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Chapters in books: Manuel Ennes Ferreira, "China in Angola: Just a Passion for Oil?", in Christopher Alden, Daniel Large and Ricardo Soares de Oliveira (eds.), *China Returns to Africa: A Rising Power and a Continent Embrace* (New York: Columbia University Press, 2008), pp. 295-317.

Articles in journals: Paulo Gorjão, "Japan's Foreign Policy and East Timor, 1975-2002" (*Asian Survey*, Vol. 42, No. 5, September/October 2002), pp. 754-771.

Articles in newspapers: Paulo Gorjão, "UN needs coherent strategy to exit from East Timor" (*Jakarta Post*, 19 May 2004), p. 25.

5. Diagrams and tables should be avoided, or kept to a minimum.

The Dragon and the Crocodile: Chinese Interests in East Timor

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The main goal of this article is to highlight the growing importance of China in East Timor. It seems unnecessary to describe the main characteristics of current Chinese foreign policy, especially concerning its new commitment in International Relations. In a very short sentence, China is diversifying its political and economic fronts, obtaining diplomatic support from several countries and exploring its natural resources, e.g., oil and natural gas. This is not new and represents an evolution of a tendency that was born during the Cold War, in another strategic environment. The Middle Kingdom is, above all, intending to build a balanced world in which it will have to contain any type of hegemony through the constitution of alliances in order to strengthen the multilateralism. China is competing with the United States and Europe, tending to occupy its traditional areas of action.

Following the general approach described above, China is enlarging its influence in the developing world – that is the case of East Timor, one of the least developed countries in the world. Deepening the links with this new state, China is focused on at least three main advantages: reinforcing its influence in Southeast Asia as a “friendly partner”,¹ as well as in South Pacific;² restraining Taiwan’s international position and obtaining access to East Timorese natural resources. For East Timor, becoming China’s partner is obviously a way of counter-balancing or reducing its dependency relative to Australia and Indonesia. The proximity and the ascendant of Australia is certainly a constraint to a deeper relationship between East Timor and China, but not an obstacle.³ Some measures have been taken and closer links in cooperation and business are becoming fruitful.

This article argues that China’s relations with Timor-Leste match the model presented above: one-China policy; competition with the United States and, by extension, with its main ally in the Pacific region, Australia; global diplomatic activism and strategic influence, seeking markets and natural resources. Through trade agreements, free trade offers and strategic partnerships, Chinese policy is building a new “sphere of co-prosperity” in Southeast Asia and even in the South Pacific, consolidating its influence and extending its links.

However, other complementary perspectives should be taken into account. In this article, the case of East Timor will be analyzed through the lens of Chinese expansion in the Pacific, but it will not be the only way of getting at the picture: another key to understanding these interests is Chinese involvement in the Portuguese speaking countries. This article also stresses the importance of the geopolitical dimension: the position of East Timor as a place of confluence – and potential conflict – for Chinese and Australian interests.

The article is structured in the following manner: in the first section the role of People's Republic of China will be considered through the prism of bipolarity: whether the Chinese method is perceived as an exercise of extending soft power, or as a source of what is described as a new "Cold War" with the United States *via* Australia. In the second section, a historical framework – based on the tenet that support of the developing world is a constant of the Chinese foreign policy since the Cold War – traces relations between China and Timor from 1975 to the present. The third section focuses on the foreign policy pillars: trade and aid; the role of the *Lusofonia* connection will also be analyzed. In the last section, a summary of the most recent facts concerning political and economic relations between the two countries will be provided.

"Soft Power" or "Cold War"?

The unavoidable exercise of Chinese "soft power" is developing in East Timor. On the one hand, it should be considered within the framework of the Middle Kingdom's policy for Southeast Asia. On the other hand, it is part of the general policy toward the Portuguese speaking world, which – from Australia's point of view – is seen, to a certain extent, as a new "cold war" over resource security. According to Michael Leach, "There are already clear tensions between China and the United States over Angola. If these tensions extend to Timor, which has also benefited from Beijing's largesse, Australia could yet find itself in the frontline of resource battles between the United States and China".⁴

The strategic importance of the Ombei-Wetar Straits, allowing for the passage between the Indian and Pacific oceans of conventional and nuclear submarines in deep waters, is a recurrent point in this renewed "cold war" discourse.⁵ The fact that China is reinforcing its maritime power should not be dismissed. Ombei-Wetar is often seen as a "choke point" in any future conflict between USA/Australia and China.

This interpretation cannot be dissociated from charges made by the governments of Australia and the United States since 2008. These facts will certainly produce a renewed style of diplomacy in each country as Labor and Democratic administrations replace the former political players. Nevertheless, even if we recognize different perspectives and nuances in conducting foreign policy in these two countries, it should not affect Australian permanent interests as well as the way Australia is concerned about China

interference in its own traditional “sphere of influence”. The encirclement factor is a constant in the history of Australian foreign relations, and Chinese behavior is certainly a matter of great attention for Kevin Rudd’s government, as it was for John Howard’s conservative administration. The idea of continuity is “common-sense” in foreign policy analysis. Rudd is centered on the emergence of the “Asia-Pacific century”. He sees the future relationship between China and the United States as essential for a peaceful environment for Australia in the Pacific, especially when strategic competition discourse is changing globally: “For Australia, the single core question of whether ours will be a Pacific century rests on the long-term management of this most critical relationship...”. For Rudd “China has, just like Japan, legitimate expectations to be treated as a great power within its own region. This does not mean that China has some sort of *droit de regard* in relation to the foreign policy of third countries within the region (...) We must remain vigilant to changing strategic terrain”.⁶

Concerning South Pacific realities – similar in many aspects to the East Timorese, – Graeme Dobell pointed out that “[...] China’s primary objective – as always – is to retain diplomatic loyalty, and prevent defections to Taiwan. Beyond the constant contest with Taiwan, China’s diplomatic activism in the Pacific can be compared with Beijing’s work in Africa, South America and Southeast Asia. (...) In Southeast Asia, Beijing jostles with the United States for influence, seeks markets and resources, and is building diplomatic and strategic influence. (...) Beijing’s aim is to be a factor in any ASEAN decision-making. The objective in the South Pacific is the same”.⁷ In the same direction, Peter Coates has underlined that support in international organizations it is a very important goal for China, and that Taiwan as well as Australia are in worse “competitive” conditions: “China has engaged in an aid bidding war in East Timor, Papua New Guinea and many Pacific islands, for economic gain, political interest and strategic goals. The small size of these countries means that their votes at international *fora*, particularly the United Nations, can be bought cheaply. China’s chief bidding opponent is Taiwan, but the sheer size of China’s aid budget means that it may someday be able to outbid Australia in its own backyard”.⁸ This area – especially in the cases of the Solomon Islands, Papua New-Guinea, Tonga and the Fiji Islands – has been characterized by Australian foreign policymakers as the “arc of instability” and by Howard’s administration as a reserved area for Australian “cooperative intervention” so as to prevent chaos in case of state failure.

Historical Relations between the People’s Republic of China and East Timor

Until 1974, the Chinese community in East Timor was mainly from Taiwan, and played a noticeable role in retail as well as coffee exports. After 1974, some contacts with PRC were made, and it seems that the FRETILIN’s unilateral independence proclama-

tion received Chinese blessing. This worried Indonesia, justifying its annexation of East Timor by invoking the “yellow peril” argument. During *Operasi Komodo* – the Indonesian absorption of Timor – Jakarta promoted the idea that FRETILIN was receiving arms and training from Beijing. Subsequently, FRETILIN’s exile group in Mozambique was discreetly supported by the Chinese government, although this initial enthusiasm seemed to vanish by the beginning of the 1980’s. Other priorities were defined: China needed Indonesian support for opposing Vietnam’s invasion of Cambodia. In these circumstances, it was not reasonable to disturb Jakarta with “delicate” questions.

After the 1999 referendum, the international intervention caused a cold reaction: *a domino effect could be caused by a similar humanitarian crisis in problematic separatist areas of China such as Xinjiang, Tibet or even Taiwan*. The year before, China vigorously opposed NATO’s intervention in Kosovo, arguing that neither the United Nations nor Serbia gave their permission for military intervention. China was not interested in the deterioration of relations with Indonesia, supporting INTERFET only after the Indonesians requested, and the Security Council approved, an international United Nations leading force intervention. During the transitional United Nations administration (UNTAET, 1999-2002), China sent a police contingent.

After East Timor’s independence, in 2002, China was the first Asian country that officially established diplomatic relations with the country. Even before independence, Xanana Gusmão, recognizing the “One China policy” as a guiding principle for obtaining aid and investment from the giant, described the PRC as a “reliable friend”. In fact, China invested USD\$6 million in 2006 in the country’s reconstruction, in addition to grating USD\$10 million in aid in 2000.

For East Timor, good relations with Indonesia and Australia, despite a large number of polemic issues, is certainly a priority, as is its integration in international and regional organizations. Not less important, however, is the establishment of contacts and relations with various countries, especially economically more attractive ones. China, of course, fits in this category. One of the nine East Timorese diplomatic missions is situated in Beijing. The Ambassador in charge, Olímpio Miranda Branco, is a former vice-minister for Foreign Affairs and Cooperation, thus demonstrating the importance accorded to this diplomatic post.

Chinese Foreign Policy Pillars: Trade and Aid

In its very discrete style, China is focused on its global strategy of obtaining natural and energy resources all over the world: not only oil and gas, but also copper, zinc and marble.

One of the main dimensions of the Chinese approach to Timor-Leste is the *Lusofonia* channel. As a member of the Community of Portuguese-Speaking Countries (CPLP),

Timor-Leste is included in a group of states with whom PRC has established links reflecting deep economic interests. However, the values are slightly contrasting between the countries. The Forum for Economic and Trade Cooperation between China and Portuguese-Speaking Countries, created in Macau in 2003, has been focused on Africa, especially Angola (as well as Brazil).⁹ Nevertheless, it would not be wise to neglect this CPLP perspective and the potential of the Portuguese language.

The main vehicles for Chinese action have been trade and aid (including technical assistance, diplomatic training, job creation and providing services). These two pillars of improving a "South to South" cooperative dialogue also materialized through investment in energy, infrastructures, health and defense. This is a very efficient way of obtaining influence within the East Timorese political elite.

For East Timor, aid is more important than trade. Since 2000, China has given an average annual value of USD\$5.349 million. A number of agreements for technical and economic cooperation, namely in agriculture (introducing hybrid rice), have been signed. In the health sector there is a team of twelve Chinese doctors working on the ground.

In 2005, bilateral trade was limited to a mere USD\$1.27 million, all originating from the selling of Chinese products to the East Timorese market. Meanwhile, according to the statistics of East Timorese embassy in Beijing, between January and July 2006 trade has grown impressively, attaining USD\$13.37 million, more than a ten-fold increase.¹⁰ Coffee is the only East Timor commodity exported to China, but timber and flowers are potentially interesting. Timor-Leste is also trying to explore other areas, especially those with growth potential in China, such as ecological tourism.

As far as aid is concerned, the most recent figures reveal that, in December 2004, China donated USD\$3.7 million; one year later, that amount was increased to more than USD\$6.2 million. In comparison with other donors, these are low values. For instance, in 2003-2004, Portugal, donating USD\$34 million, was the biggest donor,¹¹ followed by Australia, contributing USD\$32 million,¹² the US, with USD\$25 million and the European Union, with USD\$14 million. This year Australia has provided more than USD\$72 million.¹³ Other areas, such as military cooperation, have been considered. Nevertheless, Australia and Portugal are still much more influential than China. Overall Chinese investment, public and private, is still very modest.

Recent Developments: Cooperation, Infrastructures and Investment in Key-sectors

Recent developments confirm China's growing interest in Timor-Leste. In September 2006, a technical cooperation protocol was signed in Macau, in the Forum for Economic and Commercial Cooperation between China and CPLP.¹⁴ China agreed to import East Timorese goods duty-free. In fact, recent agreements between Dili and Beijing are likely

to result in a closer partnership. In 2004, Petrochina concluded a seismic-geological study to assess the probability of inshore oil and natural gas resources. Some sources claim that China intends to build a pipeline to carry oil and natural gas from the island's interior to Chinese vessels on Timor's northern coast. China has also financed "visible" construction projects, such as the presidential palace and the Foreign Ministry building.

In June 2007, China sent three thousand tons of rice and invested in the development of hybrid rice in order to improve rice productivity and the increase of farmer income. The training of human resources through scholarship grants is also expected, as well as the construction of a hospital in Suai, near the Indonesian border, by a state-owned company, China Metallurgical Construction, the winner of a public procurement.¹⁵ A group of potential investors went to Timor in September 2007 to present the government with projects that included the creation of a commercial bank, a border trading zone, farm and multidimensional integrated agricultural development, a pedestrian mall, a harbor development zone, highway network construction, airport development and water reservoirs. The anticipated total value of these investment is well over USD\$100 million, in addition to jobs for local farmers and white-collar, urban youth.¹⁶

In January 2008, China and East Timor signed cooperation agreements in Dili, foreseeing aid for Dili in the amount of USD\$1.57 billion. The agreements were signed by East Timor's Prime Minister, Xanana Gusmão, and deputy Foreign Affairs Minister, Wu Dawei, the most senior Chinese official ever to visit East Timor. At the end of the ceremony, Gusmão told journalists that the agreements covered technical and economic cooperation, construction of a soldiers' barracks and the acquisition of equipment for the Timorese Foreign Affairs Ministry.¹⁷

More recently, in April 2008, a USD\$28 million deal was signed between the two countries for the purchase of two advanced patrol boats, a move raising Australia and Indonesia fears about increasing Chinese influence over Timor's military and security policies.¹⁸ The need for these boats, in a country extending over 870 kilometers of coastline, is based on the argument that poaching is depriving the state of an estimated USD\$45 million a year in fishing revenues. Smuggling is also causing a considerable loss of tax revenues. Other criminal activities, such as drug trafficking, are affecting the country to such a degree that maritime security is becoming a core area for governmental measures. East Timorese naval forces already possess two patrol gun boats donated by Portugal. But this was considered insufficient, and Chinese solicitude compensated Australia's lack of assistance.

It is unknown whether the patrol boats came armed, although government officials guaranteed that they were to be used to patrol East Timor's fishing grounds.¹⁹ The contract for the patrol boats provides for 30 East Timorese defense force personnel to undergo training in China, a way of guaranteeing that Peking's influence will be lasting. But, alas, there are no free lunches. As Peter Coates accurately observed, "The patrol boats, however, may come with strings attached. They may prove too expensive for East Timor

to operate without continuing Chinese financial support, and in any case East Timor may require Chinese technicians to maintain the boats”.²⁰ In addition, it is unlikely that Australia will supply the patrol boats, thus providing a “distrustful” defense force with important tools.

In August 2008, China attributed zero tariffs to East Timorese exports, extending the most favored nation clause to this “least developed country”.²¹ In September, in Xiamen, the East Timorese Minister of Economy and Development, João Mendes Gonçalves, gave a speech on the reinforcement of cooperation between China and *Lusofonia* group of countries, highlighting the growth of trade and investment, as well as the importance for East Timor’s economy of a natural coffee production cluster.

In October 2008, a USD\$390 million power project was presented to Dili – building two power generating stations, one in the Manatuto district and another on the country’s south coast, and an electricity grid. The investment, budgeted over four years, has been accepted by the government. However, on October 27, the Court of Appeal upheld a petition submitted by sixteen parliamentarians, many of these belonging to FRETILIN. The Court ruled for the complainants, asserting that the budget was unconstitutional because the money for “the China-tendered deal would entail a withdrawal beyond the amount permitted by existing laws governing the country’s oil revenue-financed sovereign wealth fund, known as the Petroleum Fund”.²² Chinese investors may obtain 50-year land leases in East Timor, whereas most other foreigners are limited to 30-year deals. This explains the growth of Chinese investment, attested to by the number of Chinese-run businesses in Díli, ranging from electronics stores to restaurants and bars.

Conclusions

The words of the Chinese ambassador in Díli are worth quoting because of their synthetic yet precise description of the relations between the two countries: “The Chinese government thinks that as good partners, good neighbors and good friends of Timor-Leste, we are obliged to give a helping hand”.²³ The “helping hand” – in other words, its power – is softly entering the country and will likely obtain various benefits if the usual type of approach is followed. Until now, the priority areas have been agriculture, education, health, infrastructure construction and – the cherry on the top of the cake – oil exploration and even security aid. This is the usual formula in China’s foreign *abordage*.

The pacific coexistence principle of non-interference in internal political affairs leaves open the door to solidifying Chinese economic interests. However, the instability of Timorese political institutions is a worrisome matter; China, in its low-key style is committed to state-building. Beijing can be a comfortable partner, operating a value-free foreign policy driven only by self-interest, with “no value system to sell and no messianic mission to fulfill”.²⁴ In addition to this, China is trying to act as a responsible “global

stakeholder". This posture – leaving the more difficult tasks of "state-building" for Australia and, at a different level, Portugal – permits an increasingly assertive position in the area without putting at risk its relationship with Australia.²⁵

Australia's aid and presence (military, police, doctors, engineers and other experts) are overwhelming, and have a far greater influence than the small Chinese community. But, as Loro Horta pointed out, "while China has built very visible infrastructure projects (...) its presence in terms of investments and trade is rather insignificant and poses little threat to Australia. The visibility of the Chinese projects has somehow obscured this fact, giving them a weight well beyond their real value".²⁶ This conclusion is reminiscent of Gerald Segal's very provocative article on China's "art of diplomatic theatre", answering the question: *does China matter?*²⁷ It seems, however, that this theatrical and "soft" power is becoming an important tool for balancing Australian influence and, to a certain extent; Chinese action stimulated an Australian "Cold War" discourse.

As balancers, Portugal, the largest aid donor, followed by Japan, are very important actors. Portugal, as a member of the CPLP and a facilitator of the dialogue between China and African Portuguese-speaking countries, must pay attention to Chinese intervention as a means of softening Australia's hegemonic tendencies. Portugal has a long tradition of dealing with China in Macau, and this "diplomatic arrangement" could be projected to the East Timorese case, albeit adapted to its special features, as a mean of guaranteeing some core areas for Portuguese foreign policy such as language, security and cooperation. For a fragile and exiguous East Timor, the benefits of engaging with various partners are obvious, as is the idea of implementing interdependence by distributing specific roles to the actors present in the country. This is the old "balance of power" principle. Meanwhile, China's capacity for feeding the "yellow peril" is an important factor for analyzing East Timorese foreign policy.

Endnotes

- * Head of the research project "State-building/State-failure debate in International Relations: the case of East Timor", POCI/CP0/71659/2006, granted by Fundação para a Ciência e Tecnologia (FCT), Ministério da Ciência, Tecnologia e Ensino Superior. A first version of this text was presented at the VIII International Conference "China in the Developing World: South and Southeast Asia, Africa and Latin America", organized by the Instituto do Oriente, ISCSIP, at the Fundação Calouste Gulbenkian, Lisbon, 17 June 2008. This version has been revised; all the structure of the text has been changed as well as importance given to Chinese and Australian perspectives in conflict. A special thank you to Marco Vallino for his help in collecting materials for the writing of this text.
- 1 According to Seth Mydans, "[...] East Timor seems to be of interest less as a prize in its own right than as a natural extension of China's energetic courtship of its neighbors in Southeast Asia". Seth Mydans, "Aid From China Builds an Ally in East Timor" (*New York Times*, 26 July 2007). The expression "friendly partner" was used by Joshua Kurlantzick, the author of an impressive book entitled *Charm Offensive: How China's Soft Power is Transforming the World* (Yale University Press, 2008).
 - 2 Kate Reid-Smith, "Crocodile Oil: Dragon's Treasure, A Possible Future Southeast Asian Geopolitical Diaspora", in Dennis Shoemsmith (ed.), *The Crisis in Timor-Leste: Understanding the Past, Imagining the Future* (Darwin: Charles Darwin University Press, 2007), pp. 65-74.
 - 3 Ian Storey, "China and East Timor Good, but not best friends" (*China Brief*, Vol. VI, Issue 14, 5 July 2006).
 - 4 Michael Leach, "Talking Portuguese: China and East Timor" (*Arena Magazine*, December 2007).
 - 5 Kate Reid-Smith, *Asia 2025* (2007); Maryann Keady, "East Timor: a new Cold War" (*New Matilda*, 14 June 2006).
 - 6 Allan Gynge, *Ambition: The Emerging Foreign Policy of Rudd Government* (Lowy Institute for International Policy, December 2008).
 - 7 Graeme Dobell, "China and Taiwan in the South-Pacific: Diplomatic Chess versus Pacific Political Rugby" (CSCSD, Occasional Paper No.1, May 2007).
 - 8 Peter Coates, "Foreign affairs: Future threats from China" (*News Weekly*, 2 August 2008).
 - 9 Ana Alves, "The Growing Relevance of Africa in Chinese Foreign Policy: the Case of Portuguese Speaking Countries" (*Daxiyanguo*, No. 7, 1st Semester 2005), pp. 93-108; Nuno Canas Mendes, *História e Conjuntura nas Relações Internacionais* (Lisboa: ISCSIP, 2008).
 - 10 See Lusa, 6 December 2006.
 - 11 Portugal is currently one of East Timor's main development partners. Between 1999 and 2007 it provided Timor with aid totaling USD\$470 million. See "East Timor: Portugal's development institute works more closely with Spanish and Australian counterparts" (*Lusa*, 27 March 2007). In September 2007, the governments of Portugal and East Timor signed the "Indicative Cooperation Program" (PIC) for the next four years, estimated at a total of 60 million Euros. See "Portugal signs 2007-2010 cooperation program with East Timor" (*Lusa*, 3 September 2007).
 - 12 Between 1999 and June 2007, Australia provided over \$570 million in Official Development Assistance (ODA) to East Timor and, after lifting its aid significantly in 2006-2007 to meet the needs of the security and humanitarian crisis, invested a further \$72.8 million in 2007-2008. Estimated ODA for 2008-09 is \$96.3 million. See AusAid website.
 - 13 Mark Dodd, "Alarm at China's influence in East Timor" (*Australian*, 16 April 2008).
 - 14 Loro Horta and Ian Storey, "China's Portuguese connection" (*Yale Global*, 22 June 2006).
 - 15 See Lusa, 28 August 2007.
 - 16 Embaixada da República Democrática de Timor-Leste, Beijing, Press Release, 19 September 2007.
 - 17 "East Timor: China provides US\$1.5 billion in aid" (*Lusa*, 30 January 2008).
 - 18 Loro Horta, "East Timor: Hard Rock, Soft Water" (*ISN*, 4 July 2008).
 - 19 Dodd, "Alarm at China's influence in East Timor".
 - 20 Coates, "Foreign affairs: Future threats from China".
 - 21 "Exportações do Timor para China passam a pagar tarifa zero" (*Lusa*, 8 August 2008).
 - 22 Matt Crook, "East Timor kills Chinese power deal" (*Asia Times*, 3 December 2008).
 - 23 See *New York Times*, 27 July 2007.
 - 24 François Heisbourg, "The Coming Age of the Self-Interested Superpower" (*Financial Times*, 16 February 2006).
 - 25 From a strategic point of view, Kate Reid-Smith, echoing the alarmist understanding of Chinese involvement in East Timor, states that "it makes perfect sense that China should be more than acutely aware of this tiny nation's geo-strategic opportunity as a Chinese maritime scoping platform [...]. China, highly experienced as it is in coastal operations, could also offer soft loans in terms of naval acquisitions, including small patrol craft, land-based artillery and missiles, or amphibious warfare technologies, in exchange for oil concessions - similar to other Chinese regional aid packages. Chinese warships could legitimately be used as anti-piracy or counter-terrorism escorts, protecting Chinese or East Timor shipping or fishing interests". See Joseph Poprzeczny, "Red Star over East Timor" (*News Weekly*, 31 March 2007).
 - 26 Horta, "East Timor: Hard Rock, Soft Water".
 - 27 Gerald Segal, "Does China Matter?" (*Foreign Affairs*, Vol. 78, No. 5, September/October 1999), pp. 24-36.