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China's Engagement with Timor-Leste Amid Geopolitical Tensions

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SYNOPSIS

Timor-Leste has been an active supporter of China's regional and global initiatives. However, its engagements with China have often intensified strategic discussions in the region and beyond as China-US competition and rivalry engross business and policy circles. The increasing geopolitical tensions between Beijing and Washington behoove Chinese and Timorese policy officials to develop a more calculated approach in advancing their bilateral cooperation going forward.

COMMENTARY

In September 2023, China's President Xi Jinping met with the Prime Minister of Timor-Leste, Xanana Gusmão, who was in China to attend the opening ceremony of the 19th Asian Games. They jointly announced the elevation of their bilateral relations to a comprehensive strategic partnership.

Since 2012, Timor-Leste has consistently supported China's regional and global initiatives. In addition to joining China's Belt and Road Initiative (BRI) and the Asia Infrastructure Investment Bank (AIIB), Timor Leste leaders have expressed their desire for more Chinese investments and trade at almost every meeting with Chinese government leaders.

However, China's engagement with Timor-Leste has long been a source of concern for various regional stakeholders. How should China engage this Southeast Asian country in light of increasing geopolitical tensions in the region?

China-Timor Relations: Past and Present

Timor-Leste and China share a long-standing relationship. China was the first country

to recognise Timor-Leste's unilateral (but short-lived) declaration of independence from Portugal on 28 November 1975. China was also the first to establish diplomatic relations with Timor-Leste after it achieved formal independence on 20 May 2002. The two states have always enjoyed exceptionally warm relations, with frequent high-level state meetings between them, even before the recent political elevation of their bilateral ties.

Timor-Leste has been very receptive to economic cooperation with China. This is hardly surprising considering that twenty-two years after gaining independence, it is still one of the poorest countries in Asia and suffers from a lack of diversification in its economic structure. In 2023, over 70 per cent of the population still rely on rain-fed subsistence agriculture as their primary source of income. The country is still in desperate need of investments to upgrade its poor infrastructure, particularly in transportation, water management, and electricity power distribution.

Since 2017, over 20 BRI projects have been signed with China, including key projects such as the national power grid, the Suai Highway, and the Tibar Bay Port that have caught the attention of regional and international powers. During his meeting with China's Foreign Minister Wang Yi in 2022, Timor-Leste's President Ramos-Horta stressed that China's development not only benefitted his country but was also of great significance for the region and the world. He added that Timor-Leste was full of confidence about the future of their bilateral relations.

However, Chinese engagement with Timor-Leste has been a matter of concern for other regional players. For instance, at the commemoration of the 20th anniversary of Timor-Leste's independence on 20 May 2022, Ramos-Horta emphasised the need to promote the development and strengthening of relations with other countries to ensure economic and commercial integration. He also advocated greater defence and security cooperation with the ASEAN countries, Japan, South Korea, and the United States. But what made it to regional news headlines was his mention of the need to expand bilateral relations with China, which highlighted the anxiety felt about China's engagement in the region.

Recently, Australia and New Zealand have voiced their concerns over Timor-Leste's decision to elevate its bilateral relations with China, fearing that such an agreement could lead to greater Chinese influence and military cooperation between the two nations. These apprehensions have been a source of pressure for leaders of the Timorese government, forcing them to carefully consider the implications in advancing ties with China.

How Should China Respond?

Considering increasing geopolitical tensions in the region, China should adopt a more calculated approach when advancing political and economic cooperation with Timor-Leste. Two essential understandings are needed.

Understanding the geopolitical situation and implications of its actions

Timor-Leste is strategically located at a critical juncture, described in Chinese as 咽喉要地 (*Yan Hou Yao Di*), meaning a key juncture with strategic implications. Positioned

northwest of Australia and near the eastern end of the Indonesian archipelago, the country is surrounded by larger neighbours. More importantly, Timor-Leste is less than 800km from Australia's Darwin, where about 2,500 US marines are based.

Furthermore, the interests of these neighbouring countries are not only misaligned but are, in fact, marked by mutual suspicions. This requires Timor-Leste to balance its relations with all the regional countries carefully as any move to establish closer ties with any particular power could arouse suspicions in others.

Given the geographic location of Timor-Leste and the escalating geopolitical tensions between China and the US, China should recognise that its increased engagement with Timor-Leste is likely to provoke further suspicion among all stakeholders in the region. This suspicion is likely to persist regardless of China's efforts to emphasise the non-political nature of its involvement in Timor-Leste.

In fact, it was reported that Timor-Leste's delayed admission into ASEAN was partly due to concerns that its entry could significantly boost China's influence over the regional organisation. Despite increasing economic cooperation with China, Timor-Leste still relies heavily on its immediate neighbours for market access and developmental assistance and cannot afford to jeopardise these ties.

China should therefore exercise care with the use of words in any official pact signed with Timor-Leste. One of the reasons for the unease sparked by the comprehensive strategic partnership agreement between the two countries was the mention of plans to "enhance high-level military exchanges, strengthen cooperation in areas such as personnel training, equipment technology, [and] the conduct of joint exercises and training" in the joint statement.

China could strategically initiate joint projects and investments in collaboration with other regional stakeholders, ideally through established regional platforms. This approach would help to alleviate regional suspicions and reduce pressure on the Timorese government.

Understanding the actual needs of Timor-Leste

Timor-Leste's limited size and weaker economy cannot sustain the consequences of poor investment decisions. Additionally, acknowledged as the most democratic country in the region, its government is subject to scrutiny from a wide array of political actors in the country. The high levels of debt incurred by the governments of Kenya, Sri Lanka, and Zambia as the result of unsuccessful investments and substantial borrowings from China have raised concerns within Timor-Leste. These apprehensions persist even though the Timorese government is confident that China is not engaging in debt-trap diplomacy.

Moreover, some BRI projects elsewhere have been criticised for hiring more workers from China than locals. This has triggered anti-Beijing sentiments in countries like Laos and Turkmenistan. And where locals were employed, there have been widespread complaints about poor working conditions, leading to public demonstrations in countries like Vietnam and Sri Lanka. All these run counter to Timor-Leste's aspirations to build a local workforce through international cooperation.

Although there have been visible improvements in the management of its projects, China need to enhance consultations with local stakeholders and reassure the Timor-Leste government and people that the joint projects benefit the local community. This approach will ensure that the Timorese people understand the mutual benefits of Chinese investments and engagement, thereby fostering greater support amongst them for the Timor-Leste government's deepening ties with China.

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