

Unpacking the local impacts of foreign interests in Timor-Leste

by Gobie Rajalingam, Lisa Denney and Aderito Soares

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Tibar Bay Port, located close to Timor-Leste's capital, Dili

Photo Credit: Gobie Rajalingam

Resurgent geopolitical competition in the Indo-Pacific has revived **longstanding concerns** about Australia and other Western donors **instrumentalising aid programs to advance national interests** rather than prioritising recipient development needs. Despite these concerns, little research has been done on how foreign interests play out at the local level in aid-recipient countries.

To address this, the Cross-Border Conflict: Evidence, Policy and Trends (XCEPT) research consortium undertook research to explore the **local impacts of foreign interests in Timor-Leste**, with the aim of identifying illustrative examples that uncover how geopolitical competition plays out in people's lives. Two other case studies considered the impacts of foreign interests in **Afghanistan** and **Bangladesh**.

Through our Timor-Leste case study, we explored the diversity of foreign interests in relation to police reform and infrastructure development, how these interests were pursued and the impacts at the local level.

What we found was a methodological challenge in untangling foreign interests and their local impacts.

Our first reaction was that foreign interests are not foisted, unmediated, onto domestic politics or local communities in a direct, linear way. The simple relationship of foreign interests resulting in local impact does not apply. Rather, the role of local politics is key. Local governments, elites and others have agency and prioritise, deprioritise, obstruct and facilitate foreign interests in various ways. As a result, foreign interests are refracted through the lens of local politics.

This is apparent, for instance, in how foreign-funded infrastructure projects in Timor-Leste become entangled with clientelist politics. When regional powers invest in major developments, local political elites strategically channel these resources through patronage networks. The resulting implementation serves domestic political imperatives and influences the impacts of foreign strategic objectives, creating

hybrid outcomes rather than direct foreign influence.

Similarly, international policing reform efforts are filtered through Timor's **overwhelmingly customary justice system**. As foreign actors promote formal institutions and processes, village authorities and communities selectively engage with these, while preserving customary methods. The outcome is neither wholesale adoption nor rejection of external models, but **hybrid forms of justice** that accommodate international norms within local legitimacy structures — demonstrating how foreign interests get refracted through complex local politics.

There are both positive and negative impacts of foreign interests – suggesting they are neither inherently “good” or “bad” but that deeper consideration of how they are likely to play out in the **local context is needed**.

For example, in Timor-Leste, infrastructure projects supported by international financial institutions have mitigated negative community impacts through robust safeguarding mechanisms that include comprehensive environmental and social impact assessments, participatory resettlement plans, transparent consultation processes, appropriate compensation schemes and functional grievance mechanisms. Conversely, some government-led initiatives, such as the **\$400 million power station project** built by a Chinese state-owned enterprise, have featured tokenistic community consultations, informal land acquisition, inadequate compensation and forceful suppression of community protests. Foreign interests, coupled with safeguarding mechanisms, have mitigated negative effects on communities in a country with otherwise weak legal frameworks for state acquisition of land rights.

Similarly, in relation to policing assistance, foreign interests in supporting stability in the region and a newly independent nation have contributed to **improving community-police relationships and trust in the police**. But here foreign interests can also have negative local impacts. In police reform, a diversity of policing models has **created confusion**, with Australia and New Zealand promoting community policing, Portugal and Indonesia emphasising more militarised approaches, China having an increasingly close relationship and Timorese authorities adopting elements from each. This diversity of policing models has led to different policing styles taking hold in different parts of the Timorese police service, doing little to foster service cohesion and raising some **concerns about excessive use of force**.

For foreign actors, it is important to be aware of how unintended consequences could undermine foreign interests by augmenting existing grievances that can trigger instability. Infrastructure development, for example, operates through opaque clientelist networks often between Indonesian and Chinese businesses and

political elites, with infrastructure projects often selected to serve patronage systems rather than benefit the wider population. Foreign-backed infrastructure projects in Timor-Leste can thus reinforce power imbalances and create wealth disparities which, when combined with youth unemployment, perceived corruption and fiscal challenges, can exacerbate social grievances, potentially leading to unrest.

What is striking is that foreign powers often do not seem adept at understanding how local politics influences the ways in which their interests play out domestically. There is also little assessment of what foreign interests have achieved. Here, the foreign policy community could learn from the development community, which has developed a range of [analysis tools](#) and [monitoring and evaluation approaches](#) precisely to consider what reform efforts are feasible given the local context and to evidence contributions to local impacts. Drawing on such experience would provide more robust evidence on the local impacts of foreign interests and might enable foreign actors to consider their own tools of engagement in a more integrated fashion.

As geopolitical competition and partnerships for economic security become more contentious and increasingly important for the stability of the region, it is imperative that foreign actors consider local political economy dynamics to better understand, manage and evaluate their intended and actual impacts.

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Author/s:

Gobie Rajalingam

Gobie Rajalingam is a Senior Advisor for The Asia Foundation, specialising in economic development and governance programs.

Lisa Denney

Lisa Denney is a principal research fellow and Director of the Centre for Human Security and Social Change at La Trobe University and a research associate with ODI.

Aderito Soares

Dr Adérito Soares is a governance, anti-corruption, and human rights expert. He is a Visiting Fellow at the Australian National University's School of Regulation and Global Governance.

Link:

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