

From the CAG Team

The Chicken-and-Egg Question for ASEAN: Which Comes First, Readiness or Integration?

By Abigail Andrada



On October 26, 2025, Timor-Leste officially became ASEAN's eleventh member state during the 47th ASEAN Summit in Kuala Lumpur, Malaysia. This marked the end of a structured accession process that began in 2023 under the ASEAN Accession Roadmap. Over this period, Timor-Leste undertook reforms and capacity-building initiatives guided by ASEAN's assessment process to work toward meeting the procedural and institutional criteria for membership.

For Timor-Leste, ASEAN membership offers a range of economic and strategic opportunities, such as deeper cross-border integration through improved connectivity, economic corridors, and people-to-people exchanges across the region. Membership also supports Timor-Leste's diversification agenda through enhanced cooperation in infrastructure, maritime security, human capital, the digital economy, and private sector development.

More broadly, accession links Timor-Leste's development strategy to ASEAN's core goals of regional economic integration and social progress while supporting stability and connectivity.

However, Timor-Leste's accession to ASEAN reopens a long-standing debate over whether institutional readiness should precede integration or should it be shaped by ASEAN. This debate is underscored by persistent development challenges in Timor-Leste, including high poverty and malnutrition rates and heavy dependence on petroleum revenues. While the "readiness-first" approach emphasises strengthening institutions before assuming international obligations, alternative views point in the opposite direction.

This debate is particularly relevant given Timor-Leste's limited institutional capacity amid the expanding scope of ASEAN cooperation. Although the country has put in structures for ASEAN engagement and has already initiated the legal harmonisation processes, assessments highlight persistent gaps in technical capacity and readiness, given the scale of ASEAN commitments and the expansion of cooperation beyond trade.

The Case For Readiness First: Risks Of Premature Integration

The "readiness-first" approach contends that institutional capacity is often a prerequisite for effective policy implementation.

The World Bank argues that development hinges not on policy alone but also on the institutions' ability to ensure commitment, coordination, and cooperation. Additionally, coordinated expectations help overcome uncertainty through encouraging compliance, provide public goods, and promote inclusive growth across government agencies.

Vietnam's World Trade Organization (WTO) accession illustrates why external commitments do not automatically produce institutional reform. Vietnam joined the WTO in 2007 when its domestic economy remained dominated by large state-owned enterprises and market competition was weak. This led some observers to view accession as institutionally premature. Although accession created pressure to reform, it also heightened competition concerns, prompting political leaders to reinforce large state economic groups rather than restructure them. As these groups become more entrenched, the institutional impact of accession becomes more diluted, illustrating how international agreements can be reshaped by domestic incentives when reform coalitions and capacity are weak.

Premature integration risks overwhelming administrations as commitment towards achieving the high standards set by ASEAN demand sustained technical capacity.

For example, initiatives such as the National Single Window rely on inter-agency coordination across customs, trade, and transport authorities. However, misaligned incentives and priorities across agencies have continued to constrain effective implementation. The Economic Research Institute for ASEAN and East Asia (ERIA) notes that internal capacity building will be important for Timor-Leste to meet the technical demands of ASEAN membership without overextending administrative systems.

For small administrations with limited institutional capacity, premature integration risks reducing compliance to procedural formality rather than substantive reform. Limited institutional capacity is closely linked to poorer development outcomes, as weak human capital and administrative capacity make reforms harder and reinforce high cost of doing business and burdensome bureaucratic procedures that discourage productivity and investment. When mandates are unclear and capacity is weak, governments may adopt rules on paper without meaningful administrative reform, resulting in box-ticking compliance. This often raises compliance costs for firms without improving implementation outcomes, undermining institutional credibility and the practical benefits of integration.

ASEAN's experience with Cambodia, Lao PDR, Myanmar, and Vietnam (CLMV) shows that uneven readiness at accession

had created implementation challenges for meeting commitment goals set by the ASEAN Economic Community (AEC). Upon accession, limited human capital, weak institutions, and underdeveloped trade and regulatory systems, have resulted in delays and uneven compliance with ASEAN's standards. This prompted ASEAN to launch mechanisms such as the Initiative for ASEAN Integration (IAI) for new members to support capacity-building. While accession helped anchor reforms over time, many CLMV members continued to play catch-up, underscoring how integration without sustained capacity-building can entrench implementation gaps.

The Case For Integration First

Alternative views challenge the assumption that institutional readiness must precede integration, arguing that readiness should be an outcome of commitment. External commitments, such as the WTO accession or regional trade agreements, can anchor reforms, mobilise assistance, and strengthen reform coalitions. Studies on accession at the WTO show that binding international commitments frequently accelerate legal reform, upgrade regulations, and modernise customs, because of the imposed deadlines, monitoring, and focal points for institutional change. As a case in point, the World Bank notes that deep agreements such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) can accelerate domestic reforms in areas including

customs, competition, services, procurement, and labour by creating incentives and providing governments with external justification for institutional upgrading.

At the same time, international unions can create external pressure that can help governments to overcome domestic resistance and lock in reforms. From this perspective, readiness emerges as an outcome of accession rather than a precondition. In the European Union (EU), accession negotiations require candidates to adapt their administrative and institutional structures and progressively align their national legislation with EU law during the accession process, rather than beforehand. Regional commitments can also play a role in shaping domestic reform coalitions. Vietnam's WTO accession shows how reform-minded policymakers have been able to leverage binding international trade and regulatory obligations to push for domestic competitiveness and institutional change. Shortly after accession, the Communist Party's Central Committee issued a special resolution outlining post-WTO reform priorities, signaling how external incentives and obligations helped consolidate incentive for reform.

Comparatively, ASEAN's institutional architecture does not assume that member states have the capacity to carry out the necessary reforms and

commitments. Instead, it has mechanisms in place for differentiated integration and capacity support such as the IAI.

Through its regular policy forums and technical assistance programs, ASEAN encourages member states to continuously upgrade their infrastructure and streamline regulatory alignment to participate in regional markets. ASEAN's experience with Cambodia further exemplifies this dynamic. When Cambodia joined ASEAN in 1999, similar concerns were raised about its ability to make reforms. This led ASEAN to adopt its ASEAN-Minus-X mechanism, allowing more prepared members to advance with economic agreements while granting newer members additional time to comply. Through this approach, Cambodia made incremental gains over time in customs and trade facilitation, although compliance with ASEAN standards has remained uneven. These cases suggest that integration can support institutional learning over time, even as capacity constraints persist.

Conclusion

Timor-Leste's accession to ASEAN reflects a long-standing debate over whether readiness should precede membership or emerge through it. ASEAN's experience suggests that limited capacity at accession can create risks, such as uneven implementation and box-ticking compliance.

However, Cambodia's accession to ASEAN shows that integration can act as a catalyst for reform by offering external anchors that are hard to create at the domestic level due to weak institutional capacity.

Taken together, Timor-Leste's accession highlights how readiness and integration interact over time rather than operate as sequential choices. Accession does not eliminate capacity constraints or guarantee institutional upgrading, but within ASEAN's flexible, gradual framework, it can help structure reform and foster institutional learning. Integration is therefore not as a one-off milestone but an ongoing process shaped by both domestic capacity and regional commitments.

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