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China–Timor-Leste Relations: Seeing Recent Developments in Perspective

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SYNOPSIS

Despite deepening bilateral cooperation with China, Timor-Leste does not intend to pick sides in the ongoing tensions between China and the US. Timor-Leste's increasing engagements with China are primarily driven by pragmatic economic and developmental needs, particularly as investments from Western and Japanese sources wane.

COMMENTARY

On 28 July, President José Ramos-Horta of Timor-Leste landed in Beijing for a four-day official visit. This was the first state visit to China by a Timor-Leste president since diplomatic relations were established in 2002. In recent years, Timor-China relations have become a focal point of regional attention.

Heightened scrutiny came to the forefront during the commemoration of the 20th anniversary of Timor-Leste's independence on 20 May 2022, where President Ramos-Horta underscored the need to deepen relations with China alongside other suitors. The concern intensified in 2023 when Timor-Leste elevated its diplomatic ties with China.

Given its longstanding international reputation and the significant not-to-be-ignored influence of its neighbours, it is impractical for Timor-Leste to align solely with China. Instead, recent developments in Timor-China relations are primarily driven by pragmatic needs.

Timor's Needs from China

Indeed, Timor-Leste's economic and political needs drive its increasing engagement

with China. Economically, Timor-Leste remains one of Asia's poorest nations despite its independence for over two decades, and its US\$17.4 billion petroleum fund is expected to be depleted in 20 years.

With investments from traditional allies like the EU and Australia dwindling and many projects stalled Timor-Leste is urgently seeking new investment sources. Furthermore, Timor Leste needs to diversify its economy and develop, as aid and oil money alone is not sustainable and won't help the country respond to the growing demands of a young population.

In terms of security, as President Ramos-Horta said in a session with the Press Club of Australia last year, as a responsible country, Timor-Leste must be sensitive to the security concerns and preoccupations of its neighbours. However, as a sovereign nation with national interests to consider, Timor Leste must be able to articulate and achieve its own national objectives.

At this stage, Timor Leste is a multi-party democratic nation that has made significant institutional and political achievements. However, to sustain democratic gains, they need to be combined with tangible economic development and capable of delivering improved living conditions for its people who continue to live in poverty.

In this context, improved economic ties with China may be the only sure path to sustaining its democratic achievements. China's Global Development and Belt and Road Initiatives offer vital new sources of investment, enhancing Timor-Leste's economic options and spurring development.

Access to just one per cent of the Chinese market will mean a lot to Timor-Leste. Currently, China's economic and political engagement with Timor-Leste lags behind that of other regional countries. Economically, China ranks second in Timor-Leste's bilateral trade, where Timor-Leste suffers a trade deficit.

China offers a low amount of investment and aid to Timor-Leste compared with Indonesia and other ASEAN countries, Australia, Japan, the EU, and the US. In contrast to regional peers like the Solomon Islands or Sri Lanka, Timor-Leste has avoided direct loans from China and receives minimal aid compared to its South Pacific neighbours.

Politically, no Chinese president or Politburo standing members have visited Timor-Leste in the 22 years since diplomatic recognition, the highest-profile visit being from Foreign Minister Wang Yi in 2022, starkly contrasting with interactions with other regional players. Hence, it will take a long time for Timor-Leste and China to upgrade their relations to the level of Timor-Indonesia or Timor-Australia relations.

Thus, the recent enhancement of political and economic ties also aims to balance Timor-Leste's relationships with Australia, Indonesia, and the US. This process in itself will require considerable time and effort.

Consistency in Timor Leste's Foreign Policy

More importantly, one should understand the consistency in Timor Leste's foreign

policy. Unlike the other fence-sitting countries in the South Pacific, Timor-Leste, acknowledging its geographic constraints and the potential for regional and global political entanglements, has consistently pursued a balanced and neutral stance in its foreign policy since gaining independence.

In practice, Timor-Leste has welcomed political and economic cooperation with all its neighbouring countries and has long championed multilateralism. For example, the government has dedicated substantial efforts to engaging in and supporting various international organisations such as ASEAN, WTO, the Community of Portuguese Language Countries, and the “Little G7” (also known as the G7+), demonstrating its commitment to cooperative international relations. As President Ramos-Horta has articulated on several international platforms, Timor-Leste seeks “strong ties with all and does not take sides”.

Given its longstanding international reputation and the significant influence of its neighbours, it is impractical for Timor-Leste to align solely with China. Its deepening engagement with China reflects its practical political and economic needs. A better approach for concerned parties is to enhance economic cooperation with Timor-Leste rather than exerting pressure through criticism.

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