil commanders emphasised that such plans were still being developed. Critical to these plans was the recognition of the need for a phased development for the new defence force and an equal recognition that funds expended on such a force would draw inevitably on urgent funding needed for immediate social development. Commanders therefore indicated a willingness to be flexible and to limit costs, provided planning was initiated for the formation of a defence force.

47. Falintil's medium to long-term plans envisaged a headquarters in or around Dili. (Hera, for example, might be an appropriate location.) This headquarters would have six components:

- 1) administration and finance, 2) military and civil affairs, 3) operations and strategic planning,
- 4) military information, 5) logistic support, and 6) engineering.

48. East Timor would be divided into three sectors with a battalion-size force in each sector. The Eastern Sector would have its base in Baucau, the Central Sector in Aileu or Maubisse, and the Western Sector initially in Same, but eventually in Suai. Some thought had been

given to the possibility of involving Falintil in farming in the Same area or of settling older (demobilised) veterans (who would be given government land grants) in the Same area. No time framework was set for a move to Suai. Thus there was no immediate plan for the movement of Falintil to border districts or to the enclave of Oekusi.

49. Plans called for a well-trained, mobile infantry capable of night operations. The eventual numbers for this force ranged from 1,500 to 3,000, including a “reserve” component. Some discussions with the Team revolved around the possibility of national conscription for one to two years, but when the costs and disadvantages of such a system were made clear, commanders had no objections to a “volunteer reserve”. The often-repeated formulation of a defence force consisting of 70% army, 20% navy, and 10% air force was mentioned but virtually all discussions concentrated on the formation of an army.

50. Commanders emphasised their desire for a professional force of a high standard, under democratic, civilian jurisdiction. An initial phase would incorporate Falintil members as the “embryo” of the new defence force. A second phase of recruitment would be open to a full spectrum of appropriate candidates. Falintil hopes to be able to attract East Timorese currently serving in the Portuguese army and expressed a willingness to consider East Timorese “of good repute” who had served in the Indonesian army.

Dealing with Obstacles for the Creation of a Transitional Defence Force

51. The ambiguity of Falintil’s present situation presents a variety of obstacles to the formation of a professional, democratically based defence force. It is essential therefore to recognise these ‘problem areas’ and to develop mechanisms that address them.

52. An initial problem revolves around the issue of *who are the members of Falintil*. In the initial phase of cantonment, there were reported to be approximately 1,500 Falintil in Aileu. At the time of cantonment, there were reports of “isolated groups” (*isolados*) from Falintil (particularly in the Bobonaro, Zumalai and Laga areas) who chose not to join their compatriots in Aileu. Rumours of these groups persist, adding to uncertainty about the composition of Falintil.

53. Since the time of initial cantonment, 700 men have been sent back to their local areas, and others among the 842 men, who are officially said to be resident, have been given leave to return to their families. Falintil has indicated its desire for registration and identity cards. This registration should be given a high priority and should be carried out systematically to include all members of the force eligible for initial basic training of the first battalion. It would be useful, at the same time, to begin to create an “eligibility roll” for the basic training programme of the second battalion. Falintil will need to go beyond a registration process by formally distinguishing its genuine members from those who claim to act in its name. This is essential to preserve the good name of Falintil.

54. Disciplinary problems occurred in Company Five in relation to the group known as the Sacred Family (*Sagrada Familia*) and several influential commanders and their associates have left the cantonment and taken up residence in the Baucau area. Lack of knowledge about what has occurred within the ranks of Falintil in regard to the Sacred Family and how this group relates to the Falintil as a whole has contributed to further uncertainties about who is Falintil and who is not.

55. In the months prior to the ballot in 1999, Falintil was joined by many young men eager to take up arms against the Indonesian army. These young men lack the discipline and experience of regular Falintil soldiers. Among Falintil ranks, such recent followers are referred to “two-month Falintil” members. Most of these recent followers have now returned to civilian life. Locally, however, many still claim an association with Falintil.

56. A further problem revolves around CNRT's (and Falintil's) relationship to its former clandestine support network. One of the most troubling features of the current situation in East Timor is the existence of security and intelligence groups associated with CNRT. These include the following networks that were established at different times: 1) a National Security Service (SSN) which is said to operate throughout East Timor, 2) a Civil Security Service (*Seguranza Civil*) which operates primarily in Dili and Baucau, 3) a National Security Information Service (SISN), and 4) Internal Political Front (FPI). All of these draw upon and are composed of members of former clandestine networks. A legacy of the past, some of these organisations had their inception at a time when there was a minimum of law and order, but they continue to operate at present outside the law and without proper judicial oversight. An accumulation of evidence links members within these organisations to smuggling, theft and extortion and to the gangs with whom they deal, particularly in Dili.

57. Falintil command appears to have tried to disassociate itself from these operations. But its links to the CNRT render such claims ambiguous. In its present situation, Falintil is unable to distinguish itself as a single force from the activities of some of its former members. At the same time, Falintil's intelligence networks remain intact and form the basis for the sharing of information between Falintil and the UNTAET Military Pillar. The present situation too closely resembles the Indonesian "preman" model of an organised network of unofficial, civilian operatives engaged in extra-legal activities who are organised from above with links to the military. To preserve its good name and reputation, the new defence force will need to disentangle itself from, and disavow any association with, such groups. Similarly it will also be necessary to establish a system of constitutional oversight that separates the new defence force from all political involvement.

58. Yet another problem facing Falintil is the involvement of its members in business activities. For 24 years, Falintil relied on the support of the East Timorese population. Now, with no formal budgetary support and only limited humanitarian assistance, members of Falintil have had to continue to rely on local support. Opportunities exploited by the Indonesian army, such as the teak and sandalwood trade, could become available to similar exploitation.

59. Plans are currently under consideration within Falintil for the formation of a veteran's organisation that would become involved in a number of business ventures, including fuel sales. All of these "support" activities – however well intentioned – too closely resemble the model on which the Indonesian military relies to supplement its funds and should be vigorously avoided. One of the best arguments for the creation of a defence force under civilian supervision and funded from government revenues would be to prevent the development of an Indonesian-style military culture. In principle, pensions for veterans and for the widows and orphans of deceased veterans should be provided by the government from state funds distinct from those allocated to the defence force.

60. A decision to establish a transitional defence force should be accompanied by the preparation of a detailed regulation on military service (similar to that currently being drafted for the police service) covering a full range of matters relating to service, including recruitment, tenure of office, posts and ranks, conditions of service, personal records, service orders and general conduct.

Conclusion

61. Finding a solution to the status of Falintil is urgent on three levels:

- Maintaining the status quo where Falintil is cantoned in Aileu without dependable means of support or a clearly-defined role is potentially explosive, not least because it threatens further to sour relations between UNTAET/the PKF and Falintil. An UNTAET official told the Team that for any army "idleness and privation" are a combustible combination. Loss of discipline within the cantonment and the dispersal of an unknown number of

Falintil troops outside it have potentially serious security implications. UNTAET officials express concern that there is a real prospect that Falintil will disintegrate into uncoordinated armed bands, and even contemplate a worst-case scenario where its troops clash with the PKF. Such an eventuality could imperil UNTAET's whole mission in East Timor, undermining co-operation at every level.

- Assuming that the UN will have withdrawn either the whole of or a large part of the PKF by the end of 2001, when East Timor is expected to gain independence, it is clearly desirable that provision should have been made by then for the nation's external security in order that the UN peacekeepers not leave a vacuum in this area. Falintil's preference for Option B in the Study Group meetings in March indicated a willingness to be flexible in its approach to developing a defence force, and its thinking on a future defence force has already undergone some evolution since March. The CNRT and Falintil regard UNTAET's acceptance of Option B as the endorsement of a defence strategy broadly compatible with its own. The CNRT has made it clear that East Timor will exercise its right as a sovereign state to have a defence force, and that Falintil will form its core. Further delay in moving towards the creation of a defence force could bring further strategic and security consequences. The Falintil high command is contemplating the possibility of bypassing the UN and entering into bilateral military arrangements. As an ultimate sanction, Falintil has threatened to withdraw co-operation from the PKF and CivPol if its status is not resolved.
- The process of drafting a constitution is about to get underway. A broadly based constitutional commission is envisaged which will canvass opinion on a draft constitution, in which UNTAET will play a consultative role. Elections for a Constituent Assembly in late 2001 will lead to the approval of a final document some time before the end of that year. It seems certain that the new constitution will provide for the existence of a defence force and set out its minimum objectives of upholding sovereignty and protecting the patrimony of the nation. It would be desirable that the constitution should also incorporate principles to "ensure that the development of any indigenous structures for security conform to the standards of civilian oversight, democratic accountability and international human rights norms and standards," in line with one of the objectives set out in the Secretary General's Report to the Security Council of 4 October 1999.

3. DISCUSSION OF KEY FACTORS

(a) GOVERNANCE – ACCOUNTABILITY OF GOVERNMENT INSTITUTIONS

- (1) Constitutional and Structural Arrangements**
- (2) Gendarmerie – discussion**
- (3) Specific policing issues**
- (4) Civil-Military relations**
- (5) Conscription/National Service – discussion**
- (6) Transparency Accountability**

(b) THE ECONOMY OF EAST TIMOR

a) GOVERNANCE – ACCOUNTABILITY OF GOVERNMENT INSTITUTIONS

62. The manner in which issues of truth, reconciliation and justice will be resolved is fundamental to the future stability of East Timor. A number of issues are explored in this section which are aimed to flag the complexity of establishing an accountable defence force. This is not comprehensive and it is also understood that many other initiatives in the field of

human rights, political affairs etc are already underway which try to address these aspects comprehensively.

(1) Constitutional and Structural Arrangements

- **Present UNTAET structure, power-sharing agreement and implications**

63. In recent months UNTAET has taken steps to modify existing governmental structures with a view to an “accelerated Timorisation” of the government and the administration. UNTAET was guided by the principle that under existing structures East Timorese were consulted on decisions, but did not share “ownership” of them. The new governmental structure is intended to introduce an element of shared responsibility and to prepare the East Timorese for independent government by the end of 2001, although its description as a mechanism for “power-sharing” is misleading in so far as the Transitional Administrator retains ultimate decision-making powers.

64. Under the new structures, the mechanisms for East Timorese participation in the decision-making process are to be broadened. The National Consultative Council (NCC) was created as the primary mechanism for such participation in one of UNTAET’s first initiatives in December 1999. Its membership of 15 comprised seven representatives from the CNRT, one from the Catholic Church, three from other political parties and four from UNTAET. Under a regulation passed on 11 July, the NCC is to be expanded to 33 members and renamed the National Council (NC). UNTAET gives up its seats on the council, and East Timorese representation is increased by the appointment of 13 district representatives and ten representatives of designated social groupings, in addition to the existing ten members from the political parties. “Timorisation” of public administration is being accelerated, including at district level where East Timorese are to replace UNTAET officials as district administrators.

65. Of most direct relevance to this study is the fact that under the new structures a cabinet system is introduced, comprising four East Timorese and four internationals. The principle on which the cabinet posts are divided is that the four portfolios with “the essential attributes of sovereignty” (internal security; justice; finance; and political, constitutional and electoral) are to be held by internationals, with the rest (internal administration, infrastructure, economic affairs and social) being reserved for East Timorese. A specific defence responsibility is not included in the new cabinet structure, although issues of defence policy are to be handled by the Department for Political, Constitutional and Electoral Affairs. Defence thus continues to fall within the UNTAET/PKF structure rather than being brought within the East Timorese government structure. (For that reason defence receives no allocation in the government’s budget for 2000/01.)

66. Incorporating defence into the existing structure poses a number of technical and mandate-related problems, but it seems desirable that appropriate ministerial structures be put in place promptly to oversee the development of any defence force. These structures are important both to fostering a healthy civilian-military relationship from the outset and to developing the necessary civilian administrative capacity. The two are not in fact separable: a representative from a country with extensive experience of military co-operation programmes in the region impressed on the Team the importance of establishing appropriate departmental and administrative structures to ensure financial and other types of accountability.

- **Proposal to address the current impasse**

67. As the previous discussion has shown, one of the salient issues that emerged from discussions with Falintil and the CNRT was the need to resolve the status of Falintil. Whilst there was a degree of political de facto recognition, de jure Falintil could not be recognised by virtue of still being an armed group. The study proposes a formula that could be applied to solve the structural and constitutional aspects during the transition, and assist in the lead-up into independence.

(i) Defining Falintil's status

68. The Transitional Administrator could on consultation with the National Consultative Council, or its planned successor, the National Council, pass a regulation that would act as a form of “enabling legislation”. It could provide for the establishment of a Transitional National Defence Force (TNDF), and should define Falintil as its core. It would state that a Defence Statute would be established which establishes a defence force. The statute would define, inter alia, the structure of the new force, the nature of recruitment and propose timelines. This would also establish certain benchmarks and timelines that would have to be fulfilled both on Falintil's part and that of the Transitional Administration to ensure the process moves smoothly. The purpose of this proposal is to establish a core of Falintil under another name, to ensure de jure recognition, and thus allow the process to move forward. This would gain the political flexibility necessary both for the Transitional Administration to solve the humanitarian and political aspects, and allow Falintil to refine plans for the development of a force. It would also ease relations between the Transitional Administration and Falintil. This proposal was discussed by the Team with Falintil and met considerable interest with Falintil commanders.

69. The “**Enabling Legislation**” could include the following elements:

- The Regulation, which establishes a Transitional National Defence Force for East Timor, should define its purpose, objective, composition and function.
- Suggested components of the function could be:
 - (a) For service in the defence of the East Timor, for the protection of its sovereignty and territorial integrity;
 - (b) For service in compliance with the international obligations of East Timor with regard to international bodies and other states;
 - (c) For service in the preservation of life, health or property;
 - (d) For service in the provision or maintenance of essential services;
 - (e) For service in maintaining law and order in co-operation with CivPol and the Timor Lorosa'e Police Service, under circumstances set out in a law where said police service is unable to maintain law and order on its own; and
 - (f) For services in support of the state for the purpose of socio-economic improvement.
- This legislation should also outline the process of demobilisation, the conditions under which it could take place and the remuneration (gratuity) of demobilised members, as well as reintegration programmes as envisaged by the IOM, and/or the IBRD.

(ii) Incorporating the transition to and establishment of a National Defence Force into current UNTAET structure.

70. Within the current power-sharing structure, no provision has been made for a ministry or department which could address defence and security issues. It is therefore proposed that a Minister with Special Portfolio should be appointed. This Minister would be part of the UNTAET structure and be accountable to the National Council. He/She should be an East Timorese, and be mandated to oversee transitional arrangements of forming a transitional national defence force, the incorporation of Falintil as its core, the recruitment of new members, as well as arrangements for those Falintil who will not be part of the new defence force.

71. The Minister should be assisted by a team of advisors with the requisite expertise, international and East Timorese, as appropriate on a number of issues which will require

specialist and concentrated follow-up to ensure his/her mandate is efficiently carried out. Advisors should be appointed to focus on the following areas:

- Budget – defence and security,
- Constitutional – following the constitutional process and ensuring that requisite safeguards are provided for within constitutional arrangements for civilian oversight,
- Liaison with UNTAET on the civilian side, as well as PKF,
- Liaison with UN CivPol and the East Timorese Police Service,
- Liaison with Falintil at all levels, and regularising the incorporation of clandestine structures either into or away from the formal security framework.

72. In this context, a Joint Committee on Security could be established which would oversee matters related to security, including but not limited to liaison with PKF, co-ordination of strategic information and crime intelligence as it impacts on national security. This Committee shall be competent to investigate and make recommendations regarding the budget, functioning, organisation, armaments, policy, morale and state of preparedness of the Transitional Defence Force of East Timor.

- **Foreign policy aspects**

73. Another possibility is that this Minister could serve a broader function, overseeing a range of transitional arrangements. This should also involve addressing foreign policy issues, as well as a broad range of transitional legislation beyond defence issues, related to trade and investment. On the diplomatic front this would also tie in with mobilising resources for funding of training programmes (see Section Security and Defence Options – below).

74. It would also link in with a further proposal of this study: To establish a Multi-national defence Co-operation Programme for East Timor. This programme would consist of a range of interested friendly countries who could assist East Timor in the short and long term in developing a coherent defence programme, and address in the immediate term issues related to training and supply of needed resources. Furthermore, East Timor will wish to establish diplomatic missions abroad. Given budgetary constraints these should be few in number. To be effective they will have to be placed in strategic locations, such as in one ASEAN country, in addition to Jakarta; Brussels for the European Union; the US, combining the UN and Washington functions in one; Canberra and possibly Brasilia, given the latter's political and military independence. An important part of their work will have to focus on defence-related aspects, addressing the myriad issues attached to the establishment of a defence force, and seeking resources, funding and strategic support.

(iii) After independence

75. Once East Timor is a sovereign country, the Minister with Special Portfolio and his team, or elements thereof, will evolve into a Ministry of Defence, with a civilian Minister of Defence as head. In addition, consideration might be given to the need to establish an overarching agency or committee. In essence this could be an evolution of the Joint Committee on Security in the transitional phase, referred to above. This agency/committee would be positioned under the cabinet, provide political oversight for military issues, develop policy, and co-ordinate political and military intelligence.

(2) Gendarmerie/policing option – discussion

76. The following is a brief assessment of the police-based security option in the form of a National Guard or Gendarmerie. This proposal featured on the agenda of some of the role

players, and was debated at various stages within both UNTAET and Falintil. In particular it was one of the options presented by the UN PKF in response to an early Falintil proposal on the future of Falintil. However, this option became very unpopular with Falintil based on their security-threat assessment and their perception of their diminishing status.

77. The concept that a paramilitary force would best serve East Timor's defence and security began in the period between June 1998, when Indonesia declared its willingness to give East Timor wide-ranging autonomy, and September 1999. At that stage the paramilitary force structure adopted by Costa Rica was considered for East Timor. This force structure (which also applies to Panama) is a specifically Central American creation, support for which depends on political consensus that the countries concerned face no external threat; and that historically there is confidence that the military will stay out of politics. At that stage in East Timor, a paramilitary force seemed a reasonable solution to the defence and security needs of the country, assuming Indonesia's continuing goodwill but recognising the need to build a limited East Timorese capability from scratch. Those assumptions changed in September 1999.

78. There are important distinctions between the Costa Rican force structure and roles, and those of a European-style gendarmerie (France) or national guard (Portugal, Spain, Italy). The Costa Rican force splits three-way into urban police, rural police, and more heavily armed and better equipped border guard numbering over 2,000, with a maritime and air component. The European-style gendarmerie has a primary role in public security – i.e. internal security, and no role in border protection. Before September 1999, the need for the territorial defence of East Timor was seen to be met by the creation of a similar force structure to that of Costa Rica, with a force combining civil and rural police with a paramilitary border guard.

79. Plans for the East Timor police force initially comprised an establishment of 3,000, half of which was to be a border guard, not an internal security force. That plan never came to fruition, and numbers for the East Timor police force were halved to 1,500, with the issue of border protection unresolved.

80. Falintil rejected the paramilitary option in discussions with UNPKF. It maintained that para-military forces only work in countries that have both an armed force and a police force, and it did not want to have an internal security role. Also, the new defence force should be professional, apolitical, and focus on deterring and defeating external aggression.

81. Furthermore, Security Council Resolution 1272 of 25 October 1999 provided for functions of a civilian police, as well as a border and marine police. The functions of the civil police are broad enough to accommodate those functions which are normally performed by the gendarmerie, such as crowd management and control, anti-riot and general public-order policing. Based on experience in other countries, such as Belgium, France, Portugal and Brazil, any additional and separate structure could potentially lead to problems over co-ordination, and a lack of definition over respective roles and functions, and will be accompanied by confusion over command and control. Such a separate structure will also place a further strain on the national budget, if created in addition to a national defence force.

82. The transformation of the whole or parts of Falintil into a gendarmerie might have negative political implications, if the "liberators" of East Timor turned into "buffers of the state", with the mandate and powers to use coercive force in conflict or public unrest situations.

83. The most persuasive argument against the establishment of a gendarmerie is the expressed need to keep the police and military as two distinct entities in law and practice. This principle is important both for a clear definition of roles and responsibilities, and in adhering to the basic principles of good governance. The civilian police has a specific mandate as captured in

the mission statement of CivPol: “Respecting the culture of the people, the Mission of UNTAET CivPol shall be to provide a professional, modern, democratic and community-based police service to the people of East Timor, to ensure international human rights are protected, and to provide training, guidance and direction in the development of a national police service which shall prevail following the departure of UNTAET.” The role of the military is distinctly different from that of the police and rests more heavily on the protection of sovereignty and territorial integrity as opposed to individual safety and security.

(3) Specific policing issues

- **Border policing**

84. A Regulation establishing a Border Regime for East Timor was promulgated in February 2000. This regulation made provisions for a Border Service that involves both border policing and the management and control of customs and excise. Border policing therefore has a broad mandate that in the current situation takes the burden of policing the country’s border off the national police service. The recruitment and training of border police is well underway and by all indications are on track with regards to the “Timorisation” of this service. Indeed, members of Falintil have been recruited to this unit and are regarded as an asset to this service because of their superior knowledge of the country’s borders. Areas of overlap with the national police and the PKF or future defence force regarding cross-border or transnational crime could be co-ordinated through a Committee responsible for National Security established by the National Council (see sub-section on Constitutional and Structural Arrangements below). The separation of border policing functions from that of the national police service could be reviewed at a later stage should the need arise to streamline policing services. At this point it makes operational and strategic sense to separate these structures since resources have been committed to both. The Border Service can also be construed as a force multiplier in the provision and maintenance of border security.

- **CivPol’s policing capacity**

85. When CivPol arrived in September 1999, the capacity was extremely limited, consisting of skeleton staff responsible for setting up the police operation. By November 1999 there was only a contingent of 260 CivPol across the 13 districts. In many areas there were only four CivPol due to limited logistics and lack of housing. This meant all areas were “under-policed” and many areas “un-policed”. Since January 2000, there has been a rapid increase in CivPol members, reaching over 987 by 25 March 2000. However, logistical support through vehicles and equipment did not keep pace with personnel and operational requirements. The situation has improved with the numbers of approximately 75 new CivPol members having arrived on a weekly basis.

86. During the initial period and on a limited scale, CivPol was only able to deal with crime prevention through visible policing and investigations through their head office investigations unit. With the arrival of more CivPol members, their capacity for these functions has increased. Currently, this capacity has extended to include crowd management and public disorder through the deployment of the Rapid Response Group. It is envisaged that further specialised units will be established to accommodate policing functions such as specialised investigations into organised crime, narcotics, counter-insurgency, forensics, child protection and a crime-intelligence capacity to provide crime-pattern and crime-threat analysis. CivPol is currently being restructured to accommodate these and future functions under its first mandate to maintain law and order.

87. With regard to establishing the East Timor Police Service, CivPol has to date selected, recruited and trained 50 East Timorese police cadets. A comprehensive selection, recruitment and training strategy has been worked out whereby it is anticipated that the targeted figure of 3,000 police officers could be reached over the shortest possible time. This figure, however, needs to be assessed in terms of the current and projected needs of the country. The Team was

told that the basis for this figure was that historically East Timor always had 3,000 police officers. A further study could be undertaken to establish a clearer basis for the staff compliment of the Timor Lorosa'e Police Service.

88. The establishment of a police service for East Timor necessitated the development of an exit strategy for CivPol. (This strategy is contained in a document entitled, "Timor Lorosa'e Police Service – Uniform Staff Commissioner's Integration/Exit Strategic Plan CivPol 10-07-2000.) Four options for the sustainable development of the East Timorese police and the parallel withdrawal of CivPol are highlighted in this document. The emphasis is on the development of the management structure through the identification, selection, training and development of personnel to fulfil management and command functions of the new police service.

89. In brief, the first option is an incremental development one, where promotion through the ranks will eventually provide a management cadre. This approach, whilst good for the morale, will not satisfy the need to develop local capacity within the police service to manage the police. It will also rely heavily on a long-term commitment by the international community and could impact negatively on community confidence and its ability to identify with the police service.

90. The second option advocates a bilateral agreement with a donor country such as Singapore or Portugal to fill senior posts until this capacity has been developed locally. This may be a short-term solution to an immediate problem in that it addresses the need for the continuity of systems and would address training, technical and logistical support. But it has serious political implications, given East Timor's colonial past.

91. The third option presents a case for the utilisation of former police who worked under the Indonesians in the Police Assistance Group (PAG) and other East Timorese officers living abroad to fulfil management functions. This option has the distinct advantage of using previously acquired skills, local-language proficiency, and cost-effectiveness, and can be implemented in a shorter space of time. However, it needs to be considered whether having the senior management composed of a group of people from the same organisational culture is politically expedient.

92. The fourth option recommends fast-tracking of new officers and former police officers who have demonstrated superior skills, to fill management positions. This is CivPol's preferred option. It includes both new recruits and former police officers and can be extended to include lateral entrants into civilian and police functions to speed up efficiency. It is also a means to ensure that the best expertise is recruited from the broadest base. An example of this strategy is the South African Police Service after the establishment of a democracy. Senior management consisted of former commanders and those appointed from within the ranks of the former police agencies, as well as lateral appointments. France provides a useful example of lateral entry into the Judicial Police. Women were specifically recruited from universities to the vice squad, for example. On successful completion of basic training, they were deployed and fast-tracked into command positions, based on suitability.

93. The ability to develop a fully fledged self-sustaining police service for East Timor in the shortest possible time is also dependent on infrastructural improvements. This includes the capacity of the East Timorese Police Academy to accommodate more students, renovate buildings and increase water, sewage and electricity capacity. All of this has a direct impact on the "service delivery" of the police and therefore on East Timor's stability.

- **Strategic Information/Intelligence**

94. Strategic information covers the whole area of intelligence. It can be broken down into crime intelligence, military intelligence, and national and foreign intelligence. It is typically an area which can be problematic in any democracy because of the conflicting interests related to principles of transparency and accountability on the one hand, and the need to obtain and utilise strategic information on the other. East Timor will not be immune to this debate, which is ongoing in most western democracies and perhaps even more so if the trend of young democracies is to be followed. For any country emerging from a history of repressive rule, intelligence gathering and utilisation is often a sensitive area given past abuses. It is important, therefore, to draw a distinction between *internal security* type intelligence operations and mechanisms, and the need for strategic information that informs the strategies of various state agencies to protect a democracy and render an effective service to its citizenry.

95. In the absence of a constitution, which ideally should spell out these principles, it is desirable to develop a policy that defines the acquisition, management and co-ordination of strategic information. It should demarcate the type of intelligence to be gathered and managed by the respective agencies. It could define crime-intelligence as opposed to military-tactical intelligence, national intelligence and, if necessary, foreign intelligence. It might be appropriate to develop an agreement which would govern the relationship between the various agencies dealing with different and sometimes overlapping areas of strategic information. A national body, in whatever form, which would serve an oversight function, could be responsible for monitoring the adherence to this agreement. These policy and protocol arrangements should be seen as an attempt to address the grey areas of strategic information, set firm guidelines and indicate mechanisms to deal with potential problems. Although it is not possible to predict all future problems in the field of strategic information, it is important to have a mechanism to address any such eventualities that may emerge in practice. The management of strategic information and intelligence is far too important and sensitive an area to allow it to develop in too open and uncontrolled a manner.

- **Restorative justice**

96. This section aims to discuss in brief village-based justice systems in East Timor, and the political nuances that Falintil assumes. It also aims to highlight the effects of the non-alignment of court structures and the effects on security when rule of law institutions lack credibility. The study is aware that there are other initiatives under way, notably by the UNTAET Human Rights component, which are in the process of addressing traditional justice systems and its relationship to peace and reconciliation.

97. The importance and significance of restorative justice as a philosophy, a system and method of justice is evident in East Timorese society. Under the various forms of colonial occupation and foreign rule in East Timor, indigenous traditional methods of conflict resolution coexisted with the formal institutional arrangements. These traditional methods by and large appear to be the preferred system of conflict resolution for the reasons listed below:

- the system is understood and widely practised
- restitution and penalties are known in terms of precedents
- in some instances the problem is resolved speedily (not subject to lengthy investigation and court procedures)
- in many cases restoration is seen as an integral part of the process and community cohesion remains intact

Some thought has been given to integrating the traditional system with the formal judicial system by referring cases from the latter to the former, the so-called diversion procedures. This involves retaining some supervision over the traditional procedures once cases have been referred.

98. Yet the system of restorative justice may differ between communities and villages and is also dependent on subjective factors such as personality and leadership strengths. There is a need for effective monitoring of “village justice” or traditional justice systems, and a need to ensure that the process and the outcome are in keeping with human rights provisions. This is particularly relevant to women’s rights and the rights of vulnerable groups, widows and orphans and youth. According to the *Statement from the First Congress of Women of Timor Loro Sae*, women do not have the right to speak in traditional dispute resolution hearings (Adat). The Statement went further, pointing out that “women survivors of violence (rape, sexual assault, sexual slavery) are isolated and often blamed and shunned by others in the community. They are often made to feel insignificant, dirty and sinful. Many women have been driven to mental illness.”

99. The importance of restorative justice should be addressed in the context of current and future policing needs in East Timor. It has been projected by some analysts and policing practitioners that the potential for drug trafficking, illegal migration, piracy and transnational crimes is high, given the location of East Timor and the socio-economic conditions arising from high levels of unemployment and urbanisation and displacement of communities. Should this threat materialise, CivPol including the Timor Lorosa’e Police Service will not have the capacity to deal with these crime patterns effectively. CivPol is clearly hampered in its activities by the lack of local language proficiency and cultural orientation and sensitivity. The “Timorisation” of the police service will have to happen at a much faster pace in terms of recruit training, deployment and management if public confidence is to be fostered and maintained. Without such confidence, effective policing will be severely restricted.

- **Community policing**

100. Mechanisms of restorative justice therefore become a resource at the disposal of the police and other state agencies, including the courts and correctional services, whereby lower-level problems and conflict are resolved at a local level, facilitated and monitored by the police and the courts. This arrangement, if managed properly, possibly through a regulatory framework, has a twofold advantage: first, it lessens the burden of policing petty crimes and therefore enables the police to concentrate on more serious crime such as rape, serious assault, murder and organised crime; second, the co-ordination of traditional conflict-resolution systems and formal law enforcement would increase the possibility of ensuring safer communities through the optimal utilisation of all resources, state and community alike. This, of course, presupposes the transformation (to align it to human-rights provisions) and regulation of traditional systems of restorative justice and the orientation of the police towards the effective utilisation of these community resources.

101. Restorative justice could also be located within the framework of community policing. The basic principles of this method of policing include local participation in community safety issues, community partnership in problem-solving policing; and the local population having confidence in the ability of community policing to investigate, deter and prevent crime. Traditional and acceptable conflict-resolution mechanisms are therefore the means through which community policing can be practised in East Timor in a manner that is not alien or alienating to the local population.

102. Quite apart from the traditional mechanisms, Falintil was called on to adjudicate in criminal and political conflict, in the absence of a legitimate and credible criminal justice system and given the level of political repression. This situation will continue unless the alternative is seen to be legitimate and credible. This poses a particular challenge to the implementation of the rule of law if “Western justice” is seen to be slow and cumbersome because of due process, lengthy investigations and lack of corrective measures, to name but a few. Law enforcement, the judicial system and penitentiary services will have to speed up the

rate of delivery in terms of personnel and facilities in order to fill the void which could exist once Falintil's status is clarified and it is forced to de-link from all non-military activity.

103. Another important challenge facing the criminal justice system as a whole is the need to work together in a complimentary fashion around common principles. The fact that detention facilities are not adequate, or even absent, impacts negatively upon policing, since suspects cannot be apprehended and detained and are subsequently cautioned. This creates an expectation of how crimes will be dealt with in future and therefore seriously affects one basic principle of law, namely consistency. This applies to other areas where common principles need to be adopted, such as the recognition or, if necessary, the non-recognition of traditional conflict-resolution mechanisms by all the criminal justice authorities.

(4) Civil-Military relations

104. A key challenge facing both the Transitional Administration and the future sovereign East Timorese government will be to develop and maintain a dialogue between civilian and military groups. The term "civil-military relations" refers broadly to interactions between armed forces as institutions and the sectors in which they are embedded. Civil-military relations also refers to a process where civilian control is measured and evaluated by weighing the relative influence of military officers and civilian officers in decisions of state concerning war, internal security, external defence and military policy. An important factor is that these relations are dynamic, even in stable societies. Issues, values and interests, personalities and threats will vary over time. This is particularly apt, given the fluctuating political circumstances in neighbouring Indonesia.

105. A number of checks and balances will have to be introduced to ensure an appropriate development in civil-military relations. This could be further explored in a future study. The following represents a suggested (but non-exhaustive) checklist of questions and issues to be borne in mind when developing a transitional defence force for East Timor. This is based on a brief survey of the development of civil-military relations in a range of other post-conflict situations:

- Defence sector: given East Timor's complex past, the dynamic between the civilian and military actors needs to be continuously monitored, in particular by engaging as wide a range of actors as possible.
- Legislative: there is a need for the establishment of specific committees that deal with defence and security issues, as well as oversight mechanisms for budgets.
- Executive: the necessity for a civilian leader serving as commander in chief.
- Oversight process: the need for the defence budget and spending to be transparent.
- Constitutional and legal provisions: the need for a functional separation of the police and military.
- Citizens' security: do citizens of East Timor feel safe and protected from external abuses and threats? (This refers more to a psychological sense of security than one based on the actual reality of the ability of East Timor to defend itself against outside aggressors.)
- Civil society: to what extent is civil society engaged in security-related issues? For example, are there NGOs run by civilians that address security concerns?
- Do members of the military provide services that would otherwise be carried out by the civilian government?
- Do members of the armed forces have a role in internal security?
- Do the armed forces control industries that would otherwise be controlled by the private sector?
- Does the military have responsibility for intelligence functions within a state?
- Does the military serve as an employment safety net in a weak economy?

106. However, more work needs to be done – by the international community in East Timor, international and local NGOs and the Transitional Administration – to address the range of issues involved. Some of these are (1) to facilitate national policy dialogues; (2) to focus on capacity building for effective civilian oversight. This should include strengthening administrative structures and parliamentary mechanisms. (3) It should also involve increased support and capacity building initiatives for civil society groups, and enhancing their monitoring and oversight capacities.

107. In addition, it is vital to explore the contribution to be made to security-sector reform by existing or planned programmes. This would include those already in progress for strengthening parliamentary and governance institutions; accountability and transparency and anti-corruption initiatives; initiatives linking human-rights mainstreaming to security-sector entities; projects on judicial reform and the administration of justice; and those strengthening civil-society involvement which promote projects exclusively at local levels.

- **Gender and security.**

108. Women's groups represent a vocal component of civil society in East Timor. The Team found strong views on the role of the military and the need to ensure female intake into the security sector. Lessons can already be learnt from the small successes achieved so far in police training.

109. At the First Women's Congress of Women of Timor Loro Sae the following issues were highlighted:

- An atmosphere of lawless still prevails; many crimes were not processed by CivPol.
- Traditional law discriminates against women.
- The law is not effective in dealing with family legal issues: polygamy, abandonment, child support, domestic violence, rape, extra-marital relations and rights of children born out of wedlock.
- Traditional mechanisms to mediate family conflict are often unfair to women, or ineffective to stop perpetrators.
- CivPol members are mainly men with a lack of understanding of gender issues.
- If the bride price is high, domestic violence ensues; this becomes a greater problem if the marriage fails to produce an offspring.
- Law and police officers are not responsive in dealing with women's cases.

110. It was noted in discussions with women's groups that women were not adequately represented within CivPol, PKF and Falintil at the command level. This has a negative impact on the confidence women have in the security apparatus. The composition of women in state structures needs to be addressed as a matter of urgency through policies, training and the conscious involvement of women in decision making processes.

111. It is encouraging to note that 12 out of the 50 new police recruits were women and that the projected figure for the next intake will be around 40%. This will go a long way to instilling confidence among women in the police service. However, the composition at management level will have to be addressed through creative strategies, since vertical mobility of women would only reap the benefits over a much longer period. Lateral entry could be one such a strategy with appropriate selection, training and deployment. Examples of this strategy can be seen in France and South Africa.

- **Civic and Human Rights education**

112. A national civic education programme, encompassing areas of human rights and the rule of law, as well as the role of the police, courts and penitentiary services, is necessary to ensure adherence to democratic ideals and to defend a young democracy. Voluntary

compliance with the laws of the country is best attained through information dissemination and the perception of real benefits in a democratic order. Civil-society structures should therefore be supported and strengthened through local and international resources. This is critical in any period of transition. The role of women's organisations, youth and other NGOs cannot be overemphasised as an important and critical mass required to bolster the young democratic state.

113. The experience of Mozambique has shown that a series of conflicts instilled in Mozambicans an attitude of intolerance. In the case of East Timor, this is one of the elements that deserve special attention in the process of the formation of the army and the police.

114. In Mozambique, the Movement for Liberation Struggle won the war and took power. East Timor was different in the way negotiations took place – there were agreements between Portugal and Indonesia with United Nations sponsorship. Therefore the winners were not those who immediately took power.

115. As the liberation process remains a process with its own features, a revision of civil-military relations is needed. Falintil can no longer mobilise populations, but has to abide by the constitution of the country and the democratically elected institutions. There is a need to establish to strengthen civil society through civic education in the areas of justice, human rights, civil-military relations, advocacy and the fight against violence against women. This civic education should be geared towards Falintil, the Armed Forces, the political parties and civil society in general.

116. The discussion on the future of the Falintil should be brought together with the discussion on the role of youth, the NGOs, the Church, traditional authorities and political parties since they are important in building of the rule of law. In a society that has been greatly victimised, suffering the scars of human-rights violation by the army and the Indonesian police, questions remain. How does one bring together the two institutions that are being established to serve the people and be trusted to represent their interests? Can the much-talked-of spirit of Falintil be encapsulated and used for designing effective civic-education programmes?

(5) Conscription / National service – discussion

117. In discussions on the composition of a new defence force, the use of conscription was widely bought up as a potential course of action by Falintil and CNRT command. This section will briefly address the advantages and disadvantages of conscription. However, this study suggests that, based principally on the need to create a reserve whilst assisting the concept of “nation-building”, conscription would bring more problems to East Timor than it might solve.

118. For clarification of the argument, herewith, first of all, some basic definitions. The requirement for everyone to serve in their country's armed forces for a limited period of time is a concept usually referred to as “conscription”. Most popular in the past when governments were trying to assemble large bodies of troops as a war loomed or was actually taking place, the concept has become less common as weapons have become both more powerful and more sophisticated. “Universal” conscription (the concept of everyone of military age and physical fitness being called upon to serve) was often an aspiration, although usually it evolved into “selective” conscription. As a generalisation, conscription is unpopular and, when it becomes demonstrably selective, those who are unlucky enough to be called forward often become restive. (Some hold the view that it became apparent in Vietnam, when the US's “draft” became so corrupted that only those without influence were forced to enlist.)

119. Beyond strictly military imperatives for conscription, however, lie social ones. Governments sometimes use conscription to weld society together when a new nation or a

new political ideology is evolving. For instance, Soviet Russia in the 1920s conscripted as universally as she could, consciously mixing the varied races of its recruits. Similarly, Uganda after the civil war of 1985 attempted to conscript whilst deliberately planning a number of weeks each year in which the army would be available to help with harvesting.

120. As a generalisation, a government that institutes conscription with the idea of "nation building" risks having less effective forces: social imperatives tend to detract from military ones. However, conscripted forces can be highly effective, with "nation building" being an added benefit. But there are other ways of achieving the same aim. A territorially based, widespread, part-time reserve force can spread the ideology and spirit of a new nation just as well. Undeniably, conscription could provide large numbers of soldiers under arms very cheaply whilst binding the nation's young people together with a shared experience. However, as discussed below, large numbers are not what are needed. (See Section Security and Defence Options – below).

121. First, the new defence force will offer stable employment, relatively good salaries and prestige. With an ample pool of manpower and a shortage of jobs, there should be no lack of volunteers. Second, selective conscription has always caused resentment (though in East Timor's case those not selected might be the resentful ones!), whilst universal conscription would provide more troops than the country either needs or could afford. Third, the new defence force is going to be small and must be highly cost effective. Training will be intensive and precious; it cannot be squandered on soldiers who are only likely to remain in uniform for a year or so. Fourth, each year more young men and women will have to be processed for conscription than are actually needed. Many people will be disappointed if they are not accepted for service, and the administrative costs will be high. A volunteer force can be much more economical with the number of people that it chooses to process. Also, the atmosphere of numerous willing volunteers for service does not fit with the climate in which conscription is normally used. Lastly, conscription does have the advantage of building a reserve quickly whilst giving a substantial number of young people the chance to broaden their horizons and assisting with the concept of "nation building". Also, conscript soldiers turn over quickly and do not need expensive married quarters, pension schemes, etc.

122. There are other, cheaper ways to create a reserve whilst allowing a substantial number of people the chance to feel that they are serving their country while participating in the ideology of a new country. A voluntary reserve of territorially based platoons or companies, overseen by a modest Regular Army staff, adequately trained for irregular warfare and paid an annual retainer, might answer East Timor's requirement well. Such a force would create a reserve quickly, would be cost effective, might serve as a recruiting and selection ground for the regular army and would allow many people to feel actively involved in "nation building". Furthermore, volunteer reservists would carry none of the costs of housing, family support etc, that regular soldiers imply.

123. According to *The Military Balance 1999-2000* (IISS), reserve military forces numbered some 37m in 1998, compared to a figure for active forces of 22m. Only about two-thirds of around 170 armed forces in the world actually have reserve forces. Many countries, particularly those in Africa, do without.

124. Reserve forces, like the standing armed forces they support, have difficult characteristics, depending on whether the active forces are wholly professional or largely conscripted with a professional core. In the case of professional armed forces, the reserve is largely provided by retired military personnel who are liable to recall under contract for a specific number of years after leaving military service. In some countries with professional armed forces, there is also a volunteer reserve, as in the US, UK, Australia and New Zealand, which forms a ready reserve to support the regular armed forces in circumstances short of the full mobilisation of reserves. In the case of conscripted armies, reserve forces comprise ex-

regular military personnel together with former conscripts usually batched according to age groups who remain liable for mobilisation.

124. Reserve forces thus tend to share the features of the regular armed forces they are supposed to support. Professional forces have small reserves made up mainly of ex-regular military personnel under a time-limited contracted liability to mobilisation. A few such forces are supported by a volunteer reserve, which is also a ready reserve to support the armed forces, generally but not always in non-combat roles. The Australian UNPKF battalion in East Timor is made up of 20% volunteer reserves, who trained for five months before being sent to East Timor. Conscript-based forces tend to have a very large nominal reserve of limited military utility, which can generally be mobilised only in the event of total war.

(6) Transparency and Accountability Issues

125. Speculating on the conduct of a new defence force formed from a core guerrilla group in the context of a newly formed but very poor sovereign state is a complex task. The Team discussed the institutional, constitutional and regulatory implications of the transformation with both the CNRT and Falintil leadership. (See sub-section Constitutional and Structural Arrangements – below). Detailed discussion will need to be held on how the new defence force would adapt itself to its new role. The following is a brief discussion of transparency and accountability issues from a financial perspective. However, these also have some bearing on the wider issues pertaining to civil/military relations in a newly formed democratic state.

• Defence management

126. Discussions with the Falintil leadership informed the study group that in February 2000 reorganisation of its structure had been carried out to prepare for a change of role. The new organisation features an administrative department comprising the following divisions: Political Orientation; Engineers and Construction; Security and Information; Strategic Plans; Health and Support and Logistics.

127. There is a need for a core secretariat (“Ministry of Defence”) for the new defence force. It should comprise a small number of regular officers supported by a permanent civil service. It appeared that Falintil’s knowledge of defence management, as it relates to a modern armed force in a democratic country, was understandably limited. Therefore, one of the priority requirements for the proposed defence force is appropriate training in all aspects of defence management for a few selected individuals within Falintil and the civil service, and specialist function training for a rather larger group. Such training would expedite the requisite defence management skills and provide the foundation for best practice in terms of accountability and transparency in the new force.

• Accountability

128. In establishing internal mechanisms for accountability, the division of departmental functions will have to be considered carefully. For example, there would be concern as to whether a department of political orientation is appropriate to an armed force. The suitability or otherwise of candidates for entry into the new defence force should be assessed through personnel regulations which would be established under a detailed regulation on military service (as suggested above). Such assessment would be part of a standard procedure for recruitment undertaken by a personnel division. Also, a defence force should not control strategic intelligence, which should be placed with an external and independent agency, though the defence force naturally has its own tactical intelligence and operational planning cells. There should also be specialist cells within the defence ministry to cover budget planning and formulation, procurement, and personnel including wage administration and legal issues. While the Central Fiscal Authority and its successor should exercise direct oversight and control over defence spending, there should also be an independent government

body with overall responsibility for monitoring all aspects of government spending, including defence. Perhaps it could be suggested that a Parliamentary Standing Committee be established as a mechanism for accountability. This practice is well established in most democracies following the Westminster system. Whilst it is necessary and acceptable for the military to have a capacity for strategic and tactical intelligence, this needs to be subject to oversight and control through an appropriate structure which could emulate the US Security Council.

- **Transparency in defence spending**

129. Whilst transparency in defence spending is a clear expectation in any democratic country, it is certainly not always achieved. The “dual function” model of the Indonesian armed forces may have influenced Falintil, but their determination to eschew any political role was clear. However, Falintil displayed less objectivity about an economic function for the new defence force. It appeared desirable that some of the new defence force should engage in farming. Yet there are implications from a military and budgetary angle. Several Asian armies engage in subsistence and revenue-raising activities, including those of Indonesia, Myanmar, Vietnam and, until recently, the People’s Republic of China. Subsistence and surplus revenue from subsistence constitutes off-budget revenue resources for an armed force, and gives them a degree of independence in a fiscal and, possibly, political sense. Subsistence activity can also spiral into fully-fledged business enterprises, which might be undertaken by the active military or retired military acting as a “front organisation” for the military. Revenue from military enterprises can then be used to fund areas which the fiscal authority cannot or will not budget (for example, wage increases, arms procurement), or they can be invested into pension funds for retired senior military personnel, sometimes with the ultimate objective of preserving political influence. It is proposed that the defence force should be trained in best practice in regard to transparency in military spending. More specifically, if the intention remains to put some of the armed forces to work growing food, they should be made aware of the opportunity cost of diverting military manpower in this manner, and also of the wider implications in respect of “off-budget” subsistence activity and revenue.

130. More generally, the leadership of the defence force should be trained to be aware of its obligations in respect of reporting military spending as a matter of course, not only to its own fiscal authority but to global organisations like the UN and the IMF. In the event that the government of East Timor seeks financial assistance from the IMF, it will in any case have to open its accounts to IMF scrutiny. This eventuality should be made clear to the Falintil leadership at an early stage.

b) THE ECONOMIC ENVIRONMENT

131. The purpose of this section is to quantify in macro-and micro-economic terms the likely scale and scope of the economic resources of East Timor. These same resources are, or might become, available as a source of tax revenue for the transitional and future East Timor government and would provide the major source of funding for an East Timor defence force along with other government activities.

132. It should be noted that there is a lack of adequate statistical data on East Timor’s economy. Therefore, any statistical information presented here in the context of East Timor’s economy and demography should be regarded as indicative only.

- **Economic performance under the Indonesian government to 1999**

133. By regional and international comparison, East Timor is one of the poorest countries in the world. The events of 1999 served to considerably worsen the economic condition of the country in a year when gross domestic product (GDP) dropped by an estimated 25-50%. Under the Indonesian government, the economy grew from a low base by relatively high rates

from 1994-1996, with GDP peaking at an estimated \$365m in 1996 and per capita income at an annual \$428. The Indonesian government was a large net investor in East Timor. Reportedly some 15% of government expenditure was generated from East Timor resources in 1997/98, the balance being provided by transfers from Indonesia. When the Indonesian economy was caught up in the economic crisis affecting most ASEAN countries in 1997/98, East Timor's growth slipped to around 4% in 1997, and the economy declined by an estimated 14% in 1998. East Timor is also vulnerable to El Nino-induced drought, which adversely affects the seasonal food-production cycle. Estimates for the decline in 1999 GDP range from 25-50% of GDP, mostly the result of the political violence in the second part of the year.

East Timor: Selected Economic Indicators

	1993	1994	1995	1996	1997	1998	1999	2000
Gross Domestic Product (rupiah bn)	515	604	708	862	996	1272	n.a	n.a
Gross Domestic Product (US\$ mil)	245	277	311	365	342	300	231	270
GDP per capita (US\$)	306	339	373	428	394	339	256	338
Real growth (%)	n.a	10.0	9.4	10.8	4.1	-14.0	-25.0	15.0
Inflation (Dili)	5.8	7.4	7.7	5.0	9.8	57.7	140.0	20.0
Exchange rate (annual, rupiah/US\$)	2,103	2,181	2,276	2,364	2,909	10,014	8,138	8,900
Population (mid-year, 000)	799	817	835	851	868	885	902	800

Source: UNTAET/IBRD (2), ADB (5)

134. In 1997, agriculture, forestry and fishing (34%), public administration (20%) and construction (18%) dominated the composition of East Timor's national income. Commercial and banking sectors were relatively small (12% combined), while industry accounted for only 3% of GDP. The significant presence of Indonesians in public administration and business would suggest that regional income (i.e. that income retained by local residents in addition to what they earn from outside the region) would have been substantially less than GDP. In addition, it is believed that Indonesia financed much of construction-sector activity. The value of annual exports (mainly coffee) ranged from \$52m in 1997 to \$55m in 1998 and \$46m in 1999, while imports dropped from \$142m in 1997 to \$135m in 1998 and \$82m in 1999 (ADB).

The Composition of GDP in 1997	%
Food crops	20
Public administration	20
Construction	18
Non-food crops	10
Transport	9
Trade	8
Forestry and Fishing	4
Finance	4
Manufacturing	3
Other	4
Total	100

Source: Asian Development Bank (5)

- **The reconstruction and development of the East Timor economy from 1999**

135. With international economic and social reconstruction programmes in place in East Timor from late 1999, the economy is expected to recover by some 15% in 2000 and 2001. If growth continues at this rate of 15% in 2002, East Timor's GDP should regain its 1996 level in that year, and surpass the 1996 level in real terms in 2003. It is possible that economic performance will surpass these projections.

136. Part of the uncertainty over the pace of economic recovery lies in predicting the impact of large-scale reconstruction financing in East Timor. In December 1999, international donors pledged a total of \$523m to support humanitarian assistance (\$157m) and reconstruction (\$366m) in East Timor. Most of the former was disbursed in late 1999 and 2000. Total expenditure for reconstruction for the three years 2000/01-2002/03 is expected to be some \$422m, mainly financed through the UNTAET Trust Fund, the East Timor Trust Fund, and bilateral donor contributions, with some \$87m expected to be raised from East Timor fiscal revenue over the three years. As of July 2000, there was a financing deficit of \$56m over the three years, requiring additional contributions to the UNTAET Trust Fund if the spending target of \$422m is to be met. Capital spending from the UNTAET Trust Fund and East Timor Trust Fund amounts to \$220m over the three years.

137. By mid-2000, the momentum of reconstruction in East Timor was building up to replace the humanitarian relief effort. The impact of massive external grants to finance reconstruction may be twofold. First, reconstruction will replace and should improve on capital assets in place before 1999. Second, to the degree that project finance is used to employ local enterprises and labour, there should be a multiplier effect on other sectors of the economy. The continuing presence of a large international workforce will also help to stimulate local businesses, including those in the rural economy.

138. Estimates of East Timor's GDP apparently lie in the range of \$200-400m. It is believed that projections at the higher range of these estimates are the more realistic after taking the available evidence on reconstruction into consideration. Economic activity should also continue to rebuild under its own momentum, as the food cycle returns to normal, the coffee market improves, and as businesses and markets re-establish with the resumption of communications and transport links. It is a reasonable assumption that by 2003 GDP will exceed \$400m. The sectoral composition of GDP is expected to change compared to pre-conflict years, with construction (infrastructure) spending taking a high proportion over the next 2-3 years, and public administration somewhat less. Coffee is expected to remain East Timor's major export (around 10% of GDP). Over the long-term, there is the possibility that the economy will benefit, perhaps substantially, from oil and gas assets in the East Timor gap.

- **Price Inflation and the Cost of Living**

139. Large population displacement and almost complete economic dislocation accompanied systematic destruction of property, land and livestock in September 1999. The resulting scarcities of staple goods and services led to high levels of inflation, notably in the prices of rice, construction materials, and transport. Local businesses have confirmed the very large increases in the prices of these staple items. To some extent higher prices were reasonable, given the extra costs and risks carried by business. It is also likely that some of the increase was a result of businesses taking advantage of scarcities to increase profits.

140. The prospects for economic recovery will be improved by the stabilisation of prices of staple goods and services, and, to the extent possible, on the restoration of pricing levels prevailing in the pre-conflict period. Inflation reached high levels in 1999, estimated at 140% for the Dili area, as scarcity took hold, and was still running high at an estimated 20% in mid-2000. Diesel fuel, which Indonesia used to supply at low cost for both power generation and

business and individual use is now supplied at international (and high) prices. The high price of fuel is a significant inflationary factor in East Timor's economy.

141. Price inflation has therefore served to raise the cost of living in East Timor by a significant degree, particularly in and around Dili, where a cash economy is operating. In the districts most affected by the economic dislocation, there is reportedly a shortage of cash, so that either barter becomes the mechanism for the exchange of goods and services, or there is a greater dependence on subsistence activities by individuals and family groups. The absence of low-denomination notes and coins in the official US dollar currency has served to promote the use of the Indonesian rupiah and also the Australian dollar. This shortage of money in circulation has led to significant pricing differentials between dense population centres, such as Dili, and outlying districts where the population is both more scattered and generally without reserves of cash. As low-denomination US dollar notes and coins are introduced throughout the country, and market operations re-establish trading links between urban centres and outlying agricultural districts, prices should trend downwards towards pre-conflict levels. The step increase in the price of fuel will, however, prevent price levels regaining their pre-conflict levels.

142. It should be noted that the absence of systematic data raises considerable uncertainties about the real cost of living in East Timor as the period of humanitarian relief ends and reconstruction starts. A mid-2000 survey conducted for the Asian Development Bank found that some 60% of the households interviewed reported monthly cash income/expenditure of less than Rupiah 200,000 (\$22), while the balance of 40% reported a lower figure of less than Rupiah 100,000 (\$11). These figures should be interpreted with care. First, the value of a household's own food production was excluded, and inclusion would generally raise the monthly figure (excluding areas like Dili where own food production is low). Second, the survey was undertaken before complete harvesting of the delayed rice and maize crops, and in the early stages of the coffee harvest, so the rural economy was at its seasonal low. Third, the sample size for districts other than Dili is small, so the results for districts other than Dili may be subject to a high degree of error (Source: ADB).

143. Many households in rural areas have a good supply of food, even though they may have no cash. The ability to grow food and to call on the food supplies of relatives, friends and neighbours is an important element of the social safety net operating in East Timor. The role of UNTAET has been to reinforce this subsistence economy through the provision of free basic services, including education, health, electricity and water. While there has been a significant increase in poverty levels since 1999, the departure of an unwanted Indonesian administration has made an important contribution to the quality of life in East Timor. With the provision of basic goods and services now coming on stream, the multiplier effect of international finance and aid in kind for reconstruction should usher in a new phase of growth. The availability of cash in circulation throughout the economy is important in this context. Cash is required to buy grocery items and to ensure a balanced diet. It is also necessary to provide capital to rebuild houses and subsistence holdings and replace furnishings, equipment and livestock destroyed or stolen in the violence of 1999. The typical cost of re-roofing, rewiring and re-plumbing a house in Dili has been estimated at around R10m (\$1,100). This cost is beyond the reach of a household earning R100,000 (\$11) a month with no savings (ADB,5). Part of the challenge for the international reconstruction effort is to channel capital and cash into projects that directly improve the economic base at the level of households and local small businesses.

- **Demography, Employment and Wages**

144. The population of East Timor was estimated at some 885,000 in 1998. By November 1999, this had reduced to an estimated 716,000, with around 175,000 having left East Timor for refugee camps in West Timor and a further 200,000 people displaced within East Timor. Later figures published by the World Bank in conjunction with UNTAET put the refugee

figure in West Timor higher, at 252,000-282,000. By end April 2000, around 162,000 refugees had returned from West Timor, leaving 90,000-120,000 refugees in precarious circumstances in West Timor. This suggests that mid-2000 population levels have risen to about 800,000, or around 90% of pre-conflict levels. The study group were informed by UN CivPol that the population of Dili had swollen from around 100,000 in the pre-conflict period to an estimated 280,000, signifying a floating population of 180,000.

145. The population has retained its high age dependency, with 40% being 14 or younger, and only 2% of the population 65 or older. There are slightly more females than males in each age group. As of May 2000, it was estimated that there were around 445,000 people between the age of 15 and 64, of whom 217,000 were males and 228,000 females.

146. Members of the study group were informed by the CFA that some 58,000 paid jobs were known to have existed under the Indonesian government. This figure included an estimated 28,000-33,000 public servants but excluded around 12,000 military personnel, suggesting a visible private sector workforce of 25,000-30,000. The CFA also told the study group that an employment target of some 30,000 had been set for the end of FY 2002/03. Initial targets for the civil service had called for manpower of some 15,000 by 2002/03, including 3,000 police. Subsequently, these civil-service manpower targets have been revised down to 9,035 in 2000/01, 10,035 in 2001/02, and 10,535 in 2002/03, with the police establishment cut by half to around 1,500. These figures suggest that private-sector employment should rise to around 20,000 by 2002/03, if the overall employment target is to be met.

147. Demand for formal employment in East Timor is likely to considerably exceed the supply of jobs. Much will depend on the international reconstruction effort to revitalise the subsistence economy and develop a market economy. Current figures suggest that formal employment in East Timor will engage around 10% of the available workforce on a sustainable basis, with the balance remaining in subsistence activities. CivPol estimated current unemployment levels in Dili at 75-80%. They also told us that they had received some 13,000 applicants for the initial 50 vacancies for police training in the first part of 2000.

148. The average wage across the entire civil service is around \$1,600 a year. The wage structure spans seven levels, beginning at \$85 per month and ending at \$361 per month. Because of concerns about the sustainability of such wage levels, civil-service manpower targets have been cut by some 5,000 over the next three years, by comparison with the recommendations of the Joint Assessment Mission (JAM) in 1999. In addition UNTAET, in conjunction with the National Consultative Council (NCC), has acted to contain the risk of unsustainability in two other ways. First, the proposed scale of salary increments for the civil service will not be endorsed until the budgetary implications become clearer. Second, all civil servants are to be employed at the bottom of the pay scale in 2000/01.

The Economy: Summary and Conclusions

149. East Timor's economy should recover to a GDP at least \$300m over the next three years, and is capable of reaching sustainable levels of \$400m within five years under the prevailing conditions of reconstruction and post-reconstruction development. Such a recovery would still leave East Timor an extremely poor country, by regional and international standards.

150. Given the size of national income, an appropriate and sustainable level of recurrent defence spending would lie in the range of 1-1.5% of GDP, or \$3m-4.5m annually assuming a GDP of \$300m. Such a range would suffice to meet recurrent levels of defence spending, and prove acceptable to the International Monetary Fund and World Bank, which will both play an important role in the reconstruction and development of East Timor's financial system and economy.

151. It is suggested that the lower figure of 1% of GDP is a more appropriate target at this moment in time, implying a cap on recurrent defence spending at around \$3m. There are several reasons for caution. First, all projections on East Timor's economic performance are hedged by uncertainties. Second, there appears to be considerable uncertainty over real price levels in East Timor, and until these stabilise it would be prudent not to invest at unsustainable levels in the manning of an East Timor defence force. It is recommended that a further study is made of the real cost of living in East Timor and what constitutes an incentive wage in the public sector. As personnel costs would take up 60-80% of the recurrent budget of the proposed defence force, we argue that either confirmation or re-consideration of existing civil-service pay scales would be a prudent measure. The Team received conflicting information on the rationale of existing civil-service pay scales. One view held that civil service pay scales were pitched to accommodate the relatively high cost of living in Dili and its surrounds and that, as prices return to nearer pre-conflict levels, these pay scales would afford an overly-high purchasing power to public servants by comparison with private-sector employees of comparable standing. It is suggested that a study of pay scales in the regional armed forces would be worthwhile to afford some basis for comparison.

The government budget and fiscal-revenue potential

152. Under the Indonesian government, East Timor's fiscal revenue derived an estimated 15% from domestic sources (of which 8% was remitted to Jakarta), with the balance being made up of transfers from the central government in Jakarta. In 1997/8, government spending was some \$116m, as reported by the World Bank, with \$17m of revenue (15%) generated in East Timor itself. This suggests a very low level of economic self-reliance from a fiscal perspective, in keeping with the low income level and narrow economic base of East Timor.

153. The transitional government's budget for 2000/01 and budget projections for 2001/02 and 2002/03 are constructed on the basis of cautious assumptions concerning the potential of East Timor's fiscal revenue collection. While the large part of the government budget through 2002/03 will be financed externally from contributions to the UNTAET Trust Fund, the budget itself is constructed on the premise that it should be sustainable under an independent East Timor government. That means that, in principle, fiscal revenue should balance recurrent spending if not capital spending.

154. To progress towards a self-sustaining budget without recourse to external grant funding, the transitional government projects an increase in fiscal revenue from \$17m in 2000/01 (the same level as the Indonesian government was able to raise in East Timor) to \$30m in 2001/02 and \$40m in 2002/03. The CFA told the study group that they believed a target revenue figure of \$40-45m a year was achievable and sustainable once additional taxes were approved and implemented. They also believed that a realistic rule-of-thumb tax-revenue target for East Timor was 15% of GDP, based on experience in other very poor countries. For 2000/01, revenue will be derived from import taxes (\$7m), export taxes (\$1m), service taxes (\$3m), charges and user fees (\$4m), and Timor Gap hydrocarbon fuel royalties (\$2m). Over the next two years, additional revenue is expected to derive from an extension of service taxes to restaurants, and the extension of user charges for electricity to medium-sized institutional and commercial users. The CFA advises that "the projected increases in revenue for 2000/01 and 2002/03 are significant and could not be achieved on the basis of tax policy not yet being in place and the service tax and user fees on public utilities awaiting endorsement by the National Consultative Council". The latter has also resolved to introduce a wage-withholding tax in early 2001. Regarding the potential for an increase in Timor Gap royalties, the CFA informed the study group that a maximum of \$5-6m was realisable over the timeframe of the next five years, and that it would be unrealistic to budget for windfall revenues from the Timor Gap in the immediate future.

East Timor Consolidated Budget 2000/01 and projections for 2001/02 and 2002/03

	2000/01	2001/02	2002/03
Expenditure	\$m	\$m	\$m
UNTAET Trust Fund			
Recurrent	43.6	45.6	47.6
Capital	15.6	9.8	9.3
Total	59.2	55.3	56.8
Trust Fund East Timor	69.2	78.3	38.3
Total Expenditure	128.4	133.7	95.1
Revenue	17.0	30.0	40.0
Financing Requirement (deficit)	111.4	103.7	55.1
Other projects	49.4	54.5	56.0

Source: The East Timor Consolidated Budget 2000/01. Draft Proposal to the Lisbon Conference June 2000. Central Fiscal Authority, UNTAET

155. The transitional government budget includes a sizeable allocation for law enforcement, mainly police and customs. Taken together, these two budgets consume a rising share of government spending: 12% in 2000/01, 15% in 2001/02 and 16% in 2002/3. Combined levels of recurrent spending take up 8%, 11% and 13% in respective years, while start-up capital costs consume a relatively high proportion of the government's capital budget.

156. The police budget, in particular, offers some basis for comparison for estimating the costs of an East Timor defence force, though parallels should not be drawn too far. In general, police forces are more expensive to operate than a military force, while spending on equipment can be higher in a military force. The study group learned from UN CivPol that the original manpower and budget projections for the police force dating back to late 1999 included provision for some 1,500 border guard. With the decision to think again on the merits of establishing a new defence force, police manpower establishment targets have meanwhile been halved. Nevertheless, the police allocation represents a relatively expensive item in the transitional budget. Also, the costs of a defence force could be substantially less than the police force as matters stand.

US\$,000	Manpower Units	2000/1			2001/2			2002/3		
		Current	Capital	Total	Current	Capital	Total	Current	Capital	Total
Police	516-1,500	2,300	2,000	4,300	3,485	2,000	5485	4,685	1,500	6,185
Guards	337	360		360	380		380	400		400
Emergency	67	100	250	350	100	250	350	110	250	360
Customs	300	900	1,100	2,000	920	1,000	1,920	930	1,000	1,930

Total	1,220-	3,660	3,350	7,010	4,885	3,250	8,135	6,125	2,750	8,875
	2,204									
Total	9,035-	43,630	15,600	59,230	45,570	9,750	55,320	47,570	9,250	56,820
	10,535									
% Law Enforcement & Customs		8.4	21.5	11.8	10.7	33.3	14.7	12.9	29.7	15.6
% Police		5.3	12.8	7.3	7.6	20.5	9.9	9.8	16.2	10.9
Source: The East Timor Consolidated Budget 2000/01, Draft Proposal, Central Fiscal Authority.										
<u>UNTAET, June 2000</u>										

Can East Timor afford a defence force? – Summary and Conclusions

158. Uncertainties over the fiscal revenue potential of East Timor are apparent. It is prudent to assume sustainable fiscal revenue levels post-UNTAET of \$40-45m a year (though for some that constitutes a leap of faith). Accepting this revenue figure as realistic and sustainable, recurrent defence spending should be constrained to around 5% of government spending in order to avoid a high opportunity cost. That suggests the figure for an affordable and sustainable *recurrent* defence budget to be in the order of \$2-3m. The higher figure is consistent with the lower figure generated from allocating 1% of GDP discussed above, and should represent a viable and sustainable target for the budget of a new defence force. Proposals in regard to capital spending for a new defence force are discussed separately.

4. THE STRATEGIC ENVIRONMENT AND THREAT ASSESSMENT

• Threats to Security

159. East Timor is faced with a variety of threats to its security. These threats are economic, social, political and military in nature. Each of these threats may be considered separately but it is their combined impact over the long term that is critical for an overall assessment.

160. Economic. The two provinces of Indonesia adjoining East Timor, Nusa Tenggara Timur (NTT) and Maluku, have the lowest per capita income of all the provinces of Indonesia. At the time when the destruction occurred in September 1999, East Timor ranked below Maluku but above NTT in per capita income in Indonesia. The area as a whole is poor, population densities are relatively high (especially in NTT) compared to resources, and overall development has lagged behind other areas of the region. (According to most indicators West Timor, with a population nearly twice that of East Timor, is an area of notable poverty.) To a certain extent, this poverty has been temporarily masked by an unusual succession of two good rainy seasons with the distinct possibility of a third good season.

161. By contrast, throughout most of the nineties, the region as a whole, and Timor in particular, suffered a long period of El Nino drought, during which it was dependent on the regular supply of rice from Java. This assistance was particularly prominent during the strong 1997-98 El Nino when there was significant crop failure. A pattern of recurrent drought is a dominant feature of the agricultural cycle and regularly leads to local instability. Long-term forecasts now project the likely onset of the next El Nino drought by the middle of 2001.

162. The future development of the region is constrained by a lack of infrastructure and a seasonal cycle that limits development activities during the period of heavy monsoon rains.

Were East Timor to be fully successful in its development, it would remain surrounded on three sides by islands whose populations are among the poorest in all of Southeast Asia. The present Indonesian plans for regional financial autonomy will particularly disadvantage NTT and Maluku. More generally, Indonesia's booming economy collapsed in 1997 and has not recovered. Growth that was normally at 7-8% per annum is now at 2-3%. The financial system remains in disarray and international investment has not returned to the country. Indonesia at present does not have the economic capacity to support its poorer regions adequately, while its richer regions continue to claim their better share of national resources.

163. Thus, in so far as poverty is a destabilising factor in political affairs, East Timor will be vulnerable to the economic instability of its local region.

164. Social. East Timor is located in a region of great local social diversity. East Timor's own linguistic and social diversity reflects this larger regional pattern. To this diversity is added a range of religious differences that have, sporadically in the past and in the last few years, ignited tensions among different ethnic groups. In addition, for centuries but increasingly in the past decades, other ethnic groups have migrated to the region, upsetting the delicate balance between particular groups. All of these social elements have come together, as the economy has collapsed, to fuel widespread ethnic tensions and outright conflict.

165. Earlier events in East Timor contributed significantly to these tensions. Some of the most prominent migrants to East Timor were entrepreneurial Muslim Bugis from South Sulawesi, who were particularly successful in dominating local market trading and in fishing. From the mid-nineties onward, East Timorese reacted to this dominance, particularly in the markets, by burning out the Bugis traders and eventually forcing a large number out of the territory. Nationally, in Muslim circles within the country, this was seen as an attack on Islam.

166. Many Bugis moved first to the enclave of Oekusi, where they were also driven out, and then to Kupang where, in one explosive incident in 1998, their largest settlements were systematically burnt and a majority were forced to be evacuated to Sulawesi. Again, these attacks were interpreted by militant Muslims as direct assaults on Islam and contributed to a wave of church-burning elsewhere. Not long afterwards, an incident in Ambon involving a Bugis migrant sparked the religious/ethnic conflict that continues to rage in Maluku, drawing militant Muslims from Java and elsewhere. (Rumours surrounding the incidents in Kupang and Ambon – and the continuing troubles thereafter – attribute them to the involvement of provocateurs trained by elements of the Indonesian army, who were intent on creating an unstable situation for their own political ends.) Currently, ethnic tensions with strong political overtones are also simmering in Papua (Irian Jaya) and could boil over at any time.

167. Whatever the cause, the social fuel for unrest in eastern Indonesia has been heaped high and tinder is readily available. As a consequence, social instability continues throughout the region surrounding East Timor, prompting large numbers of people to flee their home areas. The largest number of refugees have been the Bugis and Butonese who have returned to Sulawesi. Many Christians have fled to other islands in Maluku, Irian and, most recently, to Kupang. (Only last week 2,500 Christians from Ambon arrived in Kupang on the Dobon Solo, seeking refuge from the conflict.) At some point, such refugees may choose to seek political asylum in East Timor, thus calling international attention to their cause. It will also impose a strain on border policing and the development of appropriate immigration controls. Nationality and citizenship legislation will have to be developed with these potentially explosive issues in mind.

168. West Timor itself has been destabilised by the influx from East Timor, both the militia groups and a quarter of a million refugees. That as many as 120,000 refugees remain in West Timor, that altogether too little has been done to limit the power of the militia, and that two

battalions (744 and 745, the second of which has been officially disbanded) of Timor troops have been uneasily camped just outside Kupang has created enormous tensions, which have erupted in numerous incidents. On 29 July the stabbing of a (West) Timorese soldier from the 744 battalion led to a riot and to the destruction of shops in Kupang by troops searching for the killers.

169. The Indonesian army and the police are an uncertain factor in these tensions. Many would argue that the army (including its extra-legal “preman” reserve and militia) is the prime destabilising force in the region. Army and police discipline has evidently broken down in Maluku, where the two forces have taken sides in local conflicts and, as in the recent case in Kupang, the army’s can not be counted on in a crisis.

170. Political. Behind most of the social unrest in the different regions of Indonesia are political factors that have their origin in current national politics. Politically, Indonesia is at present unstable. Genuine differences among political leaders are a major factor in this instability. But there are also political actors at the national level who are determined to maintain (and possibly even increase) local instabilities in order to achieve their goals. These political differences and uncertainties hamper economic recovery and the lack of overall economic recovery affects social conditions in the country. No immediate solution is evident for Indonesia’s current difficulties. Current instability is therefore more likely to remain chronic than improve quickly, and will only exacerbate economic and social conditions in eastern Indonesia.

- **The regional context**

171. An independent East Timor will have to seek to find a place in a region that has, since the Asian financial crisis, been facing the unaccustomed prospect of instability. The main focus of that instability is East Timor’s neighbour and former occupier, Indonesia, although from an Australian viewpoint there is a wider “arc of instability” stretching from Aceh through Papua New Guinea and the Solomon Islands to Fiji. While still in the throes of the economic crisis, Indonesia is going through a difficult political transition in which its brief experiment in democracy is at stake. Unchecked social turmoil makes a return to military rule and even the disintegration of the state begins to look possible. A return to military rule or a breakdown of central authority in Indonesia would have implications for regional security, perhaps most acutely for East Timor.

172. Several people interviewed by the Team stressed that diplomacy would have to be an important element in any East Timorese security regime (although, as with defence, subject to severe economic constraints). But East Timor’s room for diplomatic manoeuvre will be limited. Some see a future where East Timor’s relations with Indonesia are good, the breach between Indonesia and Australia is repaired, and East Timor is a member of ASEAN. There appears to be little immediate prospect of any of these things happening.

173. UNTAET and the CNRT have taken some steps towards building relations with Indonesia since last November, symbolised by visits by Xanana Gusmão to Jakarta and by President Abdurrahman Wahid to Dili, and by memoranda of understanding covering border issues and co-operation in investigations into last year’s human rights abuses. Yet even at the diplomatic level, progress on negotiating the wide range of unresolved matters arising from the Indonesian withdrawal is likely to be slow. Closer to the ground, the central government is apparently powerless to halt collaboration between elements of the TNI and the militias, which continue to engage in attacks on East Timor from bases across the border in Indonesian West Timor. The repair of Australian-Indonesian relations is a long-term project that has barely begun. The CNRT would ideally like East Timor to join both ASEAN and the South Pacific Forum, to gain the benefits of each. If that were not possible, it would give priority to ASEAN. But membership will be at the discretion of Indonesia, and may be several years away. ASEAN membership is unlikely to provide the security bulwark that East Timor needs.

Its explicit security role is modest, and its response to recent regional crises, whether the 1997/98 financial crisis or last year's events in East Timor, has been less than robust. Rather, networks of bilateral co-operation with interested powers are expected to give the firmest international underpinning to East Timor's security. These could include military co-operation, involving such countries as Australia, Portugal, the US, the UK and Brazil, to whom more formal security guarantees look either politically unpalatable or undeliverable.

174. Military. The Indonesian forces (TNI) along the East Timorese border have so far behaved with much greater discipline and professionalism than many expected. A Memorandum of Understanding signed on 11 April between TNI and PKF commanders has meant that an extra TNI battalion has been deployed on the border, and in all areas TNI forces have been seen to be assiduous in their duties. Most notably, refugee camps have been patrolled, houses searched and militia disarmed when they have been encountered. PKF commanders expressed some concern when a territorial battalion was deployed to the border. Territorial battalions, traditionally, have been less disciplined and effective than their regular counterparts, although since the deployment of this battalion in June fewer problems have occurred than expected. That said, the territorial battalion has been deployed to the northern, more sensitive, part of the border, and there is some evidence that its more lowly paid troops are beginning to get involved in local business, smuggling and racketeering.

175. At the time of writing (July 2000), PKF commanders had just agreed with their TNI counterparts to swap the territorial battalion with its better disciplined and paid KOSTRAD counterpart in the south. This decision by the 18 Airborne Brigade's HQ (TNI) was warmly welcomed by PKF commanders, as it demonstrated the TNI's determination to work towards the same goals by co-operating fully with their wishes.

176. Just as important as the reality, however, is Falintil's perception of what TNI forces might do. On several occasions, a Falintil spokesman expressed the fear that if Wahid's government were to be replaced by a more hawkish one, the TNI might well return to the offensive. It was generally thought that a PKF presence would deter conventional cross-border hostility, but the TNI would equip and launch militia groups for operations deep in East Timor. Once the PKF had withdrawn, however, the TNI, under different political masters, might lead a cross-border offensive with militia groups in support. It was also felt that, as Wahid's government spirals into increasing chaos, the TNI might start to destabilise East Timor via rejuvenated militia operations.

- **Border issues and militia**

177. Falintil recognises that until its own defence forces are operational, a heavy dependence would be placed on UNTAET and PKF both to deter and to protect their borders. Additionally, there is a general understanding that once UNTAET has withdrawn, the defence force would never be capable of doing anything more than deterring TNI aggression and, perhaps, defeating incursions; the defeat of an invader would depend on external assistance.

178. Currently, the border is held by PKF forces on one side and TNI forces on the other. Whilst neither is antagonistic to the other, current border arrangements are nevertheless martial. Should Falintil/New Defence Force troops adopt a similar posture on the PKF's total or partial withdrawal, there will be an immediate threat of confrontation that could easily flare into violence. As the nature of the ground means that it is impossible to make the border "watertight" without massive manpower and resources, it is thought that a "soft" border regime would make friction less likely: customs/police checkpoints are less provocative than soldiers.

179. As incursions will occur no matter what, troops might be positioned some way east of the border to deal with them. Also, on a purely tactical note, it would be easier to track incursions once on the East Timor side of the border before interdicting them.

180. Whilst the numbers of militia have dwindled considerably due to inactivity and lack of both pay and public support, the militia remains a threat both to PKF troops and to the future stability of East Timor. For instance, the militia seems to gear its activity to increase at times of national significance. Examples include the FRETILIN/CNRT conference in Maliana in May, and possibly the 24 July killing of the New Zealand peacekeeper which closely followed the formal anniversary of the formal integration of East Timor into Indonesia on 17 July 1976. At the same time PKF believes that attacks on its positions are likely to increase. The rationale behind such attacks is thought to be a belief that assaults on PKF targets rather than East Timorese ones will make UNTAET keener to withdraw.

181. In the longer term, the militia is assessed to be trying to recruit from amongst the refugee population in West Timor whilst conducting a psychological campaign amongst them. This campaign is designed to terrorise the refugees into remaining in the camps. Certainly, numbers of returning refugees declined after this campaign, but overall refugee numbers in the camps in West Timor are decreasing. This is important for the militia, who depend upon the refugees for their livelihood, and as a political bargaining chip with UNTAET and the CNRT. Some attempts appear to have been made by the TNI to neutralise the militia and to distance themselves from them. This seems to have had the effect of polarising the militia between a hardline core and a group who are prepared to return to East Timor in exchange for an amnesty. The militia's immediate tactics are thought to be increasing attacks on PKF positions, assassinations of CNRT leaders and harassing attacks after cross-border infiltration, particularly in the Western sector.

182. The militia poses little threat to Falintil forces at the moment, but again, that is not Falintil's perception. As with the points made above about TNI, the Falintil leadership sees the militia as the most likely agent of destabilisation. Furthermore, as Falintil did not engage the militia directly during 1999, the militia have a more fearsome reputation than, perhaps, they deserve.

Internal threats

- **Crime-threat assessment.**

183. CivPol asserts that the situation is currently manageable and the deployment of a Rapid Response Unit is sufficient to contain situations of public unrest. Organised crime – perhaps not in the conventional sense of people or groups of people organising themselves for the purpose of committing crime, but rather people who are or were organised for another purpose, for example, informal traders, disaffected youth connected to the “clandestines” or religious sects – could use these structures for other ends.

184. It is anticipated that crime trends could develop as a result of the developing socio-economic situation. This is characterised by high unemployment and limited resources and, particularly in the period after independence, as a result of high expectations that the political dispensation will deliver economic opportunities. If these expectations are met, an increase in economic crime (crimes of need) could be expected.

- **Internal political factors**

185. The external security environment is already shaping East Timor's domestic politics, in ways that will almost certainly complicate the early years of independence. Security issues are at the centre of ongoing debates about the structure of post-independence government and about post-conflict reconciliation. The debate over whether an independent East Timor should have a national unity government, based on the parties that now make up the CNRT, is expected to be resolved for the time being at the forthcoming CNRT Congress in August, when delegates are to decide whether to continue to operate under the CNRT umbrella or to

let the parties go their own way in preparation for next year's elections. However, divisions over the issue within Fretilin, since 1975 the main standard bearer of the pro-independence cause, are likely to persist, fed by other divisions such as that over language, which overlays a deeper generational split.

186. Fears that the break-up of the CNRT will generate antagonisms similar to those exploited by Indonesia and its East Timorese allies in 1975 underlie the drive for unity. In pursuit of this goal, the one person around whom the country is still capable of uniting, Xanana Gusmão, has sought to establish himself as a non-partisan leader, withdrawing from Fretilin politics and expected soon to step down as commander-in-chief of Falintil. Opposition to this formula is fuelled by concern among Fretilin cadres that its appeal will be diluted by association with parties such as the UDT, which lack Fretilin's own undisputed pro-independence credentials and have different ideological commitments.

187. A broader concern is that the commitment of the small political elite to democratic norms may be too narrowly based to survive the strong-arm patronage politics that is emerging in some parts of the CNRT at both national and local levels.

188. The debate about reconciliation is also being influenced by security considerations. In line with other important forces, such as the Bishop of Dili, Carlos Ximenes Belo, and some prominent domestic NGOs, the CNRT has taken an official position that reconciliation must go hand in hand with justice, and those most responsible for last year's violence and destruction must be brought to judicial account. However, at the highest levels of the CNRT there are also some who argue that only a blanket amnesty will persuade the militia leaders to abandon their efforts to undermine East Timor's security. There is already some concern in the domestic NGO community at the contrast between the welcome given to senior militia leaders who have returned to East Timor on short "come-and-see" visits and the pending prosecutions of some of their lowlier followers.

189. The past is also threatening to undermine social harmony in other ways. Relations between East Timor's politically insignificant ethnic Chinese, Muslim and Protestant minorities and the majority population have been damaged by accusations that the former are acting as a fifth column for Indonesia. The militia umbrella groups, UNTAS and the PPI, have been seeking to portray the new UNTAET-CNRT order as an alliance between "white men" and mixed-race East Timorese at the expense of the "real" East Timorese. One East Timorese political party, the PNT, has also taken up this theme, using it to try to open up a divide between Falintil and the CNRT.

190. Mounting socio-economic discontent could broaden the so-far limited appeal of these ugly currents. The slow pace of reconstruction from last year's devastation, limited employment opportunities, rising living costs, land disputes and resentment at the life style of the large corps of internationals have already fuelled street protests. It was suggested to the Team by a senior PKF officer that in the short term a raising of the political temperature around the time of the CNRT Congress, a reduction in UNTAET local staffing and the coming to an end of temporary employment projects could spark further demonstrations. Many of these economic discontents are likely to persist. The land issue will not be easily resolved. The cartelisation of the supply of essential goods, in part associated with the collapse of cross-border trade, is likely to continue to encourage price fixing.

191. The East Timor government's tight budgets, which commit it to cutting fuel, water and electricity subsidies over the next few years, will add to inflationary pressures. Moreover, the economic impact of the end of the UN transitional administration could well fuel further discontent throughout the country. It is in this context that the argument is made for a paramilitary force to quell outbreaks of popular unrest. Falintil has stressed that this paramilitary role is not one that it wishes to play, for fear that it would undermine its popular

standing and compromise its claim to political neutrality (based on a 1987 decision to disaffiliate itself from Fretilin and formally constitute itself as a national army).

5. SECURITY AND DEFENCE OPTIONS

192. Mission Statement. Arising out of the threat assessment, the study identified the need for an East Timorese Defence Force. It is important to emphasise, however, that options for the structure of the new defence force are based upon the assessed defence needs of the nation, not simply the need to absorb Falintil.

192. Clearly, governments dictate missions to the armed forces and not vice versa; nonetheless, Falintil's current mission statement is worthy of note, namely: "To defend the Maubere Homeland". Proposed elements of a possible mission statement upon which to base defence options should therefore include the following. A future defence force would have to:

- Deter aggressors
- Defeat incursions
- Support the government during crises short of armed conflict and
- Delay and harass an invader until external help arrives.

193. The force would have to be large enough and sufficiently well trained and equipped for potential aggressors to realise that East Timor could not be attacked without cost to themselves. At the same time, the force should not be so large or so potent that it is thought to be aggressive; its posture must be entirely defensive.

194. With a porous land border, extensive coasts and the nature of the threat, East Timor will always be vulnerable to incursions. A future armed force should be sufficiently potent to deal with incursions within its own borders without needing assistance.

195. The study identified three ways in which the new force might have to support the government during times of crisis. First, the force's manpower and engineering skills could be called upon for assistance during a natural disaster. Second, servicemen may have to act in place of a vital service (firemen, ambulance drivers, etc) during strike action. Lastly, the armed force may have to step in to control disturbances (possibly armed) that are beyond the control of the police. This might be achieved either by having a unit within the armed forces specifically trained to deal with such problems, or by training all troops to act in these capacities.

196. Lastly, East Timor's size and resources mean that it could never have armed forces sufficiently strong to deal with an invader by itself. The country's recent history underscores this point most powerfully. Therefore, East Timor will have to rely upon external assistance in the event of another invasion. However, history also points to the East Timorese instincts for guerrilla warfare. A conventional aggressor dreads such forces, particularly when they are coupled with terrain such as East Timor's. Therefore, a future force should be designed to capitalise upon this.

Assumptions.

197. In identifying the three force-structure options, which are thought in time to meet the defence needs of an independent East Timor, a number of assumptions are common to all:

- A defence force is ultimately required for the external protection of East Timor.
- Falintil should form the core of the new defence force.
- It should be based on a "light infantry" model, i.e. a lightly equipped force with the minimum of vehicles and equipment and only organic support weapons.

- Part of the mission of the defence force should cover military aid to the civil power in emergency humanitarian situations and at times of civil disorder.
- A phased approach needs to be taken. The optimum number of soldiers would only be reached after three years, beginning with 500-800 in FY 2000/01, at least another 700 in FY2001/02, and the balance of up to 3000 in FY2002/03. Initially, training priority will be given to Falintil soldiers.
- The defence force should be separate from law-enforcement agencies, structurally, organisationally and in terms of political and economic accountability.
- A small Ministry of Defence civilian secretariat would be required for defence management.
- A small diplomatic service would carry out foreign representation in selected capitals across the world. Defence-related issues will have to be incorporated in their missions.
- A separate defence and security agency would be required to make and co-ordinate policy, to co-ordinate the defence force, police and other law enforcement agencies, to manage strategic intelligence, and to maintain oversight over the defence force and the law enforcement agencies.
- There should be a continuing UNPKF and/or UN mission presence while the East Timor defence force is formed and gains experience.
- Stringent budgetary constraints will apply.
- Training and equipment will be provided by foreign military aid.
- All three Options are predicated upon the bulk of Falintil being transformed into the core of the new force as the first priority. None of the Options differ significantly in this; they differ in how the rest of the new force is designed and built up. Details are given below under the Training Regime section.

Costing for a Transitional East Timor Defence Force

198. There are also common assumptions for the three options in respect of the structure of defence and related costs and their different sources of funding. It is important to distinguish between different types of costs for the establishment of a defence force. Some of these are one-off and others are recurrent. Some should be funded under defence, while others should be charged to other government budgets. The study has sought to distinguish those costs which are a defence force will incur on a recurrent basis. These costs form the core of the defence budget and should be affordable and sustainable out of fiscal revenue. The proposed structure of defence costs and possible sources of funding are summarised below.

- Start-up costs for a new defence force: funded by foreign military aid on a multilateral and/or bilateral basis.
- Recurrent costs, covering Personnel and Operations & Maintenance: funded out of government fiscal revenue.
- Ongoing capital costs, covering equipment and construction/infrastructure: funded by foreign military aid on a multilateral and/or bilateral basis.
- Veteran's costs: funded under a presidential and/or social budget out of fiscal revenue.
- Resettlement and Demobilisation cost: funded by the World Bank and the International Organisation for Migration.

199. The major components of start-up costs are the training and equipping of the new defence force, together with the provision of suitable facilities for stationing, housing and training the new force. The study proposes that these costs should be funded under foreign military aid schemes on a multilateral and/or bilateral basis. Discussions with a number of UNTAET officials, UNPKF officers and foreign mission representatives indicated that some governments were in principle prepared to assist and contribute to the funding of the start-up costs for the new force. Facilities required might include a HQ and barracks around Dili, and up to three district barracks. One or more training areas, including shooting ranges, would be required. Local accommodation nearby for personnel would also be needed. Such facilities

might be built new, or facilities formerly used by the Indonesian military could be utilised. The latter option would be less expensive. In time, the new defence force could take advantage of military facilities built or developed by the PKF and UN Military Observers. Similarly, training, initial, advanced and unit may be best undertaken and funded through foreign military aid, again on a multilateral and/or bilateral basis. Regarding equipment, Falintil already has some small arms and uniforms. These might form the basis of the weapons inventory for training. Alternatively, weapons and other military equipment might be sourced through bilateral foreign military aid from several parties. Priority equipment needs would also include items such as soldiers' personal equipment, communications and transport.

200. The recurrent costs of the new defence force cover Personnel costs (wages and wage administration, pensions if appropriate) and Operations & Maintenance (mainly the cost of maintaining troops in barracks and in the field, and operating, maintaining and repairing equipment). These costs should be affordable and sustainable within the defence budget and financed from fiscal revenue, since foreign governments and multilateral banks are usually most unwilling to finance such costs on a regular basis. By comparison with the police budget, the study team believes that the recurrent costs of a defence force of a similar size (1,500) could be made less than those of the police force. The issues are discussed under the costed options below.

201. Under start-up costs, the Team has assumed that the new defence force will require some initial provisioning of weapons and military equipment. Once this has happened, ongoing capital costs will be incurred on a regular basis, as old equipment is replaced and inventories are modernised and extended. The ongoing costs of weapons and other military equipment might be sourced through bilateral foreign military aid from several parties, given the constraints of East Timor's own fiscal resources.

202. Veterans' costs are discretionary and should not be charged to defence. They will only be incurred if the new government of an independent East Timor resolves to recognise the contribution of Falintil in the conflict with Indonesia by granting a gratuity, land asset or pension to selected members of Falintil. This would become payable on demobilisation from Falintil cadres or retirement from the new defence force. Funding might be through a special presidential budget, in recognition of the Falintil contribution, or the social budget, and generated out of fiscal revenue.

203. Resettlement and demobilisation costs would involve up to 300 members of the existing Falintil, who for reasons of age or health are unsuitable for admission to the new defence force. These individuals might be trained for other employment within the public service, or trained for the private sector. The International Organisation for Migration has already drafted a project proposal for immediate and longer-term support to the Falintil transition process. This project could in part still be applied once the issue of Falintil's status has been resolved. Furthermore, representatives of the World Bank stated that grant funding for demobilisation would in principle be available for identified members of Falintil who wished to retire, as long as the formal procedures (beginning with registration) were properly in place. By comparison with other World Bank demobilisation programmes, the human and financial resources required for any East Timor initiative (involving Falintil) are considered at this stage to be relatively small. However, further scrutiny should focus on the militias and any action which might be taken to facilitate the reintegration of appropriate elements of the militias, who might wish to return to East Timor.

PRESENTATION OF OPTIONS

204. Summary. Three Options will be examined:

Option I, the Option closest to Falintil's "vision": a force of 3,000-5,000 based on a core of former Falintil soldiers, the balance being made up of conscripts. There would be a small body of specialised troops for civil disturbance control and a modest air and sea arm.

Option II: a force of 3,000, about half being former Falintil soldiers, the balance made up of conscripts. No specialised force would be needed for civil disturbances as all troops would be trained to handle this, whilst air and sea arms would become an aspiration.

Option III is similar, with a force of 3,000, about half being former Falintil soldiers. No specialised force would be needed for civil disturbances as all troops would be trained to handle this, whilst air and sea arms would become an aspiration. The difference lies in the remaining 1,500 or so troops. They would be volunteer reservists based at home and embodied only for training periods. In time of war they might fight alongside the Regular Army or as guerrillas.

205. Option I

The first Option is based as closely as possible on Falintil's original vision and involve both conscription and gendarmerie.

- The force would be 3,000-5,000 strong with a regular core of 1,500 and the balance made up of conscripts serving for a year.
- Within it would be a specialised unit, about 500 strong, which would be responsible for riot control and the suppression of civil disorder.
- A modest fleet of transport/observation helicopters (4-8 aircraft) and inshore patrol boats (6 craft) would be created.

Advantages:

- It fulfils the expectation of most numbers of Falintil, and is closest to Falintil's design.
- It is a potent and flexible security machinery.
- It could be effective within three years.
- It would wholly fulfil the Mission Statement
- It would satisfy the desire for "nation building" with conscription and creates a numerous reserve quickly.

Disadvantages:

- It is unaffordable. The manpower bill of 5,000 is unrealistic, although 3,000 might be more affordable. However, the running of aircraft and boats is untenable within the proposed budget. Simply put, it is either aircraft and no soldiers, or soldiers and no aircraft.
- Conscription is an inflexible and expensive way for East Timor to "nation build" and to create a reserve (see discussion above under "Governance").
- Whilst fulfilling the Mission Statement, such a force might be seen to be provocative by East Timor's neighbours.
- A specialised civil disorder unit is an expensive luxury. In addition to the arguments against a gendarmerie (see Governance section above), all troops should be trained to operate in direct support of government agencies.

206. Costing for Option 1

Option 1 Estimated Costs (\$000)						
Function	Sub-function	Year 1	Year 2	Year 3	Year 4	Year 5
		2000/1	2001/2	2002/3	2003/4	2004/5
Personnel						
	Salaries (military)	493	1,350	1,700	1,800	1,900
	Conscripts, 1,500			550	575	600
	Conscripts, 3,500			1,300	1,350	1,400
	Salaries (civilian)	30	80	160	170	180
	Part-time Volunteer Reserve					
Sub-total	1,500 conscripts	523	1,430	2,410	2,545	2,680
Sub-total	3,500 conscripts	523	1,430	3,160	3,320	3,480
Operations & Maintenance						
	Materials – food, 3000	300	900	1,800	2,000	2,100
	Materials – food, 5000	300	900	3,000	3,200	3,300
	Materials –fuel	44	88	132	140	150
	Materials – other					
	Equipment R&M	20	40	60	80	100
	Building & Facility R&M					
	Purchased services (helos)	2,500	2,600	2,700	2,800	2,900
	Rent costs					
	Other					
Sub-total	1,500 conscripts	2,864	3,628	4,692	5,020	5,250
	3,500 conscripts	2,864	3,628	5,892	6,220	6,450
Procurement						
	Automatic Rifles					
	Night sights					
	Light and Medium MG					
	Light & Medium Mortars					
	Light Anti-tank Weapons					
	Man-portable SAM					
	Other small arms					
	Mobile radio comms					
	Vehicle radio comms					
	Fixed communications					
	Ammunition					
	Light Armoured vehicles					
	Non-armoured vehicles					
	Clothing					
	Office Equipment					
	Other					
Sub-total		0	0	0	0	0
Construction						
	Depot and barracks					
	Voluntary Reserve Centres					
	Personnel Housing Facilities					
	Medical Facilities					
	Training Areas & Ranges					
Sub-total		0	0	0	0	0
Total	1,500 conscripts	3,387	5,058	7,102	7,565	7,930
Total	3,500 conscripts	3,387	5,058	9,052	9,540	9,930

207. Discussion of Option 1 issues

Option 1 is the most expensive of the three Options in absolute terms. In terms of defence spending *per capita* of military personnel, assuming 1,500 rather than 3,500 conscripts, it is also intrinsically more expensive than the other options. Absolutely higher costs arise, in part, because of the much higher standing force levels than envisaged under other Options, in part, because personnel wages broadly match the terms and conditions of the police force, and in part because of the significant cost involved in the operation of a fleet of eight 10-seat helicopters of the Bell UH-1H or UH-1N type. Relative military *per capita* costs are reduced over those of a professional force, because conscripts are not paid but receive an allowance of \$1 per day during their draft period of one year. The operations and maintenance costs of a maritime arm have not been costed, as it is proposed that this capability should be supported through bilateral Foreign Military Assistance.

208. Wage assumptions under Option 1 replicate the terms and conditions of the East Timor police force. Whilst under training, the core regular force of 1,500 receive a monthly salary of \$77 per month rising to \$85 per month on completion of training, and thereafter to an average of around \$130 per month by FY2002/03. A civil service workforce of around 100 is envisaged which will undertake core defence management responsibilities, including the administration of conscription. As discussed under Option 3 (see below), it would be possible to reduce the net cost of personnel wages by deducting expenses for food and accommodation from serving individuals. Such a policy would have to be approved by the political and military leadership.

209. The major cost uncertainty in Option 1 relates to conscription as well as political and military risks associated with conscription. The high level of structural unemployment may add, in the eyes of the political leadership, a further attraction to conscription, as one year's compulsory military service would have the affect of reducing youth unemployment and providing some basic and vocational training to the conscripts. (A voice against conscription came from the Vice-President of CNRT Jose Ramos-Horta, whose concept of the East Timor defence force was of a small and professional army.)

210. The merits and demerits of conscription have been discussed above and, on balance, this study does not recommend it. First, there are other and probably better tested ways of building a sense of nationhood and providing vocational training to young people. Second, the perceived military benefits do not always withstand scrutiny. A large cadre of the small, professional force – numbering some 300-400 – will be required to train the conscripts. The cycle will be repeated each year, and meanwhile the military skills learned by successive drafts will quickly erode, even if a large reserve force is assembled on paper. Third, and most importantly, conscription would be complicated and expensive to administer at a time when plans for an East Timor civil register of the population are only just being implemented with a manpower establishment of 200. Demographic statistics suggest that the eligible age group of 18-year-olds number at least 9,000 (and, given the age bias of East Timor's population, the number may be greater). Some filter would have to be applied to reduce this number to the required 1,500-3,500. As many as 100 civilians might be necessary to administer the conscription process from start to finish, implying an estimated annual cost at civil-service scales of pay of at least \$160,000. Therefore the requirement for a reserve force is best met through the establishment of a part-time Volunteer Reserve as outlined under Option 3 (see below). It is suggested that a 1,500-strong Volunteer Reserve for the East Timor defence force would address the military needs of the country at a fraction of the cost of conscription.

211. Option 1: Summary and conclusions

Option 1 comes closest to addressing the early requirements for an East Timor defence force based on “the Costa Rican model” and incorporating a gendarmerie or national guard that

would be closely linked to the police. If “army” is substituted for “gendarmierie”, it is also close to Falintil’s original concept for an East Timor defence force.

212. Option 1 is the most expensive option of the three presented by the study. Estimated costing implies a defence recurrent allocation of 2.6-3.3% of GDP, and more significantly 18-22% of government fiscal revenue. The defence force would represent a heavy burden on the East Timor economy and fiscal revenue. Reservations have also been expressed on the political, military and economic implications of conscription and the issue should be subjected to more scrutiny.

213. Option II.

The second Option is more modest:

- A target of 3,000 strong with a regular core of 1,500 and the balance made up of conscripts serving for a year, with a Falintil core of 800-1000.
- Air and maritime forces are an aspiration in the long term.

Advantages:

- It fulfils Falintil’s core objectives.
- The force would be small, professional and flexible. Whilst quite potent, a force of this size is unprovocative.
- It fulfils the Mission Statement.
- Conscription fulfils the need to “nation build” whilst creating a substantial reserve quickly (national service men will go out each year to be reservists, and over three years there will be 1,500 quality reservists in the community).
- It concentrates deterrence and defence for external threats.
- It is more affordable.

Disadvantages:

- It is still unaffordable, given present indicators. 3,000 men on full salaries (even if 1,500 of them are receiving truncated conscripts’ wages) and full maintenance costs are expensive.
- Conscription (as discussed above) is unnecessary and unsuitable.
- It is not powerful enough to meet all East Timor’s defence criteria.

214. Costing for Option 2

Option 2 Estimated Costs (\$000)						
Function	Sub-function	Year 1	Year 2	Year 3	Year 4	Year 5
		2000/1	2001/2	2002/3	2003/4	2004/5
Personnel						
	Salaries (military)	493	1,350	1,700	1,800	1,900
	Conscripts, 1,500			550	575	600
	Salaries (civilian)	30	40	80	85	90
	Part-time Volunteer Reserve					
Sub-total		523	1,390	2,330	2,460	2,590
Operations & Maintenance						
	Materials – food	300	600	1,800	2,000	2,100
	Materials –fuel	44	88	132	140	150
	Materials – other					
	Equipment R&M	20	40	60	80	100
	Building & Facility R&M					
	Rent costs					

	Other					
Sub-total		364	728	1,992	2,220	2,350
Procurement						
	Automatic Rifles					
	Night sights					
	Light and Medium MG					
	Light & Medium Mortars					
	Light Anti-tank Weapons					
	Man-portable SAM					
	Other small arms					
	Mobile radio comms					
	Vehicle radio comms					
	Fixed communications					
	Ammunition					
	Light Armoured vehicles					
	Non-armoured vehicles					
	Clothing					
	Office Equipment					
	Other					
Sub-total		0	0	0	0	0
Construction						
	Depot and barracks					
	Voluntary Reserve Centres					
	Personnel Housing Facilities					
	Medical Facilities					
	Training Areas & Ranges					
Sub-total		0	0	0	0	0

215. Discussion of Option 2 issues

Under Option 2, Personnel and Operations & Maintenance cost assumptions are similar to those of Option 1, and adjusted pro rata to account for the reduced personnel establishment. The issue of conscription has been discussed above under Option 1. Given a smaller conscripted draft, the civil service requirement for defence management and conscription administration has been halved to around 50.

216. Option 2: Summary and conclusions

Option 2 represents a viable and less costly alternative to Option 1. Recurrent defence would consume around 1.4% of GDP by 2002/03 under neutral assumptions, and around 10% of government fiscal revenue. It is also of note that, in terms of cost, Option 2 is close to the estimate for an East Timor defence force that the Central Fiscal Authority informally discussed with the Team. As noted above, the study expresses reservations concerning the implications of conscription – political, military and economic, and believes that the issue should be subjected to more scrutiny.

217. Option III

The third Option differs considerably:

- 3,000 strong with 1,500 Regulars – the balance would be part-time Volunteer Reservists whose bases would be territorial and spread across every region.
- During the first period of training, a number of older but none the less physically fit Falintil with exemplary records will be selected to recruit and oversee platoons of part-time soldiers who live in their own homes, whose weapons are kept in a

central armoury and who are paid an annual retainer but wages only when they are on duty.

- These volunteers would receive two weeks' initial, basic training at the Depot, two weeks' annual training and weekly training sessions during the dry season.
- Operationally, they would be designed to act as a guerrilla force that would delay and harass an invader until external help arrived.
- Air and maritime forces remain a long-term aspiration.

Advantages:

- It fulfils Falintil's core objectives.
- It fulfils the Mission Statement whilst being unprovocative. Also, the idea of a trained, organised and well armed guerrilla force (which carries with it the formidable reputation of Falintil) harassing an invader from the heights and gorges of East Timor's forests is deeply deterring.
- It capitalises on the East Timorese talent for irregular warfare; training would be cheap and simple.
- The locally based instructor would act as a recruiter both for the Volunteer Reserve and the Regular Army whilst, most importantly, serving to represent Falintil's ideals at the local level. Furthermore, such a scheme would serve honourably and pragmatically to absorb those men who cannot serve in a field unit yet who do not wish to retire.
- Volunteer Reservists would be particularly suitable for the unique defence requirements of Oekussi (see more specific discussion below on Oekussi).
- The aim of "nation building" via service would be achieved in a different way, in that people would feel that they are part of a national framework.
- The Volunteer Reserve would act as a cheap sorting house for aspirant Regular recruits.
- A numerous reserve would be created quickly and, simultaneously, a nation-wide security system would come into being.
- It is affordable and sustainable.

Disadvantages:

- The new force would only have 1,500 troops instantly available.
- It is not conventionally potent.
- The force's reserve will only be trained for irregular warfare and will be difficult to integrate with the Regular Army.
- There will be substantial building costs associated with the new Reservist centres.
- No air, maritime or border forces.

218. A Note on Air and Sea Forces:

As already discussed, aircraft will be prohibitively expensive for E Timor's forces for the foreseeable future, though the possibility of chartering aircraft for limited periods may be practical. As aircraft will principally be needed to give the force speed and flexibility of response, leased aircraft are unlikely to answer this need.

219. Similarly, boats are expensive, though they are not in the same league as aircraft. In the short term, a degree of coastal security will be provided by the Border and Customs service, whose modest capabilities are better than none. For a greater degree of protection, Australia's informal indication that it might be willing to patrol offshore within East Timor territorial waters should be investigated.

220. Costing for Option 3

Option 3 Cost Estimates (\$,000)						
Function	Sub-function	Year 1	Year 2	Year 3	Year 4	Year 5
		2000/1	2001/2	2002/3	2003/4	2004/5
Personnel						
	Salaries (military)	224	830	1,440	1,545	1,600
	Conscripts					
	Salaries (civilian)	6	43	50	52	54
	Part-time Volunteer Reserve		150	300	320	340
Sub-total		230	1,023	1,790	1,917	1,994
Operations & Maintenance						
	Materials – food	300	600	900	1,000	1,100
	Materials – fuel	44	88	132	140	150
	Materials – other					
	Equipment R&M	20	40	60	80	100
	Building & Facility R&M					
	Purchased services					
	Rent costs					
	Other					
Sub-total		364	728	1,092	1,220	1,350
Procurement						
	Automatic Rifles					
	Night sights					
	Light and Medium MG					
	Light & Medium Mortars					
	Light Anti-tank Weapons					
	Man-portable SAM					
	Other small arms					
	Mobile radio comms					
	Vehicle radio comms					
	Fixed communications					
	Ammunition					
	Light Armoured vehicles					
	Non-armoured vehicles					
	Clothing					
	Office Equipment					
	Other					
Sub-total		0	0	0	0	0
Construction						
	Depot and barracks					
	Voluntary Reserve Centres					
	Personnel Housing Facilities					
	Medical Facilities					
	Training Areas & Ranges					
Sub-total		0	0	0	0	0
Total		594	1,751	2,882	3,137	3,344

221. Discussion of Option 3 issues

For Option 3 the cost estimates are consistent with defence spending targets in relation to GDP and government revenue. Therefore recurrent defence spending under Option 3 will prove both affordable and sustainable.

222. Gross personnel spending will be compatible with civil service, and particularly police, rates of pay. Net pay will be lower, however, since all personnel will have expenses, meals and housing deducted at source from their salaries. There will in addition be no overtime for regular personnel. A pay review might be conducted as soon as the economic and fiscal climate of East Timor becomes more predictable.

223. A novel feature of Option 3 is the concept of a part-time Volunteer Reserve. This system works well in, among other countries, the UK, US and Australia. The part-time Volunteer Reserve offers an affordable and practical alternative to conscription, and in several respects a better military solution to East Timor's defence needs. Up to 1,500 volunteers will be paid an annual bounty of \$100 or more regular rates of pay for individual training days in the course of the year. A full-time cadre of volunteer staff, preferably consisting of Falintil veterans based at sub-district and village level, will officer and administer the volunteers. It is proposed that a civilian secretariat of around 30 should manage the defence force under civil service terms and conditions of employment.

224. The main spending on Operations & Maintenance under Option 3 relates to food costs for personnel (estimated at \$50 a month), fuel costs (estimated at \$1,000 a year for a fleet of 44 soft-skinned vehicles for each of three regular battalions, and equipment repair and maintenance. Facility maintenance and repair has not been costed, because of a lack of data on charges made by local as opposed to foreign contractors. Another major expense usually listed under Operations & Maintenance is training. It is proposed that training expenses for the initial period of five years be carried by foreign military aid from multilateral or bilateral sources.

225. No air or maritime forces are proposed in the first five years. The cost of operating even a small fleet of helicopters is considered unaffordable in the context of the East Timor defence force. For maritime operations, there are two possibilities over the medium term. First, the customs police have a maritime establishment of 54, which might be sufficient to carry out in-shore fishery protection and anti-smuggling operations. Second, the Team was informed that the Australian Defence Co-operation programme offers targeted military assistance for offshore maritime patrol in the form of boats, other marine equipment and a contribution to operational costs, for which the East Timor defence force might in time qualify.

226. No estimates for spending on equipment are provided, as it is proposed under Option 3 that the new army either uses existing weapons and equipment, or bids for second-hand and surplus military equipment from friendly governments to be supplied free of charge together with long-term spares inventories.

227. No estimates for construction expenses are provided, as it is proposed that the new defence force either uses pre-existing ex-Indonesian military facilities at a minimal additional charge, or solicits military aid in cash and kind to build new facilities or restore existing facilities.

228. Option 3: Summary and conclusions

Based on the analysis of economic indicators, Option 3 appears to represent the best value for money to meet the defence needs of East Timor at an affordable and sustainable cost. In terms of resource allocation, Option 3 costs might be constrained to around 1% of GDP and 5% of

fiscal revenue – which the study believes is an acceptable burden on the economy and fiscal revenue, given the high level of uncertainty in these areas. It should be noted that the basis for some of the estimates is lower than the costing basis used by the Central Fiscal Authority to compile the law enforcement budget. The study believes that the estimates compiled are pragmatic in the light of East Timor’s economic and fiscal constraints. The study’s estimates more fully reflect both regional military norms and international norms for countries of similar resources to those of East Timor, as evidenced by the annual UN Report on the Reduction of Military Budgets. It is further suggested that this costing proposal will win the support of the Falintil leadership, the government of East Timor and its people and, not least, the two Bretton Woods multilateral banks.

The Options in Regional and International Perspective

229. The three options presented by the study all take into account the aspirations for an East Timor defence force and the economic and fiscal constraints that limit them. Under the assumptions of all three options, the East Timor defence force would be less resourced than the armed force of any ASEAN neighbour other than Cambodia. The same is true in the context of Pacific Forum neighbours Fiji and Papua New Guinea. In the international context, there are examples of extremely poorly resourced armed forces, with Guinea Bissau and some other African countries being cases in point.

230. In discussions between the Team and both the CNRT leadership and Falintil, both parties stressed their awareness of the economic and fiscal constraints confronting the proposed defence force. They were also aware of the opportunity costs of defence spending when assessed against the priorities for the social and economic reconstruction of East Timor.

231. The Team recognises that these proposals will require the approval of the East Timor administration, the Falintil leadership, and in time the new government of an independent East Timor, if an East Timor defence force is to be structured according to any one of these three options. If the proposed resource allocations prove to be unacceptable to the decision-makers, it is suggested that the only affordable and sustainable course of action would be to halve the proposed manpower establishment. This would have the effect of raising the resource allocation of the East Timor defence force closer to the norms of ASEAN and Pacific Forum neighbours.

<u>East Timor Defence Force Options in Regional and Global Perspective</u>						
	Full-time	Recurrent	<i>Per capita</i>	%	%	Official
	Military	Defence	recurrent	Personnel	O&M	Defence
	Manpower	Budget	budget			% GDP
	Units	\$, 000	\$			
Option 1 2002/03	3,000	7,102	2,367	34	66	2.6
Option 1 2002/03	5,000	9,052	1,810	35	65	3.3
Option 2 2002/03	3,000	4,322	1,441	54	46	1.4
Option 3 2002/03	1,500	2,882	1,921	62	38	1.0
Philippines	110,000	900,000	8,182	70	30	1.5
Indonesia	298,000	950,000	3,188	70	30	1.3
PRC	3,590,000	9,500,000	2,646	60	40	1.3
Cambodia	149,000	120,000	805	70	30	3.3

Fiji	3,500	23,000	6,571	65	35	1.5
Papua New Guinea	4,300	29,000	6,744	65	35	1.0
Guinea-Bissau	7,300	2,900	397	70	30	1.0
Belize	1,050	6,000	5,714	60	40	1.3
Suriname	1,800	7,000	3,889	60	40	3.1
Source: Adapted from The Military Balance 1999/2000 (IISS)						

232. TRAINING.

Assumptions. All training issues are based on the following assumptions:

- Initially, instructors from other nations will undertake all training.
- Once the training system is running, indigenous troops will be trained to be instructors and the number of external trainers can be reduced.
- A number of foreign instructors will remain with East Timor's new force for some years after independence.

233. Training Regime. The current "soft" training that Falintil members are receiving from the Portuguese Battalion is seen as an important step before formal, military training starts. Not only will it occupy potentially bored soldiers, it will also help to focus the assessment and streaming process whilst getting Falintil used to the concept of full, demanding days. The move from this form of activity to military training should be as seamless as possible; this will be a major challenge for whichever formula of external trainers is chosen.

234. As already stated, Options I, II and III are all based upon an identical initial training regime. In the first year the 800 or so cantoned Falintil will receive three, distinct periods of training. First, they will be assessed and streamed and those that remain will be brought to a common level of both educational and military training. They will then be given appropriate training to make them effective officers, NCOs or soldiers in the new force's field units, efficient trainers or administrators in posts away from the field units, or to prepare them for civilian life. Last, the new force's first, active battalion will be brought to a high level of training for operations. The phases are:

235. Basic Training. The first phase should last for about 12 weeks and is designed to assess where and how Falintil soldiers can best be employed in the future. First, all soldiers will have to be examined medically (Falintil commanders expect about 30% to fail this test) and intellectually. Those who fail will be further categorised into men who can continue to serve in less active posts and those who are unsuitable to remain in uniform. Falintil recognise that a number of their men will simply opt for retirement.

236. Advanced Training. The next phase should also last for about 12 weeks and is designed to allow Falintil to be trained in specialised skills. These will include the handling of more complex weapons and equipment, the teaching of military trades or vocational training before retirement.

237. Unit Training. The last phase is unit training. As much time as possible, but not less than 12 weeks, should be spent in the field in order to bring the new force's first, active battalion to a satisfactory level of competence. Starting with the sections, group training should progress through platoon and company levels up to battalion

level. All support weapons must be fired during tactical training so that everyone can appreciate their effect. Finally, the whole battalion should be put through live firing exercises.

238. Independence Day Parade. The whole focus for the three phases of training should be the Independence Day parade. Once formal training has finished, leave should be taken and then preparations made for the parade. The symbolism of this parade is crucial and has already been mentioned. It should be noted, however, that Falintil commanders saw this occasion as a “line in the sand” where the name of Falintil went into honourable retirement whilst its spirit marched forward embodied in the new force.

239. Further Training. Once the core members of Falintil have been absorbed and trained over the first twelve months, the three Options envisage two different ways of training and building the rest of the force. Options I and II assume many conscripts will have to be trained, whilst Option III sees only Volunteer Reservists being trained. Further training rests on one factor, the creation of a training depot during Advanced Training. Provided this happens, it is a matter of the size of the Depot staff, numbers passing through and diversity of training:

240. Option I and II. For both these Options, Depot staff will have been taught during Advanced Training how to train conscripted recruits. The content and length of conscript training must be part of a further study, but it should not be more than 12 weeks.

241. Option III. The third option envisages 1,500 volunteer reservists being embodied. Again, once a depot has been established, reservists should receive about two weeks’ training, which will concentrate on basic infantry skills and guerrilla techniques. Again, the details must be part of a further study but, assuming that the defence budget will allow about 500 reservists to be trained each financial year, the number of staff at the Depot could be modest.

242. Options I, II and III. Recruits, either conscripts or Volunteers, will not be the only students at the Depot. In all three Options, the Depot will have to conduct Advanced Training as soldiers’ careers develop and “new blood” starts to pass through the training system. Under Options I and II, substantial numbers of staff will be needed at the Depot to run these courses whilst conscripts’ basic training takes place in parallel. If Option III (which runs simple, two-week training courses for Volunteer Reservists) is chosen, a small number of staff could conduct both Basic and Advanced training.

243. “Temporarily Demobilised” Falintil. The 700 or so Falintil who have been dispersed to their homes must also be considered. Falintil’s commanders believe that the bulk of them will wish to serve on in the new force. They should form the nucleus of the new force’s second battalion, being inducted after Independence Day, i.e. towards the start of a new financial year, and processed via a similar training regime to that the first battalion went through. There will be one important difference, though, for many of this second tranche of recruits’ instructors will be indigenous. How many recruits straight from civilian life will need to train in parallel with these more experienced men will depend upon how many actually come back from their villages and are found to fit for service and whether a conscription Option has been chosen.

244. Another factor needs to be born in mind, though. The training plan foresees most of the cantoned Falintil being trained as soon as possible; axiomatically, these men

will start to be paid whilst the “temporarily demobilised” will not. In order to avoid friction, it is suggested that the “temporarily demobilised” receive a retainer whilst waiting to be called forward. Alternatively, if Option III is chosen, these men could serve as Volunteer Reservists (and receive the pay that that implies) until a Regular place is available.

245. Conditions of Service. Falintil’s commanders outlined a plan to offer recruits two sorts of contracts, a 36-year contract for the long-service element of the new force, and 3-6 year contract for other Regulars. Both were based on the assumption that part of the force would be conscripted and that all ranks would be eligible to convert their contracts so long as they met the required standards. Only brief discussions were held on this subject and it was agreed that specific conditions of service could only be designed once an Option was chosen. Once that decision had been made, a separate study could frame conditions of service for the new force fairly rapidly.

246. Overseas Training. A recurring theme in briefings and interviews was that whilst basic training for soldiers and non-commissioned officers could take place in East Timor, specialist and officer training should happen abroad, within donor nations’ domestic training facilities. In the longer term that is very attractive; in the short to medium term it is not. First, Falintil’s current command structure is small and crucial in terms of overseeing their men’s transition from irregulars to regular soldiers. It is strongly suggested that early overseas courses for the commanders would not be helpful to the overall aim.

247. Second, short, specialised courses at overseas schools for platoon commanders, support weapons and the like were being discussed both by Falintil and by a number of potential donor nations. Whilst such courses are easy to attend because the infrastructure is in place, it is felt that it would be more beneficial to conduct, say, a mortar-section commander’s course in East Timor rather than abroad. The level of military knowledge within Falintil is currently so modest that everyone under training would benefit hugely from the experience of seeing mortars being fired, even though the start-up costs of the firing range, course design etc might seem to be high.

248. Overseas training, without doubt, should remain an aspiration for the longer term. To employ it, though, in the short to medium term carries too high an opportunity cost.

249. Commanders’ Initial Training. Self-evidently, the only element of Falintil for whom Basic and Advanced Training is unsuitable are their senior commanders. A separate course should be designed to train them whilst allowing them to be available both to oversee the evolution of the force and to command it.

250. An early command decision will have to be made on whether appointments such as the company commanders and the commanding officer of the first battalion should emerge from the selection process or whether current Falintil commanders should be pre-chosen for those posts. Again, such decisions should be weighed within a detailed training study.

251. External Training Assistance. Training for Falintil will have to come from external sources. There are three distinctly different ways in which this might be achieved:

252. UNPKF Assistance. The greatest advantage that UNPKF training bestows is that the countries who are to provide the trainers are already in-place. Reconnaissance and planning could start immediately whilst economies of scale are obvious, particularly if the soft skill training initiated by Portuguese Battalion is capitalised upon. However, all of this may be over-simplistic. An extension to the UN mandate would be required before an armed force could be trained by UN troops; this could be a lengthy process and might not meet the timelines mentioned below. Also,

a mixture of UN troops would themselves need a period of training before they would be capable of training others to common standards and doctrine. Furthermore, none of the units currently in East Timor is optimised for training purposes; they are configured for operations. A training role would require specialists to be brought in from abroad whilst UNPKF is trying to reduce its numbers; reinforcements would send very mixed political messages.

253. Transitional Administration Approved Multinational Assistance. Another approach might be the use of trainers from several nations that had shown themselves interested in taking on the role. Interested noises have already been made by a number of nations in terms of providing instructors; with UNTAET's sanction this could be made to work. The main disadvantage is that it would take time to assemble such troops and that, again, they would need time a period to train themselves once in East Timor. However, alteration would not be needed to the mandate nor would strictly UN forces be seen to be increasing at a time of drawdown.

254. Transitional Administration Approved Bilateral Assistance. Lastly, one nation might be able to take on the role, provided that it met with UNTAET approval. Whilst no such nation has suggested that it would be willing to bear either the financial or the political burden of such a task, this solution would mean that a single, cohesive approach could be taken to training with only a very limited period of acclimatisation once the instructors arrived. Furthermore, should help come from a nation that has a tradition of providing such assistance, instructional teams could already be in East Timor and rapidly operational. Again, if this approach were to be followed, UN forces would not be seen to be increasing.

255. Duration of Instruction from Overseas. Falintil commanders are very aware that their new force would require help and guidance from foreign instructors for several years after independence. There were a number of posts which were seen as needing to be "shadowed" almost in perpetuity (Depot chief instructor, battalion seconds-in-command, etc), but they recognised that the bulk of external trainers would quickly run down once the Depot and the first battalion were effective.

Timelines.

256. In trying to propose a practical schedule for the establishment of a new defence force, this will initially depend on an expedited legal and political resolution of the Falintil status issue and the statutory requirements for establishing a new defence force in law. Other factors which are thought to dictate the pace of events are boredom and dissatisfaction in the cantonment and the putative date of Independence Day. Whilst "soft" training will help to assuage the first point, Falintil is anxious to start "proper" training as soon as possible after its cause has received formal recognition. Based on the Portuguese Battalion's programme of two weeks' training for each of the five companies within the cantonment and the need for a training team both to form up and to train itself, the latest date for Basic Training to start was considered to be 1 November 2000.

257. From there, it is thought that about 14 months would be needed for all Basic, Advanced and Unit training to be completed. This would allow for 12 weeks' training in each phase, contained within a four- or five-month time block to allow for slippage, overlapping and concurrent training activities. This suggested that the first battalion would be trained and fit to appear on an Independence Day parade in December 2001. The process of incorporating and training the defence force will involve several stages. A possible timetable might be:

- July-September 2000: Non-military training, already in place (undertaken by the Portuguese battalion in UNPKF)

- November-February 2000/01: Basic training under UNPKF or UN-approved multinational and/or bilateral schemes
- April-June 2001: Advanced training under UNPKF or UN-approved multinational and/or bilateral schemes
- July-November 2001: Unit training under UNPKF or UN-approved multinational and/or bilateral schemes
- December 2001: Independence Day preparation

258. It cannot be stressed too heavily how eager Falintil members are for this process to start. They are professionally mature enough to realise that delays will occur, but should they detect anything that they interpret as prevarication, then dissatisfaction will be rife and volatility will certainly follow.

259. The discussion of costing for the three options identified all share to a greater or lesser extent the assumptions listed under force structure, cost structure and sources of funding, and timings. Major uncertainties, which may compromise any or all of these assumptions, include:

- The political and legal process of resolving the Falintil status issue and the incorporation of a new defence force;
- The availability of donor grant aid to finance start-up, capital and demobilisation costs;
- Budgetary constraints on recurrent spending levels for the new defence force;
- Unidentified or understated recurrent costs for the new defence force, likely to involve wages and operating provisions in particular;
- Time slippage as result of one or more of the above factors;
- Manpower reductions as result of one or more of the above factors.

Specialised military aspects.

260. Recognition of demobilised Falintil. All meetings with Falintil commanders revealed the need for soldiers who were to return to civilian life to have their service and sacrifice recognised. The issue was complicated by the fact that 700 or so troops had been “temporarily demobilised” and dispersed to their homes. Research suggests, however, that when a new force is formed, the majority of those both cantoned and sent home will volunteer for service. A few will wish to put military life behind them, many will be too old, ill or damaged to continue and a handful will be found to be below the physical or intellectual standards required by the new force. Falintil commanders recognised all these facts. It is these veterans whom it is crucial to honour.

261. So, as many men as possible should be kept within salaried but physically undemanding positions. It should be noted, though, that a light-infantry type force, by definition, has few such posts. Those who are to stand down, however, should receive a pension or gratuity as a special gift of the government. Widows or orphans must also be included.

262. In trying to identify the budgetary costs of a Demobilisation and Reintegration Programmes (DRP) for retiring Falintil personnel, the World Bank considered that a minimum of 300 and a maximum of 1,000 Falintil would qualify. IBRD grants of \$3.6m covering the cost of the Community Empowerment Programme, which includes economic support to veterans, their widows and people handicapped by wounds, are apparently already part of the UNTAET budget and had been approved by the NCC. Neither the World Bank nor the IOM would speculate on the costs of a specific DRP programme for Falintil, though their answers both suggested the costs would be manageable. It is thought that DRP costs for Falintil would be modest. Assuming that around 300 Falintil wish to retire through a DRP programme, typical incentives might include one-off payments in the range of \$50-3,000 (the typical range according to the World Bank), or a land asset of comparable value, or a mix of

both, depending on the generosity of donors. These figures suggest a maximum cost of \$450,000, assuming 300 Falintil receive a lump sum of \$1,500. This cost excludes the expense to the World Bank or IOM of administering the DRP. This benefit would not affect the right of Falintil veterans to a state pension, if the new government approves that course of action.

263. To underscore the nature of Falintil, medals should also be presented. First, a campaign medal should be issued to all those who can prove to have been a combatant. Second, a long-service medal should be issued to a select band of fighters who served, say, 15 years or more. Lastly, one or more class of gallantry decoration should be designed and awarded sparingly. The ribbons of these medals and decorations should be worn in civilian clothes and, again, soldiers' widows or orphans should receive and wear them in lieu.

264. The Falintil command made a particular point that their fighters should not be dispersed piecemeal. A symbolic parade, therefore, probably on Independence Day, should mark the transition from freedom fighters to defence force. The newly trained force should march onto parade alongside those who are to be employed elsewhere and those who are to be demobilised. Medals, decorations and, possibly, gratuities should be presented and the units of the new force presented with colours, eagles or the like before the parade is marched off. Such symbolism would focus the whole nation on Falintil's evolution from freedom fighters to a professional force; as they put it: "A noble end to a noble story."

265. Falintil battle experience and weapons.

Estimates vary of the numbers of TNI troops whom Falintil killed; conservatively, 5,000 is thought to be about right. When the very limited number of Falintil who were doing this killing is considered, it does mean that a significant number of today's Falintil have killed several opponents with little more than small arms, grenades or edged weapons. This suggests that the longer-serving Falintil are distinctly battle-hardened and used to brutal, close quarter combat, a highly unusual quality in today's armies. Also, in conversation with them, there was no attempt to brag about the number of enemies that they had killed – the sure mark of deeply experienced soldiers. All this suggests that Falintil are "tough customers": dangerous enemies and potentially excellent regular soldiers.

266. The weapons that Falintil carry have been, they claim, all captured in battle. Certainly, they have a mixture of weapons ranging from almost antique bolt-action Mausers to modern assault rifles, all of which are worn but serviceable, clean and supplied with the correct ammunition. Ammunition, however, is in short supply. Typically, each man was carrying two or three fairly full magazines and there appeared to be no further supplies in reserve. Whilst they claimed to be familiar with hand grenades, none was seen; nor were any support weapons. Indeed, it was very clear that weapons beyond rifles and a very few light machine guns were unknown to Falintil. This makes the number of casualties that they inflicted upon the TNI all the more remarkable.

Options for the Border and Oekussi

267. The Border. Currently, the border is held by UNPKF/UNMO forces in the east and TNI forces in the west. Co-operation between the TNI's 18 Airborne Brigade and PKF's Australian-led brigade is good, with much cross-border activity and regular meetings between the two. As already mentioned, the PKF forces have been able to influence the TNI's deployment of its two battalions west of the border whilst the former, up until the incident at Nana on 24 July which led to the killing of a New Zealand peacekeeper, Pte Manning, have been satisfied that the latter are attempting to control the militias.

268. Manning's death, however, underlines the whole problem with the border, since it stresses the challenges to East Timor's stability which exist at the moment and will do so in

the future. An extraordinarily difficult piece of country to control, even with numerous, well-armed PKF forces who are trained and equipped both for observation and night fighting, it remains distinctly porous. The 24 July incident illustrates this, for a party of militia had crossed into East Timor undetected by PKF forces and, presumably, unknown to the TNI forces west of the border. PKF troops only came to hear about the militia's presence from local informers and a patrol was sent to track them down.

269. In the close and broken country in which the New Zealanders were operating, the patrol stumbled upon the militia who, it is thought, had stopped to administer themselves. The patrol was not ambushed nor was it in the process of a deliberate assault on the militiamen, as neither side appears to have known that combat was imminent. After the clash, the militia unit was able to slip back west, over the border, being stopped by neither PKF nor TNI forces, despite the fact that both were on the highest state of alert. Assuming that political tensions remain broadly the same, similar incidents are going to continue: the border will remain a flashpoint for the foreseeable future.

270. Currently, the PKF forces and the TNI face each other in a traditional border posture (weapon pits, observation posts, etc sited to cover one another) despite the fact that they are not antagonists, yet anyone can cross both ways largely unhindered. The incident of 24 July has already posed serious obstacles to the proposed draw-down of PKF forces as a whole and certainly those along the border, but, in the longer term (assuming that the situation stabilises further), East Timor will have to become responsible for its own border security. There are a number of ways in which this might be achieved:

271. Demilitarised Zone. First, the border might be "demilitarised", that is, a *cordon sanitaire* established with the boundary physically distinguished by a fence or, at the very least, a cleared belt of land. With formal customs points along it, access could be controlled, taxes levied and the whole panoply of an antagonistic border regime established.

Advantages: Such a system would physically control the ground and would generate revenue from taxes. It would also be a clear "line in the sand" to East Timor's enemies whilst giving the nation tangible security.

Disadvantages: To be practical over this sort of terrain, such a system would involve the clearance of a wide belt of land and then the imposition of observation posts/devices in every re-entrant and defile. Without close observation the fence would be meaningless as a barrier. Not only is such a scheme vastly expensive and well above both the budget and the manpower pool of East Timor, but it is also highly provocative. The future of East Timor's border, it is suggested, should lie in rapprochement with its neighbour rather than confrontation.

272. Conventional Border Regime. The UNPKF, UNMO and Border Service stance along the border at the moment is as effective as it can be, though recent events show its limitations. UNPKF troops will eventually be withdrawn altogether, although an UNMO presence will, doubtless, remain. Should the East Timor forces attempt to copy it?

Advantages: Again, an armed presence on the border will give a feeling of security and will back-up the Police/Border Service which will enforce access, immigration, repatriation of refugees and revenue collection. It would also be a clear demonstration of East Timor's self-determination.

Disadvantages: The highest figure proposed for East Timor's future forces is 5,000. Supposing that all of them were deployed to the border, only one-third of them would be available for duty at any one time, considerably less than the well equipped PKF forces. It is understandably impossible to keep such a porous border totally secure. Quite apart from which, Falintil commanders were adamant that their future force

was not going to be deployed simply as a border guard force. Furthermore, such a stance is provocative; rapprochement would be more profitable.

273. “Soft” Border Regime. A third approach might be the establishment of a “soft” border regime where confrontation was minimised. Obvious unarmed and unarmoured border posts might be established on major routes and controlled by police/customs with a military presence some way back from the border where it is not obvious from the west. Should the country immediately east of the border be well populated by East Timorese citizens who are alert to incursions and properly organised to give warnings thereof, the armed forces could interdict incursions on ground of their choosing once the intruders had been operating for some while in conditions that were hostile to them. Such tactics were suggested by Falintil commanders and are, therefore, acceptable to them and lend themselves to a “citizen’s force”, a volunteer reserve perhaps, which is structured to pass the sort of intelligence which is already flowing less formally.

Advantages: Such a scheme is affordable and unprovocative. Whilst it hardly guarantees a watertight border, it would certainly support rapprochement.

Disadvantages: There are less tangible signs of a sovereign nation with this scheme and incursions would be dealt with reactively rather than proactively, that is, only after they had already achieved a degree of success and, possibly, caused damage or death. Revenue collection and refugee/entry/exit controls would also be less effective.

274. Oekussi. The Oekussi enclave is a special case; it is remote with arcane communication arrangements whilst its borders cannot be defended. Vulnerable from all sides, the sea and the air, every recent invasion has overrun it with little or no opposition. On top of this, Falintil has never chosen to operate within Oekussi, despite the fact that its deep gorges, plentiful cover and dominating heights make it ideal for guerrilla operations. However, it was clear to the study team that Falintil was deeply respected by the local people. Furthermore, people in Oekussi would like to feel involved in future security arrangements, including the opportunity to serve in the nation’s new armed forces.

275. The security arrangements for Oekussi are not easy, given its isolation. It does enjoy one major, strategic advantage, however: a landing strip that can accept strategic lift in the shape of C130 aircraft. This means that a realistic number of reinforcements could be landed here in the event of hostilities, provided that air superiority existed. Broadly, there are two security options for Oekussi:

276. Conventional. Falintil spoke of a battalion’s worth of troops being stationed in Oekussi with a view to demonstrating East Timor’s authority over the beleaguered enclave and its defence. That said, there was an aversion to using these troops to bolster the work of the police and the Border Service.

Advantages: Troops in Oekussi would allow East Timor to feel that its authority was being upheld whilst reassuring the local people. A force already in place there would also mean that the airstrip could be held for re-enforcement’s to come in or for people to leave.

Disadvantages: Oekussi is impossible to hold without overwhelming forces. A pre-positioned force there (unless it were to be part of a defence agreement to protect foreign troops arriving to defend East Timor in the event of war) would probably become more of a hindrance needing to be evacuated, than a means of defending an undefendable piece of land. Furthermore, much like the arguments above about border security, troops in Oekussi might prove to be rather more provocative than helpful.

277. Unconventional. Another way would depend upon the border and customs arrangements made in Oekussi. The DA in Oekussi suggested that in view of its isolation, Oekussi might have open borders and customs arrangements and a minimum of troops. There is also the question of the military usefulness of the landing strip. If Oekussi is to be defended then it becomes highly important, a priority target for an aggressor. It would be very susceptible to even rudimentary special forces and unless an agreement existed for large numbers of foreign troops to enter Oekussi at first by air and then by sea, then the airstrip would become untenable.

278. The alternative is for Oekussi to have a large number of irregular troops, living at home rather than in barracks, who would harass and delay an invader. If such a force existed, then regular troops would only be necessary for the irregulars' administration and wartime leadership and any ceremonial or token duties.

Advantages: Such an arrangement would be affordable and unprovocative whilst acting as a deterrent. The border and customs arrangements would prevent friction, whilst a well-trained body of guerrillas whom an aggressor knew would harry them from the hills would be a most unpleasant proposition.

Disadvantages: An unconventional approach would give fewer outward signs of protection and security than the people of Oekussi might want. Similarly, East Timor's government might feel that it did not send a sufficiently robust message to potential aggressors.

7. PROPOSED AREAS FOR FUTURE STUDY, CONSULTATION AND DEBATE

279. The aim of this study was to provide analysis, but most importantly to move the political process forward and fuel the political will to achieve this. For this document to be concrete and effective, follow-up is essential. This study, despite attempting to be comprehensive, could not do justice to the myriad issues and questions that were raised along the way and that go hand in hand with the transformation of a guerrilla group into a defence force and the issue of accountability in government institutions. The following outline areas of future study and also suggests fora for future debate.

• AREAS FOR FUTURE STUDY

280. Development of a training programme for the new defence force. Whilst a brief outline was provided above of what the training regime must achieve for Falintil and its successor, a full study needs to take place before it can be implemented. This document will serve to allow a training strategy to be decided upon, but there are myriad details that can only be formalised on the ground. The terms of reference for this study would include:

- The siting of Force HQ, battalion barracks, the Depot, weapon-firing ranges and live and blank firing areas.
- Syllabus design for Basic Training. As well as strictly military skills, literacy and numeracy would have to be brought to a single level, and all troops would have to be trained on how to assist civil agencies in times of natural disasters, strikes or riots and unrest.
- Syllabus design for Advanced Training. There are many discrete courses in this training phase, each one of which requires its own resources and syllabus. Examples of some of these courses are:

Skill-at-Arms, Depot Instructor, Potential NCO, Potential Officer, Mortar, Anti-Aircraft, Assault Pioneer, Machine-Gunner, Sniper, Regimental Policeman, Logistician, Clerk, Driver, Signaller, Recruiter, Pre-Retirement/Vocational, etc.

- Syllabus and exercise planning for Unit Training.
It is proposed that such a study would take two weeks, would be conducted entirely in East Timor and would require a minimum of three subject-matter experts, two of who should come from the armies which are going to undertake the training. A Falintil advisor would be crucial. If training is to begin in November 2000, the study should start in August.

281. Recruiting Study. Again, once a timely decision has been made concerning conscription or the use of a Volunteer Reserve to provide further numbers for the new force, a detailed study needs to be undertaken. It is suggested that both would need two weeks in East Timor. The latter option might take longer as sites for Reservists' training centres would have to be found and they would be widely dispersed. The study should start no later than September 2000.

A study addressing the conscription option would be the more pressing, as large numbers of conscripts would be arriving at the Depot in Jan 2001, in accordance with the timelines proposed in this study, for a 12-week course of instruction. A Volunteer Reserve option would be less time-dependent, as much smaller numbers would be reporting for only two weeks' basic training from the same date. Again, a team of three would be ample, but it should include people with practical experience of recruiting processes who are, preferably, empathetic with the culture of the region. Again, a Falintil advisor would be helpful. The terms of reference for this study rest entirely upon whether conscription or the volunteer reserve option is chosen.

282. Wider Training Area Study. Several nations have found that the leasing of training areas to other nations can be both profitable and have useful political benefits (Poland and Canada, to name but two). If East Timor were to locate a sizeable training area which allows live firing up to battalion level in humid/savannah/jungle/coastal terrain and offer it to other nations, then a useful adjunct to the budget would be added. Furthermore, potential aggressors would see East Timor's familiarity with foreign troops as a deterrent, not because of their occasional presence, but because of the nation's ability to receive and process large numbers of reinforcements from abroad. A team of three experts (including a lawyer) could complete such a study within two weeks. Outline terms of reference might be:

- Location of a suitable area/areas where live firing up to battalion level might be undertaken including the firing of mortars, anti-aircraft, anti-tank weapons and machine guns. A parachute landing zone and helicopter and light aircraft landing areas should also be included.
- Safety and legal implications.
- Leasing and fees.
- Accommodation.
- Host-nation support.
- Movement to and from East Timor.
- Defence and deterrence implications.

283. Conditions of Service Study. As mentioned above, conditions of service for the new force could be designed fairly quickly once it has been decided how it is to be constructed. A team of three specialists, at least one of whom needs to be familiar with East Timor and one of whom needs to be a military lawyer, could produce a report after seven days' research on the ground. Outline terms of reference might include:

- Falintil pensions and pay structure.
- Falintil widows'/orphans' pensions.
- Rank and promotion structure for Regulars and conscripts or reservists.
- Pension scheme.
- Housing for both single and married soldiers.
- Allowances.

- Contracts and types of warrants and commissions.

284. Study on Civil-Military Relations in East Timor. A study to develop and programmes for civil military relations seems of paramount importance. East Timorese society is marked by a culture of violence and the militarisation of civil society. A future defence force could wield enormous power that is supposed to be used against external aggression. There are many examples where military forces can also be misused to subvert the political process and present an internal threat to the government and citizens of the state.

The general objective would be to conduct a study on the nature and character of civil military relations in East Timorese society, with the governing principle being civil supremacy over Armed Forces. The separation of military and civilian powers, legality, accountability, transparency and the government's responsibility are aspects to be taken into consideration by the study.

Specific objectives would be:

- To explore people's perception about the role of the Armed Forces in a Democratic Society;
- To identify people's perception about national and external threats;
- To produce inputs for civic-education programmes aimed at Falintil, the armed forces, civil society, with an emphasis on constitutional law, human rights, international humanitarian law, the role of democratic institutions (executive, judiciary, legislative) and the principles of tolerance of difference (political, religious and ethnic identity).
- To explore the impact of initiatives promoting restorative justice and reconciliation initiatives and the impact on security. However, this could also be a separate study or initiative.

Extensive fieldwork will have to be carried out, involving consultations at all levels with women, youth, NGOs, Churches and ordinary citizens. This study would require a minimum of three weeks and should consist of a team of about three international specialists (governance, human rights education and political analyse) and work closely with East Timorese (member of Falintil and designated representatives of East Timorese civil society).

285. Study on military-police relations: mechanisms and arrangements for developing the exchange of strategic information. For any country emerging from a history of repressive rule, intelligence gathering and management is a sensitive area given past abuses. Clear-cut arrangements need to be worked out regarding types of intelligence and the strategic co-ordination of such information.

286. Study on the real needs, quantitative and qualitative of an East Timorese police service. A study should be undertaken to establish a clearer basis for the staff compliment of the Timor Lorosa'e Police Service. This study could cover crime threat, population demographics, socio-economic factors and indeed also the extent to which traditional conflict-resolution methods will be acknowledged and utilised as a resource for effective policing. In addition, it should address the relationship between Falintil and the future defence force and the present and future police force.

287. Study on the real cost of living in East Timor. It is recommended that such a study would assist in developing important aspects of for example, what constitutes an incentive wage in the public sector. As personnel costs would take up 60-80% of the recurrent budget of the proposed defence force, confirmation or reconsideration of existing civil-service pay scales would be a prudent measure. The Team received conflicting information on the rationale of existing civil-service pay scales – with one view holding that civil service pay scales were pitched to accommodate the relatively high cost of living in Dili and its

surrounds, and that as prices return to nearer pre-conflict levels, these pay scales will afford an overly-high purchasing power to public servants by comparison with private-sector employees of comparable standing. It is suggested that this study should also include a survey of pay scales in the regional armed forces to afford some basis for comparison.

288. In-depth analysis of the border, camps in West Timor and the militia. This study would involve a small experienced team with adequate language skills to work on both sides of the border, and would include a range of interviews with refugees, returnees, militia leaders and TNI officers, and PKF.

- **FUTURE CONSULTATION AND DEBATE**

288. To discuss the implications of this study and to develop concrete follow-up, it is proposed that an informal and focused meeting should be convened outside of East Timor. Participants should be key members of the CNRT, Falintil, UNTAET, donors and Bretton Woods institutions. The agenda of this meeting should focus, inter alia, on the military option proposed, their wider implications for government institutions and civil society, address capacity training efforts and training initiatives, resource implications and the potential impact of the regional strategic and political environment.

289. Finally, it is suggested that this report and its findings should form the basis of wide-ranging consultation to ensure the political process is moved forward, and in turn that any momentum generated is not lost. For this purpose it is recommended that it receive wide distribution, certainly be translated relevant languages, and that it be shared with key counterparts of the new power-sharing Timorese administration, the CNRT and Timorese civil society, as well as with the core group members of interested governments.

Centre for Defence Studies,
King's College,
London,
8 August 2000

GLOSSARY

CELFC	Falintil clandestine wing
CELFA	Falintil armed wing
CivPol	United Nations Civilian Police
CFA	UNTAET Central Fiscal Authority
DRP	Demobilisation & Reintegration Programmes
DFID	Department for International Development (UK)
IBRD	International Bank for Reconstruction and Development
IMF	International Monetary Fund
Interfet	International Force for East Timor
NGO	Non Governmental Organisation
SRSG	Special Representative of the Secretary General
TNDF	Transitional National Defence Force
TNI	Indonesian Armed Forces
UNPKF	United Nations Peace Keeping Force
UNAMET	United Nations Advanced Mission in East Timor
UNTAET	United Nations Transitional Administration in East Timor

Annex: A

**EAST TIMOR STUDY:
TEAM MEMBERS**

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Annex: B

TERMS OF REFERENCE FOR AN INDEPENDENT STUDY ON SECURITY FORCE OPTIONS FOR EAST TIMOR

Background:

1. At the request of the Special Representative of the Secretary General for East Timor (in consultation with the CNRT and the National Consultative Council of East Timor), DFID has agreed to fund an independent study to examine and advise on options for the future East Timorese security force.

Objectives:

2. To produce within 6 weeks of the start date a report detailing a range of options best suited to the future security of East Timor, including possible profiles for a "defence force" and proposed milestones for activating these. Further, given the time constraints of the study but recognising the future implications of any decision taken by UNTAET (in consultation with East Timorese stakeholders) on defence matters, the team will identify and highlight the wider aspects of any defence review in terms of democratic accountability, constitutional arrangements, societal changes, impact on budget, and effects on development. These issues will warrant further study and require action by the transitional administration.

3. Specifically the study will cover:

- a. The strategic environment and assessment of threat
 - Geography/topography of the territory including the Oekusi enclave
 - Outline of historical context
 - Regional security dynamics - likelihood of hostility/assistance
 - Arms flows, transborder flows (e.g. crime, trafficking)
 - Internal threats to security (military activities, disaffection, ethnic/religious differences, disease)
 - Local perception of security forces (military/police/other)
 - And likelihood of compliance to law and order mechanisms

- b. The current security arrangements within East Timor
 - The UN Peace Keeping Force - size, responsibilities, capabilities
 - SOFA
 - The UNCIVPOL and indigenous policing capacity, current concept for the new East Timorese Police Force (doctrine, strength, capabilities, responsibilities, training)
 - Other forces (if any) - size, role, capabilities, mandates (costs)
 - Co-ordination between security assets, respective competencies and levels of effectiveness

- c. In depth analysis of the Falintil Force
 - History

Aspirations - incentives/disincentives for restructuring
 Current status, size, (active and reserve personnel), capabilities (education, training, experience), resources, command structure, costs
 Financing, pay and conditions
 Presently agreed roles in co-operation with/support of UNTAET
 Reputation - internal/external
 Relationship to CNRT/NCC/UN bodies
 Envisaged role in the creation of a new "Defence Force", place in government structure/constitution
 Fate of those who did not join the "Defence Force"

d. Review of the possible future defence and security policy options through consultation with major East Timorese stakeholders (political and social)
 Potential for future strategic partnerships
 Envisaged constitutional arrangements
 Revenue potential
 Preferred options for East Timorese defence and security

e. Civil-Military Relations
 Accountability of future defence forces to civilian oversight
 Civil infrastructure for defence accountability
 The requirements of transparency e.g. in terms of military expenditure
 Figures, force numbers, equipment levels etc.
 Integration of international humanitarian and human rights standards into defence policy and military operations

f. Analysis of options for future force and implications for each
 Respective roles of elements of security forces: Defence, border guards, police and, if appropriate, gendarmerie
 Size and composition
 Training/resource/procurement requirements, starting during the transitional phase (possible role of the UNTAET military component)
 Recruitment or demobilisation requirements
 Conditions of service
 Budgetary implications (including reintegration, resettlement, pension and opportunity costs)
 Foreign policy implications upon which the success of each option may depend
 Economic consequences - implications of various force sizes and combinations

g. Other tasks
 Indigenous ability to respond to rapid onset disasters and social consequences of such
 Role of armed forces in relation to policing, prison administration and judiciary functions

h. Areas for future study, consultation and debate
 Structure of appropriate civilian controls over the military
 Relationship of security force to other organs of state and to civil society
 Accountability of armed forces
 Military expenditure as a proportion of total government expenditure
 Participation in regional security organisations
 Cost/training implications of establishing, for example, a Ministry of Defence, Intelligence service, staff college functions, civil service, training in defence management etc.
 Feasibility of establishing independent, non-governmental, defence analysis
 Resources

Key skills required:

4. A team of up to six people including the following skills mix:

Team leader (may double as a specialist in another area) responsible for the management of the team, co-ordination of movements and production of the report to schedule

Military specialist with relevant operational experience, defence management expertise and an awareness of the political implications of defence decisions.

Social Development specialist with an understanding of the dynamics of East Timorese society and the impact of security policy decisions on social stability and development. Experience of progressing dialogue with diverse social groups in the context of post conflict reconstruction.

Specialist in demilitarisation and transitional security arrangements with an emphasis on policing and gendarmerie operations and issues of democratic accountability.

Governance specialist with an understanding of the interface between defence organisations and civilian control and oversight. Knowledge of defence organisations and structures.

Defence economist with an understanding of the true costs of security commitments. Practical experience of defence costings and procurement and an ability to analyse and forecast financial implications of security options.

Regional specialist (unless this is covered by the Social Development specialist) with in depth knowledge of the modern history, society and culture of East Timor.

Modus operandi:

5. The study will be undertaken by the Centre for Defence Studies at King's College, London. CDS will draw, as appropriate, on the best available expertise from institutions worldwide; a multi-national team composition will be preferred. The final composition of the team will be subject to the approval of the SRSF for East Timor, Mr Sergio Vieira de Mello.

6. In order to pursue its study the CDS team will have to conduct extensive interviews with major national stakeholders (UNTAET, CNRT, NCC, Falintil), representatives of the general population including the Church, media, pro autonomy representatives and local administrative structures and civil society actors (particularly in vulnerable security areas) and with World Bank and IMF representatives. Where possible and appropriate workshop style consultations with stakeholders are recommended in addition to conduction interviews. It is assumed that UNTAET will be able to facilitate those meetings. UNTAET advice will be sought on the appropriateness and feasibility of consulting governments in the region.

Timing:

7. This is an urgent request. Team members will be deployed to East Timor as soon as possible (and preferably during May) after they have been identified and their participation

approved by the SRSG. The field study will take place over 3 weeks and the report will be presented to the SRSG 2 weeks after completion of the field visit.

8. UNTAET is expected to facilitate the visit of the team to East Timor by appointing an individual responsible for handling the team's administrative, logistics and interpreter requirements.

Reporting:

9. The team leader will be required to update the SRSG on the progress of the study and provide wider (oral) briefings as necessary. The Team report will be submitted to the SRSG who will decide on any further distribution. Arrangements for the final oral briefing on production of the report will be determined by the SRSG.

END