

Kosovo: The Building of a European State or Just Another State in Europe?

by

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Submitted in partial fulfillment of the requirements
for the degree of Master of Arts

at

Dalhousie University
Halifax, Nova Scotia
September 2010

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DALHOUSIE UNIVERSITY
DEPARTMENT OF POLITICAL SCIENCE

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Dated: 13 September 2010

Supervisor: _____

Readers: _____

DALHOUSIE UNIVERSITY

DATE: 13 September 2010

AUTHOR: Faton Tony Bislimi

TITLE: Kosovo: The Building of a European State or Just Another State in Europe?

DEPARTMENT OR SCHOOL: Department of Political Science

DEGREE: MA CONVOCATION: October YEAR: 2010

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DEDICATION PAGE

For Fiona, my beloved daughter.

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ABSTRACT

From focusing on emergency humanitarian aid in 1999 to building a strategy for the development of the new state in 2008, the international community in Kosovo has seen both success and failure during this past decade of involvement. With a population of over two million, fifty percent of which under the age of twenty-five; with an unemployment at staggering rates of 30-40%; with a war-torn economy and infrastructure; with a fragile democracy and consolidating institutions; with a weak rule of law – Kosovo poses, at best, a major challenge for Europe. The involvement of the European Union in Kosovo post-independence has increased – especially in light of the new EU Rule of Law Mission (EULEX) and the International Civilian Office (ICO) headed by the EU Special Representative, even though the UN Mission in Kosovo (UNMIK) still remains on the ground. This paper focuses on the overall development of the post-war Kosovo and the EU's role in three main areas: political, social, and economic.

Politically, Kosovo has seen a vibrant life of pluralism, free and fair elections, while much remains to be done to achieve sustainable democracy and good governance. Socially, Kosovo is a great example of religious coexistence, strong safety nets and family values, optimism and quite a young population, while more could be done about ethnic reconciliation and education. In economic terms, Kosovo remains a poor country with an underdeveloped economy in much need of FDI, high unemployment, but also with abundance of natural resources and human capital.

On its own, Kosovo has neither come to where it is today nor could it move any forward in the near future. The role of the international community and especially that of the EU is crucial in helping Kosovo overpass some of the current barriers and become a truly European state, instead of just another state in Europe. Therefore, from a state-building perspective, this paper strives to shed some light on the process of state-building in Kosovo and the role of the international involvement during this past decade.

LIST OF ABBREVIATIONS USED

ICO	International Civilian Office
EULEX	EU Rule of Law Mission
EU	European Union
UNMIK	United Nations Interim Administration Mission in Kosovo
FDI	Foreign Direct Investment
SFRY	Socialist Federal Republic of Yugoslavia
KLA	Kosovo Liberation Army
UNSC	UN Security Council
IMF	International Monetary Fund
ICG	International Crisis Group
LDK	Lidhja Demokratike e Kosoves – Kosovo Democratic League
FRY	Federal Republic of Yugoslavia
IICK	International Independent Commission on Kosovo
OSCE	Organization for Security and Co-operation in Europe
KFOR	Kosovo Force
PISG	Provisional Institutions of Self-Government
ESDP	European Security and Defence Policy
WEU	Western European Union
CSFP	Common Foreign and Security Policy
UNDP	United Nations Development Programme
CEFTA	Central European Free Trade Agreement
SAP	Stabilisation and Association Process
EPAP	European Partnership Action Plan
ICR	International Civilian Representative
EUSR	EU Special Representative
ECSC	European Coal and Steel Community
IPA	Instrument for Pre-Accession Assistance

ACKNOWLEDGEMENTS

I would like to thank Dr. Finn Laursen for his patience in working with me and for his superb dedication to making sure I get through this thesis writing process in one piece. Special thanks go also to the other two Committee Members, Dr. David Black and Dr. Ruben Zaiotti.

Finally, I want to thank my wife, Nora, and my daughter, Fiona, who have endured the pain of a husband and father with little if any time to spend with them during the process of writing this thesis.

CHAPTER ONE: INTRODUCTION

1.1. Introduction

Given its past and present, Kosovo constitutes an important point of discussion in the fields of international relations, international security, and state-building. Despite its relatively small territory and population, Kosovo has proven to be a major factor that can shape international politics.

The focus of this thesis, however, is state-building in Kosovo under international administration and supervision. I have chosen Kosovo as a case study, not only because of its importance in international relations, but also because of the several international missions and presences that have been deployed to Kosovo, for over a decade now, in an attempt to bring peace, stability, and prosperity to Kosovo and the entire Balkans region. I have divided the thesis into five chapters, each one of them dealing with a particular important segment of Kosovo's development as a state and the role that the international community, mainly the UN and now especially the EU (post-independence), has played in this process.

Chapter One provides a brief historical overview of Kosovo and sets forth some theoretical aspects of state-building that relate to the case of Kosovo. It also describes the state-building process that Kosovo has undergone so far, which I divide into four particular phases. Chapter Two looks at the role that the European Union has played in the Balkans region, with highlights of its engagement with Kosovo. Chapter Three explores the political development of Kosovo and the international community's role in

shaping it. Chapter Four focuses on the economic development of Kosovo under international supervision, using the role of the IMF (as a representative of the international community in this context) to exemplify the influence that such international supervision may have on a newborn state. Chapter Five provides some concluding remarks along with a discussion on future prospects for Kosovo's development as a truly European state.

Overall, this thesis argues that Kosovo's only path to becoming a successful state is to become a European state—a member of the European Union. Any other alternative would make Kosovo a failed or at least a fragile state in the middle of Europe. Neither the EU, nor the international community at large can afford to have a failed state in the heart of Europe, especially in light of the massive engagement that they have had in Kosovo so far.

1.2. A Historical Note about Kosovo

Kosovo was an equally constituent part of the Socialist Federal Republic of Yugoslavia (SFRY), until its political status within the federation was illegally and unwillingly abolished in 1989 by Belgrade when Slobodan Milosevic came to power. The abolition of Kosovo's autonomy brought all aspects of government and public administration (police force, judiciary) under direct Serbian rule (Salla, 1995). As a result the situation in Kosovo, one of the poorest and least developed parts of Yugoslavia, became very dire (Caplan, 1998). The decade of the 1990s, however, marked the remarkable non-violent, civil resistance of ethnic Albanians (Clark, 2000), who constitute

about 90% of Kosovo's two million people (SOK: URL), against the Serbian repressive rule.

But, this civil resistance and the belief that the civilized world would come to support Kosovo Albanians in their quest for freedom started to fade away in the late 1990s. By 1997 armed guerrilla Albanian groups emerged. The support for the armed resistance took a steep increase in 1998 when the Kosovo Liberation Army (KLA) became publicly and officially the armed movement of Kosovo Albanians fighting for freedom. The emergence of KLA further triggered the Serb forces to undertake massive military offensives throughout Kosovo during late 1998 and early 1999. This “murderous ethnic cleansing” committed by the Serb forces using “murder and mayhem” aimed at terrifying local ethnic Albanian “into flight” (Mann, 2005). Such a grand-scale ethnic cleansing in the heart of Europe could no longer be tolerated, bringing about NATO's intervention (Naimark, 2001).

Until NATO's first war in the history of its existence, very few people knew where Kosovo was or anything else about it. However, scenes of brutality and ethnic cleansing committed by Serbian forces against the ethnic Albanian civilian population of Kosovo shook the world in early 1999 and made Kosovo a violently radiant place on the world map. To stop this unfolding ‘new Holocaust’—as some have portrayed the Kosovo war, making it a moral obligation on the side of powerful, democratic nations to intervene (Levy and Sznajder, 2004) – NATO engaged in a 79-day air strike campaign against Serbian forces.

Since NATO's successful military intervention, which resulted in all Serbian forces being withdrawn from Kosovo, the country was put under the United Nations

administration. According to the UNSC Resolution 1244 of 10 June 1999, the UN Mission in Kosovo (UNMIK) was called upon to (UNMIK: URL):

- perform basic civilian administrative functions;
- promote the establishment of substantial autonomy and self-government in Kosovo;
- facilitate a political process to determine Kosovo's future status;
- coordinate humanitarian and disaster relief of all international agencies;
- support the reconstruction of key infrastructure;
- maintain civil law and order;
- promote human rights; and
- assure the safe and unimpeded return of all refugees and displaced persons to their homes in Kosovo.

However, UNMIK was neither mandated, nor sufficiently capable to assist Kosovo in its much needed development effort. That is a task that was left to the European Union.

But, Kosovo's economy was not only underdeveloped to begin with; it had also been harshly damaged for over a decade during the Serbian rule. As also noted by IMF, "the war provided a further setback to output and the quality and capacity of the infrastructure. Damage to the housing stock was particularly extensive, but the main utilities (power, telecommunications) also suffered considerable damage, as did some of the already dubiously viable industrial concerns" (Corker et al, 2001).

During the Serbian rule of the 1990s, Kosovo Albanians were massively dismissed from public jobs and were also denied access to public healthcare and education (Caplan, 1998). Being a socialist economy, most of the jobs in Kosovo were in the public domain. So, this massive dismissal of Kosovo Albanians created huge unemployment, which naturally fed into an increase in poverty. Being an Albanian in Kosovo during the period of Serbian domination was an excuse not only to be dismissed from a job, but also to be denied any public services—some as essential as healthcare and education.

Nevertheless, Kosovo Albanians managed to establish a parallel state run by a government-in-exile, which was successful in collecting voluntary, yet very significant amounts of money, into the “Republic of Kosovo” Fund—named the “3 percent.” This “3-percent” fund was mainly used to fund an underground education system and a quasi-public healthcare system (Perritt, 2008). It also provided for a social welfare system to help those in extreme poverty.

Being a society with close family ties and very non-individualistic, Kosovo Albanians in the diaspora played the most crucial role in ensuring the economic survival of the Albanians inside Kosovo. The diaspora members contributed regularly and significantly into the “3-percent” fund. In addition, migrant Kosovo Albanians, mainly residing in Western Europe, provided substantial financial assistance to their family, relatives, and friends in Kosovo, especially over the decade of the 1990s.

1.3. State-Building Theory and Kosovo

Freedom and independence have been sublime objectives of the Kosovo people since the forceful abolition of the autonomous status of Kosovo within SFRY. But, from a theoretical perspective, the first question to be asked in the case of Kosovo is whether Kosovars were striving for nation-building or state-building?

Socio-political developments like decolonisation, the fall of the Soviet Union and the violent break-up of Yugoslavia seem to have given rise to two major schools of thought on the issues of nation-building and state-building. One claims that nation-building and state-building are intrinsically connected and perhaps equal, and the other sees nation-building as an “an autonomous process of the development of a nation” (Hopp and Kloke-Lesche, 2004). The literature distinguishes between state-building and nation-building, even though some theorists use the terms interchangeably. Goldsmith (2007), for instance, defines nation-building as “the establishment of a common national identity within a given geographical area, based on shared language and culture” whereas Hippler (2004) defines it as a “process of socio-political development, which ideally – usually over a longer historical time span – allows initially loosely linked communities to become a common society with a nation-state corresponding to it.” Both Goldsmith (2007) and Hippler (2004), however, agree that state-building is a central and essential aspect of nation-building.

On the other hand, Ottaway (1999) claims that nation-building and state-building are not at all alike processes (especially in terms of their objectives) and indeed run contrary to one another. This claim is further elaborated by Ottaway (2002), saying: “the goal of nation-building should not be to impose common identities on deeply divided

peoples but to organise states that can administer their territories and allow people to live together despite differences. And if organising such a state within the old internationally recognised borders does not seem possible, the international community should admit that nation-building may require the disintegration of old states and the formation of new ones.”

From a theoretical perspective, Ottaway’s (2002) assertion about the goal nation-building and new states seems to be in line with what has happened in Kosovo. Kosovo’s roots of statehood can be traced back to the break-up of Yugoslavia and the goal of nation-building in Kosovo has certainly not been to impose a common identity on all its deeply divided people based on ethnicity, but rather to create a free, independent and sovereign state in which all these peoples despite their ethnicities could live harmoniously together. But, Kosovo has earned statehood and international recognition (although partial so far) mainly because of its dedication and fundamental pledge to actually build a multiethnic society, which was a condition put on Kosovo by the international community. So, over a relatively long time period, Kosovo aims to build a “common society” from its “loosely linked communities” to use Hippler (2004) terms.

Kosovo’s case, therefore, clearly fits within the definition of state-building as put by Ottaway (2002) until independence, and more so with the definition of nation-building as put by Hippler (2004) post-independence.

Furthermore, a fundamental aspect of state-building in the case of Kosovo and one that has generally been ignored by the literature so far is ethnicity. Ethnicity and ethno-politics are considered to have a key role in nation-building and state-building processes (Brock, 2001). The conflict in Kosovo was an ethnic clash between the Serbs

and ethnic Albanians. It was not a religious-based conflict at all, as some want to portray it (ICG, 2001).

1.4. The State-Building Process of Kosovo

Kosovo's road to independence and the process of state-building through which it has been going started with the forceful abolition of its autonomy within Yugoslavia in 1989. State-building theories, apart from their focus on differences and similarities between nation-building and state-building, do also reflect on indigenous versus exogenous state-building. Another way of looking at state-building, however, is by way of understanding and explaining the *process* as opposed to actors alone. The best way to understand state-building in Kosovo is, therefore, to look at its process. I identify a series of phases in the state-building process of Kosovo, each of which is elaborated in what follows.

1.4.1. Peaceful Resistance and the “Parallel State”

Faced with continued socio-political repression orchestrated by the Serbian regime under Milosevic, Kosovo Albanian elites united under the leadership and programme of the Democratic League of Kosovo (original in Albanian: *Lidhja Demokratike e Kosoves*, LDK), a national peaceful movement, led by Dr. Ibrahim Rugova, a Sorbonne-educated writer and literature critic (Judah, 2008). When first established, in December 1989, LDK's primary goal was to pursue statehood for Kosovo within Yugoslavia. But, as Serbian brutality over Kosovo started to increase and Yugoslavia started to break-up with the ensuing wars in Croatia and Bosnia, seeking

statehood within Yugoslavia was no longer viable. So, LDK's new objective became independence for Kosovo. This objective, however, would be sought through non-violent civil resistance as opposed to war. In Dr. Rugova's words this was because "the Serbs only wait for a pretext to attack the Albanian population and wipe it out. We believe that it is better to do nothing and stay alive than be massacred" (Judah, 1999).

In early 1990s, a series of events took place that shaped the direction in which Kosovo was headed. On 2 July 1990, a couple of days before it was forcefully dissolved by Belgrade, the Kosovo Assembly met on the steps of the Assembly building which had already been locked down and declared Kosovo a nation within Yugoslavia, a republic equal with all other Yugoslav republics. On 7 September 1990, gathered in Kaçanik, a town south of Prishtina, the Kosovo Assembly proclaimed the new Constitution for the "Republic of Kosovo" (IICK, 2000).

One year later, in September 1991, a referendum was organized in Kosovo under the direction of the peaceful movement and the Kosovo Assembly on the issue of independence for Kosovo. The referendum, in which about 87% of Kosovo voters are claimed to have taken part, resulted in 99% of votes in favour of independence. A few months later, in May 1992, general elections took place in the self-declared "Republic of Kosovo" – using private homes as polling stations – and a government-in-exile was established, while Dr. Ibrahim Rugova was elected President of the "Republic" (IICK, 2000; Clark, 2000).

The Kosovo government-in-exile, based mainly in Germany, where a good majority of Kosovo Albanian emigrants live, became the actual, separate, governing institution for Kosovo Albanians. It established, funded, and ran parallel education and

healthcare systems throughout Kosovo. Funding of these parallel state institutions was made possible through a voluntary “tax.” This “tax” was regularly collected in Kosovo and abroad, where Kosovo Albanians lived. A significant amount of funds, however, came from the Albanian diaspora in Western Europe (IICK, 2000).

The Kosovo parallel state was run relatively well until late 1990s. But, after the wars in Croatia and Bosnia in the mid-1990s, and the exclusion of the Kosovo issue from the Dayton Accord, support for the civil resistance in Kosovo was beginning to fade away (IICK, 2000), especially with the emergence of the Kosovo Liberation Army in response to increased Serb brutality against Kosovo Albanians.

During this time, the international response to the growing crisis in Kosovo was sporadic, at best. A more sustained response, however, came from the United States. As early as 1986, when even within Kosovo there were only a handful of intellectual elites talking openly about the unfair treatment of Albanians within Yugoslavia, a couple of concurrent resolutions were introduced in the U.S. Congress to bring to the attention of the U.S. this problematic situation in Europe. H. CON. RES. 358 of 17 June 1986 condemning the repression of ethnic Albanians by the Government of the Socialist Federated Republic of Yugoslavia (SFRY) was introduced in the U.S. House of Representatives sponsored by U.S. Representative Joseph J. DioGuardi, concurrently with CON. RES. 150 expressing concern over the condition of ethnic Albanians living in the Socialist Federal Republic of Yugoslavia, which was introduced in the U.S. Senate sponsored by U.S. Senator Bob Dole (AAFL: URL). The intensity of new resolutions being introduced in the U.S. Congress increased with time. Indeed, the Albanian-

American diaspora played a key role in convincing the United States to take a firm stand in stopping ethnic cleansing and then bringing about Kosovo's independence.

Contrary to the U.S., the European Union was more negligent about the situation in Kosovo, despite geo-strategic proximity of the latter to the EU. Indeed, despite the fact that former Yugoslavia was considered a problematic area that could threaten the values of the EU, the Union had neither the necessary "political will" nor "an underlying policy or appropriate mechanisms" to successfully get involved in the escalating crisis in former Yugoslavia (Muguruza, 2003). More specifically, until 6 April 1996 Kosovo was not even mentioned in any EU or EC documents. It is in the 'Declaration of Recognition by EU Member States of the Federal Republic of Yugoslavia (FRY),' which called for a larger autonomy for Kosovo within FRY of that date that Kosovo was referred to for the first time (Muguruza, 2003). By the time the EU was finally taking some interest in the unrest in Kosovo, the crisis there would approach its peak in just two years.

Given the complexity of the situation in Kosovo during the 1990s (until 1998), the self-organization of the Kosovo Albanians in creating and running a parallel state is remarkable. This kind of a quasi-institutional organization similar to that of a normal state, albeit under extraordinary circumstances, presents the *first phase of the state-building process* in Kosovo.

Until the crisis in Kosovo evolved into the Kosovo War of 1998-99, the organization of Kosovo Albanians in creating and running separate, quasi-state institutions was primarily an effort led by Dr. Rugova, a "historic president of Kosovo" and a man honoured internationally for his dedication to peace who passed away in January 2006 after losing a short battle with cancer (President of Kosovo: URL).

Chesterman et al. (2004) argue that “state-building works best when a population rallies behind an enlightened leader.” Using this theoretical lens, it can be clearly seen how the self-organization of the parallel state of the “Republic of Kosovo” was indeed a state-building process. Apart from rallying “behind an enlightened leader,” state-building requires local ownership – the process must be adequately responsive to local needs and requirements and, of course, be led by local elites, as was the case with Costa Rica and Singapore, for instance (Chesterman et al, 2004). In the case of Kosovo, this particular phase of the state-building process was also locally owned. International involvement at this time was not substantial or state-building oriented at all. Indeed, any international reaction to the Kosovo crisis during this time called for the preservation of FRY, not carving out of new states.

State-building, however, does not happen because of good will, rallying “behind an enlightened leader,” or local ownership of the process alone. For all of these aspects of state-building to take place, resources are essential. So, the ability to gather necessary resources is a key component of the state-building process. If enough resources can not be gathered from within, they have to be sought from outside the state (Zartman, 1995). And, this is exactly how the resource accumulation during this first phase of the state-building process in Kosovo took place: through the voluntary tax within Kosovo and the 3-percent tax collected abroad. While the funds from the Kosovo Albanian diaspora remained the main funding source, by mid-1990s, the domestic compliance rate with this voluntary tax was high and the amounts gathered were significant – this was in part due to the increased informal economy within Kosovo as more and more Kosovo Albanians boycotted state- and public-owned companies and turned to private enterprises while

avoiding as much as possible tax payments to the Serbian regime (Pashko, 1998). Without this funding mechanism, the civil resistance in Kosovo, mainly implemented through the parallel state, would not have lasted as long as it did.

1.4.2. Kosovo War and NATO's Intervention

By 1998, the situation in Kosovo presented an inevitable descent into a full-fledged war. The brutal repression of the Serbian regime on the civilian Kosovo Albanian population increased in the spring of 1998 and the massacres of February-March of that year against ethnic Albanians strengthened the commitment of international community to seriously deal with Kosovo. In many ways, the brutality in Kosovo was a reminder to the international community of what had happened in Bosnia a few years earlier (Muguruza, 2003).

The Kosovo Liberation Army (KLA), which was created in December 1993 (Judah, 2008), was now seen as a key player in the Kosovo issue, despite the fact that Dr. Rugova and the parallel state institutions of Kosovo remained committed to a peaceful resolution. KLA was funded and armed mainly by the Kosovo Albanian diaspora in Western Europe and the United States (Perritt, 2008; Sullivan, 2007).

A series of UN Security Council Resolutions, European Parliament Resolutions, EU joint actions, and common decisions, did not stop Milosevic from continuing his ethnic cleansing in Kosovo. Given the experience of the war in Bosnia and Croatia, it was generally accepted among international decision-making circles that Milosevic only understands the use of force (Reveron, 2002; Clark, 2002).

The international community, mainly under the auspices of the Contact Group for Kosovo (consisting of Britain, France, Germany, Italy, Russia, the U.S., and representatives of the European Union Presidency and the European Commission) worked intensively to bring a peaceful resolution to the Kosovo war. Partly as result of diplomacy and mainly due to NATO's threat to intervene militarily, Serbia accepted an OSCE (Organization for Security and Cooperation in Europe) peace mission, the Kosovo Verification Mission, to enter Kosovo in October 1998 (McKinnon, 2008; Hosmer, 2001).

At the same time, the Contact Group, this time greatly supported by the European Union as well, organized the Rambouillet Conference which aimed at bringing an end to the war in Kosovo. This was perhaps the last diplomatic attempt to resolve the crisis – especially after the OSCE Kosovo Verification Mission documented the massacre of 45 ethnic Albanian civilians by the Serbian forces on January 15, 1999. The Kosovo delegation at Rambouillet included representatives from the peaceful movement and KLA. To back up the diplomatic action of the Contact Group, NATO had issued a bombing warning for the non-complying party. The Rambouillet Conference concluded in diplomatic dismay when only the Kosovo Albanian delegation, despite the fact that the Rambouillet Agreement would not grant Kosovo independence immediately, accepted the agreement while the Serbian/FRY delegation rejected it. The Serbian rejection of the internationally brokered peace agreement at Rambouillet marked the immediate start of NATO's activation order for airstrikes against FRY, which started on March 24, 1999 (Hosmer, 2001).

The 79-day NATO bombing campaign against Serbian targets throughout Kosovo and FRY ended with the Kumanovo Technical-Military Agreement between NATO and FRY, which gave way to the UN-mandated KFOR (Kosovo Force), a NATO-led military presence, to enter Kosovo in June 1999 while facilitating an immediate and complete withdrawal of all Serbian troops from Kosovo (Clark, 2002). NATO's mission in Kosovo mainly revolved around security and peacekeeping – providing a secure and peaceful place for all, protecting Kosovo's borders, and ensuring the demilitarization of the KLA (Clark, 2002).

With KFOR on the ground and the war over, a new era started in Kosovo. KFOR's mandate as a peacekeeper in Kosovo represents, perhaps, one of the most successful international peacekeeping operations involving NATO. In efforts to stimulate modern state-building and development, “well-meaning developed countries” have intervened in post-conflict and failed state situations in many ways, including “military occupation,” but often such interventions have “actually made things worse” (Fukuyama, 2004). If NATO's intervention in Kosovo is viewed as a military occupation, however, it is a successful one, despite Fukuyama's scepticism. Indeed, in the eyes of Kosovars, KFOR has been continuously ranked as the international institution enjoying the highest public satisfaction with an average satisfaction level of over 83% between November 2002 and April 2009 (UNDP, 2009).

Beyond its security mandate, however, KFOR has become also a social facilitator and reconciliatory actor between Kosovo Serbs and Albanians. It has also played an essential role in transforming the KLA into the Kosovo Protection Corps (KPC) after the war and it is now also charged with training and helping build the capacities of the

Kosovo Security Force (KSF) in the post-independent Kosovo. Supporting community projects – such as building bridges, roads, schools, etc – has also become an important task of KFOR since its deployment to Kosovo in light of the weaknesses of other institutions to do so (KFOR: URL). What KFOR has been doing in Kosovo seems to be in line with a state-building process of peacekeepers that Fearon and Laitin (2004) define as a need for peacekeepers to “foster state-building if there is to be any hope for exist without a return to considerable violence.” Other authors also assert that peace-building missions mean state-building (Paris, 2002; Barnett and Zuercher, 2008).

Furthermore, Dobbins et al. (2007) distinguish between two approaches to state-building: cooption and deconstruction. Cooption tries to work within existing institutions and is the approach mostly used by the UN. Deconstruction, which is mainly associated with the U.S. interventions, involves a process by which certain groups or existing state apparatus in the target society are disempowered while other groups within that society are empowered (Dobbins et al, 2007). The case of Kosovo, given NATO’s military intervention and the post-war UN administration, provides an example of both these approaches being used.

NATO’s U.S.-led intervention in Kosovo certainly disempowered all existing Serbian institutions. It simply got rid of all Serbian political and military instalments from Kosovo, and in due course empowered the post-war Kosovo institutions, now in the hands of the other groups in Kosovo, namely the Kosovo ethnic Albanians. This seems fully in line with the deconstruction approach to state-building. On the other hand, as we will see in the next section, the UN Mission in Kosovo (UNMIK) used a cooption approach to state-building in Kosovo.

Therefore, in light of the above, NATO's intervention in Kosovo presents *the second phase of state-building* in Kosovo, especially in terms of a deconstruction approach to state-building.

1.4.3. Kosovo's UN Administration

UN Security Council Resolution 1244 of 10 June 1999 gave birth to what became known as UNMIK – the United Nations Interim Administration Mission in Kosovo. UNMIK was mandated by the UN Security Council to administer Kosovo until its final political status would be resolved. The resolution stipulated no duration for the mission. Once NATO troops entered Kosovo in June 1999 and consequently UNMIK deployed, within weeks, some 850,000 Kosovo refugees returned to their homes, in what can be regarded as the fastest and largest refugee return in recent history (Hysa, 2004).

UNMIK initially was organized into four major pillars. The first pillar was that of civil administration, the second was that of the judiciary (including the UN police), the third was in charge of institution building and elections (entrusted to the OSCE) and the fourth was the reconstruction and economic development pillar (a responsibility entrusted to the European Union). Post-independence, the role of UNMIK has been significantly reduced. As of June 2008, the UNMIK structure comprised the Democratization and Institution Building pillar under the auspices of OSCE (UNMIK, 2008).

Despite its unprecedented sweeping mandate to provide Kosovo with a “transitional administration while establishing and overseeing the development of provisional democratic self-governing institutions to ensure conditions for a peaceful and normal life for all inhabitants in Kosovo,” (UNMIK, 2008) UNMIK itself was not

democratic. As Chesterman (2004) notes, a 2003 report of the Ombudsperson in Kosovo clearly stated that “UNMIK is not structured according to democratic principles, does not function in accordance with the rule of law, and does not respect important international human rights norms. The people of Kosovo are therefore deprived of protection of their basic rights and freedoms three years after the end of the conflict by the very entity set up to guarantee them.”

Nevertheless, UNMIK seemed to have understood immediately that without involvement of the local political leadership, its mission was next to impossible. Initially, UNMIK established a Joint Administrative Council (JAC), which was a government-like body, and the Kosovo Transitional Council (KTC), which was a legislature-like body. Yet, only UNMIK had the authority to decide any matters related to Kosovo (Hysa, 2004). The establishment of the Provisional Institutions of Self-Government (PISG) in Kosovo came after the first free and democratic elections were organized – locally in 2000 and nationally in 2001. With time, UNMIK transferred a series of competences to the PISG (UNMIK, 2008). Involvement of local political forces in the process of administering Kosovo since the beginning of the work of UNMIK presents a good example of facilitating “local ownership” which Narten (2006) argues is an essential part of successful state-building.

As the role of UNMIK started to fade away, the role of the EU increased in Kosovo, especially when negotiations on the final status of Kosovo started in late 2005. For the EU, Kosovo presented both a challenge and an opportunity in terms of its international crisis involvement.

The involvement of the international community in the Kosovo war and the post-war administration of Kosovo, found the EU unprepared to deal with such crisis. Kosovo served a precursor to the EU's commitment for a credible European security strategy, which resulted in the European Security and Defence Policy (ESDP). The EU security and defence policy was tasked to the Western European Union (WEU), but its capability was never fully operationalized in practice (Latawski and Smith, 2003). And, if WEU security and defence policies were to have any impact, they were to meet three key conditions, as defined by Bretherton and Vogler (2006): presence, opportunity and capability. Since WEU did not have capability, EU turned to ESDP given an important change in British policy in regards to the EU having its own capability in the area of defence and security policy that took place at the Saint-Malo meeting in 1998, in light of the violent events in Former Yugoslavia (Bretherton and Vogler, 2006).

So as the negotiations for the final status determination continued, Kosovars continuously grew tired of UNMIK's presence. In November 2002, the satisfaction of the Kosovo people with the UNMIK was as high as 65% while by December 2007, the satisfaction level dropped to only 27%. Apart from political reasons, mainly related to the prolongation of the final status determination, Kosovo under UNMIK was not progressing in terms of economic development either. Unemployment and poverty remained among key problems that Kosovars were faced with (UNDP, 2008).

The role of UNMIK finally became completely redundant when Kosovo declared independence on February 17, 2008, and the EU took over major tasks in post-independence Kosovo as we shall see in the next section.

But, despite its difficulties and perhaps sometimes undemocratic practices, UNMIK presents *the third phase of state-building* in Kosovo. In terms of Dobbins et al (2007), UNMIK presents the case of cooption approach to state-building in Kosovo. UNMIK, which has always kept a representative office in Belgrade, has always recognized the importance of Belgrade over Kosovo issues. Despite the non-existing Serbian regime establishments in post-war Kosovo itself, UNMIK nevertheless continued to work with Belgrade in all areas regarding socio-political and economic issues in Kosovo. This indicates that the cooption approach to state-building was also used in the case of Kosovo.

The work of UNMIK, furthermore, represents the involvement of international community in state-building. UNMIK, as a UN-mandated mission, was practically a multilateral institution charged with building institutions of self-government in Kosovo. As such it also represents a good example of what Fearon and Laitin (2004) refer to as multilateral state-building “under the banner of neo-trusteeship.”

Given its executive and legislative mandate over Kosovo, UNMIK (initially on its own and since 2001 in consultation with the PISG) brought about a series of regulations to Kosovo, signed international treaties on behalf of Kosovo, among other things. It is in this way that Kosovo under UNMIK became a player on the international stage. For instance, in 2006 Kosovo entered the Central European Free Trade Agreement (CEFTA), became a participant of the European Stabilization and Association Process (SAP), and approved the European Partnership Action Plan (EPAP). This international engagement of Kosovo under UNMIK is in line with Paris’ (2002) assertion that peace-building missions serve as mechanisms for globalization of values and institutions.

It should also be noted that the structure and role of UNMIK is fully in line with tasks that Dobbins et al (2007) ascribe to nation-building such as: security - rule of law; humanitarian relief – return of refugees; governance – public administration; economic stabilisation; democratization – elections; and development – economic growth. In UNMIK terms, these tasks translate as follows: security – UN police and judiciary; humanitarian relief – facilitating the return of refugees to Kosovo; governance – Pillar One tasked with Civil Administration; economic stabilisation – facilitating a safe business environment and establishing Euro as the official currency in Kosovo; democratization – Pillar Three tasked with organizing elections and promoting democracy under the leadership of OSCE; and development – Pillar Four under the EU, promoting economic growth through facilitation of Kosovo’s presence in CEFTA and other economic initiatives.

1.4.4. The Ahtisaari Plan for Supervised Independence: EULEX and ICO

With the appointment of Martti Ahtisaari, a former Finnish president, as UN Special Envoy for the Kosovo final status talks between Prishtina and Belgrade in November 2005, a fourteen-month long negotiations process to find a political compromise for Kosovo’s final status took place in Vienna. Yet, Prishtina and Belgrade could not come to an agreement. As a result, in March 2007, Ahtisaari submitted to the UN Secretary-General a Comprehensive Proposal for the Settlement of the Kosovo Final Status. With his support, on 26 March 2007, Secretary-General forwarded the document to the UN Security Council for consideration. It was expected that the UN Security Council, in light of the Ahtisaari Plan, would reach a new resolution superseding UNSC

Resolution 1244, and mandating a new international presence in Kosovo to help implement the Plan (ICG, 2007).

The Ahtisaari Plan envisioned a multiethnic, independent Kosovo under international supervision. It gave Kosovo supervised independence – which would satisfy the objectives of the majority Kosovo Albanians, while it also gave a high degree of local autonomy to majority Serbian municipalities within Kosovo, including special links with Serbia through a decentralization process that was an integral part of the Plan. Moreover, the Plan called for major and substantial EU involvement in the fields of justice, rule of law, and customs and for an International Civilian Office (ICO) to ensure the full implementation of the plan. The chief of ICO, the International Civilian Representative (ICR) would still have executive powers and could intervene to override legislation or other decisions of the Kosovo authorities if they were deemed to be in violation of the letter or spirit of the Plan. The EU rule of law, justice, and customs mission would also have a rather limited executive mandate. KFOR's presence was deemed necessary to continue while the Kosovo Protection Corps would be dissolved and a new, modern but small military force called the Kosovo Security Force would be created under KFOR's guidance and direction. The Plan also suggested that continuation of international administration in Kosovo was not sustainable (UNOSEK, 2007).

Once the Ahtisaari Plan was introduced in the UN Security Council, a sharp divide ensued among Western powers on one side and Russia and China on the other. The U.S. and E.U. were fully in support of the Plan, but Russia firmly opposed it – claiming that without Serbia's consent, Kosovo cannot become independent as it would set a dangerous precedent for other separatist movements around the world and especially

in Eurasia (Antonenko, 2007). On the other hand, the U.S. and E.U. saw Kosovo's independence as *sui generis*. In a statement to the UN Security Council, UK Ambassador Sawers said "the unique circumstances of the violent break-up of the former Yugoslavia and the unprecedented UN administration of Kosovo make this a *sui generis* case, which creates no wider precedent, as all EU member States today agreed" (UN News Centre, 2008).

As no progress was in near sight at the UN Security Council given Russia's threat to veto any new UN Security Council resolution giving way to Kosovo's independence, the Kosovo authorities, in close coordination with Washington and Brussels, unilaterally declared Kosovo an independent and sovereign state on February 17, 2008. Kosovo's Declaration of Independence, however, made specific mention of the Ahtisaari Plan and pledged that Kosovo would fully implement it (Assembly of Kosovo, 2008).

So without a new UN Security Council resolution, UNMIK's existence continued, despite the fact that its role as an all-powerful entity expired with Kosovo's declaration of independence. A new international presence, however, was established in post-independence Kosovo: the EU Rule of Law Mission (EULEX) and ICO, headed by the ICR/EU Special Representative (EUSR). At first glance, it may seem that indeed UNMIK was replaced by an EU Mission. But, there are substantial differences between the two.

Let's recall that EU was given a role within UNMIK as well – tasked with reconstruction (William, 2005), but that was not because of EU's political importance but rather because of UN's need for EU's economic and development resources necessary for the post-war Kosovo (King and Mason, 2006). EULEX, however, represents the most

ambitious EU mission ever and the largest of all twenty-two ESDP missions to date (Pond, 2008). As opposed to UNMIK, EULEX does not have a civil administration mandate and it cannot adopt legislation or regulations on behalf of Kosovo. The EULEX mission statement stipulates that “EULEX is not in Kosovo to govern or rule.” Its legal basis stems from the European Council Joint Action 2008/124/CFSP of 4 February 2008 (EULEX: URL). While EULEX does not enjoy a UN mandate, it deployed at the invitation of the Kosovo government (Pond, 2008). Despite the fact that EULEX is an EU mission, non-EU member states such as the U.S., Canada, Turkey, and Norway have also contributed police officers to it (EUSR, 2009).

The International Civilian Office, on the other hand, is headed by a double-mandated International Civilian Representative (ICR) / EU Special Representative (EUSR). The ICR/EUSR reports to the European Council and the International Steering Group (ISG) on Kosovo. The purpose of the ICO, however, is “international support for a European future” for Kosovo and its aims include “ensuring full implementation of the Kosovo’s status settlement and supporting Kosovo’s European integration.” ICO strives to achieve its purpose and aims by “advising Kosovo’s government and community leaders” (ICO: URL).

Even though both EULEX and ICO are relatively new in their presence in Kosovo, opinion polls indicate a favourable assessment of their roles by the Kosovo public. Approval ratings for EULEX, for instance, in the beginning of its mission in May 2008 were relatively low, only about 12%, while by April 2009, the approval ratings more than tripled to about 40%, which was slightly higher than approval ratings for either the Government or Assembly of Kosovo (UNDP, 2009).

Given the context and missions of both EULEX and ICO, it seems that Kosovo's way forward as an independent state, currently recognized by some 70 countries, is inseparably connected to its prospects of a European future. So, one challenge of state-building which refers to what kind of state is being built (Samuels and von Esiedel, 2004), in the case of Kosovo seems properly addressed. State-building in Kosovo, in light of Kosovo's aspiration for EU integration and international community's intention to help Kosovo in that direction, seems to be building a European state in Kosovo. Another question that remains open, however, is when will the EU be able to leave full sovereignty in the hands of Kosovars? Fearon and Laitin (2004) argue that perhaps embedded monitoring by international institutions may be a more appropriate aim of state-building process in the context of neo-trusteeship. And, it is likely that in the case of Kosovo, EU supervision either through EULEX, ICO or both, will continue until Kosovo's full integration into the EU, which is when, indeed EU monitoring would actually be "embedded" in Kosovo.

Given Kosovo's aspirations for a European future and the fact that democracy is at the core of EU values, a full-fledged and functioning democracy in Kosovo is required, among others, before Kosovo can join the EU. Whether Kosovo has come to meet this criterion yet remains to be seen as Kosovo conducts itself and its policies as an independent state from now on. But, democracy must be promoted and nourished even though Kosovo may not be a "well-functioning state" yet (Carothers, 2007).

Therefore, what we see in post-independence Kosovo is the *fourth phase of state-building* in Kosovo. It includes the declaration of independence, partial but significant international recognition, and an increased EU involvement through EULEX and ICO

with objectives of bringing Kosovo to its European future. As an independent nation, by late June 2009, Kosovo became the 186th member of the IMF (IMF, 2009) and the newest member of the World Bank Group by joining “the IBRD, the International Development Association (IDA), the International Finance Corporation (IFC), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID). With the admission of Kosovo, membership now stands at 186 countries for IBRD, 169 for IDA, 182 for IFC, 174 for MIGA, and 144 for ICSID” (World Bank, 2009). Kosovo’s policy-makers and politicians do see Kosovo’s membership in the IMF and the World Bank Group as a way forward to ensuring that more countries will recognize Kosovo and that “because the IMF is an international club, joining also is an important step on an arduous road to acceptance as a member of the international community” (Andrews and Davis, 2009)

The international involvement, especially that of the EU, in post-independence Kosovo seems to answer a challenging state-building question of what kind of state Kosovo is to be. The answer to this question, however, does not conclude the state-building process in Kosovo. Indeed, the process may continue for many more years, especially in the fields of democracy promotion and sustainable development.

Therefore, in what follows, we will see an overview of EU’s involvement in the Balkans in general, as well as how Kosovo has developed in terms of politics and economics under the international community’s supervision vis-à-vis its aspirations to become a member of the European family known as the European Union (EU).

CHAPTER TWO: EU AND THE BALKANS

2.1. EU's Foreign Policy towards the Balkans: An Opportunity or a Challenge

Throughout most of its history, the Balkans region of Europe is known for conflicts, wars, unrest, harsh dictatorships, and poor development tracks. After the recent wars of the 1990s resulting from the violent break up of Yugoslavia, things seem have taken a brighter turn for the region. And, there is one key reason for this: Balkans hope for EU integration. Accession into the EU, however, is neither easy nor short. It is a lengthy and difficult process entailing reforms that for some Balkans countries are not easily done. But, what the Balkans countries do to fulfill their own responsibilities in coming closer to the EU is equally important to what EU policies are towards the region.

Widely recognized as an international actor, the EU has played an imperative role in defining the future path for the Balkans. The EU policies towards the Balkans cover a range of issues, albeit the key ones fall under the EU's Common Foreign and Security Policy (CFSP) and European Security and Defence Policy (ESDP). But how successful have these EU policies towards the Balkans been, especially since the early 1990s onwards, is a key question that this chapter will address. More importantly, does the Balkans region, which sits right on the backyard of the EU, provide an opportunity or a challenge for EU's foreign policy? In addressing this question, this chapter will draw from the theoretical perspective of EU as an international actor and examine the EU policy towards the Balkans based on CFSP and ESDP. The chapter will also look at EU's practical involvement in the region—in terms of foreign aid, development

assistance, democracy building, peace keeping, trade relations, and rule of law strengthening. Pre-accession mechanisms such as the Stabilisation and Association Agreements (SAAs), Instrument for Pre-accession Assistance (IPA), Trade and Cooperation Agreements, and EU Partnership Programs, serve as good basis upon which analytical and critical evaluation of EU's policies towards the Balkans and their effects on the Balkans countries can be properly conducted.

Finally, the chapter will eventually shed some light over the areas in which the EU foreign policy towards the Balkans has been more successful than not; and as such whether the Balkans is proving to be an opportunity for successful EU involvement in international politics or a challenge for EU's role as an international actor.

2.2. EU Engagement in the Balkans

“When dealing with the Balkans, the devil is usually not in the details but in the failure to confront the obvious” Edward P. Joseph

The emergence of EU as an active actor in the international scene is widely recognized while its success, credibility, legitimacy, and leadership remain contested and have generated heated debates amongst scholars and politicians alike. The purpose of this chapter is not to assess the role and degree of success of the European Union on all international political and security matters as this would entail an extensive and detailed account and analysis. Rather, this chapter generally evaluates EU's foreign policies towards the Western Balkans under the general framework of the CFSP and ESDP.

The world political and economic landscape began to drastically change with the fall of the Iron Curtain that had separated Europe into east and west for decades, the demise of the USSR as a superpower, and the acceleration of the globalization processes.

The disintegration of the former Soviet Union generated the emergence of several former Soviet republics as independent states. It also created a vacuum in the international political stage, one in which the previous system of bipolarity was to be replaced and balanced by several emerging influential political entities. To Western Europe, the main threat to its security previously posed by the Soviet Union had been diminished, yet security challenges remained on the horizon as the crisis within the republics of former Yugoslavia dangerously unfolded. Although the USSR had disintegrated, considerable amounts of nuclear arsenal remained dispersed and in possession of several of its former republics, mainly in Russia, Ukraine, Belarus, and Kazakhstan (Walker, 1992; Rees, 1998). These republics had weak institutional capacity to exercise firm control over their nuclear weaponry and simultaneously faced a range of significant economic problems (Walker, 1992). Clearly, European politicians were primarily concerned about this potential threat that could have had devastating consequences for the continent.

Further, the fall of communist and socialist regimes in Central and East European countries presented European leaders with an excellent opportunity to extend the promises of integration to its neighbors. Overall, anxiety, uncertainty, and cautiousness were pervasive in the academic and political circles of Western Europe concerning the appropriate external strategy towards this new frontier. Thus, the changing international political milieu necessitated that Western Europe speak with a unified voice on international security matters. It became obvious that the range of issues that needed to be addressed unexpectedly widened to include complex political, economic, and military matters, yet the instruments and mechanisms to adequately deal with the multidimensionality of these issues was lacking.

It was not until the Treaty on the European Union (the Maastricht Treaty) of 1992, which took the power of law in late 1993, that Western countries had the full legal basis upon which to jointly create or effectively implement foreign policies (Hancock & Peters, 2003). The Maastricht Treaty established the Common Foreign and Security Policy (CFSP) as one of its three overarching pillars; the other two pillars consisted of the European Communities and Justice and Home Affairs (Archer, 2008). CFSP in 1993 and then the development of ESDP since the Helsinki Treaty in 1999, following with the Amsterdam Treaty make evident the ambitions of EU members to create a cohesive foreign policy in the international stage despite their sometimes conflicting interests and priorities (Ginsberg, 2007). The overarching goal of the CFSP and ESDP is to protect the security of the European Union and promote security and cooperation outside its borders. The establishment of the ESDP also shows that EU moved away from relying solely on “soft power” as the CFSP previously provided; through the ESDP, the use of military power, or “hard power” was made possible to effectively implement foreign policy (Archer, 2008). While ESDP is a bold platform, the sustainability of a common and unified European foreign policy remains anything but certain in the near future (Hobsbawm, 1997). A recent example of the dichotomy between European rhetoric and political reality came to surface when Kosovo’s freely elected Parliament declared independence and de facto seceded from Serbia in 2008. The newly founded Republic of Kosovo was immediately recognized by the US, and major European countries such as Germany, France, and Italy. Yet, several countries which are members of the European Union, such as Greece, Romania, Spain, Cyprus, Slovakia, have not recognized its independence due to a fear of giving their minorities a precedent, or because of their close

relations with Serbia. The idea that Kosovo will set a precedent of legitimized secession for minorities in other countries was widely argued for by those countries opposed to Kosovo's independence, and was championed by Russia, who claimed that it would reconsider its position towards South Ossetia and Abkhazia, where the majority of its population is of Russian ethnicity. With the passage of time, it was proved that Kosovo's independence was a *sui generis* case and it did not give legitimacy or heightened the chances of success for other secessionist movements around the world. In short, the main difference between Kosovo and other breakway initiatives lies in the fact that Kosovo underwent genocide during the war of 1998-1999 which was followed by the establishment of NATO forces to protect ethnic Kosovar Albanians from Serb aggression.

While ESDP has begun and currently maintains several military, police, and rule of law strengthening operations throughout the world, "the first actual ESDP operations was the EU Police Mission in Bosnia and Herzegovina (EUPM), launched on 1 January 2003 to take over from a similar UN operation (Archer, 2008). EUPM seeks to ensure that the highest ethical and professional standards of police independence and impartiality are upheld while it fights widespread corruption and entrenched organized crime in this ethnically divided and weak state (European Union, 2008). In the following year, ESDP began in 2004 another military project called the EU Military operation in Bosnia and Herzegovina (EUFOR ALTHEA) which took over the duties and responsibilities of maintaining peace previously held by the United Nations. Under the Dayton Agreement signed at an Ohio military base in 1995 between the Bosnian and Serb leadership, it was the United Nations International Police Task Force (UNIPTF) that cared for maintaining peace and security in the war-torn country (United National Peace and Security Section

of the Department of Public Information, 2003). Other activities undertaken under the framework of ESDP include EU Planning Team in Kosovo which provided for a transition of responsibilities from the UNMIK administration to Kosovar institutions, prepare for the International Civil Office (ICO) and lay the foundation for the EU rule of law mission in Kosovo called EULEX.

In 1989, Serbia forcefully removed the autonomous status of Kosovo and Vojvodina, and Slobodan Milosevic launched a series of actions to put loyalists in key government positions in other republics that comprised Yugoslavia. Milosevic's power ambitions signalled to Croats and Slovenians that the worst was yet to come. Slovenia and Croatia declared their independence in June of 1991 and sought international recognition. In response to rapidly evolving developments in its southeastern backyard, in March of 1991, the European Parliament passed a resolution "that the constituent republics and autonomous provinces of Yugoslavia must have the right freely to determine their own future in a peaceful and democratic manner and on the basis of recognized international and internal borders." (Klemencic, 2006). It is self-evident that this resolution supported the right to self-determination and provided an unequivocal approach to solving the rising tensions in former Yugoslavia. This stance of the European Parliament, however, was not supported by all member states since at that time, "most European governments continued to support the Yugoslav government and insisted that Yugoslavia remain intact." (Klemencic, 2006). Sending mixed and often contradictory messages delayed meaningful action on the part of EU and allowed Milosevic to doubt the sincerity of these and following resolutions. In an effort to bring the parties to an

agreement, the EC suspended economic aid and imposed an arms embargo on the federal government of Yugoslavia (Woodward, 1999).

In 1991, the EC signed the Brioni Agreement with Yugoslav representatives to establish the European Community Monitoring Mission to oversee the withdrawal of the Yugoslav army from Slovenia (Landry, 1999). Essentially, the monitoring of the cease-fire between the Slovenian and Yugoslav army was an implicit recognition of the Slovenian army's victory and the legitimacy of the Slovenian claims for an independent state. Negotiations between EC delegates and the representatives of Slovenia, Croatia, and Serbia continued, but without including representatives from Macedonia, Montenegro, Bosnia, Kosovo, or Vojvodina (Woodward, 1999). This is a clear example of selectively enforcing the right to self-determination, and delaying dealing with problems in the hopes that tensions will somehow subside by themselves. The "politics of delay and wait" manifested itself again when Kosovo was not included in the Dayton agreement, which ended the war in Bosnia. By EU and USA not including Kosovo in these peace negotiations when they had the upper-hand in dealing with Belgrade, the prospect of peace in the Balkans was only temporarily in sight as the war of 1998-1999 in Kosovo would later prove.

As months passed by, the ethnic relations in Croatia exacerbated and the number of victims continued to surge in the hundreds while the number of refugees reached thousands. Facing an escalating ethnic war, the EC intensified its efforts to bring peace, but to no avail. At this time, the EC lacked the persuasive tool of "hard power," namely what is now CFDP. The only foreign policy tools at the EC's disposition were in the form of economic sanctions or economic incentives for the warring parties (Woodward, 1999).

Adding to the lack of decisive action on the part of the EC to counteract the ethnic war that was taking place were also internal disagreements and preferences among EC members. While Germany, Austria, and Italy positioned themselves as supporters of Slovenian and Croatian claims, France, Spain and United Kingdom were much more reluctant to accept the notion of self-determination because they feared, particularly France and Spain, that this would create a precedent for their own minorities to follow suit.

The escalation of ethnic wars within Yugoslavia was not perceived as an imminent threat to the security of EC; rather Europe's security level was closely link to what would happen with the nuclear arsenal of the falling USSR and the internal unity following the outcome of the Maastricht Treaty (Woodward,1999). Despite the fact that the Balkans did not remain at the forefront of the European security concerns, its bloodshed continued to be under EC's radar. In October of 1991, EC drafted and offered a political settlement that contained compromises between the fighting parties. Serbia categorically rejected the proposal and this allowed the EC to proceed with the imposition of economic sanctions on Yugoslavia. Economic sanction turned out to be another unsuccessful effort at brokering a cease-fire. Following Slovenia and Croatia's example, Bosnian Muslims held a referendum in which they expressed their free will to secede from Yugoslavia and gain independence. To prevent Bosnia from entering the war, the EC presented the Lisbon Agreement to Bosnia Muslims, Croats, and Serbs. The Bosnian leadership refused to accept the provisions of the agreement, which would essentially carve out Bosnia into three regions and allocate land to the constituent parties in the amount that is proportionate to their population. With the refusal of Alija Izetbegovic,

then-President of Bosnia and Herzegovina, to accept the agreement, a brutal war ensued until 1995 when the Dayton Agreement ended the war.

While the wars were being waged in the 1990's in Bosnia and Croatia, the political situation in Kosovo had been kept from erupting under the pacifist leadership of the Kosovo Albanian leader Ibrahim Rugova. Rugova's vision of gaining independence for Kosovo was based on a nonviolent approach that relied on appealing to the international community for recognition of Kosovo's independence based on the notion of self-determination. Similarly to other republics, Kosovo held a referendum in early 1990's in which the overwhelming majority of Kosovo Albanians voted for independence. This expression of their political will, however, was completely ignored for years by the European leadership despite many warning signs that even the genocide in Bosnia might very well repeat itself in Kosovo as well. The deteriorating economic conditions in Kosovo coupled with the daily repression of the Serb government made life in Kosovo all but livable. Many Kosovars began to doubt the feasibility and effectiveness of Rugova's vision and small armed groups began to train and organize in the mountainous and deeper regions of Kosovo. These groups organized several attacks on Serb police and came out publicly on November of 1998 as the Kosovo Liberation Army. The KLA was initially operational in the Drenica region; however, its appeal to young Kosovars and the Albanian Diaspora changed the course of history. Hundreds of Kosovars joined the ranks of KLA and the Albanian émigré poured millions of dollars in donations to fund the armament of KLA. Initially listed as a terrorist organization, the KLA under the guidance of current Prime Minister Hashim Thaci, was removed from State Department's list of international terrorist organization and supposedly received

training from CIA operatives. Serbian forces responded with heavy fire on Kosovar small towns indiscriminate of civilians. Seeing that yet another brutal war was about to erupt, European politicians intensified their pressure on Slobodan Milosevic and brokered a cease-fire between him and the KLA in October of 1998. The Organization for Security and Cooperation (OSCE) installed the Kosovo Verification Mission to monitor the cease-fire and strengthen the peace-building process. However, this mission left Kosovo when it became clear that the Rambouillet talks between NATO and Milosevic would fail and as a result, the NATO would begin bombing Serbian military and police basis.

2.3. EU Enlargement in the Balkans

Since its inception in 1951 in the form of the European Coal and Steel Community (ECSC) by the six original members, France, West Germany, Italy, Luxembourg, Belgium and the Netherlands, the original intent of preventing intra-European wars through economic inter-dependency, multi-lateral cooperation, and through the diffusion of institutional political discrepancies has been sustained and kept well alive. The original intent of ECSC was to make war between the Europe's two most infamous historical rivals, Germany and France, and then gradually extend this model to other parts of Europe.

The Schuman Declaration of 1950, and subsequent treaties that meaningfully transformed the nature, role, and the future of Europe, have the notion of enlargement as an inherent and integral part of it. Without enlargement and multi-layered internal integration, the very purpose of the European Union loses its noble appeal and moral

force that has served as a catalyst pushing European countries to persevere through the toughest times such as that during the “eurosclerosis.”

2.3.1. The Strategy of Conditionality

In 1992, the Maastricht Treaty laid down the general principles member states had to fulfill. Whether explicit or implicit, they included the notions of representative democratic institutions, market-based economy, the rule of law, respect for minorities, and respect for inalienable human rights and liberties. Its Article O, however, generally stipulated that any European country could apply to join the Union. These overarching provisions were later clarified in more detail at the Copenhagen criteria, which specified the vast array of criteria, or conditions, that each country must have before they become members of the European Union, such as:

- political: stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities;
- economic: existence of a functioning market economy and the capacity to cope with competitive pressure and market forces within the Union;
- acceptance of the Community *acquis*: ability to take on the obligations of membership, including adherence to the aims of political, economic and monetary union (Europa Glossary: URL).

Following the liberation of Eastern Europe from the dictatorship of communism, Western Europe did not openly and immediately admit these countries into their

institutions. Rather, it employed the strategy of conditionality which dictated that countries aspiring to join would have to meet certain conditions.

This strategy of conditionality entailed that Balkans countries make a transition from communism and socialism to a democratic system of governance and a competitive economy based on free-enterprise (Anastasakis, 2008). The enlargement process has proved to be increasingly multi-layered and complicated in the Balkans countries because they share a history of deep-rooted ethnic antagonism, authoritarian regimes, widespread corruption, and unsustainable economies. Following the cycle of wars in former Yugoslavia and a “lack of prevention and exit strategy” on the part the European Union, it became indispensable that the Western Balkans region entailed a unique and innovative approach (Elbasani, 2008).

Unlike EU’s approach towards East and Central European countries which centered on the association aspect, the policy of integrating Western Balkans emphasized stabilization and regional cooperation amongst warring countries (Elbasani,2008). Through the Regional Approach, adopted in 1996, the European Union reiterated that the basis of membership for Western Balkans were firmly grounded on conditionality, while it vowed to offer financial assistance and trade preferences for countries that made gradual progress on meeting the Copenhagen criteria (Elbasani, 2008).

Using these foreign policy mechanisms to better influence the political and economic developments in the Balkans did not prove as successful as it was hoped, and it brought to surface the need to create a more comprehensive framework through which the Balkans countries would make further progress on their road to EU membership. To

better deal with the entrenched historical turbulence of the Western Balkans, the European Union launched the Stabilization and Association Process (SAP) in 1999.

2.3.2. The liberalization of trade

SAP primarily intends to encourage increased cooperation amongst Western Balkans countries and enable them to transition their economies from centrally-planned into free-market economies with competitive enterprises. This framework is regional in nature as it focuses on Western Balkans, however, the success of individual countries towards EU membership is not the same. The fact that Croatia and Former Yugoslav Republic of Macedonia are *candidate countries* whereas Albania, Bosnia and Herzegovina, Montenegro, Serbia, and the Republic of Kosovo remain *potential candidates*, emphasize the discrepancies of SAP's success, although the countries themselves bear significant responsibility for adopting these policies.

A key element of the SAP is the encouragement of regional cooperation amongst countries. An example of this is the Central European Free Trade Agreement (CEFTA) that has been signed by all Western Balkans countries. CEFTA is aimed at establishing a free-trade area by liberalizing and simplifying trade regulations and policies. The overall goal of CEFTA is to make trade easier in the region which in turn will encourage much needed economic progress and competitiveness. The liberalization of mercantilist policies in the region and the subsequent integration of their economies within the region is a powerful instrument to make war “unthinkable” and “impossible” also in the Balkans. Despite this criticism, Western Balkans countries have been afforded a greater opportunity to converge or approximate their government institutions and economic

practices closer to EU's democratic principles and single market. This has been formalized by the signing of Stabilization and Association Agreements and Trade Agreements between the European Union with WB countries. For example, since the signing of TA's, exports from WB have increased substantially, particularly from Croatia and Serbia (Commission of the European Communities, 2003)

While numerous trade and cultural agreements have been signed between these countries and have been hailed by EU officials as indications of progress, most of this cooperation has been "largely engineered from the outside" namely European Unions institutions, NATO, and OSCE (Solioz & Stubbs, 2009). Regional cooperation, as a key component of SAP, is a means to integration, but not necessarily an end in itself (Solioz & Stubbs, 2009). Thus, cooperation in WB is not a virtue borne and nourished from within; rather it is an imposition in the form of obligations laid upon these countries that they must fulfill in order for them to clear the path towards membership.

The conflict between ethnic Albanians, who demanded equal rights and fair treatment, and the government forces in Macedonia in 2001 is a strong reminder that stability and regional cooperation in the Balkans first and foremost hinges on *intra-cooperation* between different ethnicities within the geographical boundaries of each Western Balkans country. For example, any mistreatment and discrimination of the ethnic Albanians in Macedonia, Serbia, or Montenegro, puts a strain on their relations with the Republic of Kosovo and Albania which cannot stay indifferent because of their shared history, culture, and language with them. Although EU's role in brokering a deal in Macedonia which resulted in the Ohrid Agreement in Macedonia is to be commended, EU must take a more proactive and perhaps preemptive role in diffusing rising conflicts.

2.3.3. From Policy-making to Policy-enforcement: Work on the Ground

In 2006, EU adopted the Instrument for Pre-Accession Assistance (IPA) which went into effect in 2007, and replaced previous pre-accession instruments (CARDS, ISPA, etc.), thus bringing all pre-accession instruments under one encompassing structure. The IPA structure consists of five groupings:

1. *Assistance for transition and institution building;*
2. *Cross-border cooperation (with EU Member States and other countries eligible for IPA);*
3. *Regional development (transport, environment, regional and economic development);*
4. *Human resources (strengthening human capital and combating exclusion);*
5. *Rural development.*

Source: (European Union, 2009).

Candidate countries (Croatia, Turkey, and Former Republic of Macedonia) are eligible to receive technical and financial assistance for all five groupings whereas potential candidate countries (Albania, Republic of Kosovo, Bosnia and Herzegovina, Montenegro, and Serbia) may receive assistance for only the first two groupings. The overarching goal of IPA is to bring Western Balkan countries closer to *acquis communautaire*, the body of laws and regulations practiced in the European Union.

For example, one program of significant importance in Croatia is the IPA Regional Competitiveness Operational Programme which supports the competitiveness

and development of small and medium-sized enterprises particularly in regions that lack behind. The total EU contribution for this goal is over 50 million Euros (European Union, 2009). Additional programs have also been established to improve waste and water management systems, upgrade the rail transport and inland waterway system. Similarly, EU has committed millions in the area of transportation and the environment in the Former Republic of Macedonia.

2.3.4. Visas

Until this past year, except for Croatia, citizens of all Western Balkans countries were still required to be in possession of visas when crossing borders into the European Union. EU has launched dialogue with these countries to lift the visa requirement and it has focused on four key aspects: document security, illegal migration, public order and security, and foreign relations. Albania, Bosnia and Herzegovina, and the Republic of Kosovo are the only countries that have yet to implement the requirements of the visa liberalization. From an EU perspective, the visa liberalization process is considered a significant success of these countries in their path to full EU membership. However, popular opinion in these countries is sceptical and somewhat disillusioned with the decision of EU to lift visa requirements selectively. If these three countries fail to meet the conditions of visa liberalizations for year to come, this isolation of their citizens can have unpredictable and long lasting repercussions. For one, it may change the public opinion on the viability of EU membership and may create a sense of failure despite their continuous efforts towards reforming public administration, liberalizing economic policies, and strengthening democratic institutions.

2.4. The Future of EU and Balkans Relations

The future of the EU is interlinked with the future of the Balkans. A stable, prosperous, and peaceful Balkans is essential for a stable and prosperous EU as an international actor of relevance. Unresolved problems in the Balkans, such as the partial recognition of the independence of Kosovo from the EU, hinder EU's enlargement process as much as they hinder the Balkans chances of moving forward without looking into its bloody past. Therefore, at the present, the Balkans seems to present a challenge as much as an opportunity for the future of EU in general and the future of EU's foreign policy in particular.

CHAPTER THREE: POLITICS IN KOSOVO

3.1. *The Evolution of Politics in Kosovo*

Government, be it local, national, or federal, is viewed in different ways by different people. It is very hard to find a particular and universally accepted definition of government. Some governments are considered good and some not so good. One of the founding fathers of America, Thomas Paine, whose ideas were used by Jefferson in drafting the Declaration of Independence of the United States of America, a document that even today stands out as an example of establishing a good government based on the free will of the people – a government for the people, by the people, and from the people, said:

Some writers have so confounded society with government, as to leave little or no distinction between them; whereas they are not only different, but have different origins. Society is produced by our wants, and government by our wickedness; the former promotes our happiness positively by uniting our affections, the latter negatively by restraining our vices. The one encourages intercourse, the other creates distinctions. The first is a patron, the last a punisher. (Paine, 1776)

While said a very long time ago, Paine's remarks are of importance even today. Societies strive for good governments. Good governments of any level in turn provide no harm for their respective societies. Undoubtedly, all levels of government should be in service to their citizens. But, how do we get a good government?

Good politicians who provide successful leadership are perhaps the most important ingredients to an establishment and running of a good government, which provides the best possible services to its citizens. Digging in a bit deeper, the question of how do we get good politicians comes up. In an attempt to respond to this question, let's recall a few major qualities that we believe are key attributes for a good politician – such as good character, clean personal history, acceptable personality, morale, strong leadership skills, organizational capacity, etc.

As any other post-communist and post-occupied state, Kosovo too is striving to build a good state with a good government. But, to get a good government, Kosovo needs good politicians and a democratic political system. In light of Kosovo's unique political circumstances, its strategic position in the heart of the Balkans, the increasing ambitions and efforts of the region's states to acquire EU membership, and the general trend of globalization, this chapter primarily looks at the development of politics in Kosovo, its political class, and the role that the international community has played in shaping this process. To see how politics in Kosovo has developed, we will look at the political system of Kosovo.

3.2. The Politics of Pre- and Post-War Kosovo

The Kosovo Albanian political class as an entity of its own emerged in 1989 with the establishment of the Kosovo Democratic League (in Albanian: Lidhja Demokratike e Kosoves, LDK) led by Dr. Ibrahim Rugova. Most of its members came from the academic elites of Kosovo. During the running of the so-called "Republic of Kosova" institutions (the parallel state) while under the Serbian rule, LDK served both as

Kosovo's national movement and its only political force. Elections were held, and a one-party government-in-exile was established.

Needless to say, the life of a typical Kosovo politician during the 1990s consisted of repeated arrests, imprisonment, and even murder by the Serbian regime. Few were those wearing a politician's hat and not being persecuted by the Serbian regime.

But, with Kosovo's liberation from Serbia in June 1999 came the blossom of a truly multi-party political system, and those wearing a politician's hat appeared like mushrooms after a healthy rain. Politicians now had a goal – power! Government power, as limited as it has been under UNMIK and now EULEX and ICO to some extent – which hold some executive powers on matters of defence, rule of law, finances and customs – became the quest of Kosovo politicians.

3.2.1. Puppet Political Institutions

When the first internationally organized, supervised, and recognized, free and fair local elections took place in post-war Kosovo in October 2000, representatives of the international community working in Kosovo – either for the UN or EU or NATO – were positively surprised with the high voter turnout of 79% (KAM, 2000). However, what we see right after the 2000 elections is a significant drop in voter turnout in only one year's time. The voter turnout in Kosovo's national elections of 2001 was not higher than 64% (CEC: URL)—down by some 15 percentage points from a year before. This negative trend of voter turnout has continued all the way to the latest national Kosovo elections of 2007 (54%) and local elections of 2009 (45%) (CEC: URL).

One major reason that may help us understand why the Kosovo electorate was seemingly losing its trust for the power of vote and thus turning away from one of the fundamental rights of democracy is related to the role of UNMIK in particular and the international presence in Kosovo in general.

According to UNMIK Regulation 1999/1, UNMIK became both the executive and legislative body of power in Kosovo. Despite the fact that UNMIK organized elections in Kosovo and established institutions of self-government, all powers rested with it and the Special Representative of the Secretary-General (head of UNMIK). Indeed, even the Constitutional Framework that gave rise to Kosovo's Provisional Institutions of Self-Government was formulated in a way that could exclusively be changed only by the SRSG and stipulated that all powers of the PISG were derived from the powers of the SRSG and always required his or her approval. No matter what the Kosovo elected institutions would say or decide, the SRSG could override it. So, going out to vote for political institutions that, except for the name, did not bear much power seemed unimportant.

Furthermore, the proportional electoral system with one electoral district can be considered as another contributing factor to the decreasing voter turnout. Many think-tanks and civil society organizations have continuously pressured the international community and Kosovo's institutions to change the electoral system from a one-district system to a multi-district system (KDI, 2008). Just recently, political parties have also started to publicly speak in favour of a multi-district electoral system and call for necessary changes to the election laws (Frangu, 2010). It makes sense that Members of Parliament that would be directly elected by their own district electorate would have to be

more responsible and accountable to their constituents as opposed to those elected through political parties based on a one-district electoral system.

Whether the political institutions of post-war Kosovo had any real power or not, people's satisfaction with their work seems to have decreased with voter turnout. According to UNDP's Kosovo Early Warning Report, one can see that from a record-high satisfaction level of some 70-80% in 2002, people's satisfaction with the work of either the Government of Kosovo or the Assembly of Kosovo continuously dropped on average all the way to 2007 (UNDP, 2009). Indeed, this decrease in people's satisfaction with the work of Kosovo's political institutions seems to be independent of the share of power that these institutions had vis-à-vis UNMIK.

For example, right at the time when UNMIK had handed over a larger share of power to Kosovo's political institutions as the negotiations for the final status were approaching their end (in 2006 and 2007), people's satisfaction with these institutions hits record-low levels. What this may indicate, however, is the inability of Kosovo's political institutions to perform to the expectations of the people when more power was given to them. And, this inability could have come from many years of full dependence on UNMIK and EU to run Kosovo in terms of political administration and economic reconstruction, respectively.

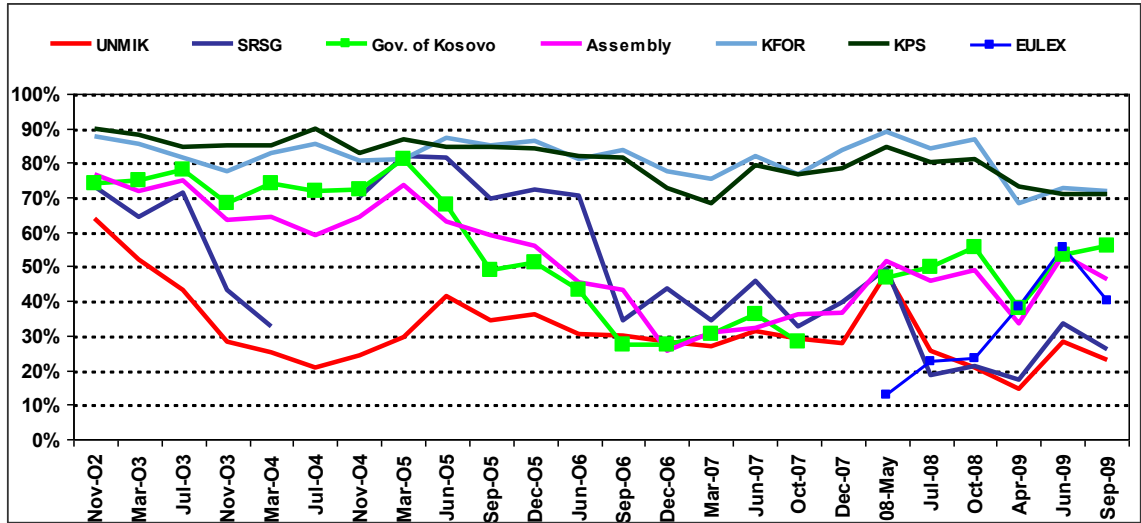


Figure 1: Satisfaction with Kosovo institutions

Source: UNDP Kosovo, Early Warning Report #26, November 2009

While the international community tried to develop democratic political institutions in Kosovo, by way of keeping them fully dependent on UNMIK’s executive mandate, it shot itself in the foot since it gave Kosovars no good reason to believe in these institutions.

Data from a UNDP Kosovo Early Warning Report shows that from 2003 all the way 2008, on average, more Kosovars held UNMIK responsible for Kosovo’s political situation than the Government of Kosovo and Kosovo’s political parties (UNDP, 2009), with a couple of exemptions (during the second half of 2006 when negotiations for the final status were ending, and late 2007 when Kosovo was getting ready to declare its independence). Since July 2008 (months after the declaration of independence of 17 February 2008), more Kosovars have been holding the Government of Kosovo and its political parties, as opposed to UNMIK, responsible for Kosovo’s political situation. This indicates that people will no longer tolerate their own political institutions to hide

behind the international presence in Kosovo when it comes to political responsibility and accountability.

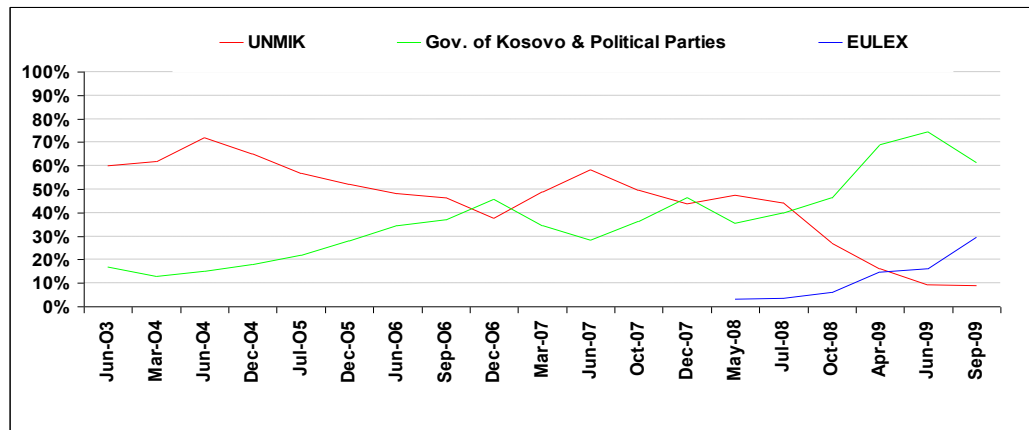


Figure 2: Responsibility for Kosovo's political situation

Source: UNDP Kosovo, Early Warning Report #26, November 2009

3.2.2. Independent, but Supervised Political Institutions

When Kosovo declared its independence on 17 February 2008, it made sure that the Declaration of Independence (Declaration of Independence of Kosovo, 2008) would itself recognize the Ahtisaari Plan as the basis for the foundations of the new state. One major component of the Ahtisaari Plan that affects Kosovo's statehood and state-building process is the supervision of independence by the EU.

As discussed in the previous two chapters, EU's role in Kosovo has significantly increased post-independence through EULEX and ICO. But, what do these international presences (EULEX and ICO) mean for Kosovo political development? Have Kosovo's political institutions become fully independent now? De jure and de facto no, since they still depend on EULEX for rule of law issues and still need ICO's approval for major financial decisions or constitutional changes (Constitution of Kosovo, 2008).

Despite the fact that both ICO and EULEX continuously make remarks about their supervisory and not executive role in Kosovo, Kosovars seem to perceive EULEX, for instance, as directly responsible for Kosovo's political situation. As can be seen from Figure 2, the portion of Kosovars that find EULEX responsible for Kosovo's political situation has continuously and significantly increased. What is more worrisome is the fact that between June and September 2009, the portion of Kosovars holding EULEX responsible for Kosovo's political situation has increased while the portion of Kosovars holding the Government of Kosovo responsible for Kosovo's political situation has decreased. If this trend were to continue, we could face a situation similar to that with UNMIK in the first six years of post-war Kosovo: Kosovars would see the EU presence as more responsible than Kosovo's own political institutions for the country's political situation.

If Kosovo slides back into holding the EU presence more responsible than its own political institutions about its political situation, Kosovo loses the battle of consolidating its own institutions of the new state. Kosovo's political institutions cannot be fully consolidated unless they are held fully responsible for the country political situation. Delaying the consolidation process of these institutions prolongs the state-building process of Kosovo. The EU supervision of Kosovo's independence cannot now serve as a curtain behind which Kosovo's institutions can hide and thus avoid being responsible and accountable to Kosovo's people.

In a process of democratic state-building, proper institution-building is essential. So far, however, in the case of Kosovo it seems that domestic political institutions have usually taken a second seat in the process of state-building – first during the UNMIK time

when they were deemed provisional and non-executive, and now under EULEX and ICO when they sometimes choose to be on the second seat. Institution-building under international authority is neither easy nor short, because of the fact that domestic institutions do not have all the room they want for political and policymaking manoeuvres they want or need to make (Tansey, 2007).

Not only are Kosovo institutions legally obliged to respect ICO and EULEX decisions, but they also sometimes prefer to have important political decisions be made by ICO and EULEX even though they could make such decisions on their own. It seems as if the international presence knows better and thus should be allowed to make those decisions on behalf of Kosovo. But, there are no guarantees that the international presence knows better or always has the right and good motivations to make the correct decisions (Bain, 2007).

For example, Kosovo has its own Anti Corruption Agency, but it has never acted against much talked about corruption affairs within government ministries and other public institutions. On the other hand, EULEX used its executive mandate and carried out several search operations in an effort to shed some light over claims of corruption involving high-ranking government officials (Telegrafi, 2010). Another example would be the Government of Kosovo's decision to announce a political strategy for integration of Kosovo's north only when such strategy was approved by the ICO and a European Ambassador in Kosovo took the lead in supporting and monitoring its implementation (Koha Ditore, 2010). Both of these examples are indicators of Kosovo's political institutions' unwillingness to act as independent actors yet.

Besides the issue of institution-building, the issue of sovereignty comes up in the context of EU's supervision of Kosovo's independence. Sovereignty is not a precursor to statehood; rather it is one fundamental characteristic of the state and is defined as "plenary competence that states prima facie possess" (Crawford, 2006). In the case of Kosovo, sovereignty was "seized" (Van Roermund, 2002) by UNMIK and the SRSG given their executive, legislative and judiciary powers over the territory. Even post-independence, Kosovo still lives under partially seized sovereignty given the executive roles of ICO and EULEX in certain areas of power.

If sovereignty is a central characteristic of the state and Kosovo does not have full sovereignty yet (while it is under supervision by the EU), then it seems that Kosovo is somewhat of a partial state. This brings us to the question of whether state-building can work without full sovereignty. By the same token, we can also ask whether it is possible to have full sovereignty without completing the state-building process.

Consequently, we see that what we face is a 'catch 22' situation because it seems that Kosovo will not be able to get full sovereignty until it builds a fully functional and democratic state, while it cannot build such a state until its sovereignty belongs to none but Kosovo.

In a recent trip to Kosovo, however, the EU's High Representative for Foreign Affairs and Security Policy, Catherine Ashton, stated that "The European Union is completely united in the belief that Kosovo's future is within the European Union," despite the fact that five EU member states have not yet recognized Kosovo (B92, 2010). Kosovo's joining of the EU, thus, may be the only way out of the current "catch 22" situation. The issue of sovereignty becomes much less important when Kosovo gets

closer to EU membership, while the state-building process could be well advanced by helping Kosovo fulfill all the required criteria to become eligible for EU membership. Without the prospects of EU membership, the political development of Kosovo would at best stagnate or completely collapse in the worst case scenario.

CHAPTER FOUR: KOSOVO'S ECONOMIC DEVELOPMENT

4.1. The Politics of Economic Development of Kosovo under International Supervision – Listening to the IMF

In an attempt to increase its international recognition and to show consideration for its support, Kosovo has been generously receptive to international community's demands and policy recommendations, including those of the IMF. In the summer of 2008, Kosovo submitted its applications for membership in both the IMF and World Bank. Having been already recognized by major powers – such as the United States, the United Kingdom, Germany, France, Italy, Canada, Japan – Kosovo's chances of getting accepted by both of these institutions were high, despite Serbian and Russian objections.

As stated in Chapter One, by late June 2009, Kosovo became the 186th member of the IMF (IMF, 2009) and the newest member of the World Bank Group (World Bank, 2009).

Kosovo's history with the IMF, however, does not start with its membership. The IMF was present in Kosovo since July 1999. The IMF mandate in Kosovo has included (URL: UNKT):

- providing technical advice in order to ensure macroeconomic and fiscal stability in Kosovo;
- in concert with other members of the international community, working to develop the institutional capacity of the Kosovo institutions;
- facilitating IMF staff visits Kosovo periodically to monitor economic developments;

- providing crucial technical advice to Kosovo, either through technical assistance missions or training of government officials.

In a series of IMF Staff Visits that followed IMF's involvement in Kosovo, Concluding Statements were issued based on staff findings. These statements aimed at providing policy advice for Kosovo's institutions to achieve and maintain macroeconomic fiscal stability, also provided the government with a free pass to turning a blind eye on crucial social issues that the people of Kosovo were facing.

But, there is a selective process through which the government chooses which recommendations to prioritize and implement and which to ignore. To prove the point made above, focus will be put on the most recent IMF Staff Visit to Kosovo. The key findings of the visit, as outlined in its Concluding Statement of 16 September 2009, among others state that: "amidst signs that the worldwide recession is easing, the slowdown in Kosovo's economic growth has remained orderly. Growth of imports, remittances, and deposits has continued to decelerate in recent months, thus pointing to a slowdown in economic growth;" "expenditure pressures are leading to a pronounced deterioration in the underlying fiscal deficit this year;" and some of the key recommendations are (IMF Staff Visit to Republic of Kosovo, 2009):

Social and related laws. The fiscal impact of several social initiatives that are currently under preparation remains to be assessed and could be large. Any related costs either need to be included in the draft 2010 budget or these initiatives should be removed from the legislative agenda. The mission therefore calls on the authorities to accurately assess the fiscal costs from these initiatives and prioritize its expenditures accordingly.

Civil service reform. The authorities' civil service reforms—drawn up with support from international partners—are an important step towards improving the functioning of the public sector. Nevertheless, a recent fiscal impact assessment shows that the costs could be substantial, and the mission urges the authorities to be mindful of these costs when finalizing the draft law and devising the new pay and grade structure. Any potential increases in the wage bill resulting from these reforms should be offset, including through rightsizing of staffing levels. Should these reforms indeed become effective next year, any related costs would also need to be included in the 2010 budget. (IMF Staff Visit to Republic of Kosovo, 2009).

To date, Kosovo is without a healthcare benefits scheme; average pensions of 40 EUR per month; average teacher salaries of 170 EUR per month; no life benefits for the police, just to name a few, are some of the “social and related laws” that IMF advises the government of Kosovo to be very careful with, or even to remove them for the legislative agenda altogether. The government, referring to the IMF’s recommendations can easily bypass (free pass) such important social legislation without being punished by the public (in terms of votes, for instance). Once again, the politicians can calm down the public by saying that they have no choice but to listen to the IMF – they want the recognition of Kosovo’s independence to increase, so this is no time to argue with important international organizations such as the IMF. Moreover, meeting some of EU economic standards require the implementation of the IMF recommended policies in the area of macroeconomic stability and fiscal sustainability. Kosovo’s policy-makers and politicians do see Kosovo’s membership in the IMF and the World Bank Group as a way forward to ensuring that more countries will recognize Kosovo and that “because the IMF

is an international club, joining also is an important step on an arduous road to acceptance as a member of the international community” (Andrews and Davis, 2009).

The civil service reform is another important part of this tale. This is a case in which the government has no political interest to listen to the IMF – simply because of its fundamental interest in keeping power. The public sector is one of the largest employers in Kosovo (Novak, 2008), and with unemployment rates ranging from 30 – 45%, depending on the source, any attempt to “rightsized” which is a clever way of saying “downsize” the civil service in Kosovo would only add wood to the fire. It is highly unlikely that the Government of Kosovo can indeed downsize the civil service without risking loss of power. As sound and as right as it can be in economic terms for the IMF to recommend such a policy, the social reality in Kosovo does not have room for its full and immediate implementation. But, as we will see in the next section, there is a reason for implementing these IMF policies and the Government of Kosovo may be able to sell it to the public.

Yet, this is an illustration that the IMF does not really count the social reality in its fiscal and economic calculations, and at the same time it indicates a case in which the government would not implement the policy – again, not because of its social impact necessarily, but primarily because of power interests.

However, to further see how dire the current social reality is and how destabilizing the eventual implementation of such an IMF policy could be, we will take a quick look at some current economic and social indicators for Kosovo.

Table 1: Main Economic Indicators

	2007	2008	2009	2010	2011	2012
		Est.	Proj.	Proj.	Proj.	Proj.
Real growth rates (in percent)						
GDP	5.0	5.4	3.8	4.3	4.7	5.0
Private sector disposable income	3.0	2.8	2.4	2.9	5.0	4.9
Private sector consumption	8.1	3.2	1.9	3.7	4.0	4.4
GDP per capita	3.8	3.8	2.3	2.8	3.2	3.4
Private consumption per capita	6.8	1.7	0.4	2.1	2.5	2.8
Price changes (in percent)						
CPI, period average	4.4	9.4	-2.2	1.4	1.7	1.8
CPI, end of period	10.5	0.5	0.2	2.0	1.8	1.9
GDP deflator	3.3	5.7	-1.9	1.8	2.1	2.3
General government budget (in percent of GDP) 1/						
Revenues	25.9	25.3	29.5	25.4	25.1	24.8
Expenditures	18.9	25.3	31.3	29.7	27.1	26.4
<i>Of which: Capital and net lending</i>	2.8	7.4	12.1	11.8	9.6	9.6
Primary balance	7.0	0.0	-1.8	-4.3	-2.0	-1.7
Overall balance	7.0	0.0	-2.0	-4.6	-2.3	-2.0
Stock of government bank balances (excl. escrow)	12.1	11.2	9.2	4.5	2.4	0.9
Stock of government bank balances (incl. escrow)	12.1	9.8	6.3	0.2	0.0	0.0
Savings-investment balances (in percent of GDP) 2/						
Domestic savings	-12.2	-15.5	-15.6	-12.6	-8.8	-6.6
Transfers excluding general government (net) 3/	14.3	14.6	11.8	12.1	12.4	11.8
Net factor income	5.3	4.0	4.2	5.1	5.0	5.3
National savings	7.4	3.2	0.3	4.6	8.6	10.6
Investment	26.2	27.2	27.6	29.0	31.5	32.0
Current account (excl. official grants)	-18.8	-24.1	-27.3	-24.4	-23.0	-21.4
Current account balance (incl. official grants)	-10.2	-16.3	-18.4	-17.3	-18.1	-17.4
Foreign assistance 4/	8.6	7.7	8.9	7.1	4.9	4.1

Net foreign direct investment	16.7	13.1	10.7	9.9	11.4	11.3
Portfolio investment (net)	-1.1	0.5	-0.3	-0.6	-0.6	-0.6
Other investment	-3.2	0.8	3.8	1.7	2.3	2.4
<i>Of which:</i> Change in government bank balances (excl. escrow)	-7.0	0.0	1.9	4.2	1.8	1.3
Main aggregates (in millions of euros)						
GDP	3,464	3,724	3,792	4,028	4,306	4,625
GDP per capita (in euros)	1,629	1,726	1,731	1,812	1,908	2,019
GNDI per capita (in euros)	1,949	2,047	2,007	2,122	2,240	2,365
Transfers excluding general government (net) 3/	496	545	447	486	534	547
Population (in thousands)	2,126	2,158	2,190	2,223	2,256	2,290

Sources: Kosovo authorities; and IMF staff estimates (IMF Staff Visit to Republic of Kosovo, 16 September 2009, Concluding Statement)

^{1/} IMF staff forecast for 2010, forecast for outer years based on authorities' medium-term expenditure framework.

^{2/} Savings-investment balance of entire economy, including donor sector.

^{3/} Including pensions from abroad and remittances.

^{4/} Total foreign assistance excluding capital transfers.

With both foreign assistance and foreign direct investment projected to decrease between 2008 and 2012, by about 4.5 and 2 percentage points in terms of share of GDP, hoping for considerable job creation in Kosovo in the near future is at best very unlikely. So, any worsening of the unemployment situation now could only destabilize the situation. As data from the quarterly Kosovo Early Warning Report of UNDP shows (Figure 3), there has been a general increase in the people's willingness to protest for both political and economic reasons as well as an increase in their political and economic pessimism. Between June 2009 and September 2009, there has been an increase of some 7 percentage points in the respondents' political pessimism along with an increase of 13

percentage points in their economic pessimism. People’s willingness to protest for both economic and political reasons has gone up by some 6 and 2 percentage points, respectively.

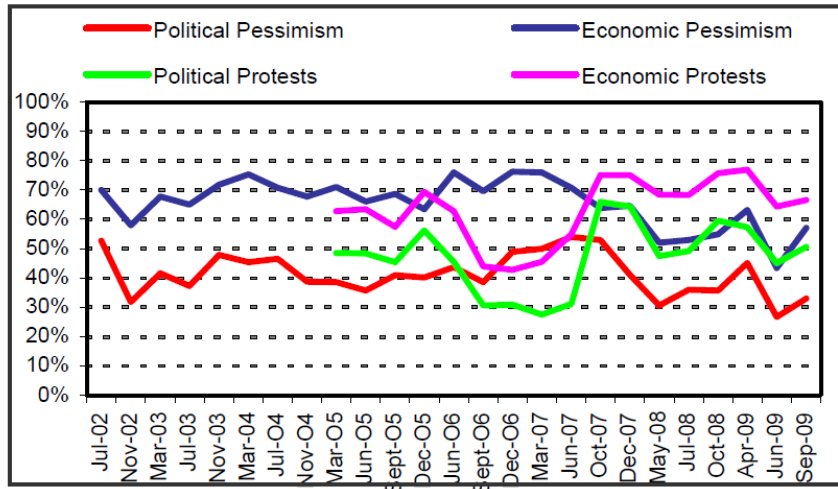


Figure 3: Political and Economic Situation in Kosovo

Source: UNDP Kosovo Early Warning Report 26, Fast Facts, November 2009

Furthermore, the same UNDP report also shows – as has been the case since the declaration of independence, that the paramount problem that Kosovars face is unemployment, followed by poverty (Figure 4).

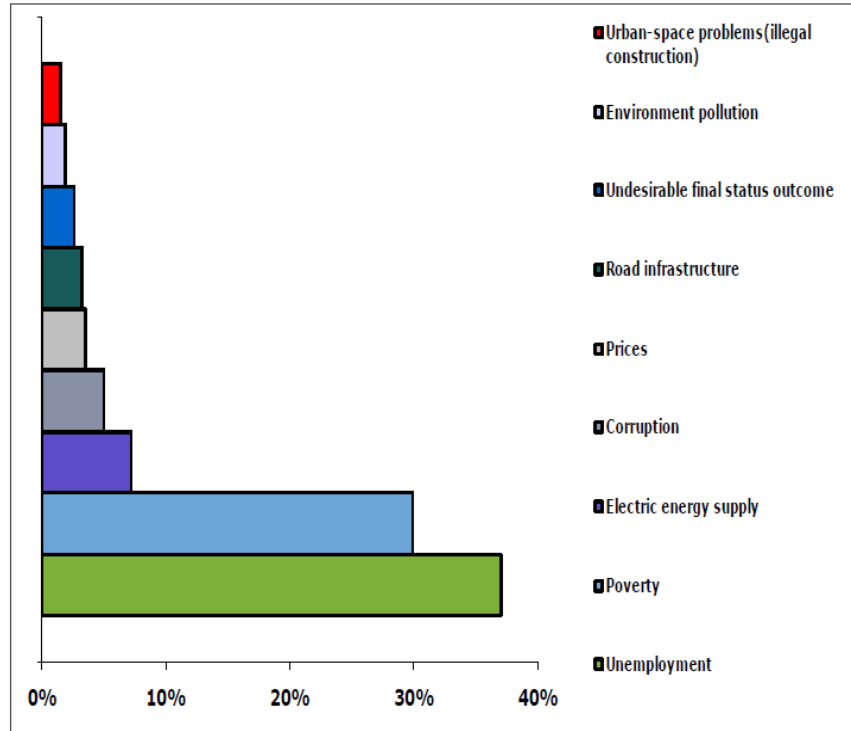


Figure 4: The paramount problem that Kosovo faces

Source: UNDP Kosovo Early Warning Report 26, Fast Facts, November 2009

Looked through the angle of stability and what threatens it in Kosovo, the UNDP report once again shows that it is unemployment and poverty that threaten it in Kosovo (Table 2). Over half of Kosovars believe that the current stability is threatened by unemployment and poverty.

	K-Albanian	K-Serb	Others	Total Weighted
Further aggravation of interethnic relations	12.7%	49.4%	10.1%	14.71%
Unemployment and poverty	57.5%	12.4%	57.9%	54.85%
Deterioration of relations with neighboring countries	3.3%	2.6%	3.1%	3.20%
Deterioration of relation with international community	2.4%	3.0%	2.2%	2.43%
Religious Radicalism	.1%	.9%	4.0%	0.16%
Political Radicalism	1.6%	2.6%	3.9%	1.77%
Lack of rule of law	1.1%	7.7%	1.8%	1.52%
Corruption and mismanagement	4.8%	9.9%	10.5%	5.47%

Table 2: Threats to Kosovo's stability

Source: UNDP Kosovo Early Warning Report 26, Fast Facts, November 2009

Therefore, under these rather dire economic and social circumstances, suggesting increasing unemployment by cut backs on the public sector payroll presents a formula for further disaster – a social catastrophe beyond an economic one. Normally one would expect the government not to follow the IMF advice on this particular case because of the social implications it entails. However, if the Kosovo government was so benevolent and people-centered, then it would be equally right to say that it would not listen to the IMF when it comes to proceeding the “social and related laws” legislation. But, the government chooses selectively to implement IMF policy advice. It chooses to refer to IMF when it does not want to do something (use of free pass), and not to do it when it is in its interest, not necessarily in the interest of the people, to do something else (Bota Sot, 2009).

Kosovo, nevertheless, is somewhat of a special case of a developing country's involvement with the IMF, because of its recent membership and political status as a newly independent state. Because Kosovo has not yet had the chance to get hatched on to IMF financing, it is not clear as to what the effect of IMF's financial involvement in Kosovo will be. There is no doubt, however, that Kosovo plans to be asking for IMF financing very soon, which will then enable the IMF to play a more crucial and decisive role on Kosovo's fiscal and economic affairs. Kosovo government officials have already made it clear that a first request for some \$200 – \$300 mil is under negotiation (Tanner, 2009).

4.2. The European Integration Agenda – Listening to the IMF for the sake of the EU accession

It may be counterintuitive to understand why Kosovo would implement IMF recommendations when they sometimes collide with the public interest at hand. However, when one looks at the European Commission's 2009 Progress Report for Kosovo (and earlier Reports, too), one can see that the key reasons behind Kosovo's adaptation and implementation of IMF recommended policies in the area of economic development relate to Kosovo's ambitions to join the European Union.

About two-thirds of the EC's 2009 Progress Report deals with economic factors that affect Kosovo's development and its relationship with the EU. Indeed, most of the EU Standards Chapter of the Report talks about Kosovo's economic indicators and what needs to be done to bring them in line with EU standards.

According to a review of the EC's 2009 Progress Report for Kosovo conducted by the Centre for European Policy and Politics, the key findings of the Report in terms of or related to Kosovo's economic situation include:

- Inefficient efforts to combat corruption, money laundering and organized crime;
- Compared to the 2008 Progress Report, degradation of public procurement procedures;
- No favourable climate for business development, including the inadequate functioning of regulatory and oversight authorities, and corporate governance;
- Lack of sustainable macroeconomic and fiscal policies;
- Lack of coordinated approach in representing Kosovo in regional initiatives and lack of clarity on the role of UNMIK in these initiatives (CEPP, 2009)

It is precisely sustainable macroeconomic and fiscal policies that the IMF wants to achieve in Kosovo. And, it so happens that this is one problem, among many others, that Kosovo has to fix before it can become an official candidate for EU membership.

Therefore, regardless of how unpopular and politically hard these IMF policy recommendations are for the Government of Kosovo, they will be followed and implemented sooner or later, because wholly or in part they do serve the purpose of Kosovo's grand ambition to join the EU. And, selling the EU membership card to the Kosovo public is not hard. The overwhelming majority of the people of Kosovo (89%) are very much enthusiastic about and in support of Kosovo becoming an EU member

state and would agree to undergo whatever processes and reforms to get there (Vucheva, 2008).

CHAPTER FIVE: CONCLUSION

5.1. Concluding Remarks: What the Future Holds for Kosovo

State-building in Kosovo will not be complete until Kosovo rises out of poverty and develops in a sustainable way. With the recent ruling of the International Court of Justice of 22 July 2010 in favor of Kosovo's declaration of independence as an act in accordance with international law, UN Security Council Resolution 1244, and Kosovo's Constitutional Framework, Kosovo's statehood has been legitimized by the world court (ICJ, 2010). The fact that Kosovo's statehood has been legitimized does not, however, solve Kosovo's internal socio-economic problems.

With a population of over two million and less than 11,000 sq km land-locked area; with an unemployment at staggering rates of 30-40% (depending on the source); with a war-torn economy and infrastructure; with a fragile democracy and consolidating institutions; with a weak rule of law – Kosovo poses, at best, a major challenge for Europe in particular and international community in general (Bislimi, 2008). Two-years past independence, Kosovo remains a poor country with an underdeveloped economy in much need of FDI, high unemployment, but also with abundance of natural resources and human capital (Bislimi, 2009).

While this may seem quite a pessimistic picture, one should not yet give up hope. Kosovo can move forward. Kosovo can develop. It has one major advantage in comparison to the rest of Europe. And, if you are thinking lignite and natural resources, that's not it. So, what is the advantage that Kosovo has then? If you are under 25, which about half of Kosovars are, then it is you – young people. In an aging Europe, a young

Kosovo is definitely an asset, not only for Kosovars but also for Europe as whole (Bislimi, 2008). Kosovars are now approaching the peak of their “demographic window of opportunity” which is when a society can be most productive in economic terms (Bloom and Williamson, 1997).

And what makes this Kosovar advantage more remarkable is the fact that today’s young Kosovars are almost fluent in English. They are generally hard-working and optimistic. They are the seeds for a better and European future for Kosovo. But, seeds need to be taken good care of to develop properly and take advantage of their full potential as grown plants. Such good care for those seeds is missing today. Moving from this analogy to the reality on the ground – one sees that Kosovo is still lacking policies that provide for more access to youth in the decision-making processes at both the local and national levels. There is youth involvement in many political parties, but it is rather technical, not substantial. Besides access to the decision-making process, young people need proper 21st century education, too. The present curricula in Kosovo’s middle and high schools do not guarantee educational success for young Kosovars. Higher education – that of university level – has slightly progressed and become more competitive with the opening of privately-owned universities and colleges across Kosovo. But, both private and public universities in Kosovo need to invest way more in their scholarship and academic research programs so that they become true centers of knowledge as opposed to just training centers.

Only when Kosovo and its international allies working in Kosovo see and understand that Kosovo’s major potential is its own youth and they work toward giving them what they need to become competitive in today’s rather globalized job market, can

FDI be a viable option to pursue. A young, well-educated work force is attractive to FDI. Kosovo has the potential to make good use of it. While so far not much has happened in this regard, one must remain hopeful that things will change for the better in the near future. The sooner we realize what Kosovars' potentials and limitations are, the closer we get to sustainable, meaningful, and much needed economic development for the country.

Apparently, much remains to be done for Kosovo's statehood to be turned into a productive foundation where democracy, rule of law, and development will flourish. And, these will be the determining factors of Kosovo's path toward the EU and its duration.

Therefore, as this thesis has hopefully shown, Kosovo has gone through distinct phases of state-building and has now come to a point where its future depends on its EU integration process. The "catch 22" situation that Kosovo faces now in terms of sovereignty and state-building can only be overcome with Kosovo's EU membership. To get there, however, Kosovo must undergo a tiring and difficult process of meeting all the criteria to join the Union, notwithstanding the fact that meeting the economic standards for EU accession will be the toughest of all tasks. Hence, economic development turns out to be an essential precondition for Kosovo's successful path towards EU accession. Given the old saying that "a picture is worth a thousand words", I have tried to encompass this entire argument in one picture as shown in Figure 5.

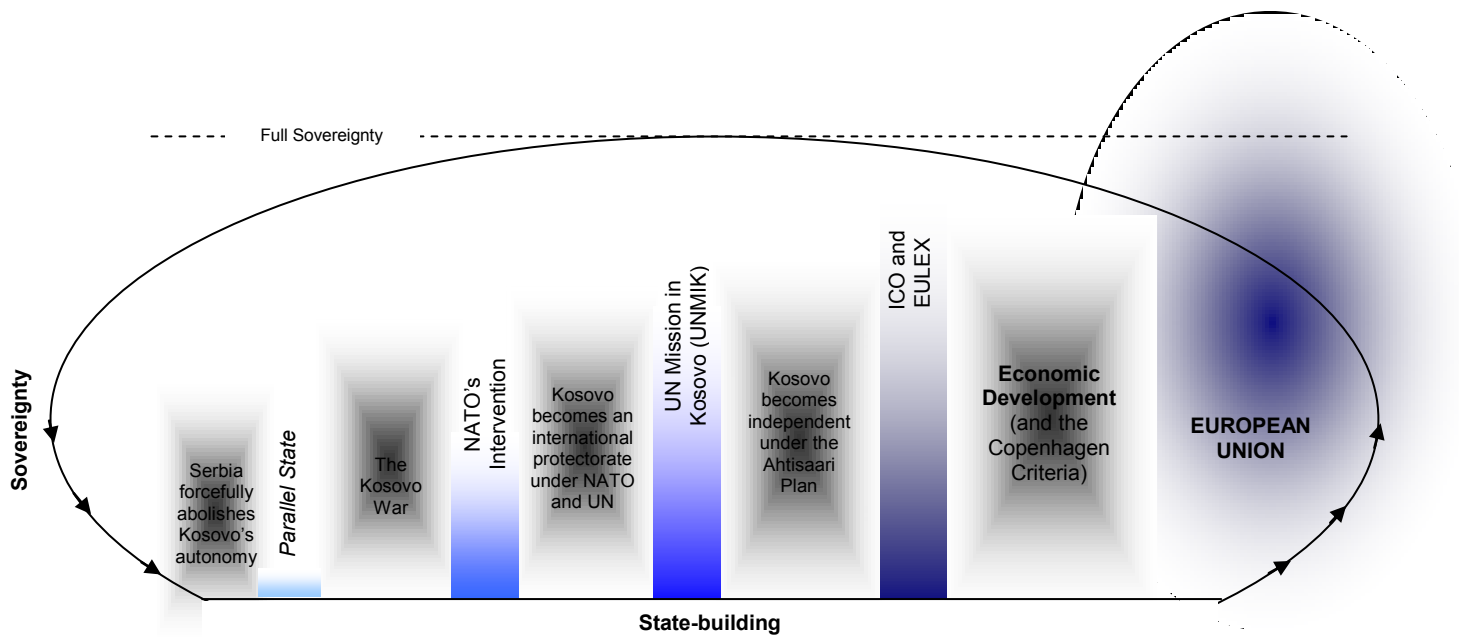


Figure 5: State-building process in Kosovo

Finally, Kosovo’s path to becoming a successful state requires a successful state-building process. A successful state-building process requires proper institution-building. Proper institution building cannot be achieved without full sovereignty. And, full sovereignty in Kosovo cannot be achieved for as long as Kosovo remains under the supervision of the EU. An interlinked and essential component to this entire process, however, is economic development.

For economic development to take place, Kosovo needs FDI among other things. FDI requires political stability and rule of law of internationally (and EU) recognized standards.

Therefore, Kosovo’s only path to being a successful state is to become a European State – a member of the EU. Any other alternative would make Kosovo either a failed or at least a fragile state in the middle of Europe. Neither the EU, nor the international community at large can afford to have a failed state in the heart of Europe. Kosovo will

be a truly European state when it meets all the criteria to join the Union and becomes a productive member of the Union. While this is a grand goal, any other alternative would take Kosovo down the path of failed states.

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