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Timor debt ‘could open door to China navy’

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East Timor is poised to borrow up to \$US11 billion (\$15.9bn) from China to develop the controversial Greater Sunrise gas project, alarming analysts who fear the deal could result in the Chinese military gaining access to a port 500km off Darwin.

The Australian understands the state-owned Timor Gap gas company has rejected finance derived from US pension funds and is now ready to sign a commercial loan with China’s Exim Bank under President Xi Jinping’s signature Belt and Road Initiative.

East Timor is determined to push on with a gas processing facility and port on its south coast, despite analysis warning returns “would not be sufficient to meet the industry standard for investment by an international oil company”. Australian Strategic Policy Institute executive director Peter Jennings said that what began as a commercial relationship could open the door for visits by People’s Liberation Army ships and aircraft. “A Timor that is beholden to China is something that I think policymakers would be very concerned about,” Mr Jennings said.

“There will be a lot of attention being paid to the nature of Timor’s relations with China in our national security community.”

He said the Sri Lankan port of Hambantota, which was handed over to China on a 99-year lease after loan repayments were not met, showed the dangers nations faced when they fell into China’s “debt trap”.

Foreign Affairs Minister Marise Payne said Australia welcomed foreign investment in regional infrastructure, but only if it was “transparent, upholds robust standards and avoids unsustainable debt”.

“Australia is committed to the independence, sovereignty and economic sustainability of our near neighbours, including Timor-Leste,” she said.

“Australia wants to see the joint Greater Sunrise gas fields developed in a way that maximises benefits for the Timorese people.”

La Trobe University’s Bec Strating, who has written extensively on East Timor, said it appeared to have “fallen through the gaps” while Australia’s strategic attention turned to the Pacific. “I suspect Canberra will be concerned about the possibilities of a Chinese-controlled port on the coast of Timor-Leste,” she said.

The Australian National University's Graeme Smith, an expert on Chinese investment in the Asia-Pacific, said countries in the region suffered "buyer's remorse" after rushing into deals with Exim Bank and state-owned enterprises such as the China Civil Engineering Construction Corporation. "A common refrain is they were too trusting and paid too much," he said. East Timor now has a controlling equity stake in the Sunrise gas field, after purchasing shares held by Shell and ConocoPhillips for more than \$900 million.

Japan's Osaka Gas owns a 10 per cent stake and Woodside Petroleum is a 33 per cent shareholder and is slated as the project's operator. However, Woodside chief executive Peter Coleman in February said the company was "not comfortable in putting any significant capital into an onshore development at this point", and encouraged Timor Gap to process the gas offshore. Timor Gap chairman Francisco Monteiro revealed in April that CCECC would build the new port at Beaco, but the company was yet to secure funding.

The Australian contacted Timor Gap and the East Timor embassy in Canberra but neither responded.