

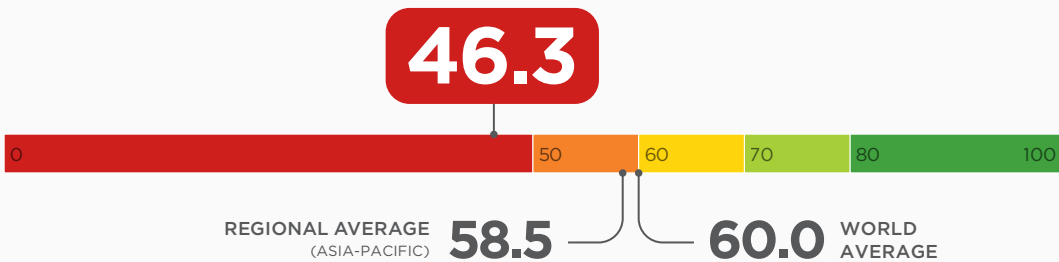
# TIMOR-LESTE

Timor-Leste's economic freedom score is 46.3, making its economy the 164th freest in the 2022 *Index*. Timor-Leste is ranked 37th among 39 countries in the Asia-Pacific region, and its overall score is below the regional and world averages.

Over the past five years, economic growth has been hard to come by in Timor-Leste. A five-year trend of lackluster economic freedom has continued. With higher scores for rule of law offset by a plunge in the score for **government spending**, overall economic freedom in Timor-Leste is now where it was in 2017, and the country remains in the "Repressed" category. Monetary freedom and **trade freedom** are relatively strong, but **fiscal health** and **financial freedom** are poor.

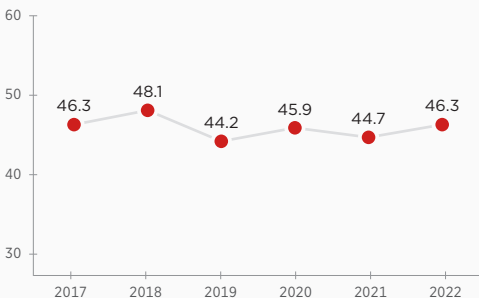
**IMPACT OF COVID-19:** As of December 1, 2021, 122 deaths had been attributed to the pandemic in Timor-Leste, and the government's response to the crisis ranked 93rd among the countries included in this *Index* in terms of its stringency. The economy contracted by 6.8 percent in 2020.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 2009): -4.2

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
1.3 million

**GDP (PPP):**  
\$4.5 billion  
-6.8% growth in 2020  
5-year compound annual growth -1.4%  
\$3,382 per capita

**UNEMPLOYMENT:**  
5.1%

**INFLATION (CPI):**  
0.5%

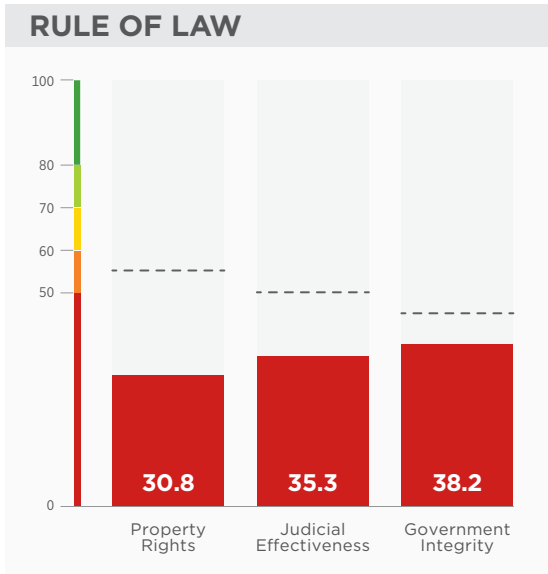
**FDI INFLOW:**  
\$72.0 million

**PUBLIC DEBT:**  
12.2% of GDP

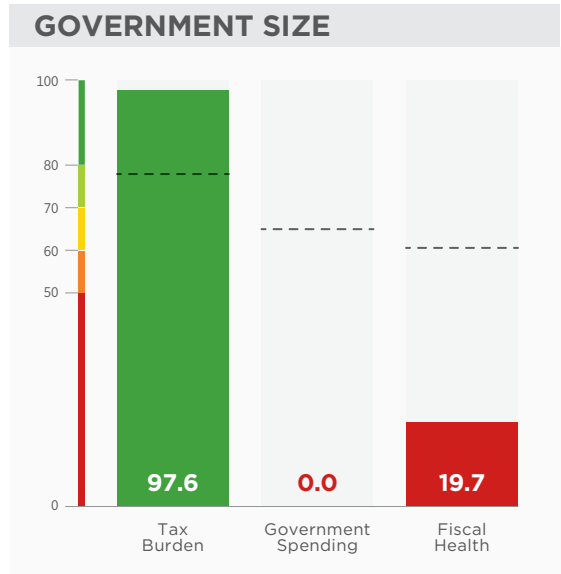
2020 data unless otherwise noted. Data compiled as of September 2021

**BACKGROUND:** The Democratic Republic of Timor-Leste gained independence from Indonesia in 2002 and has struggled to achieve political stability. U.N. peacekeepers were required until 2012. Current President Francisco Guterres and Prime Minister Taur Matan Ruak have clashed as they maneuver for power. Timor-Leste remains one of the poorest countries in East Asia and is heavily dependent on foreign aid. Economic liberalization has largely stalled. Oil and gas account for more than 95 percent of government revenue, which is consigned to a Petroleum Fund that had assets of \$19.5 billion at the end of June 2021. The technology-intensive oil industry has done little to create jobs.

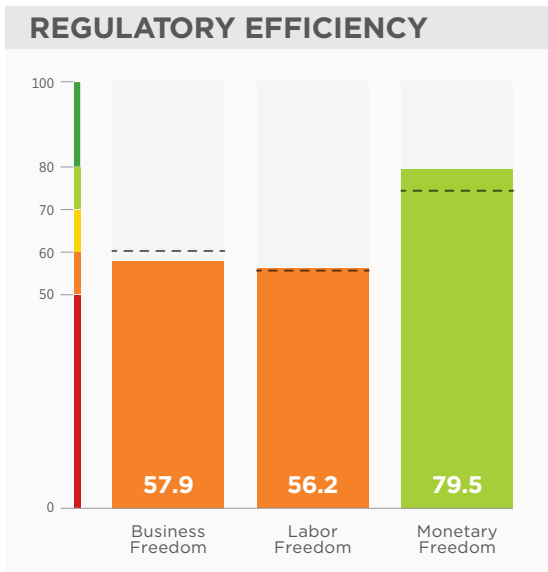
# 12 ECONOMIC FREEDOMS | TIMOR-LESTE



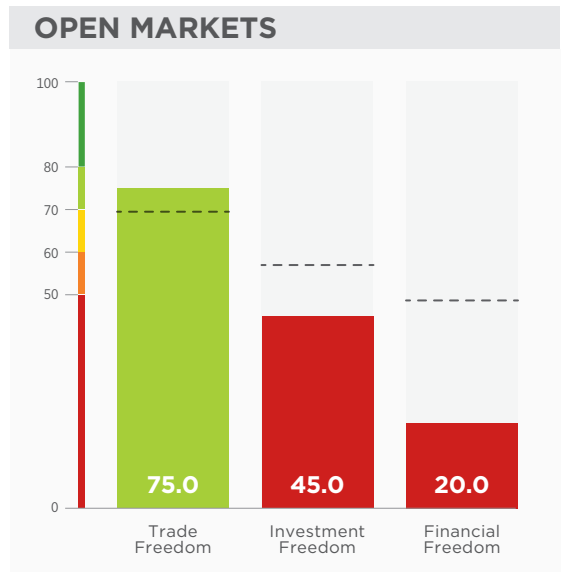
Property rights are complicated by past conflicts and the unclear status of communal or customary land rights. Numerous claims are unresolved because of conflicting statutes from the Portuguese, Indonesian, and post-independence eras. The overly complex legal framework reflects the same confusing pedigree. In response to the public perception that officials frequently engage in corrupt practices with impunity, a new anticorruption statute was implemented in 2020.



The top individual income and corporate tax rates are 10 percent. Most government revenue comes from offshore petroleum projects in the Timor Sea. The overall tax burden equals 6.3 percent of total domestic income. Government spending has amounted to 76.7 percent of total output (GDP) over the past three years, and budget deficits have averaged 25.5 percent of GDP. Public debt is equivalent to 12.2 percent of GDP.



The development of offshore oil and gas resources has enhanced government revenue, but it also has created few jobs. Efforts are underway to build skills and train Timorese in welding, nondestructive testing, painting, coating inspection, and health and safety environment services. Consumer prices have been increasing, driven by accelerating food prices and sustained increases in the transport category.



Timor-Leste's average tariff rate is 2.5 percent, but overall trade freedom is hampered significantly by nontariff barriers and institutional shortcomings. Timor-Leste is not a member of the World Trade Organization. Foreign ownership of land is not allowed, and investment in other sectors of the economy is screened. The financial sector is still at a nascent stage of development, and access to credit is challenging for a new company.