THE INFLUENCE OF INTERNATIONAL LAW ON TIMOR LESTE'S ECONOMIC POLICY

Carolina da Cruz
Master of Law, Faculty of Law, Faculty of Social and Political Sciences, Universidade Oriental Timor Lorosa'e (UNITAL), Dili, Timor Leste
linacruz4492@gmail.com

Article Info

Article History

Received:
April 30, 2026

Accepted:
June 28, 2026

Keywords:
International Law, Policy, Economy, Politics

Abstract

International law respects the important role of state territory as reflected in the principle of respect for the integrity and sovereignty of a state territory (territorial integrity and sovereignty) contained in various products of International Law. This study uses normative research methods. The data and information in this research are primary and secondary data. The nature of this research is descriptive-analytical. Based on the results of this study, international law has a significant influence on the formulation and implementation of Timor Leste's economic policy, especially considering its unique history as a new country and its dependence on global cooperation and foreign aid. The norms contained in the bilateral trade agreement between Indonesia and Timor Leste significantly affect local economic sovereignty in border areas, with both positive and negative impacts. This influence is particularly felt in the economic dynamics of communities that are highly dependent on cross-border activities.

I. INTRODUCTION

International Law is a set of rules that are very necessary to regulate most of the relationships between states; without these rules it would be truly impossible for them to maintain continuous relationships. International Law is essentially concerned with the need for reciprocal relationships between states. In this case, without a system of International Law, the international community of states cannot enjoy the benefits of commercial trade, exchange of ideas, and routine communication as they should.

International law respects the important role of state territory as reflected in the principle of respect for the integrity and sovereignty of a state territory (territorial integrity and sovereignty) contained in various products of International Law. Recognition of sovereignty and territorial integrity of a country is indicated, among other things, by the prohibition of intervening in the internal matters of a country. Changes in the territorial status of a country have an impact on state sovereignty over that territory, particularly juridical impacts on state sovereignty including citizenship issues for residents living in that territory. The state is one of the subjects of International Law. As a subject of International Law, a state must fulfill certain requirements, one of which is territory. The division of territory in each country aims to facilitate administration, governance, and matters related to the state.

Certainty and clarity of a state's sovereign boundaries is a fundamental matter, as a necessity for the state administration in conducting activities and relations with other countries, so that it can provide guarantees of protection and legal certainty from the state regarding its sovereign territorial boundaries. Recognition is a political act in which a State indicates its willingness to acknowledge a factual situation and accept the legal consequences of that recognition. Furthermore, in modern State practice, recognition is not merely knowing (cognition), or more than a statement of knowing that a state or government meets the requirements for recognition. This is evidenced by facts, among others, that there may be a delay before a State or government is recognized, even though the status of that

State or government is no longer required. The practical purpose of recognition is the commencement of official relations with other recognizing States. Once recognition is given, that action means eliminating the possibility for the recognizing state to question the requirements for recognition of the relevant state or government.

Timor Leste is an independent country with a long history. Before independence and becoming a sovereign state, Timor Leste was part of Indonesia. Timor Leste itself declared its independence from Indonesian sovereignty on May 20, 2002. In 1999, the Indonesian government led by President B.J. Habibie gave East Timor province an option. The options were special autonomy for East Timor or East Timor separating from Indonesia. Of these two options, East Timor province chose to separate from the Republic of Indonesia and become an independent country named the Democratic Republic of Timor Leste.

Timor Leste's decision to separate from Indonesia and become an independent country has left its own problems between Indonesia and Timor Leste. These problems mainly occur in border areas between Indonesia and Timor Leste. The borders themselves are divided into two, namely maritime borders and land borders. The maritime border itself has several points, including Batek Island, Alor, Mangudu, Liran Wetar, Kisar, Leti, and Meatimiarang.

The Democratic Republic of Timor Leste (hereinafter abbreviated as RDTL), which has close ties with Indonesia, makes citizens of both countries also have very close historical and kinship relationships. Because of these kinship and historical relationships, citizens at the borders of both countries often engage in cross-border activities to visit each other. However, these cross-border activities do not go through official procedures as usually occurs at cross-borders between other countries, which should require various documents such as passports and visas when conducting activities in cross-border areas.

Timor Leste reopened cooperation relations with Indonesia post-independence, which is one of Timor Leste's foreign policy as a sovereign state. Timor Leste began to participate in maintaining international political continuity, especially in safe and cooperative regional areas through good relations with Indonesia. Strengthening the role of foreign policy and international cooperation includes building diplomatic relations with countries in Southeast Asia, Europe, America, and Africa. Timor Leste is building national interests by focusing on commitment to identity formation and strengthening regional integration, especially in ASEAN since 2005, and affirming the importance of maintaining togetherness, multilateralism, mutual understanding, and peace in international relations politics.

Foreign policy according to international relations experts can be interpreted as a consequence of the state's efforts to carry out its main functions, namely protecting and providing welfare for its people. According to Holsti, foreign policy is a concrete formulation derived from a combination of national interests, prevailing international situations, and state power. Thus, foreign policy shows that actions or ideas are designed by policymakers to solve a problem or facilitate environmental changes, both policy attitudes and real actions. Thus, Timor Leste's role is increasingly significant as the new country develops in international relations and in creating world peace, as well as gradually restoring Timor Leste and Indonesia's image of the trust of the international community post-independence in 2002.

In line with the formation of foreign policy, in encouraging cooperation to balance the power of the world order, it is necessary to expand network functions and increase the effectiveness of cooperation, in order to rebuild solidarity with Indonesia, especially in the fields of politics, economy, education and culture, and security towards the formation of more solid bilateral cooperation and increased international cooperation within the regional circle. Problem Formulation: 1) How does international law influence the formulation and implementation of Timor Leste's economic policy? 2) How do the norms contained in the Indonesia-Timor Leste bilateral trade agreement affect local economic sovereignty in border areas?

II. RESEARCH METHOD

This writing uses normative research methods. In the case of normative legal research used in this writing, it requires researchers to examine legislation related to what is to be researched. The data and information in this research are primary and secondary data available through laws, journals, books, and other factual supporting sources. The nature of research in this writing is descriptive-analytical, where the author attempts to describe rules and phenomena related to the issues raised, namely The Influence of International Law on Timor Leste's Economic Policy.

III. RESULTS AND DISCUSSION

A. International Law Influences the Formulation and Implementation of Timor Leste's Economic Policy

The relationship between international law and national law has become one of the increasingly relevant aspects in the modern world order. Globalization has accelerated the exchange of ideas, goods, services, and people across national borders, thus requiring more comprehensive and harmonious regulation between international legal norms and domestic law. In this context, it is important to understand how international law influences national law and vice versa, especially in resolving conflicts involving sovereign states. This relationship becomes very important in cross-border issues such as maritime disputes, global environmental protection, international trade, and enforcement of human rights.

A state is a political entity consisting of a geographical area with applied boundaries, population living within it, and government authorized to regulate that territory and population. The concept of State involves the formation of a political sovereignty that gives rise to the highest power within a territory.

In general, a State must have several important elements that make it recognized and known as a State:

1) Territory: A state has a geographical area that includes land, waters, and airspace determined by certain boundaries. This territory is permanent or can change through international agreements or territorial conflicts. 2) Population: A state is inhabited by a group of people living within its territory whose boundaries are certain. The population may have diverse cultural, religious, and interest backgrounds, but they are under the jurisdiction of the same State. There are two types of population; first, the majority population that has a special relationship with the State, and second, the population that is not a citizen, in this case foreign nationals and those without citizenship. 3) Government: A state has a government system authorized to regulate its territory and population. This government is responsible for making public policies, maintaining order, providing public services, and carrying out other State functions. In other words, government is the totality of state bodies tasked with exercising State power. 4) State Sovereignty: A state has political sovereignty which is the right and ability to regulate itself without interference from other States. Sovereignty includes the right to make laws, collect taxes, conduct foreign policy, and maintain security within its territory. 5) International Recognition: A state can be recognized internationally by other States as a sovereign entity. Recognition from other States functions to establish diplomatic relations, economic cooperation, and participate in international organizations. It can also be said that recognition from other States is a requirement for conducting relations or cooperation in the international environment.

States have important roles in social life, including in the provision of security, law enforcement, public services, economic development, and also protection of human rights. Although there are various forms of different government systems throughout the world, in general States aim to achieve welfare and justice for their citizens or society.

As times develop, problems often occur in the international sphere involving states, one of which is related to issues of territorial boundaries of a sovereign State. State borders themselves can be interpreted as demarcation lines between two sovereign States. The border region itself is a geographical area facing neighboring countries, where the population

resides in that area united through socio-economic and socio-cultural relationships after agreements between bordering countries.

Economic policies to be pursued in Timor-Leste to face crises must begin, especially, from a correct "diagnosis" of the situation in our country and identification of the main problems detected. Since the restoration of independence, much great progress has been achieved at various levels of Human Development, especially in the fields of education, health, social protection, and economic growth. Nevertheless, this growth is not truly inclusive, nor is it truly reflected in poverty alleviation and sustainable human development, with indicators still showing many problems in the national economy.

In efforts to establish relations with other countries to achieve national interests, a state can be supported by good self-identity and positive image obtained from other countries. In other words, a state to establish cooperation with other countries needs to conduct diplomacy as a means of fulfilling its national interests. An achievement of national interests cannot be separated from changes in the strategic environment both at the global and regional levels that provide challenges as well as opportunities for the achievement process of these interests.

In international political economy, interaction between economic actors or players is achieved through communication, one of which is through diplomacy. Diplomacy itself is an activity initially carried out by certain parties (officially by government officials through diplomats) representing their country in other countries with the aim of achieving national interests. One of the main tasks of diplomacy is to promote relations.

Timor-Leste's foreign policy is highly expected by its own society and will affect the survival of society in other countries because Timor Leste is still very minimal in state facilities for the general public and is influenced by its age which is still very young and expects a policy that can bring its society towards a better direction.

The implementation of Timor Leste's economic policy focuses on economic development that diversifies from dependence on oil, with strategies such as developing the agricultural, fisheries, and tourism sectors, infrastructure improvement, and increasing regional and bilateral cooperation. This policy also includes efforts to overcome economic challenges, including increasing the capacity of government institutions, improving social services, and creating jobs.

1. **Economic Strategy**
   a. **Economic diversification:**
      1) Reduce dependence on the oil and gas sector by focusing on non-oil and gas sectors such as agriculture, livestock, fisheries, and tourism.
      2) Start investing in these sectors to reduce dependence on imports and stop money outflows.
   b. **Infrastructure development:**
      1) Improve existing infrastructure and build new infrastructure to support economic growth.
      2) Develop infrastructure in border areas such as markets, roads, and transportation to increase competitiveness.
2. **Policy Framework**
   a. **State wealth management:**
      1) Manage profits from oil and gas stored in the Petroleum Fund, a sovereign wealth fund, to finance development.
   b. **Bilateral and regional cooperation:**
      1) Strengthen cooperation with other countries such as Indonesia in various sectors, including education, health, agriculture, and infrastructure.
      2) Support membership in ASEAN to strengthen regional cooperation.
   c. **Institutional strengthening:**
      1) Build organizational capacity of government institutions and develop technocrats to support policies.
      2) Improve the quality of social and health services to support long-term development.

3) Create a conducive investment climate to attract foreign investment.

d. Business climate improvement:

1) Increase work incentives for residents.
2) Encourage the formation of industries and employment.
3) Develop business support institutions such as cooperatives and microfinance institutions in border areas.
4) Build entrepreneurial spirit in the community.

International law has a significant influence on the formulation and implementation of Timor Leste's economic policy, especially considering its unique history as a new country and its dependence on global cooperation and foreign aid. This influence can be seen in several key aspects:

Sovereignty and International Recognition: Timor Leste gained its sovereignty through a process supervised by the United Nations (UN). The UN Charter and principles of international law regarding self-determination and state sovereignty underlie Timor Leste's existence. This international recognition is crucial for establishing diplomatic and economic relations, as well as for accessing development assistance from institutions such as the World Bank, International Monetary Fund (IMF), and the UN itself.

Natural Resource Management (Oil and Gas): Timor Leste's economy is highly dependent on revenue from oil and gas in the Timor Sea. Economic policy formulation related to the management of these resources is heavily influenced by international law, particularly the United Nations Convention on the Law of the Sea (UNCLOS) and negotiations of maritime boundary agreements with neighboring countries, Australia and Indonesia. Important agreements, such as the Maritime Boundary Agreement with Australia signed in 2018 under UN mediation, establish an international legal framework for the exploitation of the Greater Sunrise field, directly affecting fiscal policy and the country's long-term development plans.

Membership in International and Regional Organizations: As a member of the UN and candidate member of the Association of Southeast Asian Nations (ASEAN), Timor Leste must align its economic policies with various international norms and standards. This membership opens access to regional and global markets, but also requires compliance with international trade rules and commitments to good governance and transparency.

Development Assistance and Governance: International law, as manifested in the principles of foreign aid and partnership agreements, guides how Timor Leste receives and manages development assistance. Economic policy must include an accountable and transparent framework, in accordance with the demands of international donors, to ensure aid is used effectively for infrastructure and social development.

Human Rights (HAM) and Sustainable Development: International human rights law and the UN's Sustainable Development Goals (SDGs) also influence government spending priorities and economic policy. Timor Leste is obligated to ensure that its economic policies, including the management of the Petroleum Fund, contribute to improving the living standards of its people, poverty alleviation, and environmentally friendly development, in accordance with its international commitments.

In summary, international law provides a framework, sets boundaries, and opens opportunities that directly shape Timor Leste's economic policy choices, guiding this young nation in navigating the complex global landscape.

B. Norms Contained in the Indonesia-Timor Leste Bilateral Trade Agreement Affect Local Economic Sovereignty in Border Areas

Border areas are areas that geographically border directly with other countries (Law No. 43 of 2008). Based on Government Regulation Number 49 of 2018 Concerning the National Spatial Planning (RTRWN), border areas are designated as National Strategic Areas from the perspective of defense and security. The border of a region is the main manifestation of regional territorial sovereignty, where borders have an important role in determining sovereign territorial boundaries, utilization of resources, and legal certainty for the implementation of governmental activities.

Cross-border trade is trade specifically conducted between residents of two bordering countries with certain values, as well as marketing of products produced in order to improve the standard of living and welfare of border communities.

In a cross-border trade transaction, a payment instrument is needed that can be accepted by all parties due to differences in types and currency values. If an Indonesian person buys goods from abroad, they will not be able to make payments using rupiah currency as they usually use when conducting trade transactions domestically. They must pay with the currency recognized by the country of origin of the goods they buy or other payment instruments that can be accepted internationally.

To date, there are several cross-border trade agreements (Border Trade Agreements) between Indonesia and neighboring countries, including: Indonesia-Malaysia; Indonesia-Philippines; Indonesia-Papua New Guinea; Indonesia-Timor Leste. Meanwhile, between Indonesia and Singapore, there is currently no cross-border trade agreement, as is the case with Thailand, although this has been mentioned in the Draft Trade Agreement.

Based on the agreement in the Arrangement between the Government of the Republic of Indonesia and the Government of the Democratic Republic of Timor-Leste on Traditional Border Crossings and Regulated Market (Arrangement 2003) signed in June 2003, the Indonesian and Timor-Leste Governments enforce Cross-Border Passes (PLB) for people living on the Indonesia-Timor Leste land border.

Since Timor Leste officially stood alone as a new country and became known as the Democratic Republic of Timor Leste (RDTL), the position of East Nusa Tenggara Province (NTT) automatically became a border province. This situation makes East Nusa Tenggara Province strategic because it is Indonesia's frontline in the border area and as a barometer of the portrait of national development. Therefore, the government's focus on the arrangement and development of regional development quality in order to accelerate development continues to be implemented by maximizing the potential of resources.

As a border area, the complexity of problems cannot be avoided, both economic, socio-political, defense and security, and other issues. Specifically in the economic field, the government issued a pro-people economic management policy directed at increasing added value and surplus value in border areas for the improvement of community economy. One of the main priorities for developing the economic sector in border areas is through trade channels.

Bilateral trade agreements include various norms and principles that regulate economic relations between two countries. These main norms are designed to create a fair, open, and mutually beneficial trade environment. The main norms contained in bilateral trade agreements include:

1. **Basic Principles**
    a. National Interest: Each country ensures that the agreement serves domestic economic and strategic objectives.
    b. Equality: The norm that both parties involved in the agreement have equal standing in negotiations and implementation of obligations.
    c. Mutual Benefit: The agreement must provide economic benefits to both countries, not just one party.
    d. Good Faith: The parties are expected to act honestly and sincerely in complying with the terms and conditions of the agreement.
2. **Specific Trade Provisions**
    a. Tariff Reduction or Elimination: Provisions regarding the reduction or elimination of import duties on goods traded between the two countries to increase market access.
    b. Market Access: Reciprocal commitments to open each other's markets for products and services from partner countries.
    c. Rules of Origin: Criteria that determin e the country of origin of a product to ensure only goods originating from participating countries receive preferential treatment (such as lower tariffs).

d. Trade Facilitation: Provisions aimed at simplifying and speeding up customs procedures and other trade administrative processes.
e. Non-Discriminatory Treatment: Although bilateral agreements are inherently discriminatory against third countries (non-members), among the parties involved, the agreement stipulates that no party may discriminate against products from the other party compared to similar domestic products.
f. Dispute Settlement: Agreed mechanisms to resolve disputes that may arise regarding the interpretation or application of the agreement, often based on the principle of consensus among the parties.
g. Technical and Sanitary Standards: Agreements to harmonize or recognize certain standards (such as labor, environmental, or product safety standards) to avoid unnecessary trade barriers.
h. Intellectual Property Protection: Norms requiring signatory countries to respect and enforce existing copyright and intellectual property laws.

These norms are contained in legally binding agreement clauses, as regulated in the 1969 Vienna Convention on the Law of Treaties. In Indonesia, such agreements are implemented through national regulations, as regulated in Law No. 7 of 2014 on Trade, to ensure compliance with agreed international norms.

The norms contained in the bilateral trade agreement between Indonesia and Timor Leste significantly affect local economic sovereignty in border areas, with both positive and negative impacts. This influence is particularly felt in the economic dynamics of communities that are highly dependent on cross-border activities.

3. Influence on Local Economic Sovereignty

Trade agreements and border management aim to facilitate legal trade and increase connectivity, but their implementation has a direct impact on local communities.

Positive Impacts:

a. Increased Market Access: Agreements that facilitate cross-border trade (through Cross-Border Posts (PLB) and Cross-Border Identity Cards (KILB)) open wider market access for local products such as agricultural products and handicrafts.
b. Micro Business Growth: Trade activities at the border encourage the growth of small businesses such as motorcycle taxi services and workshops, which become important sources of livelihood for local communities.
c. Increased Income: Ease in conducting cross-border transactions can increase the income of border communities who were previously limited to smaller domestic markets.
d. Investment and Infrastructure: Bilateral cooperation is often accompanied by commitments to develop basic infrastructure (roads, ports, etc.) in border areas, which indirectly supports the local economy.

Negative Impacts and Challenges to Local Economic Sovereignty:

a. Unfair Competition: The entry of products from neighboring countries that may be cheaper or more varied can cause unfair competition for local industries and products, threatening the sustainability of small businesses.
b. Cross-Border Market Dependence: High dependence on cross-border trade activities makes the local economy vulnerable to border closure policies (such as during the COVID-19 pandemic), which can drastically halt main sources of livelihood.
c. Illegal Trade Threats: The norms in the agreement also regulate the handling of illegal trade (smuggling), which indicates legal vulnerabilities at the border. These illegal activities can harm the formal economy and state revenues, and endanger economic sovereignty through black markets.
d. Currency Control and Customary Law: There are challenges in implementing formal state law versus long-standing customary law at the border. For example, issues related to the main currency used in cross-border transactions can affect the state's ability to control its territorial economy.

Overall, bilateral agreements attempt to balance economic openness with sovereignty control. The real impact in the field greatly depends on the effectiveness of norm implementation and local supporting policies that empower border communities to compete healthily and utilize existing economic opportunities.

IV. CONCLUSION

International law has a significant influence on the formulation and implementation of Timor Leste's economic policy, especially considering its unique history as a new country and its dependence on global cooperation and foreign aid.

The norms contained in the bilateral trade agreement between Indonesia and Timor Leste significantly affect local economic sovereignty in border areas, with both positive and negative impacts. This influence is particularly felt in the economic dynamics of communities that are highly dependent on cross-border activities.

REFERENCES

Al-Lathif, A. M. (2019). Upaya Timor Leste dalam Menyelesaikan Sengketa Laut Timor dengan Australia Pada Periode 2012-2016 (Skripsi). Universitas Islam Negeri Syarif Hidayatullah Jakarta.

Fauzan. (2011). Disampaikan pada acara Indonesia-Timor Leste Seminar and Conflict Resolution Training: Building Peace Beyond the Land Border (Makalah seminar). Kelompok Studi Defensia Laboratorium Pertahanan Keamanan dan Asosiasi Mahasiswa Timor Leste UPN Veteran, Yogyakarta.

Holsti, K. J. (1977). International politics: A framework for analysis. Prentice-Hall.

Krustiyati, A. (2010). Penanganan pengungsi di Indonesia: Tinjauan aspek hukum internasional dan nasional. Brilian Internasional.

Kusumaatmadja, M., & Agoes, E. R. (2021). Pengantar hukum internasional. Penerbit Alumni.

Maisondra. (2019). Strategi dan dampak pembangunan kawasan PLBN Entikong dalam meningkatkan perdagangan dan keamanan wilayah Indonesia. Jurnal Ilmu Pemerintahan Suara Khatulistiwa, 4(2).

Oki, K. (2021). Perdagangan lintas batas Kabupaten Timor Tengah Utara dan Distrik Oekusi-Timor Leste. CV. Penerbit Qiara Media.

Purnomo, A. (2002, Mei). Pro kontra kehadiran Mega Timor-timur. Suara Merdeka.

Riyanto, S. (2012). Kedaulatan negara dalam kerangka hukum internasional kontemporer. Yustisia Jurnal Hukum, 1(3).

Rizki, G. A. A. (2011). The diplomacy of Timor Leste - Indonesia in human right settlement: From multilateral to bilateral (Skripsi). Universitas Jember.

Wijayatmi, H. D. (2014). Hubungan bilateral RI-Timor-Timur paska kemerdekaan (Skripsi). Universitas Muhammadiyah Surakarta.