



## WIDER Working Paper No. 2013/126

### **State-building through neotrusteeship**

#### Kosovo and East Timor in comparative perspective

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#### **Abstract**

Why do some states, with foreign assistance, transition from ‘fragile’ to ‘robust?’ Scholars in state-building have argued that neotrusteeship is an effective strategy by which external organizations might build post-conflict states. This working paper tests this hypothesis, and two related propositions, in a paired comparison between Kosovo and East Timor. The two states are ideal for comparison in that they share many similar characteristics, including, most crucially, the fact that both experienced regional peace enforcement operations to end violent conflict, followed by massive neotrusteeship operations. .../

Keywords: Kosovo, East Timor, United Nations, peacekeeping, neotrusteeship, post-conflict development

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... However, they have had divergent results in post-conflict state-building: While the state and economy are gradually becoming stronger in East Timor, the same cannot be said of Kosovo, which continues to be plagued by high unemployment, low growth, corruption, and organized crime. Many of Kosovo's problems can be traced back to the strategy of dividing international responsibility for the neotrusteeship operations.

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## 1 Introduction

Why do some states, with foreign assistance, transition from ‘fragile’ to ‘robust’? Scholars in post-conflict state-building have argued that neotrusteeship would be an effective strategy by which external organizations might build states. This working paper tests this proposition in a paired comparison between Kosovo and East Timor. The two states are ideal for comparison in that they share many similar characteristics while differing along few, and yet they have divergent results in post-conflict state-building. Both states are small territories that sought to secede from a larger entity; they both underwent massive upheaval in 1999 but with a relatively small number of deaths; both enjoyed opposition leaders with significant domestic and international legitimacy; both are poor territories with rich neighbours; both underwent non-United Nations (UN) peace enforcement missions to stop the violence—the North Atlantic Treaty Organization (NATO) in Kosovo and the International Force for East Timor (INTERFET) in East Timor—and the enforcement operations were followed by large, complex UN neotrusteeship operations where international actors were responsible for running the state. In terms of differences, each territory has some disadvantages that the other does not share: East Timor has natural resources and a weak government; it is primed to be ‘resource cursed’. East Timor also had a less educated population, and less developed infrastructure. Kosovo does not share these negative factors, and while both territories have ethnic rivalries, Kosovo’s are deeper and more entrenched. International actors have been divided about what type of territory Kosovo should be (a separate state or a semi-independent entity within Serbia). Kosovo received nearly three times more international aid overall than East Timor. Its neotrusteeship intervention has been deeper and longer than the one in East Timor, and more divided among international actors. Given these similarities and differences, and prevailing ideas about the benefits of neotrusteeship, one might expect that East Timor would be faring worse than Kosovo, but that is not the case. While the state and economy are gradually becoming stronger in East Timor, the same cannot be said of Kosovo, which continues to be plagued by high unemployment, low growth, corruption, and organized crime.

This working paper offers a theoretically- and empirically-grounded investigation of the similarities and differences between the interventions in Kosovo and East Timor, linking differing outcomes not only to different prior local circumstances, but also, crucially, to the varying neotrusteeship strategies employed in each country. It presents the argument in four parts. Section 2 is a discussion of the theoretical literature on neotrusteeship and fragile states and presents the main hypotheses. Section 3 explains the qualitative methods employed. Section 4 presents a case study of Kosovo including three main sub-sections: one on the aspects of the local context that most influenced the outcomes of international assistance, another on the characteristics of post-1999 assistance, and the final that evaluates our central hypotheses against the evidence. Section 5 presents a case study of East Timor, comprised of the same three main sub-sections as the case study of Kosovo. The working paper concludes by presenting the implications of the analysis for foreign assistance to other fragile states and argues that the centralized, UN-led East Timorese model holds more promise than the fractured, more intrusive, very long and expensive one employed in Kosovo.

## 2 Neotrusteeship and rebuilding fragile states

There is a large, important, and growing literature on the sources of success and failure in international assistance to fragile and war-torn states. Most studies have found a positive relationship between the outcome of peace and the implementation of complex peace operations, most often conducted by the UN.<sup>1</sup> An important study forwards a novel proposition that single-state led neotrusteeships would be a more rational approach than the current UN-led approach.

James Fearon and David Laitin argue in their article ‘Neotrusteeship and the Problem of Weak States’ that, unlike in the past, current major global threats stem not from states seeking to conquer other states, but from internal state weakness and collapse. All states have an interest in ending civil wars, but generally the cost is too high for any single state to bear, therefore, states seek burden-sharing arrangements to solve the problem of failed states. Given the problems of recruitment, co-ordination, accountability, and exit inherent in all peacebuilding operations, states and various international organizations have been drawn into neotrusteeship operations defined as ‘complex mixes of international and domestic governance structures that ... involve a remarkable degree of control over domestic political authority and basic economic functions by foreign countries’.<sup>2</sup> In these operations, no one authority holds control, though they do often have international legal mandates, and the agents of neotrusteeship seek to exit the territory as soon as possible (in contrast to the imperialist trustees of colonial times).

While the authors acknowledge that the UN has been successful at multidimensional peacekeeping, including holding administrative authority, in the past: ‘With so many actors involved in the governance of collapsed states, severe co-ordination problems inevitably arise. A lead state is therefore a *sine qua non* for mission success. Although many UN organizations will be involved, the UN is ill suited to be the lead organization for co-ordination purposes.’<sup>3</sup> Furthermore, they argue that the most interested parties should take the lead in neotrusteeship operations: ‘There are two chief beneficiaries of restoring political order in a state destroyed by civil war: the residents of the collapsed state, and neighbouring or other states that have a particular security, economic, or historical interest in the stability of the country in question.’<sup>4</sup> Thus Laitin and Fearon forward three central, testable, hypotheses:

1. Neotrusteeship is the most efficacious method of resolving the problem of weak states.
2. If the UN is the lead organization, then the operation will not be successful.

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<sup>1</sup> Fortna and Howard (2008); Doyle and Sambanis (2000); Howard (2008); Doyle and Sambanis (2006); Fortna (2008). Gilligan and Sergenti (2008); Walter (2002). For more pessimistic impressions, see Lutwak (1999); Kuperman (2008); Paris (2004).

<sup>2</sup> Fearon and Laitin (2004: 7).

<sup>3</sup> Fearon and Laitin (2004: 42).

<sup>4</sup> Fearon and Laitin (2004: 28).

3. If neighbouring states or regional organizations such as the NATO, with a security, economic, or historical interest in stability lead neotrusteeship efforts, then such efforts will be effective.<sup>5</sup>

This working paper will weigh these hypotheses against the evidence from two comparable cases, as explained in the following section on methods.

### 3 Methods

We have chosen to compare the interventions in Kosovo and East Timor as they constitute a ‘most similar’ research design. The cases exemplify the two most intrusive attempts at international neotrusteeship to date, thus they can be considered a sub-set apart from all other cases of transitional authority in multidimensional peacekeeping.<sup>6</sup> In other words they are not only similar, but they make up the entire universe of cases of this type of foreign assistance, necessitating qualitative comparison.<sup>7</sup> The cases align along a number of potential causal factors, and differ along few. This alignment facilitates the evaluation of causal factors that may have led to diverging outcomes in the two cases: East Timor, while still plagued by problems, has enjoyed far greater development since its independence than Kosovo.<sup>8</sup>

Paired comparison ‘is a distinct analytical strategy for working through complex empirical and historical materials using the leverage afforded by the differences and similarities of comparable cases’.<sup>9</sup> Comparison of this nature ‘allows for and indeed demands a degree of intimacy and detail that inspires confidence that the connections drawn between antecedent conditions and outcomes are real’.<sup>10</sup> The main limitation of employing a paired case design is what methodologists refer to as the problem of ‘degrees of freedom’.<sup>11</sup> Inevitably in small-n designs there will be more causal variables than cases, which, especially for quantitative analysis, mean that it is not possible to establish reliable correlation. But the main objective of qualitative analysis is to determine causal relationships, rather than those of mere

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<sup>5</sup> Fearon and Laitin (2004) specifically cite NATO and the Organization for Security and Cooperation (OSCE) in Kosovo, and Australia in East Timor as positive examples of this hypothesis (p. 28). The authors also suggest that the best way to exit from neotrusteeship is to tax receivers of such trusteeship, so that they, in the end, will pay for the international oversight (p. 42). Given the general absence of a functioning economy in most post-civil war states, the proposition of post-war taxation has not been attempted in any major way, thus we must eschew any test of the efficacy of this hypothesis.

<sup>6</sup> On definitions, see Fortna and Howard (2008).

<sup>7</sup> Some analysts may argue that the sub-set of transitional administrations is larger (see for example Tansey 2009). While the UN’s multidimensional peacekeeping operations in Namibia and Cambodia were also called ‘transitional administrations’ neither operation was as large or intrusive as the two investigated here. Other analysts have delineated these two cases as the most similar within the set of transitional administrations (see, for example, Lemay-Hebert 2011, 2012). Lemay-Hebert’s comparisons of East Timor and Kosovo are limited in analytic scope in that they focus almost exclusively on the problems associated with excluding local political actors in transitional administrations. While the author of this working paper agrees that exclusion is certainly a problem, the paper presented here casts a broader causal net in order to better compare and assess the political and economic forces, both domestic and international, that influenced the varied outcomes of the neotrusteeship operations.

<sup>8</sup> On the methods of similarity, difference, see Mill (1843).

<sup>9</sup> Tarrow (2010: 243).

<sup>10</sup> Tarrow (2010: 239).

<sup>11</sup> Tarrow (2010: 246); Gerring (2007); George and Bennett (2005).

correlation. By including many fine-grained details about cases, and carefully tracking causal processes, it is possible to come to fairly reliable conclusions even without the benefit of having more cases than independent variables. We thus present a structured-focused comparison of our two central cases of neotrusteeship in order to better understand and evaluate the varying causal forces that produced less desirable outcomes in Kosovo, as opposed to better outcomes thus far in East Timor.<sup>12</sup>

## **4 Kosovo**

Kosovo represents a direct challenge to the hypothesis that neotrusteeship, led by powerful, self-interested neighbours, leads to less fragile states. Kosovo has received more assistance than any other similar territory in the world, and yet it remains by far the poorest and least developed country in Europe.<sup>13</sup> Located in Europe's southeastern corner, Kosovo is a small, landlocked territory of 10,887 square kilometers—a little larger than the petite United States (US) state of Delaware. One analyst succinctly sums up Kosovo's post-conflict condition: 'While the international organizations have successfully managed to improve the security situation, the economic and social position of the country is still calamitous, and unemployment and poverty are Kosovo's most intractable problems.'<sup>14</sup> Compared with its Balkan neighbours, Kosovo has the highest infant mortality rate, the youngest population, the lowest life expectancy, and it scores the lowest on the UN Development Programme's (UNDP's) human development index.<sup>15</sup> The World Bank (WB) rates 45 per cent of the population as poor and 15 per cent extremely poor. Unemployment has remained at over 40 per cent for more than ten years—the highest in Europe—while youth unemployment stands at a staggering 70 per cent.<sup>16</sup> And yet, Kosovo has been the beneficiary of the world's most expensive (per capita) neotrusteeship operation, amounting to over US\$14 billion in foreign assistance.<sup>17</sup> Why are the results not more positive?

### **4.1 Aspects of the local context that most influenced the outcomes of international assistance**

Kosovo is severely divided by ethnic tensions between its so-called Serb and Albanian populations, both of whom consider the territory to be their cultural homeland. As such, it is important to briefly examine Kosovo's history in order to understand the way many people view its current ethnic tensions. Many of today's Kosovo Albanians claim that they are descendants of the territory's original inhabitants, the ancient Illyrians.<sup>18</sup> After falling under the Bulgarian and Byzantine empires, Kosovo was settled in the seventh century by peoples who are now considered to be ethnic Serbs. The territory eventually became the center of a Serbian empire and the cultural hub of Serbian orthodoxy. In 1389, the territory fell to Ottoman rule, following the infamous medieval battle on the Blackbird Fields, after which

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<sup>12</sup> See Appendix I for the list of the questions in this structured-focused comparison.

<sup>13</sup> See Yannis (2004); Matheson (2001); Chesterman (2004).

<sup>14</sup> Schleicher (2012: 2).

<sup>15</sup> UNDP (2012).

<sup>16</sup> European Commission (2012).

<sup>17</sup> See Appendix II.

<sup>18</sup> On Kosovo's history, see Malcolm (1998); Judah (2000, 2008).

the territory of Kosovo was named. 500 years later, in the wake of the First Balkan War, Serbia formally regained control in 1913, although by then a majority of the people in Kosovo considered themselves to be of Albanian ethnicity (belonging to both Sunni Muslim and Catholic religions). After a brief stint as part of Italian-controlled Albania during the Second World War, Kosovo became one of two autonomous regions within the Socialist Republic of Serbia, which was one of the six republics of the Socialist Federal Republic of Yugoslavia.

In 1981, the uniting leader of Yugoslavia, Marshal Josip Broz Tito, died and his passing was accompanied by an important economic downturn. As leaders and populations of the different republics of Yugoslavia began to question their allegiance to the country, Kosovo Albanian nationalists initiated a protest movement against Serb and Yugoslav rule. In return, Serbia's leaders strengthened the state's repressive apparatus and, over the course of the decade, revoked Kosovo's autonomy, fired over 100,000 ethnic Albanians from their posts, and limited political and property rights of Albanians in a process of forced 'serbianization'.<sup>19</sup>

In response, Kosovars began a popular movement of non-violent resistance spearheaded by the charismatic yet 'bookish' leader Ibrahim Rugova.<sup>20</sup> As the head of the Democratic League of Kosovo, Rugova sought to follow Mahatma Gandhi's example of promoting independence through peaceful resistance. His practical approach was twofold: To establish parallel political structures for Albanians within Kosovo, and to 'internationalize' Kosovo's struggle by actively seeking international assistance for the secessionist movement.<sup>21</sup> Both phenomena of creating parallel political structures, and internationalization of the conflict, would have unintentionally negative, lasting institutional effects on Kosovo as we shall explore in a moment.

Rugova's strategy enjoyed great popularity within Kosovo until the Dayton peace talks in 1995, which ended the war in Bosnia, but left out entirely the problems in Kosovo. Hardline political and military actors in Kosovo took the lesson of Dayton to be that international recognition would only come with armed resistance. This understanding sparked the rise of the Kosovo Liberation Army (KLA) led by Kosovo's current president, Hashim Thaci.

The rise of the KLA in 1997 was accompanied by economic free-fall in neighbouring Albania, when a popular pyramid scheme collapsed, erasing the bank accounts of some two-thirds of the population. Political, economic, and social unrest arose in Albania, military depots were looted, and small arms washed into neighbouring Kosovo.<sup>22</sup> Outright armed conflict between parts of Kosovo's Serb and Albanian populations ensued. Serbia's president Slobodan Milosevic then directed a militarized campaign of ethnic cleansing in Kosovo such that by 24 March 1999, 460,000 people had been displaced.<sup>23</sup> International efforts to negotiate an end to the conflict failed, as Milosevic stubbornly refused to sign proposed peace

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<sup>19</sup> See O'Neill (2002); International Conflict Group (2013).

<sup>20</sup> *Washington Post Online* (1999).

<sup>21</sup> Malcolm (1998: 348).

<sup>22</sup> O'Neill (2002: 22).

<sup>23</sup> UNHCR (1999).

agreements, while Russia and China, two of the five permanent veto-wielding members of the UN Security Council (UNSC), supported Milosevic's position.<sup>24</sup>

In light of the deadlock in the UN and the increasing humanitarian catastrophe in and around Kosovo, the leaders of NATO decided to launch a militarized air campaign against Serbia in order to halt its aggression. Starting in March 1999 and lasting 78 days, NATO bombed various strategic points in Serbia and Kosovo. In June, Milosevic agreed to withdraw his troops from Kosovo, the KLA agreed to disarm, and some 800,000 refugees and internally displaced persons (IDPs) returned to their homes (although Kosovo Serbs subsequently began to flee revenge attacks).<sup>25</sup> Internationally, the members of the UNSC voted to establish the UN Interim Administration Mission in Kosovo (UNMIK), a massive UN and European Union (EU)-led neotrusteeship-type operation.<sup>26</sup>

#### **4.2 The characteristics of post-1999 foreign assistance**

Aid for Kosovo has been delivered in several major, complicated, and shifting forms. UNMIK provided administrative and formal state-building assistance, however, NATO was charged with security sector aid in the form of Kosovo Force (KFOR), and there was also significant bi-lateral security sector aid from the US. The OSCE and the EU have been providing legal sector aid. After Kosovo declared its independence in 2008, international responsibilities over Kosovo have shifted away from the UN and toward Europe in the form of the EU Rule of Law Mission in Kosovo (EULEX) and the International Civilian Office (ICO), although UNMIK still exists in diminished form. Financial sector assistance has shifted since independence from the EU to the WB and the International Monetary Fund (IMF).

UNMIK was initially designed around four 'pillars'. The first pillar, 'humanitarian assistance', was headed by the UN High Commissioner for Refugees (UNHCR) until May 2001, when it was phased out and replaced by a UN Department of Peacekeeping (UNDPKO) police and justice division. The UNDPKO was also in charge of the second pillar, the 'civil administration'. The OSCE headed pillar three, 'democratization and institution building' and the EU managed the fourth pillar, 'reconstruction and economic development'. NATO headed and continues to lead what would be a fifth pillar, the KFOR, but NATO's forces have never been integrated into the UN-centralized civilian command of UNMIK, neither have they been integrated under the EU's civilian missions as neotrusteeship responsibilities have shifted from the UN to the EU.<sup>27</sup>

UNMIK was never a smooth-functioning operation, given that the command structure was not hierarchical, well co-ordinated, or united: It has been difficult if not impossible for both internationals and the citizens of Kosovo to understand who is in charge, and what they are charged to do. As the US Ambassador Jacques Klein illustrated colorfully in an interview with the author: 'You have the pillars and poles and the what have yous—OSCE, KFOR, whyfor—then you wonder why an SRSG (Special Representative of the UN Secretary-

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<sup>24</sup> See Albright (2003).

<sup>25</sup> On the number of refugees, see UNHCR (2000); and *BBC News* (1999).

<sup>26</sup> See UNSC resolution (1999).

<sup>27</sup> Unlike, for example, the INTERFET in East Timor, which established peace in East Timor and then turned over military command, quite seamlessly, to UN civilian command.



General) has to struggle with organizations which don't like to be controlled because if I don't pay you, you don't work for me.'<sup>28</sup> UNMIK has been led by no fewer than nine SRSGs from 1999–2013, with very frequent turnover especially in the early years. No other UN peacekeeping operation has had such high turnover in its leadership.<sup>29</sup>

Meanwhile, Kosovo has endured tremendous internal leadership challenges. While people generally think of Kosovo as severely divided along Serb-Albanian ethnic lines, there are also deep divisions among Kosovo Albanian political forces and chronic problems of leadership. President Rugova, who enjoyed both international and domestic legitimacy, was able to lead Kosovo for a time, however, he died of lung cancer in the early 2006. Since then, two of Kosovo's subsequent presidents and two prime ministers have resigned from office amid various disputes and scandals. The current president, Hashim Thaci, has been condemned by the Council of Europe for his alleged participation in trafficking human organs and other related crimes. In other words, Kosovo has suffered from a lack of steady international and domestic leadership.

More broadly, the UN, EU, and NATO have not been able to agree on a final status for Kosovo, as some countries, notably Russia and China, support Serbia's stance that Kosovo should remain a part of Serbia as an autonomous province. In contrast, many other countries, including most member states of the EU as well as the US support Kosovo's drive for independent statehood. The only point that most international powers have been able to agree to is a 'standards before status' administrative approach to Kosovo, whereby international organizations have demanded the achievement of certain political and economic benchmarks before discussing Kosovo's final status.

The standards before status approach have led to a situation where no one has really been in charge of Kosovo. In the vacuum of top-level legitimacy and accountability have arisen the toxic phenomena of organized crime and high-level political corruption. While Kosovo is known for ethnic feuds, cross-ethnic organized crime syndicates have been able to blossom and flourish.<sup>30</sup> Kosovo has become a European hub for trafficking humans, drugs (mainly heroin), and small weapons, as well as money laundering.<sup>31</sup> What is worse, UNMIK, KFOR, and the EU have been charged directly with creating a demand for trafficking women and girls.<sup>32</sup> Despite massive, costly international attempts at establishing the rule of law in Kosovo, the problems have only grown over time. The most recent WB report on Kosovo states: 'Kosovo's present capacity to fight organized crime and corruption remain limited, with a potentially severe impact on the EU's internal security.'<sup>33</sup>

Problems of unorganized crime and security are worrying, but not as severe as they might be. Organized crime in Kosovo has not led to pervasive low-level violent crime in the same way that it has, for example, in some Central American countries. Murder and robbery rates in

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<sup>28</sup> Quoted in Howard (2008: 302). Klein also noted that some 500 non-governmental organizations were providing smaller-scale, fragmented forms of assistance.

<sup>29</sup> UNMIK has also encountered great difficulty in recruiting, hiring, and retaining staff.

<sup>30</sup> Commission of the European Communities (2009: 38).

<sup>31</sup> International Crisis Group (2010); Schleicher (2012: 117).

<sup>32</sup> Amnesty International (2004); UNODC (2008).

<sup>33</sup> World Bank (2013a: 1).

Kosovo are relatively low.<sup>34</sup> There are sporadic episodes of violence and explosions, but they are not particularly common. The most dramatic recent event occurred in March 2004, when 19 people were killed in the northern town of Mitrovica while KFOR and UN police observed the violence but did not intervene to stop it. This event, in conjunction with the disappointing international efforts, led two former employees of UNMIK to write a scathing book about international failings in Kosovo.<sup>35</sup> Their book was released shortly after the UN itself released its own critical investigation of the results of international efforts in Kosovo.

The UN's envoy to Kosovo, Kai Eide explained in the UN's investigation:

The current economic situation remains bleak. The unemployment rate is still high and poverty is widespread. Grave problems exist with regard to lack of public income as well as an antiquated energy sector. To improve the situation, serious efforts must be undertaken ... Today, the rule of law is hampered by a lack of ability and readiness to enforce legislation at all levels. Respect for the rule of law is inadequately entrenched and the mechanisms to enforce it are not sufficiently developed ... Combating serious crime, including organized crime and corruption, has proven to be difficult ... Organized crime and corruption have been characterized as the biggest threats to the stability of Kosovo and the sustainability of its institutions.<sup>36</sup>

Eide described to the UNSC how the international community had been reluctant to transfer executive and judicial powers to local authorities for fear that the organs of the state would fall to particular ethnic groups, clans, or organized crime syndicates, however, such negative phenomena were already arising. He recommended implicitly that the UN move beyond the 'standards before status' approach and toward a final status arrangement.

Thus the UN launched an international effort to bring a final resolution to the disagreement over Kosovo's status. Martti Ahtisaari was appointed in 2006 to head the first direct talks between ethnic Serb and Kosovar leaders in seven years. Ahtisaari, a longtime UN diplomat, former President of Finland, and 2008 Nobel Peace Prize winner, managed to cajole the feuding representatives to talk regularly over the course of two years. He came up with a plan for Kosovo's independence that met many of the demands of both sides. However, at a final meeting in March 2008, leaders from both sides signaled a total unwillingness to compromise on their central demands (Kosovo Albanians for Kosovo's independence; Serbia for continued formal sovereignty over Kosovo). Concluding that there was no chance for the two sides to reconcile their positions, Ahtisaari said he intended to submit to the UNSC his proposals, including an explicit recommendation for the status outcome of Kosovo's independence.

Subsequently, Kosovo declared its independence on 17 February 2008, but leaders of the Kosovo Serb minority refused to acknowledge the shift from Serbia, and set up parallel administrative structures including 'hospitals, schools, municipal administrations, security services, and judicial structures' (as Kosovar Albanians had done under Serbian rule).<sup>37</sup> Those structures continue today to hamper economic development, political stability, and

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<sup>34</sup> International Crisis Group (2010).

<sup>35</sup> King and Mason (2006).

<sup>36</sup> Eide (2005: 2).

<sup>37</sup> European Commission (2012: 3).

social healing in Kosovo. A recent news report explains: ‘E.U. officials stressed that having parallel judicial structures for Albanians and Serbs had allowed a security vacuum to fester that was being exploited by criminals and impeding judges from finding witnesses and making arrests.’<sup>38</sup>

The phenomenon of parallel structures is not only a problem of domestic politics in Kosovo: Parallel international structures have also hampered development since the outset of the neutrusteeship operations in 1999. More recently, after Kosovo’s independence declaration, UNMIK was to be replaced by an EU mission according to the Ahtisaari plan, but given opposition by Belgrade, the EU instead set up a mission parallel to a reduced UNMIK mission in February 2008. EULEX was designed to assist Kosovo authorities in the areas of police, customs, and the judiciary. In December 2008, EULEX assumed executive neutrusteeship functions from UNMIK through September 2014, although UNMIK continues to this day.<sup>39</sup>

In terms of international economic assistance, there have been some advances. For example, during UNMIK’s phase of international administration, the UN organized considerable reconstruction assistance including the (re)construction of roads, schools, health clinics, and homes for approximately one sixth of the population.<sup>40</sup> Moreover one of UNMIK’s first major decisions on economic reform was to establish the Deutschemark (later replaced by the Euro) as Kosovo’s local currency. This decision has provided Kosovo with monetary stability and low inflation.<sup>41</sup>

The EU has written Kosovo’s basic legislation required to run a market economy, including laws governing banking, insurance, customs, trade, privatization, energy supply, taxation, and state expenditures. The most controversial part of the EU’s Reconstruction and Economic Development initiatives has been privatization. Belgrade consistently opposed the EU’s privatization strategies through the duration of the Kosovo Trust Agency’s mandate. Since independence, that agency has been taken over by The Privatization Agency of Kosovo, which continues to struggle with questions of economic liberalization.

While many had hoped that Kosovo’s economic problems would subside with its declaration of independence, unfortunately, this has not been the case. The real gross domestic product (GDP) growth has not changed much in the last decade. Kosovo’s economy remains highly dependent on international financial assistance and remittances from Kosovo’s diaspora, approximately 10 and 14 per cent of GDP respectively.<sup>42</sup> While Kosovo does have some minerals and metals such as lignite, lead, zinc, nickel, chrome, aluminium, and magnesium, the infrastructure to exploit such natural resources remains in disrepair. Although Kosovo enjoys a moderate climate and fertile land, the majority of its population continues to live off

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<sup>38</sup> Bilefsy (2013: 1).

<sup>39</sup> In addition to EULEX, the EU is also represented by the European Commission Liaison Office in Kosovo, the EU Special Representative and International Civilian Representative, the Presidency of the EU, and the EU Member States. See Schleicher (2012: 63).

<sup>40</sup> *Jane’s Sentinel Report* (2009).

<sup>41</sup> World Bank (2013a: 2). Note that in this document, the World Bank estimates Kosovo’s remittances to be over 17 per cent of GDP.

<sup>42</sup> CIA (2013b).

of small-scale subsistence farming.<sup>43</sup> Progress toward development remains hampered by such basic problems as an uncertain power supply (people still endure near daily, several hour-long power cuts) and highly uncertain public transportation.

In 2011, a surge in government spending—largely in the form of increased salaries—led the IMF to cut off funding to Kosovo. In its place, in April 2012, the EU created a 106.6 million Euro standby arrangement.<sup>44</sup> Despite Kosovo's myriad problems, the EU continues to hold-out eventual membership as a carrot to induce internal reforms in Kosovo.<sup>45</sup> A recent European Commission report has found that 'Kosovo is largely ready to open negotiations for a Stabilization and Association Agreement'. And while eventual membership in the EU remains 'at best a distant prospect', Kosovo is slated to receive 71.4 million Euros in 2013 as part of the EU's 'Instrument for Pre-Accession Assistance' programme.<sup>46</sup>

### 4.3 Evaluation of central hypotheses

In sum, Kosovo has been struggling to overcome a vast array of political and economic challenges including the transition from communist economic practices under Yugoslav rule; the difficulty of establishing or re-establishing functioning markets after massive ethnic cleansing, displacement, and violent conflict; endemic, high-level elite corruption; poor and frequently-changing international and domestic leadership; and finally, the challenge of transitioning from an entrenched international occupation with a practice of creating parallel structures, and frequently shifting basic responsibilities over security, judicial, and economic practices.

Both Serbs and Kosovars want to join the EU, and this carrot has helped the two sides to moderate their positions in some ways. Recent talks between the two sides concluded in formal agreements on 'free movement of persons, customs stamps, mutual recognition of university diplomas, cadaster (real estate) records, civil registries (which records births, deaths, marriages, etc. for legal purposes), integrated border/boundary management, and regional co-operation'.<sup>47</sup> While progress on implementation of the agreement has been slow, the International Civilian Representative's office overseeing the implementation of the Ahtisaari peace plan ended in September 2012. More recently, the two sides—represented by Serbian President Ivica Dacic and Kosovar Prime Minister Hashim Thaci—signed the 15-point Agreement of Principles Governing the Normalization of Relations.<sup>48</sup> The agreement specifies, among other points, the ethnicity of judges, police commanders, and local police forces based on local ethnic proportions.<sup>49</sup> While these agreements by no means spell an end to Kosovo's troubles, the fact of any agreement is seen as significant progress among some Kosovo observers.<sup>50</sup>

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<sup>43</sup> Woehrel (2013: 8).

<sup>44</sup> Woehrel (2013: 8).

<sup>45</sup> Vachudova (2009).

<sup>46</sup> Woehrel (2013: 1, 9).

<sup>47</sup> Woehrel (2013: 4).

<sup>48</sup> Woehrel (2013: 5).

<sup>49</sup> This agreement in effect buys a fragile peace at the price of creating an ethnocracy rather than a democracy. See Howard (2012).

<sup>50</sup> International Crisis Group (2013a: 26).

As of January 2013, Kosovo still had 5,134 KFOR troops stationed on its territory, 400 UN peacekeepers, and over 3,000 EULEX police and judicial personnel.<sup>51</sup> Some 98 countries have recognized Kosovo, however, Greece, Cyprus, Slovakia, Romania, and Spain remain hold outs, as do 88 other member states of the UN, including Russia and China (whose approval is necessary for the UNSC recognition).<sup>52</sup> While the US and some other European countries are strong supporters of Kosovo's independence, it remains a contested territory domestically, regionally, and international.

To recall, our original hypotheses are the following: 1) international trusteeship is the most efficacious method of resolving the problem of post-conflict weak states; 2) the UN is not an effective lead organization; and 3) the most effective trustee is a self-interested neighbour. Based on the evidence from the case of neotrusteeship in Kosovo, we see that hypotheses one and three are not supported, and that two is impossible to evaluate, since the UN was not the lead organization. That said, neotrusteeship did seem, in 1999, like a logical solution to Kosovo's multiple challenges. Given the absence of a local elite experienced with self-rule, entrenched economic problems, a traumatized population—approximately half of whom had been ethnically cleansed and recently returned—and an effective, legitimate, non-violent leadership and movement that purposively sought international assistance, Kosovo's European neighbours were willing to provide massive levels of assistance. NATO and the EU, as self-interested actors, were and have been driven by both a normative desire to help Kosovo, and an instrumental self-interest in stability around Europe's borders.<sup>53</sup> However, thus far, none of the domestic or international actors in Kosovo have been able to achieve their individual or collective goals.

## 5 East Timor

The results of neotrusteeship in East Timor have been, without question, better than those in Kosovo.<sup>54</sup> Although East Timor is hardly a wealthy, stable democracy, a recent WB report explained East Timor's rapid progress in broader comparative perspective as highly unusual:

The World Bank Development Report 2011 found that on average post-conflict countries take between 15 and 30 years—a full generation—to transition out of fragility and to build resilience. It is against this backdrop that social and economic development in Timor-Leste can be seen as remarkable.<sup>55</sup>

East Timor certainly gives credence to the hypothesis of the efficaciousness of neotrusteeship. But it negates the proposition that the UN would not be an effective neotrusteeship lead organization. The experience of East Timor also directly challenges our third hypothesis, that neighbours with security, economic, or historic interests in weak state

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<sup>51</sup> Woehrel (2013: 2).

<sup>52</sup> In order for a state to be officially recognized by the UN, all members of Security Council must approve membership, as well as two-thirds of the 193 members of the UN General Assembly.

<sup>53</sup> Many scholars contend that political action is motivated either by moral/normative impulses, or by rational/self-interested behavior. In this case, international action is motivated by both.

<sup>54</sup> This section is based on Howard (2008).

<sup>55</sup> World Bank (2013b: 2).

are the most logical to oversee neotrusteeships. In the case of East Timor, its neighbours—Indonesia and Australia—sought for many years to oppress the East Timorese and laid claim to their natural resources for the neighbours’ benefit and not East Timor’s. Although Australia has recently helped to secure East Timor, its interests in the country’s oil and natural gas contradict, rather than complement, those of the East Timorese. In 1999, after anti-independence forces including members of the Indonesian armed forces laid waste to the territory, the UN took charge of a massive neotrusteeship operation costing close to two billion US\$.<sup>56</sup> While the UN’s mission made some blunders early on, it learned from its mistakes and was eventually successful at implementing its mandate.

### **5.1 Aspects of the local context that most influenced the success of international assistance**

The small, beautiful Pacific country of East Timor is prone to natural disasters, is surrounded by a gentle sea to the north and a more volatile sea to the south, and it shares about half of an island with Indonesian West Timor.<sup>57</sup> The island is located in the southeastern region of the Indonesian archipelago, just northwest of the Australian coastline. It has about one million residents in a country of 14,874 square kilometers—roughly the size of the small US state of Connecticut. Its main export was historically sandalwood. Oil and gas were discovered off its southern shoreline in the 1970s, but production only began in the last decade; coffee is its main agricultural export today.

As is the case with Kosovo, it is necessary to peer briefly into East Timor’s history in order to have a better sense of the recent developments. Approximately 400 years ago, the territory was colonized by the Portuguese, who used it mainly as a trading outpost until 25 April 1974, when the authoritarian regime in Portugal fell, and East Timor gained a rushed independence.<sup>58</sup> In light of the dearth of institutional structures in place to regulate disputes, political conflicts arose among several parties, each of which was trying to gain the upper hand in the future governance of East Timor. The main two political parties were the Revolutionary Front for an Independent East Timor (FRETILIN), which was very popular and had Marxist leanings, and the Democratic Union of Timor, a smaller party representing mainly the landowning elite. As each party struggled to wrest control from the other, Indonesia invaded, under the ideological pretense of preventing the creation of a ‘Cuba of the South Pacific’ (ignoring the evidence that FRETILIN’s connections with Marxism were tenuous).

Less than a year later, Indonesia incorporated the territory as its 27<sup>th</sup> province. The US provided tacit support for the invasion and occupation; more overt military support followed in later years. Australia, as the closest neighbour, was one of the few countries in the world to

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<sup>56</sup> Other forms of UN peacekeeping assistance combined have amounted to approximately an additional one billion US\$. See Appendix II.

<sup>57</sup> The name ‘East Timor’ is still used more frequently than Timor Leste in international contexts, even among East Timorese diplomats. There is a small East Timorese district within West Timor, called the Oecussi enclave.

<sup>58</sup> In 1749, following battles between Portuguese and Dutch colonists, East and West Timor were split, with the West going to the Dutch and the East going to Portugal. From 1942–45, the Japanese occupied East Timor during which time some 60,000 East Timorese were killed. The territory then reverted back to Portuguese control after the Japanese defeat in the Second World War and became, officially, a ‘non-self-governing’ territory after the fall of Portuguese colonial rule in 1974. The enclave of Oecussi on the north coast of West Timor was added to East Timor in 1916, as part of deal between Portuguese and Dutch colonial powers.

formally recognize Indonesian rule as legal in East Timor. And while the UN General Assembly and Security Council did not officially recognize the takeover, little international support flowed to the East Timorese in this new chapter of their struggle for independence.<sup>59</sup>

For 24 years, the Indonesian government held Timor Leste in a brutal iron grip, during which time between one quarter and one third of the population, or about 200,000 people, were killed in fighting and famine.<sup>60</sup> The Indonesian military committed ‘unspeakable crimes ... bombings, execution, torture, and disappearances, which left no family untouched’.<sup>61</sup> Thousands of Timorese fled the territory. Many members of the opposition, fearing incarceration or worse, left for exile in Portugal and elsewhere. The main opposition group FRETILIN, and its military wing fought the Indonesian occupation.

Like Kosovo, East Timor struggled to gain international recognition for its independence.<sup>62</sup> The US and most of the west supported the dictatorial and oppressive Indonesian regime because it had joined the fight against the spread of communism. Many Asian powers also supported the Indonesian state out of fear of inspiring independence movements in their own states.<sup>63</sup> Australia had various motivations for supporting Indonesia, probably the most important being that it had signed an agreement with Indonesia whereby revenues from offshore oil exploitation off the coast of East Timor would be shared equally between the two countries. In contrast to the other powerful, interested states, former colonial power Portugal consistently supported East Timorese independence from the late 1970s on; in the UN system, the office of the Secretary-General attempted to keep the issue of East Timorese misfortune in the forefront of diplomats’ minds.<sup>64</sup>

In the late 1990s, several events transpired that would provide momentum toward eventual East Timorese independence. During the 1990s, although the Cold War was over, the Indonesian National Military continued to wage major battles against FRETILIN’s military wing, even conducting occasional horrific massacres of Timorese civilians, while the resistance fought back through guerilla means. FRETILIN did not have any significant external funding for weapons and supplies, thus moves toward independence did not arise from stalemate or conquest on the battle field, but rather the Asian economic crisis in 1997. The crisis worked to weaken neighbouring Asian states’ support for the brutal but formerly robust Suharto regime, both of which in turn precipitated the downfall of the regime in May 1998.

B.J. Habibie, an eccentric and somewhat unpredictable figure, became the President of Indonesia, and abruptly announced in late January 1999 that the East Timorese could decide

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<sup>59</sup> See Dunn (2003); UN General Assembly (1975); UNSC (1975, 1976).

<sup>60</sup> On the killings and numbers, see Kiernan (2003). Most of the East Timorese population is Catholic, although there is a small Muslim population. There are two major ethnic groups, Austronesian and Papuan, and small Chinese, Arab, and Portuguese minorities. Ethnolinguistically, the population is a mix of more than 20 Austronesian and Melanesian groups, along with a significant admixture of Portuguese. In general, a strong sense of East Timorese national identity, emerging from the long independence struggle, has been more significant than any ethnic, linguistic, or religious cleavages.

<sup>61</sup> Jolliffe (2000: xi).

<sup>62</sup> Ramos-Horta (1987).

<sup>63</sup> See Terrall (2003: 80).

<sup>64</sup> See Krieger (1997: xxiv).

for themselves whether they wanted independence or autonomy within Indonesia in a ‘popular consultation’. The Habibie government had been informed incorrectly that the majority of East Timorese did not want independence. The doubt about the outcome of the election meant that the UN Secretariat was unable to plan adequately for different potential election outcomes. The Indonesian government, supported by the Australian government and others, forbade the deployment of peacekeeping troops alongside UN elections monitors; they would not even allow planning for a potential post-election peacekeeping operation. For this popular consultation, the Indonesian National Military was to be in sole charge of security.

The poll on 30 August 1999 was largely peaceful, with a 98.6 per cent voter turnout. An overwhelming 78.5 per cent of East Timorese voted in favor of independence. But just as the celebrations began, pro-autonomy militias—with a nod from the Indonesian military—unleashed a three-week, devastating ‘scorched earth’ campaign. They raced through large towns and remote villages, burning all buildings in their wake. Approximately 70 per cent of the physical infrastructure was destroyed, including nearly the entire electrical grid and almost all homes.<sup>65</sup> More than 70 per cent of the population was displaced, approximately 300,000 of whom fled to West Timor.<sup>66</sup> Most UN international staff were evacuated, while nine UN staff members were killed, and the UN’s compound in Dili came under siege. All state administrative services collapsed. Approximately 1,500 East Timorese were killed.<sup>67</sup>

During the onslaught, East Timor’s main, charismatic leader in exile, Xanana Gusmao, forbade his pro-independence troops from fighting back. He realized that his forces were outmatched militarily, and he recalled that after Portuguese colonial rule ended in 1974, it was the local fighting in East Timor that gave Indonesia the pretense to intervene and re-colonize the territory. Thus Gusmao and his followers took a calculated risk of employing non-violence. By not fighting back, the East Timorese independence movement accentuated its position as a victim, and trusted that the one-sided battle would necessitate international intervention in its favor.

While neighbouring states and the UN dithered, popular demonstrations in Australia against the Australian government’s policies toward East Timor gained momentum. Thousands of Australians protested a lack of intervention on behalf of the East Timorese. The Australian government eventually responded by taking the lead in establishing a multinational force to stop the violence.<sup>68</sup> Other neighbouring states including Indonesia agreed to the armed intervention, with the provision that there would be significant troop contributions from Asian countries, and that the deputy commander would hail from an Asian country (Thailand). By 20 September 1999, one week after obtaining approval from the UNSC, the INTERFET halted the violence. Led by Australia but including troops from the Philippines, Thailand, South Korea, Malaysia, and Fiji (Singapore sent a medical contingent), INTERFET was authorized under UN Charter Chapter VII to use ‘all necessary means’ to restore order.<sup>69</sup> It had approximately 11,000 troops at the height of its operations. Most of the pro-autonomy militias fled to West Timor, and the Indonesian military withdrew. INTERFET remained

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<sup>65</sup> Chopra (2000: 27).

<sup>66</sup> Smith and Dee (2003:51).

<sup>67</sup> Martin and Mayer-Rieckh (2005: 134).

<sup>68</sup> See Orford (2003: 1); Dee (2001: 7); Chesterman (2001: 13); Simpson (2004); Scheiner (2001: 110); and Pilger (2004: 14).

<sup>69</sup> Brazil, Canada, France, Germany, Ireland, Italy, New Zealand, Norway, the UK, and the US also sent troops.



operational in East Timor for five months until many of its troops were integrated into the subsequent UN multidimensional peacekeeping operation called the UN Transitional Administration in East Timor (UNTAET).

## 5.2 The characteristics of post-1999 foreign assistance

UNTAET was the most ambitious UN peacekeeping operation of its time. The mission was more ambitious, from the view of the UN, than the one in Kosovo, because the UN was in charge of all aspects of the international neotrusteeship, whereas in Kosovo, the primary tasks were divided with other multi-lateral organizations (most notably NATO and the EU). UNTAET was also unlike many other peacekeeping operations in that public administration, rather than security, was the most challenging element of the mandate. UNTAET was charged with the standard tasks of Chapter VII 'robust' peacekeeping, including troop retraining and re-integration, civilian policing, humanitarian assistance, and also, unusually, the governing of an entire country. Whereas historically the UN had attempted to reform or rebuild state structures with the assistance of previously warring political elites, in this case, the UN had to *be* the state. The people who had filled the administrative positions in the repressive Indonesian regime for almost a quarter century left East Timor en masse just prior to the beginning of the UNTAET, thus the operation functioned with the legacy, but not the people, of the previous regime.

On the positive side, most of the local population and elites were favorably predisposed toward the UN, at least at the outset. No factions of East Timorese were fighting one another, since they had united as single political force with Gusmao at the lead. The leadership also benefitted from considerable international legitimacy: In 1996, East Timorese leaders José Ramos-Horta and Bishop Carlos Filipe Ximenes Belo had won the Nobel Peace Prize, and they continued to lobby international actors to support East Timorese human rights. International opinion had been shifting in favor of East Timorese independence, after decades of Timorese political leaders lobbying the UN to support independence from Indonesia.<sup>70</sup> There were high hopes for what the UN might be able to do in East Timor.

Beginning in October 1999, and lasting almost three years, UNTAET was the sovereign authority in East Timor. The structure of UNTAET included three main pillars: 1) military-peacekeeping; 2) governance and public administration; and 3) humanitarian assistance and emergency rehabilitation. When considering the small size of the territory and local population, this was a proportionately enormous operation, with 9,150 military, 1,640 police, 1,670 international civilian staff (including 486 UN volunteers), and 1,905 local staff.

While UNTAET did have a pillar approach somewhat similar to the operation in Kosovo, the overall structure in East Timor was much more simplified than that of UNMIK. UNTAET was integrated within itself, under UN leadership, unlike in Kosovo, where different agencies were in charge of five different pillars. But similar to the UNMIK cultural model in Kosovo, locals were not initially permitted to take part in the governing structures.<sup>71</sup>

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<sup>70</sup> See Bell (2000: 175).

<sup>71</sup> One of the primary lessons learned from the operations in Cambodia was that the UN should strive as much as possible *not* to rely on local political elites, since the most successful of the divisions in UN Transitional Authority in Cambodia (UNTAC) were mainly self-sufficient; they did not need local participation in order to be successful. See Howard (2008).

In the end, UNTAET was successful at implementing the various provisions in its mandate, however, its main strategic blunder early on was a heavy reliance on international, as opposed to local staff; an approach that tended toward a colonial-like attitude rather than seeking to integrate with its host population in order to establish its own legitimacy and more easily transfer administrative authority. As a result, according to one critic, UNTAET had an early ‘preoccupation with control at the expense of the local community’s involvement in government ... [and its staff] projected a blunt and bullying style’ rather than being accommodating and self-effacing, as would have been warranted, given the comparatively low security threats in East Timor.<sup>72</sup>

Like in Kosovo, it took pressure and criticism from the East Timorese, as well as from disaffected UN staff members, for the neotrusteeship operation to learn from mistakes and alter its approach.<sup>73</sup> UN Secretary-General’s Special Representative Sergio Vieira de Mello admits that the overall early methods of the operation were misguided and needed to be changed:

While our consultation (and desire to do so) in those early days was genuine, our approach towards achieving that failed truly to bring in the East Timorese on all aspects of policy formulation and development. ... the strategy we eventually developed was, I think, the right one; we just had to feel our way, somewhat blindly, towards it, wasting several months in doing so.<sup>74</sup>

After taking criticisms seriously, the operation began to engage more fully with the East Timorese, garnering consent for, and thus enhancing the legitimacy of, the operation with its policies of ‘Timorisation’ (i.e., including East Timorese in governing structures). The mission also enjoyed a certain distance from UN headquarters, which allowed it increasingly to make more decisions based on field-level calculations.<sup>75</sup> By the end of May 2002, UNTAET had successfully implemented most aspects of its mandate and it was ready to hand over many of the governing responsibilities to an independent, democratically-elected East Timorese leadership.

In terms of other sources of aid, Japan and Australia in particular were significant bi-lateral donors. Both countries felt some historical guilt toward the East Timorese—the Japanese, for brutally invading and occupying the island during the Second World War, killing tens of thousands of its people, and then for supporting the Indonesian government during the Cold War. In the case of Australia, after the Second World War, many Australians felt they owed a moral debt to East Timor, since many East Timorese had protected and supported Australian troops stationed in East Timor in the fight against the Japanese, and were later ‘thanked’ by

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<sup>72</sup> Chopra (2000: 30, 33); see also Chesterman (2001: 72).

<sup>73</sup> See Chopra (2000, 2002). In December 2000, the East Timorese cabinet members threatened to resign, citing lack of power, resources, or official duties. Ramos Horta and Gusmao both resigned and were immediately reinstated on several occasions. See Chesterman (2001: 20).

<sup>74</sup> Vieira de Mello (2003: 19). Note that in East Timor there was only one UN Special Representative of the Secretary-General for the duration of the neotrusteeship mandate, unlike the frequent leadership turnover experienced in Kosovo.

<sup>75</sup> Suhrke (2001: 13).

Australia in the form of support for the Indonesian annexation of the territory, and legal claims over potential oil and gas rights.<sup>76</sup>

Japan became the largest donor supporting Timorese independence and reconstruction, beginning with a trust fund for INTERFET in the sum of US\$100 million. The trust fund enabled many poorer Asian and other nations to participate in INTERFET. Japan also hosted the first International Donor's conference for East Timor in December 1999, eventually contributed peacekeeping troops for the first time since several had been killed in Cambodia, and sent the Japanese engineering group which restored water and roads throughout East Timor.<sup>77</sup> While Japan assisted with finances, Australia focused on military contributions. Australia commanded INTERFET, supplied most of the aviation and logistics support, and its troops made up approximately half of the force.

Funding for the peacekeeping operation was adequate, although there was pressure from the beginning to downsize the operation to minimize costs.<sup>78</sup> Any projects that could not be covered by regular peacekeeping assessments were supplemented through bi-lateral assistance, along with two trust funds organized by the WB.

The WB and the UN worked well together most notably in establishing two features of the new state: The annual budgetary process, and the national health care system.<sup>79</sup> Other sectors, including, for example, justice and energy/power, were not as well established by the end of UNTAET. In contrast, programmes for education, roads, and private sector development, were for the most part set in motion by the time of independence.<sup>80</sup>

The tasks confronting UNTAET in the realm of justice were numerous and daunting. After the September 1999 destruction, East Timor was stripped of many of the personnel required to run a formal legal system, in terms of courts, police, and prisons. The UNTAET leadership took several steps early on to try to re-create a legal system, including re-instating the primacy of the pre-August 1999 law (minus the elements that contravened basic human rights such as those on anti-subversion, social organization, and national security); setting up a UN-run incarceration facility; providing international and training local police, and establishing a joint UN–East Timorese Transitional Judicial Service Commission.<sup>81</sup> A joint UN–East Timorese Serious Crimes Unit was also established, and it indicted many high-ranking officials for crimes against humanity during the September 1999 rampage, including General Wiranto.<sup>82</sup> The unit began handing down serious indictments for regular crimes, as well as crimes against humanity, in December 2000. In the same month, the transitional cabinet approved a Commission for Truth, Reception, and Reconciliation, which forwarded its first convictions for crimes against humanity in December 2001. In general, UNTAET's strategy

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<sup>76</sup> The East Timorese who gave support to the Australian troops during the Second World War were often brutally punished by Japanese forces. See Bell (2000: 175).

<sup>77</sup> Rodrigues (2003: 25).

<sup>78</sup> See Kapila (2003: 60); and Suhrke (2001: 10–11).

<sup>79</sup> Ingram (2003: 91).

<sup>80</sup> Cliffe and Rohland (2003: 115).

<sup>81</sup> The Transitional Judicial Service Commission was made up of three East Timorese and two international staff members.

<sup>82</sup> General Wiranto later became a candidate in the Indonesian elections.

in judicial and police affairs was to train Timorese staff quickly, and turn over the administration to the East Timorese as rapidly as possible. But as one observer noted, ‘there is no quick way to set up a justice system’.<sup>83</sup>

In terms of the military, members of the armed resistance who were not recruited for the new army were demobilized and generally re-integrated successfully through the Reintegration Assistance Programme, which was run by the International Organization for Migration and funded by the WB and the US Agency for International Development (USAID). The new East Timorese Defense Force gradually gained in strength and ability over the course of the UNTAET operation, and was for the most part prepared to engage in its primary duties—detering militia incursions and other potential sources of aggression, and assisting civilian efforts during natural disasters—upon independence in the spring of 2002.

Most of the major social and economic development projects were not directly under UNTAET’s purview, but rather the WB’s. The Bank established two trust funds for East Timor, and it oversaw projects to rehabilitate such sectors as health, education, agriculture, community development, private development, transport and power, water and sanitation, and microfinance. The WB had begun preparing its mission before September 1999, and then in earnest in October/November 1999, when it held a Joint Assessment Mission with key East Timorese leaders in order to devise strategies of institution building that involved East Timorese directly. According to Sarah Cliffe, the Chief of Mission for the Bank’s efforts, the Joint Assessment Mission provided a solid foundation for fruitful working relationships between all parties involved and demonstrated ‘the importance of following a truly “joint” approach in planning with both national counterparts and donors’.<sup>84</sup> East Timorese were included at all levels of planning and implementation, often with successful results. Targets for accomplishments in each of the sectors were largely met by the time of East Timorese independence.<sup>85</sup>

The greatest achievement was in the redevelopment of agriculture. Rice and corn production had returned to pre-1999 levels by the end of the UNTAET operation, and new capabilities in coffee production were being developed. By the spring of 2002, in terms of other sectors, fishing operations had been largely re-established; water and sanitation services were rehabilitated and augmented; power stations were built and billing services established; enrollment in schools was significantly higher than at pre-1999 levels; and five hospitals and 64 community health centers had been built or rebuilt, with another 25 centers in progress, providing health care to all areas of East Timor.<sup>86</sup> In terms of a more general economic picture, while the majority of the population was still desperately poor, upon independence, almost 90 per cent of the population reported that they were at or above the economic level that they were before the violence in 1999.<sup>87</sup> There were also significant efforts at developing a tourism industry, and the Bayu-Undan oil field was slated to begin production.

One significant economic and social problem that UNTAET and its affiliates did not try to tackle was land ownership disputes. Arguing that international staff should not try to weed

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<sup>83</sup> Dunn (2003: 370).

<sup>84</sup> Cliffe and Rohland (2003: 97).

<sup>85</sup> Cliffe and Rohland (2003: 115).

<sup>86</sup> UNSC (2002: paragraphs 43–57).

<sup>87</sup> UNSC (2002: paragraph 42).

out such a complicated problem, the issue was left to the new Timorese government to decide on appropriate dispute resolution mechanisms. And the task was substantial. Much of the territory was claimed by multiple parties—displaced persons, refugees, and other people with claims dating back to Portuguese, and later Indonesian, rule. The problem of land claims is probably the most important one inhibiting greater Timorese social and economic development. While land laws were passed in 2003 and in 2012, land ownership remains problematic. The most recent land laws passed are favorable to Portuguese-owned companies that fled upon the collapse of the colonial regime in 1975. These new laws have made small-scale Timorese farmers worried about their future existence.<sup>88</sup>

In addition, during UNTAET and the follow-on UN missions, the disparities in wealth between the international staff and locals were stark and disturbing: The average international staffer earned between three and ten times more than the average East Timorese citizen (including Timorese working for the international organizations), which in effect began to create a ‘two-tier economy’.<sup>89</sup> Even though the massive international presence has left the country, elements of the two-tier economy remain. For example, a small wealthy minority, many of whom are ex-patriates, continues to enjoy expensive goods and services established during UNTAET’s tenure, while the vast majority of the population has no access to such markets.<sup>90</sup>

A final major economic concern involves the international boundary between Australia and East Timor. There are significant oil and gas reserves under the seabed that lies between the two countries. In 1972, the Australians negotiated a very favorable deal with Indonesia, giving Australia the lion’s share of the reserves. Standard international boundaries lie at the midpoint between the coasts of two countries, but this agreement granted Australia two-thirds of the sea area, thus cutting its poorer neighbour off from most of the reserves. During the pre- and post-independence negotiations on East Timor, several agreements were reached which presumably gave East Timor a 90 per cent control over the reserves, and paved the way for the opening in February 2004 of the Bayu Undan offshore gas field—a field that is being developed and exploited by Phillips Petroleum, an Australian firm. The field is expected to earn US\$32 billion over the course of its life. The dispute between the two countries has to a certain extent soured Australian–Timorese relations and continues today.<sup>91</sup>

As it stands now, the two-tier economy, coupled with highly concentrated oil wealth, do not bode well for evenly-distributed growth and economic development across different sectors of East Timorese economy and society. In May 2006, after the end of UNTAET, rioting broke out involving former soldiers who had been dismissed and not re-employed by the new state. At least 25 people were killed and about 150,000 people fled their homes. Order was quickly restored with the assistance of international troops and a new, smaller UN peacekeeping mission, the UN Integrated Mission in East Timor, deployed until December 2012

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<sup>88</sup> *The Economist* (2012).

<sup>89</sup> Terrall (2003: 81).

<sup>90</sup> In addition, during UNTAET, the US\$ became the currency of East Timor, but there were no accompanying coins, which meant that the lowest possibly currency unit was extremely high for most goods purchased by most Timorese. The adoption of the dollar has worked to drive Timorese out of the monetary-based economy and into one that relies more on barter.

<sup>91</sup> Hunt (2013).

That said, the GDP of East Timor has been growing at over ten per cent per year for the last five years, while most of the rest of the world's growth has lagged. And although there have been some domestic leadership disputes, Xanana Gusmao's commitments to forgiveness, reception for returning refugees, and openness to differences of opinion have helped steer the country toward stability and social welfare. Many aspects of the new Timorese political, military, economic, and judicial institutions appear to be progressing. According to the most recent Central Intelligence Agency (CIA) Factbook assessment, since 2008, East Timor 'has enjoyed one of its longest periods of post-independence stability, including successful 2012 elections for both parliament and president'.<sup>92</sup> In the view of the WB, East Timor's 'economy continues to grow rapidly on the back of government spending. These developments are starting to contribute to poverty reduction and improved social outcomes'.<sup>93</sup> That said, there remain concerns about East Timor's ability to maintain stability during its current oil-related economic boom.<sup>94</sup> A recent British Broadcasting Corporation (BBC) analysis summarized the situation this way: 'An impoverished, war-torn country has, in 13 years, become a fairly stable small state with promising economic growth prospects ... No one would dispute that the UN's assistance has at times been vital.'<sup>95</sup>

### 5.3 Evaluation of central hypotheses

UNTAET was an extremely ambitious operation, and after experiencing some problems, largely overcame them. The UNTAET mandate included the major tasks of providing security, law and order, public administration, humanitarian assistance, and helping the East Timorese to build capacity in self-governance and sustainable economic development. The tasks were inherently open-ended, and they related much more to development than security issues, unlike previous multi-dimensional peacekeeping operations. In terms of evaluating our central hypotheses against the evidence of East Timor, we see that in this case, neutrusteeship was crucial for the successful transition in East Timor, which validates our first hypothesis. Our second hypothesis, that the UN would not be an effective lead organization is negated, since in this case the UN was overall quite effective (supported by the WB in social and economic development). Our evidence does not support the third hypothesis, that—neighbours with security, economic, or historic interests are the best leaders of neutrusteeship—since Indonesia and Australia were almost always more interested in helping themselves than in helping East Timor.<sup>96</sup>

## 6 Conclusion

This working paper has employed the method of paired comparison to qualitatively evaluate three prevailing hypotheses about the relationship between neutrusteeship and the problems of fragile and post-conflict states. Our first and most important hypothesis is that if neutrusteeship is employed, it should prove an efficacious means to achieve stability and

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<sup>92</sup> CIA (2013a).

<sup>93</sup> World Bank (2013b: 1).

<sup>94</sup> International Crisis Group (2013b).

<sup>95</sup> Head (2012).

<sup>96</sup> East Timor's stability or lack thereof has not and does not have a great impact on its neighbours.

economic progress. Hypotheses two and three are subsidiaries of the first: That ‘greater efficacy and co-ordination will result from missions led by a dominant’, single international actor that is not the UN, and finally, that if a neighbouring state or organization with security, economic and historic interests in the post-conflict country takes the lead in the neotrusteeship operation, then positive results will ensue.<sup>97</sup>

As with most qualitative studies, we face the problem of examining more causal factors than cases. However, we can weigh the hypotheses against fine-grained empirical information in these two cases in order to do the following: 1) see whether the evidence supports the propositions; 2) better understand the hypotheses’ plausibility in the real world; and 3) see what policy implications we might draw from the analysis. The results can be summarized in the Table 1.

Table 1: Summary of hypotheses and results

	<b>Kosovo</b>	<b>East Timor</b>
If neotrusteeship then effective	No	Yes
If UN leads then failure	Not applicable	No
If neighbours lead then success	No	No
Results as of 2013	Failing	Succeeding

Source: Author.

Overall we see that neotrusteeship can be an effective means of assisting states as they move out of conflict, but that dividing the leadership, and therefore the authority, of such efforts can lead to a situation in which no one is in control. In the case of Kosovo, leadership was divided from the start between the UN, NATO, and the EU and neither the operations, nor Kosovo, have benefitted from such divisions. As international leadership in Kosovo was divided, so has been domestic leadership, with Kosovo’s Serbs and Albanians each making sovereignty claims, and creating parallel state administrative structures that serve primarily one ethnic group. In the absence of final authority, organized crime and corruption have flourished such that Kosovo is now not only the poorest and most economically depressed country in Europe, but it also threatens Europe because it has become a hub for human and drug trafficking. Kosovo’s self-interested European neighbours have sought to lead neotrusteeship efforts, but have thus far not succeeded, and the failures simply cannot be attributed solely to domestic and bordering ethnic tensions given that cross-ethnic criminal organizations in the region have managed to thrive. In other words, cross-ethnic co-operation in Kosovo is entirely possible, given the right incentives.

In contrast, the UN led a fairly successful, three-year neotrusteeship operation in East Timor. East Timor’s neighbours, Indonesia and Australia, were historically abusive toward the East Timorese, both physically and economically. As such, neither was fit to take the lead in neotrusteeship efforts, although Australia has helped to maintain security in East Timor at two crucial moments—in 1999 and to a lesser extent in 2006. In sum, in East Timor, the UN’s unified, non-self-interested, short-term, well-funded neotrusteeship mission—bolstered but not challenged in authority by the WB efforts—may be held up as a promising model for future such efforts.

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<sup>97</sup> Fearon and Laitin (2004: 28).

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## **Appendix I**

### **Structured-focused comparison questions, Kosovo and East Timor, 1999–2013**

#### **A) What aspects of the ‘local context’ most influenced the success of international assistance?**

1. Ethnic divisions
2. Neighbouring countries
3. Strength of pre-conflict state
4. Other economic/historic/geographical conditions
5. Did the terms of conflict settlement imperil or enable long-term institution building?

#### **B) What were the characteristics of post-1999 foreign assistance?**

1. What was the amount of aid?
2. What was the duration?
3. Who were the major donors?
4. What were the aid modalities and channels?
5. Which sectors were targeted?
6. What was the relative importance of foreign assistance?
7. Was foreign assistance/intervention necessary to the transition?
8. Was international assistance co-ordinated among the international actors?

#### **C) Are the contending hypotheses supported or contradicted by the empirical data?**

H 1. Neotrusteeship is the most efficacious method of resolving the problem of weak states.

H 2. If the UN is the lead organization, then the operation will not be effective.

H 3. If neighbouring states (or regional organizations such as the EU or NATO), with a security, economic, or historical interest in stability lead neotrusteeship, then the operation will be successful

#### **D) Other questions/conclusions**

1. What was state of fragility at the start/end of period of analysis: 1999-present?
2. How and why can each case be considered more fragile or more robust?
3. What are the implications for foreign assistance to fragile states?
4. Does the approach to assistance adopted offer a promising model for state-building in other contexts?

## Appendix II

Direct comparison: Kosovo and East Timor	Kosovo	East Timor/Timor Leste
Size <sup>98</sup>	10,887 sq. km (ranked 169 of 252)	14,874 sq. km (160 of 252)
Independence Date	February 2008	2002
Countries not recognizing independence	95 including 5 EU <sup>99</sup>	Recognized by all
Peace enforcement forces integrated under international UN Civilian authority	No	Yes
Prior experience with self-rule	Some	None
Literacy rate <sup>100</sup>	2013- 91.9%	2013- 58.6%
GDP (PPP) <sup>101</sup>	2000- US\$5.413 billion 2012- US\$13.369 billion	2000- US\$2.219 billion 2012- US\$11.045 billion
Per capita income <sup>102</sup>	2013- US\$3,579	2013- US\$5,446
Remittances as % of GDP <sup>103</sup>	2004- 17.1% 2006- 19.7% 2011- 17.4%	2004- N/A 2006- 0.8% 2011- 12.0%
Parallel local administrative structures	Yes	No
Parallel international administrative structures	Yes	No
Worst post-independence violence	March 2004—19 killed	May 2006—25 people killed
UN peacekeeping assistance <sup>104</sup>	UNMIK (1999-present):  US\$3,111,440,700.00	UNTAET (1999–2002) + UNMISSET (2002–05) + UNMIT (2006–13)=  US\$3,052,244,000.00

<sup>98</sup> CIA World Factbook (2013a, 2013b).

<sup>99</sup> As of August 2013, Cyprus, Greece, Romania, Slovakia, and Spain had not recognized Kosovo independence.

<sup>100</sup> CIA World Factbook (2013a, 2013b).

<sup>101</sup> IMF (2013).

<sup>102</sup> UNDP (2012). <http://hdr.undp.org/en/reports/national/europethecis/kosovo/KHDR2012-Eng.pdf>

<sup>103</sup> World Bank (2013c).

<sup>104</sup> Advisory Committee on Administrative and Budgetary Questions, UN financial performance reports for missions in Kosovo (UNMIK) and East Timor (UNTAET, UNMISSET, UNMIT). The UN ended its operations in East Timor in December 2012. The UN has allocated approximately US\$45 million for UNMIK in 2013–14.

<b>Direct comparison: Kosovo and East Timor</b>	<b>Kosovo</b>	<b>East Timor/Timor Leste</b>
Regional Organizations:		
INTERFET	N/A	US\$1,406,000,000.00 <sup>107</sup>
KFOR	US\$4,765,725,000.00 <sup>105</sup>	N/A
EU	US\$2,066,820,000.00 <sup>106</sup>	N/A
	<b>Kosovo</b>	<b>East Timor/Timor Leste</b>
World Bank	US\$400,000,000.00 <sup>108</sup>	US\$58,078,000.00 <sup>109</sup>
IMF	US\$96,976,000.00 <sup>110</sup>	0
Bi-lateral Security Aid--US <sup>111</sup>	US\$1,000,000,000.00	0
OSCE <sup>112</sup>	US\$590,101,800	
Development Assistance Committee (DAC) aid <sup>113</sup>	US\$2,130,300,000.00	US\$741,700,000.00
<b>Total, 1999–2013</b>	<b>US\$14,161,363,500</b>	<b>US\$5,258,022,000</b>

Source: Author.

105 Number is approximate from the KFOR Theatre Budget Officer, email communication 10 August 2013.

<http://www.eulex-kosovo.eu/en/info/whatisEulex.php>

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