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Timor-Leste: Asia's Youngest Nation at the Crossroads

By Loro Horta

SYNOPSIS

Timor-Leste has in the past 23 years achieved significant progress at nation building and in areas such as health, education and infrastructure. Asia's youngest nation has made remarkable progress. However, many old and new challenges remain.

COMMENTARY

Timor-Leste became an independent country on May 20, 2002, after 24 years of repressive Indonesian occupation. Following Indonesia's military withdrawal from the territory in 1999, much of the country's infrastructure was destroyed. It was the poorest country in Asia. Its human resource base was highly precarious, with fewer than 20 medical doctors.

By 2017, a mere 15 years after independence, Timor-Leste had a higher Human Development Index than four of the ASEAN countries. In 2019, the country had over 1,100 medical doctors to care for its population of 1.4 million. Diseases such as malaria that remained rampant in the region were eradicated. The entire country now has access to electricity and the Internet, while new roads and other infrastructure, such as ports and airports, have been built. In 2025, the country will be able to use 5G technology.

Since 2008, Timor-Leste has not witnessed a single episode of political violence, and crime rates are among the lowest in Asia. It has one of the freest media in the world and a vibrant civil society. On the international front, the young nation has fully reconciled with Indonesia despite their tragic history of relations.

Timor-Leste has assisted several African and Asian countries in hosting [elections](#), including Guinea-Bissau and Nepal, among others, by sending election experts, voting equipment, and financial support.

Timor-Leste leaders, such as President Jose Ramos-Horta, have been actively involved in mediating conflicts around the world under the auspices of the United Nations. The young nation has successfully settled its maritime border dispute with Australia. The country has made significant progress in fulfilling its obligations to join ASEAN and is [expected to join](#) the grouping by the end of the year. It has conducted a fairly active foreign policy well beyond its small size and meager resources.

Challenging Times

While Timor-Leste has achieved remarkable success in nation-building, numerous old and new challenges remain. Many of its achievements were made possible because of its oil and gas revenues. The country remains highly dependent on the energy sector, with oil and gas accounting for over [90 per cent of its GDP](#). Unemployment remains extremely high at 80 per cent in the capital, Dili. Over 70 per cent of the country's population are younger than 35 years old.

For the past two decades, Timor-Leste has relied on its oil and gas wealth to sustain its economy. However, all current oil and gas fields have dried up, and the state is no longer receiving oil revenues. The country is relying on the Timor-Leste Petroleum Fund, which currently stands at US\$18 billion. The World Bank [warns](#) that if the government continues to spend the Petroleum Fund at current rates, the fund may be depleted as early as 2035.

Hope at Sea

Timor-Leste's hopes lie in the Greater Sunrise oil and gas fields, estimated to contain about US\$74 billion worth of reserves. However, disagreements with Australia have stalled the extraction of its oil and gas. Some in Timor-Leste are demanding that oil and gas be transported to the country via pipelines. It would cost at least US\$7 billion to invest in a pipeline and other facilities such as refining and processing facilities.

Australia argues that it would be more feasible to have the resources processed in Darwin, northern Australia, where the necessary infrastructure is already in place. In November 2024, Australia made a [generous offer](#) to Timor-Leste, offering the small nation 90 per cent of the revenues if the pipeline is routed to Darwin.

Australia pledged to use its 10 per cent share to establish an infrastructure fund to support Timor-Leste. It further offered to increase the number of Timor-Leste migrant workers in Australia, which would help to address the country's unemployment problem. This is likely one of the most generous offers ever made in the history of oil and gas cooperation between a developed nation and a developing one. Many countries in Africa and elsewhere receive well below 50 per cent in such deals with Western powers.

Australia's interest in Timor-Leste is not economic; it is strategic. Timor-Leste's oil and gas are not vital to Australia, accounting for less than one per cent of its annual

demand. However, its close proximity to northern Australia makes its stability important for Canberra. Australia fears that an unstable Timor-Leste could become too dependent on a hostile foreign power such as China.

Previous Australian governments were conservative and had made less generous offers. Australia's recent generosity towards Timor-Leste is a result of the strong leadership and firmness demonstrated by the current Prime Minister of Timor-Leste, Xanana Gusmao. Gusmao's determination and perseverance had forced Australia to offer one of the most generous deals in the history of oil negotiations.

It is imperative that the Greater Sunrise field be developed as soon as possible and that the funds from it be better managed than those from previous projects. Providence has granted Timor-Leste a lifeline. It's up to its leadership to humbly take it.

The clock is ticking.

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