

From Assisted Independence to Capable Interdependence*

—Timor-Leste's Political Resilience, Economic Dependence, and Regional Turn, 2001-2026

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Abstract

In 2001, before the restoration of independence, José Ramos-Horta argued that political sovereignty would remain incomplete without an economy capable of sustaining it. Twenty-five years later, Timor-Leste presents a striking paradox. It has built a competitive electoral order, maintained national unity after severe crises, created state institutions, expanded roads and public facilities, accumulated a major sovereign wealth fund, joined the World Trade Organization in 2024, and entered the Association of Southeast Asian Nations in 2025. Yet its productive economy remains narrow, public spending depends heavily on petroleum savings, employment creation is weak, and service quality often lags behind infrastructure investment. This article interprets that record as one of asymmetric sovereignty: comparatively strong political and territorial sovereignty combined with weak productive and administrative sovereignty. Drawing on scholarship, official data, and qualified practitioner evidence from the early transition, it argues that ASEAN and WTO membership can help Timor-Leste move from assisted independence toward capable interdependence—but only if external integration is used to strengthen domestic institutions, human capital, accountability, maintenance, and non-petroleum production. Membership is therefore not the culmination of state-building. It is a new test of whether formal sovereignty can be converted into durable capability.

Keywords

Timor-Leste, Sovereignty, State-Building, Petroleum Fund, ASEAN, WTO,

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Author note: Practitioner recollections are used as contextual evidence and are distinguished from independently documented facts.

1. Introduction: The 2001 Promise and the 2026 Paradox

“Economic self-reliance is the cornerstone of true independence.”

—José Ramos-Horta, 2001

When José Ramos-Horta wrote about Timor-Leste’s approaching independence in June 2001, the country was still governed by the United Nations Transitional Administration in East Timor (UNTAET). The destruction surrounding the 1999 referendum had left public administration, transport, utilities, schools, health facilities, and markets in disarray. Ramos-Horta’s warning was therefore not an abstract appeal to autarky. It captured the central political-economy problem of the new state: the right to govern would have to be matched by the capacity to finance government, organize public services, produce livelihoods, and negotiate external relationships on terms compatible with national priorities (Ramos-Horta, 2001).

By 2026, Timor-Leste had achieved far more than the bleakest early forecasts allowed. Competitive elections became routine. Leadership changed through constitutional procedures. The security crisis of 2006 did not dissolve the state. Roads, ports, electricity, schools, clinics, telecommunications, and public buildings extended the material presence of government. The Petroleum Fund converted finite hydrocarbon income into a financial asset of exceptional scale for a small country. Internationally, Timor-Leste moved from being administered by the United Nations to becoming a member of the World Trade Organization (WTO) in August 2024 and the eleventh member of the Association of Southeast Asian Nations (ASEAN) in October 2025 (WTO, 2024; ASEAN, 2025a). These are substantial achievements of sovereignty.

The economic record is less reassuring. Petroleum production has ceased, the private sector remains small, and the state continues to finance high levels of recurrent and capital expenditure through withdrawals from the Petroleum Fund. Public expenditure averaged about 85 per cent of gross domestic product between 2013 and 2023, while average real growth was only 1.3 per cent; approximately 42 per cent of the population remained below the national poverty line (World Bank, 2025a). The International Monetary Fund (IMF) has repeatedly warned that withdrawals well above the Fund’s Estimated Sustainable Income would, without reform, exhaust the principal during the 2030s (IMF, 2024, 2025). The contrast is not between success and failure. It is between forms of statehood that have advanced at different speeds.

This article asks: how far has Timor-Leste fulfilled Ramos-Horta’s proposition that genuine independence required economic self-reliance, and how might ASEAN membership change the relationship between sovereignty, state capability, and development after 2025? It argues that the country has achieved strong

political and infrastructural sovereignty but only limited productive-economic sovereignty. This condition is best understood as asymmetric sovereignty. Timor-Leste can make authoritative political choices and represent itself internationally, yet the implementation of those choices often depends on imported goods, foreign expertise, external contractors, petroleum savings, and institutional capacity that remains uneven. ASEAN and WTO membership create an opportunity to replace isolation or aid dependence with capable interdependence: purposeful engagement in regional and global institutions backed by stronger domestic capabilities. They also create risks. Openness can widen deficits, expose weak firms, and add obligations faster than the state can administer them.

The argument proceeds historically and analytically. It first distinguishes four dimensions of sovereignty, then revisits the UN transition and early institution-building. It examines democratic resilience, petroleum-financed statehood, infrastructure expansion, and the regional turn. The conclusion proposes a post-petroleum social contract centred on capability, accountability, and intergenerational fairness rather than on the distribution of resource-financed expenditure alone.

2. Asymmetric Sovereignty: An Analytical Framework

Sovereignty is often treated as a binary legal status: a territory is either independent or it is not. For post-conflict states, however, legal sovereignty may coexist with major differences in effective capability. Timor-Leste's experience is clearer when sovereignty is divided into four related dimensions. The four dimensions and Timor-Leste's position in 2026 are summarized in **Table 1**.

Table 1. Four dimensions of sovereignty and Timor-Leste's position in 2026.

Dimension	Core test	Timor-Leste by 2026
Political	Can citizens choose and replace governments under constitutional rules?	Relatively strong: competitive elections, peaceful transfers, and national legitimacy.
Territorial	Can the state connect, administer, and secure its territory?	Substantially improved through infrastructure and nationwide institutions, though Oecussi and remote communities expose persistent gaps.
Administrative	Can institutions convert policy and budgets into reliable services and regulation?	Mixed: important institutional gains coexist with weak implementation, maintenance, procurement, and coordination.
Productive	Can the economy sustain livelihoods and public finance without exceptional external rents?	Weak: petroleum savings, imports, and public expenditure still dominate; agriculture and private enterprise remain underdeveloped.

The framework does not imply that these dimensions develop independently. Political stability can enable investment; territorial integration can expand markets; administrative capacity can improve the return on infrastructure; and a

stronger productive economy can protect political choice from fiscal shocks. The reverse is equally true. High spending can create visible territorial assets while weak administration limits their service value. Petroleum revenue can finance sovereignty while also postponing reforms needed to sustain it. International membership can amplify state authority abroad while overwhelming regulatory capacity at home.

The term interdependence is therefore preferable to self-sufficiency. No small contemporary economy is self-sufficient, and Timor-Leste has always depended on regional markets, labour mobility, finance, technology, and security relationships. The relevant question is whether external dependence is passive and fragile or negotiated through capable institutions. Capable interdependence describes a state that uses openness to expand domestic skills and production, diversifies its partners, complies with commitments it has deliberately accepted, and retains sufficient fiscal and administrative space to choose among alternatives. It converts sovereignty from a defensive possession into a practical ability to act.

The evidence used here combines academic scholarship, official reports, demographic and fiscal data, and practitioner experience. Published and official sources establish chronology, institutions, and aggregate outcomes. Recollections from participation in the early transport administration illustrate how institutional transfer worked in practice, but they are treated as situated evidence rather than as a substitute for documentary verification. That distinction matters in a country where personal memory is central to political history, but where institutional learning also requires records capable of surviving changes in leadership.

3. The Founding State, 1999-2003

3.1. From Colonial Neglect to Self-Determination

The institutions created after 1999 inherited a much longer history of weak territorial administration. Portuguese rule connected Timor to global trade and Catholic networks but invested unevenly in mass education, transport, public health, and a professional indigenous administration. The 1974 revolution in Portugal opened a rapid decolonization process for which neither the colonial state nor the emerging Timorese political movements were fully prepared. Competing visions of independence, civil conflict in 1975, Indonesia's invasion, and twenty-four years of occupation shaped the political society that later confronted UN administration. State-building did not begin on an institutional blank slate. It began in a society with powerful customary authorities, clandestine networks, diaspora diplomacy, and memories of both colonial neglect and coercive incorporation (Kammen, 2015; Leach, 2017).

The resistance operated on three mutually reinforcing fronts: the armed struggle inside the territory, the clandestine civilian network, and the diplomatic campaign abroad. Xanana Gusmão became the central symbol of the internal resistance, while José Ramos-Horta and others kept self-determination on the international agenda. FRETILIN leaders in exile, including Mari Alkatiri in Mozam-

bique, maintained political and diplomatic organization. The Catholic Church provided an institutional space in which identity, language, protection, and international advocacy could intersect. These networks later supplied the new state with leaders and legitimacy, but not automatically with the specialized routines of taxation, procurement, regulation, and service delivery.

The 1999 popular consultation was therefore both an electoral event and the culmination of a dispersed national movement. The overwhelming vote for independence demonstrated a shared political objective across communities divided by language, geography, and wartime experience. The violence that followed destroyed much of the physical and documentary apparatus that could have supported transition. It also intensified an expectation that independence would bring rapid material improvement. From the outset, the new state had to reconcile two temporalities: the urgency of reconstruction and the slower work of creating institutions able to govern after emergency assistance receded ([Commission for Reception, Truth and Reconciliation in Timor-Leste \[CAVR\], 2005](#); [Martin, 2001](#)).

3.2. From International Administration to National Government

The 1999 referendum created both a mandate for independence and an institutional emergency. Following the violence and forced displacement that accompanied Indonesia's withdrawal, Security Council Resolution 1272 established UNTAET with unusually broad legislative, executive, and administrative authority ([United Nations Security Council, 1999](#)). UNTAET was expected simultaneously to provide security, deliver emergency services, reconstruct infrastructure, create a civil service, prepare elections, and transfer power to Timorese institutions. The mission helped organize the 2001 Constituent Assembly election, supported the drafting of the Constitution, and transferred authority when independence was restored on 20 May 2002. UNMISSET then supported the new state, followed by the smaller UNOTIL political mission and, after the 2006 crisis, UNMIT. The final peacekeeping mission departed in 2012.

The transition's achievements were real. Basic administration resumed, security improved, electoral institutions were established, and a devastated territory reached independence within a short period. [Martin \(2001\)](#), [Morrow and White \(2002\)](#), and [Goldstone \(2004\)](#) nevertheless identify structural weaknesses that later became familiar: compressed timetables, centralized decision-making, limited participation in technical choices, a sharp salary and status divide between international and national staff, and insufficient attention to the political economy of a sustainable state. [Chopra's \(2002\)](#) phrase 'building state failure' was deliberately provocative, but it captured a genuine danger: an administration could deliver outputs while failing to transfer the authority, knowledge, and routines needed for Timorese institutions to reproduce them ([Richmond & Franks, 2008](#)).

The paradox was not simply that foreigners initially held power. Some degree of international administration was unavoidable after the 1999 destruction. The

deeper problem was the sequencing of participation and capacity. When nationals enter mainly as counterparts to decisions already framed elsewhere, formal transfer may occur without equivalent institutional ownership. Conversely, rapid localisation without mentoring, records, and stable procedures can burden new officials with responsibilities they were not given enough opportunity to learn. Effective transfer required joint problem-solving, not the late substitution of national signatures for international ones. The National Parliament building in Dili became a visible institutional expression of that transfer of authority (**Figure 1**).



Figure 1. The National Parliament building in Dili, 2018.

3.3. Language, Legitimacy, and Administrative Reach

State-building also occurred through language. Timor-Leste is linguistically diverse, with more than a dozen indigenous languages from Austronesian and Papuan families. The Constitution recognized Tetum and Portuguese as official languages and Indonesian and English as working languages. This settlement connected the state to resistance history and the Lusophone world while acknowledging the practical languages of education, commerce, international assistance, and a younger generation (Leach, 2017). It also imposed costs. Laws, procurement documents, training, court procedures, and public communication had to operate across different linguistic competencies. A policy can be legally precise in one language and administratively inaccessible in another.

The language question illustrates asymmetric sovereignty. Choosing official languages is a sovereign act; teaching public servants, translating rules, and making services intelligible are administrative capabilities. Debate has too often treated the issue as a contest between identity and utility. In practice, Timor-Leste needs both: Tetum as a shared national language; Portuguese for constitutional continuity and international ties; and high functional competence in Indonesian and English for regional trade, technical learning, and ASEAN participation. Multilin-

gual capability should be treated as productive infrastructure rather than as cultural ornament.

3.4. Transport Administration as an Institutional Case

Transport demonstrates both the necessity and difficulty of early institutional transfer. In 2001-2003, the emerging state had to keep damaged roads usable, regulate land transport, restore maritime links, manage scarce budgets, and develop organizations that could continue after international staff departed. One co-author's work in land-transport administration during this period, including collaboration with Timorese counterparts and advisers such as Fernando Garcia, suggests that some of the most durable gains arose from mixed teams dealing with concrete operating problems: staffing a department, preparing a budget, drafting rules, organizing maintenance, and establishing the Dili-Oecussi maritime connection. These recollections are not offered as comprehensive evaluation. They identify mechanisms that deserve attention: co-responsibility, repeated practice, and direct exposure to decisions. The Berlin Nakroma ferry provides a visible example of the Dili-Oecussi maritime connection (**Figure 2**).



Figure 2. The Berlin Nakroma ferry at the Port of Dili, 17 October 2018.

Oecussi made the territorial meaning of transport particularly visible. The enclave is part of Timor-Leste but separated from the rest of the country by Indonesian territory. A regular maritime service therefore did more than move passengers and cargo. It reduced dependence on cross-border passage, connected citizens to the capital, and materialized the state's obligation to serve its whole territory. Yet the service also depended on capital finance, technical maintenance, scheduling, port operations, and operating subsidies. The example foreshadowed

a national pattern: an infrastructure asset can symbolize sovereignty immediately, while its sustainable operation depends on less visible institutional capabilities accumulated over years.

The early period thus left a double legacy. It proved that a Timorese state could be constituted under extraordinarily difficult conditions. It also embedded a development model in which internationally financed projects and externally supplied expertise often moved faster than domestic systems for policy design, procurement, maintenance, and accountability. Independence ended international administration; it did not automatically end administrative dependence.

3.5. What Institutional Transfer Teaches

The early transition suggests that capacity cannot be transferred as a stock of manuals or short training courses. It is produced through authority exercised repeatedly under real constraints. A national official learns procurement by preparing specifications, evaluating bids, documenting a decision, managing a contract, and answering for the result. An institution becomes capable when those practices are recorded, taught to new staff, protected from arbitrary intervention, and revised in light of evidence. International advisers add value when they widen the range of workable choices and share responsibility for learning; they weaken ownership when they become a parallel channel through which the consequential work is done.

This lesson remains relevant in 2026. Membership of ASEAN and the WTO will bring new technical assistance, meetings, legal templates, and externally funded projects. The central measure of success should be whether these engagements leave behind teams that can perform the work without continuous substitution. Every major assistance programme should therefore specify the national function being strengthened, the staff who will own it, the operating resources required after the project, and the evidence by which institutional improvement will be judged. Capacity-building should be treated as the creation of durable organizations, not as an activity count.

4. Democratic Resilience, 2006-2026

4.1. Crisis without State Collapse

The 2006 crisis was the gravest test of the post-independence order. Disputes within the armed forces interacted with regional grievances, political rivalry, youth violence, and weak security institutions. Tens of thousands of people were displaced in Dili, international forces returned, and Prime Minister Mari Alkatiri resigned. The episode exposed the costs of incomplete security-sector integration and institutions shaped by competing resistance histories (*International Crisis Group, 2006; Scambary, 2015*). It also showed that political sovereignty was more resilient than many assumed. The Constitution remained the reference point, elections were held in 2007, and conflict was reabsorbed through a mixture of formal institutions, elite bargaining, social networks, and international support.

Resilience should not be romanticized. Stability was partly purchased through

cash transfers, pensions, veterans' benefits, infrastructure expenditure, and accommodation among a small group of senior leaders. Petroleum wealth allowed the state to respond to grievances without immediately choosing between groups or reforming weak systems. That strategy helped pacify a traumatized society, but it also linked political settlement to continued fiscal expansion. The same expenditure could serve reconciliation, patronage, social protection, and demand stimulus at once. Its political function was clearer than its long-term economic return.

4.2. Elections and the Legitimacy of the Resistance Generation

The democratic record since 2007 is nevertheless significant. Presidents, governments, and parliamentary majorities have changed through elections and constitutional procedures. Electoral competition has been vigorous, turnout high, and losing parties have continued to contest the system rather than reject it. In a region where democratic reversals and military intervention are not rare, Timor-Leste's electoral order is a central achievement (Freedom House, 2025; International IDEA, 2026). Political legitimacy remains personalized, but it is channelled through institutions citizens recognize as their own.

The 2017 elections were an important marker. Francisco "Lú-Olo" Guterres won the presidency in the first round with approximately 57 per cent of the vote (International IDEA, 2026). Contemporary commentary emphasized political pluralism and the orderly exercise of citizenship, while also revealing uncertainty about government formation and the continuing dominance of leaders associated with the resistance. The subsequent institutional impasse and early election in 2018 demonstrated both sides of the system: constitutional mechanisms could resolve deadlock, yet policy continuity remained dependent on elite negotiation. The return of Xanana Gusmão as prime minister after the 2023 election confirmed the endurance of resistance-era authority. José Ramos-Horta's return to the presidency in 2022 reinforced the same pattern. Prime Minister Xanana Gusmão remains the most visible embodiment of this resistance-era continuity (Figure 3).



Figure 3. Prime Minister Xanana Gusmão in Tokyo, 16 December 2023.

This durability is understandable. The resistance generation embodies sacrifice, diplomatic achievement, and national unity. Its leaders possess networks and moral authority no technocratic institution can quickly reproduce. But the source of legitimacy is time-bound. More than half of the population was born after the 1999 referendum. Younger Timorese evaluate the state less through memories of liberation than through education, work, housing, digital access, mobility, fairness, and the quality of everyday services. The central democratic challenge after 2026 is therefore not merely leadership succession. It is the conversion of historical legitimacy into institutions that do not require the continued presence of founding personalities.

4.3. From Peace Dividend to Performance Legitimacy

Timor-Leste's democracy has survived because citizens value independence, because elites have repeatedly stepped back from rupture, and because resource revenue has softened distributional conflict. The next phase will be harder. When petroleum-financed expenditure becomes more constrained, governments will have to justify choices, collect more domestic revenue, and deliver better results from fewer marginal dollars. Performance legitimacy will not replace the history of resistance, but it will increasingly determine trust. This means transparent appointments, a more professional civil service, predictable regulation, independent oversight, and public explanations of trade-offs. Political resilience must become institutional resilience.

4.4. Maritime Sovereignty and Negotiated Interdependence

The maritime boundary dispute with Australia provides a further measure of political maturity. For years, arrangements in the Timor Sea governed petroleum production without settling a permanent boundary. Timor-Leste eventually initiated compulsory conciliation under the United Nations Convention on the Law of the Sea. The process produced the 2018 Maritime Boundary Treaty, which entered into force in 2019 and established permanent boundaries while creating a special regime for the Greater Sunrise fields ([Australian Department of Foreign Affairs and Trade, 2019](#)). For a small state negotiating with a much larger neighbour, the result demonstrated how international law, patient diplomacy, and domestic consensus could expand effective sovereignty without military or economic coercion.

Greater Sunrise nevertheless shows the limits of a legal victory. Under the treaty, Timor-Leste is entitled to 70 or 80 per cent of upstream revenue depending on where the gas is processed. Development still requires agreement on the commercial concept, financing, markets, environmental safeguards, infrastructure, and the allocation of risk. Timor-Leste has consistently supported bringing gas to its south coast as part of the Tasi Mane project, arguing that onshore processing would create jobs, industry, and national capability. Critics question the opportunity cost and commercial assumptions. Neither position should be reduced to a choice between patriotism and technocracy. The relevant test is whether a devel-

opment concept can generate risk-adjusted public value without weakening the fiscal buffer needed for essential services.

The broader lesson is that sovereignty often consists of well-designed interdependence. The maritime treaty secured jurisdiction through a rules-based process; exploitation of the resource, if it proceeds, will require cooperation among governments, commercial partners, regulators, financiers, and affected communities. Transparent disclosure of assumptions, independent review, and realistic local-content plans are therefore not concessions to outsiders. They are instruments through which Timor-Leste can prevent another enclave project from absorbing public capital without creating a diversified domestic economy.

5. Petroleum-Financed Statehood and the Productive Gap

5.1. The Petroleum Fund as Achievement and Dependency

Oil and gas transformed the possibilities of the new state. The Petroleum Fund, established in 2005, created a transparent mechanism for saving resource revenue abroad and transferring funds to the budget through parliamentary authorization. It gave Timor-Leste fiscal autonomy from donors, financed reconstruction and social transfers, and accumulated financial assets whose value reached roughly US\$18 - 19 billion in the mid-2020s (IMF, 2024; World Bank, 2026). For a population of approximately 1.4 million, this was a remarkable buffer. The Fund is among the country's most important institutional innovations.

The Fund also made it possible to postpone the underlying economic question. Once annual withdrawals exceeded the Estimated Sustainable Income, the budget increasingly treated financial wealth as ordinary revenue. Spending expanded much faster than the domestic economy's capacity to supply labour, materials, management, and competitive firms. Imports rose, construction became a principal transmission channel, and public contracts shaped private incentives. Rather than disciplining the state through taxation, citizens encountered a state that distributed external rent. Accountability was therefore organized around who received expenditure and where projects were located, not only around whether public money generated durable value.

The fiscal arithmetic is now unavoidable. The IMF's 2024 consultation estimated the Fund at US\$18.3 billion at the end of 2023 and projected continuing decline under then-current policies. It warned that persistent excess withdrawals could deplete the Fund by the end of the 2030s. The World Bank similarly projected depletion risks around the mid-2030s without a change in policy (IMF, 2024; World Bank, 2025b). Precise dates depend on investment returns, budgets, new petroleum income, and exchange rates. The direction does not. With production ended and Greater Sunrise still uncertain, financing recurrent expenditure from asset liquidation transfers a growing liability to younger citizens.

5.2. Why Spending Did Not Generate Proportional Growth

Public expenditure was essential after 1999, and low-income states cannot diversify

without roads, power, education, health, and administration. The problem is not spending as such; it is the relationship between spending, absorptive capacity, and results. Between 2013 and 2023, exceptionally high expenditure coincided with average growth of only 1.3 per cent (World Bank, 2025a). Several mechanisms explain the gap. Projects relied heavily on imported goods and expertise. Procurement sometimes privileged contract award over lifecycle value. Maintenance budgets and asset management lagged behind construction. Education and training did not consistently match employer needs. Policy uncertainty and small markets discouraged private investment. Agricultural productivity and market access improved slowly.

The non-oil economy is also measured imperfectly. Household production, informal exchange, and remittances matter, while aggregate growth figures can understate improvements in access to services. Nevertheless, three outcomes are difficult to dispute: formal employment remains scarce, goods imports greatly exceed exports, and the budget rather than private production remains the principal engine of demand. Coffee is the largest established merchandise export outside hydrocarbons, but yields, quality consistency, logistics, finance, and farmer organization constrain expansion. Tourism has genuine potential in cultural, marine, ecological, and historical niches, yet transport connections, skills, sanitation, destination management, and land administration limit scale. The same is true of fisheries and light manufacturing: potential is not a sector strategy.

5.3. Productive Sovereignty

Productive sovereignty does not mean replacing all imports. It means maintaining enough domestic production, skills, firms, and revenue to prevent external shocks from dictating political choices. Four shifts are central. First, fiscal policy must protect a substantial real value of the Petroleum Fund through a credible medium-term rule. Second, domestic revenue should rise gradually through fairer taxation, better customs administration, and fees linked to services, while protecting poor households. Third, public investment should be selected for economic and social return rather than visibility alone. Fourth, enterprise policy should solve concrete constraints—standards, finance, logistics, land access, electricity reliability, management skills, and market information—rather than distribute broad incentives without performance conditions.

This agenda is politically demanding because it replaces immediate distribution with delayed returns. It is also more democratic than the alternative. A taxpaying society can ask more exacting questions of government; a government that depends partly on citizens and firms has stronger incentives to create a viable economy. The goal is not austerity. It is a transition from petroleum-funded consumption toward public systems and private capabilities that can reproduce value after the Fund's exceptional role diminishes.

5.4. Agriculture, Coffee, and Food Security

Agriculture is the clearest place to connect poverty reduction, food security, em-

employment, and exports. It still accounts for a large share of employment, yet its contribution to measured growth is small and productivity remains low. Farms are generally small, rainfall is variable, irrigation limited, and access to extension, finance, storage, inputs, and dependable buyers uneven. Land rights are socially embedded and often insufficiently documented for formal investment or collateral. The result is not an absence of effort by farmers; it is a value chain in which risks accumulate at the household level while markets remain thin. Public policy has frequently oscillated between generalized subsidies and individual projects without establishing the stable services needed across production cycles (World Bank, 2025c).

Coffee illustrates both the difficulty and the opportunity. It remains Timor-Leste's principal established non-petroleum merchandise export and links tens of thousands of rural households to global markets. Its organic or low-input production, distinctive varieties, altitude, and national story can command quality premiums. Yet average yields are far below global levels, many trees are old, processing quality varies, and farmers capture limited value beyond the sale of cherries or parchment. The World Bank estimated average green-bean yields below 200 kilograms per hectare, compared with a global average of about 880 kilograms, and reported a sharp fall in export earnings in 2023 despite coffee's dominant share of merchandise exports in early 2024 (World Bank, 2024). A coffee-rehabilitation site in Liquiçá illustrates the type of intervention required to renew the sector (Figure 4).



Figure 4. A coffee-rehabilitation site in Açumanu, Liquiçá, September 2022.

A viable coffee strategy would combine tree rehabilitation, climate-resilient agroforestry, extension, selective input use, transparent farm-gate pricing, local testing, traceability, and better wet and dry processing. It would help cooperatives and

firms build long-term buyer relationships rather than treating each harvest as an isolated export transaction. Domestic roasting, packaging, branding, and hospitality use can retain more value, but these activities should complement rather than displace the quality discipline needed in export markets. Public support should be conditional on measurable productivity, quality, and farmer-income outcomes, with women and younger producers able to enter the chain on equal terms.

Food security requires a related but distinct approach. Replacing all imported rice would be costly and vulnerable to climatic variation. The objective should be a more resilient food system: higher productivity where domestic crops are competitive; diversified staples, vegetables, legumes, livestock, and fisheries; nutrition-sensitive procurement for schools and hospitals; improved storage and rural roads; and trade arrangements that prevent shortages. Import policy must avoid destabilizing local producers through unpredictable purchasing while also protecting consumers from excessive prices. Sovereignty here lies in managing the portfolio of domestic production, strategic imports, and household nutrition rather than in a headline self-sufficiency ratio.

5.5. Tourism, Enterprise, and Domestic Value Addition

Tourism is frequently presented as the second pillar of diversification, and with reason. Timor-Leste possesses coral reefs, mountains, biodiversity, religious and resistance heritage, distinctive living cultures, and a capital within short flying distance of major Australian and Indonesian markets. Before the pandemic, travel services were the country's largest non-oil export; tourism and agro-processing remain among the sectors with the clearest near-term market potential ([World Bank, 2023b](#)). The appropriate model is unlikely to be mass tourism. High-value, lower-volume cultural, marine, adventure, pilgrimage, and historical tourism would better match environmental capacity and the country's current scale.

Attractions alone do not make a destination. Visitors purchase a coordinated experience involving visas, flights, information, transport, accommodation, food safety, guides, payments, telecommunications, waste management, and emergency care. A failure in any link can outweigh success elsewhere. Destination management should therefore begin in a small number of places where local government, communities, operators, and national agencies can jointly improve the complete visitor journey. Training in hospitality, languages, conservation, digital marketing, and small-business management must accompany physical investment. Cruise visits may add visibility, but their domestic value depends on local excursions, products, and services rather than passenger numbers alone.

The same systems matter to micro, small, and medium-sized enterprises across sectors. Business mapping by the Asian Development Bank confirms that firms face small markets, informality, weak records, limited finance, and capability constraints ([ADB, 2024](#)). Policy should reduce the fixed cost of formality through simple registration, interoperable tax and licensing systems, commercial dispute resolution, digital payments, and proportionate standards. Credit programmes

work best when paired with bookkeeping, market access, and risk assessment rather than allocated administratively. Foreign investment should be evaluated for domestic linkages—training, supplier development, technology, and tax contribution—not merely for the announced capital amount.

6. Infrastructure, Territorial Integration, and the Capability Test

6.1. Building the Material State

Infrastructure has been one of the most visible expressions of independence. National and municipal roads have been rehabilitated; electricity coverage expanded dramatically; airports and ports received investment; telecommunications spread; and public facilities appeared across the territory. Tibar Bay port, inaugurated in 2022 under a public-private partnership, altered the country's maritime logistics. Road corridors improved access between Dili and district centres. The Special Administrative Region of Oecussi received major public investment. These projects reduced isolation and gave physical form to the promise of equal citizenship.

The contribution of infrastructure to sovereignty operates through three channels. It integrates territory by reducing the cost and uncertainty of movement. It extends administration by allowing teachers, health workers, police, officials, and supplies to reach communities. It supports production by linking farms and firms to inputs and markets. But these gains arise from a service chain, not from construction alone. A road's value depends on drainage, safety, axle-load control, feeder connections, vehicles, and maintenance. A port's value depends on customs, competition, digital systems, inland logistics, and predictable charges. Electricity enables firms only when it is reliable and priced in a way compatible with efficient use and cost recovery.

6.2. The Maintenance State

Timor-Leste's next infrastructure frontier is therefore maintenance. Resource-rich capital budgets can create a bias toward new projects because construction is politically visible, contractable, and geographically distributable. Maintenance is recurrent, dispersed, and easily postponed. Yet neglect raises lifecycle costs and eventually converts assets into liabilities. Climate exposure makes the problem more urgent. Intense rainfall, landslides, coastal hazards, and seismic risk can destroy poorly designed or poorly maintained infrastructure quickly. Resilience must be specified before procurement, not added after failure.

A maintenance state would maintain a complete asset register, estimate lifecycle costs before approving construction, protect routine maintenance allocations, publish service standards, and use condition data to rank interventions. It would distinguish economic appraisal from political allocation while making both transparent. It would also develop domestic technical capability: engineers, equipment operators, surveyors, contract managers, laboratory technicians, and small contractors able to perform routine works outside Dili. This is a form of industrial

policy. Recurrent public demand for well-specified local maintenance can build firms and skills more reliably than occasional megaprojects dominated by external contractors.

6.3. Connectivity beyond Concrete

Territorial integration now includes digital connectivity, administrative interoperability, and regional transport. Digital public services can reduce distance, but only if identity systems, payment mechanisms, cybersecurity, and local support are trustworthy. Air and sea connections can support tourism and trade, but only if schedules, border procedures, and prices are competitive. ASEAN membership intensifies this operational test. Regional agreements are implemented at customs posts, standards laboratories, transport ministries, and business registries. Infrastructure becomes productive when institutions make networks work together.

7. The Regional Turn: WTO Accession and ASEAN Membership

7.1. From Aspiration to Accession

Regional integration has been part of Timor-Leste's diplomatic strategy since independence. The country applied for ASEAN membership in 2011. When the question was assessed in 2017, membership remained an aspiration constrained by concerns about administrative readiness, financial obligations, human resources, and the ability to participate across ASEAN's dense meeting structure. That uncertainty is important historical evidence: accession was not inevitable. It required sustained diplomacy, technical preparation, consensus among existing members, and the gradual recognition that Timor-Leste's inclusion would strengthen the regional project as well as the applicant.

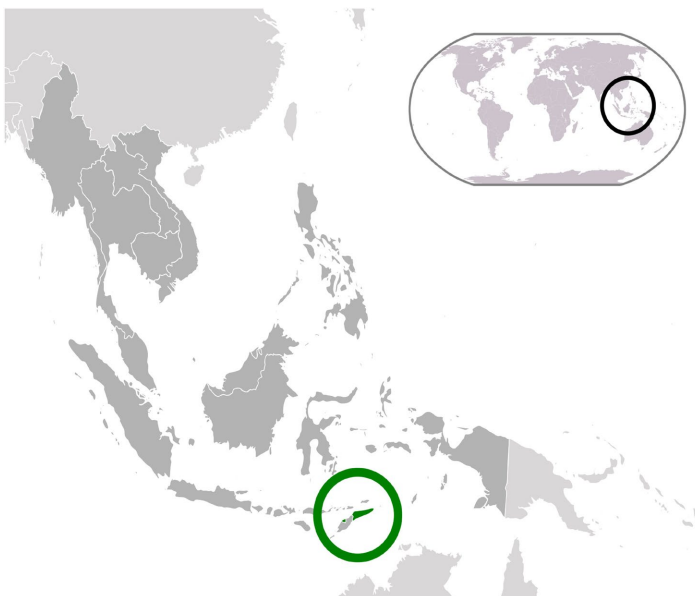


Figure 5. Timor-Leste within ASEAN following its admission in 2025.

WTO membership came first. Timor-Leste became the organization's 166th member on 30 August 2024 after a negotiating process that required legal and institutional reforms (WTO, 2024). ASEAN leaders then admitted Timor-Leste as the association's eleventh member on 26 October 2025 (ASEAN, 2025a). The sequence matters. WTO accession established a baseline of trade commitments and signalled willingness to operate through rules. ASEAN membership embedded the country more deeply in the political, economic, and socio-cultural institutions of Southeast Asia. Together they marked a transition from international recognition as a post-conflict state to participation as a regional rule-taker and potential rule-shaper. Timor-Leste's geographic position within the enlarged ASEAN community is shown in **Figure 5**.

7.2. What Membership Can Provide

Membership offers four potential gains. First, it diversifies external relationships. Timor-Leste can engage Indonesia, Australia, the Community of Portuguese Language Countries, China, Japan, the United States, the European Union, and multilateral institutions from within a denser regional framework. Second, ASEAN participation can accelerate administrative learning through peer networks in customs, transport, health, education, competition, disaster management, and digital policy. Third, trade and investment rules can reduce uncertainty for firms if domestic implementation is credible. Fourth, regional identity can support the country's pragmatic multilingual and geographic position between Southeast Asia and the Pacific.

The political gain may precede the economic one. Timor-Leste's domestic market is small, its export base narrow, and its firms face high logistics and finance costs. Membership does not automatically create competitive products. Nor does it guarantee foreign investment with strong local linkages. ASEAN's consensual institutions can help socialize officials and widen options, but they do not substitute for domestic policy. Indeed, compliance imposes opportunity costs on a small civil service. Attendance at hundreds of meetings is not capability if officials lack authority, information, follow-up systems, or stable tenure.

7.3. The Risks of Shallow Integration

Three risks deserve particular attention. The first is import deepening without export diversification. Lower transaction costs may benefit consumers but widen external deficits if domestic producers cannot meet standards or scale. The second is regulatory overload. Transposing commitments into law without enforcement can create a façade of compliance and weaken respect for rules. The third is enclave investment: capital enters a protected or externally connected project, imports most inputs, employs relatively few Timorese, and repatriates returns without building suppliers or skills. Petroleum already demonstrated how high-value activity can remain weakly connected to the domestic economy.

These risks do not justify delay or withdrawal. They define the readiness agenda

after membership. Timor-Leste should concentrate scarce administrative resources on obligations with the highest developmental return; maintain a public implementation dashboard; build a permanent cadre of ASEAN specialists across ministries; and require each external engagement to identify responsible officials, deadlines, budget implications, and domestic beneficiaries. Business associations, universities, municipalities, and civil society should participate in translating regional commitments into local opportunities. Integration succeeds when it changes routines at home.

7.4. Capable Interdependence

Capable interdependence provides a criterion for evaluating the regional turn. It asks not whether Timor-Leste depends on others—the answer will always be yes—but whether dependence is diversified, rule-governed, and matched by domestic bargaining and implementation capacity. In trade, this means helping producers comply with sanitary, phytosanitary, quality, packaging, and origin requirements. In labour mobility, it means recognizing qualifications and protecting workers while using returning migrants' savings and skills. In infrastructure, it means regional connectivity supported by sound project selection and debt management. In diplomacy, it means preserving principled positions while contributing consistently to ASEAN's collective work.

Language policy becomes an economic instrument in this model. Tetum and Portuguese remain essential to national identity and constitutional life, while Indonesian and English competence expands access to ASEAN markets, technical networks, and higher education. The objective is additive multilingualism, not replacement. The country's historical layers—indigenous, Lusophone, Indonesian, resistance, UN, and Southeast Asian—can become a portfolio of connections if schools and institutions convert them into usable capability.

7.5. Building an Integration State

The 2025 admission instrument makes clear that accession is a programme of continuing implementation. Timor-Leste accepted the obligations attached to earlier ASEAN decisions and undertook to accede to the association's existing treaties, conventions, agreements, and external instruments according to the schedules in its roadmap (ASEAN, 2025b). This creates a demanding administrative agenda across all three ASEAN Community pillars. The work will extend from tariff schedules and customs procedures to aviation, competition, labour, education, health, disaster response, environmental cooperation, statistics, and diplomatic coordination.

An integration state needs a stronger centre without recentralizing every decision. A small coordination unit should maintain the authoritative register of commitments, deadlines, lead institutions, required legislation, implementation costs, and progress. Sector ministries must retain ownership because rules become real through their daily systems. Cabinet and Parliament need a regular mechanism

for resolving conflicts among obligations, budgets, and national policy. Officials representing Timor-Leste should receive common briefs, negotiating authority, and a requirement to report decisions promptly; institutional memory should reside in searchable records rather than in personal email or the knowledge of one delegate.

Prioritization is essential. Commitments that reduce trade time, improve food and product safety, recognize skills, strengthen disaster preparedness, or open specific markets should receive early attention. Measures with high recurrent costs or limited near-term value should be sequenced transparently rather than copied into law without an enforcement plan. Universities can train language and policy specialists; business associations can identify standards that block exports; civil society can monitor distributional and environmental effects. ASEAN participation will become politically durable when citizens outside Dili can see how it improves jobs, mobility, consumer protection, knowledge, or public services.

8. A New Social Contract for the Post-Resistance Generation

8.1. Intergenerational Fairness

The Petroleum Fund made an implicit promise: non-renewable wealth would benefit both present and future citizens. That promise cannot be assessed only by the Fund's closing balance. Spending on health, education, resilient infrastructure, and productive institutions can transfer real assets to future generations. But recurrent consumption and low-return construction financed by principal do the opposite. Intergenerational fairness therefore requires a combined balance sheet: financial assets, public infrastructure condition, human capital, environmental assets, institutional quality, and liabilities. A smaller Fund may be justified if the rest of that balance sheet improves demonstrably. Without such improvement, draw-down is simply deferred taxation on citizens who had no voice in the decision.

8.2. Human Capital and Meaningful Work

Timor-Leste's youthful population is often described as a demographic opportunity. It is an opportunity only if young people acquire health, foundational learning, technical and digital skills, and pathways into meaningful work. The World Bank's human-capital analysis documents persistent deficits in nutrition, learning, and service quality (World Bank, 2023a). These are not separate social-sector concerns; they determine whether infrastructure, investment, and regional integration generate domestic value. A port cannot diversify exports without capable firms. A tourism strategy cannot succeed without language, hospitality, conservation, and management skills. Agricultural commercialization depends on extension, storage, quality control, finance, and cooperative organization as much as on roads.

Education reform should therefore begin with outcomes rather than buildings or enrolment alone. Early childhood nutrition, teacher attendance and support, Tetum-based comprehension alongside multilingual progression, foundational

numeracy, and reliable assessment deserve priority. Secondary and technical education should be linked to identifiable demand in construction maintenance, logistics, renewable energy, agro-processing, hospitality, health, and public administration. Overseas labour schemes can provide income and experience, but they should connect to reintegration, certification, savings instruments, and enterprise support so that mobility accumulates domestic capability rather than permanently exporting it.

8.3. Accountability after Abundance

A post-petroleum social contract will also require a more explicit relationship between citizens and the budget. Publishing contracts and aggregate spending is necessary but insufficient. Citizens need to know what a service is expected to deliver, who is responsible, how performance is measured, and what remedy exists when it fails. Parliament and audit institutions should scrutinize multi-year fiscal consequences, not only annual authorization. Municipal decentralization should match functions with finance and capability. Major projects should disclose appraisal assumptions, alternatives, climate risks, maintenance plans, and actual results after completion.

The aim is not to depoliticize development. Decisions about regions, sectors, and generations are inherently political. The aim is to make political choices legible and contestable. Timor-Leste's liberation was achieved through extraordinary civic and political mobilization. The same tradition can support a demanding citizenship that values evidence, respects institutional opposition, and judges leaders by whether public systems endure beyond their terms.

8.4. A Practical Agenda for 2026-2035

The next decade should be organized around a limited set of compacts rather than an expanding catalogue of projects. A fiscal compact would set a credible path toward sustainable Petroleum Fund withdrawals and higher domestic revenue while protecting essential services. A capability compact would direct education, training, and public-service reform toward measurable competencies. A maintenance compact would protect existing assets before approving additional infrastructure whose operating costs are unfunded. A productive-economy compact would concentrate support on a small number of export and import-competing value chains with transparent performance conditions. An integration compact would convert ASEAN and WTO commitments into sequenced domestic reforms, each with ownership, resources, and public reporting.

Such compacts require prioritization. Timor-Leste cannot simultaneously build every megaproject, subsidize every constituency, maintain all assets, expand every service, and preserve the Petroleum Fund. Scarcity is no longer a future scenario; it is the condition under which sovereignty must now operate. A government that states this clearly may face resistance, but a government that postpones the choice will leave fewer options to its successors.

9. Conclusion: Independence as Durable Capability

Ramos-Horta's 2001 proposition remains the correct test, but it requires a contemporary interpretation. Independence does not require economic isolation or the absence of external assistance. It requires the capability to enter relationships by choice, to implement collective rules, to withstand shocks, and to sustain public purposes without consuming the asset base on which future choice depends. By that standard, Timor-Leste's first quarter-century is neither a story of failure nor a completed success.

Political sovereignty is the clearest achievement. Timorese citizens created a legitimate state, preserved constitutional competition through crisis, and won an international position that culminated in WTO and ASEAN membership. Territorial sovereignty has also advanced through extensive infrastructure and nationwide institutions. Administrative sovereignty is uneven: capable individuals and organizations coexist with weak coordination, maintenance, records, procurement, and service delivery. Productive sovereignty is the largest deficit. Petroleum wealth financed the state but did not yet create an economy capable of replacing it.

The resulting asymmetric sovereignty is not permanent. It identifies where the next political project must begin. ASEAN and WTO membership can supply rules, markets, peer learning, and diplomatic leverage. They can also deepen import dependence and stretch a small administration. The difference will be determined domestically: by fiscal restraint that protects choice, investments that build human and institutional capability, maintenance that preserves assets, enterprise policies tied to performance, and accountability that connects expenditure to results.

The founders of Timor-Leste converted resistance into statehood. The task of the post-resistance generation is to convert statehood into durable capability. If it succeeds, regional integration will not dilute sovereignty. It will give sovereignty practical reach. Timor-Leste will have moved beyond assisted independence—not toward self-sufficiency, but toward capable interdependence.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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