

Timor-Leste

The Dragon's Newest Friend

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Introduction

On May 20, 2002 Timor-Leste (*leste* means 'East' in Portuguese) commonly referred to in the English language as East Timor became an independent and sovereign state. China became the first country to establish diplomatic relations with the newly established nation and has since maintained a growing presence on the island. On May 22, 2002, just two days after the country's independence, China became the first country to establish diplomatic ties with East Timor followed by India a few hours later.¹ Since the establishment of diplomatic ties, (bi-lateral) relations have developed smoothly. Three main factors have driven Beijing's policy towards East Timor: Firstly, China's growing engagement with Timor-Leste is part of its overall expansion into Southeast Asia and its strategy to balance the United States' influence in the region. Secondly, Timor is likely to become an ASEAN member in 2012 which adds further incentives. The country's potentially large oil and gas reserves are unlikely to have gone unnoticed to an energy- thirsty China. Thirdly, China remains preoccupied with the possibility of Taiwan co-opting the fledging state into its camp. While the People's Republic of China's (PRC) presence in Timor pales in comparison to its presence in other Southeast Asian countries, it has grown rapidly and in a very short period of time. From a position of marginality in Timor's affairs just five years ago, China has grown to become a major player in the territory causing some apprehension in Australia which tends to view Timor as its exclusive patch.

Despite having contributed modestly to the development and security of Timor-Leste, the Chinese have been able to achieve significant political and diplomatic gains with very little financial and material effort. Through the use of sophisticated diplomacy, successive Chinese ambassadors in Dili have been masterful at taking advantage of every opportunity to enhance Chinese interests and prestige. The case of Sino-Timor-Leste relations attests to the growing sophistication of Beijing's new diplomacy and the high premium placed on building soft power.² While having less means at their disposal than their Australian and other Western counterparts, Chinese diplomats have proven to be far more active and aggressive in promoting their country's interests. In spite of this success, there are many weaknesses and limitations to China's strategy in Timor-Leste; many of them resulting from problems in Chinese

¹ Joint Communiqué on the Establishment of Full Diplomatic Relations between The Democratic Republic of Timor-Leste and the Peoples Republic of China, Monday May 20, 2002, The Ministry of Foreign Affairs and Cooperation of the Democratic Republic of Timor-Leste

² For an informative and detailed study on China's new diplomacy and its efforts at building soft power see *Charm Offensive. How China's Soft Power is Changing the World* by Joshua Kurlantzick, Yale University Press, 2007: On the definition and concept of soft power see Joseph Nye, *Bound to Lead: The Changing Nature of American Power*, Harvard University Press, 1990

society. It is hoped that this study on Sino-Timorese relations could shed some light not only on the intricacies of relations between the two countries, but also on China's relations with other small, poor but resource rich countries like Timor-Leste. Finally it is the hoped by the author that the current article may give a modest contribution to the study of China's foreign relations and its diplomacy in the developing world.

A brief history of Sino-Timorese relations

China's links with Timor-Leste date back to the 13th century when merchant fleets from the Ming dynasty reached the island in search of precious sandalwood. Links between the two peoples continued throughout the following four hundred years of Portuguese colonization, with the Portuguese possession of Macau in Southern China serving at times as the administrative center for the Portuguese territories in Southeast Asia.³ Starting in the late 19th century, Chinese settlers from Taiwan and Macau and other parts of Southern China began to arrive and settle permanently in East Timor and who currently account for 1% of the population. In the 1960s, Taiwan which was at that time still recognized by the United Nations as the legitimate government of China, established a consulate in the Portuguese territory.

On December 7, 1975, Indonesia invaded the territory leading to one of the worst massacres in modern times. As Timor's young leaders scrambled for international help, they were mostly ignored by the West and the USSR. FRETILIN, (the Portuguese acronym for the Revolutionary Front for an Independent Timor-Leste) the party that took over after Portugal withdrew from the territory in a hurry, was perceived by Washington and Canberra as being a Communist force while Moscow was suspicious of the organization's alleged Maoist leanings.⁴ Fears of Communism aside, neither Moscow nor Washington had any interest in such a remote and small territory abandoned by its inept colonizer after 400 years of incompetent administration.

By contrast, in China, the East Timorese found a sympathetic ear to their cause with the country's top leaders conducting several visits to the PRC between 1976 and 1978. Among the many East Timorese who visited China during this period are current President and Nobel Peace Prize winner Ramos Horta, former Prime Minister Mari Alkatiri, former Interior Minister Rogerio Lobato and current national security advisor Roque Rodrigues. Beijing was one of the most enthusiastic supporters of Timor in the United Nations Security Council providing diplomatic and political support by regularly raising the plight of East Timor to the world body. When the desperate Timorese leadership declared its independence from Portugal on November 28, 1975 in an attempt to attract international support and to prevent the impending Indonesian invasion, China was one of the few countries to recognize the gesture.

During the first years after the declaration of Independence (1975-1978), China continued to provide diplomatic and financial support to the East Timorese resistance movement. While Chinese support remained of a political and diplomatic nature, the PRC, at the request of the Timorese leadership, tried to supply the armed resistance

³ Jeffrey Gunn *Timor Lorosae 500 Years*, Livros do Oriente, Macau, 1999.

⁴ For a comprehensive analysis of the events leading to the Indonesian Occupation of then Portuguese Timor see *Australia and the Indonesian Incorporation of Portuguese Timor*, Australian Ministry of Foreign Affairs, (declassified documents under the 30 year law) published on September 2000

fighting in the mountains with military equipment. Beijing assembled equipment sufficient to arm a light infantry division of 8,000 men, including medium anti-aircraft machine guns, light artillery, mortars and infantry anti-tank weapons. However, the Indonesian naval blockade with assistance from the Australian navy prevented the delivery of the equipment to the Timorese.⁵ Eventually the equipment ended up in Mozambique for storage until appropriate conditions permitted its movement to East Timor. Such conditions never manifested and the arms ended up being used by the Mozambican government in their fight against the RENAMO guerrillas who were then opposing the Marxist oriented government of Mozambique.

Chinese support for Timor-Leste was primarily motivated by Chairman Mao Ze Dong's policy of spreading revolution to the third world by supporting independence and revolutionary movements as a way to weaken the Western imperialists. Mao's death in 1976 and China's adoption in subsequent years of a more moderate foreign policy led to a reconsideration of policy towards East Timor. Beijing's need to improve relations with ASEAN in the aftermath of Vietnam's invasion of Cambodia led to further distancing.⁶ By the late 1970s, Beijing's enthusiasm for the cause dissipated and no longer did Beijing have time for its small comrade on the fringes of Southeast Asia. Just like the rest of the world, with very few exceptions, China accepted the fact accomplished by the territory's integration into Indonesia and forgot the issue.

However, through unofficial channels, China kept some contacts with certain elements of the Timorese resistance in the Diaspora. These were primarily individuals deemed to be pro-China, and who were worth keeping in reserve, chiefly among them was Mari Alkatiri, an Arab of Yemeni origin who was to become Timor-Leste's first Prime Minister after independence. China's contacts with Alkatiri were done via Hong Kong and its embassies in Europe when the latter was traveling to such areas. In 1997, Alkatiri attended the handover ceremony of Hong Kong to China at the invitation of the Chinese government and is reported to have received some financial assistance for his political activities from the Chinese government via a local businessmen. .

Following the 1999 UN sponsored referendum in East Timor and the subsequent Indonesian withdrawal, China renewed its support for East Timor's independence and contributed 55 civilian police to the UN peacekeeping operation and other humanitarian operations.⁷ The police deployment was China's first ever deployment of its police force to an international mission. However, during the debates within the UN Security Council that preceded the Australian-led international intervention, China and Russia were among the most reluctant of the five permanent members to authorize the launching of the International Force for East Timor (INTERFET) It took some last minute lobbying and quarantines from the US and its allies so that Timor would not open a precedent for similar interventions in issues such as Tibet.⁸

⁵ This information has been confirmed to the author by three Timorese senior officials, two with the ranking of Minister in interviews conducted between 2005 and 2006.

⁶ Ian Storey "China and East Timor: Good but not Best Friends" *The China Brief*, Vol 6 Issue 14, July 05 2006, sort out formatting here at http://www.jamestown.org/publications_details.php?volume_id=415&issue_id=3789&article_id=2371248 accessed 14 October 2007.

⁷ Loro Horta "From Red to Blue: China's Growing Participation in Peacekeeping Missions" *Australian Army Journal*, Volume V Number 1, Autumn 2008.

⁸ H. P Peter van Walsum, former President of the United Nations Security Council, Lecture given in Melbourne Australia on February 7, 2007 at http://www.asialink.unimelb.edu.au/events/past/past_events_public/the_east_timor_crisis_and_the_doctrine_of_humanitarian_intervention: In interviews, several Australian, Portuguese and American officials confirmed to the author the initial reluctance of the Chinese and Russians to a UN intervention in East Timor. Due to the sensitive nature of the issue their names shall not be disclosed.

Chinese reluctance in the Security Council had a sobering effect on some of the more pro-Beijing leaders as to the limits of Chinese friendship, but also to the importance of China to the destiny of the new nation. The rambling at the Security Council had, in particular, a profound effect on Mari Alkatiri arguably the most well-disposed of the Timorese leaders towards Beijing. While Alkatiri was to remain very close to the PRC, visiting the country 3 times during his 4-year tenure as Prime Minister (2002-2006) he grew far more pragmatic towards his powerful friends from the North.⁹

While the risk of Timor switching recognition towards Taiwan has remain low, Beijing has remained vigilant towards even the most trivial moves on the part of Taipei. China strongly opposed the opening of a Taiwanese Trade and Cultural exchange office in Dili and aggressively moved to bar an unofficial Taiwanese delegation from visiting the country in early 2006. During Alkatiri's tenure, Beijing seemed to have had very little reason to worry about the Taiwanese in Timor as it was unthinkable that the FRETILIN government would ever drop its old "friend". Even Prime Minister Gusmao's current government is unlikely to allow Taiwan any greater space and there is very little Taiwanese 'chequebook diplomacy' can achieve in a country with ever-growing petrodollars. The election of the Kuomintang party (who accepts a 'One China policy') in Taiwan further reduces the Taiwan factor in Sino-Timorese relations.

The energy sector

Chinese companies are interested in exploiting Timor-Leste's rich natural resources, particularly oil and gas. One of China's largest state-owned oil companies, PetroChina, has been involved in seismic studies to gauge the extent of hydrocarbon deposits in the country's interior. A major seismic study covering 70% of the country was conducted in 2004 at an estimated cost of USD \$1.7 million.¹⁰ The PRC was expected to bid to develop these potential inshore oil and gas fields and there has been speculation that China will finance the construction of a pipeline to transfer oil and gas from the interior of the country to the coast for transportation aboard mega oil tankers bound for China. PetroChina's preference for onshore oil and gas fields is in line with Chinese oil ventures throughout the world and is determinant by a technological inability on the part of Chinese companies to drill offshore.

However, following the conclusion of the seismic study in 2004, PetroChina failed to bid for the onshore oilfields claiming that they were not commercially viable. In 2006, intermediaries for PetroChina told the Timorese authorities that the company would be willing to exploit the onshore oil fields if the Dili government were to grant the Chinese exclusivity rights to the exploitation of all oil and natural gas resources found onshore.¹¹ The secretive manner in which the Chinese approached the Timorese

⁹ On several occasions Alkatiri said that China was one among many of Timor's good friends and he eagerly tried diversifying his ties by establishing closer ties with Malaysia, Portugal and the EU. The author has known Alkatiri for more than 30 years and has interviewed several time throughout the years.

¹⁰ Direcao Nacional de Petroleo e Gas (National Petroleum and Gas Authority) Press Release September 24, 2004.

¹¹ Various Timorese officials including former Prime Minister Mari Alkatiri have confirmed to the author the Chinese demand for exclusivity rights. When the author questioned some PetroChina officials in Beijing in early September 2008, and staff at the Chinese embassy in Dili in July 2008, none was available to comment on the issue.

government and their reluctance to share information concerning the potential and nature of the onshore reserves made even the most pro-Chinese ministers dismiss the offer. Mari Alkatiri, described by Ian Storey as "probably the most enthusiastic promoter of ties with China" was given another lesson in Chinese pragmatism.¹²

Despite being eager to have Chinese oil companies invest in Timor's oil sector to balance Australia's dominance, one must here keep in mind that Alkatiri's relations with Australia were always turbulent; he refused the Chinese proposal out of hand and immediately initiated contacts with Indian and Malaysian companies. At the time of writing, the issue remains highly sensitive particularly on the Chinese side with both sides preferring to leave the matter on ice.

There have also been repeated reports that China was willing to build a natural gas processing plant in Timor allowing for the processing of the country's gas to be done domestically. This would jeopardize the Australian plan to have a pipeline from the largest oil field in the Timor Sea, 'Greater Sun Rise', sent to Darwin in Northern Australia for processing. If the pipeline takes the Darwin route, it has the potential to create thousands of jobs in the Northern Territories which is the most isolated and sparsely populated part of Australia.¹³ However, if the pipeline goes into Timor soil and into the projected Chinese funded processing station, Australia and the economy of its remote Northern Territories will lose a great opportunity.

At the time of writing, the Timor-Leste government has ordered a major independent study to assess the pros and cons of the two options. The study is to be conducted by Malaysian oil company Petronas and is expected to be released in early 2009.¹⁴ So far, only one limited study was conducted by an Australian PhD candidate who concluded that building an oil refinery in Timor and bringing the pipeline to Timor instead of Darwin would have no real benefit to Timor-Leste. Considering Australia's interest in the matter and the apprehension that the issue generates in Australia, it is not surprising that the Dili government was not convinced.

For its part, Beijing has stated its willingness to build processing station on generous terms if an agreement is reached. As noted by the deputy head of the Chinese mission in Dili Counselor Ma:

*"China is willing to assist Timor-Leste in any way beneficial to the government and people of this country. If the Timorese believe that a refinery is in their best interest, we shall study their request carefully and respond in the spirit of friendship and solidarity to the mutual benefit of our brotherly nations"*¹⁵

Australia increasingly finds itself at an uncomfortable position in relation to China in Timor-Leste and the South Pacific in general; areas once considered Australia's exclusive sphere of influence. On the one hand, Australia is today engaged in a very lucrative and complementary economic relation with China with the latter becoming her largest trading partner in 2007. On the other hand, Australia is

¹² Ian Storey "China and East Timor: Good but not Best Friends", *The China Brief*, Vol 6 Issue 14 July 05 2006, at http://www.jamestown.org/publications_details.php?volume_id=415&issue_id=3789&article_id=2371248 accessed October 14, 2007.

¹³ Interview with Joze Teixeira Minister for environment and natural resources during the Alkatiri government.

¹⁴ Speech by President Joze Ramos Horta.

¹⁵ Interview of Counselor Xiong Lichun deputy head of the Chinese embassy in Dili Timor-Leste, July 18, 2008.

struggling to cope with China's ever growing presence in areas considered to be vital to its security.¹⁶ The balancing of these dynamics is certainly not an easy task and is likely to grow more complex in coming years as China expands further into the South Pacific. As noted by a young Australian diplomat based in Dili:

*"For the moment things are fairly manageable. It remains to be seen if we will be able to keep things "cool" 10 years down the line"*¹⁷

The Chinese seem to be more optimistic. As noted by their current Ambassador to Timor-Leste:

*"Yes, the Chinese presence in Timor and the region has been growing, but our relations with Australia have become even closer. So I don't think we will have to compete in Timor-Leste"*¹⁸

Which view will turn out to be true remains to be seen.

In addition to oil and gas, China has shown some interest in exploiting other minerals on the island particularly manganese and blue marble. Fisheries are another area where Chinese interests have been investing in the past two years.¹⁹ In 2006, Dili awarded China fishing rights in its Exclusive Economic Zone (EEZ) that may see up to 100 Chinese vessels operating in Timorese waters. However, judging by the current behavior of other countries such as Thailand who have also been awarded fishing rights in the country's EEZ, it remains to be seen how beneficial this agreement will be. Timor-Leste has a coast line which stretches for 873 kilometers and possesses only two three decades old boats to patrol it. The result has been indiscriminate poaching of the country's largely virgin and rich coast which costs the state an estimated USD \$50 million per year in lost revenue.

Defense and Military Cooperation

Beijing has also been fostering defense and military links with East Timor, providing the East Timorese Defense Force (FDTL) with non-lethal equipment such as uniforms and tents. China has recently also showed its willingness to provide the FDTL naval component with patrol boats to boost its modest capabilities, currently made of two 30 year old former Portuguese *Alfeite* class gunboats used by the Portuguese in their African colonies for patrolling large rivers such as the Zambezi. As oil revenues begin to boost East Timor's state budget and Dili urgently needs to restructure its small military as a result of the recent military crisis, China may find increasing opportunities for military cooperation and perhaps some weapons sales. Indeed, in early 2007, two People's Liberation Army companies under the general logistics department visited Dili looking for prospective deals on items such as

¹⁶ *China Daily News* "China becomes Australia's largest trading partner" June 4, 2007; Mark Dodd "Unease Grows over the Rise of China" *The Australian*, September 30, 2008 Tamara Renee Shie "China Woos the South Pacific" PacNet, Number 10A, Center for Strategic and International Studies (CSIS) Honolulu, March 17, 2006 at <http://www.csis.org/media/isis/pubs/pac0610a.pdf> accessed September 12, 2006.

¹⁷ Interview with a former third secretary in the Australian Embassy in Dili, Timor-Leste, March 2007, Dili.

¹⁸ Interview with Chinese Ambassador to Timor-Leste Su Jian, July 20, 2008, Dili.

¹⁹ Interview with Paulo Remedios Chief Advisor to President Ramos Horta, July 7, 2008, Dili.

uniforms, tents, kitchen equipment, light transport tracks and jeeps. Police equipment, such as radios and anti riot gear, are other possible items to be supplied to East Timor.

To foster defense ties, China has invited various senior Timorese defense officials on official visits to China. Roque Rodrigues, the country's Minister of Defense until August 2006, visited the PRC twice, where he met Chinese Defense Minister, Cao Gangchuan and other officials. East Timor's Chief of Defense force, Brigadier Taur Matanruak, also paid two official visits to China. Since March 2009, 18 Timorese military officers and defense officials have graduated from PLA schools and academies. A smaller number of police officers have also studied in the PRC.²⁰

Six FDTL officers attended courses for junior officers in areas such as logistics, tactical command, artillery and Special Forces training. In addition to training and the providing of non-lethal equipment, the PRC has also funded some infrastructure projects for the Timorese defense department such as the construction of a hundred houses for veterans of the War of Independence.²¹

In early 2007, China agreed to build the new Ministry of Defense and the Defense Force headquarters to be located in Martires da Patria near the airport. To coordinate defense relations, the PLA maintains a military attaché in Dili. Currently the Chinese military attaché to Timor holds the rank of Senior Colonel which is the equivalent of a Brigadier in NATO armies and has a Major as his deputy.

China's defense diplomacy seem to have paid off its first major dividend when in April 2008, the two countries signed an agreement for the purchase of two long-range patrol vessels for the FDTL maritime component. The 60-meter long vessels are expected to cost USD \$15 million each and will be conventionally armed. As part of the deal, 30 Timorese naval personnel will be trained in China to operate and maintain the vessels and a small Chinese team will be provided during the first years of operation to maintain the equipment.²² The secretive and opaque manner in which the agreement was reached led to apprehension and some what exaggerated reactions in Australia.

The resulting domestic and international criticism of the government's decision makes it rather unlikely that the government will make any major weapons purchases from the PRC in the near future. In an effort to placate Canberra, the Gusmao government hinted at the possibility of spending USD \$90 million on patrol vessels for the police. However, just like with the Chinese vessels purchase, the process was mired in corruption right from the beginning leading Gusmao to suspend the process all together. To this day, the government has refused to provide a copy of the contract signed with the Chinese with the national parliament citing national security concerns.²³

²⁰ Interviews with Senior Colonel Wang Xinqiang Chinese Military Attaché to Timor-Leste, August 10, 2008 and February 15, 2009.

²¹ Interview with Major Tao Fei Deputy Chinese Military Attaché to Timor-Leste: See also Lindsay Murdoch "East Timor's Big Rich Beijing Buddy" *The Age*, March 3, 2007 at <http://www.theage.com.au/news/world/east-timors-big-rich-beijing-buddy/2007/03/02/1172338881480.html> accessed September 27, 2008.

²² Interview with Pedro Klamar Fui, Head of the Timor-Leste maritime component December 14, 2008 Mark Dodd "Alarm at China's Influence in E Timor" *The Australian*, April 16, 2008.

²³ Interview with Davide Ximenes and Ana Pessoa, Members of Parliament and Members of Commission B, in charge of Security and Defense matters, February 19, 2009.

As is the case of other Chinese weapons sales to third world countries facing political military problems, the sale of the two gunboats to Timor may have brought Beijing very little benefit. While the sale is by far the largest Chinese arms sale in the south Pacific, it is rather small, a mere USD \$30 million, and is unlikely to compensate for the damage done to China's image, resulting from both domestic and international criticism. The secretive manner in which the deal was done raised some serious questions concerning the impact of such actions on accountability and transparency standards. To be fair, lack of transparency in weapons transactions are not an exclusively Chinese problem as the recent episode of the Australian patrol boats for the Timorese police illustrated, or the scandals involving British weapons companies and the Saudi government illustrate even clearer.²⁴

Infrastructure development

As in other developing countries, China has funded the construction of major and very visible infrastructure projects. The PRC has built the new Timorese Ministry of Foreign Affairs building and the Presidential palace in addition to the military buildings mentioned above. The Ministry of Foreign Affairs building cost USD \$8 million while the Presidential palace is expected to cost USD \$7 million. The buildings destined to house the Ministry of Defense and the Defense Force headquarters are expected to cost USD \$6 million.²⁵ The Chinese funded and built Ministry of Foreign Affairs is a rather important structure and has been built in a way to maximize its visual effect. From the descent to Nicolao Lobato Airport in the capital of Dili, first to be seen from the air, are the large and shining Chinese style roofs of the Ministries.

Private Chinese companies have also won contracts to build hospitals, public housing and repair roads. In November 2007, Chinese companies also pledged to invest up to USD \$600 million in power plant construction projects in various parts of the country. On October 28, 2008, the Chinese seemed to show that they meant business by signing a USD \$370 million agreement for the construction of two electric power plants, one in the district of Manatuto, and the other in the region of Manufai. As many as 10 such power stations could be built by the Chinese in the next 10 years. Local environmentalists and NGOs have complained about the lack of any environmental studies to assess the impact of such projects on the island's fragile ecosystem.²⁶

With hundreds of millions of US dollars from the oil fund expected to be invested in major infrastructure projects in the fiscal years 2009-2010, some Chinese companies have been mentioned by the government as possible candidates to build a new airport, a harbor and roads. Other planned investments include a major shopping center, a 5 star hotel, various beach resorts and office buildings. Most of these pledges have come from private Macanese and mainland businessmen.

²⁴ Rob Evans "Britain censured over decision to drop BAE Saudi corruption enquiry" *The Guardian*, January 19, 2007; BBC NEWS, "Saudi prince received arms cash" Thursday 7, June 2007 at <http://news.bbc.co.uk/1/hi/business/6728773.stm> accessed July 27 2008

²⁵ Interview with Counselor Xiong Lichun, deputy head of the Chinese embassy in Dili Timor-Leste, July 18, 2008.

²⁶ Timor Post "Government and Chinese company sign power plant contract" October 29, 2008, Dili Timor-Leste: Interview with Rui Pinto, a Timorese social and environmentalist activist, Dili, Timor-Leste, October 31, 2008.

The most ambitious and serious of these groups has pledged to invest up to \$500 million on various projects. This group headed by Professor Yong Hur Lu, a former economic advisor to Deng Xiao Ping and an expert on the Portuguese speaking world, has been crucial in promoting China's economic interests in Portuguese Africa and Brazil. As of 2006, Professor Lu and his associates had made the biggest single Chinese private investment overseas: a USD \$600 million investment in the technology and IT sector in Brazil. Among the Professor's associates are many former government officials including many senior retired military officers.²⁷ During his last visit to Timor-Leste in August 2008, Professor Lu was accompanied by a former PLA senior Colonel.

Technical cooperation

China has also sent medical teams and other experts to Timor-Leste and provided numerous scholarships to Timor-Leste as part of its cooperation program. In 2007 alone, 100 Timorese public servants attend short capacity-building courses in the PRC and since 2004, some 20 public servants at the level of head of department were trained in China. Since March 2009, 128 Timorese public servants attended short capacity-building courses in the PRC, making China by far the biggest provider of such training.²⁸ These courses range from two weeks seminars up to three months executive courses.

However, the quality of such courses and the rigor of the selection criteria are highly debatable, with many of them being little more than tourist excursions taken enthusiastically by the local functionaries eager to receive the generous overseas per diems now dispensed by a petrodollar rich Timorese government. Despite these problems, the Chinese, to their credit, have tried to improve the quality of the courses provided to foreign officials and a change for the better can be expected in the coming years.

In addition to capacity-building courses for public servants and military officers, China has also provided scholarships for undergraduate and postgraduate students at Chinese universities. As of 2007, there were 7 Timorese students attending Chinese Universities in the areas of Tourism, Agriculture and Management. A few Timorese have also been sent to the former Portuguese enclave of Macau which is now a special autonomous region of China.²⁹ The number of Timorese students heading to China for a university education is significantly smaller than those attending the short capacity-building courses.

For instance, since 2004 China has made available 10 scholarships every year for university education to Timor-Leste, only 7 Timorese have so far taken up the offer leading China to reduce the number of offers. There are three main reasons for this: the first is language. Unlike the short capacity-building courses which are conducted in either English or Portuguese, university degrees are all in Mandarin. Second, the bursaries offered by the Chinese are far more modest than the ones offered by

²⁷ The author has met Professor Lu on numerous occasions since 2006, both in China and Timor-Leste. Professor Lu still lectures on economic issues at the National Defense University of the Peoples Liberation Army (PLANDU) where the author graduated from its masters program in Defense Studies in 2007.

²⁸ Interview with Counselor Xiong Lichun deputy head of the Chinese embassy in Dili Timor-Leste, July 18, 2008 and March 4, 2009.

²⁹ Interview with Olimpio Miranda Branco Timor-Leste Ambassador to China, October 2, 2007, Beijing China.

Australia, Portugal or New Zealand. Finally, there are not enough qualified people to send for overseas university training even to the most attractive destinations let alone to China.

Despite these limitations, China is increasingly educating large numbers of Timorese students, public servants and military officers. As the quality of China's foreign education programs increase, so will its ability to attract a growing number of foreign officials. This will substantially increase its soft power and prestige among the elites of the developing world and may bring China significant benefits at a very limited financial cost.

In addition to training courses for Timorese public servants, the Chinese government has promoted regular visits by senior Timorese officials to the PRC. Nearly all ministers and national directors from the current Gusmao government and the previous Alkatiri government have visited the PRC. Parliamentary delegations have also visited China on numerous occasions. Current Prime Minister, Xanana Gusmao, has visited the PRC twice while President Ramos Horta, made a third visit in August 2008. Various government ministers such as former Minister of Police, Rogerio Lobato, went to China for specialized medical care. Mari Alkatiri himself went to China for a medical check up.³⁰ The most senior Chinese official to visit Timor-Leste was the Vice Minister for Foreign Affairs, Wu Dawei, in January 2008.

From the very first day of Timor-Leste's independence, Beijing was eager to cement official ties between the two countries. As previously mentioned, China was the first country to recognize Timor-Leste's independence and the first to establish diplomatic relations with it. Immediately after independence, the Chinese strongly encouraged the new nation to open a diplomatic mission in Beijing. The Chinese government has provided to the Timorese three apartments in one of Beijing's finest diplomatic compounds free of charge for the next 20 years. The Chinese government has also donated three vehicles to the Timor-Leste embassy in China- a Mercedes for use by the Ambassador, a minibus and small car in addition to office material.

Meanwhile, China has been fast-expanding its diplomatic mission to Dili with the construction of a large 4-storey building to house the new Chinese embassy now under construction. When completed in mid-2009, the People's Republic of China will have the most impressive and large diplomatic building in the country. As of November 2008, there were 11 Chinese diplomats and administrative staff at the Dili embassy, making it the third largest mission among the 20 diplomatic missions in the country, just behind Australia and Portugal.

Putting things into perspective

Since 2000, China's financial assistance to East Timor has been on the increase on yearly bases. In 2004, the PRC granted East Timor USD \$3.7 million in aid, in 2005, it increased it by 50 percent providing a USD \$5.5 million aid package, and this was followed by another increase in 2006 of an additional allocation of USD \$2.7 million to the previous year. Since 2000, China has granted USD \$34 million in financial aid,

³⁰ Interview with senior Timorese Health official October 16, 2008.

while Chinese aid has been consistently increasing on a yearly basis, it remains rather modest when compared to Timor's major donors such as Australia, Portugal and Japan. Between June 1999 and 2007, Portugal provided East Timor USD \$472 million in assistance, with Australia providing USD \$430 million while, since 2003, the United States has provided USD \$86 million. Other major donors include Japan who have so far given USD \$210 million and the EU which in 2006 alone pledged USD \$23 million in aid.³¹

While Chinese aid is modest when contrasted with the major donors, smart and publicity style diplomacy has allowed the Chinese to obtain significant benefits. For instance, while Japan has given six times the amount of aid the PRC has, Japanese discretion and certain passivity has made its influence and prestige much less noticeable than China's. While the New York Times and the Herald Tribune notice the extremely preeminent buildings built by China, such as the Presidential palace and the Ministry of Foreign affairs, few took notice of the far more expensive projects funded by Japan, such as the modernization of Dili's harbor and the planned construction of the country's first highway at a cost of USD \$10 million.³² Credit goes to the Chinese, to the three Chinese ambassadors who have so far served in Dili, all of them fluent in Portuguese and with previous experience in other Portuguese speaking countries. Chinese diplomats are usually far more active than their Western counter parts wasting no opportunity to score diplomatic points. As noted by an American diplomat in Jakarta:

*"When you are number two you must try harder, number two always tries harder. The Chinese are not even number three in here. So they really must try harder"*³³

In 2005, two-way trade stood at a mere USD \$1.7 million, reaching \$13.6 million by the end of 2006, a six fold increase in just a year. However, in 2007, trade was down to USD \$10 million, even for a small and poor country like Timor-Leste, these numbers are rather modest.³⁴ However, this is likely to change in the near future as Chinese business interests eager to take advantage of the fast expansion of the country's oil and gas sector have pledged several hundred million dollars in investment. Despite the fact that trade and aid from China are not too significant, Beijing's presence in the country needs to be looked from a long-term perspective for this seems to be the way China looks at most of its relations. It is also worth noting that foreign financial aid, not technical assistance, is becoming less important as a result of Timor's growing oil and gas revenue.

While still modest when compared with other major players in Timor, China's presence has been consistently growing in the past three years. China does not have the same level of strategic commitment to Timor as Australia or the emotional attachment of Portugal, therefore its penetration of the territory has been far slower, but still consistent. Timor-Leste is just one tiny part of a general strategy of expansion into Southeast Asia; expansion here does not mean an aggressive intent. China's strategy towards Timor is a long-term one aiming at assisting other powers in

³¹ Data compiled by the author from statistics from various organizations such as UNDP, AUSAID, USAID, JAICA and the World Bank.

³² Seth Mydans "Aid From China Builds an Ally in East Timor" The New York Times, July 26, 2007 at <http://www.nytimes.com/2007/07/26/world/asia/26dili.html> accessed June 14 2008.

³³ Interview with US diplomat, Scot Winthrop, January 8, 2008, Dili, Timor-Leste.

³⁴ Data provided by the Timor-Leste National Statistics Institute.

stabilizing the country and hopefully in the future as having it as reliable friend and business partner.³⁵ China's approach to Timor is very similar to its approach towards many other fledging states, with the advantage that in the case of Timor-Leste, China can count on far more players to foot the bill.

China's long-term strategy towards Timor-Leste became clear during the 2006 political military crisis and subsequent state collapse. The massive unrest which erupted in early 2006 led many investors and foreign governments to lose interest in Timor-Leste. Major investments from the Middle-east, South Korea and ASEAN states were postponed or abandoned altogether. In contrast, China does not seem to have wavered in its commitment towards Timor-Leste. When on May 26 the Chinese government made the decision to evacuate its citizens from Timor, the Chinese ambassador urged them to return to the country once the Chinese government considered the situation to be stable and continued to help Timor.³⁶ Beijing understands that its private citizens, in particular, those engaged in business are becoming an important and complementary asset to its foreign policy.

During the crisis, high-ranking Chinese officials continued to express optimism and solidarity towards the troubled nation. During the worst period of the crisis when food scarcity became a serious problem, China donated 3,000 tons of rice and 500 tons of coking oil.

While the provision of these goods cost little to China in financial terms, it was a very visible, symbolic and timely gesture that left a good impression on the Timorese.³⁷ While during the crisis, Australia, Portugal, Japan and the UN committed far greater financial and human resources, these were largely unnoticed and some times criticized due to the military nature of the commitment. Chinese ambassadors to Timor-Leste have shown to be masters in maximizing the limited resources available to them thus obtaining soft power benefits well-beyond China's limited financial commitment.

Chinese diplomats throughout the third world have been masters of appearances and positive illusions making mountains out of the camel's back. For instance, in another former Portuguese colony, the impoverished and war torn West African nation of Guinea Bissau, the Chinese used rice diplomacy to maximum effect. In April 2007, China donated to the Bissau government 2,000 tons of rice to help the government cope with a major food shortage. The rice donation was a crucial gesture considering the exorbitant price of the staple crop in the local market.³⁸ It allowed the local government to address the most basic needs of the population while buying vital time for further shipments to arrive. The Chinese gesture may have prevented serious civil unrest and greatly enhanced China's image in the eyes of the government and people.

³⁵ Interview with Chinese Ambassador to Timor-Leste, Su Jian, July 20, 2008, Dili.

³⁶ *Peoples Daily* "China to evacuate Chinese citizens from East Timor" May 29, 2006 at http://english.people.com.cn/200605/29/eng20060529_269246.html accessed 14 August 2008: See also Press Release from the Chinese Embassy in Dili May 23, 2006.

³⁷ *Peoples Daily* "Timor-Leste thanks China for rice aid" May 30, 2006 at http://english.peopledaily.com.cn/200605/30/eng20060530_269752.html accessed 17 August 2008: Lindsay Murdoch "East Timor's Big Rich Beijing Buddy" *The Age*, March 3, 2007 at <http://www.theage.com.au/news/world/east-timors-big-rich-beijing-buddy/2007/03/02/1172338881480.html> accessed September 27, 2008: Seth Mydans "Aid From China Builds an Ally in East Timor" *The New York Times*, July 26, 2007 at <http://www.nytimes.com/2007/07/26/world/asia/26dili.html> accessed June 14 2008.

³⁸ Loro Horta "Guinea Bissau: China Sees a Risk Worth Taking" October 5, 2007, Center for Strategic and International Studies (CSIS) Washington D C at <http://forums.csis.org/africa/?p=63> accessed September 18, 2008. World Food Program "China becomes world third largest food aid donor" Press Release, July 20, 2006, Rome at <http://www.wfp.org/english/?Key=2166&ModuleID=137> accessed August 4, 2008.

This first rice donation was followed by an even larger one in August 2007 of 30,000 tons. To help stimulate Guinea Bissau's economy, China also exempted 442 of its products from export tariffs to China. China has offered to extend similar privileges to Timor-Leste and in 2008, sent a team from the Henan Hybrid Rice Institute to the country to assist in improving rice production. With the assistance from the Chinese experts the Timorese government claims that it has increased rice production five fold in the experimental farm where the Chinese hybrid rice was introduced.

In August 2008, Timor-Leste's President, Jozé Ramos Horta, attended the opening ceremony of the Beijing Olympics at the invitation of his Chinese counterpart. Horta and Gloria Magapal Arroyo of the Philippines were the only Asian leaders to be received by Hu Jin Tao in private session during his busy Olympic schedule when more than 60 Heads of State were in Beijing for the opening ceremony. The Timorese President had a 20 minute private audience with the Chinese leader on August 8.³⁹ The attention lavished on the small Timorese delegation led to some talk among Western diplomats in the region with many speculating that PetroChina may have indeed found something interesting after all. According to a French diplomat based in Jakarta:

*"I'm certain these gestures are motivated by very real economic and strategic reasons"*⁴⁰

While issues like energy security and strategic considerations are not to be dismissed, these alone fail to explain Chinese actions in Timor-Leste and the developing world in general. The government of the People's Republic of China prides itself, at least in rhetoric, on its relations with the developing world. Beijing likes to portray itself as a great power which deals with smaller states on an equal footing and dedicates more attention to its leaders in alleged contrast to powers like the United States which tends to ignore small countries like Timor-Leste. Finally receiving Ramos Horta in private just a few months after he survived an assassination attempt was also a mark of respect in Chinese culture.⁴¹

The private audience granted by Hu Jin Tao to President Horta is another example of masterful Chinese diplomacy achieving significant soft power gains at relatively low material and financial costs.

China and other powers

Timor-Leste's decision to acquire naval vessels from China and its growing military and defense cooperation with Beijing has created some apprehension among certain quarters in Australia's policy establishment.

In April 2008, Timor-Leste signed an agreement with the Chinese government for the sale of two long-range patrol boats. The decision created uproar in the Australian media with the country's top strategic thinkers and politicians issuing comments on the matter. Australian apprehension towards Chinese influence in Timor, an area it

³⁹ Xinhua News Agency "Chinese President meets Timor-Leste President" August 7, 2008 at http://news.xinhuanet.com/english/2008-08/07/content_9022640.htm accessed August 27 2008

⁴⁰ Interview with French diplomat based in Jakarta, December 17, 2008, Bali, Indonesia.

⁴¹ The author is grateful to Professor Li Anshan, School of International Studies, Peking University for sharing this alternative politic perspective on Chinese foreign policy in a conversation at his office September 18, 2008.

considers to be its exclusive patch, has been growing for the past two years.⁴² However, despite all the uproar and media attention, Canberra does not have much reason to worry about China's presence and should instead address some of its mistakes that have brought Timor close to China in the first place.

Timor-Leste has 870 kilometers of coast line and two aging patrol vessels donated by the Portuguese to patrol it. As a result, the country's coast has been plundered by poachers in a systemic manner, costing the government an estimated USD \$45 million a year in fishery revenue. In addition to illegal poaching, the coast is used by smugglers during the night for movement of illegal goods between the various Indonesian nearby islands and Timor. The trade in illegal commodities is believed to be costing the government USD \$8 million a year in lost tax revenue.⁴³ More worrisome, the country is slowly becoming a transit point for illegal narcotics. Therefore, Timor has no other option but to create a naval force to deal with the current situation.

While certain Australian analysts rushed into criticizing the decision, no one seems to have bothered asking why Timor turned to the PRC for its boats. The Timorese government has been requesting assistance from Australia and the international community to establish a coast guard for years. From the very beginning, Australia's position was against the establishment of a naval force proposing instead that Australia took on the responsibility of patrolling Timor's coast.⁴⁴ This led to the Timorese making a deal with Portugal in which two patrol gun boats were donated to Timor thus creating the *fait accompli* that the country now had a naval force.

Instead of trying to undermine Timor's defense decisions, Australia should find ways to assist and influence these decisions. Criticism will only lead to more assertiveness and independence on the part of the Timorese and will further undermine Australian influence. Timor turned to China out of desperation and the affordability of the Chinese vessels, had Canberra been more accommodating and not stuck to its position of depriving the country of a naval force, Pacific Forum vessels donated by Australia could now be on their way to Timor. An arrangement by which Australian vessels with mixed Timorese and Australian crews would patrol together could have been proposed, but Canberra chose instead its usual policy of ignoring local sensitivities to sovereignty.⁴⁵

A similar mistake was made when Australia refused to train the Timorese special border police, cutting funding and applying pressure on the government. In the end, the URP was, to their great delight, trained by Malaysia, and fully equipped without Australian assistance. Further purchases of military hardware such as patrol aircraft, armored vehicles and water cannons, can be expected.⁴⁶ Instead of trying to prevent such possibilities, Australia should find ways to provide the Timorese who desperately

⁴² Mark Dodd "Alarm at China's Influence in East Timor" *The Australian* April 16, 2008.

⁴³ Interviews with Minister of Agriculture and Fisheries, Mariano Assanami Sabino and former Minister of Agriculture and Fisheries, Estanislao Maria Aleixo, January 8, 2008, Dili, Timor-Leste.

⁴⁴ Interview with President Joze Ramos Horta, one of the most vocal opponents of the purchase. Interview with Major Michael Stone Australian Army Officer and security advisor to the President both interviews took place on July 18, 2008 in Dili, Timor-Leste.

⁴⁵ Interview with Brigadier Taur Matan Ruak, Commander in Chief of Timor-Leste defense force (FDTL), August 17, 2008, Dili Timor-Leste.

⁴⁶ Interview with two Australian Army officers based in Timor-Leste, May 6, 2008, Singapore.

need such assets, while at same time proposing joint patrols and giving assistance in training and logistical support.

While the Chinese presence in Timor has been on the rise, it pales when compared with that of Australia. Australia has so far given USD \$600 million in aid to Timor-Leste and every month the country gets USD \$200 million in revenues from its oil deal with Australia. Thousands of Australians, military, police, doctors, engineers and other experts are currently based in Timor and have a far greater influence than the small Chinese community. Economically and politically, Australia is by far the most influential actor in Timor and is likely to remain so for the foreseeable future.

While China has built very visible infrastructure projects such as the Ministry of Foreign Affairs, the Presidential palace, the Ministry of Defense, and the future Defense Force headquarters, its presence in terms of investments and trade is rather insignificant and poses little threat to Australia. The visibility of the Chinese infrastructure projects has somehow obscured this fact giving it a weight well beyond its real value.

Still, China has been highly successful at building its soft power in Timor and enjoys a good image in the eyes of most Timorese, who see it as a much welcomed balancer to perceived Australian arrogance and paternalism. This is not to suggest that China will have free hand. For instance, Chinese oil companies have, for the past five years, been asking for exclusivity rights to Timor's inshore oil and gas depots; a request denied by the government who refuses to give exclusivity to any country.

Chinese influence is further mitigated by the presence of other powers such as Portugal and Japan. Portugal is, after Australia, the largest aid donor to Timor and one of its closest relations. Australia and Portugal have a lot to gain by cooperating in Timor on a variety of issues including the Chinese presence. Both countries are Western democracies and are closely allied with the United States. Both have deployed troops to Iraq and Afghanistan and have a commitment to Timor like no one else. Portugal is highly concerned over China's rising influence in its former African colonies and will therefore be receptive to cooperation on this matter.⁴⁷ Unfortunately, Canberra has treated Portugal with suspicion and outright disdain, sometimes bordering on the ridiculous. Portugal is no threat to Australia; its attachment to Timor-Leste is an emotional one and not motivated by geo-strategic or economic considerations.

Japan is the country's third main aid donor and is also a close ally of the United States and plays a positive balancing role *vis-à-vis* China. Tokyo has had a far more discrete and sophisticated policy in Timor, abstaining from patronizing commentaries and attitudes. This has won Japan a great amount of respect. Instead of trying to bully the Timorese into not acquiring naval assets, Japan offered to deploy its maritime police to the territory under the UN force to assist the country fight its poaching and smuggling problem.

At a time when Timor has increasingly more financial means to acquire weapons on its own, Australia should, more than ever, find ways to influence the country's

⁴⁷ From August 27 to September 16, the Author attended a short training course at Chinese Ministry of Commerce School for Portuguese speaking countries where these concerns were expressed by members of the Portuguese delegation. Various Portuguese diplomats have expressed their concern to the author on various occasions.

weapons procurements in a positive direction. Insensitiveness and arrogance will only exacerbate the problem. In addition to being able to purchase weapons in the international arms market, there have been a number of countries willing to provide Timor-Leste with free gifts of weapons. An Australian army officer based in Dili told the author that Malaysia is planning to donate an unspecified number of armored vehicles.

Just a few months before the May 2006 military crisis, the then government of Prime Minister Alkatri was allegedly preparing to take a significant arms donation from a an African Portuguese-speaking country. Included in the shipment were high-caliber weapons such as rocket propelled grenades (RPG) and 81 millimeter mortars. Had such weapons reached Timor, the 2006 crisis may have been far bloodier in terms of both Timorese and Australian lives.⁴⁸ In a country marked by abject poverty, its leaders seem to be obsessed with weapons instead of spending money on more constructive matters such as health care, education and job creation. This rearmament of the Timorese security forces comes at a time when deep-hatred still persists between the military and the police.

In the end, the country most likely to be affected by the negative consequences of such a process is Australia and not the countries that are so eagerly supplying East Timor with the means to destroy itself. Therefore, countries like Australia and Portugal should use their significant influence in the country to redirect the restructuring of the country's security forces in positive directions.

The fact that Australia holds a robust position in Timor should not be taken for granted. Since the maritime and oil dispute with Australia in 2002, and the 2006 crisis, anti-Australian sentiment and an increased sensitivity to foreign meddling have emerged as strong forces in local politics. While Australia's hard power, its military and economic power in Timor is unlikely to be seriously undermined. Canberra needs to be more aware of its soft power and try to cooperate closely with other like-minded states. Ironically, Australian soft power is extremely weak in Timor while its hard power is overwhelming which in turn, obfuscates its soft power. In contrast, Chinese hard power is minimum, while its soft power is significant and has been acquired and maintained at very little cost. Canberra needs to address this paradox of Australian power if it wants to maintain its dominant position in Timor-Leste.

Patience is a virtue

Despite the turmoil and the slow pace of recovery since the 2006 crisis, Chinese business interests do not seem to have lost their enthusiasm for Timor. Indeed, Chinese businesses see the large UN presence as a boost to the economy and an opportunity for profit. There are also some cultural aspects which are typical to the Chinese way of doing business. Chinese businessmen say that nothing is permanent, that every thing in life evolves in cycles, therefore the instability in Timor will pass and a new cycle will start. Chinese businesses also see the flight of other businessmen as an opportunity to consolidate their position. As in other unstable parts of the world, such as in various

⁴⁸ Interview with senior Timorese Police officer January 7, 2008, Dili Timor-Leste: This information was then confirmed to the author by various local and foreign officials both civilian and military.

African and Asian countries, Chinese businesses, both state and private, are willing to take risks usually deemed unreasonable by their Western counterparts.⁴⁹

Some major planned Chinese investments include the creation of a free trade area in the border between Indonesia and Timor; the creation of a growth area modeled on the growth triangle concept between Malaysia, Indonesia and Singapore. The special area which is to be located in the Timorese island of Atauro aims at stimulating trade between Timor and the nearby Indonesian islands of Larantuca, Flores, Moluccas and Bali. These islands share many cultural affinities with Timor and have traded with it for centuries, albeit in a rudimentary way.

The group represented by Professor Lu has also expressed interest in creating a special economic zone and an industrial park in the enclave of Oкуси on the Indonesian side of the island. Oкуси is separated from the East side of the island by more than 200 kilometers of Indonesian territory and, in contrast to the rest of the country, has been remarkably stable since independence making it a more favorable place to invest. The island of Atauro located 20 nautical miles in front of the capital Dili offers the same conditions of insulation from the chronic troubles of the mainland.⁵⁰ Business interests from Macau have expressed their interest in establishing a casino on the island, but fearing possible negative social effects, the government has so far resisted it.

Other Chinese proposals include infrastructural development and agricultural projects. While it remains to be seen if the great risks taken by the Chinese in unstable Timor-Leste and elsewhere will pay off, the Chinese government and its people seem to be willing to take the risk. In August 2007, Chinese companies got their first contract paid for by the Timorese government to build a hospital in the district of Suai. The hospital is the first of a planned six hospitals to be built as part of a badly-needed expansion of Timor's health service. China Metallurgical Construction is well-poised to win some of the other contracts due to its competitive prices and the fact that it has been in Timor since independence.⁵¹ However, the biggest reward for the persistence of Chinese businessmen came on October 28, 2008 when the Timorese government awarded Chinese business interests a USD \$370 million contract for the construction of two electric power plants. An additional 8 power plants may be built in the next 10 years with the contracts most likely to go to the Chinese.

In spite of the political instability, the number of Chinese in Timor-Leste has increased. Before the May 2006 political military crisis, an estimated 1,000 Chinese nationals were residing in the country. As of June 2008, the Chinese embassy in Dili estimated that there were 2,342 Chinese nationals in Timor-Leste, while the country's immigration services speculate that there may be as many as 3,000 Chinese.⁵² Most of the Chinese tend to enter the country illegally and make a living primarily as street sellers and small shopkeepers in addition to restaurants and other less refined activities

⁴⁹ Interview with Chinese businessman, Che Xilai, who has business interests in Uganda, war-torn and narcotics-infested Guinea Bissau and Timor-Leste.

⁵⁰ Interview with Professor Lu Rong Ji, former economic advisor to Deng Xio Ping and a crucial person in promoting Chinese business in Timor-Leste and throughout the Portuguese speaking world, Beijing March 17, 2007.

⁵¹ Lusa "Estatal Chinesa vai construir hospital em Timor-Leste" August 28, 2007, at <http://noticias.uol.com.br/economia/ultnot/lusa/2007/08/28/ult3679u2284.jhtm> accessed August 23, 2008; Interview with Dr Rui Araujo, Senior advisor to the Ministry of Health of Timor-Leste, Darwin Australia, April 12, 2008.

⁵² Interview with Counselor Xiong Lichun, deputy head of the Chinese embassy in Dili Timor-Leste, July 18, 2008; Several interviews with immigration authorities and UN police personnel in Timor-Leste carried out in the second week of July 2008.

such as brothels. By and large, the locals seem to welcome the Chinese as they bring cheap consumer goods to an impoverished population increasingly left out of the oil bonanza. Chinese petty sellers are becoming particularly important in rural areas where the population has no access to shops and consumer goods are sold at scandalously-high prices.

Conclusion

Making use of an increasingly sophisticated and refined diplomacy implemented by diplomats fluent in the local language and with extensive experience in other former Portuguese colonies, China has been able to build for itself a very robust position in Timor-Leste. With relatively modest means at their disposal Chinese diplomats have by and large succeeded in enhancing Chinese objectives and influence in this part of the world. While China has indeed achieved substantial gains in Timor-Leste, Australia is likely to remain the dominant player in the territory for the foreseeable future. Portuguese, Japanese and the growing American presence, which is partially motivated by recent Chinese moves will further consolidate Western influence in Timor. Therefore, despite all the concern in Australia regarding Chinese intentions in Timor-Leste there is not much cause for concern- at least in the short to medium term.

Regardless of what the long-term Chinese intentions may be, the Timorese government seems to appreciate Beijing's commitment, particularly in difficult periods such as the one currently confronting the young nation. It should be noted, however, that Beijing was not the only nation not to abandon Timor- Portugal and Australia have increased their financial and political support to Dili and played a central role in stabilizing the country. However, in the case of Australia, some strong, but rather unfounded suspicion regarding Canberra's involvement in the crisis, remain prevalent among many Timorese. Since the crisis, China has made substantial diplomatic gains in Timor-Leste at a very modest material cost; patience and sophisticated diplomacy had allowed Beijing to emerge in the eyes of the Timorese as a committed and much needed friend. The case of Timor-Leste also illustrates the increasing sophistication of Chinese diplomacy and its ability to utilize soft power as a counter to the "China threat theory" which was so prevalent in the 1990s in Southeast Asia. The case of Timor-Leste therefore may be an indicator of future Chinese diplomatic strategy in the Third world as it tries to secure vital interests such as energy resources and markets.

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