

# Evaluating Labor Advantages and Disadvantages for Timor-Leste's Integration into ASEAN: A Qualitative Analysis

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## ABSTRACT

This qualitative research adopts the Empirical-Normative approach to conduct a comprehensive assessment of the strengths and challenges within Timor-Leste's labor sector, encompassing aspects such as skills, experience, labor market competition, and the implications of Timor-Leste's integration into ASEAN. Acknowledging the pivotal role of labor as a cornerstone of economic activities, particularly within the industrial sector where a skilled workforce is integral to optimizing human capacity, this study was conducted in Dili. It employed a flexible methodology involving direct engagement with key informants who play active roles in decision-making processes and sourced data from official government documents, including SEFOPE, MNEK, INDMO, SERVE, I.P., the World Bank, g7+, and ADN. The data analysis underscores a critical finding: the establishment of a free trade area may not yield significant benefits if the domestic industry lacks competitiveness vis-à-vis foreign counterparts. Majority of authors advocate for a prerequisite approach, underscoring the imperative for Timor-Leste to prioritize the development of its economic sector, nurture a skilled and qualified workforce, enhance agricultural quality, and substantially increase local production. These prerequisites are deemed indispensable for active and successful participation in regional and global free trade areas, warranting careful consideration before pursuing ASEAN membership.

**Keywords:** Advantages, Disadvantages, regional integration, Workers, ASEAN, Timor-Leste.

## 1. Introduction

The Association of Southeast Asian Nations (ASEAN) serves as a prominent regional organization with a fundamental mission: to nurture and advance the nations situated in the Southeast Asian region. This comprehensive entity, headquartered in Jakarta, Indonesia, carries a rich history and holds significant strategic importance in the global political landscape. Established on the 8th of August, 1967, in Bangkok, Thailand, ASEAN embarked on its journey with a visionary group of founding members, including Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Over time, this formidable alliance expanded its membership to include additional nations, with Brunei Darussalam joining on the 7th of January, 1984, followed by Vietnam on the 28th of July, 1995, and Laos and Myanmar on the 23rd of July, 1997. Cambodia completed this distinguished list by becoming a member on the 30th of April, 1999, culminating in a total of 10 member nations within ASEAN (Prasetyo, 2021).

The cornerstone of ASEAN rests upon a set of cardinal principles, marked by unwavering commitment to principles such as sovereignty, independence, territorial integrity, and the preservation of national identity for each of its member nations. These principles underscore ASEAN's collective aspiration to cultivate an environment characterized by mutual respect, trust, and cooperation within the region.

The organizational objectives of ASEAN, meticulously outlined in the ASEAN Charter, encompass a multifaceted approach to regional development. These objectives encompass pivotal roles such as promoting and maintaining peace and stability, facilitating political cooperation, ensuring regional security, fostering economic growth, and nurturing socio-cultural development. Additionally, ASEAN is committed to establishing the Southeast Asian region as a nuclear-free zone, demonstrating its dedication to global peace and disarmament. A notable aspiration of ASEAN is the creation of a unified market and a stable, prosperous, and economically integrated production base. This ambition is underpinned by the establishment of robust trade and investment mechanisms, ensuring the unhindered flow of goods and services within the region.

Timor-Leste, an aspiring nation in Southeast Asia, harbors ambitions of becoming a full-fledged member of ASEAN. The pursuit of ASEAN membership is driven by a discerning recognition of the manifold advantages it can offer. Foremost among these is access to the vast ASEAN market, a tantalizing prospect promising economic growth and expansion. Additionally, the potential for technology transfer and the infusion of scientific knowledge from other member nations holds significant allure for Timor-Leste. In preparation for this pivotal step, Timor-Leste has diligently dedicated its efforts to the development of its human capital, natural resources, political infrastructure, economic policies, and socio-cultural capacities. These endeavors are undertaken with the aim of meeting the qualifications necessary for ASEAN membership. Importantly, fostering positive relations with existing ASEAN member countries plays a pivotal role in facilitating this transformative journey.

Within this context, the present research assumes paramount significance. It embarks on a rigorous examination of the advantages and disadvantages associated with Timor-Leste's integration into ASEAN, with a particular focus on its labor market. This inquiry seeks to uncover the potential and competitiveness of Timor-Leste in the free market environment within ASEAN. The scholarly significance of this research extends to its potential to contribute to the theoretical understanding of labor markets, as well as its implications for the academic progress of Timor-Leste. Furthermore, it endeavors to offer valuable insights to the Timor-Leste government, enhancing its comprehension of the intricacies surrounding the advantages and disadvantages of participating in the free market within ASEAN.

## 2. Theoretical Framework

### 2.1. ASEAN (The Association of Southeast Asian Nations)

ASEAN, a prominent organization founded within the Southeast Asian region, has been expounded upon in "Chapter I," where its historical trajectory, guiding principles, and overarching objectives are delineated. This comprehensive exposition is designed to serve as a catalyst for in-depth research and

multifaceted analysis, probing into the mechanisms through which ASEAN can foster heightened cooperation among its permanent member states. ASEAN functions dually as a geopolitical and economic entity, comprised of member nations rooted in the specific socio-political and economic milieu of Southeast Asia. The establishment of this organization was propelled by the resolute interests and aspirations of its founding members, aiming to shape a Southeast Asian realm characterized by prosperity, security, stability, and resilience, (Boyce et al., 2009).

ASEAN is a model of regional cooperation and this organization forms partnerships for mutually beneficial cooperation in the fields of economics, politics, and regional security. ASEAN plays an important role in building a security community. ASEAN prioritizes economic growth. ASEAN's ability to create an area free of armed conflict can be said to result in environmental stability. According to Karim (2019), ASEAN countries have become more integrated through increased intraregional trade and trade and connectivity. (Chaudhary, 2022).

This reference is taken as a source for analyzing the real conditions of Timor-Leste's workforce and how it should access the ASEAN region, to what extent ASEAN member countries have the politics and capabilities that will provide a definite opportunity to receive workers from Timor-Leste.

## 2.2. Free Market

Adam Smith's theory of the "Free Market," widely regarded as the cornerstone of economic policy and celebrated for its elucidation of the free market system, postulates that the free market represents an ontological and moral embodiment of natural freedom and justice, constituting one of the fundamental principles within the economic realm. (Rolianah, 2018). This assertion suggests that the freedom inherent in the free market transcends individual morality, encompassing a diverse array of societal groups across various countries, functioning as a commercial enterprise aimed at fulfilling human needs throughout their lifetimes. Moreover, Friedrich A. Von Hayek, as referenced in the book *Free Market, Justice and the Role of Government*, *Review of the Ethics of Political Economy*, emphasizes the distinction between the strict domain of economics and a free market economy within the nature of the free market (Cowen & Cowen, 2018). In the former, such as a family or business, it serves a singular purpose, while in the latter, it exerts efforts toward a well-defined ultimate goal (Lamoreaux & Wallis, 2019).

Adam Smith illuminates the role of trade in fostering cultural development, not confined solely to Mediterranean regions like Egypt, Rome, and Greece but extending to regions like Bengal and even China. The substantial prosperity experienced by the Netherlands following the decline of the Spanish Empire underscores the importance of advocating for free trade and the freedom of thought, which played a pivotal role in the mercantilist/free trade conflict an indispensable issue in the field of economics (Ozturkcan & Yolbulan-Okan, 2018).

Globalization, coupled with neoliberalism as the predominant guiding ideology for free markets, primarily relies on Cartesian methodologies, as previously mentioned. The absence of state protection results in a lack of control over influential groups, thereby contributing to the proliferation of social exploitation as a driving force. The emergence of theories by Adam Smith and David Ricardo in "Wealth of Nations" represents one of the outcomes of the escalating economic inequality stemming from competition within a free market, surpassing the foundational concept of the free market (Samuels & Medema, 2005).

Globalization and neoliberalism towards Capitalization determinism is now the 'state of nature', the yardstick that can be used to estimate 'deviations', 'distortions', 'risks' and 'benefits'. Often, as seen in the conceptualization of power (Nitzan and Bichler, 2009), (Oberoi, 2017). The calculation of the reduction in state power is based on the view that power is always a zero-sum game, that is, if one party gains, the other party will definitely lose (Huntington, 1973). This is the consequence of policies in competing strategies in free market politics (Oberoi, 2017).

There are positive and negative impacts of globalization on ASEAN unity and division. With the first, globalization has encouraged cooperation, interaction and consolidation between ASEAN members. On the other hand, due to higher differences between ASEAN countries, the globalization process has resulted in sector economic stagnation, underemployment, and illegal migration of semi- and unskilled workers from ASEAN countries with low wages to countries with high wages (Nissanke and Thorbecke, 2010). Apart from that, globalization has triggered more economic problems and income inequality for middle-class countries such as Thailand, Malaysia and Indonesia, thereby widening the gap between the richest and poorest countries in ASEAN (Ayeni and Ball, 2010). The most significant is the method that can be used to support social protection for a diverse workforce or workforce through equal or equal employment (Mutum, 2015; Walter, 2017).

Globalization is integrating capital, investment, and labor markets with world markets (WTO, 2008). Dreher (2006) proposed three dimensions of globalization: economic, social, and political. Economic globalization refers to the increasing internationalization of goods and services. Studies show that globalization affects the economic growth of a country through many different channels. These channels include international trade, financial integration, technical changes, and labor flows (Kilic, 2015). As a result of global labor flows, people in developing countries no longer live and labor in an inward-looking environment, which exposes them to increasing risk (Ayeni and Ball, 2010).

The theory of liberalization aspires to create a societal environment where competition among individuals with varying socio-economic interests is intrinsic. An examination of Smith and Ricardo's theories implies that this approach confers substantial advantages upon entrepreneurs and economic conglomerates endowed with significant financial capital, in contrast to small-scale entrepreneurs who lack the financial resources required to engage in business activities. (Ozturkcan & Yolbulan-Okan, 2018).

The "liberal" theory argues that economic interdependence will prevent the state from using "coercive power" in interactions with each other because involvement will harm the prosperity of each individual (Saeri, 2012). Not only countries can move or bother in the construction of cooperative relationships but also other authors such as NGOs, multinational corporations (MNCs), or individuals. (Paramitha, 2017).

## 2.3. Regional Integration

Government Intervention in the Free Market continues to be a focal point of academic inquiry and debate within the realm of economics. Economists provide valuable insights into this multifaceted intervention, which encompasses several key dimensions that warrant ongoing attention. Here, government scrutiny of foreign economic endeavors with the aim of preventing harm remains a subject of contention. Critics contend that excessive intervention might obstruct global trade and hinder

economic globalization, whereas proponents argue for its necessity in safeguarding domestic interests and critical industries Georgios I. Zekos (2004). Another critical aspect revolves around the Facilitation of Public Goods, a concern that persists in academic discourse. Scholars engage in debates about the classification of goods as public and the most efficient means of ensuring their availability while balancing economic efficiency and equitable access. (Haghighat, 1995).

Vigilance over Corporate Operations is an additional focal point, especially in the context of monitoring the activities of large corporations with substantial market influence. This dimension prompts questions regarding the appropriate extent of regulatory oversight whether it should be more stringent to curb monopolistic behavior or more relaxed to encourage innovation and competition (Dai, 2009).

Government intervention takes three primary forms: Legislative Measures, involving the enactment of laws to enhance market efficiency and socio-economic development while navigating the delicate balance between regulatory frameworks and economic freedom; Direct Involvement in Economic Pursuits, including the government's role in economic activities such as public goods production, sparking ongoing debates about its impact on market dynamics; and Fiscal and Monetary Policies, which raise intricate questions regarding their effectiveness in achieving economic stability and prosperity (Nesvetailova, 2004). These multifaceted aspects of government intervention underscore its complex interplay within the free market, prompting continual scholarly exploration and analysis (Vasist, P.N. and Krishnan (2023).

Economic globalization refers to the increasing internationalization of goods and services. Cultural globalization refers to cultural conjunction among countries. And, political globalization is the union of political systems. Emerging ASEAN economies indicate increased exchange of goods and services (Milanovic, 2016). But, understanding the effects of social and cultural globalization in addition to economic globalization is critical for countries concerned about growth, employment, working conditions, poverty, injustice, and income dispersal (Jayasuriya, 2008; Kilic, 2015; Mutum, 2015).

#### 2.4. Labour Concept

Work, particularly in the context of human resources engaged in community development activities, assumes paramount importance within the sphere of economic development. This significance is especially conspicuous within labor-intensive industries, where a substantial workforce finds employment (Morris, 2012). Work can be categorized into three distinct types, each reflecting varying degrees of labor engagement, from full-time employment with a commitment of 35 or more hours per week to part-time employment with less than 35 hours of weekly work, and finally, non-workers who currently work less than or equal to one hour per week or are temporarily not engaged in any work-related activities Macarov David, pp. 1-181.

Critically, the notion of a "true" free market, devoid of government intervention, has been a subject of extensive debate within the economic discourse. However, the case of Timor-Leste, a developing economy poised for potential ASEAN membership, necessitates a more nuanced perspective. Recent data underscores the imperative for Timor-Leste to meticulously deliberate its economic policies, particularly in the context of implementing a free market framework (Hassall, 2020); O'Brien, 1992) Additionally, Timor-Leste must establish its legislative framework

to exert control over its free market policies, thereby asserting sovereignty in its economic trajectory (Yolles, 2020).

The creation of job opportunities is contingent upon a complex interplay between the availability of positions and the size of the workforce. Achieving a balance between job supply and available workforce is pivotal in this context. An excess of labor resources necessitates a strategic pivot towards labor-intensive projects over capital-intensive sectors. The demand for labor is intricately linked to wage dynamics as perceived by employers, and it shapes the quantity of labor that employers are willing to engage for specific opportunities. Moreover, product demand, encompassing goods and services, is underpinned by a multifaceted nexus of factors, including product price, competition, consumer income, preferences, and future expectations a subject of profound exploration within economic literature (Boyce et al., 2009).

#### 2.5. Relationship Between Workers, Free Market, and Free Trade Zone

The concept of free trade, often characterized by a market unburdened by government-imposed restrictions, has garnered significant attention and debate, particularly due to its multifaceted benefits as championed by economist Douglas Irwin. These advantages extend beyond mere economic gains, encompassing a spectrum of direct financial benefits, indirect positive externalities, moral considerations centering on cooperative global relationships, and intellectual advancements born from cross-cultural exchanges (Irwin, 2009). Adam Smith, one of the foundational figures in economic thought, reinforced the principles underpinning free trade with his doctrine of absolute advantage. Smith contended that in a system of free trade, nations should specialize in producing goods where they possess an inherent absolute advantage (Samuels, 2003). This specialization enhances resource efficiency, leading to heightened productivity and ultimately resulting in an augmentation of national income (Samuels & Medema, 2005).

In contrast, David Ricardo introduced the theory of comparative advantage, a cornerstone of economic theory. According to Ricardo's theory, even in scenarios involving trade among multiple nations, mutual benefits prevail because each nation specializes in areas where it holds a comparative advantage (Ricardo, 2004). Moreover, free trade brings with it the advantage of diversifying the array of available goods, granting access to products not necessarily produced domestically. This diversification can act as a catalyst for the growth of various economic sectors, sparking innovation and expanding market horizons. Irwin (2009) underscores two pivotal ways in which international trade contributes to heightened productivity.

The term "Free Trade Zone" (FTZ) represents a concept with varying interpretations and nuances, as scholars offer distinct perspectives and emphasize different facets of this concept. While Capela and Hatman (1996: 154) define an Economic Zone as "a region within a nation that has decided to operate under rules that provide special investment incentives, including free treatment from import obligations and the establishment of factories for exporting products," numerous definitions of FTZ exist within the academic discourse (England et al., n.d.). However, common characteristics of FTZs encompass: Specialized industrial zones geared towards export-oriented manufacturing, fostering an environment of liberal regulation and free trade conditions (World Bank, 1992). Zones strategically designed to attract foreign investment, often involving the processing of imported materials for subsequent export, frequently accompanied by fiscal incentives

(ILO, 1998). Clearly demarcated areas, often located advantageously, equipped with infrastructure tailored to facilitate commercial and industrial operations while adhering to principles of customs and fiscal segregation. Designation as industrial enclaves for free trade within the framework of national customs and trade regulations, offering fiscal and financial incentives to foreign companies engaged in industrial production, particularly export-oriented manufacturing (Kusago & Tzannatos, 1998).

## 2.6. The Impact of Free Markets and Regional Integration on Workers

Policy analysis stands as a cornerstone in the realm of governance and decision-making, embodying its significance through a multifaceted prism composed of three distinct dimensions: perspectives, actions, and regulations. These interwoven elements form the essential foundation upon which policy implementation thrives, particularly within the public domain. The insights of scholars Carl W. Patton and David S. Sawicky accentuate the role of policy analysis, emphasizing its role in steering the course of policies, whether they involve the inception of new policy frameworks or the adaptation of existing ones within the ever-evolving political landscape.

William Dunn (2003) offers a comprehensive definition of policy analysis, characterizing it as a discipline that harnesses diverse analytical methodologies to cultivate critical thinking and disseminate pertinent knowledge pertaining to policies. In a parallel vein, Quade (1982) delineates policy analysis as a research-driven methodology that unfurls the layers of socio-technical issues, facilitating a profound understanding that underpins effective policy formulation and execution.

The versatility of policy analysis is underscored by Dunn (2003), who categorizes it into three fundamental forms: (1) Prospective Policy Analysis: This facet of policy analysis directs its gaze toward the horizon, endeavoring to anticipate the consequences of a policy before it takes flight. It mirrors a predictive model, striving to unveil potential outcomes and impacts that policy choices may engender. (2) Retrospective Policy Analysis (Looking Back): As the name implies, retrospective policy analysis turns its attention to the aftermath of policy implementation. It operates as an evaluation model, scrutinizing the actual effects and efficacy of policies once they have been actualized, providing invaluable insights for future decision-making. (3) Integrative Policy Analysis: Representing a fusion of elements from both prospective and retrospective policy analysis, this approach seeks to offer a comprehensive understanding of policies. By considering both anticipated and observed consequences, it provides a holistic panorama of policy dynamics, ensuring a well-rounded perspective for policymakers, researchers, and stakeholders.

## 2.7. Advantages and Disadvantages of Free Markets and Regional Integration for Workers

The role of free markets in economic systems and their impact on labor forces and societies, especially in small nations, has been a subject of significant academic inquiry. Key academic perspectives on the advantages and disadvantages of free markets within the context of small nations.

**Consumer Empowerment and Informed Choice:** One of the central advantages of free markets, as highlighted in this analysis, is the empowerment of consumers through informed choice. Academic research by scholars like Milton Friedman and Friedrich Hayek has long emphasized the importance of allowing consumers

to make choices based on their preferences. This empowerment not only enhances consumer satisfaction but also promotes competition among producers, as noted by Stigler and Becker in their studies on consumer choice theory. Consumers, in their pursuit of value, play a pivotal role in shaping the dynamics of free markets, as discussed by Akerlof and Kranton in their work on identity and economic behavior (Larreina & Gartzia, 2017).

**Catalyzing Innovation and Entrepreneurship:** The role of free markets in catalyzing innovation and entrepreneurship is a recurring theme in economic literature. Works by Joseph Schumpeter on "creative destruction" and Clayton Christensen on disruptive innovation illustrate how competitive market environments incentivize businesses to continuously innovate. The absence of regulatory constraints, as mentioned, fosters an environment conducive to entrepreneurship, as argued by Baumol in his theory of contestable markets. Empirical studies by scholars like Shane and Venkataraman have further examined the relationship between entrepreneurship and economic growth in free-market settings (Secchi, 2015; Tseng, 2013).

**Meeting Unmet Needs and Elevating Product Quality:** The capacity of free markets to address unmet needs and enhance product quality is echoed in the literature on market-driven development. Acemoglu and Robinson's work on "Why Nations Fail" emphasizes the importance of inclusive institutions, including well-functioning markets, in addressing societal needs (Stephen & Backhaus, 2003). Additionally, studies on globalization, such as those by Bhagwati and Rodrik, delve into how integration into global markets can drive improvements in product quality and economic development in small nations (Azam, 2015).

**Facilitating Job Market Growth and Attracting Foreign Investment:** The role of free markets in job creation and attracting foreign investment is supported by various economic models and empirical studies. Research by Lucas on the Lucas Paradox explores why capital does not flow from developed to developing nations as expected, shedding light on the importance of factors such as well-functioning markets (He, 2016; Alfaro, 2017). Additionally, the literature on multinational corporations, including studies by Dunning and Rugman, examines the role of foreign direct investment (FDI) in small economies, highlighting the potential benefits of FDI attracted by open markets (Gao & Sarraf, 2009; Ibeh et al., 2018).

**Cultivating Entrepreneurship and Balancing Dependency:** The literature on entrepreneurship within free markets often draws from the works of scholars like Knight, Kirzner, and Casson (McMullen & Shepherd, 2003); who have contributed to the understanding of entrepreneurship as an essential element of market dynamics. Balancing dependency on foreign goods is a topic explored in the context of trade theory, with economists like Krugman and Bhagwati (O'Brien, 1992), discussing the implications of trade openness on a nation's reliance on external products.

**Competition Dynamics:** The concept of competition dynamics and its impact on product quality, efficiency, and innovation is a fundamental tenet of market economics. It draws heavily from the works of economists such as Adam Smith, who advocated for the virtues of competition. More recent studies, including those by Porter on competitive advantage (Jackson, 2013; Oberoi, 2017), and Tirole on industrial organization, delve into the intricacies of competition and its implications for workers and consumers (Batt & Hermans, 2015).

## 2.8. Disadvantages and Potential Challenges

The examination of the disadvantages and challenges associated with free markets within the framework of a small nation draws upon a robust body of economic literature and real-world illustrations. Each of these challenges is expounded upon below, with recourse to pertinent academic perspectives.

**Unpredictable Crises and Market Failures:** The susceptibility of free-market economies to unpredictable crises and market failures is a subject that has garnered significant attention within the realm of economic literature. Scholars such as Minsky (Rugina, 1983), have conducted in-depth analyses of the inherent instability of financial markets. They have demonstrated how periods of apparent stability can paradoxically lead to overconfidence, excessive risk-taking, and, ultimately, catastrophic market crashes. Historical precedents, notably the Great Depression of the 1930s and the 2008 financial crisis, serve as poignant reminders of the vulnerabilities within free-market systems. These crises underscore the compelling need for the implementation of effective regulatory mechanisms. Additionally, prominent economists like Joseph Stiglitz and Paul Krugman have articulated the vital role of government intervention in stabilizing markets during times of crisis, advocating for policies that can mitigate the severity of economic downturns (Sikorski, 2011; University College London, Maszumi W, 2017).

**Marginalization of Small-Scale Producers:** The challenges confronting small-scale producers in their competition with larger corporate counterparts have been meticulously documented within the annals of economic scholarship. This phenomenon is often intrinsically tied to issues of market concentration and barriers to entry. Eminent economists such as Joseph Schumpeter have probed the concept of "creative destruction," elucidating how innovative large firms can displace their smaller counterparts through dynamic processes of market evolution (Ozturkcan & Yolbulan-Okan, 2018). Furthermore, the theory of contestable markets, as pioneered by William Baumol, accentuates the notion that even in the absence of explicit monopoly power, large firms may wield inherent advantages that stifle competition from smaller enterprises (Uchechukwu Nwoke, 2017; Gangopadhyay & Chatterji, 2009).

**Profit Maximization Over Societal Interests:** The tension between the pursuit of profit maximization and the broader imperatives of societal well-being is a subject of perpetual discourse within free-market contexts. The Nobel laureate economist Milton Friedman famously contended that the singular social responsibility of businesses is to maximize profits (Styhre, 2014; Gibson, 2017). However, contemporary scholars, such as Porter (Gould & Desjardins, 2015), have advocated for the concept of "shared value," positing that businesses can harmoniously pursue profit while concurrently contributing to societal welfare. This tension acquires added complexity when considering its potential repercussions on workers' well-being and the imperative of environmental sustainability. Prolific writers on this topic, including Robert Reich and Naomi Klein, have delved into the multifaceted dynamics at play, offering nuanced insights into the interplay between profit motives, worker welfare, and environmental stewardship (Shamsuddoha et al., 2015); (Budhwar et al., 2010).

**Community Readiness and Regional Competition:** The readiness of communities to engage in competition within a regional business landscape represents a pivotal facet of economic development. This issue finds resonance within broader discussions on economic institutions and the development of

human capital. Notable scholars, such as North and Acemoglu (Esfahani, 2006); Kim & Hoskisson, (2015) have meticulously explored the role of institutions in the context of economic growth. They emphasize the imperative of inclusive institutions that foster an environment conducive to entrepreneurship and innovation. The consequences of inadequate preparation, as previously alluded to, reverberate across crucial domains, including the development of human resources, maintenance of product quality standards, and the accessibility of markets within the ASEAN region. These factors collectively impact the prospects of workers in the region and the nation as a whole (Akter et al., 2017).

**Consumerism and Economic Imbalances:** The ramifications of excessive consumerism on communities and the resulting economic imbalances have been subjected to rigorous analysis across diverse economic paradigms. The seminal concept of conspicuous consumption, introduced by Thorstein Veblen, delves into how individuals' consumption patterns can be substantially driven by social status considerations, often at the expense of genuine utility. This proclivity for material acquisition can, as expounded upon by Piketty in his monumental work on capital and inequality, exacerbate income disparities within societies. In the case of developing nations like Timor-Leste, the delicate balancing act between consumption-driven growth and investment in productive sectors stands out as a recurrent theme in the realm of development economics.

**Preference for Imports Over Domestic Products:** The preference for imported over domestic products, particularly within sectors such as agriculture and construction materials, aligns with principles of international trade theory. Esteemed scholars like Krugman and Bhagwati (Shishoo, 2006); (Nuruzzaman, 2015) have expounded upon the intricate dynamics of trade openness and its impact on domestic industries. Factors such as comparative advantage and the contours of trade policies wield a substantial influence over the competitiveness of domestic sectors and, consequently, resonate throughout the workforce employed in these industries.

**Excessive Reliance on Foreign Products:** The phenomenon of excessive reliance on foreign products, which can potentially culminate in a loss of independence, is firmly situated within the purview of international economics. Dependence on foreign imports can render a nation highly susceptible to global economic fluctuations. This vulnerability is a central tenet of dependency theory, as articulated by economists such as Prebisch and Singer (Weiskel & Gray, 1990); (Kenny & Fahy, 2011). To counteract such dependence, strategies aimed at diversifying sources of goods and bolstering domestic resilience have been scrutinized by scholars with a focus on economic development and trade policy (Morris, 2012); (Fojt, 1996); (Framework, 1945).

**Unbalanced Competition:** The issue of unbalanced competition within free markets stands as a pivotal concern in the discourse surrounding market regulation. Eminent economists like Tirole (Samuels, 2003; Azid et al., 2010), have delved into the intricacies of industrial organization, underscoring the imperative of competition policy in ensuring equitable market practices. The effective oversight and regulation of markets are not merely essential for safeguarding the rights of workers but also for sustaining competitive dynamics that confer benefits upon both consumers and the labor force.

### 2.9. Worker Competitiveness in the Free Market within Regional Integration

The reference drawn from Central America provides a compelling case study that offers valuable insights into the development of a regional strategy aimed at intricately defining a competitive position within the region. This strategic framework is meticulously constructed through a thorough examination of both existing and emerging Joint Clusters within specific priority sectors. At its core, the success of this strategy hinges on the acknowledgment that collaborative efforts among neighboring nations play a pivotal role in fostering what can aptly be described as "shared regional diamonds." These diamonds represent cooperative initiatives that yield mutual benefits for the participating nations (Carluer, 2007).

Of notable significance within this context is the "Competitiveness of Central America" initiative, which has not only influenced but also fundamentally transformed the discourse between the private sector and the government. This shift in discourse carries substantial weight as it now places emphasis on protective measures and taxation policies as instruments to enhance the business environment and, consequently, bolster overall productivity. Taken together, these references underscore the effectiveness of regional strategies in driving what can be termed as regional competitiveness, (Ketelhöhn et al., 2015).

Delving deeper into the political perspective, it becomes apparent that certain critical criteria were identified at the (University of New England, 2019) (1) Imperative Economic Strategies: Economic strategies must inherently prioritize cooperation with neighboring countries, especially when these countries confront shared issues or subjects that can be more effectively addressed through regional collaboration. This underscores the importance of regional synergy in addressing common challenges. (2) Efficacy of Regional Strategies: Regional strategies yield their greatest potency when neighboring countries exhibit heterogeneous yet complementary conditions. Drawing from the Central American example, it becomes apparent that countries like El Salvador and Nicaragua, lacking direct access to Caribbean ports, heavily rely on ports in Honduras and Costa Rica for exporting their goods to Europe and the eastern United States. These clusters naturally excel due to their cooperative nature and the sharing of vital resources. (3) Governmental Coordination: Competent coordination among government authorities responsible for enhancing competitiveness extends beyond cooperation solely between the government and the private sector. It necessitates seamless collaboration among relevant government institutions. In the case of Central America, the involvement of the President as part of the implementation program has proven pivotal. This serves as a clear illustration of the substantial role that institutional academic bodies can play as coordinating entities, facilitating a harmonized approach to regional competitiveness (Ketelhöhn et al., 2015).

The cluster model from Latin America is a good example and reference for Timor-Leste to become a member of ASEAN-11. There needs to be a strategy to join and cooperate with other ASEAN member countries. To achieve this, various resources are needed which are focused on "goods and services" as the main priority in achieving a regional economy. Moving aside from the resources, important issues are stability and internal (national) security, which are necessary conditions for ASEAN member countries' entrepreneurs to be able to invest in Timor-Leste. However, the political situation does not guarantee that foreign entrepreneurs are confident or willing to invest in Timor-Leste.

Some references say –“(New York University, 2016), their vehicle was attacked by political party activists who they did not control moving like normal days. For this reason, domestic politics must ensure the continuity of economic development based on political free market with concrete domestic political economic, - “empirical studies of economic history and statistical analyses necessary for establishing the foundations of a concrete theory of political economy”, (Riha, 1985), this way it can guarantee that foreign entrepreneurs can invest in Timor-Leste. This environment does not support developmental trading. Usually dirty politics and political unrest will destroy a country's image. As a result, when production processes are disrupted, buyers and suppliers cannot communicate well and labor unrest increases, the entire industry will fall into crisis. This means traffic jams are a big problem. The government must take necessary measures otherwise buyers will return to other countries (Nuruzzaman, 2015).

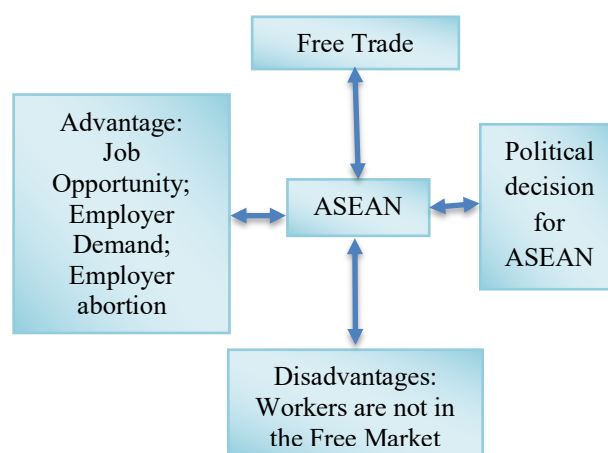


Figure 1. Conceptual Framework

### 3. Research Method

The study was conducted in Dili, the capital of the Democratic Republic of Timor-Leste (RDTL), chosen for its dual significance as the political and administrative epicenter of the nation. Dili houses key ministries and departments renowned for their expertise in research and policymaking, which proved instrumental in facilitating comprehensive data collection. Additionally, the Metinaro Administrative Post in Dili, Timor-Leste played a pivotal role in the research due to its strategic importance in the context of ASEAN (Association of Southeast Asian Nations) and Free Trade Agreements (FTAs). Its proximity to Dili, coupled with active involvement and awareness of free market policies, rendered it an invaluable area for an in-depth study.

The research adhered to a well-structured timeline with distinct stages. The initiation involved Proposal Development and Literature Review, focusing on formulating research proposals, conducting an extensive review of secondary data sources, and fine-tuning research objectives. The Primary Data Collection phase spanned from July to August 2022, involving interviews and data collection activities to gather firsthand information and insights.

The research key informants representing various ministries and organizations relevant to ASEAN and labor-related matters. Key informants included high-ranking officials such as the

Director General of ASEAN Affairs, Director General of Finance, and Directors of National Directorates. These informants not only participated in interviews but also shared valuable data from their respective databases pertaining to labor and entrepreneurship in Timor-Leste.

The research objectives encompassed analyzing and describing labor competition and the free market phenomenon, with a focus on the quality of work, products, and services, as well as policies governing human resource allocation and legal services. Qualitative data analysis drew from models utilized by authors associated with regional government organizations to comprehensively depict political ideologies and decisions within the context of Timor-Leste's accession to ASEAN.

Given the inherently political nature of the research questions and objectives, qualitative research was chosen. Political matters typically fall within the purview of administrators, managers, or decision-makers within organizations. This research falls within the complex, multifactorial, non-linear, and context-specific realm of political research.

Primary data were gathered through interviews and Focus Group Discussions (FGDs), designed to engage key individuals responsible for political decision-making and domain experts. Open-ended questions were used in both in-depth and semi-structured interviews, while FGDs facilitated group interactions and discussions among participants. Observations and direct documentation were additional data collection techniques for real-time observation of events and practices relevant to the research topics.

The qualitative data analysis process involved rigorous analysis of interview transcripts, FGD notes, and documented observations. Thematic coding and content analysis were employed to systematically categorize and interpret the qualitative data, allowing for the extraction of meaningful findings and contributing to a robust and insightful study.

This qualitative research adopted the Empirical-Normative approach to thoroughly examine the strengths and challenges inherent in Timor-Leste's labor sector. The assessment covered factors such as skills, experience, labor market competition, and implications stemming from Timor-Leste's integration into the ASEAN community. Integrating empirical observation with normative analysis, this approach aimed to provide a holistic understanding of the labor sector and offer normative insights for potential enhancements. The findings seek to inform policy considerations and guide strategic interventions in the labor domain.

## 4. Results and Discussions

### 4.1. Unlocking ASEAN Integration: Timor-Leste's Path to Prosperity

In the dynamic landscape of ASEAN's rapidly evolving free market, this study embarks on an extensive exploration, delving into both the theoretical foundations and practical intricacies of regional free markets. At its core, this research seeks to unveil the potential integration of Timor-Leste into the ASEAN community, scrutinizing critical concepts and pragmatic considerations.

Central to our inquiry is the evaluation of a wide array of indicators that shed light on the opportunities within the ASEAN region for employment and entrepreneurial pursuits. Simultaneously, we scrutinize the demands of employers within ASEAN for products, services, workers, and their corresponding skill sets. This exploration underscores the intricate interplay

between labor supply and demand, which forms a fundamental driver of economic activity. As we navigate the complex terrain of workforce dynamics, our research takes on the role of a comprehensive analyst. We delve deep into the web of competition, skills proficiencies, and the diversity of experiential backgrounds within the workforce. Understanding these nuances is essential for crafting effective strategies to address the challenges presented by the evolving landscape of employment and entrepreneurship. Our study conducts a meticulous evaluation of how participation in free trade can mold a nation's economic trajectory. We explore its profound impact on the demand for foreign goods and services, a dynamic that possesses the potential to reshape the economic landscape. Our scrutiny extends to various indicators, including the equilibrium between imports and exports, export capacity, enhancements in product quality, the expansion of the service sector, and the introduction of special investment incentives within free trade zones. The examination of these facets underscores the multifaceted nature of free trade's role as a driver of economic growth.

Within this research, we venture into the realm of political analysis. Here, we explore the perspectives, actions, and regulatory frameworks that have been formulated and implemented. Our analytical framework encompasses prospective policy analysis, retrospective policy analysis, and integrated policy analysis. This multifaceted approach allows us to appreciate the intricate interplay between political decisions and their real-world consequences. As our study delves deeper, we navigate the conceptual terrain of the "free market," characterized by the unhindered flow of goods, services, investments, and capital. Acknowledging that, in practice, the neoliberal ethos of "free markets" often favors multinational corporations, we delve into a pivotal question: What are the consequences of limited government involvement and intervention? Expert responses crystallize around two core dimensions.

Firstly, we investigate the predominance of private ownership of economic resources, emphasizing how individuals and private-sector entrepreneurs wield significant control over the means of production, distribution, and exchange of goods and services within the free market paradigm. Here, government intervention assumes a restricted role, primarily focused on upholding individual property rights safeguarded by the state. Secondly, drawing upon the intellectual legacy of Adam Smith, the 18th-century Scottish economist and philosopher, we encounter a profound exploration of individualism and economic autonomy. Smith's seminal concept posits that individuals possess the capacity to chart their moral and economic destinies without the guiding hand of the state. Smith's vision envisions nations achieving prosperity and affluence by granting their citizens the liberty to engage in economic activities. Under this paradigm, government's role is carefully delimited to safeguarding the nation from external threats, enforcing national laws and justice, and overseeing the construction and operation of public infrastructure and community institutions.

In the specific context of Timor-Leste, the educational and vocational training landscape reveals a nuanced interplay of strengths, weaknesses, opportunities, and emerging challenges. Timor-Leste has made commendable strides in formal education, with its workforce attaining significant levels of academic qualifications. However, despite these educational achievements, a limitation emerges in the form of limited human resources. Some individuals, despite their impressive educational backgrounds, exhibit deficiencies in crucial technical skills and a lack of professional attitude, affecting their employability. Additionally,

there is a deficiency in providing adequate training to bridge this gap effectively.

Nevertheless, the diversity of educational levels among Timorese workers presents a unique opportunity. These varying educational backgrounds allow Timorese workers to competitively engage with their external counterparts, leveraging their intellectual capabilities. The government allocates a portion of the State General Budget (OGE) to fund training programs tailored for Timorese individuals. These programs offer avenues for individuals to acquire new knowledge and gain diverse experiences, both locally and internationally.

Despite these promising opportunities, challenges persist. Some Timorese workers struggle to consistently deliver high-quality work due to a lack of practical experience and the requisite professional demeanor. Post-training, some individuals find it challenging to apply newly acquired skills in their daily work routines, and there is often a pronounced deficit in the commitment to proactively create job opportunities utilizing the acquired skills. Encouragingly, the government continues to allocate a portion of the State General Budget (OGE) to fund training programs tailored for Timorese individuals, spanning local and international contexts. Additionally, the expanding job market presents prospective openings for Timorese workers to secure roles in various managerial capacities. Some Timorese workers have secured employment prospects both within the country and abroad, including European countries like England, Ireland, Portugal, etc., despite the absence of concrete data on ASEAN member countries.

However, amidst these promising opportunities, a set of concurrent challenges and emerging trends demand consideration. The influx of foreign workers, characterized by extensive experience and a strong commitment, may occupy managerial positions, potentially limiting opportunities for Timorese workers. Additionally, there is a trend of increasing unemployment among Timorese workers due to the predominance of foreign workers, who often offer high quality services. Some foreign workers may not be ready to share their experiences with local workers. These factors collectively pose a significant threat to Timor-Leste's future, potentially giving rise to socio-economic tensions and a youth productivity crisis if not addressed proactively and comprehensively.

To anticipate this, we need to rely on researchers' references to the acculturation of foreign crocodile culture with local culture. "Acculturation and the Host Society Acculturation is a complex process and is also highly dependent on policies and attitudes towards migration in the host society. This means that migrants do not always have a choice regarding how the acculturation process develops. Much depends on the responsiveness of dominant groups in society to immigrant groups and their willingness to adapt their way of life and national institutions to accommodate diversity (Fitzpatrick, 2019).

This reference was deliberately taken if one day in the future there will be a conflict caused by social jealousy between foreign communities carrying out economic efforts in Timor-Leste and local communities.

#### 4.2. Advantages of Timorese Workers in ASEAN

In the endeavor to integrate Timor-Leste into the Association of Southeast Asian Nations (ASEAN), it is crucial to examine the numerous advantages that Timorese workers bring to this potential partnership. This comprehensive exploration underscores these advantages and the profound implications they hold for both Timor-Leste and the broader ASEAN region.

ASEAN Integration and Consumer Benefits: Timor-Leste's potential membership in ASEAN carries significant promise for its economy, particularly in terms of consumer benefits. ASEAN's establishment as a free trade area facilitates the seamless movement of goods and services among member nations. This integration streamlines economic activities and enhances the affordability and accessibility of essential commodities and services for consumers. Additionally, the removal of visa restrictions for travel within the ASEAN region promotes mobility, resulting in cost-effective border crossings. Furthermore, the integration of Timor-Leste into ASEAN has the potential to stimulate the country's job market and reduce unemployment rates. With more efficient flow of goods and services, businesses within Timor-Leste may experience growth, leading to an upswing in employment opportunities. This mutual relationship between ASEAN integration and consumer benefits underscores the positive economic implications of Timor-Leste's prospective ASEAN membership.

Southeast Asia's Economic Growth: The remarkable economic growth observed in Southeast Asian nations, including Indonesia, Malaysia, Thailand, the Philippines, and Vietnam, presents an abundance of employment opportunities. These countries have witnessed the rise of modern industries that compete on a global scale. Many of these industries are at the forefront of technological advancements, necessitating a workforce with specialized technical skills. Timorese workers can capitalize on these opportunities by aligning their skill sets with the requirements of these modern industries. This not only benefits Timor-Leste by providing its citizens access to high-growth job markets but also contributes to the overall talent pool within ASEAN, thereby enhancing the region's economic development.

Workforce Characteristics: Timor-Leste's labor force, predominantly composed of individuals of working age, is a pivotal component in the country's journey toward ASEAN integration. The readiness of Timorese individuals to meet the evolving demands of the job market is a central concern. The assessment and rectification of skill gaps, along with the alignment of qualifications with industry requirements, are critical in ensuring that Timor-Leste's workforce remains competitive within the context of ASEAN.

Advantages for Entrepreneurs and Employers: Timorese workers offer an array of advantages to entrepreneurs and employers operating within the ASEAN region. These advantages encompass their extensive work experience, qualifications aligned with job prerequisites, adherence to compensation norms, and access to continuous training opportunities. Their adeptness in professional communication and propensity for fruitful collaboration with foreign counterparts further contribute to the success of businesses. Moreover, the geographic proximity of Timor-Leste and its commitment to health and safety standards provide reassurance to employers. These attributes collectively enhance the appeal of Timorese workers within ASEAN, fostering productive and harmonious working environments.

Timor-Leste's ASEAN Membership Aspiration: Timor-Leste's aspiration to join ASEAN carries multifaceted implications for its economy. The realization of this ambition hinges on the approval of its proposal by the former permanent member countries of ASEAN. To align with the criteria for ASEAN membership, Timor-Leste must undertake comprehensive preparations spanning various dimensions, including politics, socio-economics, culture, defense, and security. The actualization of Timor-Leste's ASEAN membership will create an environment conducive to greater economic cooperation and collaboration



between Timor-Leste and other ASEAN nations. This integration holds the potential to unlock increased economic opportunities for Timorese workers and entrepreneurs alike.

**Labor Force Participation and Age Demographics:** Timor-Leste's labor force participation rate, at 30.5%, underscores the significance of its workforce. However, the gender imbalance skewed toward men raises concerns regarding gender equity and female workforce participation. Nevertheless, the substantial young population actively seeking employment opportunities highlights the immense potential for workforce development. Efforts aimed at bridging the gender gap and harnessing the energy and skills of the young population can further bolster Timor-Leste's workforce, driving economic growth as it embarks on the path toward ASEAN integration.

**Benefits of Remittances:** Timorese individuals working abroad play a pivotal role in supporting their families' financial stability through remittances. This financial inflow not only benefits individual families but also contributes to the overall economic resilience of Timor-Leste. The circulation of these remittances within the local economy stimulates economic growth and development.

**Foreign Workers in Timor-Leste:** Timor-Leste's openness to hosting foreign workers from various countries enriches its employment landscape with diverse opportunities. Effective governance, strategic infrastructure development, and the establishment of Free Trade Zones (FTZs) play instrumental roles in attracting foreign workers. FTZs, in particular, offer incentives such as import duty exemptions and streamlined administrative processes, making Timor-Leste an attractive destination for foreign investment and employment.

**Registered Business Activities:** Timor-Leste's commitment to unhindered business activities opens doors to diverse employment prospects for its citizens. Sectors such as commerce, wholesale, and retail exemplify the country's dedication to facilitating economic engagement and offering employment opportunities to its populace. This commitment aligns with broader objectives aimed at fostering economic growth and stability. In connection with this, Timor-Leste has welcomed foreign entrepreneurs to carry out business activities in Timor-Leste, shown in diagram 1, Figure 2., to get involved in national economic development.

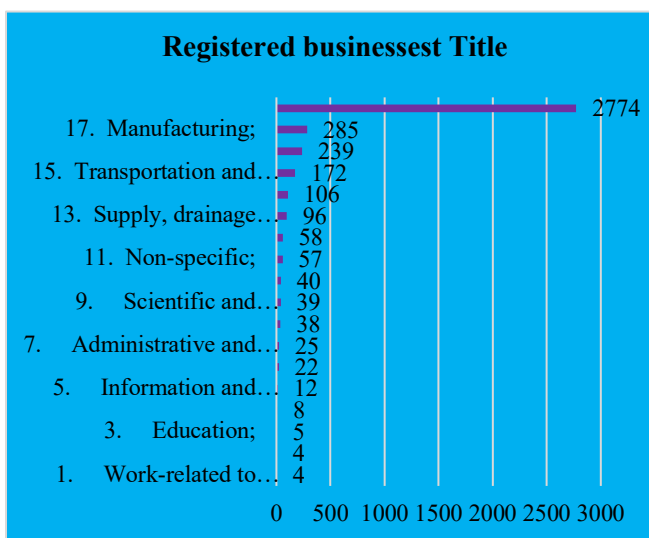


Figure 2. Employment market opportunities-registered in Timor-Leste, (SERVE, I. P., 2022).

**Bilateral and Multilateral Agreements:** Collaboration with other nations in Southeast Asia and countries like Australia and South Korea provides a framework for the entry of foreign workers into Timor-Leste. Simultaneously, these agreements reciprocally enable Timorese individuals to explore employment opportunities abroad under bilateral cooperation arrangements. This international collaboration serves to strengthen Timor-Leste's economic ties on the global stage, creating a mutually beneficial situation for both Timor-Leste and its partner nations.

**Disadvantages of Timorese Workers in ASEAN:** While Timorese workers bring a range of valuable qualities to the table, it is imperative to acknowledge and explore the potential challenges they may encounter when seeking employment within the Association of Southeast Asian Nations (ASEAN). These challenges stem from various factors, both originating within Timor-Leste and external to it. Understanding these challenges is crucial for assessing how they can affect the employability and overall work experiences of Timorese individuals in the ASEAN region. **Skills Gap and Training Requirements:** Timor-Leste's educational and training infrastructure may not consistently align with the precise skill demands of ASEAN industries. This discrepancy can impede the competitiveness of Timorese workers in job markets that necessitate specialized technical skills. Bridging this skills gap may entail additional training and education, which can be time-intensive and financially burdensome.

**Language Barriers:** A significant portion of ASEAN countries employs languages other than English as their primary means of communication. Timorese workers, whose proficiency in languages other than their native Tetum or Portuguese may be limited, may encounter difficulties in effectively communicating with colleagues, superiors, and customers in these countries. The language barrier can impact their job performance and hinder career advancement.

**Cultural Differences:** ASEAN nations encompass a wide array of cultures, customs, and work ethics. Timorese workers may require an adjustment period to acclimate to these cultural differences. This period of adaptation can potentially result in initial misunderstandings or miscommunications with colleagues or supervisors. These cultural adjustments can affect job satisfaction and productivity.

**Work Experience and Exposure:** Timor-Leste's limited exposure to certain industries and technologies may translate into Timorese workers having less practical experience compared to their counterparts within ASEAN. This variance in work experience can pose challenges when competing for certain roles, especially those in specialized fields.

**Legal and Regulatory Disparities:** Each ASEAN member country operates under its distinct labor laws and regulations. Timorese workers may find themselves navigating intricate legal frameworks, work permit prerequisites, and visa regulations that are specific to each host country. Misunderstandings or non-compliance with these legal aspects can lead to legal complications or difficulties in securing and maintaining employment.

**Economic Disparities:** Timor-Leste is among the less economically developed countries in Southeast Asia. Consequently, the cost of living and wage levels in ASEAN countries can significantly differ. Timorese workers may face challenges adapting to the higher living costs, especially in urban areas of ASEAN nations. Wage disparities can also impact their overall quality of life and financial stability.

**Limited Access to Social Services:** Timorese workers may not enjoy the same level of access to social services, healthcare,

and educational opportunities in some ASEAN countries compared to their home country. This disparity can affect their overall quality of life and well-being, particularly when they encounter unexpected healthcare or educational expenses.

**Vulnerability to Exploitation:** In certain circumstances, Timorese workers may find themselves vulnerable to exploitation or unfair labor practices, especially if they are not well-informed about their rights and legal protections within ASEAN countries. This vulnerability can arise from language barriers, lack of awareness, or unscrupulous employers.

**Lack of Professional Networks:** Building professional networks and connections is pivotal for career growth. Timorese workers in ASEAN may initially lack such networks, which can make it more challenging for them to access job opportunities, mentorship, or resources for professional development.

**Limited Career Advancement Opportunities:** Advancing one's career can be constrained for Timorese workers, particularly within competitive job markets. They may encounter difficulties in ascending the career ladder, securing leadership roles, or accessing specialized training and development programs.

### 4.3. Strategy for Enhancing Timor-Leste's Competitiveness as an ASEAN Member: Leveraging Geopolitical Position and Diplomacy

In a highly competitive landscape, achieving success necessitates a harmonious amalgamation of intelligence, strategic foresight, and various indispensable attributes. It demands an unwavering commitment to cultivating resilient and competitive enterprises, finely attuned to the principles of sustainable growth. Timor-Leste's labor force comprises three pivotal components that collectively shape its economic landscape: (1) **Foreign Workers in Timor-Leste:** This category encompasses individuals originating from diverse countries who actively contribute to our local workforce. Their varied skills and experiences enrich our labor pool, fostering innovation and facilitating cross-cultural exchange. (2) **National (Timorese) Workers Abroad:** Timorese citizens venturing beyond our borders to seek employment opportunities abroad represent a vital facet of our global outreach. They not only bolster our international presence but also facilitate economic diplomacy and knowledge transfer. (3) **National (Timorese) Workers within the Country:** These are Timorese citizens engaged in a wide array of occupations within our national boundaries. They form the backbone of our domestic labor market, playing a pivotal role in local economic development.

The ASEAN Economic Community presents promising prospects for Timor-Leste, contingent upon meticulous preparations. This strategy involves several interconnected elements, including the enhancement of workforce competence, the improvement of the quality of education within Timor-Leste, and the creation of an enabling work environment conducive to sustainable growth. Failing to undertake these comprehensive preparations for the ASEAN Economic Community could potentially render our nation vulnerable to contentious challenges, thus hindering our economic progress.

This revised section underscores the critical attributes that are not merely desirable but indispensable for success within a competitive environment. It reaffirms the paramount importance of unwavering dedication and commitment to nurturing businesses that possess the resilience and agility to thrive in this dynamic landscape. Furthermore, it dissects the multifaceted nature of Timor-Leste's labor force by categorizing it into three distinct components: foreign workers contributing to our workforce diversity, Timorese workers expanding our global footprint, and

Timorese workers serving on the home front. This categorization provides a comprehensive panorama of Timor-Leste's labor dynamics. Moreover, this section accentuates the alluring opportunities that the ASEAN Economic Community presents for Timor-Leste. However, it issues a cautionary note about potential pitfalls should we overlook comprehensive preparations. It unequivocally emphasizes the imperative of enhancing workforce competencies, revitalizing our education system, and nurturing a conducive work environment. These measures are not mere options but essential prerequisites to maximize the advantages of ASEAN integration while minimizing potential drawbacks, ensuring a prosperous future for Timor-Leste in the regional economic landscape.

**Timor-Leste's Geopolitical Advantage and Diplomatic Endeavors:** Situated strategically between Australia and Asia, with borders along the Pacific and Indian Oceans, Timor-Leste holds a pivotal geopolitical position. This unique geographical advantage forms the cornerstone of Timor-Leste's diplomatic endeavors, primarily aimed at strengthening international relations. These diplomatic initiatives revolve around nation-building, democratic governance, and economic development, all of which are instrumental in safeguarding Timor-Leste's sovereignty.

**Engagement in Bilateral Relations and ASEAN Aspiration:** Timor-Leste actively fosters bilateral relationships, with particular emphasis on nations such as Australia and the permanent member states of the Association of Southeast Asian Nations (ASEAN). Furthermore, Timor-Leste aspires to become an ASEAN member, a strategic move that promises opportunities for nurturing bilateral ties with countries like Australia, New Zealand, South Korea, Fiji, and India. These diplomatic connections may also extend to encompass member states of the Community of Portuguese Language Countries (CPLP).

**Central Role within the g7+ Community:** Timor-Leste plays a central role within the g7+ community, a coalition comprising "post-conflict" nations, including Afghanistan and Haiti. The primary goal of the g7+ community is to facilitate cooperation among its member nations, enabling the exchange of experiences and knowledge, particularly in the critical domains of peacebuilding and state-building. This collaborative effort, known as "Fragile-to-Fragile Cooperation," holds substantial potential for Timor-Leste, especially in terms of its economic development prospects. Timor-Leste's aspirations to gain membership in international organizations known for their effective international relations policies further bolster these initiatives.

**Multidimensional ASEAN Accession:** Timor-Leste's journey toward ASEAN accession involves multifaceted dimensions encompassing politics, socio-culture, economics, defense, and security. This commitment translates into active participation in pivotal mechanisms such as the ASEAN Free Trade Area (AFTA) and the ASEAN Regional Integration for Free Trade. At the core of economic cooperation within ASEAN lies the Framework Agreement, which established the Common Effective Preferential Tariff (CEPT) scheme in 1992. A significant milestone was achieved on July 26, 2005, when Timor-Leste formally became the 11th member of ASEAN. Presently, the ASEAN Integration Initiative (IAI) framework is in the preparatory stages, comprising diverse programs related to infrastructure development, technology advancement, human resource development, and capacity building to facilitate regional economic integration. These initiatives aim to bridge development disparities between the original ASEAN member states and newer, economically less developed entrants like Timor-Leste. Consequently, Timor-Leste must strategically prioritize significant

development, especially in the realm of infrastructure, as it moves forward with integration into the ASEAN community.

**Addressing the Skills Gap:** Despite a significant proportion of Timorese citizens attaining formal education at various academic levels, including primary education to university degrees, there exists a considerable gap in practical skills and attitudes required for effective job performance among Timorese workers. This deficiency in practical training poses a notable impediment to the employability of Timorese workers. Recognizing this issue, the government has initiated proactive measures to establish training centers tailored to meet the specific needs of Timorese individuals. Notably, professional training centers in Tibar offer specialized training in areas such as administration, agriculture, and the hospitality sector. Additionally, several private technical training centers, dispersed across both Dili and various municipalities, provide training opportunities to Timorese students. A pivotal aspect of this endeavor is the legal recognition granted to graduates from these training programs through the National Institute of Labor Force Development (INDMO). This legal recognition enhances the employment prospects of graduates, opening doors to both national and international employment opportunities. Nevertheless, despite over 22,000 Timorese individuals having received certificates from INDMO, a noticeable imbalance persists in the certified workforce concerning the total productive population in Timor-Leste. Hence, there is an imperative to revitalize efforts aimed at encouraging Timorese citizens, particularly the younger demographic, to diligently pursue technical skills training. This proactive approach equips them with the essential competencies to effectively compete for employment opportunities, both domestically and internationally. Timor-Leste training participants who have received certificates from INDMO are as follows:

Table I. Number of Timorese youths who obtained legal certificates from INDMO.

| Issuing Certificates Every Productive Sector From 2011-2022 |      |      |                            |    |      |     |     |     |
|---|------|------|----------------------------|----|------|-----|-----|-----|
| 1. Agriculture and Fisheries;                               |      |      | 6. Education and Training; |    |      |     |     |     |
| 2. Finance Administration and IT;                           |      |      | 7. Public Service;         |    |      |     |     |     |
| 3. Construction;  |      |      | 8. Social Services;        |    |      |     |     |     |
| 4. Tourism and Hospitality;                                 |      |      | 9. Automotive Repair.      |    |      |     |     |     |
| 5. Health;  |      |      |                            |    |      |     |     |     |
| 1   | 2    | 3    | 4                          | 5  | 6    | 7   | 8   | 9   |
| 601   | 7840 | 7045 | 3873                       | 47 | 2461 | 277 | 287 | 337 |
| Total Certificates = 22,167.                                |      |      |                            |    |      |     |     |     |

(Source: Timor-Leste Labour Force Survey 2021)

**Tackling Youth Unemployment and Ensuring Economic Sustainability:** Timor-Leste grapples with the pressing issue of youth unemployment, as evidenced by the World Bank's observation of a substantial segment of young individuals disengaged from employment, education, or training (NEET). In 2021, approximately 82,800 young individuals aged 15-24 fell into this NEET category, representing a significant 30.5% of this age group. The prevalence of high regional unemployment rates, coupled with the NEET phenomenon, underscores the presence of despondency among the youth. This situation further points to challenges related to limited access to education and training, as well as gender disparities in youth unemployment.

Table II. Youths who have no access to work, education, and training according to the yearly classification in Timor-Leste, 2021.

| Description                     | Male | Female | Total |
|---------------------------------|------|--------|-------|
| NEET, aged 15-24 years (000)    | 41.1 | 41.7   | 82.8  |
| NEET rate, aged 15-24 years (%) | 29.8 | 31.3   | 30.5  |

#### 4.4. Theory of Dominance in the Timor-Leste Labour Market

In the particular context of Timor-Leste, an exploration of the theory of dominance in the labor market and competition is warranted, contextualized within the distinct socio-economic landscape of the country. Several facets of this theory are pertinent to the Timorese setting: (1) **Economic Dominance of Industries:** In Timor-Leste, certain industries or sectors may wield economic dominance, exerting influence over the entirety of the labor market. For instance, if the oil and gas sector assume a predominant position, it possesses the potential to significantly shape wages, employment practices, and working conditions within the nation. (2) **Regional Manifestations of Labor Market Dominance:** Dominance within the labor market can manifest regionally, with specific employers or industries exerting considerable influence in designated areas. This regional variation shapes the dynamics of the job market, presenting distinct challenges and opportunities for workers within those regions. (3) **Occupational Segregation and Social Factors:** Timor-Leste may experience occupational segregation rooted in cultural, gender, or regional factors. An understanding of which occupations are dominated by particular groups becomes imperative for addressing inequalities and fostering diversity within the labor market. (4) **Competition for Skilled Workers:** In the backdrop of a competitive labor market, businesses in Timor-Leste engage in a race to attract skilled workers. This competition may result in certain industries or companies dominating the talent pool, thereby posing challenges for smaller enterprises or specific sectors in attracting qualified personnel. (5) **Global Economic Forces on the Labor Market:** Timor-Leste's labor market is susceptible to the influence of global economic forces. Dominance in specific global industries can impact the demand for particular skills, consequently influencing the types of jobs available and the requisite qualifications within the country. (6) **Technological Advancements and Skill Demand:** The ascent of technology and automation can substantially impact the Timorese labor market. Industries adopting and dominating technological advancements play a pivotal role in shaping the demand for specific skills, potentially influencing the employability of the local workforce. (7) **Public and Private Sector Dynamics:** Understanding the degree of influence wielded by specific sectors within the labor market is crucial for policymakers. This insight enables the tailoring of strategies to foster a balanced and inclusive economy. (8) **Regional Economic Hubs and Labor Mobility:** If specific regions in Timor-Leste emerge as economic hubs, increased labor mobility towards these areas is conceivable. Grasping the dynamics of labor movement becomes instrumental for equitable economic development and resource distribution. (9) **Entrepreneurial Dominance and Small Business Impact:** Dominance within the entrepreneurial landscape can significantly impact the success of small businesses. Recognition of whether specific enterprises or industries hold dominance informs the formulation of policies that support the growth and competitiveness of small businesses. (9) **Policy Implications for a Balanced Labor Market:** In devising policies, due consideration of the theory of dominance is essential to ensure a fair and balanced

labor market. This involves fostering competition, addressing inherent inequalities, and creating an environment conducive to meeting the diverse needs of Timorese workers and businesses.

## 5. Conclusions and Implications

In summary, Timor-Leste's pursuit of ASEAN membership is marked by political preparedness but faces significant economic challenges. Despite demonstrating political determination, the nation grapples with notable economic disparities compared to its regional counterparts, as highlighted during the ASEAN Summit in Indonesia. Acknowledging Timor-Leste's observer status since 2011, full membership is anticipated by 2029, making the next five years crucial for substantial progress across diverse sectors.

Our data analysis draws several pivotal conclusions and implications: (1) Economic Disparity: Timor-Leste's economic vulnerability and reliance on external sources differentiate it from more affluent ASEAN neighbors, emphasizing the need for targeted economic development. (2) Philosophical Insights: Contrasting Enlightenment-era simplicity with diverse thought represented by "Smith and Ricardo" reveals challenges faced by local businesses, particularly in competition with well-endowed foreign enterprises. (3) Theory of Dominance: Our research introduces a groundbreaking theory suggesting that in environments dominated by capitalist nations advocating liberal policies, a free-market paradigm may lead to the dominance of all businesses in underdeveloped or newly independent countries.

Our specific conclusion is that Timor-Leste's path to ASEAN membership underscores the necessity for a comprehensive strategy addressing economic disparities, empowering the workforce, and navigating a free-market environment. Success in this endeavor relies on astute policy decisions, strategic investments, and a steadfast commitment to enhancing the nation's economic resilience.

Recommendations and Implications: (1) Enhancing Timorese Competitiveness in ASEAN: Leverage Timorese workers' cultural proficiency, linguistic diversity, and adaptability through targeted language and cultural training programs. Create platforms for showcasing skills through job fairs and networking events within ASEAN countries. Allocate resources to establish language and cultural training centers and organize annual job fairs exclusively for Timorese workers. (2) Addressing Challenges through Strategic Foreign Investment: Develop a comprehensive strategy by collaborating with local businesses and international organizations. Establish a transparent regulatory framework and invest in infrastructure. Implement vocational training programs and partnerships with educational institutions. Establish a task force to identify priority sectors and initiate partnerships with foreign universities and training centers. (3) Safeguarding Timorese Workers in a Free-Market Environment: Enact and enforce minimum wage regulations, while remaining adaptable to market conditions. Actively seek foreign investors committed to corporate social responsibility. Establish a regulatory body for regular review of minimum wage rates, and create incentives for responsible business conduct. (4) Empowering Timorese Workers through Education and Training: Focus on aligning curricula with emerging industries, offering scholarships and grants for high-demand fields. Collaborate with industries for internship and apprenticeship programs. Introduce a scholarship program and foster partnerships between educational institutions and industries. (5) Sectoral Prioritization for Pre-ASEAN Membership Growth: Prioritize agriculture and tourism with modernization efforts,

sustainable initiatives, and a conducive environment for local businesses. Allocate funds for modernizing agricultural practices, launch marketing campaigns to promote products and attractions, utilizing traditional and digital platforms.

## 6. Limitations and Future Research

Throughout the course of our research, several notable limitations came to light, each deserving meticulous consideration. Firstly, despite our rigorous efforts to solicit interviews with esteemed authors affiliated with DIT University, not all responded, thereby underscoring a specific challenge in our research process. This challenge revolves around the intricate task of securing participation from pivotal individuals, a fact that warrants refinement in future research endeavors.

Another substantial limitation pertains to the availability of data related to SEFOPE workers. While we successfully acquired data concerning Timorese workers bound for Australia and South Korea, an undeniable lacuna persists within our comprehension. Unfortunately, data pertaining to Timorese workers destined for other ASEAN member countries, Europe, and America remained obstinately beyond reach. This data deficit markedly curtails our capacity to holistically assess the situation and draw well-informed conclusions.

Furthermore, our exertions to engage specific non-governmental organizations (NGOs) in Dili for conducting Focus Group Discussions (FGDs) with international relations students yielded unpropitious responses. It is imperative to acknowledge, however, that we did receive enthusiastic participation from students at the Faculty of International Relations at UNDIL, along with the commitment of a select cadre of volunteers from UNTL and certain dedicated members of the UNIAMOR NGO. While these participants unquestionably enriched our research, the circumscribed engagement with NGOs in Dili constitutes a limitation with regard to securing more expansive perspectives and inputs.

One of the most formidable challenges encountered during this research endeavor was the arduous task of securing interviews with key individuals representing the permanent member countries of ASEAN. The absence of insights from these paramount stakeholders notably constrains our ability to formulate a comprehensive understanding of the intricate dynamics that enshroud Timor-Leste's trajectory towards ASEAN membership.

Contemplating the future, prospective researchers are earnestly encouraged to delve deeper into this subject matter. Their endeavors have the potential to yield substantial contributions by furnishing the Timor-Leste government with comprehensive policy recommendations. Such recommendations ought to delineate precise actions that can be undertaken to harness the opportunities presented and deftly address the challenges encountered as Timor-Leste propels itself towards full membership in ASEAN-11<sup>0</sup>.

Another avenue brimming with promise for future research lies in the exploration of advocacy through academic seminars. These seminars can function as conduits for disseminating the invaluable recommendations and insights garnered from research. By reaching a wider audience, including policymakers, these seminars possess the latent capacity to exert influence upon the Timor-Leste government. This influence may precipitate the adoption of strategic measures designed in response to the manifold advantages and challenges that loom on the nation's path to achieving full membership in ASEAN-11<sup>0</sup>.

Furthermore, cultivating collaborative relationships with the Timor-Leste government for the purposes of advancing further research initiatives stands as an auspicious direction for future studies. Such collaborations hold the potential to facilitate in-depth investigations and analyses, thereby enabling a more comprehensive comprehension of the ramifications and prospects entwined with Timor-Leste's odyssey towards ASEAN membership. These synergistic partnerships with government entities can also ensure unfettered access to vital data and insights from key decision-makers. In sum, this collaborative paradigm stands poised to augment the pertinence and efficacy of future research endeavors, ultimately enhancing Timor-Leste's sagacious and effectual progression within the ASEAN community.

In order to achieve all of these strategic plans, this research also aims to provide recommendations to all universities, both public and private, to increase research on ASEAN regional integration and its role in improving the regional economy, in this case labor mobility between ASEAN member countries. Purpose – The purpose of this paper is to examine the role of the flagship universities of the Association of Southeast Asian Nations (ASEAN) in advancing the regional integration agenda through academic collaboration and cooperation in scientific research. Findings – There is a tendency for leading universities in ASEAN to look beyond ASEAN, especially to build vertical collaboration, which is important for their efforts in creating an image and enhancing their reputation.(Sirat, 2017).

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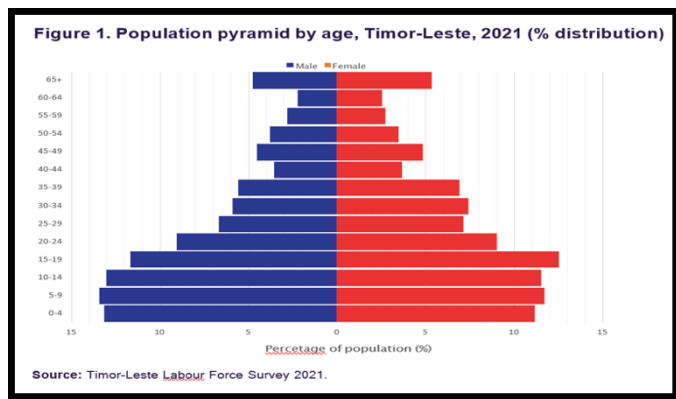
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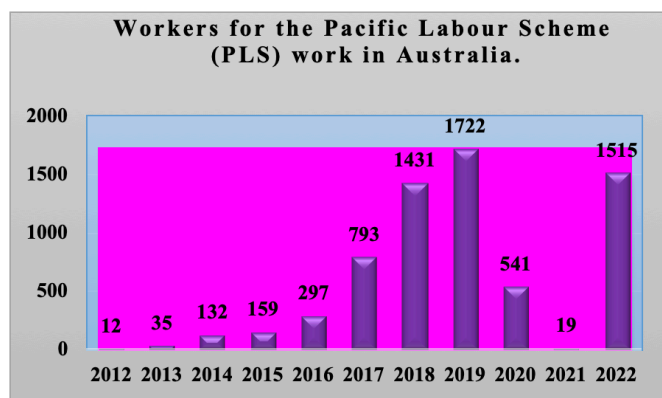
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**Appendix**

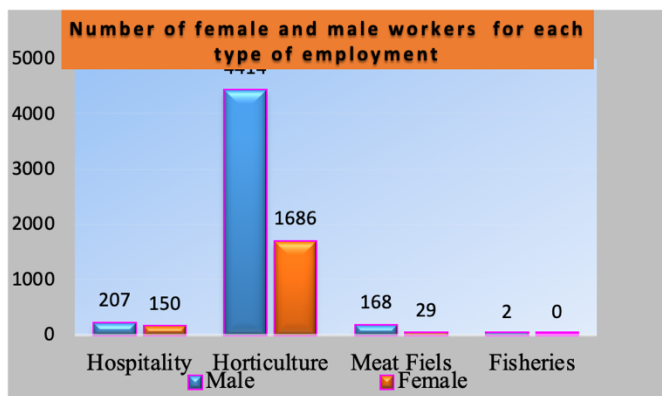
Data from the World Bank Report at Lecidere, Dili shows that Timorese and young people (both male and female) are actively looking for high-paying jobs:



**Figure 3.** Population number pyramid according to classification of Year, data sources from World Bank report, Lecidere Dili, Timor-Leste.



**Figure 4.** Number of Timorese worker schemes from 2012 to 2022, in Australia, data sources SERVE 2022, retrieved from July 2022.(SERVE, 2022).



**Figure 5.** Number of male and female Timorese workers by employment type in Australia from the year 2012 - 2022, data source SERVE, retrieved in July 2022.