CHAPTER 11

China's engagement in Timor-Leste's economy

Laurentina 'Mica' Barreto Soares

Abstract

Chinese nationals have been playing a dominant role in China's engagement in Timor-Leste's economy. The Chinese are known for their entrepreneurial spirit and business acumen. They possess great commercial skills, financial capital and wide business networks. They have become important economic intermediaries between China and other countries through various economic activities. Since Timor-Leste's independence, the presence of Chinese nationals has been on the rise. Their increased presence, coupled with the return of local Timorese-Chinese, has significantly changed Timor-Leste's economic landscape. This chapter argues that their particular economic activities can be considered as new forms of economic and settler colonialism. Notable evidence is seen in the influx of Chinese migrants and their occupation of strategic locations as well as domination in local economic activities.

Keywords: Chinese nationals; economic activities; business networks; economic intermediary

This chapter examines China's economic activities in Timor-Leste post-independence. The analysis focuses on China's state and non-state actors' immersion in Timor-Leste's economy over the past two decades. China's non-state actors refer in particular to the overseas Chinese community in Timor-Leste. The term overseas Chinese refers to the *Huaqiao* and *Huaren* groups. The *Huaqiao(s)* are those overseas Chinese who reside outside of China and have obtained permanent residency abroad but still maintain their Chinese nationality, while the *Huaren(s)* are defined as those ethnic Chinese who reside and become nationals of foreign countries (Tan 2013, 2-3). In this case, the analysis of the Chinese community in Timor-Leste focuses on Chinese nationals or Chinese newcomers and Timorese-Chinese and their different economic activities in the country.[12] In-depth accounts concerning the history of Timorese-Chinese communities can be found in Douglas Kammen and Jonathan Chen's 2019 book *China Timor: Baba, Hakka, and Cantonese in the Making of Timor-Leste* and Juliette Huber's 2021 chapter "At the Periphery of Nanyang: The Hakka Community of Timor-Leste" in Caroline Chia and Toom Hoogervorst's edited volume on overseas Chinese in Southeast Asia. This study, carried out between 2014 and 2018, is based on extensive analysis of documentary sources and fieldwork interviews with relevant state and non-state Chinese actors, including independent scholars from China and Timor-Leste.

The presence and economic activities of China have significantly changed Timor-Leste's economic landscape. Overseas Chinese, particularly the Chinese newcomers, and to some extent the Timorese-Chinese community and their particular economic practices can arguably be considered a new wave of economic and settler colonialism. This claim is evidenced by the influx over the last two decades of Chinese nationals and their settlement in strategic locations as key players in a range of economic activities in the country.

Over the past two decades, enhancing its strategic influence and economic objectives has arguably become China's primary consideration in its engagement with Timor-Leste. Nonetheless, China is not the leading player in Timor-Leste in major capital investment and major economic activities such as oil and gas industries. These areas have been dominated by the Australian, United States, Italian, and Japanese firms.[3] However, its interactions are significant and on the rise. In the past five years or more, China's economic interactions have become increasingly noticeable at both the state and non-state level. At the non-state level, there is a proliferation of Chinese nationals present and carrying out economic activities in the country. At the state level, there are an increasingly amplified number of cooperation agreements which emphasise economic development. These include invitations for Timor-Leste to participate in different economic forums in China including the Boao Forum for Asia. China has also expressed great interest in investing in Timor-Leste in the future in the areas of petroleum, the Tasi Mane Project along the south coast, ZEEMS in Oecussi and the agricultural industry (Sampaio 2015). This makes China a significant player in Timor-Leste's economic landscape along with Indonesia, Singapore, Australia, the United States, Portugal, Malaysia, and others. The Timor-Leste government's annual trade statistic report in 2019 indicates that China is the fourth most important country from which Timor-Leste imports goods and services and that 14% of Timor-Leste's exports go to China (RDTL 2019).

Overseas Chinese are known for their entrepreneurial spirit and business acumen. They are well-equipped not only with high-level commercial skills but also with financial capital and wide business networks. Chinese leaders as well as Chinese scholars attach great importance to overseas Chinese and consider them a great asset for China's economic development (see Zhu Rongji 2001 quoted in Liu 2005, 302; Guoto 2017). Overseas Chinese are seen as a 'secret economic weapon' to advance China's desire for national rejuvenation. China uses economic power to reclaim its past identity as a great power within the international system.

In 2014, it was estimated that between 7,500 to 8,000 people identifying as overseas Chinese resided throughout Timor-Leste. Among them, the number of Chinese nationals and overseas Chinese from other countries in the region was predicted to be between 3,000 to 4,000 people, with Timorese-Chinese around 4,000 people.[4] Newcomers and other overseas Chinese from the region come to Timor-Leste for different economic reasons. Chinese citizens come predominantly from the southern coast of China, particularly from Guangdong and Fujian provinces. The latter area has been well known as China's great source of internal and overseas migration for centuries (Liang and Morooka 2004, 145).

In the independence era, overseas Chinese have been key players in Timor-Leste's local economic activities ranging from small to medium and large-scale enterprises. Chinese state-owned and non-state-owned enterprises are involved in various infrastructure and non-infrastructure projects and benefit from Timor-Leste's public funds, particularly those that involve infrastructure projects.

This discussion on China's engagement in Timor-Leste's economy begins by presenting an overview of China as state actors and their economic relations with Timor-Leste between 2002-2018. Subsequently, it outlines China's economic activities through trade and investment. It then examines overseas Chinese engagement in Timor-Leste's economy by highlighting Chinese state and non-state owned companies and overseas Chinese economic activities between 2002-2018. Prior to the conclusion, it discusses the ramifications of China's increased economic engagement in Timor-Leste.

China's economic diplomacy with Timor-Leste

China's early economic interactions with Timor-Leste can be traced through the arrival of Chinese traders on Timor Island in the 13th century (Kammen and Chen 2019; Durand 2016; Gunn 2016, 1999; Pinto 2014; Fox 2003). Chinese traders were among the early arrivals prior to the Portuguese spice traders in 1511 and the Dutch a century later in 1613.[5] This early economic contact was marked with sporadic trading in various Timorese commodities such as sandalwood, beeswax and honey. However, the Chinese trade-network appeared more effective with the arrival of the Europeans in the 16th century (Gunn 2016; Fox 2003). The Europeans eventually colonised and divided Timor Island into two parts, Dutch to the West and Portuguese to the East.[6] For centuries, Chinese settlers focused on commercial activities and established communities across the island (Kammen and Chan 2019). Chinese merchants dominated and took charge of the trading markets—they controlled the trade of both local and foreign produced products (Roque 2010, 315).

In contemporary Timor-Leste, China began to establish significant economic links with the country as early as 2000 whilst Timor-Leste was still under the United Nations transitional administration. A Chinese delegation visited Dili and met with Timorese leaders and expressed their willingness to engage in Timor-Leste's economy.[7] In an effort to further strengthen its presence in the country, in 2003 China signed a cooperation agreement with Timor-Leste in which China outlined aspirations to be involved in rebuilding Timor-Leste (Storey 2011, 279). The agreement indicated China also aspired to explore economic and trade cooperation with Timor-Leste and it was this cooperation agreement which provided a window of opportunity for China's public and private business enterprises to engage in Timor-Leste's economy.

In April 2014, China and Timor-Leste signed another cooperation agreement. Both countries agreed upon a number of areas for cooperation and named the cooperation an "all-round cooperative partnership" (Dan 2014). These partnerships included, among others, a plan to expand bilateral economic relations through trade and investment, to deepen cooperation in security, to make an agreement on visa exemption for holders of diplomatic and service passports, to enhance relationships between the two countries through people-to-people relations such as cultural and sports exchange, and reciprocal visits of state and non-state actors and tourism (RDTL 2014). Following this agreement, Beijing has been actively intensifying its economic diplomacy with Dili.

It is observed that apart from bilateral arrangements, China's economic relations with Timor-Leste are also organised regionally within the framework of Timor-Leste's engagement with the Macau Forum and the Community of Portuguese-speaking Countries (CPLP). While the existence of the Forum and Timor-Leste's active participation is a positive development for the country, overall, the country has yet to see significant benefits from its involvement in the Macau Forum.

China attaches great importance to Timor-Leste's geographical location within the Southeast Asia region. In his welcome message to Timor-Leste in 2015, Chinese Ambassador Liu Hongyang stated, "Timor-Leste is one of China's neighbours in Southeast Asia, which is of great importance in the neighbourhood policy of the Chinese Government" (Hongyang 2015). Such neighbourhood policy considerations incentivise Beijing to consider Timor-Leste as part of its grand strategy for global economic connectivity through the 21st Century Maritime Silk Road (MSR) proposal. The MSR is part of the One Belt One Road (OBOR) or the Belt and Road Initiative that was introduced by Chinese President Xi Jinping in 2013 to boost infrastructure connectivity throughout Southeast Asia, Oceania, and East Africa. The MSR focus on maritime trade complements the Silk Road Economic Belt that also focuses on infrastructure development over land through Central Asia (Green 2018, 1).

In China's view, the Belt and Road Initiative aims to promote connectivity through land and seas between China and Asian, European and African countries. While Beijing argues that the Initiative focuses largely on economic development, some observers argue that the Initiative also involves a geopolitical component wherein Beijing aims to enhance its influence in the world and challenge the world order (Green 2018; Sagi and Engelberth 2018; Cau 2018). This issue is beyond the scope of this chapter, but it is important to note that for China, the Initiative is not a new approach but a revival of its ancient trade road known as the Silk Road from 2000 years ago (Sagi and Engelberth 2018, 13-14). Thus, China considers Timor-Leste's participation in the Initiatives as a revival of its old trading link from the 13th century before the arrival of Europeans on Timor Island.

Since the MSR proposal was introduced to Timor-Leste in 2014, China has framed its relationship with the country as part of its overall cooperation under the initiative of building the 21st Century MSR. Like other Southeast Asian countries, Timor-Leste welcomes this proposal and has been willing to cooperate with China under the proposed initiative. In his visit to Macau in May 2019, former president of Timor-Leste, Jose Ramos-Horta, reiterated Timor-Leste's eagerness to boost the country's cooperation with China in order to develop its economy and expressed his full support of the OBOR proposal.[8] Speaking to Lusa News Agency, the former president at that time said that for the purpose of Timor-Leste's national development, the country could benefit from partnerships with China, as well as other partnerships (MacauHub 2019).

Timor-Leste is now among the 64 member countries which officially takes part in China's OBOR project. In 2017, the OBOR Bank's Board of Governors approved Dili's application to become the institution's "Regional Prospective Member". As such, Timor-Leste now joins more than 60 other countries as the Bank's members with its first capital investment around US$16 million. In Timor-Leste's view, its participation in the Bank aims to "improve economic and social development in Asia by investing in high quality, financially viable and environmentally friendly infrastructure projects" (RDTL 2017).

Despite the proposal's ambition, the ways in which this initiative is mutually beneficial for both China and Timor-Leste remain unclear. While China considers that the proposal has been effected through the involvement of its nationals in different infrastructure projects and other economic activities, Timor-Leste remains unclear on how exactly the proposal will be implemented and how it will benefit. In September 2015, in my fieldwork interview with a senior official of Timor-Leste's Ministry of Foreign Affairs, it was apparent that, although Timor-Leste had officially welcomed the initiative, the country was still far from ready to properly make use of the opportunity in order to benefit from it. Between 2015-2018, Timor-Leste made unsuccessful attempts to mobilise finance mechanisms under the OBOR framework.

Trade and investment

It has yet to be seen how China's economic initiatives and investment will impact Timor-Leste's development plans. Nonetheless, China has been investing in strategic areas of Timor-Leste's government infrastructure: Chinese has helped to build the presidential palace, the ministry of foreign affairs and its diplomatic training center, and the ministry of defence. Similar investment exercises are carried out by China in other developing countries, including Portuguese-speaking countries. The Chinese Ministry of Commerce reported that China's general foreign direct investment to Timor-Leste between 2010-2014 soared from US$7.5 million to US$15.8 million (HKTDC Research 2016, 2). In 2018, this increased significantly to over US$45 million (HKTDC Research 2019, 8). In 2014, the Macau Forum media reported that three Chinese companies had indicated strong interest in investing in Timor-Leste's US$400 million ZEEMS project (Sampaio 2014). It is important to note that the majority of Chinese companies operating in Timor-Leste are state owned companies. While at the time of writing, none of these Chinese companies have become involved in ZEEMS projects in Timor-Leste's enclave of Oecussi, some Chinese companies have put forward concrete proposals for investment in agricultural production. For example, one proposal involved 400 acres of land to plant bananas to be exported to China. Another proposal involved 100 acres to plant pineapples for export (Sampaio 2015). A Chinese state-owned company called China Civil Engineering Construction Corporation has also signed a contract with Timor-Leste's national oil company Timor Gap to construct a port in Beaco, Viqueque district. The estimated cost of the Beaco port construction is US$943 million dollars (MacauHub 2019). Beaco is expected to become the destination for the oil pipeline from the Timor Sea connecting to other sites along the south coast designated for processing natural gas as well as a port facility for the export of liquefied natural gas (Timor Gap 2019). A Chinese airline company has expressed interest in investing in aero-connectivity between Dili and Hong Kong (Plataforma Media 2019).

However, given their active involvement in the oil and gas sector, Australia, the United States and Italy are the major investment players in Timor-Leste. Along with Portugal and Indonesia, Australia is also involved in financial investment. Nevertheless, China and Indonesia have higher numbers of registered companies and business enterprises in Timor-Leste. A lack of statistics on foreign business enterprises in Timor-Leste makes it difficult to provide an exact figure for Chinese and Indonesian business properties. However, with the increased number of Chinese newcomers present in the country, it can be said around 300 business enterprises belong to Chinese merchants. In his 2015 interview with the Jakarta Post Newspaper, former Prime Minister Rui Maria de Araújo stated there are over

20 Indonesian state-owned companies and up to 400 Indonesian private companies operating in Timor-Leste (Aritonang 2015).

The volume of China's bilateral trade with Timor-Leste has also increased steadily over the past years. China is now one of the major import trading partners in Timor-Leste. Indonesia is the source of Timor-Leste's largest imports—almost 90% of goods circulating in Timor-Leste's market are from Indonesia. Other major trading partners include the United States, Australia, Hong Kong, Malaysia, Portugal, Thailand, South Korea and Japan. Timor-Leste also has direct trade relations with Taiwan—an activity mostly revived from Timor-Leste through Timorese-Chinese and in which the main export commodities have been coffee and some other organic agriculture products. Taiwan's exports to Timor-Leste include foods, diesel and vehicle parts, and accessories.

In general, as a small country, Timor-Leste is highly dependent on imports due to its limited domestic industry. Statistics on China's trade with Timor-Leste as recorded by the Forum for Economic Cooperation and Trade between China and Portuguese-speaking Countries revealed that from 2013 to 2019 China's total export to Timor-Leste is over US$79.5 million and its total imports from Timor-Leste is over US$3 million. Table 11.1 below indicates China's trade relations with Timor-Leste as reported by the Forum for Economic Cooperation and Trade between China and Portuguese-speaking Countries from 2013 to 2019.

Table 11.1: Statistics on China's trade with Timor-Leste from 2013-2019 (US$'000)

Year	**Import**	**Export**
2019	2,456.09	14,357.88
2018	300.59	13,294.56
2017	156.21	13,327.37
2016	29.97	17,188.29
2015	72.49	10,595.44
2014	9.99	6,034.79
2013	39.7	4,730.67
Total	3,065.04	79,529.00

Source: This public document was extracted from the Permanent Secretariat of the Forum for Economic Cooperation and Trade between China and Portuguese-speaking Countries. See http://www.forumchinaplp.org.mo/category/news/trade-data/?lang=pt

Meanwhile, data from the Timor-Leste government revealed that from 2004 to 2019, with the exception of 2007 due to the 2006 political crisis, total imports of both merchandise and non-merchandise items from China increased exponentially. See

Table 11.2 below regarding Timor-Leste government’s statistics on Timor-Leste’s exports to and imports from China from 2004 to 2019. The statistics reveal a massive trade imbalance between China and Timor-Leste. China’s main imported goods to Timor-Leste include pre-fabricated building materials, vehicles, cigarettes, uncooked pasta, uncooked rice, tractors, mounting fittings for building of base metal, apparatus for carrier-current or for digital system and medical treatment, and household and sanitary products. Timor-Leste’s exports goods to China are mainly coffee and a few other organic agriculture products such as vanilla, candlenuts and turmeric.

Table 11.2: Statistics on Timor-Leste’s export (including re-export) to and import from China between 2004 and 2019 (US$’000)

Year	Imports	Export & Re-Exports	Coffee Exports*
2004	1,321	10	0
2005	1,684	13	0
2006	2,209	126	0
2007	0	0	0
2008	5,363	0	0
2009	11,572	57	28,110
2010	21,531	295	103,197
2011	55,913	13,911	111,360
2012	43,603	559	82,800
2013	39,787	309	0
2014	41,335	77	0
2015	53,151	81	0
2016	97,775	674	304,504
2017	83,457	2,062	58.464
2018	65,157	2,599	66,528
2019	69,243	20,005	361,351
Total	593,101	40,778	1,057,908.46

* The nominal from coffee export is expressed as it is
Source: This statistic is extracted from Timor-Leste government’s public document on external trade annual statistic report with modification from the author. See http://www.statistics.gov.tl/tl/category/survey-indicators/external-trade-statistics/anual-reports/

In 2008, the Chinese government offered zero-tariff treatment to Timor-Leste's merchandise exports to China (Chinese Embassy in Timor-Leste 2011). Such treatment is arguably part of China's soft power approach to gain Timor-Leste's attention in strengthening its trading activities. While Timor-Leste welcomed China's offer, due to Timor-Leste's limited merchandise exports, the opportunity has not been fully utilised by the country. Timor-Leste most likely will not be able to reduce its trade imbalance with China for obvious reasons relating to its geography, demography and economic capacity. See Table 3 below regarding Timor-Leste's trade balance. It indicates from 2004 to 2019, Timor-Leste's total trade deficit is over US$5.2 billion.

Table 11.3. Statistics on Timor-Leste's Trade Deficit 2004-2019 (US$'000)

Year	**Export**	**Import**	**Trade Balance**
2004	105,654	164,108	-58,454
2005	43,451	109,127	-65,676
2006	60,685	100,802	-40,117
2007*	19,179	206,133	-186,954
2008	49,207	268,584	-219,377
2009	34,512	295,096	-260,584
2010	41,660	298,091	-256,431
2011	53,253	339,630	-286,377
2012	76,893	670,121	-593,228
2013	53,278	528,824	-475,546
2014	39,065	553,658	-514,594
2015	38,415	491,230	-452815
2016	161,800	511,703	-349,903
2017	24,857	588,217	-563,360
2018	48,302	565,246	-518,944
2019	153,741	596,989	-443,248
Total	1,003,952	6,287,559	-5,258,608

* Statistics recorded for 2007 were based on trend estimates for missing months
Source: This is extracted from Timor-Leste government's public document on external trade annual statistic report with modification from the author. See http://www.statistics.gov.tl/tl/category/survey-indicators/external-trade-statistics/anual-reports

Overseas Chinese involvement in Timor-Leste’s economy

Despite the early origins of China’s involvement in Timor-Leste’s economy (Kammen and Chen 2019; see also Chapter 1, this volume), its economic presence rose steadily following Timor-Leste’s internal political crisis in 2006. As the economy steadily recovered from this period, there was a massive influx of Chinese private and state-owned companies and business enterprises to the country. However, the absence of formal statistics on international foreign business enterprises makes it difficult to present accurate figures of overseas ‘Chinese’ business in the country.

The visibly increased presence of these entities in the Timor-Leste business landscape was on the one hand a part of China’s ‘going out strategy’ policy that was introduced in the 1990s. This strategy encourages not only Chinese citizens who are interested in better economic conditions to leave China, but also Chinese business enterprises, both state and non-state owned enterprises, to venture and operate overseas in the form of outward foreign direct investment (Abeliansky and Martínes-Zarzoso 2019; Wang 2016; Nash 2012). For some, migration was facilitated by the Chinese government, notably the Ministry of Foreign Affairs, Ministry of Public Security, and Overseas Affairs Office of the State Council, in the form of financial capital and other related administrative arrangements. While others, particularly the private-owned companies and business enterprises, develop their own arrangements through family and friendship network connections (Fieldwork interview with representative of Chinese newcomers—Dili, 6 September 2015).

On the other hand, the increased presence of Chinese business enterprises and companies and other international economic players in the country can be read as an outcome of incentives offered by Timor-Leste’s strategic development plan. Its 2030 Strategic Plan and related investment laws encourage a diversification of foreign direct investment in the country.[9] Since its restoration of independence in 2002, whilst trying to improve the nation’s quality of life, health and education, the government of Timor-Leste has also been focusing on infrastructure development aimed at laying groundwork for its economic development. This includes building and improving roads, bridges, waterways, power plants, expansion of airports and seaports and telecommunications. The government has allocated over US$1.2 billion specifically for infrastructure development. Such an enabling environment opens up a window of opportunity for international economic players from different parts of the world to come to Timor-Leste.

From 2008 to 2019, Chinese companies received over US$450 million of Timor-Leste public funds through a public bidding process. For example, China Overseas Engineering Group Co. Ltd and China Railway First Group Co. Ltd won public bids for building the first highway construction on the south coast of Timor-Leste. 30 km of a 151 km highway was completed in late 2018. The road is expected to connect Suai and Viqueque districts and facilitate road transport between the aforementioned south coast Tasi Mane oil and gas industrial hubs. China regards the completion of the project as a sign of Chinese companies' great accomplishment and the news was widely reported by different Chinese state media outlets in China. The China Harbour Engineering Co. Ltd was subcontracted by a French transport company called Bolloré Ports who was contracted by the Timor-Leste Government to build the new Tibar port and harbour (Macau Forum 2017a). The Tibar harbour project is by far the biggest public construction project to be built on the outskirts of Dili with an estimated cost of around US$490 million. It will be funded through a public-private partnership arrangement, in this case, private partners, the Timor-Leste government and Bollore Ports (ibid.).

In 2008, the Chinese Nuclear Industry 22nd (CNI22) was awarded over US$350 million via public tender, the highest amount ever awarded in Timor-Leste's history, to build a power plant in Timor-Leste. According to La'o Hamutuk NGO, CNI22 was also awarded another government contract totalling over US$1 million for school table and chair supplies (La'o Hamutuk 2013). This has made CNI22 the biggest beneficiary of Timor-Leste government funds among Chinese companies, its dominance prompting criticism from local non-governmental organisations. In 2013, La'o Hamutuk wrote a formal protest letter to the Government Procurement Office but received no formal response (ibid., 2013).

China sees its companies' engagement in Timor-Leste as an opportunity to expand its Maritime Silk Road influence through infrastructure development. In his remarks to journalists in a media gathering in Dili in April 2019, Chinese ambassador Xiao Jianguo named the projects as 'one grid', 'one road' and 'one port'—a play on Beijing's narrative with regards to the networks of the One Belt One Road Initiative (Chinese Embassy in Timor-Leste 2019). Chinese firms have not only competed and received funds through Timor-Leste's direct public funding, they have also competed for and received loans provided by the World Bank, Japan and the Asian Development Bank for public infrastructure projects, particularly road construction.

It is important to note that Timor-Leste's Service for Business Registration (SERVE) has also registered companies from Indonesia, Portugal, Australia, Japan, Malaysia, South Korea and Spain to be involved in large infrastructure projects in Timor-Leste (Fieldwork interview with head of SERVE—Dili, 2 September 2015). Indonesian companies have significantly benefited from Timor-Leste's public funds. Indonesian Ambassador to Timor-Leste, Sahat Sitorus, in his interview with Indonesian online Detik Finance news on 19 September 2017, confirmed the dominant presence of Indonesian state owned companies in Timor-Leste's development projects:

> Pembangunan di sini memang didominasi sama BUMN Indonesia. Kita berperan penting terhadap pembangunan yang terjadi di Timor-Leste. Bisa dilihat BUMN Indonesia ini

> komplit ada di sini, Hutama Karya, Waskita, WIKA, PT PP, Adhi Karya. Bikin jalan, perumahan, gedung sampai bioskop pun ada di sini (Simorangkir 2017).
> Development in Timor-Leste is indeed dominated by Indonesian state-owned enterprises. We play an important role in Timor-Leste's development. You can see many Indonesian state-owned companies that are here such as Hutama Karya, Waskita, WIKA, PT PP and Adhi Karya. They construct roads, houses, buildings as well as cinemas.

At the level of small to medium scale businesses in Timor-Leste, overseas Chinese and Timorese-Chinese are also important players. Prominent enterprises among Chinese-Timorese include AKAM (the owner of Leader, Lita Store, and Toyota dealer), Jape family of Timor-Plaza and Star King. These business enterprisers are located in Dili and considered the top three players among the Timorese-Chinese community. During the Portuguese colonial regime, ethnic Chinese monopolised the territory's market economy—they controlled 95% of some 400 wholesale and retail commerce in the territory (Dunn 2003, 38). They also cultivated and exported Timor coffee. It was reported that out of the twenty-five largest firms in the territory under Portuguese administration, only two of them were Portuguese firms, namely SAPT and SOTA.[10] The most vibrant and largest business owner among the ethnic Chinese at the time was the two brothers of the Sang Tai Hoo family (Dunn 2003, 38-39). This family business managed to extend their commercial network to other parts of Asia predominantly occupied by ethnic Chinese such as Hong Kong, Singapore and Macau.

Post-independence, most Chinese newcomers involved in trading activities settled in the capital Dili, as it is the centre of economic activities. They are involved in various economic activities from trading and retailing of cheap goods to wholesale construction materials, business in hotels, gas stations, restaurants, internet cafes and brothels. Interestingly, most of the goods and materials sold by the Chinese new merchants are directly imported from Indonesia. This shows how overseas Chinese economic activities in Timor-Leste have also indirectly contributed to Indonesia's economic development.

Many of these Chinese merchants occupy strategic locations along the main roads of Dili. The neighbourhood around Hudi-Laran Road and Fatuhada Road in Dili is now populated mainly by the new Chinese traders from Fujian province. The new Chinese traders rent the land and properties from the Timor-Leste government and private individuals for a minimum of 10 to 20 years. Land and property rents cost between US$300 to more than US$1,000 per month (Fieldwork interview with a Chinese new merchant, Zhen Jiang—Dili, 3 September 2014). Similar localised patterns of occupying most strategic places and involvement in various types of business are found in the economic activities of Chinese migrants in Africa (Park 2009, 7-9) and small-island developing Pacific countries.

Implications of China's increased economic engagement in Timor-Leste

China and Timor-Leste's economic relations are asymmetric in many ways. While undeniably China's engagement has contributed to diversifying Timor-Leste's economy, its increasing economic presence has ramifications at both state and non-state level in the country and to some extent beyond Timor-Leste's border. Its dynamic interactions, particularly through its overseas community's engagement in different economic activities, prompts conflicting views among Timorese locals, including the Timorese-Chinese community and government officials (Barreto Soares 2019, 323). Some locals are critical of China's economic engagement strategy as advanced through Chinese newcomers' increased presence and economic activities in the country. Others, including Timorese officials, have raised no concerns about it (Fieldwork interviews 2014-2018). These official views largely asserted that the presence of Chinese newcomers and their economic activities was an important contribution to the country's social and economic development as well as helping to address local needs. In the interview with former chief of staff of the president's office it was stated that:

> I think, like many countries in other parts of the world, the influx of new immigrants such as newly arrived Chinese and other foreign workers could recreate and create opportunity for parts of the local economy to grow. Having a rather criminalizing immigration is not a solution, or having utterly and strongly xenophobic policy is not a solution either…rather than criminalizing that, we have to make sure that our people become more competitive and be more prepared (Fieldwork interview with Fidelis Magalhaes—Dili, 2 September 2014).

Evidence also suggests that the presence and economic activities of newcomer Chinese traders provide employment to locals, improve local skills and knowledge in business development particularly for young Timorese, generate income for Timorese families and the state by leasing private and state land and properties, paying tax to the government and creating competition in the market by making the price of goods affordable for many ordinary Timorese (Barreto Soares 2019, 323). Furthermore, the Chinese newcomers are seen as risk-takers, willing to expand their economic activities to remote villages where other traders, including locals, are hesitant to undertake business activity (Barreto Soares 2019, 323).

On the other hand, the increased presence and economic practices of Chinese newcomers, and to a certain extent some Timorese-Chinese returnees, can be considered new forms of colonialism. Their occupation of strategic economic sectors and also domination of some key economic activities is evidence of this and resembles what Ogunrotifa Ayodeji Bayo refers to as the neo-colonial processes bound up in Africa's recent experience with the arrival of Chinese economic migrants (Bayo 2011, 228).

Such practices generate concern over the long-term social, cultural, economic and political consequences for the country. As one Timorese economics scholar observed:

> With many Chinese newcomers coming into Timor-Leste, their relationship with Timorese is also full of risk—they will influence Timorese's social and cultural domain through inter-marriage … I see this phenomenon as natural but it is not normal. It is natural because we see interracial marriage is everywhere but it is not normal because it does not follow Timor-Leste's cultural norms and as a result, things that are supposedly natural become not natural. This will bring risk to Timor-Leste in the future (Fieldwork interview with Lucas da Costa—Dili, 2 September 2014).

Chinese migrants' involvement in various economic opportunities, particularly in local economies have created a sense of tension among both Timorese-Chinese and Timorese locals. Timorese-Chinese feel threatened that newcomer Chinese merchants and other ethnic Chinese are taking over their historically privileged role as major economic players in Timor-Leste's economy. Chinese newcomers' intrusion into local markets has also impacted the demographic of traditional market development, which so far has been dominated by locals (see Chapter 2, this volume). In an interview with a representative of the Dili-based Chinese-Timorese Association, the respondent stated that Chinese newcomers are greedy and very aggressive in doing business and that their increased presence has destroyed local market development and impacted property rental prices (Fieldwork interview—Dili, 8 October 2014).

Interestingly, while the Timorese-Chinese community raise concerns over Chinese newcomers' economic practices, many Timorese have been disturbed by some of the Timorese-Chinese community's economic engagement. Of most concern is the Jape Kong Su family, who has been accused of 'land grabbing'.[11] The family was accused of evicting Timorese families to build its large commercial property known as Timor-Plaza creating tension between the Timor-Plaza owners, local landowners and a local NGO Matadalan ba Rai, which advocated for the evicted families (Barreto Soares 2019, 325). Being a key player in the property market amongst the Timorese-Chinese community, the Jape family also reportedly purchased cheaply over 50 acres of land over the hills in eastern Dili for different economic purposes, including renting out land to other business developers (ibid., 2019). At the time of writing, some construction works on this land include land demarcation and road construction, sparking much criticism by local NGOs regarding the issue of environmental degradation in the area.

Remittances of funds generated by overseas Chinese business interests is another significant issue. The absence of official statistics makes it difficult to present the actual figure. However, as profit-takers, it is believed that most Chinese migrants sent their remittances back to China or other countries. This is consistent with past practices. During the Portuguese administration, most ethnic Chinese sent their remittances to Taiwan and Macau, including some to sustain the revolutionary wars of Ciang Kai-sek and the nationalists. This is a similar remittance pattern to overseas Chinese in other Southeast Asian countries (Yong and McKenna 1990 quoted in Cheok et al. 2013, 76).

The increased presence and engagement of Chinese migrants has also brought with it urban environmental and safety concerns. For example, their increased presence has increased the capital Dili's density and land and property rentals have become expensive. This has forced some Timorese families to relocate further inland or move to other more remote areas in search of affordable accommodation. Nonetheless, to date, there have not been incidents of public hatred or public expressions of anti-Chinese sentiment. However, there are some isolated cases which have prompted localised tensions and some read these incidents as expressing racially motivated sentiments against Chinese newcomers. There are also reports of isolated incidents of fighting between locals and Chinese newcomer shopowners in some neighbourhoods in Dili and in the Municipalities due to social jealousies. Some of these tensions have been brought to the attention of the Chinese Embassy in Timor-Leste who have been asked to intervene to assure the safety and security of Chinese newcomers (Fieldwork observations between 2014 and 2018).

It is also asserted that some Chinese newcomers have been involved in illegal practices including gambling, money laundering and human trafficking. A number of brothels in Dili are owned by Chinese newcomers and the women who work there have been brought from China and other Southeast Asian countries. Some Chinese migrants are also involved in supporting black market money lending directed not only at new Chinese migrants but also to some locals (Interview with UN police officer Jose Brito—Dili, 13 October 2014). In 2017, the activities of a Chinese company named Fuzhou Hoo Long Ocean Fishing Co. Ltd, which was licenced by the Timorese Government to fish in Timor-Leste seas, prompted public protests over its alleged involvement in illegal fishing of protected sharks in Timor-Leste waters. The company's fleet of 15 vessels was held but then released without charge after paying a considerably small bail of US$100,000 (Sea Shepherd 2018).

Conclusion

Any consideration of economic diversity and community-based economic acitivites in contemporary Timor-Leste must consider the long-standing, active and ever changing participation of Chinese state and non-state actors in Timor-Leste's economy.

Beijing's judicious economic diplomacy has turned China into one of the significant economic players in Timor-Leste. Having observed Beijing's active economic diplomacy and its non-state actors' considerable activities over the past two decades, it can be concluded that China has profound interest in Timor-Leste's economy. Overseas Chinese community involvement in Timor-Leste's economy has gone beyond state level—the newcomers in particular have encroached into the local economy. Their active engagement has brought certain ramifications for Timor-Leste and others beyond its borders where China's economic bolster is turning Timor-Leste into a battle ground for competing economic and geopolitical interests of major powers.

On the other hand, the Chinese are not alone—Indonesian and other non-Timorese owned business companies and enterprises have increasingly intruded in the local economy. They have benefitted significantly from both public and private funds, although the latter is less significant compared to the relative availability of public funds in Timor-Leste.

China's engagement is expected to increase over time. Its Belt and Road Initiative will serve as its strategy for further connectivity with Timor-Leste's economy in the years to come. Meanwhile, Timor-Leste's national development plan has created an enabling environment for China and other countries to take up various economic opportunities in the country.

The ramifications of this for the national and local community economies require both the Chinese and Timor-Leste governments' attention in order to avoid the potential for increased negative impacts at the state and society level.

Notes

1 The term Timorese-Chinese is commonly expressed in reverse order in Tetum (the national language of Timor-Leste) as Xina-Timor.

2 In this paper, the term Chinese newcomers is used interchangeably with Chinese migrants.

3 However, recently, a United States' firm has withdrawn from one of the oil and gas project deals in the Greater Sunrise project.

4 According to a research report conducted by the Office of President in 2014, in that year around 1,000 new Chinese migrants arrived in Timor-Leste. The Immigration Office reported around 3,000 to 4,000 new Chinese migrants arrived in Timor-Leste between 2002 and 2014. Some of them left the country after their contracts terminated with the Chinese companies. However, the number of new arrivals continues to increase every year. In a fieldwork interview with a representative of a Chinese newcomers' association by the author in March 2022, it was reported that as of December 2021 there are around 5,000 Chinese nationals residing in Timor-Leste.

5 Apart from Chinese traders, there were Malay, Javanese, Arab, Indian and Gujarati merchants who frequently visited Timor Island for trading of beeswax and sandalwood (Lea and Milward 2001, 42).

6 It is important to note that despite Portugal's initial contact in 1511, its official colonial rule did not begin until 1702.

7 This is based on personal observations since 2000 and an informal conversation with a Timorese leader in Dili during my fieldwork in 2017.

8 At the time of writing, Jose Ramos Horta sworn in for second time as president of Timor-Leste for the period of 2022 to 2027.

9 While the exact number of Chinese firms in Timor-Leste is unknown due to the absence of official statistics, those that operate on the ground include China Overseas Engineering Group Co. Ltd, China Railway First Group Co. Ltd, China Harbour Engineering Co. Ltd, China Railway International Group, Shanghai Construction Group Co. Ltd, China WuYi Construction no Guang Sha Co. Ltd. Other Chinese enterprises currently working in Timor-Leste include China International Construction Cooperation (CICO), Fujian International Cooperation, Guangxi International Construction Engineering, China Shandong International Economic and Technical Cooperation Group Co. Ltd and Shun International Economical and Technical Corporation Group Company. Most of these establishments are state-owned.

10 SAPT (*Sociedade Agricola Patria e Trabalho*, also known as the Sociedade) was a state-owned firm that was established by Portuguese Governor Celestino da Silva towards the end of the 1800s. Meanwhile, SOTA (*Sociedade Orientale do Transportes e Armazens*) was an investment company controlled by the Japanese before the Portuguese took over after Japanese's occupation during WWII. It was a successor to the pre-war Asia Investment Company. These two companies were involved largely in coffee plantations and export/import activities (Dunn 2003, 38).

11 The Jape Kong Su family are Timorese-Chinese who returned to Timor-Leste after Timor-Leste's independence. The Jape family is a well-established business group in Australia's Northern Territory.

References

Abeliansky, A. L., and I. Martínez-Zarzoso. 2019. "The relationship between the Chinese 'going out' strategy and international trade." *Economics: The Open-Access, Open-Assessment E-Journal* 13 (1): 1-18. doi: 10.5018/economics-ejournal.ja.2019-21

Aritonang, M. 2015. "Discourse: Indonesia, Timor-Leste have developed a mature relationship: PM Rui Maria De Araujo." *The Jakarta Post,* August 31. Retrieved 27 June 2017, from http://www.thejakartapost.com/news/2015/08/31/discourse-indonesiatimor-leste-have-developed-a-mature-relationship-pm.html.

Barreto Soares, L. 2019. "Overseas Chinese, soft power and China's people-to-people diplomacy in Timor-Leste." In *Routledge Handbook of Contemporary Timor-Leste*, edited by A. McWilliam, and M. Leach, 314-330. London: Routledge.

Bayo, O. A. 2011. "The Chinese in Africa: New colonialism is not a New Deal." *Botswana Journal of African Studies* 25 (2): 228-245.

Berlie, J. A. 2015. "Chinese in East Timor: Identity, society and economy." *HumaNetten* 35 (Autumn): 35-49. Doi: 10.15626/hn.20153503.

Cau, E. 2018. "Geopolitical implications of the Belt and Road Initiative: The backbone for a new world order?." *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* 4 (1): 38-105.

Cheok, C. K., L. K. Hing, and P. P. Lee. 2013. Chinese overseas remittances to China: The perspective from Southeast Asia. *Journal of Contemporary Asia* 43 (1): 75-101. Doi:10.1080/00472336.2012.735918.

Chinese Embassy in Timor-Leste. 2010. "Bilateral relations." Press release. Retrieved 18 August 2016, from http://tl.chineseembassy.org/eng/sbjx/.

Chinese Embassy in Timor-Leste. 2011. "Long standing relationship between China and Timor-Leste." Press release. Retrieved 18 August 2016, from http://tl.chineseembassy.org/eng/is/t784186.htm

Chinese Embassy in Timor-Leste. 2019. "Remarks of H.E. Dr. Xiao Jianguo, Ambassador of the People's Republic of China to the Democratic Republic of Timor-Leste at the Media Gathering." [Press release]. Retrieved 4 May 2019, from http://tl.chineseembassy.org/eng/zdgx/t1656250.htm.

Dan, Z. 2014. "China, Timor-Leste announce all-round cooperative partnership." *Xinhua* Abril 08. Retrieved 9 March 2016, from https://www.chinadaily.com.cn/china/2014-04/08/content_17415420.htm.

Dunn, J. 2003. *East Timor: A Rough Passage to Independence*. 3rd ed. Double Bay, NSW: Longueville Books.

Durand, F. B. 2016. *History of Timor-Leste*. Chiang Mai: Silkworm Books.

Fox, J. J. 2003. "Tracing the path, recounting the past: historical perspectives on Timor." In *Out of the Ashes: Destruction and Reconstruction of East Timor*, edited by J. J. Fox, and D. Babu, 1-27. Canberra: ANU Press.

Green, M. J. 2018. "Foreword." In *China's Maritime Silk Road: Strategic and Economic Implications for the Indo-Pacific Region,* edited by N. Szechenyi, 1-3. Washington DC: Center for Strategic and International Studies.

Gunn, G. C. 1999. *Timor Lorosae 500 anos.* Translated by J. Aguiar. 1st ed. Porto: Tipografia Greca.

Gunn, G. C. 2016. "The Timor-Macao sandalwood trade and the Asian discovery of the great South Land?" *Review of Culture* 53: 125-148.

Guoto, Z. 2017. "Xi's secret economic weapon: Overseas Chinese." *Nikkei Asian Review*, April 03. Retrieved 8 March 2018, from https://asia.nikkei.com/Economy/Xi-s-secret-economic-weapo-on-Overseas-Chinese2.

HKTDC (Hong Kong Trade Development Council) Research. 2016. Timor-Leste: Market profile. Retrieved 29 June 2017 from http://china-trade-research.hktdc.com/business-news/article/The-Belt-and-Road-Initiative/Timor-Leste-Market-Profile/obor/en/1/1X000000/1X0A3NDQ.htm

HKTDC (Hong Kong Trade Development Council) Research. 2019. "Timor-Leste: Market profile." Retrieved 21 July 2019, from file:///Users/micabarretosoares/Downloads/hktdc_MzU3OTg5ODg5_en.pdf

Hongyang, L. 2015. "Welcome message of Ambassador Extraordinary and Plenipotentiary of the People's Republic of China to the Democratic Republic of Timor-Leste." Press release. Retrieved 18 August 2016, from http://tl.chineseembassy.org/eng/dszc/t1281688.htm

Huber, J. 2021. "At the periphery of Nanyang: The Hakka community of Timor-Leste", In *Sinophone Southeast Asia: Sinitic Voices across the Southern Seas,* edited by C. China, and T. Hoogervorst, 52-90. Boston: Brill.

Kammen, D. and J. Chen. 2019. *China Timor: Baba, Hakka, and Cantonese in the Making of Timor-Leste.* Connecticut: Yale Univ Southeast Asia Studies.

La'o Hamutuk. 2013. "LH protests contract award to CNI22." Press release. Retrieved 14 July 2017 from http://laohamutuk.blogspot.com/2013/10/lh-protests-contract-award-to-cni22.html.

Lea, D., and C. Milward, C. 2001. *A Political Chronology of Southeast Asia and Oceania* (1st ed.). London: Routledge/Taylor & Francis Group.

Liang, Z., and H. Morooka. 2004. "Recent trends of emigration from China: 1982-2000." *International Migration 42* (3): 145-164. Doi: 10.1111/j.0020-7985.2004.00292.x.

Liu, H. 2005. "New migrants and the revival of overseas Chinese nationalism." *Journal of Contemporary China, 14* (43): 291-316. Doi: 10.1080/10670560500065611.

Macau Forum. 2017a. "Chinese company bags contract to build East Timor harbour." *Macau Forum*, December 13. Retrieved 7 March 2018, from http://www.forumchinaplp.org.mo/portugues-empresa-chinesa-escolhida-para-construir-novo-porto-em-timor-leste/

Macau Forum. 2017b. "Chinese contractors build road to remote East Timorese town." *Macau Forum,* January 8. Retrieved 29 December 2018, from http://www.forumchinaplp.org.mo/portugues-chineses-constroem-primeira-auto-estrada-em-timor-leste/

MacauHub. 2014. "China wants to set up partnership with Timor-Leste." MacauHub, April 09. Retrieved 9 April 2014, from http://www.macauhub.com.mo/en/2014/04/09/china-wants-to-set-up-partnership-with-timor-leste/

MacauHub. 2019. "Chinese company builds a port in southern Timor-Leste." *MacauHub*, April 29. Retrieved 29 April 2019, from https://macauhub.com.mo/2019/04/29/pt-empresa-da-china-constroi-porto-no-sul-de-timor-leste/

Nash, P. 2012. "China's 'going out' strategy." *Diplomatic Courier*, May 10. Retrieved 20 August 2017, from http://www.diplomaticourier.com/china-s-going-out-strategy/

Park, Y. J. 2009. "Chinese migration in Africa." *SAIIA Occasional Paper* (24): 1-17.

Pinto, P. J. d. S. 2014. "Visitors and settlers: Notes on Timor and the Chinese as cultural and economic brokers (Sixteenth to Nineteenth Centuries)." *Journal of Asian History* 48 (2): 139-164. Doi:10.13173/jasiahist.48.2.0139.

Plataforma Media. 2019. "Chinese company builds a port in southern Timor-Leste." *Plataforma Media*, April 29. Retrieved 8 May 2019, from https://www.plataformamedia.com/en-uk/news/society/interior/chinese-company-builds-a-port-in-southern-timor-leste-10843656.html

Rahman, R. 2019. "After Oecusse Airport, Wika eyes more in Timor-Leste." *The Jakarta Post,* June 21. Retrieved 21 June 2019, from https://www.thejakartapost.com/news/2019/06/21/after-oecusse-airport-wika-eyes-more-timor-leste.html

RDTL (Democratic Republic of Timor-Leste Government). 2014. "Joint statement between the People's Republic of China and The Democratic Republic of Timor-Leste on establishing comprehensive partnership of good-neighbourly friendship, mutual trust and mutual benefit." [Press release]. Retrieved 15 April 2014, from http://timor-leste.gov.tl/?p=9967&lang=en.

RDTL (Democratic Republic of Timor-Leste Government). 2015. "High level official of the People's Republic of China meets with Prime Minister." [Press release]. Retrieved 18 August 2016, from http://timor-leste.gov.tl/?p=11581&lang=en

RDTL (Democratic Republic of Timor-Leste Government). 2017. "Timor-Leste's application for membership of AIIB approved." [Press release]. Retrieved 28 March 2017, from http://timor-leste.gov.tl/?p=17618&lang=en

RDTL (Democratic Republic of Timor-Leste Government). 2019. Timor-Leste annual trade statistics 2019. Retrieved 2 January 2020, from https://www.statistics.gov.tl/wp-content/uploads/2020/07/Publication-Trade-2019.pdf

Roque, R. 2010. "The unruly island: Colonialism's predicament in late nineteenth-century East Timor." *Portuguese Literary & Cultural Studies* 17 (18): 303-330.

Sági, J., and I. Engelberth. 2018. "The Belt and Road Initiative: A way forward to China's expansion." *Contemporary Chinese Political Economy and Strategic Relations: An International Journal* 4 (1): 9-37.

Sampaio, A. 2014. "Chineses querem comprar todo o projeto de Oecussi." *Plataforma Media,* June 23. Retrieved 20 August 2017, from http://www.plataformamacau.com/lusofonia/timor-leste/chineses-querem-comprar-todo-o-projeto-de-oecussi/.

Sampaio, A. 2015. "China disponível para reforçar cooperação com Timor-Leste." *Portal SAPO.PT/LUSA*, April 02. Retrieved 27 August 2017, from http://24.sapo.pt/noticias/internacional/artigo/china-disponivel-para-reforcar-cooperacao-com-timor-leste_19056869.html.

Scott, J. 2019. "Australia Vows to Upgrade Timor-Leste Naval Base as China Hovers." *Bloomberg*, August 29. Retrieved 31 August 2019, from https://www.bloomberg.com/news/articles/2019-08-29/australia-vows-upgrade-of-timor-leste-naval-base-as-china-hovers.

Sea Shepherd. 2018. "Fleet Targeting Sharks in Timor-Leste Released Without Charge." *Sea Shepherd Global*, July 04. Retrieved 5 July 2018, from https://www.seashepherdglobal.org/latest-news/timor-leste-follow-up/.

Simorangkir, E. 2017. "BUMN RI dominasi pembangunan di Timor-Leste." *Detik Finance,* September 25. Retrieved 25 September 2017, from https://finance.detik.com/berita-ekonomi-bisnis/3650588/bumn-ri-dominasi-pembangunan-di-timor-leste

Storey, I. 2011. "East Timor and China: Beijing look to secure long-term interests." In *Southeast Asia and the Rise of China: The Search for Security,* edited by I. Storey, 274-284. New York: Routledge.

Tan, C. B. 2013. *Routledge Handbook of the Chinese Diaspora*. New York: Routledge.

Timor Gap. 2019. Beaço LNG–Plant. Retrieved 25 May 2019, from https://www.timorgap.com/databases/website.nsf/vwAll/Bea%C3%A70%20LNG%20%E2%80%93%20Plant

Wang, H. 2016. "A deeper look at China's 'going out' policy." *Centre for International Governance Innovation*, March 8, Canada. https://www.cigionline.org/publications/deeper-look-chinas-going-out-policy/.

Interviews

1. Fieldwork interview with Fidelis Magalhaes, former Chief of Staff of the Presidency—Dili, 2 September 2014.
2. Fieldwork interview with Rita dos Santos, former General Secretary of the Macau Forum—Macau, 23 June 2015.
3. Fieldwork interview with former Director of the Multilateral Division of Timor-Leste's Ministry of Foreign Affairs—Dili, 25 September 2015.
4. Fieldwork interview with representative of the Chinese Newcomers Association—Dili, 6 September 2015.
5. Fieldwork interview with Senior Official of Timor-Leste's Ministry of Public Infrastructure—Dili, 15 August 2015.
6. Fieldwork interview with Senior Official of SERVE—Dili, 2 September 2015.
7. Fieldwork interview with a new Chinese merchant—Dili, 3 September 2014.
8. Fieldwork interview with representative of Chinese Timorese Association—Dili, 8 October 2014.