Timor-Leste’s Future(s): Security and stability 2010-2020

In closing this volume on Timor-Leste, this chapter looks firmly forward at the security challenges facing this young nation in its second decade of independence. While our explicit focus is on threats to stability and security, these cannot be isolated from development and nation-building in either cause or effect. Timor-Leste has, of course, seen some very positive developments in the last decade, and has some great strengths, many of which have been addressed in the preceding chapters. The purpose of this chapter is not to duplicate the existing assessments of the nation’s development or strength (see for example ICG 2009; Ballard 2008; Horta 2008; RDTL and UN 2009; Scanteam 2007), but to identify factors that will challenge stability in the next decade.

Timor-Leste has confronted several serious challenges since gaining independence in 2002. Issues relating to stable domestic political succession, patchy economic growth, large numbers of internally displaced people, and related violence and civil unrest have contributed to a widespread perception that Timor-Leste is a fragile state. Following the events of 2006 and 2008, this perception has hardened into a view that Timor-Leste could become a failed state should these (and other) issues remain unresolved (for discussion, see
Cotton 2007a). The continuing presence of a large (though decreasing) number of foreign troops on the country’s soil is testament to the debt Dili owes to external support in maintaining internal security and law and order across the territory.

Timor-Leste’s evolution over the coming decade will be influenced by a range of interdependent variables, some of which are perceptible today, some of which are not. While particular events in isolation might have marginal effects on how Timor-Leste evolves in any given area, a combination of events in a broad range of areas could trigger extensive and potentially far-reaching change. For instance, we can be reasonably certain that demographic projections of the country’s population doubling within the next two decades are accurate. We can also be relatively certain that such a doubling will exacerbate levels of poverty in the country given that a commensurate expansion of the economy is highly unlikely to occur in that timeframe (World Bank and Directorate of National Statistics Timor-Leste 2008). It is less certain, however, that this will lead to explosive unrest among the population. This uncertainty remains even in light of the fact that the majority of the population will be concentrated in the 18-35 age bracket, a demographic cohort that history indicates is most likely to challenge state authority.
This chapter aims to identify the key emerging challenges in Timor-Leste, to cast light on the context in which international actors will continue to operate in Timor-Leste, and to help foster adaptability to change. Based in part on the approach used in the US National Intelligence Council’s Global Scenarios to 2025 project (NIC 2004), our analysis of how Timor-Leste will develop between 2010 and 2020 is grounded in identifying the most important issues facing the nation over the coming decade. When surveying such possibilities, we need to be conscious of continuing factors as well as the potential for sharp – even violent – discontinuities. On this basis we develop scenarios based on plausibility and probability. This dynamic method of assessing alternative future scenarios deliberately eschews predictive forecasting and instead aims to anticipate change effectively.

In canvassing these scenarios we draw on the methodology adopted by the UK Ministry of Defence’s path-breaking DCDC Global Strategic Trends Programme: 2007-2036, in which assessments are probability-based, in that most likely outcomes will be articulated but lower probability alternatives will also be canvassed. Potential shocks based on plausible triggers will also form part of the analysis (see Ministry of Defence 2007). Ultimately, we have been
guided by the maxim that ‘the benefit of strategic futures work is not that it
predicts the future, which is unpredictable, or enables organisations to control
it. It is about rehearsing possibilities, so one is better able to respond if they
happen’ (Henley Centre 2001: 21).

Our conclusions are based on a wide-ranging engagement with the primary and
secondary literature and extensive discussion with almost fifty key individuals
in government, academia, and the non-government communities in Australia
and Timor-Leste. Feedback has been received and integrated throughout the
drafting process, from a range of people with significant experience and
knowledge of Timor-Leste.

In this context, the chapter has three objectives. First, it aims to locate areas of
potential instability that could impact adversely on security and state-building
in the country. The second objective is to investigate the impact of international
relationships and external shocks on Timor-Leste. The third aim is to assess the
scope for the international community to shape positive outcomes in Timor-
Leste between 2010 and 2020. While we concede that ‘positive outcomes’ is a
value-laden term, for the purposes of this chapter we define it as the promotion
of internal stability and security through effective governance and rule of law,
the promotion of economic development and poverty alleviation through effective resource management, and the promotion of social justice within the population. Useful indices for tracking economic development, poverty alleviation, and social justice include the Millennium Development Goals and the Human Development Index (HDI). A key assumption permeating this chapter is that the coherence of the Timorese state – as measured by the government’s capacity to shape and respond to events within the country – remains a critical pre-requisite to achieving these outcomes.

DEVELOPMENT AND POPULATION TRENDS WITHIN TIMOR-LESTE

Best or worst case projections for Timor-Leste are not useful since we do not believe that it is realistic that Timor-Leste will reach either extreme, however our ‘most likely case scenario’ may look to some to be quite dire. Timor-Leste is ranked 162 out of 182 countries on the HDI, one of only 23 countries falling into the ‘least developed countries’ category and in the company of countries such as Afghanistan (the only other non-African country in this category), Sierra Leone and Ethiopia (see UNDP 2009). As such, the base level from which progress will be measured is already very low. High population growth (augmented in this period by increased life expectancy and reduced infant
mortality due to improvements in living conditions and the health sector) will erode the low level of development currently in existence, such that services and infrastructure will be unable to meet needs in coming decades, in areas including sanitation, education, and road maintenance and construction (see Saikia and Hosgelen 2009).

These factors will contribute to instability, but they will not be the direct cause of any security crisis. Rather, this provides a context for the sharp discontinuities we address in the remainder of this chapter, which should be understood as occurring on the canvas of stagnant or slowly declining human development in the nation.

INTERNAL CHALLENGES

Of all the potentially adverse outcomes for Timor-Leste between 2010 and 2020, the serious deterioration of security domestically would pose the greatest challenge – and perhaps the most obvious one. In 2020, Timor-Leste will have had its independence for a mere eighteen years. Historically, many developing countries have experienced major internal upheaval in post-independence periods.iii This is not to suggest that Timor-Leste will necessarily experience a
similar internal upheaval, but it would be atypical for a post-independence state like Timor-Leste not to experience such insecurity and instability in the decades after its independence.

Diverse internal challenges exist and will continue to have a corrosive impact on Timorese society (for discussion, see Chinn and Everett 2008, CAVR 2006, Grenfell this volume), and these will be the dominant factor inhibiting stability in Timor-Leste up to 2020. Over the last eight years, Timor-Leste’s development as a state has been characterised by very uneven progress with respect to security. In the words of the International Center for Transitional Justice:

Timor-Leste has come a long way since its vote for independence in 1999. The road to building a stable, democratic nation with a fully functioning security sector, emerging from the ashes of years of internal strife and violent occupation, has itself been fraught with violence, infighting, and setbacks. In the ten years since independence, the country has endured a complete breakdown of security as the military and police forces turned on each other in 2006, spreading violence and terror, and then in 2008 as assassination attempts were made on the President and
Domestically Timor-Leste has more in common with countries in the Southwest Pacific than it does with countries in Southeast Asia. In a recent report on development and governance in the South Pacific, AusAID has included Timor-Leste as a ‘reference country, because it shares so many characteristics of Pacific countries’. Timor-Leste shares characteristics with ‘a post-colonial state in which the imperial power has withdrawn to leave the local elites to establish a political system in the remaining vacuum (or employ similar forms of violence to maintain power and dominate the spoils)’ (Richmond and Franks 2008: 191), and exhibits several of the traits cited by some as evidence of the growing ‘Africanisation’ of the South Pacific (see AusAID 2009). Such traits include: growing tensions between civil regimes and military forces; competition for natural resources between distinctive ethnic groups; weakness of government institutions; and the centrality of the state as a means to wealth and/or power (Cotton 2007a: 459).

It is important, however, to make a distinction between internal security challenges that threaten stability within Timor-Leste, and those that directly
threaten the integrity of the state itself. While increasing crime and ethno-religious rivalries can lead to violence in states, and corruption and internal dissension have corrosive effects on governance, a survey of states internationally over time shows that these fault lines usually do not trigger state failure in countries where governments possess a capacity to use force to impose their will on the broader population. Timor-Leste does not currently have levels of robustness in governance or the security sector that would give observers confidence it could withstand significant internal challenges such as these. Based on the Timorese government’s actions in responding to the 2006 and 2008 disturbances, however, it would appear that in the coming decade Dili will be willing to request limited external assistance (such as that provided by the International Stabilisation Force for example) if internal disorder threatens to reach a ‘tipping point’, challenging the authority and integrity of the state.

CHALLENGE OF THE DEFENCE AND POLICE FORCES

In terms of identifying areas of potential instability that would seriously undermine the integrity of the state, the role of the FALINTIL-Forcas de Defesa de Timor Lorosae (F-FDTL, the Timorese defence force) remains of most concern. This relates to the inherent tendency of post-independence militaries in
weak states to interfere in internal political processes, either by the direct use of force or (more typically) the threat of force (Finer 1988). This ‘temptation to intervene’ has so far been resisted by the Timorese military, but this owes more to the close personal relationship between senior civilian and military leaders than to any institutional mandate or ingrained belief that ‘civilian control will prevail when civilian and military preferences diverge’ (Desch 1999: 4). The challenge for civilian authorities will be directing the energies of the military towards ‘outside’ activities such as peacekeeping or relevant ‘inside’ activities such as engineering projects to provide a constructive channel for differentiation between the role of the armed forces and the police. These processes are already under way.

Militaries are the ultimate coercive instrument of the state and – ideally – serve as a tool of government (see Greener-Barcham 2007: 92). Yet rule of law is often relatively tenuous and thus not widely accepted in post-independence states. In such environments, militaries have greater latitude to influence political outcomes in accordance with their interests through the use of informal pressure or leverage against governing authorities. Under section 146 of Timor-Leste’s constitution, the F-FDTL ‘shall owe obedience to the competent organs of sovereignty in accordance with the Constitution and the laws, and shall not
intervene in political matters’. Constitutional constraints such as these on the political role of militaries in post-independence states do not always prevent militaries from determining their own role in the political process through possession of overwhelming force.

In spite of the F-FDTL’s clearly prescribed constitutional role in defending Timor-Leste from external threats, and new laws outlining a defined internal role, iv this still leaves the question of what role the military can have in peacetime. As the UN states, ‘defining a meaningful role for F-FDTL in a peacetime setting, clarifying its relationship with the national police and establishing accountability mechanisms and civilian oversight will be among the main challenges for the Government in seeking consensus on and implementing [this] legislation’ (UN 2009: 56). This is complicated by perceptions in some quarters (including the military) that the police are not maintaining domestic security as effectively – or perhaps in the same manner – as the military would. Worryingly, a key ignition point for the 2006 Crisis was a conflict between police and military, and this tension has been characterised as ‘a fundamental disagreement on the locus of control of deadly force’ in Timor-Leste (Cotton 2007a: 459). The government called in the F-FDTL and international militaries (as well as international police) to restore domestic law and order during the
Crisis, and it can be expected that it would do the same in future events of this scale.

Timor-Leste’s police force – the PNTL (Policia Nacional Timor-Leste) – must play an important role in responding to isolated violent events and preventing their escalation. As the Special Representative of the UN Secretary General in Timor-Leste has reported, ‘The touchstone for success in Timor-Leste is not whether or not crises occur, but how future crises are met and resolved’ (UN 2009: para 11). If small issues are handled well, it may be possible to prevent escalation – and this is traditionally the role for domestic police forces (see Critchley 1967: 51ff). The UN is in the process of ‘handing back’ Timor-Leste’s police districts, but there should be no illusion that this means it is a force operating at peak performance and consistent with Western policing values, or that there is no longer a reliance ‘on an international presence as … a security safety net’ (Scanteam 2007: 2; see also Wilson and Belo 2009). While the PNTL is already operating quite independently and is performing many tasks reasonably well, it may prove to be ill-prepared if put to a serious test (ICG 2009b: 11-13).

There are numerous events that can be cited in which the PNTL has failed to
live up to the expectations of the Timorese and international communities. While this has serious ramifications for stability, rule of law, and public perceptions of and cooperation with the police, the most important concern is that the military has threatened to step in should the police make further mistakes. The Joint Command instituted in the wake of the attempted assassination of the President and Prime Minister in 2008 was dominated by the military (ICG 2009a: 4-5). Reports that F-FDTL personnel claimed powers of arrest and conducted house-to-house searches during this period, together with numerous stories of the military engaging in domestic security issues in periods that have not been declared a state of siege or emergency raises serious questions about its willingness to comply with the role allotted to it in the draft security laws (ICG 2009b: 20). This raises questions about the potential for the military to assume a dominant role in any future crisis in Timor, by dint of its organisational discipline and firepower.

The poor overall track record of militaries in promoting the development of democratic institutions and the rule of law in post-independence states, leads to concerns that a wider internal security role for the F-FDTL would almost inevitably have a negative impact on security and state-building in Timor-Leste. At the extreme end of the spectrum, an attempted (or successful) military coup
in Timor-Leste before 2020 cannot be ruled out. History and contemporary trends show that Southeast Asia and the South Pacific are not immune from militaries seizing political power by force (see Alagappa 2001), and the question of its likelihood in Timor-Leste is raised regularly (see Tempo Semanal 2010). A military coup is, however, unlikely in Timor in the next decade due to the large scale international presence in the country and the charismatic authority the present civilian leadership enjoys among senior levels of the F-FDTL. It is also noted that there is a strong feeling among many of the people interviewed in Dili that the head of the F-FDTL, Major General Taur Matan Ruak (‘TMR’), has a strong vision for Timor-Leste that includes a defence force answerable to a democratically elected government. It is more likely that greater military involvement in the internal affairs of Timor-Leste will evolve as a consequence of senior F-FDTL personnel questioning or refusing to comply with specific instructions from a post-Gusmão government. In the event that the military refused to carry out the orders of a civilian Prime Minister, the future of the democratic process in Timor-Leste would be called into serious question.

CIVIL UNREST
Another area of concern in terms of ‘sharp discontinuities’ that may lead to flash points or destabilisation of security is dramatic civil unrest, and this possibility remains strong in the minds of many in Timor-Leste. In 2006, problems with the international state-building project interacted with latent social tensions, as well as more clearly recognised risk factors including disenfranchised veterans, the emerging ‘bulge’ of unemployed youth, and political divisions and transition (see Cotton 2007b), to create a ‘perfect storm’. As Scambary (this volume) points out, ‘A number of key studies predicted many of the structural and internal tensions that sparked the 2006-2007 Crisis … Nonetheless, the events … came as a surprise to many observers’. While the Crisis was contained and defused, Shoesmith argues that both ‘the underlying causes of division’ and the violence committed between Timorese have yet to be addressed (2007: 32; UN 2009). In spite of this, a similarly disturbing set of initial events in 2008 did not escalate to the serious levels of 2006.

The assessment that the population is ‘quietly angry about a lot of things’ (while the population outside Dili is simply ‘bewildered’) is a sentiment shared by several people interviewed in Dili. Poverty remains biting for the majority of the population, in contrast to their sense of agency, achievement and even entitlement after successfully ‘defeating’ Indonesia. With education levels
rising as a result of improving development and stability, so too is the volume of people looking for non-existent jobs.\textsuperscript{vi}

In spite of strong development as outlined by various authors in this volume, rule of law, strong judicial systems and effective policing lag behind expectations (UN 2009: 55), and the leaders of government resist mechanisms for formalising reconciliation – parliament has finally agreed to respond to the CAVR report, but not before Gusmão and Horta stifled parliamentary debate on the report three times (see UN 2009: para 31). The Prime Minister and President are also reported to be the drivers of the release of Maternus Bere\textsuperscript{vii} (see La’o Hamutuk 2009a), raising ‘questions of violations of Timorese national law as well as of international standards and principles’ (UN 2009: para 33).

Together these factors are concerning, as is well summarised as follows:

The effect of low development rates and frustrated expectations has been to create a new conflict dynamic. Important segments of the population have concluded that Independence has not brought them material benefits. The effect has been to create social instability at the same time
as undermining the credibility of the newly forming state.

(Scanteam 2007: 49)

Yet the causes of disappointment remain disparate, with the result that any single factor is unlikely to cause the degree of unrest seen in 2006 or open a political vacuum: a convergence of issues would be required. This is certainly possible, particularly if the current or future Timorese government and international actors do not remain alert to such signs in the wake of the events of 2006 and 2008. The key areas of concern with respect to potential civil unrest are social cohesion, the economy, population growth, and agriculture.

Perceptions of exclusion and marginalisation are emerging, particularly around political elitism, income, language, perceived ethnicity and land ownership. Key concerns that contributed to the 2006 Crisis have not been successfully addressed, including ‘poverty (which has increased) and unemployment, lack of an effective land and property regime and still-developing institutions, including in the justice and security sectors’ (UN 2009: para 53). Where the independence struggle once provided a point of identity cohesion, Timorese are now ‘getting to know each other and our different desires for the country’ (personal communication, Dili, 2 October 2009; see also Kammen 2009: 387).
As a coherent vision continues to fade, competition for dominance will increase. Combined with perceptions of marginalisation, such visions are likely to become increasingly divisive rather than unifying unless there is strong leadership, either from within politics or from other key figures (for example in the Catholic church).

The economy is derived to a large extent from oil revenue and a worryingly high proportion of government income and expenditure (see ADB 2009; World Bank 2009; IMF 2009). Timor-Leste is not competitive on the international market because of high wages (an impact of the massive international intervention), relatively low skills and poor infrastructure (see Lundahl and Sjöholm 2006; World Bank 2005). Compounding this are several factors that make Timor-Leste unattractive to foreign investors, resulting in an ‘ease of doing business’ ranking of 161 out of 183 countries assessed in 2009 (Doing Business 2009a: ix). Not included in that measure but assessed by businesses as ‘one of the biggest constraints to their business work’ (Doing Business 2009b), lack of consistent electricity provision in most areas in Timor-Leste decreases the country’s attractiveness to investors, and this is exacerbated by confusion about the future of power development (see La'o Hamutuk 2009b).
Another impact of the intervention has been that international wages have led to a high volume of cash in the economy and a visible, cash-driven lifestyle of international staff. Although the UN appears to be planning a more carefully staged withdrawal of staff from 2012 in order to minimise economic and other shocks, the lifestyle and cash legacies remain. A growing body of better educated but under-employed youth is likely to be more vocal than previous cohorts, particularly if little in the way of meaningful opportunity is available to them – they have already demonstrated a capacity for ‘violence as theatre’ to publicise their grievances (Shoesmith 2007: 30; Neupert and Lopes 2006). While approximately 400 formal jobs are created annually, almost 20,000 new jobs would be required annually to absorb the growing workforce in the coming decade (RDTL 2009: 3; Saikia and Hosgelen this volume). Sadly, this is exacerbated by both national and international training programs that train people for jobs that do not exist, graduating Timorese with high expectations of working in comfortable jobs.

Population growth will exacerbate existing tensions around land, food, economy and equity, as well as creating new tensions (see Saikia and Hosgelen 2009 for a detailed discussion). There will be a range of tangible impacts of population growth, which in turn will increase pressure on stability. Services
and infrastructure are already struggling to meet demand and at current growth rates cannot keep up with a growing population. The relative deterioration of these areas and a continued urban focus could be a significant contributor to discontent and to increasing rural-urban migration. Indeed, Dili already has the highest population growth rate in the nation (Scanteam 2007: 62), and with population density at approximately 500 per square kilometre in 2004 (eight times the rest of Timor-Leste), the population of the capital in 2020 will be 150% greater than in 2005 (Saikia and Hosgelen 2009: 68). Surrounded entirely by sea and steep mountains, Dili cannot expand indefinitely, and high population numbers and density are likely to create tension and decrease the health and hygiene of Dili’s citizens (see Godfrey and Julien 2005).

The agricultural sector is not strong, and is narrow in focus (RDTL and UN 2009: 20). At present, coffee constitutes the primary export crop but remains a relatively small sector with ageing trees (World Bank 2009: 67). Staples such as rice and maize are key to subsistence agriculture, yet the country produces insufficient food to meet the needs of its citizens. Almost two thirds of the population suffer food insecurity (World Bank 2008; UNFPA 2009) and this is exacerbated by the reality that domestic food prices have increased significantly but incomes have not (UNDP 2006: 2; RDTL 2009: 3). The seas around Timor-
Leste represent an excellent fishing resource in a depleted region, but they are heavily fished by people from other countries rather than the Timorese themselves, since there is only one boat available for border patrol.\textsuperscript{x}

Further to this, deforestation has already reached a critical pace, with 19.4% of Timor-Leste’s forest and woodland habitat lost between 1990 and 2005 (Mongabay 2009). With over 90% of the population relying on wood fuel, there is no respite in sight. Apart from the obvious environmental impact, deforestation in a mountainous tropical country will increase landslides in the wet season, with devastating effect on existing infrastructure and the lives of people living on the edge of subsistence. This increases the likelihood of overwhelming ‘natural’ disasters for which the country has little readiness.

The most worrying of these areas of potential civil unrest is deliberate destabilisation, or the manufacturing of divisions for political ends – precisely because it \textit{aims} to create concatenating dissatisfaction, manifesting in large scale civil protest against the state. While this damages credibility and governance, at its worst it can escalate into a full-scale uprising. Indeed, political divisions saw the country’s leaders inflame rather than defuse instability in early 2006 (Scanteam 2007: 41; ICG 2006: 7). Due to their
charisma and access to media, it will be particularly important to watch for this from current leaders on all sides, as well as from aspiring political competitors and other interest groups, who may see this as a method for meeting their goals. At this point it appears that the government and opposition recognise the economic and international benefits of stability, although there has been some debate over whether this is simply a reflection of their calculations of popular support rather than a strategic priority.

GOVERNANCE

Governance is an area of central concern in any fragile state, and this is certainly true for Timor-Leste. It is easy to forget that it is a young country, particularly with respect to both domestic and international expectations of government. Democratic practice has evolved surprisingly quickly, and indeed debate on the Bere case is evidence of this, with robust parliamentary and public debate, and a motion of no confidence in government moved in October 2009 rather than violent public protests. More than one expatriate in Dili pointed out that Timor-Leste is a significantly better developed democracy than Australia was at an equivalent ‘age’.
Government handling of the factors outlined under civil unrest above will be critical, particularly the issues of services and infrastructure, population growth and perceptions of inequality. Concerns about impunity and corruption are quite likely to manifest into tangible problems of both legitimacy and stability. Similarly, failure to oversee positive development in the security sector or to check the military’s influence over time would damage security in Timor-Leste. While a 2007 study found that Timorese people view their country’s politics as undemocratic and based on patron-client relationships (Scanteam 2007: 66) and 79% of Timorese people favour the establishment of an anti-corruption commission to investigate existing concerns, nearly two-thirds of Timorese believe that the government is doing a good or very good (IRI 2009: 17, 24). The Timorese media is also playing an important role in seeking to ensure the government is held accountable for its actions (see JSMP 2009; Belo 2009).

In spite of positive assessments of Timor-Leste’s economic progress (see ADB 2009; World Bank 2009), questions exist around commencement of government borrowing and the real strength of economic growth since half of the ‘domestic revenues’ counted in the government’s 2010 budget are in fact make up of ‘money paid by one part of the government to another … [and] government agencies or programs which sell services but operate at a loss’
Further to this, the government lacks capacity to implement budgeted spending, although it is showing improvement in this area. There is strong debate about the government’s choice to draw down funds from the Petroleum Fund above projected income and thus sustainable use. Connected to this, current economic policies are not sustainable, giving insufficient attention to an identified need to prioritise ‘the productive non-oil sectors of the economy in order to reduce poverty, improve livelihoods and create job opportunities’ (UN 2009: para 39).

Most importantly, however, management of political transitions is the key area in which governance could become a point of instability or a trigger for crisis. Gusmão, Horta and Alkatiri dominate Timorese politics, but according to a number of Timorese people from diverse political perspectives, their popularity is dwindling (personal communication, Dili, September and October 2009). This is related to the questions of impunity and rule of law, their failure to meet high hopes for development since independence, distrust based on allegations of violence and partisanship during the resistance struggle, and a perception that their relevance diminishes as the post-resistance population grows. A generation of younger politicians are already playing key roles in politics, therefore any problems of leadership transition are less likely to demonstrate a
poor pool of ‘replacement talent’ than to be manufactured by aspirants hoping to gain support through divisive politics, or by those leaving as a demonstration of their indispensability.

Finally, there is an emerging desire amongst Timor-Leste’s leadership to be allowed to run the country without an international presence. The Secretary of State for Defence recently gave a speech in which he urged the UN to recognise that it was time to leave (Pinto 2009), while a civil society representative stated that ‘we have been made to feel like guests in our own country under the UN’ (personal communication, Dili, 2 October 2009). This period of transition requires extremely sensitive handling by both domestic and international leaders.

INTERNATIONAL RELATIONSHIPS AND EXTERNAL SHOCKS

As one of the world’s newest states, Timor-Leste’s engagement with the international community is extensive, and it is particularly strong with the United Nations. Engagement with multilateral institutions will remain a significant part of Timor-Leste’s interaction with the outside world over the next ten years. It will be especially salient in relation to Dili’s dealings with the
UN over the latter’s role in the country after it begins to scale down UNMIT in 2012.

Timor-Leste’s most important bilateral relationships are with key donor states and regional neighbours. Dili’s priority in its foreign affairs appears to be nurturing close relations with states that are both key donors and major regional players (Australia, Indonesia, and China). The nation’s bilateral engagement is nonetheless characterised by a high degree of diversity, and includes close ties with its former colonial authority Portugal and strong health care-related ties with Cuba. Timor-Leste remains an active UN member (and of course hosts a continuing UN presence), it has laid the foundations for full membership of ASEAN (see Horta 2009), and has recently taken the lead in the newly-formed ‘g7+’ consortium of fragile states. While managing donor input and reporting is a major task that has been recognised as a significant burden (and capacity drain) on developing economies (see for example Makuwira 2006), in many respects, Timor-Leste’s diverse range of international relationships gives it more power in its aid relationships than would initially appear to be the case. At present, should a donor impose unpalatable demands, Timor-Leste can turn (or more likely threaten to turn) to another donor – for example China, which has a history of providing aid with low or no conditionality, but which other
countries do not necessarily wish to see securing increased power in the region (see Campbell 2008: 92).

In large part, the increasing demands for Timor-Leste in managing its bilateral-relationships will result from the changing geopolitical landscape of the region itself, in particular China’s continuing endeavour to extend its politico-strategic influence further southwards in Asia. Beijing is now a major player in the ASEAN process and has made considerable inroads into challenging US influence in Southeast Asia (Glosny 2006). Over the next ten years the growing closeness of the Sino-Australian relationship, increasing American detachment from Southeast Asia, and closer ties between historical rivals Indonesia and China are likely to make it more difficult for Timor-Leste to counter-balance China’s influence over its future development should it wish to do so.

A final area of potential destabilisation to be considered is that of international shocks, which can be defined as ‘game-changing’ events in the international system that provoke major discontinuities and occur at extremely infrequent intervals (see Schwartz 2003). Recent examples include the events of 11 September 2001 (which triggered a resurgent US unilateralism in international relations) and the collapse of the Soviet Union in 1989 (which triggered the end
of the cold war). Admittedly, global events have had limited impact on small and relatively isolated states like Timor-Leste. This is not to say that international shocks over the next decade will not impact on Timor-Leste: the country’s economy is not immune to fluctuations in the global economy. Nonetheless, Timor-Leste will be largely protected from global economic shocks by virtue of the fact that beyond oil it is only marginally integrated with international markets (see Pires 2009), and domestic disincentives to international investment are at least equal to those arising in the international arena.

In the non-economic realm, external shocks most likely to impact on Timor-Leste up to 2020 will be regional in their origins. It is important to note that the most significant non-economic shocks of the past in shaping Timor-Leste’s destiny have been local in nature (the Indonesian invasion of 1975 and Suharto’s political demise in 1998). Plausible future events include the emergence of neo-authoritarianism in Indonesia, a rupture of the diplomatic relationship between Canberra and Jakarta, and clashes between regional navies in the Strait of Malacca, any of which would have an important impact on Timor-Leste. In reality, however, international shocks remain amongst the least likely causes of instability in Timor-Leste in the near term.
CONCLUSIONS

Timor-Leste enters 2010 from a base of very low human development indicators, and apart from the Petroleum Fund, possesses little that can provide a strong basis for economic growth and employment. Our projection is that Timor-Leste will remain fragile in the coming decade. We have addressed the concerning linear trends of development indicators and population growth, together with the three main areas we assess as most likely to lead to sharp discontinuities affecting security in the nation. We summarise our key concerns below, together with our assessment of the likelihood that the discussed events will manifest, and the impact on security and stability should they do so.

- The F-FDTL could directly cause instability by refusing to take direction from the government, taking over from the police, operating outside its constitutional and legal bounds, or even staging a coup. We assess this to be a medium level risk that must be closely monitored, and which would have a seriously detrimental impact should it occur. We do reiterate, however, that there is already positive work taking place to attempt to prevent this, and this must be actively pursued.
• Civil discontent could lead to high level unrest of the nature seen in 2006, in the event of confluence of several major points of popular dissatisfaction. As with the military, this needs to be monitored. It is particularly important to be aware of any single issue being allowed to build up without adequate response. This is also a medium level risk with large-scale impact, however it is more likely that there will be clear indicators before any such event. The challenge will be to take better note of these building tensions (and the commentators pointing to them) than has been the case in the past. Part of this challenge is the very real question of knowing who to listen to and how we take their insights and apply them judiciously and appropriately.

• Linear trends of development and population are concerning. There is little indication that projected population growth in the next decade will be averted. The interaction between this growth and development trends will see quality of life deteriorate significantly by 2020, and development and aid engagement by the international community can do little more than cushion the impact. While this will be highly unlikely to be a direct cause of internal conflict, it will definitely
contribute to instability. In light of these factors, we see this as a high level risk but medium to low impact.

- International factors are assessed to be low risk and medium impact. The international actors engaged in Timor-Leste have a strong interest in stability in the country, the UN is planning to withdraw at a slower pace than previously (to manage the impact better), and Timor-Leste has only low integration with the global economy. In this sense, likelihood of problems is low, and impact, while felt, is not likely to lead to the level of deterioration in the country that could be caused by other factors discussed here.

In conclusion, there needs to be careful attention both within and beyond Timor-Leste to a broad range of issues in the coming decade. This is a critical period in the nation’s history, and will be the time when we begin to see whether the nation is able to consolidate democracy or turns down an alternative path. It is highly vulnerable should shocks occur, and international assistance will be crucial in monitoring, prevention and response throughout the coming decade.
Within this, there are key roles for international militaries, development organisations and governments in working to prevent these concerns from becoming destabilising issues. In particular, the International Stabilisation Force can be of assistance by maintaining strong relationships with the F-FDTL and leadership with regard to forging a strong peace-time role and clear role limitations for Timor-Leste’s defence force. While a reduction of forces as announced in December 2009 (and likely to continue over coming years) is warranted, force leadership must continue to demonstrate respect for Timor-Leste’s standing, through both rank and skill.

Government, multilateral and non-government development organisations have a clear role in promoting self-reliant and sustainable development, with a particular focus on food security, rule of law and justice, and social cohesion. They should also play a key role in sustainable employment creation, for example through micro-credit schemes, but they must be careful not to contribute to dissatisfaction by training people for work that does not exist. Finally, government-to-government influence and support can be exercised by other nations to encourage transparency, accountability, respect for rule of law, and sustainable economic policy.
The task facing Timor-Leste is no less than gargantuan. Both domestic and international actors must remain attentive to emerging instability during the coming decade, in order to prevent it escalating to full-scale crisis. In particular, more attention must be paid to commentators who point to emerging problems – history has shown that they have been right in identifying critical tensions in Timor-Leste. Further to this, efforts focused improving development, enhancing security and building nation must communicate and interact closely with each other in order to ensure that efforts are complementary rather than competitive. While it remains uncertain whether these areas of concern will escalate to new crises, they will almost certainly play out on the canvas of declining human and economic development that will keep Timor-Leste ranked as a ‘least developed country’ throughout the decade.
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ii The HDI measures development through factors that include GDP, life expectancy, and life quality as measured through indicators including health and education. The Millennium Development Goals are: the eradication of extreme poverty and hunger; achieving universal primary education; promoting gender equality; reducing child mortality; improving maternal health; combating HIV/AIDS and other diseases; and ensuring environmental sustainability.

iii For example, in 1965, twenty years after its declaration of independence, Indonesia experienced a bloody coup that radically reshaped the political landscape of the country.

iv Wilson (2009: 8) notes, however, that the laws (then in draft form) on national defence, internal security and national security together ‘create a confusing tapestry. They are collectively contradictory and have unnecessary overlaps. They refer to outdated governmental structures, create an extraordinary number of new bodies for a small nation-that will be difficult to implement, and are unclear in many other respects.’

v Almost half of the population was living on less than the national poverty line of US$0.88 per day in 2007 (RDTL and UN 2009: 3).

vi For an extensive discussion of the unemployment and population growth in Timor-Leste, see Lundahl and Sjöholm 2006.
vii Indicted for crimes against humanity and captured this year after entering Timor-Leste in 2009.

viii Land ownership is a major and intransigent issue that deserves much more space than we can afford it here – yet like other factors, it is more likely to contribute to civil unrest than be a sole cause of it.

ix The health sector appears to be the exception to this, performing relatively well (see Zwi et al 2007; IRI 2008: 16)

x A further two have been purchased from China and will be used to supplement this capacity (Junior 2009).