

U.S. and Allied Engagement with Timor-Leste: Stopping the Spread of Chinese Influence

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KEY TAKEAWAYS

China's engagement in Timor-Leste bears the marks of classic Chinese inroad into economically underleveraged countries—yet Timor-Leste need not rely on China.

Opportunities exist for greater security cooperation between Timor-Leste and the United States, Australia, and Portugal.

With minimal investment and coordination, the United States can implement substantive measures to ensure a more West-aligned, prosperous, and stable Timor-Leste.

Timor-Leste's official incorporation into the Association of Southeast Asian Nations (ASEAN) in late 2025¹ highlights the country's rising importance. The small Southeast Asian nation maintains close and long-standing cooperation with U.S. ally Australia in a range of areas, but it has also been courted by Beijing,² as it is situated in prime security real estate and has majority rights to large gas fields in the Timor Sea.³

To strengthen the American strategic posture in the region, the United States should pinpoint specific measures to enhance cooperation with Timor-Leste in close coordination with America's Australian allies, who play a major role in engagement with regional capitals through Southeast Asia and the South Pacific. With minimal investment and coordination, the United States can implement substantive measures to

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ensure a more West-aligned, prosperous, and stable Timor-Leste for years to come, including greater regional stability as an add-on, benefiting key regional allies, such as Australia and friendly ASEAN nations.

A Growing Chinese Interest in Timor-Leste

Timor-Leste sits on key geographic terrain, on the north end of the Timor Sea, which spans downward toward Australia's northern coast.

Coordinated U.S. engagement with Timor-Leste demands timely attention for two interconnected reasons.

First, Timor-Leste faces a difficult economic horizon: roughly three-quarters of its government budget is funded by a dwindling supply of oil.⁴ The Bayu-Undan field, which was Timor-Leste's sole production site, officially ceased operations in June 2025.⁵ Timor-Leste's sovereign wealth fund—derived from energy sales—has itself not yet run dry, but World Bank estimates predict that, at current spending rates, the sovereign wealth fund will exhaust itself by the mid-2030s.⁶ The Timorese government has implemented measures to diversify its economic activity, but Timor-Leste faces serious economic uncertainty in the medium term and long term.

Second, in the meantime, Chinese attention—and investment—has zeroed in on Timor-Leste. In September 2023, China and Timor-Leste elevated their engagement to a Comprehensive Strategic Partnership, and key Chinese projects include construction of the Tibar Bay Port and expansion of Timor-Leste's power grid, while Chinese companies have been primarily responsible for construction of new Timorese government buildings.

China's engagement in Timor-Leste bears the marks of classic Chinese inroading into economically underleveraged countries: China preys on economically vulnerable countries by offering short-term assistance and infrastructure, which—in the medium term and long term—severely erodes the receiving nation's sovereignty and self-determination. In this regard, Chinese incursions into Southeast Asian countries, such as Laos, Cambodia, and even Myanmar, provide a cautionary tale for Timor-Leste.

Increased Chinese control over key port infrastructure in the Timor Sea, moreover, constitutes a security threat to Australia—a key security partner of the United States—and could erode its control of an important maritime thoroughway that leads to China. China's penchant for dual-use infrastructure adds to such worries, insofar as Timor-Leste could become a staging ground from which the People's Liberation Army Navy (PLAN) and the People's Liberation Army Air Force (PLAAF) could exert force over the Timor Sea, paving the way for expansion of China's asymmetric

aggression, such as extraterritorial incursions by the China Coast Guard and expanded illegal Chinese fishing fleets that have become a reality of life in the South China Sea.

Historical precedent highlights the importance of the Timor Sea at more heightened levels of military conflict: Japan's infamous bombing of Darwin, Australia, in February 1942 was conducted from four aircraft carriers in the Timor Sea, which launched a surprise attack on Australia using 242 Japanese aircraft.

Existing Security Cooperation Between Timor-Leste and Australia

Australia is Timor-Leste's primary defense partner, a relationship rooted not only in pragmatic interests but also in Australia's key shepherding role through International Force East Timor (INTERFET) during Timor-Leste's transition to sovereign rule between 1999 and 2000.

Australian security cooperation was highly visible during U.N. Peacekeeping in Timor-Leste throughout the 2000s and again played a pivotal role as part of an International Stabilisation Force (ISF) from 2006 to 2013, at the specific request of Timor-Leste amidst internal military staffing issues and politically charged unrest.

Australia's involvement in Timor-Leste's journey to sovereignty and state control of its territory and security apparatus has helped to instill deep institutional trust between the two countries, reinforced by Timorese gratitude for Australia's critical political interventions on behalf of Timor-Leste in the 1990s. For example, then-Prime Minister John Howard's 1998 letter to B. J. Habibie, then-president of Indonesia, which reinforced the importance of allowing Timor-Leste's political self-determination, played a pivotal role in facilitating Timor-Leste's independence process.

Since Timorese independence, Australian support for Timor-Leste has continued strong through training and education for Timorese security forces—especially within Timor-Leste's maritime security and national police forces. With the maritime security element in particular, Australia's support has proven invaluable, insofar as maritime security is the pre-eminent security concern of the island nation.

Australian support for Timor-Leste goes beyond security cooperation—Australian technical assistance has helped to buttress the nascent Timorese economy amidst efforts to introduce more robust regulatory standards, and Australian humanitarian assistance and disaster relief have likewise proven invaluable.

Australia and Timor-Leste's partnership—despite certain rifts in extended negotiations over oil-refining arrangements for potential oil and gas extraction in the Greater Sunrise gas field—is a model alliance within a broader network of parties whose interests align with those of the United States: Australia has invested resources to ensure that a developing nation is able to pursue economic growth and security, according to a system of values and defense strategic posture that is shared with the United States. Australia's commitment, in this regard, reflects precisely the stated ambitions of the Trump Administration to help to build a system of U.S. allies and partners around the world who can pull their own regional weight.

Nonetheless, there do exist key opportunities that the United States is best-equipped to execute in specific scenarios, including American infrastructural assistance in higher-tech sectors and in joint military cooperation.

Opportunities for Greater Security Cooperation Between Timor-Leste and the United States, Australia, and Portugal

In order to enhance the effectiveness of Timor-Leste's nascent military and to facilitate deepened security engagement, the United States should include Australia and potentially Portugal in joint training exercises. The United States has conducted joint exercises with Timor-Leste through initiatives such as Hari'i Hamutuk,⁷ International Military Education and Training (IMET),⁸ and Cooperation Afloat Readiness and Training (CARAT) Timor-Leste.⁹

While faraway, Portugal's inclusion could offer key advantages: Portugal has established itself as a reliable partner of the United States, as shown by its commitment to facilitating recent operations against Iran. Portugal's security concerns and strategic posture also have certain areas of key overlap with Timor-Leste: Portugal oversees a maritime exclusive economic zone (EEZ),¹⁰ which is one of the largest EEZs in the European Union, and has extensive maritime security experience. These institutional skillsets are highly relevant to Timor-Leste's military maturation as the Timorese military seeks to transcend its current status as a force focused solely on internal security and border enforcement.

Cultural ties also enhance the appeal of Portuguese inclusion. Timor-Leste has strong fraternal relations with Portugal and has routinely sought to reinvigorate the long-standing connection to the Lusophone world. For example, in 2023, Timor-Leste enacted legislation requiring the use of Portuguese¹¹ in school classrooms nationwide.

Given the fraternal, Lusophone ties between Portugal and Timor-Leste, political will undoubtedly exists for such an endeavor. This political will is seen, for example, in the clearly defined goals of the current Timorese government coalition,¹² which designated the coordination of “Timor-Leste’s participation in the Community of Portuguese-Speaking Countries (CPLP) and ensur[ed] the country’s representation in its meetings and activities” as key goals for the country’s Ministry of Foreign Affairs. But, without the involvement of a larger third power such as the United States, such options—which have strong potential to bring Timor-Leste more closely into a U.S.-aligned orbit—are less logistically feasible.

Portugal’s track record as a reliable ally of the United States means that the United States stands to gain from closer Portuguese–Timorese engagement. Such strategic programming would help to integrate Timor-Leste into a more pro-American global security architecture, in a way that both Portugal and Timor-Leste would appreciate: a U.S.–Portuguese–Timorese trilateral initiative—with Australian engagement as well—would cultivate goodwill in both Dili and Lisbon.

Elsewhere, Timor-Leste’s official 2025 incorporation into ASEAN means that, by strengthening U.S.–Timorese ties, the United States can build greater synchronicity with the broader ASEAN network.

Timor-Leste’s security and prosperity are similarly important, given that its next-door neighbor is Indonesia, an increasingly important partner for the United States in both economic and security affairs. Despite their tensions of yesteryear, Timor-Leste and Indonesia currently enjoy significantly improved relations: Indonesia is Timor-Leste’s largest trade partner and has actively worked to facilitate Timor-Leste’s accession to ASEAN, amidst cooperative economic engagement. Indonesia is an important security partner of the United States and promoting a stable and economically developing Timor-Leste will help to ensure that both Indonesia and Timor-Leste can continue responsible economic development and strategic security cooperation in their shared geographical zones. American interests and efforts in aiding Timor-Leste’s security not only dovetail well with Australian strategic priorities, but they could also help to facilitate continued, effective coordination with Indonesia.

The Politics of Timor-Leste: Between China and the West

Timor-Leste has strong connections to the West through religion (the country is roughly 99 percent Christian) and language (one of its two official languages is Portuguese, and one of its two working languages is

English). Throughout the process of Timorese independence, which came to a head with a 1999 referendum in which an overwhelming majority of Timorese voted for full independence, Australia, Portugal, the Philippines—the only other Catholic majority country in Asia—and then the United States were the strongest supporters of Timor-Leste amidst its quest for national autonomy.

However, in addition to China's infrastructural projects and investment endeavors in Timor-Leste, Timorese leadership has certain ties that, in the absence of appealing alternatives, could see a closer turn toward China. Timor-Leste's independence movement, the *Frente Revolucionária do Timor-Leste Independente* (FRETILIN), had an explicitly leftwing ideology from the mid-1970s to independence in 2002. This ideological identification had more to do with political exigencies than soul-binding belief, insofar as a leftwing political identity helped to differentiate the Timorese from Indonesian leader Suharto's strong anti-communist stance and *Pancasila* conception of Indonesian identity. Nonetheless, it gave the Timorese a common lexicon with China and a degree of symbolic ties.

Countering Chinese Incursion. Timor's broader alignment with the socialist world from the 1970s to 1990s never led to economically or militarily significant ties to the People's Republic of China, but it did engender a certain degree of diplomatic synchronicity between the two countries—something which China clearly exploits today. The limitations of China's development and military support toolkit prior to the early 2000s meant that relatively few tools were at Beijing's disposal for engaging Timor-Leste. Furthermore, China's strategic imperatives at the time—domestic industrialization and construction of a nascent export market—did not necessitate such a move.

Roughly two decades onward, the previous ideological diplomacy has undergirded new Chinese priorities: expanding Chinese infrastructure in Southeast Asia and establishing a Chinese security preference along the peripheries of key American allies in the Indo-Pacific. Timor-Leste's geography and lack of infrastructure perfectly fit these Chinese priorities at present. Furthermore, Timor-Leste's overreliance on revenue from energy sales—revenues which are estimated to run dry by the mid-2030s—places Timor-Leste in a precarious economic position, the sort of which Beijing has all too often been willing to exploit through predatory economic offerings that entrap host countries in debt and sovereignty-depriving straits.

Conclusion

If the United States wants to prevent Chinese malign influence from growing throughout the Indo-Pacific, it needs to provide alternatives that match not only American strategic priorities but also the strategic priorities and cultural values of the Timorese people and leadership. The United States has allies, such as Australia, that already lead in engagement with Timor-Leste, and allies, such as Portugal, that have strong potential for enhanced engagement. Timor-Leste has friends in the Western world and need not turn to China.

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Endnotes

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