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Timor-Leste's Road to ASEAN Membership Will be Challenging: An Economic Integration Perspective

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SYNOPSIS

At the recent ASEAN Summit in Cambodia, the leaders of the ASEAN countries present agreed in principle to admit Timor-Leste as the regional organisation's 11th member. While this is good news, it will take much time and effort for Timor-Leste to realise its objective of becoming a full member.

COMMENTARY

ASEAN leaders met in Phnom Penh, capital of Cambodia, from 10-13 November 2022, and one important decision was their agreement in principle to admit Timor-Leste (the former East Timor) into its ranks as the grouping's 11th member. This in-principle approval grants the country access to ASEAN meetings including the summit plenaries. However, the realisation of Dili's longstanding dream of becoming a full member of ASEAN will hinge upon the ability of Timor-Leste to meet the "objective, criteria-based roadmap" that the grouping will draw up for its compliance.

This roadmap, which will be the ASEAN Coordinating Council's (ACC) task to draw up, will be presented at the 42nd ASEAN Summit in Indonesia in 2023 for approval. Meanwhile, it was agreed by the leaders that "[all] Asean Member States and external partners shall fully support East Timor to achieve the milestones through the provision of capacity building assistance and any other necessary and relevant support for its full membership in [Asean](#)".

What does it take to become a full member of ASEAN?

The procedure and criteria for an applicant's admission to ASEAN appear in Article 6 of the ASEAN Charter. The criteria listed are:

- (i) location in the recognised geographical region of Southeast Asia;
- (ii) recognition by all ASEAN Member States;
- (iii) agreement to be bound and to abide by the Charter; and
- (iv) ability and willingness to carry out the obligations of Membership.

The last criterion is a reiteration of Article 5 of the Charter, which stipulates that “Member States shall take all necessary measures, including the enactment of appropriate domestic legislation, to effectively implement the provisions of this Charter and to comply with all obligations of membership.” As ASEAN watchers would know, there is a host of such obligations. They include matters ranging from attending, chairing, and hosting of ASEAN gatherings to the payment of financial contributions to the ASEAN Development Fund and the ASEAN Secretariat.

While the grouping’s enlargement is not new – having last admitted Cambodia in 1999; and the Charter provides the steps for doing so – gaining admission today will involve a more difficult journey as ASEAN is no longer what it once was in the 1990s when it admitted Cambodia. For example, ASEAN is still continuing with the Community Building project to achieve its three pillars, namely, the ASEAN Political-Security Community, the ASEAN Economic Community, and the ASEAN Socio-Cultural Community.

With regard to ASEAN’s external relations, its Dialogue Partners has expanded to 11, with the United Kingdom being the latest one. On the economic front, ASEAN signed on to, and is implementing the Regional Comprehensive Economic Partnership (RCEP) which consolidates the ASEAN-Plus-One Free Trade Agreements. In the 1990s, there wasn’t any encumbrance of this nature.

Integrating Timor-Leste Economically: Issues to be Addressed

From the economic integration perspective, there are several issues to be addressed before Timor-Leste’s membership can be finalised.

The country’s infrastructure and capacities need to be built in order for it to be incorporated into regional supply chains. Dili needs to be better connected to other economies physically and digitally. Roads, seaports, airports, and information communication technology (ICT) facilities need to be enhanced. Building the infrastructure and capacities will take a long time even with assistance from the other ASEAN countries and non-ASEAN entities such as regional development banks.

Institutional infrastructure needs to be strengthened. The country needs to align its rules and regulations, as much as possible, with that of ASEAN’s, for a smoother accession. Dili’s membership of the World Trade Organisation (WTO), expected to be approved in 2023, would also help. On this, it should be noted that Dili’s prospect of joining the WTO was enhanced when it adjusted its domestic rules and regulations and undertook the necessary institutional and policy reforms to meet international standards.

Besides WTO membership, regional economic integration would also require Dili’s compliance with additional obligations. For instance, the Regional Comprehensive Economic Partnership’s (RCEP) Customs Procedures and Trade Facilitation chapter

goes beyond the WTO's Trade Facilitation Agreement (TFA) with regard to customs clearance time limit for perishable goods. Dili would need to work on such additional obligations.

A Long Road Ahead

Well-prepared, Timor-Leste will ease its own entry into ASEAN besides not hindering the organisation's efforts to achieve the ASEAN Economic Community (AEC) 2025, which is a regional integration initiative. However, one must be realistic about Dili's accession timeline as the country faces additional challenges.

Out of a population of 1.37 million people, about one-third are [illiterate](#). Its GDP and GDP per capita in 2021 were about US\$1.96 billion and [US\\$1,450](#) respectively. Youth unemployment has recently worsened, with 43.3 per cent of the population aged 25 to 39 out of work in 2020-[2021](#). Economic growth relies heavily on government spending which is largely financed by revenues from oil through the Petroleum Fund. From 2005 to 2021, the fund's accumulated revenue was US\$23 billion, out of which US\$13 billion were channeled to finance public spending.

As the Ramos-Horta Administration is striving to steer the country away from an oil to a non-oil economy, the Petroleum Fund may be exhausted sooner than later. This could negatively affect public finances, increase the risk of financial instability, and reduce the state's ability to shoulder the expenses and contributions pertaining to ASEAN's activities. Dili is working on viable alternatives to oil such as tourism and manufacturing.

Relying Less on Oil Resources

As the Petroleum Fund will shrink, the Ramos-Horta Administration will need to be prudent and frugal in the way it spends to drive the economy. To spur economic growth, the private sector needs to be galvanised. One way to do this is to attract FDI, which can be facilitated by amending rules and regulations to make the state more business friendly. This can encompass, for example, a shortening of the licence approval time and giving tax and non-tax incentives to foreign investors.

The government in Dili needs to boost workforce productivity through education and skills training to meet the private sector's demands. The government also needs to help grow local businesses through entrepreneurship training. And, because the government will earn less from oil in the future, it must seek to offset the loss through new taxation policies and public spending cuts to lessen the risk of fiscal deficits.

Timor-Leste's economic restructuring is taking place as it works towards becoming the 11th member of ASEAN. As ASEAN has an interest in bringing it on board, and in accomplishing the ASEAN Economic Community by 2025, besides other regional initiatives, the grouping should assist the prospective new member where possible. But this is not to suggest that ASEAN has to solve all of Dili's problems.

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