



## The Dynamics of Timor-Leste's Foreign Aid Dependence and its Implications

Evan Ilham Pasha<sup>1</sup>, Muhammad Riza Hanafi<sup>1</sup>

<sup>1</sup>Universitas Brawijaya, Indonesia

\*Corresponding Author: Evan Ilham Pasha

Email: [pashaevan@student.ub.ac.id](mailto:pashaevan@student.ub.ac.id)



### Article Info

#### Article history:

Received 15 February 2026

Received in revised form 11

March 2026

Accepted 29 March 2026

#### Keywords:

Timor Leste

Dependency

Development

Dependency Theory

#### JEL Classification:

F35, O11, O19, O20, P45

### Abstract

*In this paper, the dependency theory approach has been used to analyze how East Timor has been economically dependent on world powers after its independence in the year 2002 through the aid. Although East Timor has had its fair share of oil deposits, it is plagued with major challenges in terms of damaged infrastructure as a result of the long conflict forcing the country to be under foreign aid. This study will be looking at the effects of the aid provided by the United Nations, the World Bank, and donor countries in terms of creating institutional dependency by the imposition of preconditions that usually serve the advantage of the aid givers. Moreover, change in dependency of the traditional actors towards China through the Belt and Road Initiative program as also a part of this research with consequences to the geopolitical and economic policy of East Timor. As revealed in the conclusion of the current paper, East Timor remains entangled in an exploitative global economic system as a peripheral state, just as it has been the case since its inception and as it was the case with the unbalanced power relations in the international system.*

## Introduction

Timor Leste, or officially the Democratic Republic of Timor Leste, is a tiny state in Southeast Asia that is situated in the east part of Timor Island and it includes the exclave of Oecusse-Ambeno along with islands like Atauro and Jaco. Timor Leste is an estimated one of the youngest nations in the world, with around one point three million people and an independent country since the year 2002. This state was formed in the backdrop of prolonged civil war and political turmoil that culminated in a referendum conducted under the watch of the United Nations in August 1999 when majority of the citizens voted in favor of independence as a self-determination rule (Svanberg, 2026; Willis, 2025; Fisher, 2024; Oguejiofor, 2024).

The referendum can not be viewed as an occurrence, but it can be taken as fulfillment of long history of the Indonesian integration and occupation since the massive military action that took place on 7 December 1975. This was a period of conflict that was characterized by the use of armed conflict, repressive measures and other forms of human rights abuse. All these processes slowly encouraged the political identity and the desire to gain independence among the people of Timor, and also attracted the attention and pressure of the international community (Guterres & Maschietto, 2025; Pereira & Feijó, 2024). Therefore, the necessity of referendum and independence was the logical conclusion of the domestic resistance and external action that was formed during several decades (Harguindéguy et al., 2023; McHarg et al., 2016; Cetrà & Harvey, 2019; Harguindéguy et al., 2023; Goers et al., 2025).

The referendum took place on 30 August 1999 despite high opposition by the ultranationalist and military groups in Indonesia and was decided with 78.5 percent voters in favor of the

independence (Schulze, 2001; Basista, 2025; Mietzner, 2022). The consequence, however, was a new wave of violence which led to destruction of infrastructure on a grand scale and displacement of thousands of residents to West Timor. This circumstance led to the direct intervention of UN in stabilization and transitional administration procedures until Timor Leste officially became an independent state on 20 May 2002 (Bertrand, 2013). The effects of this conflict and transition did not only inform the political environment of the country at its early stages, but also left a deep structural impact on the Timor Leste post independent economy especially in regards to its limited production capacity, heavy dependence on foreign aid, and institutional development factors (da Cruz, 2025; Sauv e et al., 2024; Sahin & Verkhovets, 2024).

After the transition in 1999 and the official independence in 2002, Timor Leste experienced complex and many-sided development issues. Long-term conflict destruction of physical infrastructure, stagnated economic activity, and underdeveloped administrative and institutional capacity in the new state was a significant hindrance to stability and prosperity building. The lack of sufficient human resource, little experience in national bureaucracy, and lack of a proper domestic production base made the country structurally vulnerable at the initial stages of state-building (Anten et al., 2022; Day, 2022; Duvanova, 2025; Hashi & Barasa, 2023). In this regard, the post-independence development agenda did not merely focus on the reconstruction of the infrastructure, rather it was also geared towards the creation of good systems of governance, recovery of the social conditions that have been affected by war, and the enhancement of economic well-being in a sustainable way. The magnitude and difficulty of such issues necessitated external assistance. Timor Leste as a new state with weak fiscal and institutional capacity would logically have to rely on the international support to implement the processes of large-scale early development (Howe, 2025; Bishop et al., 2025).

Emergency rebuilding movement was also required, which led to the intensive intervention of the international actors including UNTAET as the transitional government body, multilateral financial organizations like the World Bank, and other bilateral donors. They were not just involved in ensuring financial and technical support but also affecting the development of the economic policy, the formation of the public institutions and provision of the national priorities in the development. This heavy engagement led to the stabilization and recovery after conflict, and at the same time, placed Timor Leste in an unstable dependency relationship with foreign aid and policy frameworks brought by these actors. In the long run, such pattern of interaction formed an initial development route that was highly conditioned by the logic, interests and conditionalities of international donors.

It is on this backdrop that this paper aims at mapping the evolution of dependence on foreign aid as part of Timor Leste developing experience in the post-independence process and its consequences on the economic and institutional capacity of the country. In particular, the article evaluates processes that have since 2002 recreated economic and institutional dependence, but it also assesses how the changes in the actors of donors such as the introduction of financing and infrastructure projects by China has provided new opportunities and risks in the developmental path of Timor Leste.

## Methods

The paper will use a qualitative case study approach that will depend on document analysis to describe dynamism of economic and institutional dependency in Timor Leste post-independence. This method has been selected as it enables a comprehensive tracking of processes, actors, and policy machineries in the environment of a post-conflict state, where quantitative information is scarce over time. The primary data sources will be the official

documents and institutional reports by the UNTAET and agencies of the United Nations, the reports and assessments of the project by the World Bank and the International Monetary Fund, publications and analyses by local civil society organizations, particularly the La'o Hamutuk, and the official governmental data published by the Timor Leste government. The academic literature was also examined to ensure that the conceptual framework was strengthened and that it would offer comparative background.

The literature was gathered in a systematic search using academic databases of the JSTOR, Scopus, and Google Scholar databases with keyword searches using combinations of words like Timor Leste aid, dependency theory, and BRI Timor Leste. Qualifying criteria included publications that directly addressed the topic of international aid, development policy, and political-economic policy of Timor Leste since 2002. The gathered data were discussed in terms of the thematic analysis method so as to determine the patterns in the flow of funds, types and diversities of conditionality provisions as well as changes in donor actors over the years. The policy implications of this factors were examined in terms of the state fiscal capacity and the formation of the public institutions, which were connected with the theory of dependency.

This research has a number of limitations. Certain contractual documents, especially those associated with financing and infrastructure projects are not entirely or fully accessible to the public. Besides this, there was a restriction in the study with regards to the inability to capture the perceptions of the actors directly because of limited primary interviews with policymakers and project implementers. The results are thus more aimed at generating mechanistic explanations and analysis models on the economic dependency of Timor Leste, as opposed to generating quantitative causal generalizations.

### **Theoretical framework**

Dependency theory was developed in late 1960s and it was to respond and explain development issues in Latin America. Most of the countries in the region experienced challenges in attaining economic and social development at the time. The theory received wide following in the academic circles and policy debates in the Third World countries (Akhiapor, 1985). Scholars in these regions claimed that the western countries or developed countries had negatively affected the development of developing countries since they were in the state of dependency.

The main theorists of this concept included Andre Gunder Frank who believed that the developed nations, especially those in the West, were the main barrier to the development of the developing countries. Frank says that it was not a mutualistic relationship but rather an exploitative relationship in which the developing countries were stuck in a global economic arrangement to the advantage of the advanced countries. This situation contributes to dependency and poor development since the developing nations do not have the potential to build their economies on their own and continue being overshadowed by the mature economies (Frank, 1971).

One of the issues, in this context, is referred to as dependency, this is whereby the economies of some countries are strongly linked to the development and growth of other economies to which the dependent economies are subordinate. This networked relationship is not just applied to the communication between individual economies but also global trade. In this case, the poor countries tend to modify their economic policies to match the interests of the developed countries, which may cripple their efforts to develop on their own and based on the local requirements.

Consequently, strong nations will be able to grow and be self-sustaining whereas the dependent nations will be able to grow with them and this can either produce positive or negative impacts

on the developmental paths of the dependent nations. Therefore, dependency theory is an essential conceptual framework that allows examining structural inequalities and power frameworks inherent in the global economic structure (Dos Santos, 1999 in Namkoong, 2017).

This is a theoretical model that perceives the world as being split into two cohorts: the core countries which are developed and highly industrialized and the peripheral agencies which are poor and underdeveloped (Namkoong, 2017). The dependency theory, in regard to underdevelopment, points to the mutualistic nature of the relationship between the developing countries and the industrialized nations, which mostly puts the former states at a disadvantage. The poor countries provide natural resources and low-paid workers, they can be a place to dispose old technology, and they become a market of rich countries. Various aspects of the efforts by the rich nations to perpetuate this dependency include economic, media, political, and control, and influence in the banking, finance, education, culture, and human resource development. This is associated with the economical superiority of the advanced nations that generates permanent dependency status of developing nations in terms of terms of trade, division of labor and market structure. These do not equal international economic relations are thus tending to favor already developed core countries extending the debt and dependency cycles of less developed peripheral countries.

## Result and Discussion

### Economy and Development Challenges of Timor Leste

In the case of Timor Leste, which is a low-income country, major economic pressures are experienced. It is ranked as one of the poorest countries in Southeast Asia and even the whole world with an average per capita income of about 3000 dollars. This is quite unexpected considering the fact that Timor Leste has a considerable amount of natural resource depositors especially oil. In the last 20 years, the nation has earned the government about 22 billion dollars in terms of its oil reserves (Scheiner, 2019). This income ought to have been one of the pillars to the economy and one of the sources of development funds.

Reality however tells that these natural resources have not been many enough to pull Timor Leste out of poverty. Among the causes of its poor economic situation is the fact that it was devastated by the campaigns of the Indonesian military and militias, which destroyed the infrastructure. Almost 70 to 90 percent of the infrastructure in the country such as health facilities, schools, water supply systems, roads and irrigation systems was destroyed during the period of conflict (Jendrissek, 2021). This destruction posed significant challenges to national rebuilding and economic reviving processes.

Table 1. Key Development and Welfare Indicators of Timor-Leste

Indicator	Value	Category / Rank	Year
GDP per Capita (USD)	± 3,000	Low-income country	2019
Petroleum Revenue (Cumulative, USD)	22 Billion	Major source of state revenue	2002–2019
Contribution of Oil Sector to State Revenue	> 90%	Highly resource-dependent economy	2018
Human Development Index (HDI)	0.625	Rank 132 out of 189 countries	2018
Global Hunger Index	34.2	Serious category, Rank 110 of 119	2018
Multidimensional Poverty Rate	48.3%	High poverty level	2021
Population Vulnerable to Poverty	26.8%	At risk of falling into poverty	2021
Infrastructure Damage (Post-Conflict)	70–90%	Severe destruction	1999

GDP from Oil Sector	± USD 3.5 B	Dominant contributor to GDP	2018
Non-Oil Domestic Product Contribution	< 10%	Weak economic diversification	2018

The data indicate that Timor-Leste's development remains highly uneven. Despite substantial revenue from extractive industries, poverty remains widespread, with 48.3 percent of the population living in multidimensional poverty. The low contribution of the non-oil sector further highlights the absence of structural transformation. From a dependency theory perspective, this reflects a classic peripheral condition where economic growth is externally driven and internally fragile.

### **Cikal Will Dependencies**

Reviewing the meaning of the concept of Dependence or Dependency put forward by Dos Santos (1970), it can be seen that the definition of dependency according to him is "a historical condition that forms a certain global economic structure that benefits some countries to the detriment of others, and limits the possibilities for economic development of dependent countries... a situation in where economy a number of country certain conditioned by development And expansion the economy of another country, to which their own economy is subject". Based on the meaning of conception From this dependency, we can conclude that the roots of Timor Leste's dependence as a peripheral country can be traced from its historical context for hundreds of years, namely since the Portuguese colonial era, which played a role as a core state.

Since the 16th century, the power of the Portuguese empire has been heavily dependent on the wealth of The natural resources produced by the land of East Timor. The territory of East Timor, rich in sandalwood and later coffee, provided resources and sources of income that were crucial to the continued power of the Portuguese empire. Although these resources led to a generally rapid increase in Portuguese economic power during its administration in East Timor, investment in development within the colony The Portuguese approach to their colonies was that they were expected to finance their own development or hand over all investment to private sector interests (Geraghty, 2019).

In this context, we can understand the historical relevance of dependency theory in studying Timor-Leste. As a core state, Portugal depended on the exploitation of Timor-Leste's natural resources, making the region a peripheral state subject to Portuguese development, economic power, and cultural dominance. In this regard, East Timor experienced exploitation without the core state's investment in social services or the tax policies necessary to attract sufficient foreign investment to foster a strong private sector capable of providing adequate goods and services. This is why, historically, Timor-Leste has always been in a periphery. in a position of dependence on Portuguese administration to enter the developing global capitalist system, while on the other hand, Portugal also actually depended on East Timor (and other colonial countries) to maintain its dominant position. they have historically through the continuous exploitation of surplus natural resources for their own prosperity (Geraghty, 2019).

### **Dependence Help Outside Country And Implications Ideological**

In the early years following independence, Timor-Leste relied heavily on foreign aid to sustain basic governance and development functions. Major international actors such as the United Nations and the World Bank played dominant roles in financing and administering reconstruction programs.

The scale and structure of this assistance are summarized in Table 2.

Table 2. Foreign Aid and Institutional Development in Timor-Leste

Aspect	Description	Data / Value	Source
Main Donors	United Nations, World Bank, bilateral donors	Multilateral dominance	UN, WB
Trust Fund for East Timor	Funding mechanism for reconstruction projects	USD 178 million	Neves (2006)
Number of Projects (TFET)	Development projects funded	22 projects	Neves (2006)
Aid Period (Intensive Phase)	Early post-independence dependency	2002–2006	Various
Aid Type	Grants, technical assistance, institutional support	Non-debt dominant initially	WB, UN
Policy Conditionalities	Democratization and economic liberalization	Mandatory reforms	Geraghty (2019)
Institutional Role of UNTAET	Transitional governance and administration	Substitute state functions	UN

While foreign aid was essential for stabilizing the country, it also introduced structural challenges. The dominance of international actors in governance processes reduced opportunities for domestic institutional development. Moreover, aid conditionalities imposed reforms aligned with global liberal economic norms, reinforcing external influence over national policymaking.

This demonstrates that foreign aid functions not only as financial support but also as a mechanism of structural and ideological dependency.

In the early periods of its independence, namely around 2002 and for many years to come, Timor Leste, which was still in disarray due to prolonged conflict, did not own source foreign exchange Which adequate. On stage This, For only just can endure and run its country, Timor Leste is completely dependent on funding from foreign aid. This help comes in many different forms. Help This can be found in the form of administrative assistance for the management of the transition, transfer and development of government, mainly by the United Nations, large-scale infrastructure repairs and reconstruction, as well as financial assistance for development and improvement in various aspects. This assistance mostly comes from international institutions, mainly under the auspices of the United Nations and the World Bank.

Bräutigam and Knack (2004) argue that large-scale foreign aid, if present periodically and at a continuous tempo, Ultimately, this aid will weaken the institutional structure. In other words, instead of strengthening it, it can actually weaken a country's existing institutional structure. When a country is unable to provide assistance to its citizens or carry out the duties normally expected of it, capable international institutions often take over. For example, governments The United Nations Transitional Administration in East Timor (UNTAET); an administrative system established by international institutions played a crucial role in filling the gap left by the lack of instruments. effective governance. In such a situation, Where The country has no other alternative but to rely on foreign aid to meet the needs of its people, this indirectly makes Timor Leste trapped in a condition of dependence on foreign aid. A phenomenon that strongly characterized the early years of Timor-Leste's independence.

The dependence on foreign aid experienced in the early years of Timor Leste was a complex phenomenon to understand. This complexity This is due to the large number of donors providing aid to Timor Leste, each of which has its own scheme, system, and even political

and ideological interests. However, one thing is certain, namely that the symptoms of classical dependency theory, namely where peripheral countries receiving aid have become dependent on core actors, which in this context are international institutions that have indirectly become extensions of the system built by developed countries in the West that have dominated and become core state actors for a long time.

This is evidenced by indications that this assistance was not simply provided without asking for anything in return. In the case of assistance from the World Bank during the UNTAET transitional government, for example, although the assistance provided was all in the form of grants, pure aid, projects that would not burden the Timorese economy in the future because none of them were debts to be repaid in the future; all of it came with very strict conditions and prerequisites. The assistance provided through the Joint Assessment Mission (JAM) was provided through the Trust Fund for East Timor (TFET), a pool of capital worth USD\$178 million dollar, consists of from funds from eleven donors And responsible answer for funding 22 This project (Neves, 2006) comes with strict ideological conditional prerequisites whose two main stages include democratization and economic liberalization.

As mapped by Geraghty (2019), there are two key points, two main prerequisite stages in the surge of foreign aid to Timor-Leste. The first stage is democratization. This democratization mission has been widely promoted by the United Nations. At this stage, the United Nations plays a crucial role in establishing a liberal democratic framework, ensuring free and fair elections, and facilitating the formation of governing institutions. Their involvement includes protecting the integrity of this democratic process and the legitimacy of the system established (Aragani et al., 2025; Bin-Armia et al., 2024). Furthermore, UN efforts are crucial in maintaining stability and the function of this newly formed government structure, thus supporting the development of a strong democratic environment.

The second phase is the Economic Liberalization phase. This phase coincided with assistance from the World Bank, meaning the World Bank became the primary actor in this ideological mission. The World Bank encouraged connections with global markets while striving to shape local markets accordingly (Feyen et al., 2023; Foster et al., 2023). with conventional ideas about accumulation capital. Their strategy involves facilitating integration with the economic system international, with the aim of improving the local economic landscape by integrating established principles of economic growth and wealth creation.

In the end, the system from the ideologies and frameworks that have been designed in such a way by these institutions must well obeyed by Timor Leste. This obedience can occur due to dependence in the early period of the country's independence. Dependence This No only dependence in a way financial, However Also dependence existentially. As a newly independent country, Timor Leste will not be able to continue its existence without financial and ideological assistance and approval from the world, which is currently dominated by core countries with democratic ideologies and liberalism. So to maintain their support for this state entity, Timor Leste needs and wants to don't want to have to obediently obey anything given prerequisites. Timor Leste is in a position as a peripheral actor in the international order that must follow the system of the core actors with all its prerequisites because Timor Leste has experienced dependence on them for survival.

### **Emerging Dependency through China's Belt and Road Initiative**

In recent years, Timor-Leste's dependency has evolved with the increasing role of China as a development partner. Since joining the Belt and Road Initiative in 2017, China has become a major provider of infrastructure financing.

This shift is presented in Table 3.

Table 3. China's Involvement through Belt and Road Initiative (BRI)

Indicator	Description	Year / Value
MoU with China (BRI Participation)	Official integration into BRI framework	2017
Type of Financing (Early Phase)	Grants for public infrastructure	Pre-2017
Type of Financing (Recent Phase)	Loans and investments	Post-2017
Key Infrastructure Projects	Presidential palace, ministry buildings, roads	Ongoing
Major Project Example	Suai-Beco highway (first toll road)	Recent
Chinese Strategic Interests	Regional influence, resource access, limiting Taiwan diplomacy	Storey (2006)
Economic Risk	Debt dependency and fiscal vulnerability	Increasing

The transition from grant-based assistance to loan-based financing introduces new risks, particularly related to debt sustainability. While Chinese investment helps address infrastructure gaps, it also reinforces dependency in a new form. Rather than reducing reliance on external actors, Timor-Leste is experiencing a shift in dependency from traditional Western donors to emerging global powers.

The most recent indication of Timor-Leste's dependence on foreign actors is the emergence of Chinese aid through debt assistance for infrastructure development over the past decade. As a newly formed sovereign nation, Timor-Leste's economy is heavily dependent on its oil reserves. Oil extraction alone has contributed to the country's GDP, rising from US\$1.2 billion to US\$3.5 billion in 2018, with 90% of this revenue coming from oil. However, this significant amount still does not help Timor-Leste, which faces a funding shortage necessary to build vital infrastructure that supports its oil-dependent economy, including basic infrastructure such as roads. The infrastructure in Timor-Leste remains underdeveloped and damaged by the conflict with Indonesia during the 1990s. occupation a number of previous decade. Therefore, it requires large costs to build return all basic infrastructure in Timor Leste.

One of the efforts made was the establishment of an "infrastructure fund" by the Timor Leste government, a financial scheme to fund national infrastructure as part of of the larger Strategic Development Plan to transform the country into a middle- to high-income economy by 2030. However, 85% of these funds still come from oil revenues, which may not be able to sustainably contribute fully to Timor-Leste's economy itself given that this natural resource is non-renewable and can be exhausted at any time after its extraction period ends, thus requiring additional investment to finance its basic development.

China, as one of the first countries to recognize the independence of East Timor in 2002 And has active help since long through grant And help, see This as a huge new potential to financially 'help' Timor Leste. Financial assistance This is designed to not only benefit Timor-Leste but also China's own national goals. Looking at its track record, China has been active China has built and funded many vital infrastructure projects in Timor-Leste, such as the presidential palace, the foreign ministry, and military barracks, all of which were built through grants. In the coming years, following the establishment of the infrastructure fund, China's infrastructure funding will be conducted through a different scheme, namely through



investment and loans, within the framework of its new economic program: *the Belt and Road Initiative*.

Timor-Leste officially signed a Memorandum of Understanding (MoU) with China to become an integral part of the *Belt and Road Initiative* in March 2017, indicating that the majority of China's infrastructure funding for Timor-Leste will increase in the coming years, no longer through grants as before, but through loans and investments. One of the latest infrastructure projects under this program is the Suai-Beco toll road, the first toll road on Timorese soil, built by a Chinese company. However, this assistance and future efforts will not only... The eyes are based on good intentions and the aim of helping Timor Leste alone; China has its own goals. behind the program This. Storey (2006) stated that there are at least three Chinese interests in this young country: (i) to expand its influence in the region Southeast Asia, (ii) to limit Taiwan's international space, and (iii) to gain access to the country's natural resources.

These results are in line with China's goals: politically, Timor-Leste is 'firmly committed to the One China policy and does not recognize Taiwan; militarily, relations between the two countries are growing closer, with Timor-Leste even hosting a Chinese naval ship. Chinese war on their ports on several occasions; and economic, trade between the two has increased, with China involved in building infrastructure for oil extraction in Timor Leste. Timor Leste's submission to The ideology and direction built by China are symptoms of dependency that has occurred between Timor Leste, which is again a peripheral actor that needs the assistance of the core actor, which in this case is China, to help them in developing their infrastructure.

The result of this research paper proves the fact that the continued reliance of the Republic of Timor-Leste on foreign assistance is not as such a temporary situation connected with the post-war reconstruction, but it constitutes a more profound structural situation in line with the core-periphery relations according to the dependency theory. Although the country has substantial petroleum reserves, its major limitation is that it has a small domestic productive base, ineffective institutional frameworks, and high dependency on foreign financing. This paradox highlights the thesis of dependency theorists like Andre Gunder Frank who argues that underdevelopment is not a preparation phase towards development but a condition that gets created through unequal integration into the world economy system. According to the case of Timor-Leste, foreign aid, even though playing a critical role in stabilizing the situation after independence, has also recreated the scripts of exterior dependency, especially the policy conditionalities that have brought domestic political structures and economic systems into line with those of the donors. In this respect, aid is more than a financial instrument but rather an instrument of ideological relay as it infiltrates liberal democratic and market-driven ideals in the state-building process.

Nevertheless, a closer examination of these processes leads to believe that aid dependency relationship is not a one-way process that is all-determining. Though scholars like Brutigam and Knack (2004) point at the danger of institutional weakening because of the long-term inflows of aid, it is also clear that the outside aid was extremely important in restoring the governance structure and providing the essential public services in the immediate post-conflict period. Administrative continuity and policy coordination at the time when local capacity was virtually non-existent was achieved through intervention of institutions like the United Nations and the World Bank. In this view, dependency can be more effectively seen as a negotiated state attained through structural as well as strategic decisions by domestic actors. However, the sustainability of such a model in the long-term is doubtful, especially in case the reliance on aid restricts fiscal autonomy, and prevents the cultivation of independent policy creation. Such tension is indicative of a generalized argument in the dependency theory, as has been developed

by Theotonio Dos Santos, that peripheral states tend to alter their economic and political structure to meet external pressure and, because of this, support unequal and asymmetrical power relations in the international system.

The dependency situation in Timor-Leste is further complicated by the rise of another development partner China under the Belt and Road Initiative (BRI). On the one hand, Chinese funding offers decisive possibilities to develop infrastructures, as there has been enormous underfunding over the years that has led to a lack of diversification in the economy. The transformation of the grant financing systems to the loan systems, on the other hand, brings about the emergence of novel financial vulnerability, such as the threat of debt and strategic dependence. This shifting trend implies a change and not the decline of dependency where dependency is transferred to the developing world powers. Notably, this diversification of partners does not always lead to independence; it might lead to the increase of geopolitical rivalry and place Timor-Leste in rival spheres of influence. The main difficulty, however, does not consist in the removal of dependency, which might be impossible in the case of a small and post-conflict economy, but rather in the careful management of external activities to attain the greatest developmental benefits without losing various policy sovereignty. This involves building capacity to hold domestic institutions together, improving transparency in the use of aid and focusing on the diversification of the economy to minimize structural susceptibility. Finally, Timor-Leste case provides an example of the fact that dependency is a complex and dynamic process, which is conditioned by historical legacies, world power relations, and, most importantly, state strategic actions.

## Conclusion

The given paper reviews the reliance of Timor-Leste on foreign aid since the country obtained its independence in 2002 through the lens of the dependency theory. Although Timor-Leste has massive reserves of oil, it is a poor country because infrastructures have been destroyed by the years of conflict. Reliance on the assistance of the UN, the World Bank, and donor countries has undermined the local institutions and compelled the adoption of democratization and the policy of economic liberalization. Though this foreign aid is meant to help, it is normally associated with conditions that are beneficial to aid giving countries. Within the past years, Timor-Leste has come to rely on China through its Belt and Road Infrastructure Development Initiative. This assistance does not simply focus on development but it also enhances the geopolitical and economic standing of China in Southeast Asia. This dependence explains how Timor-Leste is a peripheral country caught in a global economic framework that serves the interests of the developed nations as well as how this depicts the strength of power relations in an exploitative international economy framework.

## Acknowledgment

The authors sincerely thank all parties who contributed to the completion of this research, the supervisors and lecturers for their guidance and constructive feedback, colleagues for their support and suggestions, and family members for their continuous encouragement and understanding throughout the research process.

## References

- Anten, L., Briscoe, I., & Mezzera, M. (2022). *The political economy of state-building in situations of fragility and conflict: From analysis to strategy*. Clingendael Institute.
- Aragani, V. M., Anumolu, V. R., & Selvakumar, P. (2025). Democratization in the age of algorithms: Navigating opportunities and challenges. *Democracy and*

*Democratization in the Age of AI*, 39-56. <https://doi.org/10.4018/979-8-3693-8749-8.ch003>

- Basista, R. (2025). *A Never-Ending Story? The Electoral Reform Process in Indonesia* (Doctoral dissertation, Open Access Te Herenga Waka-Victoria University of Wellington).
- Bertrand, J. (2013). Indonesia and Timor Leste. In *Political change in Southeast Asia* (pp. 41–70). Cambridge University Press.
- Bin-Armia, M. S., Armia, M. S., Rifqy, F. F., Tengku-Armia, H., & Mustika, C. R. (2024). From Constitutional-Court To Court Of Cartel: A Comparative Study Of Indonesia And Other Countries. *PETITA*, 9, 457.
- Bishop, M. L., Bouhia, R., Carter, S. G., Corbett, J., Lindsay, C., Scobie, M., & Wilkinson, E. (2025). *Sustaining development in small islands: climate change, geopolitical security, and the permissive liberal order*. Cambridge University Press.
- Bräutigam, D. A., & Knack, S. (2004). Foreign aid, institutions, and governance in sub-Saharan Africa. *Economic Development and Cultural Change*, 52(2), 255–285.
- Cetrà, D., & Harvey, M. (2019). Explaining accommodation and resistance to demands for independence referendums in the UK and Spain. *Nations and nationalism*, 25(2), 607–629. <https://doi.org/10.1111/nana.12417>
- Concern Worldwide, & Welthungerhilfe. (2018). *2018 global hunger index: Forced migration and hunger*.
- da Cruz, C. (2025). POST-INDEPENDENCE ECONOMIC REGULATION IN TIMOR LESTE: NORMATIVE ANALYSIS OF FOREIGN INVESTMENT LAW. *Collegium Studiosum Journal*, 8(2), 419-427. <https://doi.org/10.56301/csj.v8i2.1973>
- Day, A. (2022). *States of disorder, ecosystems of governance: complexity theory applied to UN statebuilding in the DRC and South Sudan*. Oxford University Press.
- Dos Santos, T. (1970). The structure of dependence. *American Economic Review*, 60(2).
- Duvanova, D. (2025). A Strong Weak State, or the Central Paradox of Russian State-Building. *Studying Russia and its Wars: Academic Stocktaking in Times of Insecurity*, 45. [https://doi.org/10.1163/9789004747364\\_004](https://doi.org/10.1163/9789004747364_004)
- Feyen, E., Natarajan, H., & Saal, M. (2023). *Fintech and the future of finance: Market and policy implications*. World Bank Publications.
- Fisher, D. (2024). New Caledonia's self-determination process. *Geographies of New Caledonia-Kanaky: Environments, Politics and Cultures*, 229-251. [https://doi.org/10.1007/978-3-031-49140-5\\_18](https://doi.org/10.1007/978-3-031-49140-5_18)
- Foster, V., Gorgulu, N., Straub, S., & Vagliasindi, M. (2023). *The impact of infrastructure on development outcomes*. Washington, DC: World Bank.
- Frank, A. G. (1971). *Sociology of development and underdevelopment of sociology*. Monthly Review Press.
- Geraghty, T. (2019). *Built for extraction: Dependence, sovereignty and development in Timor Leste*.

- Goers, H., Cunningham, K. G., & Balcells, L. (2025). Internal drivers of self-rule referendums. *Conflict Management and Peace Science*, 42(3), 308-327. <https://doi.org/10.1177/07388942241261205>
- Guterres, J. C., & Maschietto, R. H. (2025). The path to peace and democracy: the case of Timor-Leste. *Frontiers in Political Science*, 7, 1439480. <https://doi.org/10.3389/fpos.2025.1439480>
- Harguindéguy, J. B., Sánchez, E. S., Sánchez, A. S., & Cole, A. (2023). The rise of research on independence referendums. *International Political Science Review*, 44(4), 540-556.
- Harguindéguy, J. B., Sánchez, E. S., Sánchez, A. S., & Cole, A. (2023). The rise of research on independence referendums. *International Political Science Review*, 44(4), 540-556. <https://doi.org/10.1177/01925121211060651>
- Hashi, M. B., & Barasa, T. (2023). Enhancing federal inter-governmental relations and state building in Somalia. *Humanities and Social Sciences Communications*, 10(1), 1-10. <https://doi.org/10.1057/s41599-023-02177-w>
- Howe, B. (2025). Comprehensive Peacebuilding in Timor-Leste. *Journal of International Peacekeeping*, 28(2), 203-230. <https://doi.org/10.1163/18754112-28020007>
- Jendrissek, D. (2021). Measuring poverty in Timor Leste: Using census data to develop a national multidimensional poverty index. *Asia-Pacific Sustainable Development Journal*, 28(1).
- McHarg, A., Mullen, T., Page, A., & Walker, N. (Eds.). (2016). *The Scottish independence referendum: constitutional and political implications*. Oxford University Press.
- Mietzner, M. (2022). Defending the Constitution, But Which One? The Indonesian Military, Constitutional Change, and Political Contestation. *Constitutional democracy in Indonesia*, 49. <https://doi.org/10.1093/oso/9780192870681.003.0003>
- Namkoong, Y. (1999). Dependency theory: Concepts, classifications, and criticisms. *International Area Review*, 2(1), 121-150.
- Neves, G. (2006). The paradox of aid in Timor Leste. In *Cooperação Internacional e a Construção do Estado no Timor Leste Seminar* (pp. 25-28).
- Oguejiofor, P. O. (2024). The Indigenous People of Biafra's (IPOB) Self-Determination Movements and the Role of the United Nations. *JPW (Jurnal Politik Walisongo)*, 6 (1), 1, 18. <https://doi.org/10.21580/jpw.v6i1.20715>
- Pereira, Z., & Feijó, R. G. (2024). Singularities of Timor-Leste's process of self-determination (1974-2002). *e-Journal of Portuguese History*, 21(2), 313-336.
- Sahin, S. B., & Verkhovets, S. (2024). Guns, gender and petroleum: a critical analysis of the underlying dynamics of Timor-Leste's development trajectory. *Third World Quarterly*, 45(3), 475-492. <https://doi.org/10.1080/01436597.2023.2269111>
- Sauvé, P., Lacey, S., & Lakatos, C. (2024). *Timor-Leste and WTO Accession* (No. 41116). The World Bank Group.
- Scheiner, C. (2019). *As the oil runs dry: Timor Leste economics and government finances*. La'o Hamutuk.

- Schulze, K. E. (2001). The East Timor referendum crisis and its impact on Indonesian politics. *Studies in Conflict & Terrorism*, 24(1), 77–82. <https://doi.org/10.1080/10576100119771>
- Storey, I. (2006, July 5). China and East Timor: Good, but not best friends. *China Brief*, 6(14).
- Svanberg, K. (2026). Minorities' Aspiration to Self-Determination as a Major Cause of Conflict in Europe: Does It Shape International Law Towards a Right to Remedial Secession?. In *Reconstructing Power and Hegemony in Public International Law: Liber Amicorum Pål Wrange* (pp. 371-411). The Hague: TMC Asser Press. [https://doi.org/10.1007/978-94-6265-743-4\\_24](https://doi.org/10.1007/978-94-6265-743-4_24)
- Willis, A. (2025). Self-Determination as a Pretext for Annexation. *Journal of International Law & Policy*, 32(1).