

# Chinese involvement in Timor-Leste: myths and facts

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# Where is Timor-Leste?



At the opposite end of Southeast Asia from China, outside the Belt and Road area.

Timor-Leste joined China's AIIB Development Bank in 2017 and is cooperating with the Belt and Road Initiative.

Timor-Leste has 1.4 million people – China has a thousand times as many.

China's land area is more than 600 times larger than Timor-Leste.

China's economy (GDP) is 8,000 times as large as Timor-Leste's.

Nevertheless, China has had a profitable relationship with this new, tiny country and expects to continue to do so. It's not clear that the benefits have been mutual.

# Topics to discuss

- **Introduction to Timor-Leste history**
- **Outsiders' fears of China**
- **Chinese assistance to Timor-Leste**
- **Timorese imports from China**
- **Timorese contracts with Chinese companies to build infrastructure**
- **Chinese businesspeople in Timor-Leste**
- **Investments and loans**
- **China's political influence on Timor-Leste**

# History of Timor-Leste in one slide

- People have lived in Timor-Leste for at least 5,000 years.
- Portuguese colonized nearly 500 years ago.
  - They brought Catholicism but little development or education.
  - Significant Chinese immigration started in the early 1900s.
- **Australia, then Japan, invaded in 1941-45.**
  - 40,000-60,000 Timorese died in WWII, which they had no interest in.
- Portugal's military dictatorship resumed control in 1945.
- Portugal began decolonizing in 1974
  - after the Carnation Revolution brought down Portuguese dictatorship
  - TL declared independence 28 November 1975 ... but then
- **Indonesia invaded on 7 December 1975.**
  - Indonesia killed 150,000 Timorese in 24 years of occupation.
- Referendum in 1999, then 2½ years of UN rule.
- Independence finally restored on 20 May 2002.
- Peaceful elections in 2001, 2002, 2007, 2012, 2017 and 2018.

In the 1970s, China supported Timorese sovereignty due to Cold War politics.

But when they realized the parallels with Tibet, they started to vote against Timor-Leste in the UN after the mid-1980s.

Taiwan then supported the independence movement diplomatically and was welcomed by the Timorese resistance.

After the Indonesian occupation ended in 1999, the Timorese leadership abandoned Taiwan and established good ties with the People's Republic, which was the first nation to establish diplomatic relations when independence was restored in 2002.



# The West sees China lurking everywhere.

- **Australian Senator Rex Patrick:** "When I went to the southern plateau of Timor-Leste I could see 32 kilometers of a dual-carriageway freeway that had been built by the Chinese. I saw the power lines that have been built by the Chinese and I saw the ports that are being built by the Chinese. It turns out that the Chinese are a much better friend to East Timor than Australia is..."
- **Lawyer Ian Cunliffe:** "Astute observers have remarked that Timor-Leste is potentially Australia's Cuba. From a strategic military and intelligence perspective, there is little doubt that China would be very keen to have a presence in Timor-Leste. If it were to do so, the Australian Government would very likely need to respond."
- ***Stratfor Situation Report:*** "China ... is gaining a foothold in the backyard of Australia and Indonesia, which have long been the biggest players in East Timor."

These quotes are from Australian supporters of Timor-Leste, advocating for their government to treat the country better.

Mainstream U.S. and international media often have a similar perspective.

They don't understand that China is in Timor-Leste to make money, rather than to project political influence.

# **Geopolitical conflicts have been devastating to the Timorese people.**

- **In 1941, Australia sent troops to Portuguese Timor, which was neutral in World War II, to keep Japanese soldiers away from Australia. Japan responded in kind, and the ensuing war and occupation took about 50,000 Timorese lives in a conflict that they had nothing to do with.**
- **In 1975, still stinging from their defeat in Vietnam, the U.S. and Australia justified their support for Indonesia's invasion and occupation of Timor-Leste with Cold War, anti-communist ideology. More than 150,000 Timorese people were killed as a result.**

**It must not happen again.**

## **China has given some aid to Timor-Leste, but not much.**

- **Their total assistance to the country has been about \$88 million, roughly 3% of the foreign aid Timor-Leste has received to date.**
- **This year, Chinese aid will be \$4.6 million dollars, about half as much as Germany will contribute.**
- **Nearly all of the aid has gone to pay Chinese companies and Chinese workers, and hardly any has entered Timor-Leste's economy or supported sustainable development.**



# Chinese aid projects in Timor-Leste

Project	Dates	Value (million USD)
Foreign Ministry	2009-2013	12
Military headquarters	2010-2012	9
Presidential palace	2007-2009	7
Rice	2011	8
Rice plantation	2008-2015	10
X-ray scanner (customs)	2013	8
Medical team	2006-	14
Human resources cooperation	2006-	15
Other		5
<b>Total</b>		<b>88</b>



Foreign Ministry (above) and Defense Ministry (below) buildings under construction



This list includes all the significant Chinese assistance projects since independence.

The first three are government buildings designed, built, and furnished by China. Almost no Timorese workers or suppliers were involved.

The Medical team and Human Resources Cooperation send people from China to work in Timorese government facilities, and also support Timorese students to study in China.



Presidential Palace after April 2021 flooding



Ministry of Foreign Affairs, Dili

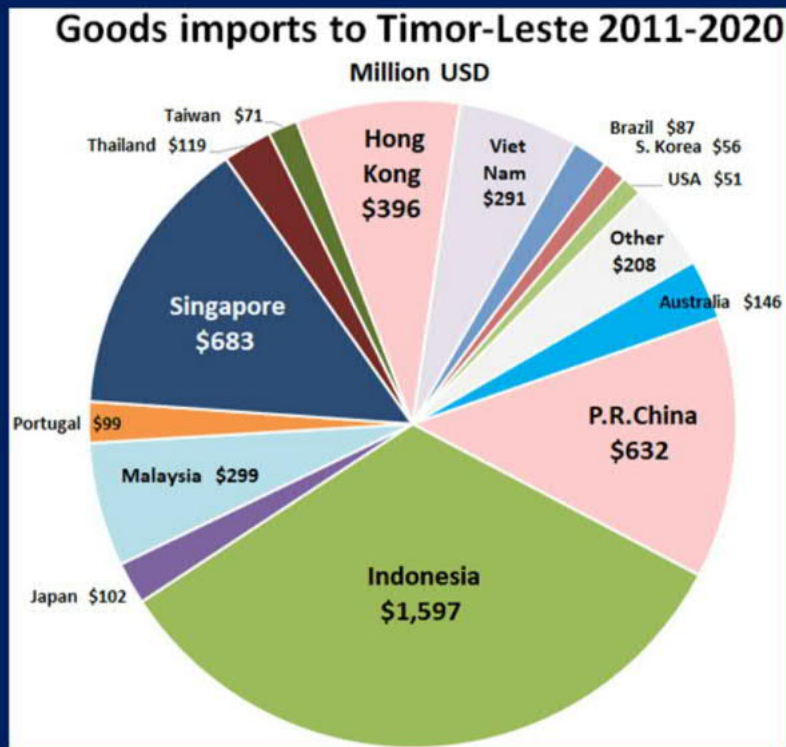


These are two of the completed buildings, although the lower photo of the Foreign Ministry is ten years old, before landscaping, and the roof is not so red any more.

## **Timor-Leste has given a lot to China.**

- **Timor-Leste has paid Chinese suppliers about \$1 billion for imported goods in the last decade.**
- **Last year, Timor-Leste imported goods from China and Hong Kong worth \$116 million, 23% of all goods coming from abroad.**
- **Timor-Leste exported less than \$2 million worth of goods to China last year.**
- **Since independence, Timor-Leste has paid Chinese companies more than \$1.3 billion (15 times as much as all Chinese aid to TL) to build infrastructure.**

# Where does Timorese money go when it pays for foreign goods?



We consider Hong Kong to be part of China for trade analysis purposes.

# Chinese companies were paid by Timor-Leste to build infrastructure.

Project	Company	Payment (\$million USD)
Electric power plants and transmission lines	Chinese Nuclear Industry Construction Co. #22 and China Shandong International	358
South Coast highway (first 30 km)	China Overseas Engineering Group Company and China Railway First Group Company	300
Container port	China Harbour Engineering Company (subcontracted by Bolloré)	200
Other roads	CBMI, Sinohydro, Shanghai Construction, Hebei Road and Bridge, CNI22, China Wu Yi, Chongqing Int'l Construction and others	448
Other projects	various	> 10
<b>Total</b>		<b>1,343</b>

These are only the largest projects. There are many more smaller ones.

Most of the “other roads” are financed by borrowing from the ADB, World Bank, or Japan, but Timor-Leste will have to repay them.

None are being paid for or financed by the Chinese government or companies.

Most of the Chinese companies got contracts by bidding lower than their competitors, but a lot of the work has been poor quality.

They brought workers and components from China, and employed almost no Timorese workers or subcontractors.



# CNI22 didn't fulfill its contract to build power plants, but was still paid \$300 million for electric transmission lines.

CNI22 is Committed to High Quality Execution of Electrical Power Project of Timor-Leste



These banners are from the ground-breaking for a major generating station, but Chinese Nuclear Industry Construction Company #22 never built either of the two power plants they had contracted for.

After two years, Timor-Leste cancelled that part of the contract and made a new deal with Indonesian and Finnish companies to build them, at more than double the price.

CNI22 continues to receive Timor-Leste's money to build power lines and other projects.



**Timor-Leste paid COVEC-CRFG \$10 million/km to build the South Coast Highway, which fell apart in the first wet season.**



The first highway in Timor-Leste and has displaced many people and separated families from their farmland.

Only the first 30 of the planned 151 kilometers have been built; the remainder is not yet contracted.

Its poor design and construction caused it to crumble in the first heavy rain.

The highway project, managed by the TimorGAP National Oil Company, is part of the larger Tasi Mane petroleum infrastructure project spread across the south coast, which will require nearly \$20 billion to construct and whose economic, environmental and social costs probably outweigh its benefits to Timor-Leste.



The container port at Tibar is a PPP between Timor-Leste and the French company Bolloré, who subcontracted construction to China Harbor Engineering.



This port is about half-way built, and has employed far fewer Timorese workers than promised.

It will have the capacity to handle much more freight than Timor-Leste imports, and nearly all the containers will depart empty.

The picture at lower right is an artist's vision of what it will look like when it is finished.

## **Many Chinese businesspeople operate in Timor-Leste**

- **In 2015, 11% of foreigners in Timor-Leste were Chinese nationals, second only to Indonesians. Some Chinese immigrants have married Timorese women and became Timor-Leste citizens, and are therefore allowed to own land.**
- **About 10% of foreigners flying into Dili are Chinese citizens.**
- **Chinese citizens are only 0.07% of Timor-Leste's population, and they are 0.35% of urban, working-age males. Nevertheless, Chinese-owned small businesses are very visible in Dili, including hardware stores, supermarkets and hotels.**
- **The largest shopping and business complex is owned by a family who immigrated from China to Portuguese Timor 90 years ago.**
- **Some Timorese people resent the Chinese presence, and don't distinguish between recent arrivals and fourth-generation Chinese-Timorese.**

Timor-Leste's Constitution does not allow non-citizens to own land.



**Timor Plaza, the country's first shopping mall, has grown to include six office buildings, a hotel, supermarkets, restaurants and a cinema.**

**Timor Plaza continues to expand.**

**It has lured shoppers and offices away from commercial areas, hurting local businesses.**

**Most banks and phone companies have moved there, as well as some state agencies.**



The Jape family, who developed and own Timor Plaza, immigrated from China to Timor in the 1930s.

When Indonesia occupied Timor-Leste, they went to Australia and became rich businesspeople.

Their projects in Timor-Leste violated environmental laws and displaced local people and vendors.

They plan to build resorts, markets, parking garage and more office buildings.

## **China has not invested in Timor-Leste, and Timor-Leste has only invested a little in China.**

- **Although Timor-Leste's sovereign wealth fund (Petroleum Fund) has \$7 billion in stocks, only 1% of them are from companies based in Hong Kong, and none are from China.**
- **None of the \$9 billion in bonds held by the PF are from China.**
- **No Chinese companies hold contracts for oil or mineral development in Timor-Leste, although some have received subcontracts for seismic exploration.**
- **In 2018, 91% of the mineral licensing payments received by Timor-Leste came from Chinese companies – extracting sand and gravel for construction projects.**

## Loans from China – not yet.

- **Timor-Leste has disbursed \$224 million of the \$475 million in loans it has contracted from the ADB, World Bank and Japan, all for road projects. Much of this money has gone to Chinese companies.**
- **No money has been borrowed from China. Although a \$50 million loan from China's Exim Bank to rehabilitate Dili's drainage system was agreed in 2015, it was rejected by Timor-Leste's Audit Court because it required Timor-Leste to give the contract to a Chinese company pre-selected by the embassy.**
- **Notwithstanding recurring rumors, China has not yet agreed to invest in or otherwise help Timor-Leste develop the expensive, risky, petroleum infrastructure project currently under discussion.**

If they do, we hope that Timor-Leste's leaders will carefully analyze the risks to the country's sovereignty and resources if the project doesn't work out.

China has taken control of ports, airports, mineral reserves and other facilities in other countries which could not repay loans from China, or where the revenues were not as large as promised.



# Will China build an LNG plant on Timor-Leste's south coast?

- In November 2017, Timor-Leste leaders signed an memorandum with HQCEC and CRIG.
- Xinhua reported that they agreed to cooperate on building a \$4 billion natural gas liquefaction plant in Beacu.
- The Timorese people in the photo are no longer in office, and this expensive potential project is being re-evaluated.
- It may never be built.



The photo includes former Prime Minister Xanana Gusmão and former head of the TimorGAP National Oil Company Francisco Monteiro.

This event was reported in Xinhua Chinese-language media, but not in Timor-Leste.



## **Timor-Leste's political integrity may be at risk.**

- **Timor-Leste is consistently ranked as the freest and most democratic country in Southeast Asia, a result of its long and hard struggle against repression.**
- **On 18 June, Timor-Leste was one of only 35 countries to join with China and abstain on a UN General Assembly resolution condemning the coup in Myanmar. Other Southeast Asian countries, including Indonesia, Singapore, Vietnam, Malaysia and the Philippines, voted for the resolution.**
- **Some believe that TL abstained to appease China, which recently provided 100,000 doses of the Sinovac Covid-19 vaccine to TL.**
- **Even if the Belt and Road bypasses Timor-Leste, and without any debt or default, anticipation of China's wishes may limit TL's actions as a sovereign nation committed to human rights.**

# Conclusions

- Unequal countries have an inherently unequal relationship.
- Chinese suppliers and contractors have received more than \$2 billion from Timor-Leste since independence in 2002.
- Timor-Leste's people have received less than 1% of that in aid from China, and no investments.
- So far, China has not needed to flex its muscles to get what it wants from Timor-Leste, both financially and politically.
- Timor-Leste's selection and oversight of Chinese-involved projects need improvement, to get better quality work and to involve more Timorese workers and suppliers.
- Timor-Leste should be careful before contracting for Chinese loans or investments, which have weakened sovereign authority in many other countries.
- As Timor-Leste's saved oil money diminishes, they will become even more vulnerable.

**Dankeschön. Thank you.**

**You will find more and updated information at**

- La'ó Hamutuk's website  
<http://www.laohamutuk.org>
- La'ó Hamutuk's blog  
<http://laohamutuk.blogspot.com/>

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