



RSIS Commentaries are intended to provide timely and, where appropriate, policy relevant background and analysis of contemporary developments. The views of the authors are their own and do not represent the official position of the S.Rajaratnam School of International Studies, NTU. These commentaries may be reproduced electronically or in print with prior permission from RSIS. Due recognition must be given to the author or authors and the S. Rajaratnam School of International Studies, Nanyang Technological University. For more information on this, please do not hesitate to email: RSISPublication@ntu.edu.sg or call 6790 6982 to speak to the Editor of RSIS Commentaries.

Timor-Leste and China: The dragon's newest friend

Loro Horta

17 September 2007

Despite the ongoing instability in Timor-Leste, Beijing remains committed to consolidating its presence and influence in the fledgling Southeast Asian nation. China's strategy towards Timor-Leste reveals some interesting aspects of the growing and sophisticated nature of Beijing's new diplomacy and the projection of its soft power.

SINCE THE May 2006 political crisis in Timor-Leste, China's presence and influence in the fledgling Southeast Asian nation has been on the rise. Why has China increased its level of interest in Timor-Leste at a time when so many prefer to stay away from such an unstable country? What has allowed Beijing to improve its position in the territory and why is China willing to take the risk of committing itself to such a troubled nation?

Extending aid

Since 2000 China's financial assistance to East Timor has been on the increase. In 2004 China granted East Timor US\$3.7 million in aid; in 2005 this increased by 50 percent or \$5.5 million in aid package. This was followed by another increase in 2006 of an additional allocation of \$2.7 million over the previous year's. Since 2000 China has granted a total of \$34 million in financial aid.

While Chinese aid has been consistently on the rise, it remains rather modest when compared to East Timor's major donors such as Portugal and Australia. Yet, smart diplomacy and public relations savvy have allowed the Chinese to obtain significant benefits. For instance while Japan has given six times the amount of aid provided by Beijing, Japanese discretion and certain passivity have made Tokyo's influence and prestige much less noticeable. While the New York Times and the International Herald Tribune noticed the prominent buildings built by China, such as the presidential palace and the ministry of foreign affairs, few took notice of the far more expensive infrastructure projects funded by Japan, such as the modernisation of Dili's harbour and the planned construction of the country's first highway at a cost of \$10 million. Credit goes 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 counterparts, wasting no opportunity to score diplomatic points.

Patience is a virtue

China's long-term strategy towards East Timor became clear with the recent crisis and subsequent collapse of the government in the former Portuguese colony. The massive unrest that erupted in early

2006 led many investors and foreign governments to lose interest in East Timor. Major investments from the Mideast, South Korea and ASEAN states were postponed or abandoned. In contrast China seems not to have wavered in its commitment towards East Timor. 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. Beijing understands that its private citizens, in particular those engaged in business, are becoming an important asset to its foreign policy.

During the crisis, high-ranking Chinese officials continued to express optimism and solidarity towards the troubled nation. In the worst period of the crisis when food scarcity became a serious problem, China donated 3000 tonnes of rice and 500 tonnes of cooking oil. This rather simple but highly symbolic gesture secured for Beijing valuable political points.

Despite the turmoil and the slow pace of recovery, Chinese business interests seem not to have lost their enthusiasm in East 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 typical of the Chinese way of doing business. Chinese businessmen say that nothing is permanent and that everything in life evolves in cycles; thus the instability in East Timor will pass and a new cycle will start. Chinese businesses also see the flight of other businessmen as an opportunity to consolidate their own position. Like in other unstable parts of the world such as in the various African and Asian countries, Chinese businesses, both state and private, are willing to take risks usually deemed unreasonable by their Western counterparts.

China's investment

Some major Chinese economic moves being planned include the creation of a free trade area along the border between Indonesia and East Timor and the creation of a growth area modeled on the growth triangle concept between Malaysia, Indonesia and Singapore. The special area, to be located in the Timorese island of Atauro, aims at stimulating trade between East Timor and the near by Indonesian islands of Larantuka, Flores, Moluccas and Bali. These islands share many cultural affinities with Timor and have traded with it for centuries. 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 East Timor 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 with the Timorese government to build a hospital in the district of Suai. The hospital is the first of six to be constructed as part of the 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.

But it may be the energy sector, the country's substantial oil and gas reserves, where the biggest potential for investment lie. 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. A major seismic study covering 70 percent of the country was conducted in 2004 at an estimated cost of US \$1.7million. Beijing is expected to bid to develop these; there has also been speculation that China will finance construction of a pipeline to transfer oil and gas from the interior of the country to the coast for transportation aboard Chinese vessels. Fisheries is another area where Chinese companies have been making inroads. Early last year, Dili awarded China fishing rights in its Exclusive Economic Zone (EEZ) that may see up to 100 Chinese vessels operating in Timorese waters.

Conclusion

Regardless of China's long term intentions, the East Timorese government seems to appreciate Beijing's commitment, particularly in difficult periods such as the one currently confronting the young nation. Since the political crisis, China has made substantial diplomatic gains in East Timor at a very

modest material cost. Patience and sophisticated diplomacy have allowed Beijing to emerge in the eyes of the Timorese as a committed and much-needed friend. The case of East Timor also illustrates the increasing sophistication of Chinese diplomacy and its ability to utilize its soft power as a counter to the “China threat theory” so prevalent in the 1990s in Southeast Asia.

Loro Horta is an associate research fellow and PhD candidate at the S. Rajaratnam School of International Studies, Nanyang Technological University, Singapore.