

Small states and security alliances in the Asia-Pacific: Balancing, Bandwagoning or Hedging?

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Abstract

This policy brief analyses the foreign policy and security approaches of one of the world's newest 'small' states, Timor-Leste, and compares its hedging strategy to that of another small Southeast Asian state, Singapore. Timor-Leste has enacted an ambitious diversification strategy in foreign policy that entails expanding its range of relations that are prioritised in the international arena. This approach, however, spreads scarce diplomatic resources too thinly and across too many diverse geographic and cultural regions. Policy-makers should narrow Timor-Leste's regional priorities and allocate resources to its most significant bilateral and multilateral partners.

Key findings

- Timor-Leste has adopted an ambitious diversification foreign policy strategy that spreads scarce diplomatic resources too thinly across a large array of relationships with states and multilateral organisations; Timor-Leste should reconsider its diversification strategy by narrowing its perception of its regional, strategic and cultural geography;
- Investment of its scarce diplomatic resources should centre upon the most essential bilateral and multilateral relations in Southeast Asia and Oceania;
- The new Timorese government *must* prioritise the urgent resolution of the dispute over the Greater Sunrise development concept.



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Executive summary

The Asia-Pacific presents a particularly intense microcosm of 'the new security environment' emerging from changing balance of power dynamics and increased US-Sino competition. IN this context, small states in Asia-Pacific, such as Singapore, have attempted to maintain their hedging strategies in an effort to maximise their autonomy and sovereign independence in international affairs. One way they hedge against dependence on great powers is by diversifying their foreign relationships: by eschewing formal alliances, prioritising non-Great Power regional coalitions - the Association of Southeast East Asian Nations (ASEAN) is a great example - and expanding the variety of states with which they engage.

Timor-Leste has adopted a policy of 'hedging' by diversifying its relationships and seeking to reduce dependence on any one state or bloc of state. Timor-Leste may not be able to avoid making a choice about great power relations in the future as the global balance of power distribution shifts. But for now, its foreign policy choices have undermine conventional assumptions that small states 'bandwagon' or 'bandwagon' to assure interrelationship with and between middle and great powers that shapes their salient security environment. Yet, Timor-Leste's diversification strategy spreads scarce diplomatic resources too thinly across too many diverse regions. Policy-makers should narrow Timor- Leste's regional priorities and allocate resources to its most significant bilateral and multilateral partners.

perspective, Singapore is an exemplar small state in terms of economic development, security and diplomatic influence.

Singapore has been determined not to be seen choosing sides between Beijing and Washington. While Washington is Singapore strongest strategic partnership, the commitment stops short of the mutual defence treaties the US has with Australia and Japan, partly due to Singapore's concerns over independence. This is essentially a hedging strategy, one that is not always reflected in Singapore's activities. For example, Singapore is opposed to China's reclamation of artificial islands in the South China Sea, and its non-participation in the PCA arbitration against the Philippines in 2016. Singapore's Prime Minister was consequently excluded from Belt and Road talks due to the strained ties.

Timor-Leste has adopted a number of similar foreign policy orientations to Singapore. Foreign policy discourses demonstrate that leaders in both states have been concerned primarily with vulnerabilities that emerge from size, history and their proximity to potential hostile larger powers. A realist outlook is shared in Timor-Leste, where Prime Minister Xanana Gusmão has emphasised the need for Timor-Leste to pursue 'real' sovereign independence. Both states are also members of the non-aligned movement (NAM), a coalition created in 1961 to allow small powers to maintain their independence from the great powers and have a role in influencing international systems. Timor-Leste has similarly not engaged in formal alliances with any states, or sought to bandwagon with any stronger



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powers.

The principle concern for both states has been tied up with protecting sovereignty and ensuring non-interference (as opposed to non-intervention). This is not a unique concern among post-colonial Southeast Asian states: non-interference is the *raison d'être* of the central institutional hub of the Asian security architecture, ASEAN. Singapore is a founding member of ASEAN and current chair. One of the 'cornerstones' of Timor-Leste's foreign policy has been its pursuit of ASEAN membership, a goal that has been largely stifled by Singapore's opposition (examined below). The pursuit of independence and autonomy means that these post-colonial states tend to reject 'formal' security alliances of the kind that regional middle powers, such as Australia, Japan and South Korea, are engaged in with the United States. Instead, small states have sought to manoeuvre between and balance their relations with greater powers as well as expand their relations with other states and actors. In this case of Timor-Leste, its most important relations are not China and the US – as is the case with most states in the region - but Indonesia and Australia.

Since independence in 2002, three key objectives have driven Timor-Leste's international relations:

1. Developing good relations with states in the region, particularly Australia and Indonesia;
2. Pursuing membership of regional and international organisations;
3. Establishing relationships with those beyond the immediate neighbourhood.

Timor-Leste's foreign policy operates primarily in six key relational circles: 1. Indonesia and Australia;

2. ASEAN states;

3. Portuguese-speaking states;

4. Pacific Island states

5. China and the US

6. The global south (i.e. G7+ countries).

Analysis

Timor-Leste is the world's second newest 'small' sovereign state, becoming the 191st member of the United Nations (UN) in September, 2002, after a period of UN state-building instituted to assist Timor-Leste develop its functional independence. This followed 25 years of Indonesian rule and nearly four centuries of Portuguese administration before that. New states become holders of governmental authority with a status equal to the great powers of international politics. Timor-Leste's movement from occupied territory to sovereign state reflected a monumental shift in identity necessitating new patterns of engagement with the international community. Since the 1999 independence referendum, Timor-Leste has been



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the subject of five United Nations peacebuilding missions and two international stabilisation missions, each of which has compromised - in varying ways - the nation's hard-fought

political independence. This has shaped Timor-Leste's approach to foreign policy and its pursuit of 'real' political independence.

The Asia-Pacific presents a particularly intense microcosm of 'the new security environment' emerging from changing balance of power dynamics and increased US-Sino competition. The theoretical literature is divided on whether small states will bandwagon by seeking military protection from nearest powerful state, or join a bloc of states to 'balance' against a great power during times of great power transition. Small states in Asia-Pacific, such as Singapore and Brunei, tend to implement these hedging strategies in an effort to maintain their autonomy and sovereign independence in international affairs. Timor-Leste has taken a similar approach, and Singapore in particular has been considered a model for Timor-Leste's foreign policy and state development. In many ways, this should not be surprising. Both are (relatively) new, post-colonial, small, island states in the Southeast Asian region. While Singapore's population is now 5.5 million, it was 1.8 million in 1965 when it became independent – Timor-Leste's is approx. 1.3 million – and territorially, it is less than half the size of Timor-Leste. Also subject to European colonialism, albeit by the British, Singapore only became independent in 1965 after an ill-fated incorporation within its neighbouring state, Malaysia, for two years. Unlike Timor-Leste, Singapore's independence was not so much a result of a resistance movement independence, but rather the Malaysian parliament unanimously voting to eject Singapore from the union. In any case, the foreign policy approaches of both states have been shaped by their size, vulnerability and historical experiences with intervention, including the shared experience of Japanese occupation during World War Two.

Since independence, Singapore's foreign policy has been dominated by concerns about survival as a consequence of its small state vulnerability, and leaders have not taken its sovereignty for granted. Lee Kwan Yew, for example, was known for saying that Singapore needed to take the world as it is, not how it should be. Singaporean leader Hsien Loong Lee considers the price of the survival of small states is 'eternal vigilance'. The sanctity of national sovereignty no matter the size of the state is a central component of Singapore's outlook. Its apparent realist behaviour is a consequence of the vulnerabilities arising from its small physical and population size 'wedged' between two larger states, and it has sought to balance major powers and develop a deterrent military through arms acquisitions and defence relations. Since independence, Singapore has also been driven by its nation-building agenda through rapid economic development. Similarly to Timor-Leste, Singaporean statehood was widely considered non-viable, for reasons owing to a lack of natural resources.⁴ However, Singapore now wields disproportionate power to its small size in its international relations, with the second highest Gross National Income (PPP) in the world⁵, its population experiences some of the highest living standards in the world.

Timor-Leste's interactions within these circles reflects its efforts to diversify allegiances and partnerships for the purposes of avoiding dependence on any one state or group.



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Alongside those listed above, Timor-Leste emphasises cooperation with US, China, Japan and South Korea, the European Union, and friends in Africa. Timor-Leste's 2011 Strategic Development Plan (SDP) also identified three 'special relationships' with New Zealand, Cuba and Ireland. Timor-Leste has thus sought to implement an expansive, aspiration and activist approach to foreign policy as the dominant expression of its broader hedging strategy. This aspirational vision is stated in the SDP:

As a small nation in a highly strategic geographic location, Timor-Leste's security will depend upon forging strong relationships with our neighbours and friends, making a positive contribution to a stable and peaceful region, and participating in global peacekeeping missions and cooperative international forums and initiatives. Having an outward looking, collaborative approach to foreign policy will encourage our people to take pride in the development of Timor-Leste, attract international investors and generate greater opportunities for economic advancement.⁶

Former Prime Minister Rui Araújo, argued that Timor-Leste has 'been establishing with virtually every country in the world'.⁷ The SDP promised at least 30 international embassies, primarily in Asia-Pacific, and 'proportional representation' in America, Africa and Europe, by 2030. Timor-Leste now has embassies in all ASEAN states and three other major Asian states: Japan, South Korea and China. It also has embassies in four Community of Portuguese-Language Speaking (CPLP) states: Portugal, Brazil, Angola and Mozambique. Also included are the Vatican, Australia, New Zealand, South Africa, the European Union (EU), the US and the UK. Additionally, Timor-Leste funds consulates in Denpasar, Kupang, Sydney, Darwin and Atambua, and permanent Missions in New York, Geneva and CPLP/UNESCO. Overall, the 2016 state budget allocation of US\$26, 375, 000 to the Ministry of Foreign Affairs and Cooperation was more than the Ministry of Agriculture, even though the majority of Timorese citizens rely upon subsistence farming for their livelihoods.⁸

In terms of multilateral relations and ambitions, along with its pursuit of ASEAN members, Timor-Leste also holds special observer status in the South Pacific's primary multilateral organisation, the Pacific Island Forum, ⁹ and made formal application for membership in 2014. Timor-Leste is a co-founding member and donor partner of the Pacific Islands Development Forum (PIDF), a Fiji-led IGO that emerged as a challenge to the Australian-led PIF after Fiji were excluded due to a military coup. It is also deeply committed to the intergovernmental cultural organisation, the Community of Portuguese Speaking Countries (CPLP), and during its two-year chair, sought to enhance its economic and strategic activities. More recently, Timor-Leste's foreign policy has focused on adopting a leadership role among other 'fragile states'.¹⁰ The clearest example of this is in Timor-Leste's engagement in the g7+, a voluntary organisation of 19 self-identified 'fragile' states co-founded by Timor-Leste.¹¹

Successive governments have even contributed foreign aid to states, some of whom are far wealthier than Timor-Leste. In 2004, Timor-Leste provided humanitarian assistance to communities in Indonesia affected by the Boxing Day Tsunami. The 2016 state budget allocated US\$1.5 million to support elections in São Tomé and Príncipe.¹² In August 2016, Timor-Leste's government donated 1.25 million euros to support Portugal (an OECD state) to diversification undermines its ASEAN membership: not only does it lack the resources



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to fulfil membership requirements, its perceptions of its regional and cultural geographies as linked to Southeast Asia, the Pacific and the amorphous Lusophone community (as well as its European connections with Portugal and Vatican) suggests an ambivalence around identity that does not sit comfortably with the concept of 'ASEAN centrality'. There are other practical reasons why Singapore may not be a suitable model for Timor-Leste. While Singapore has one of the highest GNIs in the world, Timor-Leste has one of the lowest, coming in at 179 on the 2016 World Bank PPP rankings.¹³ Timor-Leste simply does not have the economic resources to engage in the same kind of diversified hedging as a wealthy state such as Singapore. In 2015 Timor-Leste's GDP was US\$1.442 billion, similar to the average size of annual state budgets (2012-2017). Problematically, government spending reflects about 80 per cent of non-oil GDP, and around 90 per cent of state spending has been furnished by oil and gas revenues from the Joint Petroleum Development Areas in the Timor Sea. These fields will be depleted within the next five years, leaving Timor-Leste with a petroleum wealth fund as its primary source of income. On current spending, this will be exhausted within a decade. This means that Timor-Leste will either have to implement significant budget austerity measures or find new income streams. The first will have long term impacts on all parts of Timor-Leste's budget, including in foreign policy and defence.

The second is that Timor-Leste finds a way to negotiate a development plan for the Greater Sunrise complex of gas fields with commercial venture partners and Australia. In its foreign policy approach thus far, Timor-Leste's leaders have refused to compromise on its demands for a pipeline to carry oil and gas to the south shore of Timor-Leste for processing, saying the pipeline is 'non-negotiable'. The unprecedented United Nations Compulsory Conciliation commission initiated by Timor-Leste to resolve the Timor Sea disputes with Australia were unable to find a way of enabling Timor-Leste and the venture partners to agree on a development plan. The independent expert employed by the UNCC found that in order to achieve an acceptable return, the Timorese Government or other funder would have to subsidise the project to the tune of US\$5.6 billion.¹⁴ To put this into context, this figure is about four times Timor-Leste's annual GDP, or more than one-third of its Petroleum Wealth Fund. This confirms the other examples of independent analysis available on the public record, none of which supports Timor-Leste's pipeline dream. The need to resolve the development issue is increasingly urgent as economic experts expect the state to be broke within a decade if the Greater Sunrise resource is not unlocked.

The motivation behind Timor-Leste's oil industrialisation dreams, which has already begun with significant budgetary investment, are partly inspired by Singapore. Four years before it became fully independent in 1965, Singapore began establishing an oil refining industry. This early oil industrialisation was a key driver of Singapore's economic success story, as Singaporean policy makers, and the new state subsequently became one of the world's top three oil export refining centres due to foreign direct investment. It also became a regional oil refining hub. There are, however, risks in following Singapore's lead. If Timor-Leste does not have Greater Sunrise gas to process then its petrochemical refining industries would be left to compete in the global market for oil processing with Singapore (and Malaysia) in the Southeast Asian region. In other words, the commercial



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conditions are not analogous with those that Singapore in the 1960s faced. Singapore's development also relied upon attracting FDI, and its experience with British provided favourable conditions for developing economic institutions and relations: Singapore was already a trading entrepôt in a geographically privileged location. In contrast with the underdevelopment and neglect experienced by East Timor under dual colonisation, Singapore 'prospered' prior to independence. The differences in these conditions means that Singapore is likely to be an unrealistic model for Timor-Leste. It seems increasingly unlikely that a deal will be struck with the licensee rights holders, and further delays in a settlement mean that Timor-Leste will almost certainly have to draw down on its petroleum wealth fund, with consequences for its capacities to resource its ambitions in the international sphere.

Recommendations

Given the structural, political and economic challenges facing Timor-Leste in the short- to mid-term, this paper recommends that Timor-Leste policy-makers adopt a more narrowly focused approach to its international relations and prioritise key relations to strategic interests. The new government should:

- Reconsider its diversification strategy by narrowing its perception of its regional, strategic and cultural geography. While the CPLP links Timor-Leste to other Lusophone countries, the economic and strategic benefits of prioritising the CPLP are dubious.
- Invest scarce diplomatic resources should centre upon the most essential bilateral and multilateral relations in Southeast Asia and Oceania. This could include putting a halt to ASEAN membership ambitions in the short-term.
- Prioritise the negotiation of an urgent resolution of the dispute over the Greater Sunrise development concept. If a solution to this is not found, then Timor-Leste will almost certainly become aid dependent, and will likely be forced to bandwagon through necessity. This will ultimately compromise its long-fought after political independence and autonomy.

1 Amitav Acharya. "After Liberal Hegemony". *Ethics and International Affairs*, 8 September 2017.

2 Classified as states with a population less than 10 million and members of the United Nations. Montenegro is the newest member of the UN with a small population.

3 Timor-Leste technically shares the island of Timor with West Timor, which is a province of Indonesia.

4 Michael Leifer. *Singapore's Foreign Policy: Coping with Vulnerability*. London: Routledge, 2000, p. 4.

5 Excluding Macau, which is not a sovereign state. World Bank. *Gross national income per capita 2016, Atlas method and PPP*. 2016. Available at <http://databank.worldbank.org/data/download/GNIPC.pdf>, accessed 50/05/2018.

6 RDTL. *Strategic Concept for Defence and National Security*. Dili, Ministry of Defence: 2016.

7 Rui Araujo. *Speech by His Excellency the Prime Minister on the Occasion of the Swearing-In of the Sixth Constitutional Government*. Lahane Palace, Dili, 6 February 2015.

8 RDTL, *Strategic Development Plan*, 175. 99



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- 10 Government of the Democratic Republic of Timor-Leste. *Program of the Sixth Constitutional Government 2015-2017 Legislature*. Dili, Government of the Democratic Republic of Timor-Leste, 2015.
- 11 RDTL, *Strategic Development Plan*, 175.
- 12 Democratic Republic of Timor-Leste, *2016 State Budget Book One*, 49.
- 13 World Bank, 2016, excluding Macau. World Bank. *Gross national income per capita 2016, Atlas method and PPP*. 2016. Available at <http://databank.worldbank.org/data/download/GNIPC.pdf>, accessed 50/05/2018.
- 14 United Nations Compulsory Conciliation. *Final Report: Annex 27*. Available at <https://www.pcacases.com/web/view/132>, accessed 1/06/2018.



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