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How Timor-Leste Escaped the Political ‘Resource Curse’

Asia’s youngest nation has shown that resource wealth does not necessarily impede the development of a stable democracy.

By **Moritz Schmoll** and **Geoffrey Swenson**
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Electoral workers assist a man in a wheelchair to cast his ballot at a polling station during the parliamentary election in Dili, East Timor, Sunday, May 21, 2023.

Credit: AP Photo/Lorenio L.Pereira

Amid Southeast Asia’s democratic backsliding, [Timor-Leste’s success is impressive](#). In May, the country [elected a new parliament](#). In July, power was transferred peacefully from Fretilin to a National Congress for Timorese Reconstruction (CNRT)-led [coalition](#) headed by Xanana Gusmao. This was the country’s sixth parliamentary election since its independence from Indonesia in 2002, during which time the incumbents have always accepted defeat at the ballot box and handed over power to their opponents.

Since this year's election, Timorese leaders have also become increasingly vocal in their [opposition](#) to the military junta in Myanmar, even though doing so presents [serious risks](#) to its longstanding efforts to gain membership to the Association of Southeast Asian Nations (ASEAN). This democratic commitment is all the more impressive, and surprising because Timor-Leste is a prime candidate for the political "resource curse," wherein oil wealth serves to prop up authoritarian rule.

On its face, oil should be a blessing. It gives states crucial resources to develop healthy democratic institutions and pursue popular policies. Sadly, the reality is very often different. In far too many instances, oil has sustained authoritarian rule. Resources are often used to build powerful repressive apparatuses and funnel money to political and economic elites. Many countries, from Venezuela to Equatorial Guinea to [Kazakhstan](#), have suffered from what is known as the political "[resource curse](#)."

The danger is real, but it is not inevitable. States that were already democratic and well-governed before oil was discovered can often "escape" the curse. [Norway](#), for example, had long been a democracy before it struck black gold in 1969. Alternatively, good natural resource governance is also said to help. Technocratically managed petroleum funds that insulate the country's natural resource wealth from politicians, bureaucrats, and generals ensure that it cannot be used to suppress democracy or for other nefarious purposes. In both instances, these tend to be states in the Global North.

But what about the vast majority of oil-rich states throughout the Global South, such as Timor-Leste? These states enjoy neither a long history of democratic or good governance, nor the political consensus necessary to sustain a regime of impartial, technocratic resource management. When Timor-Leste gained its independence, democracy faced long odds by any account. It ranked as one of the world's poorest and most underdeveloped countries. Moreover, it [had endured](#) centuries of Portuguese colonialism and several decades of brutal, bloody occupation by Indonesia. When independence was finally achieved, Indonesian militias had destroyed the vast majority of the country's infrastructure.

Moreover, as one of the [most resource-dependent](#) countries on Earth, Timor-Leste would appear to have been highly susceptible to the political resource curse. Since the 2000s, hydrocarbon revenues have accounted for an average of 40 percent of the country's annual GDP and over 85 percent of state expenditures.

So how did Timor manage to establish a vibrant democracy and beat the political resource curse?

Conventional explanations tell us little. When oil was discovered, the country was neither independent nor democratic. It suffered from brutal colonial oppression that ended with the collapse of nearly *all* functional institutions. When oil money really started to flow into the newly independent state's coffers in the early 2000s, the country had just become independent and was certainly no consolidated democracy. Indeed, in 2006, the country faced a violent political crisis so severe that international peacekeepers had to be deployed to end it.

The country's natural resource management is decidedly suboptimal. The Timorese state has full control over hydrocarbon revenues. Initially, it set up a national petroleum fund to manage them sustainably. Governments were barred from taking money out faster than the fund could be replenished.

But despite widespread praise from international observers, this arrangement did not last long. Quickly, governments began [extracting massive amounts for things like pensions for veterans of the independence struggle](#) – a key political constituency – or new public sector jobs.

Ironically, however, it was during the earlier phase of “sustainable” management of oil resources that discontent within sections of the army spiraled into widespread disorder and violence that left the Timorese democratic experiment on the brink of collapse in 2006. Afterward, the government opened the taps of the petroleum fund, and since then, democracy has only grown stronger.

If the dominant explanations cannot explain the Timorese success story, [what can?](#) A closer look at the political actors emerging from the independence struggle can be helpful. First, because Fretilin and the CNRT – the two dominant political parties – have deep roots in the fight against Indonesian occupation, both enjoy high levels of popular legitimacy. But unlike other colonial liberation movements, they have always been highly ideologically committed to liberal democracy. The same cannot be said of some post-colonial independence figures such as Egypt's Gamal Abdel Nasser or Zimbabwe's Robert Mugabe.

Furthermore, the fact that neither political faction was hegemonic within the Timorese political sphere proved to be a boon for the country's future. In other countries, independence leaders and movements effectively monopolized political representation, which made it easy to establish authoritarian systems. Conversely, the fragmented nature of the Timorese independence movement encouraged actors to seek political institutions that were not winner-take-all. The fear of a strong presidency or a parliament with disproportionate majorities was strong. After all, no politician wants to run the risk of being sidelined in the first few years after independence.

Instead, Timorese political forces opted for a semi-presidential system in which a relatively weak president must cope with a strong parliament elected via proportional representation. Despite the [occasional breakdown of coalition governments](#), this system has been remarkably stable, and political parties have always abided by election defeats, not least because they can trust there will be opportunities to retake power in the future.

Of course, in post-conflict contexts, and especially where access to natural resources is at stake, external actors often seek to influence the outcome. Again, quite surprisingly, in Timor-Leste, the international community has generally played a [constructive role](#). It provided crucial security during the transition to independence through the provision of [international peacekeepers](#). It also provided invaluable assistance in reconstructing existing infrastructure, building new institutions, and bolstering human capacity. At the same time, foreign actors refrained from placing their thumb on the scale in national politics by picking unpopular or illegitimate winners, as they did in Afghanistan or Iraq. In this regard, Timor-Leste was perhaps lucky to be considered “unremarkable” – to be a nation in which no major powers had any particular stake.

In sum, Timor-Leste certainly continues to face serious [economic](#), development, and political challenges. Likewise, [corruption](#) continues to present a very real challenge. It is no utopia. But the fact that Timor-Leste has consolidated democracy against the odds holds an optimistic message for other countries.

Democratic Timor-Leste also challenges existing orthodoxies about the so-called political resource curse. A country with massive resource dependence and no history of “good” governance can still consolidate democracy.

What’s more, the particularly prudent or technocratic management of oil wealth does not seem necessary either. Yes, oil revenues may be used for repression and patronage. But Timor teaches us that if resource wealth does not result in tangible benefits for citizens, [people may see little upside to a democratic transition](#).

Ultimately, oil wealth is what states make of it. Indeed, the Timorese story shows the power of agency over destiny. Domestic actors were incentivized to choose institutions conducive to democratization like proportional representation, but they also chose to play by the rules and were genuinely committed to liberal democracy. Likewise, the international community should also take heart. When they are serious about supporting democratic rule, Timor-Leste shows they can have a positive impact even in decidedly difficult terrain.

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