TIMOR-LESTE

What’s happening in this economy

Timor-Leste’s economy is growing strongly at 5 per cent, but it is highly dependent on government spending. The oil and gas sector accounts for 90 per cent of its GDP and 70% of government spending.

The government is seeking to diversify the economy by promoting investment in downstream oil and gas processing, as well as tourism and agriculture.

The majority of the population live a subsistence lifestyle and generate income by selling agricultural products. Timor-Leste imports almost 80 per cent of the goods it consumes.

Youth unemployment is high, with 74 per cent of the population under 35 years old. Four in 10 Timorese live below the national poverty line (UN 2018).

Australia is Timor-Leste’s largest development partner and cooperation focuses on three objectives:

- improving livelihoods and economic development
- enhancing human development, and
- strengthening governance and institutions.

The 2018 Maritime Boundary Treaty is an historic agreement for Australia and Timor-Leste. The treaty establishes permanent maritime boundaries between Australia and Timor-Leste in the Timor Sea, and a stable legal framework for resource development. This provides certainty and stability for businesses and investors. The treaty will support Timor-Leste’s economic development by providing new opportunities for income, and commercial and industrial development.

Australia has committed to assisting Timor-Leste’s telecommunications sector through the engineering design of an undersea data cable. Timor-Leste currently relies on satellite internet which can be expensive and slow.

Trade, investment, and commercial opportunities and activities

- Timor-Leste has a large sovereign wealth fund mainly invested in bonds, financial equities:
  - a relatively small percentage (5 per cent) in petroleum operations.
- There are opportunities for Australian firms in oil and gas exploration, extraction and maintenance:
  - there are also opportunities in the services industry, agribusiness, international education and tourism.

Key facts and figures

- Population: 1.3 million (2018)
- GDP growth: 5.0% (2019)
- GDP per capita: $2,422.3 (2019)
- Political system: semi-presidential
- Two-way trade: AUD 21 million
- Australia’s total exports of goods and services: AUD 20 million (2018), including passenger vehicles and spare parts, and aircraft and spare parts
- Australia’s total imports of goods and services: AUD 1 million (2018) including coffee and aluminium structures
- Aid relationship: total ODA AUD 100 million, bilateral
• A soon to-be-passed mining code may provide opportunities in the mining sector:
  – deposits of various minerals have been found throughout the country and a new explosives regime has been passed to help extract them.

Trade policy and negotiations

Timor-Leste is seeking ascension to ASEAN and the World Trade Organization.

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