

Timor-Leste's democratic strength belies an uncertain economic future



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by Damien Kingsbury

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Timor-Leste's resistance-era leader, Xanana Gusmão, is set to resume his country's prime ministership. This follows his National Congress for Timorese Reconstruction (CNRT) party's resounding success in Timor-Leste's May 2023 election.

CNRT has been confirmed to have 31 of the 65-seat unicameral parliament, needing just one coalition partner for government. Since 2007, Timor-Leste has had multi-party governments as a result of its proportional representation electoral system.

As in the past, the electoral process itself was next to flawless. Timor-Leste has an enviable international reputation for conducting elections and is regularly credited with being the most democratic state in Southeast Asia. That achievement could be extended to include all of Asia but for Taiwan, Japan and South Korea.

Timor-Leste's democratisation rested on two key criteria, the first of which was extensive investment in electoral training, nominally under the auspices of the UN Development Programme but undertaken primarily by the international arm of the Australian Electoral Commission. The second is that the people of Timor-Leste have warmly embraced the electoral process, reflected in high turnout rates and the sense of celebration around elections.

All would seem to be democratically rosy but there remains a couple of flies in the ointment.

While Timor-Leste's political leaders participate in the electoral process, there have been past indications that they regard the process as a procedure that must be undertaken to achieve their goals, rather than an inherently valuable process. Examples of this have been Fretilin party leader Mari Alkatiri insisting, twice, on governing with a parliamentary minority and Gusmão bringing down one government and attempting to bring down another after his wishes were not

followed.

Many younger political actors are looking for Gusmão and Alkatiri to leave the political stage to give younger members a political opportunity. But despite both leaders now being in their 70s, neither look ready to let go of the reigns of power.

Timor-Leste's constitution is also sometimes tested in undemocratic ways. Such tests include debates over the formation of government but, more importantly, by office holders sometimes exceeding their constitutional brief. A statement by President José Ramos-Horta indicating he would not agree to gang-linked parties being in a future coalition was the most recent illustration of this.

This goes to debates about the president's constitutional powers, with some suggesting that Timor-Leste has a semi-presidential system in which the president has active and independent powers. A semi-presidential system is conventionally one in which executive function is shared by the president and the cabinet, which Timor-Leste's constitution does not extend to.

Within this lack of constitutional discretion, the president must formally sign off on a new government following a 'proposal' by the leader of the parliamentary majority. Ramos-Horta's predecessor, President Francisco 'Lu-Olo' Guterres refused to sign off proposed CNRT ministers accused of being unfit for office following allegations of corruption. This led to Xanana Gusmão pulling CNRT out of the governing coalition, forcing it into minority government between February and May 2020.

There is also the problem of Timor-Leste's successive governments living beyond their means. The country's overwhelming source of income, the US\$15 billion Petroleum Fund, has been drawn upon around three times the level of sustainable withdrawals since 2007. At this rate, Timor-Leste will run out of money shortly after 2030.

Gusmão is attempting to develop the Greater Sunrise liquid natural gas (LNG) field as the country's economic saviour but he insists the LNG must be processed on a yet to be constructed facility on the country's south coast. The estimated construction cost is around US\$8 billion and does not include the cost of constructing a pipeline from the field across the 3300 metres deep Timor Trench, which sits between the LNG field and the proposed processing site.

Partners in the LNG field, including Australia's Woodside Petroleum, are reluctant to be drawn into such a high-risk project. Threats by Ramos-Horta and Gusmão to seek Chinese investment if Australia does not support the project have already been rebuffed by China's major development lender.

This leaves Timor-Leste to fund its own project. Doing so will deplete most of the remaining US\$15 billion in the Petroleum Fund coffers, and the chances of it succeeding are limited.

The pipeline and south coast project are Gusmão's signature projects. He has argued that nobody believed Timor-Leste would gain independence, yet it succeeded; by the same logic, he says that the LNG project's nay-sayers will also be proven wrong.

But getting the projects off the ground in a shifting international market and with low levels of domestic capacity is risky, and failure may give rise to political turmoil.

Beyond this, Timor-Leste's attempts at growing a tourism sector, increasing food self-sufficiency and other forms of economic diversification have so far failed. With a small domestic market, limited capacity, a high-cost base and no oil reserves, **economic development looks to have limited prospects.**

Among developing countries, Timor-Leste has shown that it has a **uniquely robust democracy**, for which it should be congratulated. But this does not mean that it will be able to avoid the economic pitfalls of many other recently independent countries, or the unhappy political consequences that usually entails.

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