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RELEASED IN FULL

TO: The Secretary *EO*

FROM: INR - Phyllis E. Oakley

SUBJECT: East Timor - More Questions than Answers

Indonesia's January 27 announcement that independence for East Timor could be considered by the new parliament after the June 7 election if the Timorese reject an autonomy proposal initiated a political process with little coordination. Indonesian officials and the Australian prime minister have reiterated that autonomy is the preferred outcome, but the momentum is toward full independence. Key questions involve who to engage on the Timorese side and the timing and precise nature of the process. By default, the UN may be best suited to orchestrate the transition, but only if Jakarta has a face-saving way to protect its interests and supporters. (C)

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On the diplomatic front. Who speaks for the East Timorese will need to be worked out among the Timorese themselves and with Jakarta, Lisbon, and the UN. Canberra will take a prime interest because Timorese, such as Ramos Horta, reside in Australia. East Timorese who have found unity in confronting a common enemy in Jakarta can be expected to voice differences over process, timing, and personalities. For example, some Timorese were critical of Xanana Gusmao's call for a lengthy transition. (C)

Under UN auspices, delegations from Portugal and Indonesia have discussed the basic framework for autonomy, but have not agreed on a mechanism to poll the Timorese. Even though this autonomy proposal is likely to be rejected, engaging the Timorese as soon as possible in this process could help establish guidelines for a transition to independence. (C)

On the ground. Jakarta maintains some 20,000 troops in East Timor and has organized armed civilian cadre, ostensibly to protect the people who are opposed to independence. Disarming both sides will be difficult unless there is a genuine ceasefire and guarantee of protection for residents opposed to

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independence. Arranging an exit strategy for Jakarta's forces also will be delicate. The armed forces want to avoid reopening the invasion issue and may balk at a scenario that appears to return East Timor to Portugal, thus calling into question the sacrifice of several thousand Indonesian soldiers. Timorese leader Xanana Gusmao's suggestion of a joint Indonesian-Timorese force for an interim period may sound naive, but could provide security for the transition if supported by all the key players. (C)

The exodus of non-Timorese has already begun; more are likely to depart. Managing resettlement will fall largely on the Indonesians, who already have said the UN must accept some responsibility. East Timor will lose a significant number of Indonesian-supplied teachers, healthcare workers, and civil servants, making Catholic Church and NGO support an essential part of the mix. (C)

Timing. President Habibie speaks of independence by the end of the year; other Indonesians and some Timorese refer to a transition ranging from months to years. There are no arbitrary deadlines, but Indonesian assembly elections on June 7 present an awkward obstacle. Whether to seek a Timorese determination on autonomy before, as part of, or after June 7 has not been decided; each timetable presents unique challenges, particularly for consideration of an acceptable UN role. Jakarta argues that only the full parliament, scheduled to meet in the fall, can terminate East Timor's incorporation into Indonesia. (C)

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