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► Timor-Leste's ASEAN and WTO Membership:
**Business perceptions, readiness
of institutions, and implications for
representative Employer Organizations**



**SIGNING CEREMONY OF
THE DECLARATION ON
THE ADMISSION OF THE
DEMOCRATIC REPUBLIC OF
TIMOR-LESTE INTO ASEAN**

**26 OCTOBER 2025
KUALA LUMPUR**



▶ Timor-Leste's ASEAN and WTO Membership:

**Business perceptions, readiness
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► Preface

With Timor-Leste's accession to the Association of Southeast Asian Nations (ASEAN) in October 2025, the country stands at a pivotal moment in its economic and institutional development. ASEAN membership carries the promise of deeper regional integration, expanded trade opportunities, and strengthened cooperation across labour, economic, and social dimensions. It also presents significant responsibilities and challenges that require informed preparation by national tripartite partners.

Commissioned by the International Labour Organization (ILO) in response to a request for technical assistance from the Chamber of Commerce and Industry of Timor-Leste (CCI-TL), this publication presents the findings of research undertaken by the ILO on the preparedness of businesses, key tripartite institutions, and CCI-TL for ASEAN membership. The study explores the level of awareness, institutional readiness, and capacity needs of these key actors as the nation positions itself within a dynamic regional community.

The insights gathered through this research highlight opportunities for strengthening governance, promoting decent work, improving competitiveness, and ensuring that economic integration translates into shared prosperity for workers, employers, and society as a whole. The ILO extends its appreciation to the government, employer and worker representatives who contributed their perspectives and expertise throughout this process. We also extend appreciation to the 100 enterprises in Timor Leste for their participation in the surveys, interviews and focus groups conducted.

It is our hope that this publication will serve as a valuable resource for the Chamber of Commerce and Industry of Timor-Leste (CCI-TL) in defining its new policy agenda and priorities to ensure effective, representative and proactive engagement on the new regional settings. The ILO remains dedicated to accompanying the country on this path, ensuring that labour standards, decent work principles, and strong institutions remain central to its regional integration.

While the primary audience of this report is the Board of Directors, of the Chamber of Commerce and Industry of Timor-Leste (CCI-TL), the report is also relevant to relevant ministries within the Government of Timor-Leste, and development partners and civil society organizations.

The ILO is devoted to advancing opportunities for women and men to obtain decent and productive work. It aims to promote rights at work, encourage decent employment opportunities, enhance social protection and strengthen dialogue in handling work-related issues. As Timor Leste strives to make the most of its ASEAN and WTO membership, the ILO's Decent Work Agenda provides critical policy frameworks to strengthen the foundations for a more inclusive and sustainable future.

Simrin Singh

Director

ILO Country Office for Indonesia and Timor Leste

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We extend our thanks also to ILO colleagues who provided peer review and made technical contributions. From the ILO DWT for East and South-East Asia and the Pacific, Mr Wade Bromley, Senior Specialist on Employers' Activities; Mr Arun Kumar, Collective Bargaining and Social Dialogue Specialist; and Mr Ravi Samithsanda, Senior Specialist on Workers' Activities. And from the ILO Country Office for Indonesia and Timor Leste, Mr Diego Rei, Employment Specialist. We thank these colleagues for their time and important contributions.

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► Executive summary

Timor-Leste's accession to the World Trade Organization (WTO) in August 2024 and the Association of Southeast Asian Nations (ASEAN) in October 2025 marks a historic milestone in its pursuit of economic diversification and regional integration. This report examines the implications of these memberships for Timor-Leste's private sector, labour market institutions, and Employer and Business Membership Organizations (EBMOs), with a particular focus on the Chamber of Commerce and Industry – Timor-Leste (CCI-TL). It draws on desk research, business surveys and stakeholder consultations to assess readiness, institutional capacity, and strategic priorities for engagement.

Context and Opportunities

Membership of ASEAN and the WTO offer Timor-Leste access to larger markets, investment opportunities, and a rules-based framework for economic reform. These platforms can catalyze diversification beyond hydrocarbons, stimulate job creation, and improve competitiveness. However, the immediate benefits will depend on Timor-Leste's ability to meet the institutional and policy demands of both organizations while making deeper investments to create an enabling environment for business and investment. Comparisons with later ASEAN entrants—Cambodia, Lao PDR, Myanmar, and Vietnam underscore the need for long-term investment in institutional strengthening, human capital, and policy coherence.

Membership of both organizations will make Foreign Direct Investment (FDI) easier than it has been to date, but this is still likely to be limited to the hydrocarbon and broader resources sector for the foreseeable future, given Timor-Leste's enduring lack of comparative advantages in other sectors.² This necessitates substantive investment in structuring domestic policy settings that promote growth in the local economy and businesses beyond the hydrocarbon sector.

Risks also need to be managed as Timor-Leste's meets its market liberalization obligations under the conditions of membership in both organizations and concomitant participation in the various instruments to which Timor-Leste will become a party. Reasonable concerns about the cost of membership obligations and the influx of goods from more competitive markets are not without merit.² Adjustments will need to be made both in policy and in the private sector's readiness to respond to evolving economic conditions.

Private Sector Readiness

Survey findings reveal optimism among employers, but limited preparedness for integration. The private sector, dominated by micro, small, and medium enterprises (MSMEs), faces constraints in skills, finance, and infrastructure. Only one-third of firms surveyed consider their workforce adequately prepared for ASEAN standards. Businesses identify key priorities as:

- Expanding access to finance;
- Workforce skills development and training;
- Regulatory and institutional reform;
- Improved information on ASEAN/WTO policies; and
- Investment in infrastructure and digital readiness.

The limited understanding among Timorese businesses of regional integration opportunities, such as ASEAN economic policies and trade agreements, risks delaying the realization of their potential benefits. Without adequate awareness, enterprises may miss out on gains from increased movement of goods, services, capital, investment,

1 IXth Constitutional Government, Ministry of Trade and Industry, National Industry Development Policy, November 2023, p14, 18, and 21.

2 Michael Leach and Sally Percival-Wood "Foreword: Timor-Leste's Foreign Policy and ASEAN in *The Paradox of ASEAN Centrality: Timor-Leste Betwixt and Between*, Edited by Paulo Castor Seixas, Nuno Canas Mendes, Nadine Lobner, Koninklijke Brill NV, Leiden, The Netherlands, 2023, pVII. See also, Parker Novak, "Timor-Leste's uncertain future", *The Interpreter*, Lowy Institute 29 November 2023. Indeed, in the ASEAN context, ILO's survey work suggests that more than 2/3rds of respondents either don't consider themselves competitive (18.2 per cent), slightly competitive ((39.4 per cent) or only moderately competitive (9.1 per cent). See *Default Report: Assessing Business Readiness in Timor-Leste for ASEAN and WTO Membership*, International Labour Organization, October 2025., p16.

and skilled labour that drive competitiveness and growth. At the same time, challenges such as skills mismatches, brain drain, and expansion of the informal sector may intensify. Strengthening business understanding of the ASEAN Economic Community (AEC) and its labour market implications is therefore essential for smooth adaptation and sustainable participation in regional integration.

CCI-TL and other EBMOs are viewed as essential intermediaries between government and enterprise, yet their capacity to perform this role effectively remains constrained, and services to member companies, such as practical guidance, information, and training, are limited.

Labour Market Institutions

Timor-Leste's labour administration framework is comprehensive in design but weak in implementation. Challenges include limited resourcing, irregular consultations, poor data systems, and constrained institutional independence. These gaps risk deterring responsible investment and complicate compliance with ASEAN and WTO labour standards. Strengthening institutional independence, digitalizing systems, and institutionalizing tripartite and bipartite dialogue will be essential for improving governance and labour market outcomes.

Readiness of CCI-TL

Accession will place significant demands on Timor-Leste's institutions to participate in numerous ASEAN and WTO fora. CCI-TL must strategically prioritize its engagement, strengthen coordination with the government, and delegate technical functions to sectoral associations. Drawing lessons from Lao PDR's National Chamber of Commerce and Industry and other regional contemporaries, CCI-TL should establish a dedicated ASEAN/WTO Unit, supported by clear governance structures, consultation mechanisms, and partnerships with EBMOs at sectoral level as well as other development partners. Without this, the administrative and technical workload of membership could overwhelm the organization.

Summary: Conclusions and Recommendations

Timor-Leste's accession represents a "once-in-a-generation opportunity" to anchor structural economic reform, modernize national institutions, and promote inclusive, sustainable growth. Success will depend on close coordination between government, business, and development partners to translate membership into tangible benefits for the Timorese people.

While ASEAN and WTO membership promise substantial welfare and export gains, benefits will not be evenly distributed without targeted reforms. Key recommendations include:

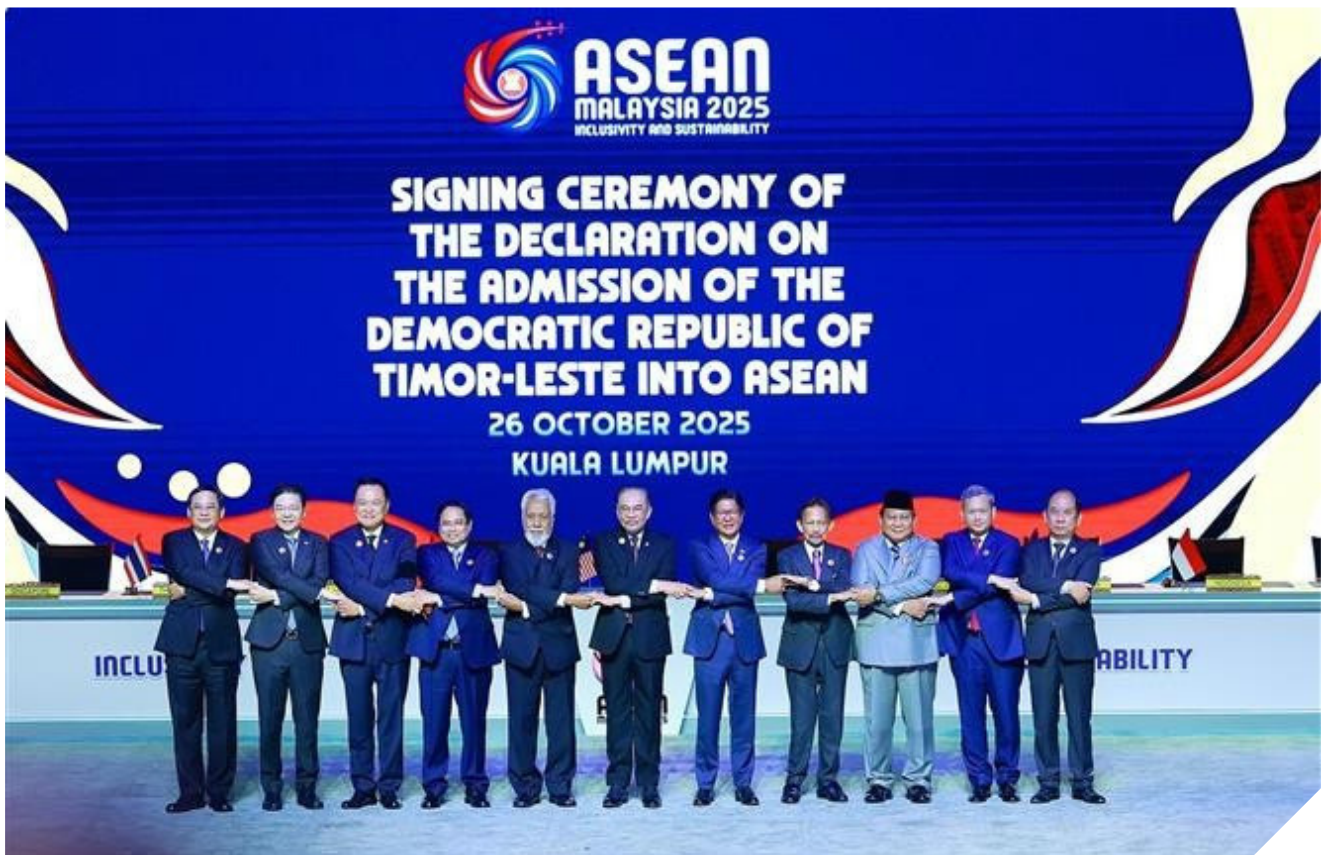
- Empowering the private sector: Establish a dedicated development program to strengthen enterprise competitiveness and policy engagement.
- Creating an enabling environment for business and investment: Align the Decent Work Country Programme (DWCP) and UN Sustainable Development Cooperation Framework (UNSDCF) to reinforce national policy measures to reduce barriers, strengthen investor confidence, and stimulate economic activity towards realization of ASEAN/WTO membership aspirations.
- Building institutional capacity: Resource CCI-TL's ASEAN/WTO engagement unit and establish a permanent coordination mechanism with government.
- Reforming labour administration: Implement a Labour Administration Strengthening Plan and improve institutional independence, governance, and digital systems.
- Investing in language and skills: Enhance English and Portuguese language proficiency and technical training for both officials and private sector representatives.³

3 Indeed, as part of this report's survey work, language barriers were listed as the third most significant key human resource challenges in the context of ASEAN integration.



► 1. Introduction

This report assesses the implications of Timor Leste's accession to the Association of Southeast Asian Nations (ASEAN) and its relatively recent accession to the World Trade Organization (WTO), and its important implications for Timor Leste's private sector, its representative bodies, and broader national prosperity and regional economic integration.⁴ The research has been conducted in response to challenges that may arise due to a lack of business understanding of the opportunities of regional (and global) economic integration. This is in addition to other challenges, including necessary adaptations to the labour market, competitiveness, and overall conditions for doing business that either hinder or promote the flow of investment, commerce, and the transfer of skills and technology.



Timor-Leste achieved its long-held objective of ASEAN membership on 26 October 2025. (Photo: VNA)

The ASEAN Economic Community (AEC)

The AEC is the realization of the region's end goal of economic integration. It envisions ASEAN as a single market and product base, a highly competitive region, with equitable economic development, and fully integrated into the global economy.⁵ Formally established in 2015, the AEC aims to foster an interconnected market for trade and investment that cultivates individuals' prosperity, promotes opportunities for businesses of all sizes, narrows the development gap between and within ASEAN Member States, and advances cooperation across diverse economic sectors.⁶ Through these endeavours, ASEAN Member States (AMS), through the AEC, aspire to the seamless movement of goods, services, investment, capital, and skilled labour within ASEAN, enhance trade and production networks, and establish a more unified market for firms and consumers.⁷

⁴ Timor-Leste achieved its goal of ASEAN membership on 26 October 2025.

⁵ See "Overview" at <https://asean.org/our-communities/economic-community/> [accessed 15 October 2025].

⁶ *ASEAN Economic Community Strategic Plan 2026-2030*, Jakarta: ASEAN Secretariat, 26 May 2025 p1.

⁷ Ibid.

► Box 1: Timor-Leste's Economic Settings

In many respects, Timor-Leste's experience is consistent with that of other AMS that joined either ASEAN or the WTO over the 1990s and 2000s, all of whom have subsequently made significant strides since they acceded in succession over this time. Nonetheless, Timor-Leste still needs to address, and in some instances confront, the prevailing political, economic, and governance circumstances. The Government of Timor-Leste recognizes the need to move from a largely supply-side driven economy heavily dependent on its hydrocarbon sector to sustain the bulk of public expenditure and overall economy.⁸ The imperative for this transition is becoming increasingly acute, as the contribution of the hydrocarbon sector to the government budget is expected to be exhausted within the next decade and a half unless additional deposits can be swiftly exploited.⁹ Its business-enabling environment lags most ASEAN peers, particularly in contract enforcement, access to finance, infrastructure, economic complexity, and related metrics.¹⁰ The pool of labour is, on the face of it, plentiful and overwhelmingly young; however, much of Timor's young population — the second-youngest in Asia — is economically inactive and underskilled for the needs of current and future employers.¹¹ What labour is available is overwhelmingly absorbed by an overly dominant public sector, offering wages and conditions unobtainable outside the hydrocarbon sector.¹²

ASEAN & WTO Accession A Reform Driver but not a Reform Panacea

The Government of Timor-Leste has specifically prioritized membership of the Association of Southeast Asian Nations (ASEAN) and World Trade Organization (WTO) as a pathway towards economic diversification.¹³

Membership of both organizations is expected to drive domestic policy and institutional reforms while expanding markets and reducing costs.¹⁴ It should also diversify the economy, attract trade and investment, and improve access to technology and skills. To echo the World Bank's recent analysis:

*Timor-Leste's recent accession to the ... (WTO) and ongoing efforts to join ASEAN present a unique opportunity to drive domestic reforms. WTO membership provides a one-in-a-generation chance to initiate and sustain significant structural reforms that would be difficult to achieve without binding policy commitments.*¹⁵

Timor-Leste's accession to ASEAN in October 2025 and, thereby, to the ASEAN Economic Community, as well as its achievement of WTO membership in August 2024, are symbolic measures of the nation's economic maturity and deep commitment to integration into the international economic commons.¹⁶ Indeed, Timor-Leste's membership of

- 8 See *National Industrial Development Policy*, IXTH Constitutional Government, Ministry of Trade and Industry, p5 and p18, *Strategic Plan for Financial Sector Development 2025-2035: Towards an Inclusive and Modern Financial Ecosystem: Shaping the Future of Finance*, Banco Central De Timor Leste, p10, and Guteriano Neves, "Timor-Leste's Petroleum Revenues: The Challenges of Managing 'Easy Money'", *Heinrich Boll Foundation*, 21 March 2022, p1. Indeed, the bulk of the 3 per cent of growth over 2024 was primarily driven by public expenditure, see A.A. Reza, Y.M. Pakpahan, C. Lakatos, and M. Pasha, *Timor-Leste Economic Report: Leveraging WTO Accession for Economic Transformation*, World Bank Group, July 2024, p1 and 5.
- 9 Ramil Mercado, "A Generational Clash: Timor-Leste's Political and Economic Future", *Center for Strategic and International Studies*, 28 September 2023 and International Monetary Fund, "Democratic Republic of Timor-Leste 2022 Article IV Consultation – Press Release; and Staff Report", IMF Country Report No. 22/307, September 2022, p4.
- 10 Notwithstanding, it does perform better in terms of general freedom of association and ease of business establishment.
- 11 *National Industrial Development Policy*, p11 and 17, Ramil Mercado, "A Generational Clash: Timor-Leste's Political and Economic Future and Strategic Plan", *Center for Strategic and International Studies (CSIS), Blog Post*, 28 September 2023, for *Financial Sector Development 2025-2035*, p10 and p21, World Bank Group *Timor-Leste Economic Report: From Resources to Results: Transforming Public Spending to High Growth*, 2025, p13 and 22, Rezza et al, and *Timor-Leste Economic Report: Leveraging WTO Accession for Economic Transformation*, p6.
- 12 *Timor-Leste Economic Report: From Resources to Results*, p10 and as noted on page 23 "...Wage disparities further reinforce this imbalance: highly educated public sector workers enjoy a 42 percent wage premium, with those with only primary education face a 41 per cent wage penalty. These wage dynamics reduce the private sector's ability to compete for talent...". See also Rezza et al Rezza et al, *Timor-Leste Economic Report: Leveraging WTO Accession for Economic Transformation*, p7 and "Timor-Leste's ASEAN Accession amid Global Power Rivalries: navigating the Opportunities and Challenges Ahead – Interview with Fidelis Magalhaes", *The National Bureau of Asian Research*, 11 August 2025, p2.
- 13 Government of Timor-Leste, *Timor-Leste Investment Reform Map: Modernizing Timor-Leste's investment policy and promotion framework to attract investment in priority sectors, stimulate growth and support diversification of the economy* [undated], p11-12 see also IXth Constitutional Government, Ministry of Trade and Industry, *National Industry Development Policy*, November 2023, p4.
- 14 Vanetta Mirana, Anna Cassandra Melendez, Kavita Iyengar, "Preparing the Nation for Integration: Timor-Leste's Path to ASEAN", *Asia Regional Integration Center Blog*, 1 April 2025, *Guide to Doing Business in Timor-Leste*, Morais Leitao Legal Circle and Advogados e Consultores Lda (JLA), p5, and Rezza et al, *Timor-Leste Economic Report: Leveraging WTO Accession for Economic Transformation*, p2 and 18.
- 15 Rezza et al, *Timor-Leste Economic Report: Leveraging WTO Accession for Economic Transformation*, p18.
- 16 Timor-Leste is anticipated to join ASEAN in October 2025, see Hariz Baharudin "Foreign Ministers back Timor-Leste entry, push for stronger trade and energy links at ASEAN meet", *The Straits Times*, 9 July 2025, while Timor-Leste joined the WTO as its 166th member on 30 August 2024, see *World Trade Organization: Accessions: Timor-Leste*. That being stated, there may be some challenges to achieving full ASEAN consensus for Timor-Leste's membership that may stymie efforts to achieve membership within 2025. For more, see Thai PBS World "Myanmar Junta Opposes Timor-Leste's ASEAN Membership", *The Irrawaddy*, 2 July 2025 and Nuno Canas Mendes, "Uncertainty clouds Timor-Leste's admission to ASEAN", *East Asia Forum*, 16 May 2025.

ASEAN marks the first time a member state has done so since the ASEAN Charter was adopted in 2007, which grants and imposes specific rights and obligations on members.¹⁷ Accession to either organization, while a significant milestone, will only be the first step in a long journey to ensure the country can be both a beneficiary and net contributor to both organizations. Indeed, as the Government of Timor-Leste has itself:

membership in the Association of Southeast Asian Nations (ASEAN) and its ongoing membership to the World Trade Organization (WTO) [is] a key strategy to accelerate growth and economic diversification...

*...but benefits are far from automatic. The global economy has plenty of examples of countries that attract large quantities of FDI without being able to diversify or to move up the value chain. In the absence of a strong policy framework, a key risk for Timor-Leste is that capital-intensive investments do not have backwards linkages. This will contribute to a domestic private sector mentality that FDI is 'displacing' domestic investment, not growing the pie...*¹⁸

Immediate benefits are likely to be modest in the short term, requiring substantial long-term investment, notably in personnel resourcing at the government, private-sector, and, indeed, civil-society levels.¹⁹ To be eligible for entry into ASEAN and to sustain membership in both ASEAN and the WTO, substantial investments in alignment with the requirements of both organizations for basic functional membership are essential. Indeed, both efforts will complement one another, as there is significant overlap in themes and objectives, particularly in their economic focus. Just as formal architecture for engaging in international trade agreements needed to be established for the WTO, so "the maintenance of such an institutional architecture will also lend support to, and help expedite, Timor-Leste's accession to ASEAN."²⁰

It should also be recognized that, even with membership in either organisation, Timor-Leste is, and will likely remain, behind most comparable contemporaries on several key metrics. For example, at present, Timor-Leste trails ASEAN-4²¹ counterparts at most levels of trade facilitation, taking at least twice as long for import clearance.²² Indeed,

*...Timor-Leste's situation today is comparable to those of Cambodia, the Lao People's Democratic Republic (Lao PDR), Myanmar, and Viet Nam (CLMV) when they joined ASEAN in the 1990s.*²³

ASEAN's membership may assist Timor-Leste in bridging some of these gaps by leveraging mechanisms such as the *Initiative for ASEAN Integration* (IAI) and other targeted programs aimed at bringing less developed ASEAN Member States (AMS) up to comparable standards with more developed AMS.²⁴ Broadly speaking, any progress made at the ASEAN level is likely to have a positive impact on WTO membership (and vice versa).

Public Sector Preparedness

In the case of ASEAN, the Government of Timor-Leste has taken some positive steps towards addressing the logistical challenges of membership, including the establishment of a Directorate-General for ASEAN Affairs.²⁵ Whereas for the WTO, the Government of Timor-Leste has announced substantive upgrading of trade and investment diplomatic resourcing, both to handle WTO affairs and dedicated trade representatives to key economies it prioritises, including Australia, P.R. China, Indonesia, and Singapore.²⁶ It was not possible to verify at the time of

17 Nattapat Limsiritong and Pattawee Sookhakich, "The Obstacles of Timor-Leste to be a New Member of ASEAN under perspective of ASEAN Charter", in *Asian Political Science Review*, 8(1), p66. For more see *The ASEAN Charter*, especially Article 5 and Article 6.

18 Government of Timor Leste, *Timor-Leste Investment Reform Map: Modernizing Timor-Leste's investment policy and promotion framework to attract investment in priority sectors, stimulate growth and support diversification of the economy* [undated], p11-12 and 17 respectively.

19 Indeed, there is a school of thought that suggests that expectations on the benefits of access to ASEAN may be excessive and the drive to membership is more directly related to substantive foreign policy considerations. See Michael Leach and Sally Percival-Wood "Foreword: Timor-Leste's Foreign Policy and ASEAN and Paulo Castor Sexas, Nuno Canas Mendes, and Nadine Lobner, "ASEAN in the Making: Centralities and Peripheries", in *The Paradox of ASEAN Centrality: Timor-Leste Betwixt and Between*, Edited by Paulo Castor Seixas, Nuno Canas Mendes, Nadine Lobner, Koninklijke Brill NV, Leiden, The Netherlands, 2023, pVII and X, and p17, pp19-20 respectively.

20 Pierre Save, Simon Lacy, and Csilla Lakatos *Timor-Leste and WTO Accession: Harnessing Momentum to Support Development Outcomes*, Washington DC: World Bank. 2024, pVIII and Mendes, *Uncertainty clouds Timor Leste's ASEAN Membership*.

21 ASEAN-4 refers to the development gap between Cambodia, Lao PDR, Myanmar, and Vietnam and their more advanced ASEAN peers (although it could be argued that Vietnam may have graduated out of this definition) as outlined in *The Ha Noi Declaration On Narrowing Development Gap For Closer ASEAN Integration Hanoi, Vietnam, 23 July 2001*.

22 Save et al, *Timor-Leste and WTO Accession*, p4.

23 Rui Augusto Gomes, "Leveraging ASEAN Membership for Timor-Leste's Development: Issues and Recommendations", ERIA Discussion Paper Series No. 540 (ERIA-DP-2024-33), World Bank Group, *Country Partnership Framework for the Democratic Republic of Timor-Leste: For the Period FY2020-FY2024*, p4.

24 For more information, see *Initiative for ASEAN Integration (IAI) Work Plan IV (2021-2025)*, Jakarta: ASEAN Secretariat, November 2020.

25 Venetta Miranda, Anna Cassandra Melendez, Kavita Iyengar "Preparing the Nation for Integration: Timor-Leste's Path to ASEAN", *Asian Development Blog*, 7 February 2025, Asian Development Bank.

26 See Government of Timor Leste, *TL WTO Membership: Charting a Diversified, Resilient, Inclusive and Sustainable Economy Through Global Economic Integration: Timor-Leste Post-Accession Vision and Strategy 2024-2031*, p4.

writing whether the Government had put in place this upgraded resourcing. Still, such efforts are to be encouraged and should proactively seek out connections between Timor-Leste's business community and its ASEAN and WTO partners, potentially through a dedicated FDI attraction strategy.²⁷

Notwithstanding, the membership commitments should not be underestimated, particularly in terms of demands on the Government's time and the (arguably more) limited capacity of the private sector to engage on issues relevant to either forum. ASEAN itself has a myriad of official, bilateral, multilateral, sectoral, semi-official, and unofficial but thematically relevant meetings that cut across all aspects of economic life. At times, the number of ASEAN "badged" meetings can number in the thousands per year.²⁸ Both senior leadership in Timor-Leste and the private sector will need to be judicious about when and how engagement occurs outside the headline ASEAN meetings.

Challenges for Business

Being underprepared:

The survey work suggests a considerable degree of overconfidence among respondents in their preparedness for ASEAN and WTO membership.²⁹ Notwithstanding, this level of confidence doesn't necessarily bear out the experiences of other Southeast Asian nations' membership of either organisation. The lack of a regular functioning tripartite and bipartite consultation mechanisms has hindered private sector participation at ASEAN/WTO fora (see sections 2 and 4 for further discussion), and the breadth and complexity of issues addressed by both ASEAN/WTO indicate that current levels of preparation are likely far from sufficient.

Moreover, while awareness of membership was universally high in the survey work, this doesn't necessarily translate into a deep understanding of ASEAN/WTO mechanisms and their relevance to businesses. This is supported by respondents' limited compliance with various international trade standards – only 17 per cent considered themselves fully compliant.³⁰

Doing Business

Timor-Leste's current business climate does not yet sufficiently position domestic companies to grow or fully capitalize on the opportunities offered by ASEAN and WTO membership. Before the World Bank discontinued its Ease of Doing Business rankings, Timor-Leste was placed at 181 out of 190 economies, well below the ASEAN average of 80 and significantly behind the next lowest-ranking ASEAN member state, Myanmar at 165. Its replacement, "Business Ready Index", ranks Timor-Leste's major indicators at less than 50 out of a total score of 100, reflecting the high degree of friction in establishing and running a business.³¹ While the regulatory framework is relatively stable, operational efficiency in conducting business operations is very poor. For example, the act of registering a business is still heavily analogue and calls out for improvement through digitalisation.³²

Brain drain or brain gain myths vs real labour deficits challenges:

Much has been written about the labour impacts of ASEAN integration, given the AEC's broader aims to achieve the mobility of skilled labour across designated occupations through Mutual Recognition Arrangements (MRAs).³³

27 While undoubtedly a very positive development, there is a real risk that this resourcing may be less than effective. Timor-Leste's trade promotion authority, *TradeInvest*, has been described by the government itself as overly passive and not taking the initiative to identify opportunities to facilitate investment promotion more directly. See Government of Timor-Leste, *Timor-Leste Investment Reform Map*, p.69.

28 It is challenging to obtain a definitive number, but older estimates suggest at least 600 to 1000 "official" meetings per annum, which does not include substantive expansion to other fora, particularly a number of ASEAN plus meetings with bilateral partners or related fora such as the East Asia Summit. For more see, John Mclean, "Will ASEAN's New Charter Bring Greater Cooperation", *Development Asia*, Asian Development Bank, No. 3, April 2009 and Jonathan Head "What's the point of ASEAN?", *BBC News*, 25 July 2016.

29 31.7 per cent considered themselves either extremely (14.6 per cent) or very (17.1 per cent) prepared, while only 4.9 per cent considered themselves not prepared at all. See *Default Report: Assessing Business Readiness in Timor-Leste for ASEAN and WTO Membership*, International Labour Organization, October 2025, pp7-8.

30 Ibid, p 16.

31 "Ease of Doing Business in Timor-Leste", World Bank Group, at <https://archive.doingbusiness.org/en/data/exploreconomies/timor-leste> [accessed 12 November 2025]. This is several ranks lower than it was three years early (171) as reported in *The enabling environment for sustainable enterprises in Timor-Leste*, International Labour Office, Enterprises Department, Geneva ILO, 2016, p. VIII, and "Business Ready Timor Leste", World Bank Group at <https://www.worldbank.org/en/businessready/economy/timor-leste> [accessed 12 November 2025].

32 See TradeInvest Timor-Leste, *Timor-Leste Investment Guide 2023 Edition*, p13.

33 For more see "ASEAN Sectoral Mutual Recognition Arrangement (MRA)" at <https://asean.org/asean-sectoral-mutual-recognition-arrangement-mras/> [accessed 12 November 2025], "ASEAN Framework Agreement on Mutual Recognition Arrangements" at <https://asean.org/asean-framework-agreement-on-mutual-recognition-arrangements/> [accessed 12 November 2025], and Yoshifumi Fukunaga, "Assessing the Progress of ASEAN MRAs on Professional Services", *ERIA Discussion Paper Series*, ERIA DP 2015-21, March 2015.

Such claims lack credibility, as despite being in place for more than a decade, no MRA has ever meaningfully entered into force across ASEAN.³⁴ Moreover, no AMS has ever shown any intention of extending such a framework to include unskilled labour and many of the factors driving labour migration from within and beyond ASEAN are extraneous to ASEAN or WTO membership. It's also unlikely that Timor-Leste's young population will be attracted to find opportunities for work within ASEAN (outside of its immediate neighbour Indonesia and even then wages are comparable to local minimum wage standards), given the local labour pool's relative inactivity and the lack of any mechanisms to enable opportunities for formal work within ASEAN, with the alternative being lower-paid paid informal and therefore high-risk work.³⁵ It's far more likely that the public and hydrocarbon sectors will continue to enjoy a monopoly in absorbing the best locally available labour, while the remainder seek opportunities in higher-income countries such as Australia and Portugal.³⁶ On the labour front, the greatest foreseeable challenge to the business sector in maximizing gains of ASEAN/WTO membership is access to sufficient and affordable skilled labour³⁷. Membership of either organization will not address the significant structural biases in favour of the public and hydrocarbon sectors.

Strain on all stakeholders' logistical capacities

The breadth and scope of engagement required of both Timor-Leste's government and its business community are vast, and resources are finite —desperately so —for private-sector representative organisations of limited means.

WTO membership, while more formally engaged at the government level and at a more moderate pace, will nonetheless demand a similar amount of attention from Timor-Leste's private sector and will need to be resourced accordingly. As has been noted:

*While the government will take a leading role, the private sector including local businesses and farmers, academia, and civil society organizations, must be involved in the preparations for ASEAN membership. The government must realize that the full benefits of membership can only be ensured when the country has the condition to absorb and take advantage of opportunities presented by ASEAN, including the ability of its private sectors and government officials to both cooperate and compete within the bloc.*³⁸

Moreover,

*Timor-Leste will need to further build its institutional capacity — mainly to meet obligations related to the myriad of meetings ASEAN member states are required to participate in — and demonstrate that it has the “required physical infrastructure and logistics readiness to host [ASEAN] meetings”.*³⁹

The main lesson from the research, survey work, and broader analysis is that Timor-Leste's public and private sectors will need to aggressively prioritize their short and medium-term goals of membership in both organisations. This will involve making difficult decisions on resource allocation as well as forging strategic partnerships between and within the public and private sectors to manage their engagement efficiently.

34 See Gary Rynhart and Jae-Hee Chang; *The road to the ASEAN Economic Community 2015: The challenges and opportunities for enterprises and their representative organizations*, Bureau for Employers' Activities (ACT/EMP), ILO Regional Office for Asia and the Pacific. - Geneva: ILO, 2014 and Dorelyn Rannveig Mendoza and Guntar Sugiyarto *The long road ahead: Status report on the implementation of the ASEAN mutual recognition arrangements on professional services*. Mandaluyong City, Philippines: Asian Development Bank, 2017.

35 See “Salary in Timor-Leste” at <https://rivermate.com/guides/timor-leste/salary> [accessed 12 November 2025], “National Working Committee approved minimum wage for the private sector” 28 May 2012 at <https://rivermate.com/guides/timor-leste/salary> at <https://timor-leste.gov.tl/?p=6964&lang=en> [accessed 12 November 2025], and note the Indonesian province bordering Timor-Leste (East Nusa Tenggara) pays a comparable minimum wage (once opportunity costs and potential informality is also adjusted for) of USD 145. See Minimum Wage in Indonesia, ASEAN Briefing, at <https://www.aseanbriefing.com/doing-business-guide/indonesia/human-resources-and-payroll/minimum-wage> [accessed 12 November 2025].

36 While the bulk of migration goes to Indonesia “...reflect[ing] longstanding historical and cultural ties [to]Indonesia”, it is “Australia's Pacific Australia Labour Mobility scheme accounts for the largest share of Timorese migrants.” See, World Bank Group, *Timor-Leste Economic Report: Land of Opportunities: How Modern Land Administration Can Unlock Timor-Leste's Economic Transformation*, September 2025, p22.

37 The 2003 Immigration and Asylum Act (Law No. 9/2003, since partly replaced by Law No. 11/2017), Article 11(a) prohibits foreigners from “participating in the administration of a union ... or professional organisation.” While the Court of Appeal has held that this restriction violates Timor-Leste's Constitution (freedom of association) and equality provisions, the prevailing legal uncertainty and weak enforcement may pose problems going forward.

38 Joao da Cruz Cardoso “When Can Timor-Leste Expect to Become a Full Member of ASEAN?”, *The Diplomat*, 29 March 2024.

39 Novak, *Timor-Leste's uncertain future* .



► 2. Private Sector Readiness

The business-enabling environment refers to the combination of policy, institutional, regulatory, infrastructure, and cultural conditions that influence business activity and investment decisions. A favourable environment reduces costs, risks, and barriers to competition, encouraging formalization, business growth, and job creation.

The ILO identifies 17 conditions that constitute an enabling environment for sustainable enterprises, grouped into political, economic, social, and environmental pillars. These conditions are crucial for fostering business and investment that are not only profitable but also respectful of human dignity, environmentally sound, and conducive to decent work.

Robust analysis and data on the business enabling environment in Timor-Leste are patchy. The World Bank Group's periodic [Timor-Leste Economic Reports](#) are arguably the best source of analysis on the current status of the enabling environment in Timor-Leste. Timor-Leste would benefit from well-resourced private-sector development partnerships that specifically target analysis and solutions to business-enabling environment challenges that are flexible, demand-driven, and have a medium-term time horizon. Successful examples include the [Mekong Business Initiative](#) or [Pacific Private Sector Development Initiative](#) which respectively aimed to enhance national economic performance and regional integration through enhanced enterprise competitiveness and business enabling environments, innovation, and access to finance.

► Box 2: Models for private-sector development partnerships

Mekong Business Initiative (MBI)

MBI is a private-sector development partnership launched by the Asian Development Bank (ADB) and the Australian Government to boost sustainable economic growth in Cambodia, Lao PDR, Myanmar, and Vietnam.

Key functions of MBI include:

- Business advocacy: advising governments on reforms and amplifying the voice of entrepreneurs and SMEs to influence policy.
- Access to finance: expanding financing options for small- and medium-sized enterprises (SMEs) via alternative finance, fintech, and angel investment.
- Support for innovation: fostering startups through accelerator programs in tourism (MIST), agritech (MATCH), fintech, smart cities, and women-led enterprises.

MBI is designed to be flexible, demand-driven, and regionally-focused, helping align national business reform agendas in the Mekong region while offering tailored solutions.

Pacific Private Sector Development Initiative (PSDI)

PSDI is a regional technical-assistance program, co-financed by the Asian Development Bank (ADB), the Australian Government, and the New Zealand Government, that supports 14 Pacific island developing member countries in improving their business environment.

Key goals and functions include:

- Reforming business laws and competition policy to make markets more efficient and attractive to investment.
- Reforming state-owned enterprises (SOEs) so they operate more commercially and deliver better services.
- Supporting access to finance for MSMEs, reducing the cost of doing business, and promoting entrepreneurship.

- Promoting gender inclusion in the private sector via frameworks designed to improve women's participation.
- Encouraging competition law and consumer protection to ensure fair markets and limit rent-seeking behavior.

Overall, PSDI's mission is to help build a more robust, inclusive, and competitive private sector across Pacific island economies.

Despite the data challenges, the ILO most recently undertook research into the enabling environment for sustainable enterprises in Timor-Leste in 2016-2017.⁴⁰ The results of the assessment indicated that there is scope for improvement across all the pillars, with the following priorities identified as areas for future action:

- i. Good governance: strengthen institutional capacity to improve transparency in public administration;
- ii. Physical infrastructure: improve rural and urban infrastructure to promote private sector growth;
- iii. Entrepreneurial culture: support potential entrepreneurs through business development and mentoring programmes;
- iv. Access to financial services: promote access to finance, particularly for SMEs and start-ups, to ensure that entrepreneurs are better able to access credits and pay their loans;
- v. Enabling legal and regulatory environment: accelerate and simplify regulatory procedures to facilitate business development;
- vi. Education and lifelong learning: promote skills development in the education system to respond to employers' needs in the labour market.⁴¹

In response to the findings of the EESE assessment, CCI-TL then produced a "Business Manifesto" for the period 2017 – 2022.⁴² Though pre-dating ASEAN and WTO membership, these areas for advocacy remain relevant to successful navigation of the opportunities and challenges ahead.

To build on these results and provide deeper insight into the enabling environment and preparedness of the private sector in Timor Leste, the ILO's Bureau for Employers' activities commissioned survey work and interviews as part of the supporting evidence for this report, with over 100 businesses participating.⁴³ From this research, employers in Timor-Leste are broadly optimistic but underprepared for ASEAN and WTO integration.

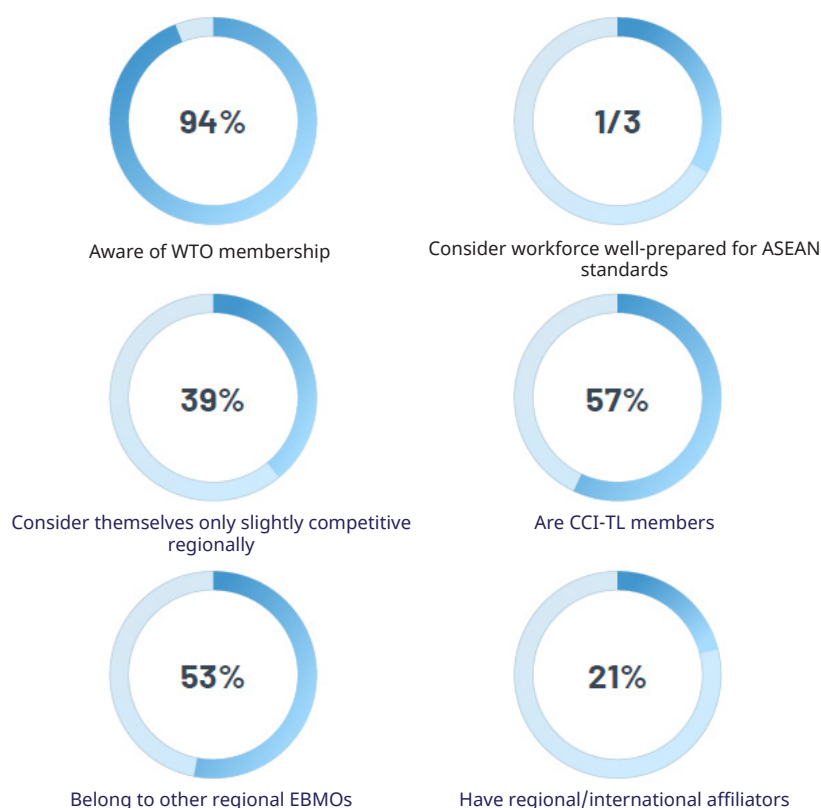
The private sector is dominated by MSMEs facing skill shortages, financing constraints, and limited institutional support. EBMOs require capacity strengthening to play an effective coordinating and advocacy role, while policy frameworks need realignment to foster competitiveness, investment, and inclusive labour participation. Businesses see both ASEAN/WTO membership as key to market access, investment, and growth, but readiness remains low.

40 See [The enabling environment for sustainable enterprises in Timor-Leste](#), International Labour Office, Enterprises Department, Geneva ILO, 2016.

41 Ibid, ppx-xii.

42 See, Chamber of Commerce and Industry of Timor-Leste (CCI-TL), [Business Manifesto 2017-2022: Enabling Environment for Sustainable Enterprises \(EESE\) Policy Framework](#).

43 *Default Report: Assessing Business Readiness in Timor-Leste for ASEAN and WTO Membership*, International Labour Organization, October 2025.



Behind the numbers

*'Timor-Leste stands to gain significant economic, political, and social benefits from ASEAN integration, it must overcome substantial structural, institutional, and political challenges through strong government support, capacity building, and active engagement in regional dialogue and trade diplomacy to realize these opportunities.'*⁴⁴

*'Timor-Leste's ASEAN integration is a transformative step that will demand substantial adaptation but offers valuable opportunities for economic diversification, capacity building, and international engagement. Strategic investment in education, regulatory reform, and infrastructure will be essential for maximizing the long-term benefits.'*⁴⁵

Only about one-third of businesses consider their workforce well-prepared for ASEAN standards; most rate readiness as "slightly" or "moderately" prepared, while 39% consider themselves only *slightly competitive* regionally. While beyond the scope of the present study, sectoral skills mapping and research are necessary to identify current and future workforce gaps and to guide targeted interventions that support skills upgrading in priority sectors. Additionally, while the identification of access to finance as a problem is consistent with other findings, deeper insight is needed on the actual barriers faced by businesses.

In terms of preparedness for cross-border trade, with 98% of enterprises reporting that they are already or planning to explore opportunities to expand to other ASEAN markets and 79% reporting they have or are in the process of developing a strategy to improve competitiveness in the ASEAN region⁴⁶, just 40% of enterprises⁴⁷ report having previously accessed the [Timor-Leste Trade Information Portal \(TIP\)](#). The TIP is an online platform that consolidates over 165 laws, regulations, procedures, and trade measures from 22 different government agencies, supporting Timor-Leste's commitments under the WTO Trade Facilitation Agreement and aligning with the requirements for the ASEAN National Trade Repository (NTR) under the ASEAN Trade in Goods Agreement (ATIGA).

⁴⁴ Quote from survey respondent.

⁴⁵ Quote from survey respondent.

⁴⁶ 38% report already having a strategy in place, 41% are in the process of developing a strategy.

⁴⁷ 100% of large enterprises, 25% of medium, 60% of small and 25% of micro enterprises reported use of the platform.

Membership density among survey respondents was mixed, with over half (57%) of businesses surveyed being CCI-TL members and 53% being members of other EBMOs, indicating moderate institutional-level engagement. Respondents stated that there was minimal evidence of structured social dialogue mechanisms or coordinated workforce policy engagement beyond ad hoc consultations.

Notwithstanding the low membership density and low levels of faith in labour market institutions, the bulk of respondents still look to CCI-TL and other representative institutions to improve engagement between government and private enterprise. They noted that in doing so, both CCI-TL and the government should prioritize:

- Access to finance;
- Skills, mobility, and training;
- Regulatory and institutional improvement;
- Information and outreach on ASEAN economic policies and how to increase collaboration opportunities between Timor-Leste and ASEAN firms; and
- Infrastructure and digital readiness.



Access to Finance

66-79% of businesses identify access to finance as a primary constraint. Credit systems remain significantly underdeveloped



Regulatory Readiness

Weak compliance with WTO trade standards, with only **17%** of businesses fully compliant with regulatory and institutional requirements.



Infrastructure & Digital Readiness

64% of businesses require improved digital access and connectivity to complete effectively.



Human Capital & Skills

Almost **60%** of businesses have undertaken no investment to align their skills and training needs with ASEAN standards.



Information & Outreach

Limited awareness of ASEAN economic policies and trade agreements. Only **35%** of businesses have utilized the national Trade Information Portal.



International Partnerships

Limited international collaboration, with only **10%** of firms actively collaborating within ASEAN. Most cite lack of market knowledge and supporting as barriers.

*'Key economic barriers faced by Timor-Leste businesses in ASEAN markets include limited access to finance, exchange rate volatility, persistent trade deficits, and infrastructure weaknesses. Market access challenges involve regulatory misalignment, non-tariff barriers, and the need to adopt ASEAN's trade facilitation standards. Other difficulties include the underdeveloped domestic private sector, overdependence on petroleum, weak human capital, and the challenge of meeting competitive and quality standards within the integrated market. Addressing these barriers will require institutional reform, enhanced financing options, regulatory modernization, and capacity building to support broader trade participation and business growth.'*⁴⁸

In addition to the quantitative feedback, respondents provided qualitative feedback that prioritize diversification away from the hydrocarbon sector requiring support for high-value growth industries (specifically those with higher-margin specialized goods and services), particularly in the agricultural and tourism sectors, which, while niche now, presents substantial prospects for growth.

⁴⁸ Quote from survey respondent.

Respondents placed a premium on dedicated technical support targeting:

- Language fluency (English or another ASEAN language);
- Regulatory support (either more streamlined regulations or assistance for Timorese firms to become more compliant with international systems/standards);
 - This includes trade and investment facilitation support.
- Digitalization of Timorese businesses, including better high-speed connectivity.



► 3. Labour Market Institutions

Labour market institutions, such as employment laws, wage-setting mechanisms, social dialogue structures, and vocational training systems, set the rules governing how workers and employers interact. They help ensure stability and predictability in employment relations, reducing risks of disputes or turnover that can increase business costs. Effective institutions also support productivity by aligning skills development with market needs and promoting fair competition among firms. In turn, this stability and skilled workforce make a country more attractive to both domestic and foreign investors.

The key governmental institutions governing the world of work in Timor-Leste include:

- Secretary of State for Vocational Training and Employment (SEFOPE): responsible for training and articulating national employment policies and programmes. It is mandated to oversee employment and labour policies in partnership with representative organizations of workers and employers.
- The General Labor Inspectorate (IGT): responsible for carrying out labour inspection activity in workplaces, including the respective prosecution of labour and social security violations.
- The Ministry of Social Solidarity and Inclusion: responsible for the design, implementation, coordination and evaluation of social security, social assistance for workers and other populations.

This is supported by consultation and/or dispute resolution bodies, including the National Tripartite Labour Council (NTLC), National Labour Arbitration Council (NLAC), as detailed further below.

Timor-Leste's Labour Administration – De Jure vs De Facto

► Box 3: Labour Administration to Date

The Government of Timor-Leste recognizes that the labour administration system is a work in progress.

On labor rights, the 2012 Labor Law put in place regulations for labor conditions, including a 44 hour work week, standard benefits such as leave and premium pay for overtime, and minimum standards of worker health and safety. In June 2012, the government set the minimum wage for full-time employment at USD 115 per month. Enforcement of labor laws is uneven, but increasing. A Social Security Law came into force in 2017, and a draft occupational health and safety law is being considered by the GoTL. The GoTL has acceded to many of the major international labor and human rights conventions including: International Labor Organization (ILO) Convention No. 29 on Forced Labor; ILO Convention No. 87 on Freedom of Association and Protection of the Right to Organize; ILO Convention No. 98 on the Right to Organize and Collective Bargaining; ILO Convention No. 182 on the Worst Forms of Child Labor; the International Covenant on Civil and Political Rights; the International Covenant on Economic, Social, and Cultural Rights; and the International Convention on the Protection of All Migrant Workers and Members of Their Families.⁴⁹

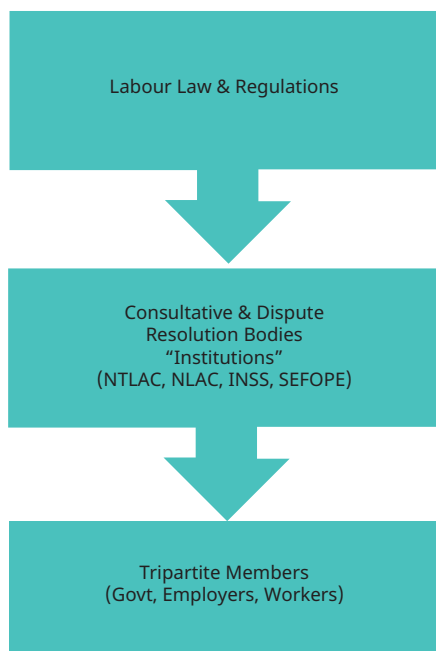
Legal foundation: The labour administration system in Timor-Leste is structured around a hierarchical legal and institutional framework. The Labour Law establishes core principles governing employment relations, workplace rights, and duties. Labour regulations operationalize these provisions, shaping compliance procedures, dispute-resolution processes, and institutional mandates.

Institutional Bodies: Under this framework, consultative and adjudicative bodies, including the National Tripartite Labour Council (NTLC), National Labour Arbitration Council (NLAC), labour inspection services (IGT), social security administration (INSS), and Secretary of State for Vocational Training and Employment (SEFOPE), are responsible for oversight, dialogue, monitoring, and enforcement. These bodies, in turn, interact with tripartite constituents representing Government, Employers, and Workers.

49 Government of Timor-Leste, *Timor-Leste Investment Reform Map*, p66 (emphasis added).

Tripartite Structure: In theory, this structure ensures policy coherence, robust social dialogue, and effective dispute resolution. However, interview feedback indicates gaps in resources, the irregularity of consultations, questions around institutional independence, and a lack of familiarity with ASEAN/WTO guidelines, declarations, and frameworks. This suggests a divergence between the legal framework and the practical implementation capacity.

Labour Administration (Notional) Architecture



Labour Administration Architecture in Practice

While the legal and institutional framework for labour administration in Timor-Leste is comprehensive in design, there remain gaps between policy intent and practical implementation. The latest Decent Work Country Programme for Timor-Leste notes the poor functioning of the dispute resolution system and subsequent overreliance on underqualified civil courts, the infrequent convening of key bodies such as the National Council for Labour, and poor interaction between employers and workers organizations.⁵⁰

This is supported by stakeholder interviews commissioned as part of this report which note:

- **Limited resources:** Constrained budgets and staffing restrict enforcement capacity and institutional effectiveness, limiting reach and impact.
- **Irregular consultations:** Consultative bodies meet sporadically rather than on predictable schedules, limiting systematic dialogue and consensus-building, while reach to the informal sector is described as “minimal”.⁵¹
 - For example, at times this has related to a delay of over a year, after which time the mandate of a body such as the National Tripartite Labour Council (NTLC) would lose its mandate, meaning long-standing issues such as the minimum wage cannot be addressed.⁵²
- **Constrained independence:** Stakeholders report challenges with institutional independence (particularly regarding undue political influence and poor transparency), and technical capacity across labour administration bodies.

⁵⁰ *Decent Work Country Programme Timor-Leste 2022-2025*, International Labour Organization (2022), pp15-17.

⁵¹ For example, the NTLC is meant to meet 2 times a month (24 times per year), but are often postponed due to lack of available budget for member per diems or delayed agenda for discussion due to meeting irregularity. Interview with NTLC members 15-17 October.

⁵² Interviews with NTLC members 15-17 October 2025. The frequent rotation of NTLC members also blunts the effectiveness of capacity-building efforts, as these often need to be repeated when members leave and new ones are appointed.

- **Digitalization and data management:** Weak systems for monitoring, reporting, and information sharing. Often, data may already be available but isn't published or shared. For example:
 - Data on the number of cases and their outcomes that come before the National Labour Administration Council (NLAC) is not published.⁵³
 - Minutes of NLAC meetings are kept but not distributed to members, leading to poor coordination and follow-up.
- **Limited alignment with regional and international norms:** Insufficient familiarity with ASEAN and WTO guidelines, declarations, and frameworks standards hampers regional integration and policy harmonization.

The status of the labour administration system will have a material impact on attracting inbound high-quality foreign investment and cross-border ventures. Regrettably, there are reports of widespread parallel de facto labour administration arrangements brought in by foreign employers, which run contrary to the spirit of Timor-Leste's regulatory approach.⁵⁴ Should this persist, more reputable foreign employers may be deterred from pursuing investment opportunities, given the unfair competitive advantage of unscrupulous actors and the high-risk premium of unpredictable labour relations mechanisms.

This contrast underscores the necessity of targeted interventions that bridge the gap between the comprehensive legal architecture and its operational capacity, particularly as Timor-Leste advances ASEAN and WTO integration. Strengthening institutional independence, technical capacity, and predictable funding will be essential. Structured tripartite consultation mechanisms and regular engagement schedules towards a proactive, systematic labour administration system would be transformative.

Timor-Leste, ASEAN and FPRW

On paper, Timor-Leste's membership of ASEAN will strengthen the bloc's observance of the Fundamental Principles and Rights at Work (FPRW), particularly of Conventions 87 and 98. While Timor-Leste is a party to the original form of the FPRW, the ILO's CEACR's most recent comments raise questions about Timor-Leste's capacity to observe and participate in international labour standards compliance.⁵⁵ In this, Timor-Leste finds itself in similar company where it has been observed that ASEAN retains "a significant implementation gap between legal commitments and workplace realities."⁵⁶

53 Interviews with NLAC members 15-17 October 2025. Workers and employers' organizations noted they were perplexed as to why this data could not be shared.

54 The construction and retail sectors are particularly affected. - Interview with NTLC members, 15-17 October 2025.

55 "The Committee notes with concern that the Government has not replied to its previous comments...[and]... recalls that the constitutional obligation of submission is of the highest importance and is a fundamental element of the standards system of the ILO." See, *Report of the Committee of Experts on the Application of Conventions and Recommendations (articles 19, 22 and 35 of the Constitution) – General Report and observations concerning particular Countries*, Geneva: International Labour Office, 2025, p1096.

56 Bart Robertson, *Baseline Survey: Trade, Labor, and Fundamental Principles and Rights at Work in South-East Asia*, International Labor Organization (October 2025), piii.

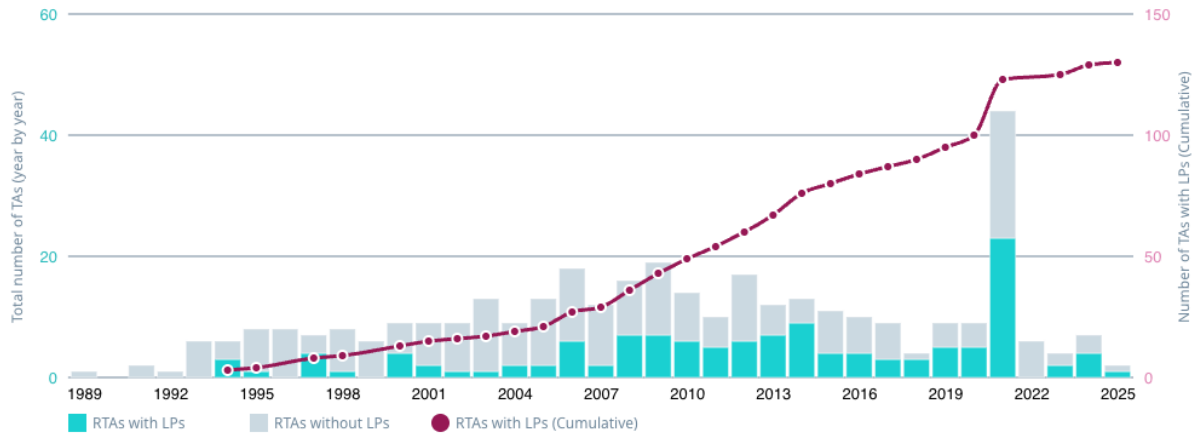
► Ratification Status of ILO Fundamental Conventions in ASEAN Member States⁵⁷

Convention		# of AMS Ratified	Ratifications/AMS	Not Ratified/AMS	Timor Leste's Ratification Status
C138 (1973)	Minimum Age	10/10	Ratified by all AMS	None	Not ratified
C182 (1999)	Worst Forms of Child Labour	10/10	Ratified by all AMS	None	Ratified
C29 (1930)	Forced Labour	10/10	Ratified by all AMS	None	Ratified
P29 (2014)	Forced Labour	2/10	Malaysia, Thailand	Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Myanmar, Philippines, Singapore, Viet Nam	Not ratified
C105 (1957)	Abolition of Forced Labour	5/10	Cambodia, Indonesia, Philippines, Thailand, Viet Nam	Brunei Darussalam, Lao PDR, Malaysia (Denounced Jan 1990) Myanmar, Singapore (Denounced Apr 1979)	Not ratified
C87 (1948)	Freedom of Association and Protection of the Right to Organise	4/10	Cambodia, Indonesia, Myanmar, Philippines	Brunei Darussalam, Lao PDR, Malaysia, Singapore, Thailand, Viet Nam	Ratified
C98 (1949)	Right to Organize and Collective Bargaining	6/10	Cambodia, Indonesia, Malaysia, Philippines, Singapore, Viet Nam	Brunei Darussalam, Lao PDR, Myanmar, Thailand	Ratified
C100 (1951)	Equal Remuneration	8/10	Cambodia, Indonesia, Lao PDR, Malaysia, Philippines, Singapore, Thailand, Viet Nam	Brunei Darussalam, Myanmar	Ratified
C111 (1958)	Discrimination (Employment and Occupation)	6/10	Cambodia, Indonesia, Lao PDR, Philippines, Thailand, Viet Nam	Brunei Darussalam, Malaysia, Myanmar, Singapore	Ratified
C155 (1981)	Occupational Safety and Health	5/10	Malaysia, Thailand (enters into force Jun 2026), Lao PDR, Singapore, Viet Nam	Cambodia, Brunei Darussalam, Myanmar, Indonesia, Philippines	Not ratified
C187 (2006)	Promotional Framework for Occupational Safety and Health	8/10	Brunei Darussalam, Indonesia, Lao PDR, Malaysia, Philippines, Singapore, Thailand, Viet Nam	Cambodia, Myanmar	Not ratified

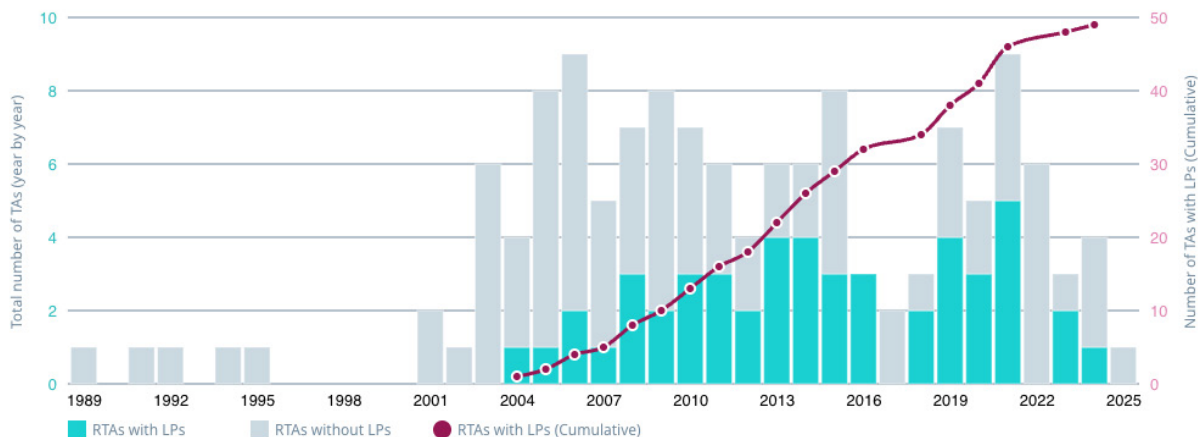
⁵⁷ Table is adapted from Robertson, *Baseline Survey: Trade, Labor, and Fundamental Principles and Rights at Work in South-East Asia*, pp2-3. Note the analysis was undertaken prior to Timor-Leste's accession to ASEAN.

This may have substantive effects in deterring conscientious and reputationally risk-conscious foreign direct investors, particularly given the growth of labour provisions in trade agreements.

Global FTAs with Labour Provisions⁵⁸



Asia and the Pacific FTAs with Labour Provisions⁵⁹



Despite a persistent gap between rhetorical support for FPRW and its implementation in ASEAN, it could be argued that the long-term trend favours strategic investment to secure comparable competitive advantages in FPRW observance. Timor-Leste's robust *de jure* position on FPRW combined with an absence of political resistance to sensitive issues such as Freedom of Association, well positions Timor-Leste among its ASEAN and WTO contemporaries. Timor-Leste's employers would be well-placed to make maximum advantage of this in their engagement with potential foreign investors.

Indeed, Timor-Leste has established an impressive legal foundation within a relatively short period since independence. The 2012 Labour Law puts into place the fundamentals such as a 44-hour work week, minimum requirements on leave and overtime payments, as well as minimum standards on Occupational Safety and Health (OSH).⁶⁰ Similarly, regulations govern the minimum wage and other social security arrangements. As with FPRW, the gaps lie with the mechanisms to promote, observe, and appropriately enforce this Framework.

⁵⁸ Sourced from Robertson, *Baseline Survey: Trade, Labor, and Fundamental Principles and Rights at Work in South-East Asia*, p4, which was in turn extracted from ILO Labor Provision in Trade Agreement Hub Database: Accessed Aug 28, 2025. <https://webapps.ilo.org/LPhub/> "Note: This database uses the term ratified trade agreement (RTA), which can be considered synonymous with FTA."

⁵⁹ Ibid, p5.

⁶⁰ Government of Timor-Leste, *Timor-Leste Investment Reform Map*, p66.



► 4. CCI-TLs' role and readiness

Representing the private sector in ASEAN & WTO Fora

While Timor-Leste has enjoyed observer status in ASEAN for some years, it is reasonable to presume that both the public and private sectors will experience some lag in integrating into ASEAN (and potentially WTO) operations. This would be consistent with the experiences of developing AMS that joined both organisations over the 1990s and 2000s.

Timor-Leste's private sector representatives are likely to face overwhelming and competing demands on their attention, with stretched and increasingly finite (at least in the short term) financing and human resources to meet them. It's therefore crucial that EBMOs such as CCI-TL aggressively prioritize what they will resource, how they will do so, and what they cannot commit to in the short- to medium-term. This can be assisted by drawing on the additional expertise and latent capacity of industry-specific organisations (where present, see also below). A clear definition of CCI-TL's priorities for membership of ASEAN and the WTO will also help mobilize support from development partners through technical assistance. Indeed,

...the WTO provides Timor-Leste with opportunities to advance trade through technical assistance and reforms supported by WTO donors. This includes expertise in cross-border trade, improved border management, and infrastructure, as well as domestic regulation reforms that can reduce trade costs and streamline global to regional value chains.⁶¹

Many of the ASEAN EBMOs, particularly those that later joined, were overwhelmed upon their national accession to ASEAN and the WTO. Prioritization and the limited capacity of a single national association to cover the full scope of both ASEAN and WTO economic issues became increasingly challenging as discussions grew more specialized. This necessitated cooperation with sectoral associations that could provide additional bandwidth, technical expertise, and more substantial reach within their respective sectors. Additionally, drawing on international chambers (i.e. Timor-Leste – Australia Business Council) and regional bodies, such as ASEAN Business Advisory Council (ABAC), adds additional heft and capacity to engagement. **CCI-TL would be well-advised to build strategic relationships with priority sector associations and to mobilize their time and expertise in ASEAN fora as a force multiplier.** This will enhance CCI-TL's capacity to serve as a focal point for ASEAN engagement while also better balancing competing demands on its time and resources.

► Box 4: Creating a multi-layered policy interface to enhance representation

Membership-based business organizations represent the private sector at multiple levels, representing members on local, sectoral, national, regional and global concerns. While structures vary from country to country, most systems feature a national umbrella organization that represents the private sector's interests across the economy, with a mandate derived from a membership comprising both individual companies and business membership organizations such as sectoral business associations, local business organizations, and foreign chambers or councils.

National umbrella organizations and sectoral business associations play distinct but complementary roles in policy development and advocacy:

- National umbrella organizations are established with a mandate to focus on broad economic and business policy, such as taxation, trade, labour laws, and macroeconomic issues.
- Sectoral business associations concentrate on industry-specific policies, regulations, and operational concerns, such as sectoral strategy, licensing, standards, workforce development, and market access unique to their sector.

Sectoral business associations also actively contribute expertise and advocacy to ASEAN economic and sectoral forums, primarily through national coordination mechanisms and ASEAN Business Advisory Council (ABAC) channels. While they may not always participate directly in high-level ASEAN bodies, their input is crucial for shaping sector-relevant policies and ensuring that ASEAN integration reflects private-sector realities.

61 Reza et al, *Timor-Leste Economic Report*, p33.

Together, these organizations create a multi-layered policy interface that aligns national economic priorities with sector-specific realities, ensuring that advocacy and policy development are both comprehensive and responsive to the needs of diverse business communities.

Planning and prioritization

'Strong representation of business interests in government policy discussions is essential. We hope CCI-TL continues to advocate for a more enabling business climate, including infrastructure, financing, and innovation support.

Regular updates on economic trends, sector performance, and investment opportunities—especially in the ASEAN region—would help us make informed strategic decisions.⁶²

As outlined above, Timor-Leste's EBMOs, especially its peak body CCI-TL, can expect to be overwhelmed by the demands on their time, attention, and limited resources by membership in both ASEAN and WTO. Indeed, less than a week after it acceded to ASEAN, reports emerged of Timor-Leste's candidature for membership of the Regional Comprehensive Economic Partnership (RCEP), the world's largest trade agreement encompassing a third of global GDP.⁶³ This will be in addition to the demands of the "convoluted noodle bowl" of other overlapping trade agreements to which ASEAN is a party.⁶⁴ This progress, while overall positive, brings into sharp relief the urgency, indeed "a once-in-a-generation chance", for both government and industry to hasten their internal capacities to drive and sustain reform.⁶⁵

Objective prioritization will be an essential component, and difficult, fast-paced, even ruthless decision-making will need to be a key quality of EBMO leadership. Beyond this, EBMOs will need to secure resources for the mundane yet important logistics and coordination functions. Particularly, as the 11th Member of ASEAN bodies such as CCI-TL will now be expected to participate as a full AMS representative in substance, if not immediately in form.⁶⁶

Establishing, or making more effective use of existing, consultation bodies with the government is essential. As examples of later AMS EBMOs have shown, coordination with the government ahead of ASEAN and WTO fora is essential in maintaining credibility among membership and currency and influence with policymakers. Timor-Leste's government and private sector constituents should also swiftly move to take advantage of the Initiative for ASEAN Integration (IAI), which assists AMS in fulfilling their ASEAN obligations.⁶⁷

For example, regarding "migrant worker protection" issues, the relevant body is the Asean Committee on Migrant Workers (ACMW). Each year, the ASEAN chair also convenes the ASEAN Forum for Migrant Labour (which falls under the ACMW work plan) and must shoulder some of the meeting costs (i.e., the hotel costs for the head of each country's delegation and the meeting venue). The year following their chairmanship, the member state also organises the ACMW's annual meeting and absorbs some of the related costs. In addition, there are several other ACMW-related meetings each year, but participation in these meetings is typically sponsored (for example, by ILO).

62 Quote from survey respondent.

63 See, Jayanty Nada Shofa, "ASEAN Back's Timor-Leste's Entry into RCEP After Granting Full Membership", *Jakarta Globe*, 30 October 2025 and Shobhit Seth, "Regional Comprehensive Economic Partnership (RCEP) Definition", *Investopedia*, Updated 2 February 2025 [Accessed 3 November 2025].

64 Masahiro Kawai & Ganeshan Wignaraja, *Asian FTAs: Trends, Prospects, and Challenges*, Asian Development Working Paper No. 226, 2010, as referenced in Ron Brown, "ASEAN: Harmonizing Labor Standards for Global Integration", *UCLA Pacific Basic Law Journal*, 33(1), 2016.

65 Reza et al, *Timor-Leste Economic Report*, p18. See also, Government of Timor-Leste, *Timor-Leste Investment Reform Map*, p76-77,

66 See also Brown, *ASEAN: Harmonizing Labour Standards*, p70.

67 For more, see Rui Augusto Gomes, Rashesh Shrestha, and Salvador Buban, "Areas of Cooperation Between ASEAN and Timor-Leste", *Policy Brief* No. 2024-05, Economic Research Institute for ASEAN and East Asia (ERIA), November 2024, p6.

► Box 5: ASEAN Labour Ministers' Meeting (ALMM)

Since 1988, the biennial ALMM has convened AMS labour ministers and other relevant stakeholders to discuss and coordinate on labour-related issues, policies, and initiatives aimed at promoting decent work, social protection, and economic development in the region. The meetings focus on themes such as human resource development, labour market challenges, and cooperation in areas like occupational safety and health, industrial relations, and migrant worker protection. Chairmanship of the meeting revolves by AMS on a rolling biennial basis, with each chair typically focusing on a particular theme for that period. While led by the government, both the Chairmanship and the meetings are substantively supported by host-country stakeholders, particularly in shaping the thematic discussions and influencing the inputs to decisions and statements made at each meeting.

In association with the ALMM, the ILO supports a biennial bipartite conference between national workers and representatives of employers' organisations within ASEAN. Four such conferences have so far taken place (2016, 2019, 2023, 2024), aiming to build representatives' capacity to build trust, address emerging issues, and develop and advance common positions in support of policy dialogue. Ahead of the bipartite conference, the ASEAN Confederation of Employers (ACE) convenes employer representatives to discuss group positions on various issues and facilitate dialogue and negotiation among members, aiming to arrive at joint positions. ACE also leads regional advocacy to ASEAN on behalf of members. To participate fully and effectively in these forums, CCI-TL will need to secure membership in ACE; ensure the CEO and President are available to join the biennial conference and annual meetings of ACE; ensure prior consultation with member companies is undertaken; and provide a briefing to members following these engagements.

Providing value-added services and assistance to members

In order to service its current membership needs and to attract new members, CCI-TL should give consideration to providing those services which Timor-Leste's businesses have indicated are priorities. This includes:

- **Export readiness training:** Help firms understand ASEAN trade rules, tariff reductions, rules of origin, and standards compliance.
- **Market intelligence services:** Provide data and analysis on demand trends, pricing, and competition within ASEAN markets.
- **Business matchmaking and trade missions:** Facilitate connections with potential buyers, distributors, and investors in other ASEAN member states.
- **Advisory services on customs and logistics:** Offer guidance on new import/export procedures under ASEAN frameworks.
- **ASEAN compliance training:** Organize workshops on product standards, certification, intellectual property, and sustainable business practices.
- **SME competitiveness programs:** Build capacity in digitalization, innovation, and financial literacy so local firms can compete regionally.
- **Investor-business forums:** Connect local companies with ASEAN investors and supply chains.
- **Promotion of local sectors:** Showcase Timor-Leste's comparative advantages (e.g., tourism, agriculture, light manufacturing) through ASEAN business councils.
- **ASEAN information desk:** Centralize guidance on new trade rules, opportunities, and sector-specific updates.
- **Sustainability, Human Rights Due Diligence, and ESG support:** Assist companies in implementing responsible business practices and meeting regional expectations for sustainability, human rights due diligence, and ESG compliance.

Organizational structure

To ensure effective representation of the private sector in ASEAN and WTO processes, CCI-TL will need to adopt a structure that is inclusive, technically capable, and strategically connected to both government and international networks including ABAC and ASEAN's joint business councils.⁶⁸ Consultations with CCI-TL⁶⁹ indicate that the organization recognizes its limited operational capacity. Currently, all private-sector ASEAN/WTO interactions are managed through CCI-TL, which has limited capacity to meet the increasing demands on its time and resources. Notionally, CCI-TL has plans to develop a dedicated section of 2-3 personnel to manage ASEAN-WTO matters, but this is likely to focus on logistical support given the highly analogue (and human-capital intensive) nature of organizing events and meetings in Timor-Leste at this time. The limited capacity of Timor-Leste's private sector to fully participate in key ASEAN fora, such as the ASEAN Senior Economic Officials Meeting (ASEAN-SEOM), has been noted at the highest levels of ASEAN institutional leadership and is a gap that must be addressed. Current ASEAN/WTO consultations with the Government of Timor-Leste remain ad hoc and uncoordinated, and this needs to be addressed to ensure coherence in national-level messaging in relevant areas.

► Box 6: Lao National Chamber of Commerce and Industry (LNCCI) – insights from an experience developing ASEAN and WTO member states⁷⁰

LNCCI's experience of joining ASEAN and the WTO provides relevant insights for Timor-Leste's membership of both. In the initial stages of membership consultation processes between the public and private sectors, the latter's engagement in ASEAN and WTO matters tended to lag behind that of the government. This was influenced by a combination of the novelty of joining bodies with such a wide-ranging agenda, limited familiarity with the respective organizations, and limited resources. LNCCI was assisted at the early stages of its ASEAN membership by waived or discounted membership fees (such as for ABAC) and by development partners in defined areas of technical cooperation. Over time, LNCCI has developed consultation mechanisms and cooperative arrangements with sectoral business associations as well as structured and prioritized the allocation of its limited means to engage on ASEAN/WTO issues.

Dedicated Resourcing, Structuring, and Prioritization

LNCCI places a premium on engaging in ASEAN issues of the most direct relevance to the Lao PDR. LNCCI enjoys mature relationships with relevant sectoral associations in the country through which LNCCI's engagement on relevant topics is partially delegated. For example, transport-focused ASEAN fora are assisted in part by the relevant Lao PDR transport industry association. These sectoral associations typically meet twice a year and provide their inputs to regular regional interactions at the ABAC level, which are then coordinated with the relevant national economic ministers.

At an organizational level, LNCCI has structured itself with a dedicated unit focused on economic integration issues (ASEAN & WTO), and ensures that its executive and board members allocate a proportion of their time to these affairs. Roughly 15% of LNCCI's total staff are dedicated full-time to economic integration issues. Notwithstanding, technical skills gaps persist. To mitigate this, LNCCI is seeking to establish a council comprising academics, professionals, and former ministers as part of its 2026-2030 strategic plan. LNCCI intends to further bolster this initiative through issue-specific working groups that draw on the expertise of international chambers.

CCI-TL will therefore need to revisit its current structure (a template model for consideration is proposed below and a draft Terms of Reference can be found in Annex #2) to meet the breadth of needs of its constituents. This includes:

- Dedicated trade and policy personnel to monitor ASEAN/WTO developments, manage liaison with relevant government counterparts (trade, foreign affairs, finance), with the capacity to provide credible technical advice to members as well as to government.

⁶⁸ For a full list see: "Major Business Councils Engaging ASEAN" at <https://asean.org/our-communities/economic-community/resilient-and-inclusive-asean/public-private-sector-engagement-ppe/major-business-councils-engaging-asean/> [accessed 11 November 2025].

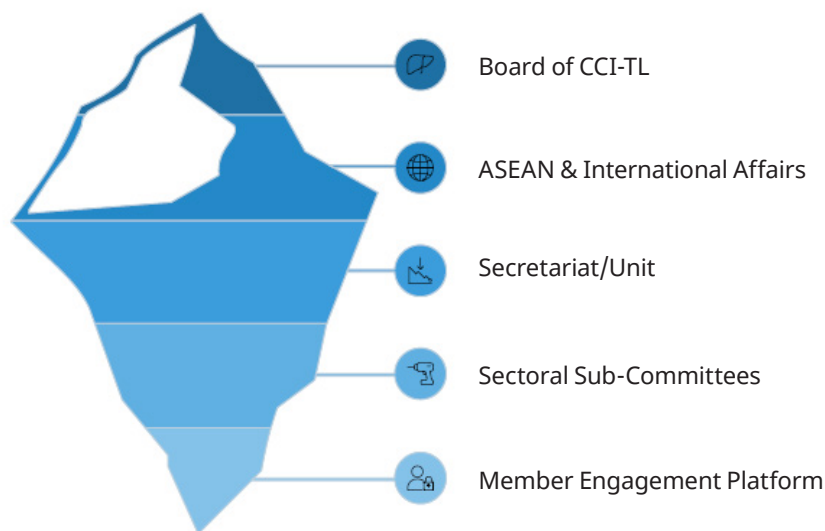
⁶⁹ The points made in this subsection derive from consultations with CCI-TL held on 6 August 2025. These should not be considered a formal record of the conversation, but an observation of general points covered. Readers should not take these points as verbatim, official representations of the CCI-TL, its leadership, or its membership.

⁷⁰ These insights are derived from an interview with LNCCI's leadership held 15 August 2025. The insights gained should not be read as verbatim record of the conversation and are purely illustrative in nature.

- Knowledge, communications, and outreach capacity that generates the evidence base for policy positions, provides relevant and timely updates to members, and training and advisory functions to enhance the capacity of Timorese to conduct cross border commerce.
- Formal, regular consultation mechanisms with the government to coordinate a comprehensive Timor-Leste approach to ASEAN and WTO fora, ensure the private sector's positions are systematically integrated into government-led trade and investment initiatives, and formalize the role of the private sector in shaping regional integration and global trade and investment policy.
- Linkages to key international bodies to strengthen the credibility, reach, and capacity of CCI-TL including but not limited to ASEAN ABC, foreign-led chambers of commerce, ILO's Bureau for Employers' Activities and International Training Centre, multilateral development banks, among others.

Template Organizational Structure

While CCI-TL's leadership and membership will ultimately determine how CCI-TL manages its engagement with ASEAN/WTO matters, CCI-TL could consider general models for how other ASEAN-related chambers structure themselves to manage engagement, such as the example shown below.



Board of CCI-TL – Provides overall oversight and endorses the ASEAN/WTO engagement strategy.

ASEAN & International Affairs Committee – Chaired by a Board member and composed of company and EBMO representatives from key sectors, exporters, and trade/legal advisors. It guides policy positions on regional trade, WTO matters, standards alignment, and ASEAN linkages.

Secretariat / ASEAN & Trade Integration Unit – A small, dedicated team (at least one specialist) responsible for monitoring ASEAN/WTO developments, liaising with sectoral associations, preparing member briefings, organizing trade missions and events, and conducting policy research.

Sectoral Sub-Committees / Working Groups – Focused groups consisting of lead firms and representatives of relevant sectoral and industry associations (e.g., Manufacturing & Exports, Services & Digital Economy, SMEs & Standards) that report to the ASEAN Committee and provide sector-specific insights.

Member Engagement Platform – Working independently and in collaboration with sectoral associations, conducts regular surveys and convenes workshops, briefings, and forums to identify and respond to member priorities.

Advocacy & External Liaison Function – Coordinates CCI-TL positions to government and regional bodies, representing members in ASEAN and WTO-related platforms.

Monitoring & Reporting – Produces an annual report on ASEAN/WTO engagement with clear performance indicators (e.g., consultations held, policy submissions, trade missions).



► 5. Bridging the Gap - Timor-Leste's Development Partners

As the impacts of ASEAN and WTO membership begin to filter into real impacts for Timor-Leste's economy and business community, there will be ample opportunity to maximize these gains through technical cooperation with the range of development partners supporting Timor-Leste. Development partners play a critical role in supporting Timor-Leste's economic and institutional growth, and their impact is maximized when they coordinate closely, align strategies, and collaborate to deliver complementary assistance. A national coordination mechanism may be needed in order to ensure that development interventions are coherent, act as a multiplier effect, and manage limited resources. One model includes a Private Sector Development Framework and Action Plan which coordinates across government, all relevant development partners, and the private sector to outline who will target what and why.⁷¹

At the regional level, ASEAN introduced the Initiative for ASEAN Integration (IAI) to support these newer member states in fulfilling their ASEAN obligations and narrowing development gaps. Similarly, ASEAN could implement programmes and initiatives to enhance Timor-Leste's capacity to fully participate in the regional bloc.

Encouraging exchanges between Timor-Leste and AMS could also help accelerate integration and broaden the local economy's diversification. For example:

Joint ventures that bring together Indonesian capital and Timorese labor, particularly in fisheries, agriculture, and light manufacturing, present a promising path forward. With abundant labor but limited capital and industrial expertise, Timor-Leste stands to benefit greatly from targeted capacity-building efforts. Recent initiatives have included sending Timorese workers to Indonesia for hands-on training in pearl farming, seaweed processing, and coastal fishing. Even communities from traditionally inland areas have been engaged, helping expand economic participation across regions.⁷²

While,

In tourism, cross-border collaboration with eastern Indonesia holds strong potential. As popular destinations like Bali face overtourism, lesser-known spots such as Labuan Bajo and Kupang—together with Dili, Ataúro, and Jaco Island—can be positioned as part of a broader regional tourism hub. This integrated approach could enhance the appeal of Timor-Leste as a travel destination, especially if paired with a mobility regime that facilitates the easy flow of tourists and services across borders.⁷³

► Box 7: Timor-Leste's development partners have been providing support in preparation for Timor-Leste's ASEAN and WTO membership.

This includes:

The **ILO will support a further iteration of the Labour Force Survey** in 2026, providing valuable information on the status of Timor-Leste's labour market. This builds on current support for implementing the N Employment Strategy (NES) 2017 - 2030 and the National Strategy for Social Protection (NSSP) 2021-2030 with support from projects on Agroforestry Skills for Employment and Resilience and Strengthening Social Inclusion and Nutrition in Timor-Leste.

The **Asian Development Bank (ADB)**, in concert with others, has been providing technical assistance to the Government of Timor-Leste, focusing on bringing the country into compliance with the 66 relevant economic

71 This plan was developed by the Asian Development Bank's Mekong Business Initiative program as a mechanism to manage the veritable wave of technical assistance being offered to Myanmar during its liberalization period in the mid-2010s. While civilian government rule was indefinitely suspended from February 2021 onward, it nonetheless had provided what was, before this development, a successful model for accounting for and coherently managing private-sector development in that country. For more, see <https://mekongbiz.org/myanmar-indicative-private-sector-development-framework-and-action-plan/>.

72 "Timor-Leste's ASEAN Accession amid Global Power Rivalries: navigating the Opportunities and Challenges Ahead – Interview with Fidelis Magalhaes", *The National Bureau of Asian Research*, 11 August 2025, p3.

73 Ibid.

agreements that all ASEAN Member States (AMS) are expected to comply with upon accession, with a strong focus on ASEAN Trade in Goods Agreement (ATIGA) and the ASEAN Trade in Services Agreement (ATISA).⁷⁴ The ADB's recently reaffirmed its readiness to expand development cooperation in support of Timor-Leste's national priorities, including investment in resilient infrastructure, private sector development, and job creation for young people.⁷⁵

PROSIVU⁷⁶ Through its Inclusive Economic Growth and Trade Integration workstream, the Australian Government-financed PROSIVU provides targeted assistance to the Ministry of Commerce and Industry (MCAE) and other central agencies to advance Timor-Leste's WTO and ASEAN accession. Support has included legal and technical advisory services, capacity building, and policy reform to align national frameworks with international trade standards. PROSIVU has facilitated training on ASEAN Economic Community agreements (ATIGA, ATISA, ACIA), negotiation workshops, and English Language Training for ASEAN Accession (ELTAA) to strengthen institutional readiness. It also supports the establishment of essential systems—such as national standards and SPS mechanisms—through partnerships like Standards Australia. Beyond government-level support, PROSIVU promotes public outreach and stakeholder engagement across municipalities to increase understanding of WTO and ASEAN commitments

74 For more, see Asian Development Bank, *Timor-Leste: Capacity for Regional Economic Integration Project Completion Report*, ADB; July 2021/

75 See, Asian Development Bank, “ADB President Supports Timor-Leste's ASEAN Entry, Pledges to Expand Development Cooperation”, *News Release*, ADB, 21 July 2025.

76 Note this is not an exhaustive description of the full PROSIVU program but arose out of consultations held in July 2025. For a full description of the program see <https://prosivu.com/>.



► 6. Conclusion and Recommendations

In general, this paper supports the thesis of improved potential welfare and export gains from Timor-Leste's deepening and expanding economic cooperation within ASEAN and as a result of its WTO membership. Based on previous research and the experience across ASEAN, the economic "pie" in Timor-Leste is likely to grow. Still, lower-wage workers will feel the benefits through better access to employment rather than higher wages. The structural changes driving these results could also significantly affect informality. In the AEC and RCEP scenarios, the rise in sector employment tends to be driven by growth in the informal sector. Thus, even though we expect ASEAN membership to generate large returns to Timor-Leste and to labour overall, Timor-Leste needs to consider the mixed effects on the distribution of these gains and act accordingly to ensure that the benefits are fairly spread.

1. Preparing the private sector

- 1.1. **Targeted private sector development partnerships:** CCI-TL should advocate for a dedicated private sector development partnership designed to rapidly enhance Timor-Leste's businesses to align with ASEAN & WTO systems and to stimulate partnerships with ASEAN peers. Successful examples include the [Mekong Business Initiative](#) or [Pacific Private Sector Development Initiative](#)—to enhance enterprise competitiveness, innovation, and access to finance.
- 1.2. **Tailored membership services:** CCI-TL should establish and build up a portfolio of information, advisory and training services for member companies to upgrade their businesses and navigate the new regional settings. Priority services include:
 - ASEAN information desk and Tetum language publications on new trade rules, opportunities, and sector-specific updates
 - Training and advisory services on export readiness and ASEAN compliance
 - Business matchmaking, trade missions, and investor–business forums
- 1.3. **Sectoral skills mapping and needs anticipation:** To assist companies in workforce planning and inform skills development policy, CCI-TL should advocate for research to identify current and future skills gaps in sectors most impacted by ASEAN membership.

2. Creating an enabling environment for business and investment

- 2.1. **Public–private coordination mechanism on ASEAN & WTO Integration:** CCI-TL should urgently seek to establish a coordination mechanism or seek to improve existing mechanisms that engage the Government regularly on ASEAN/WTO issues. CCI-TL should consider taking a leading role in the logistical coordination of this mechanism.
- 2.2. **Strengthen sectoral business associations:** CCI-TL should prioritize strategic investment in the institutional development and capacity-building of independent sectoral business associations under its national umbrella. Strengthening these associations will reinforce the depth, representativeness, and technical expertise of the private sector, enabling more effective participation in ASEAN and WTO forums and greater influence over national policy formulation.
- 2.3. **Prioritize alignment of DWCP and UNSCDF:** Under such a mechanism, CCI-TL should advocate for alignment of the ILO Decent Work Country Programme (DWCP) and UN Sustainable Cooperation Framework (UNSCDF) with Timor-Leste's ASEAN and WTO objectives, ensuring consistent short-, medium-, and long-term goals.
 - The ILO should capitalize on its expertise in effective tripartite social dialogue mechanisms and direct technical assistance towards upskilling CCI-TL and sectoral business associations' capacity to engage in national policy fora on labour, ASEAN, and WTO affairs. Support should be focused on the business community's priorities, i.e., such as those defined under recommendation 4.1 below.

- Development partners more broadly should focus technical assistance on:
 - Business climate reform, in particular, policy and regulatory harmonization with ASEAN/WTO frameworks and access to finance.
 - Workforce upskilling with respect to ASEAN/WTO guidelines, declarations, and frameworks
 - Support for digital infrastructure and trade facilitation.

2.4. **Coordination:** Both development partners and the government of Timor-Leste should consider an overarching private sector development coordination mechanism.

2.5. **The Government of Timor-Leste should sharpen its focus from the aspirational to more evidence-based economic goals:** The Government of Timor-Leste should prioritize efficient public spending and realistic economic planning to build investor confidence. For instance, development goals must move from aspirational to more credible, evidence-based projections.⁷⁷

2.6. **Investment promotion:** Strengthen trade and investment promotion efforts through implementation of the Timor-Leste Investment Reform Map and improved inter-agency coordination on investment facilitation.

2.7. **Access to finance:** CCI-TL should advocate for the development of diversified financing instruments—such as guarantee schemes, microfinance, venture capital, and credit lines—to meet the needs of businesses at different stages of growth and with priority to sectors with most potential to benefit from ASEAN membership.

2.8. **Digitalization a decentralization of government services:** The Government of Timor-Leste should consider accelerating and expanding the delivery of labour and business services beyond Dili through municipal offices or digital access platforms to improve equity and reach

3. strengthening labour administration and social dialogue

3.1. Align national labour systems with ASEAN/WTO readiness and improve the quality of social dialogue through:

- **National Labour Administration Strengthening Plan:** Develop a unified plan identifying priorities for labour inspection, arbitration, and social protection reform to meet ASEAN/WTO commitments (see also recommendations 5.1 and 5.2).
- **Tripartite labour policy forum:** Establish a permanent forum linking government, EBMOs, and trade unions to coordinate labour policy, promote transparency, and improve evidence-based decision-making.
- **Bipartite platforms for social dialogue:** Establish platforms for regular bipartite dialogue at the national and sectoral level to proactively address labour-market impacts of ASEAN membership, anticipate adjustment needs, and support stable, cooperative employer-worker relations.
- **Improved institutional independence and governance:** Strengthen the autonomy and integrity of labour institutions through clear governance frameworks, conflict-of-interest rules, and accountability measures.

3.2. **The Government of Timor-Leste should invest in training and certification programs** for inspectors, arbitrators, and social security officers, focusing on law, case management, and ethical conduct.

3.3. **Modernize labour administration systems:** Improve labour administration through digital case management, data sharing, and online reporting systems, ensuring interoperability across ministries. The government should partner with relevant development partners to bridge any technical or financial gaps.

4. Building institutional capacity to service ASEAN and WTO demands

4.1. **Development of an ASEAN & WTO Strategic Engagement Plan:** CCI-TL should prepare an **ASEAN/WTO strategic engagement plan** identifying priority sectors, activities, and partnerships. This should include a robust assessment process that allocates resources to areas with the greatest impact on CCI-TL's members.

4.2. **Dedicated ASEAN and International Affairs Unit:** CCI-TL should structure resources, such as a specialized unit within CCI-TL, to manage ASEAN/WTO and international affairs. This unit should provide both technical and logistical support to maximize board effectiveness and member services. Sustainability measures must be incorporated to ensure this function endures beyond donor or project support.

⁷⁷ As has been noted, Timor-Leste's goals of double-digit growth targets have been "exceedingly optimistic" with growth in the very low digits, an average of 1.1 per cent over 2013-2022. See Reza et al, Timor-Leste Economic Report, p5.

- 4.3. **Lean into sectoral associations:** CCI-TL should integrate strategic engagement of relevant sectoral associations to spread the workload and need for technical specialization more evenly for ASEAN & WTO-related engagements.
- 4.4. **Language competencies:** Both the government and the private sector need to more heavily invest in English and Portuguese language competencies, given that ASEAN and WTO use English as the primary language, while Timor-Leste's legal system is universally codified in Portuguese.⁷⁸ The Government of Timor-Leste should also consider publishing all future business regulations and laws with additional English and Tetum versions.

⁷⁸ As mentioned above, as part of this report's survey work, language barriers were listed as the third most significant key human resource challenges in the context of ASEAN integration.

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► Annexes of acronyms

ABAC	ASEAN Business Advisory Council
AMS	ASEAN Member State
ASEAN	Association of Southeast Asian Nations
ASEAN-SEOM	ASEAN Senior Economic Officials Meeting
ATIGA	ASEAN Trade in Goods Agreement
ATISA	ASEAN Trade in Services Agreement
CCI-TL	Chamber of Commerce and Industry – Timor-Leste
IGT	General Inspectorate of Labour
EBMO	Employer and Business Membership Organization
INSS	Institute of National Social Security
NLAC	National Labour Arbitration Council
NTLC	National Tripartite Labour Council
RCEP	Regional Comprehensive Economic Partnership
SEFOPE	State Secretariat for Vocational Training and Employment
WTO	World Trade Organization

► Attachment #1

Model for ASEAN and International Affairs Unit within Chamber

1. Purpose

The ASEAN and International Affairs Unit is established to coordinate, represent, and advance the interests of the national private sector in regional and international economic forums, particularly ASEAN and WTO-related bodies. The Unit will provide policy support, strategic engagement, and capacity-building services to ensure that member companies are informed, prepared, and effectively represented in integration processes and cross-border economic cooperation.

2. Objectives

- Strengthen the Chamber's role as the national focal point for private-sector engagement on ASEAN, WTO, and other international economic platforms.
- Ensure well-prepared, evidence-based business representation in regional and global trade and investment processes.
- Provide timely and practical information on trade agreements, rules, and policy developments.
- Strengthen member companies' understanding of and ability to benefit from ASEAN and other international economic opportunities.
- Channel private-sector priorities into national trade policy processes.
- Facilitate structured, effective interaction between the private sector, government, development partners, and regional bodies.

3. Key Functions and Responsibilities

Coordination and Representation

- Coordinate private-sector participation in ASEAN forums, including the ASEAN Business Advisory Council (ABAC), sectoral working groups, and relevant regional dialogues.
- Prepare business delegates for participation in regional and international forums through briefings, position papers, and strategic guidance.
- Act as liaison with relevant government ministries and agencies to ensure a unified national approach to ASEAN and WTO matters.
- Support the Chamber's representation in international business networks and bilateral business councils.

Policy Analysis and Development

- Conduct research and analysis on ASEAN commitments, regional economic integration, multilateral trade developments, and emerging international standards.
- Develop evidence-based policy positions reflecting private-sector priorities and concerns.
- Lead drafting of policy submissions, recommendations, and advocacy documents for government, ASEAN, and international bodies.
- Monitor implementation of ASEAN and WTO commitments and identify implications for the business environment.

Information, Advisory Services, and Training

- Provide timely information, advisories, and updates to members on ASEAN agreements, regulatory developments, market opportunities, and compliance requirements.
- Organize training programs, workshops, and seminars on trade facilitation, market access, standards, sustainability, and related topics.
- Develop guidance materials to help businesses understand and utilise ASEAN frameworks and trade agreements, such as tariff preferences, rules of origin, and services commitments.
- Maintain an up-to-date repository of resources on ASEAN and international trade matters

Stakeholder Engagement

- Coordinate with government, development partners, research institutions, and private-sector bodies to strengthen national readiness for ASEAN integration.
- Facilitate consultative mechanisms and structured dialogue between businesses and government on trade, investment, and regulatory matters.
- Support development partner initiatives relevant to ASEAN integration and private-sector development.

4. Organizational Structure

The Unit will be headed by a Manager reporting to the Chamber's Chief Executive Officer. Staff may include policy officers, research analysts, and administrative support as required. The Unit may engage external experts or consultants for specialized technical work.

5. Reporting and Accountability

- Prepare quarterly and annual reports on activities, achievements, and issues requiring executive attention.
- Report progress to the Chief Executive Officer and relevant committees of the Chamber.
- Maintain transparent documentation of policy drafts, consultation outcomes, and engagement processes.

6. Outputs and Deliverables

- Annual ASEAN and International Affairs Work Plan.
- Policy briefs, position papers, and advocacy submissions.
- Member advisories and regular information bulletins.
- Training programs and capacity-building activities for member companies.
- Coordination reports for ASEAN and WTO-related engagements.

