FOREIGN AID AND ASSISTANCE: EFFECTS OF REPUTATION ON DE-FACTO STATE INDEPENDENCE

by

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ABSTRACT

De-facto states have long existed, and their formation and survival have puzzled researchers for decades. They have been studied mostly within the context of their own origins and civil conflicts. This thesis will attempt to fill in some of the plot holes related to these states by examining foreign aid and assistance granted by donors, and how important it can be for these developing de-facto states and their successful independence and recognized sovereignty. I will argue that it is not simply the amount donated that can affect their independence, but the signals sent by supporters from the international community for their legal recognition. I find that, through a case study of Kosovo and Timor-Leste, it is plausible that foreign aid matters in a way outside of purely economic development; it can also help de facto states on their road to legal sovereignty.

INDEX WORDS: De-facto states, foreign aid, reputation, legitimacy, state secession, separatist states, sovereignty
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CHAPTER 1
DEFINING DE-FACTO STATES

The history of Chechnya is a tragic one. It is punctuated with wars, humanitarian tragedy, and failure. For decades, secessionist movements in Chechnya attempted to build a state separate from Russia, after the fall of the Soviet Union. The political and economic situation remains volatile, even after firm reintegration into Russian territory. During the post-conflict reconstruction but prior to being re-absorbed by Russia, Chechnya was offered small grants of aid from countries with existing Chechen diasporas such as Jordan, Azerbaijan, and Turkey. Unfortunately, the only state willing to provide a large sum of aid was Russia. Although the late President Dudayev tried to institute a semblance of independent government in the form of a militia, the Chechen National Bank, and the Chechen National Congress, the territory nonetheless failed in its aspirations and collapsed following multiple conflicts with Russia. Currently, Russia is in the process of reintegrating Chechnya, while refusing to entertain the notion of independence (Bahcheli et al., 2004).

In contrast, Eritrea was declared an autonomous region in Ethiopia in 1952. In 1963, Ethiopia triggered a devastating war lasting 30 years after trying to annex the territory. In 1993, the United Nations sponsored a referendum in which the people of Eritrea voted overwhelmingly for independence. In the several years following the vote, Eritrea pursued the same aspects of a self-governing state that Chechnya did. They formed a constitution, began rebuilding their state with enormous amounts of assistance from the international community, and were officially recognized in 1996; an entirely different outcome from that of Chechnya (Kibreab, 2007).
Chechnya and Eritrea are only a few of many non-state actors known as de-facto states. De-facto states, as defined by scholars such as Scott Pegg and Adrian Florea, have “organized political leadership…and have achieved sufficient capacity to provide governmental services to a given population in a specific territorial area,” but they lack international legal recognition (Pegg, 1998) These territories mostly emerged following post-1945 state fragmentation and desires for sovereignty, along with a boom in 1991 following the fall of the Soviet Union. Among these de-facto states is a significant variation in the outcome of their independence, economic development, and stability (Florea, 2014). Some, like Chechnya, failed. Others such as Northern Cyprus or Somaliland, remain in limbo. They are autonomous regions without the benefits of international legal recognition, so they cannot participate openly in international trade and remain constantly at odds with their state of origin. This legal recognition is obtained when a simple majority of both the UN Security Council and UN General Assembly members acknowledge the country’s statehood.

Florea has recently developed, in addition to data on the characteristics of these states, a list of criteria in the De Facto State in International Politics dataset to help scholars identify which separatist polities fall into the “de-facto state” category. Florea argues that a de-facto state must meet several conditions. De-facto states must, 1) belong to (or be administered by) a recognized country, but not be a colonial possession, 2) seek some degree of separation from that country and have declared independence (or has demonstrated aspirations for independence, for example, through a referendum or a “sovereignty declaration”), 3) they must exert military control over a territory or portions of territory inhabited by a permanent population, 4) they must not sanctioned by the government, 5) they must perform at least basic governance functions (provision of social and political order, for example), 6) they must lack international legal
sovereignty, and 7) they must exist for 24 months. To clarify international legal sovereignty and its importance to this study, it is defined as being recognized as an independent territorial entity. With international legal sovereignty comes the ability to sit in the United Nations, to sign treaties, and enter into contracts, to name just a few benefits (Krasner, 1999).

Both Chechnya and Eritrea provide a glimpse at two of these states with similar histories, yet drastically different outcomes. After being declared autonomous regions, one succeeded where the other failed – why? Why are some of these de-facto states recognized by the international community and granted legal status while others remain in limbo or reintegrate back into their state of origin? The examples outlined above highlight an important difference between the two states: how the international community responded with aid and assistance. How does this difference in foreign aid and assistance affect the reputation and eventual recognition of de-facto states? This paper will propose that among the many factors that may influence de-facto state survival, foreign aid donors, *not just the amount of funds provided*, play a crucial role in the legitimacy of these states to the international community and are a key consideration in the reputation of de-facto states and their claim to international legal recognition.

Foreign aid is most often considered in the ways that it may assist economic development and most de-facto states, like other developing states, need this assistance in order to grow, stabilize, and expand their industry. Some scholars might argue that this stabilization and growth is what leads to legal recognition for these states. However, countries like Eritrea achieved full statehood long before the effects of aid or assistance appeared. By closely examining two de-facto states which have successfully navigated the process of international legal recognition, and who now enjoy full independence and sovereignty, I will demonstrate this mechanism that it is
the signals sent by donors to the international community and the de facto state – not just the amount of money donated – that has the largest impact on the international legal recognition of de-facto states.

Due to extremely limited data regarding de-facto states and unrecognized regions in general, my choice of states for performing a case study is fairly restricted. Therefore, I will examine two states who have already gained full recognition from the international community and who enjoy the benefits of legal independence in a Most Different case study. Kosovo, who was officially recognized by the United Nations General Assembly in 2010, and Timor-Leste, which was fully recognized in 2002. These two cases will are different in all respects but one: foreign aid. The natures of their conflicts are different, as are their relationships with their state of origin, and their historical trajectories. This research will hopefully highlight the difference that having a multitude of donors and international support can have, rather than a de-facto state being wholly backed by only one or two actors. To be clear, I am not arguing for the utility of the foreign aid itself, and whether it does or does not assist the development of these countries. There is a myriad of research that addresses this debate (Carment, Samy, & Prest, 2008; Collier & Hoeffler, 2002; Knack, 2003; Bueno de Mesquita & Smith, 2009; Boone, 1996). Rather, I am arguing that foreign aid is important in the signals that a country sends by providing it.

Examining the effects of foreign aid on de-facto states could provide important information for those international actors who are invested in the success or failure of secessionist movements, or for those who may strongly support or even oppose the legal recognition of a state. Through understanding the mechanisms that improve the reputation and recognition of a state in the international arena, scholars can begin to better analyze the variation among de-facto states and therefore help to settle long-standing disagreements. It would be a step
forward in understanding why some states fail while others succeed, and in encouraging others to look into this field of research.

**Conceptualization**

Unfortunately, de-facto states, their goals, and the process of their formation has been the subject of little scholarly research. Most existing research focuses on certain states or regions within the context of history or civil conflict, rather than de facto states as their own category. Scholars have often examined the catalyst of secessionist movements, or the conflicts over autonomous regions, but a gap remains concerning the survival of these de facto states during and after their separation, and how they successfully gain international recognition. De facto states seek de jure independence after they break away from their state of origin, which is achieved through international recognition from members of the UN. In their search for independence, de-facto states have created many questions for researchers. In the post-1945 period, a number of states, such as Tamil Eelam or Bougainville, have come into and out of existence. Others, like Northern Cyprus or Kurdistan, persist in their search for independence. Still more have achieved statehood after a rigorous process. Scholars have discussed the causes of their underscored intrastate conflicts (Florea, 2014), their violence, the circumstances under which the conflicts end (Kibreab, 2007; Walter, 2002, 2009), and how they came to exist (Bahcheli et al., 2004).

It is important to distinguish here between “civil conflict”, “developing states”, and “de facto states”. A large body of literature has discussed the first two with respect to sources of unearned income, state survival, and state fragility (Ahmed, 2012, 2013; Lum, 2013; Morrison, 2009), but I will argue that de facto states are unique from these in their own formation and success, and should not be considered in the same way. Civil conflict can occur for a multitude
of reasons, and the goals of groups involved can range from economic inequality, to political
distress, coups, or separatist movements. De facto states can originate from several causes – one
of these being from separatist civil conflicts, but they don’t necessarily have to be. Developing
states, on the other hand, are considered de jure states in international law. That is, they are
recognized by the United Nations as having legal sovereignty, and are most often members of the
UN themselves. They do not need to undergo the same barrier to recognition that exists for de
facto states. They may still struggle with their own political and economic capacities, like de-
facto states, and may be trying to expand and find their place in the international community.
However, de facto states are not recognized under international law as having their own
sovereign nation, so they do not enjoy the benefits of legal recognition or UN membership. In
addition to these differences, many (but not all) de-facto states have relatively little history
independent of their origin state, and deserve to be considered and explored separately from the
“developing world” literature.

Of particular importance is the effectiveness of foreign aid on state survival and peace
building. The extent to which it fosters growth in the developing world is still cause for debate
(McGillivray et al., 2005). Some authors claim foreign aid inhibits growth, or is at most
ineffective. This is particularly true in autocracies, where leaders are able to funnel the money
towards their elite constituency in order to maintain a powerful coalition, or the money is lost in
informal or corrupt channels (Ahmed, 2012; Boone, 1996; Kono & Montinola, 2009). Others
argue foreign aid is still critical, particularly for developing democracies or for democracies that
already exist (Knack, 2003, 2004; Wright, 2009). Elsewhere in the field, scholars focus on
foreign aid in combination with migrant remittances, natural resource wealth, or all sources of
unearned income generally (Ahmed, 2012; Collier et al., 2002; DeMerritt & Young, 2013;
Fitzgerald et al., 2014; Hoeffler et al., 2011; Lum, 2013; Morrison, 2009; Sachs & Warner, 1995). The effects of these sources are also hotly debated, but more so due to these subjects being relatively new to the field of international political economy.

According to Florea’s data set, between 1945-2011 there have been 34 de facto states. The data distinguishes between 18 states that are still in the midst of conflict or struggling for international recognition, 4 who have achieved legal recognition by the UN, and 8 that were reintegrated into their state of origin, as well as information on the state’s natural resources, diasporas, and military capability. Florea’s data set allows significantly easier access to important information regarding the characteristics of de-facto states that will help us determine why some of these states become independent, while others struggle to maintain their grip on autonomy.

*The Influence of Foreign Aid and Assistance*

After a de facto state is formed, from a separatist movement or otherwise, they have one singular goal: de jure independence, via international legal recognition. In order for this to occur, de facto states have to have the support of at least a simple majority of the UN Security Council and the General Assembly. States within the UN can signal this support to the rest of the international community by providing backing to the de facto states in a variety of ways. In many cases, and of most interest to this study, states in the international community take the risk of donating foreign aid to the de facto state. I mention risk, because the provision of this funding is a show of good faith – they are essentially sunk costs into the development of the state seeking recognition. Actors in the international community may do this for a number of reasons – at the very least it is a crucial step in developing enough support from the UN community to legally recognize the de facto state. They may also recognize that in order to end the disagreement
between the de facto state and its state of origin, the conflict has to conclude in one of two ways: forceful reintegration, or legal recognition. It signals that the donor is willing to suffer the costs in support of the state and its pursuit of independence. This signal is sent to two targets: the international community, and the de facto state. Their show of good faith is not just for the benefit of the de facto state – it is also an expression of their opinion on the issue of the de facto state’s right to sovereignty. It provides information to the other states in the system that might otherwise be unavailable.

Garriga and Phillips (2012) discuss this briefly with regard to foreign investors. In areas of post-conflict, to which most de facto states certainly apply, there is an incredible lack of information, and what information exists may be unreliable. Therefore, the use of donating foreign aid is two-fold. One, it provides information to other states who may potentially donate or support the de facto state in its bid for legal recognition in the UN. It shows that at least one member of the community believes the de facto state deserves legal sovereignty. Second, it causes what may be a bandwagoning or domino effect. The states that tend to donate first are powerful, economically stable, and influential within their circle of alliances (Tierney et al., 2011). For example, among the first to donate to Eritrea after their attempted annex by Ethiopia was the United States, Kuwait, and Germany. These three pillars of the international community bring with them a host of allies and states that rely on their good relationship and cooperation.

It is for this reason that the support of only 30-60 donors is enough to help ensure a simple majority vote within the UN General Assembly in support of the de facto state. While these influential donors alone would vote for the independence of the de facto state due to their investment in their survival, their allies who may otherwise have no vested interest in the outcome are swayed to vote for the de facto state’s legal sovereignty as a way to demonstrate
their solidarity and show cooperation. More affluent allies may also feel obliged to provide their
own financial aid and assistance. This argument can work the other way as well. For example,
Chechnya was only half-heartedly supported by three states, all geographically in the same area
and none too influential or powerful. It was unable to claim legal sovereignty, because it simply
was not supported by enough states in order to legally do so. Providing foreign aid is one way for
the states in the community to signal this support to both their allies and the de facto state while
helping to produce a simple majority vote in the UN General Assembly.

Promises of aid can also help to deter criticisms and claims from the state of origin. That
is, strong support from the international community can help increase the recipient state’s bid for
legal sovereignty, while simultaneously providing backing against the de-facto state’s opponent.
The more offers of assistance from different sources and donors, the greater the contribution to
the state’s claim as it vies for legal recognition. The fewer offers of assistance, the less likely it is
that the de facto state will have the support it needs from the international community to
contribute towards their claim to independence. In addition to sending signals to the rest of the
international community, aid may also indicate to the state of origin that their claim to the
disputed territory carries less weight than they may have thought.

Aid is a powerful economic foreign policy tool, frequently used to receive concessions
from or to manipulate other states, or to indicate to other actors in the community their intention
of support. The actual number of dollars donated is important for the de facto state’s
development, but has little to no bearing on it’s support within the international community.
Much like in our political campaigning system, if an individual donates a dollar to their
candidate of choice – only a dollar – they still feel invested in that individual’s success (Barber,
2016). That being said, I can develop my primary hypotheses:
$H_1$: States that are the recipients of aid and assistance from a multitude of donors are more likely to achieve their goals of international legal recognition and independence.

Similar to foreign aid and assistance is the backing of state sponsors that can single-handedly support de-facto states. These sponsors, when applicable, are usually responsible for a majority of assistance to the recipient state, and may have been a supporter during the civil conflict that sparked the separation. For example, after the Russo-Georgian war in 2008, Russia began to provide large sums of assistance to a small de-facto state in northern Georgia called South Ossetia, as well as a larger, more ethnically homogenous state that calls itself Abkhazia. Both of these states are relatively small and recognized by only a few actors within the international community. They have underdeveloped economies, and, arguably, both states would cease to exist without the support given to them every year by Russia that helps them to resist forceful reintegration into Georgia’s territory (Lynch, 2004).

Both South Ossetia and Abkhazia lack any other foreign aid and assistance from the rest of the international community (Delyagin, 2009). This demonstrates the weakness of a de-facto state’s claim to independence when only supported by a select few actors. Foreign state sponsorship signals the direct support and alliance of another state. However, the de-facto state may become dependent on this assistance and have difficulties managing the economy if it were alone. This kind of state sponsorship is rare, and is almost strictly limited to three cases for Russia (South Ossetia, Abkhazia, and Transnistria), and one for the United States concerning Israel. This kind of support warrants consideration due to the influence of large, persuasive states. For the purposes of this research, support from one actor as a sponsor will be considered as one donation source, despite the magnitude of the assistance.
CHAPTER 2

RESEARCH DESIGN: A CASE STUDY

This analysis will focus on foreign aid as the most effective method for states to signal support, and the potential affects it may have on de-facto state independence. In order to test the plausibility of the proposed hypotheses, I will employ a Most Different Design, and thoroughly examine two cases: Kosovo and Timor-Leste. These two states are remarkably different, including their political history. Kosovo emerged as a result of a decolonization process with historical and ethnic claims to the territory, while Timor-Leste was produced from both internal warfare and contentious conflict with the state of origin, Indonesia. A Most Different Design requires that all measured independent variables be different except for the independent variable of interest – the dependent variables must covary, as well as the independent variable of interest (Gerring, 2007). This will be an exploratory study, due to the incredibly small nature of the sample size and the lack of variation within the dependent variable. The Most Different Design works well with the research question and with the data available, since a detailed description of foreign aid is only available at the moment for de facto states that have gained international legal sovereignty.

As with all methods, particularly those with a small sample, a Most Different Design has its downsides; among these being the lack of ability to generalize to a broader population of states. However, this design does allow us to take a deep dive into the history of two states, and get a closer look at the mechanisms that created different outcomes. Admittedly, by selecting two states that have both gained international legal sovereignty, I am selecting on the dependent
variable. Therefore, although I cannot test the hypothesis presented here, I can speculate on its plausibility by examining foreign aid and its potential impact on the independence of the two states.

That being said, any research that may be applicable to all de-facto states is incredibly difficult so long as the availability of data regarding unrecognized states is in its current condition. For the time being, an examination using what little data is available for states whose independence has already been recognized will have to suffice. For the purposes of defining de-facto states, I will be using Florea’s new De-Facto State data set (2014). From his dataset, I have selected two cases that I believe come from entirely different backgrounds and have largely different developments, but have two important factors in common: the amount of foreign aid donors, and their successful legal recognition. If my hypothesis is probable

**Dependent Variable: De Facto State Success**

The transition this research will try to distinguish is that of a de-facto state’s status from an unrecognized territory to a legally recognized sovereign state. Our dependent variable is simply whether the de-facto state has legal recognition of sovereignty, or not. By delving into the history of these states, I can piece apart the reasons that various states succeed, while others struggle for their self-government. For this paper, “success” will be interpreted as the state’s legal recognition by the UN General Assembly and Security Council.

On the other hand, a failed de-facto state has ceased to exist. It has either been forcefully or willingly reintegrated. This could be for multiple reasons. The state may have economically failed and can no longer support itself, it could have received concessions from the origin state that were appealing enough for it to repeal its claim to the territory, or the origin state may have militarily forced the state back under its authority. A third option for future considerations may
simply be that the de facto state still exists, and has not yet been re-integrated into their parent state or been granted international legal sovereignty; the fact that the state has evolved from its separatist status and continued to grow means that it is doing well, but it still has not achieved it’s original goal of sovereignty. In this research design, I am only examining states that have succeeded and gained legal recognition. For the purposes of the Most Different Design, the outcomes for both Timor-Leste and Kosovo were the same. If they were different, one of the states would have either been reintegrated into their state of origin, or simply exist without legal recognition and continue their struggle for representation in the UN.

_Independent Variables: Signaling and Foreign Aid_

Our primary independent variable in this research is foreign aid and assistance, and how this foreign aid functions as a signaling mechanism to the rest of the international community. In this study, foreign aid serves as what would otherwise be an unobservable willingness to send out a signal of support. Thus, it will be measured in two ways: first, as the number of donors who have provided foreign aid. This will serve as the operationalization of how one state in the international community may signal their support for the de facto state. If the number of donors to Timor-Leste and Kosovo are the “same”, they will be within 10 donors of one another. This number is, unfortunately, arbitrary until more precise data can be found. If the signaling mechanism works through foreign aid, I would expect to see a gradual increase in the number of donors over time until the state is legally recognized. In examining Timor-Leste and Kosovo, I will inspect a temporal dimension of the number of donors over time to demonstrate a domino affect of states that show their support within the international community.

Second, I will measure foreign aid as the untaxed revenue in an aid package from a donor state to a recipient state. This, unlike the number of donors, should prove to be less important in
determining whether a de facto state achieves international legal recognition. If this variable is “different”, there will be a disparity of more than 100 million dollars in foreign aid over the given range of years. This number is arbitrary as well, but the mark is set high in order to highlight the disproportion that can exist within the amount of foreign aid in dollars donated to each de facto state even though they still attain legal recognition. Another method of signaling is the provision of military troops. Countries can provide this kind of assistance as an outright show of force against the rest of the international community in order to prove their support for the de facto state – however, even though the UN keeps thorough data regarding the peacekeeping budget and number of personnel involved in each mission, they do not break down the personnel within each mission by the country they are sent from (UN Peacekeeping Center, 2016).

Background variables that will also be comprised of economic and political indicators to further explore the differences in our case study. These include GDP per capita, rates of unemployment, and historical background. I do not consider these variables as important to the causal story as foreign aid, other than to display that the two de facto states presented in the study are significantly different in regards to their development. Most of these variables will be drastically different between the two countries examined in this paper, but the number of foreign aid donors - should my hypothesis be plausible - will be the same. It is important to mention that most data that can be found on either country, particularly from the World Bank, has only been collected after Kosovo and Timor-Leste were legally recognized. However, AidData and its various contributors are invaluable resources that have data from these two countries even before their declaration of separation (Tierney et al., 2011).
CHAPTER 3
KOSOVO

A Brief History

In order to more completely discern the differences between the two case studies examined in this paper, I will provide a brief summary of the origin of these states and their desire for independence. The claims of sovereignty in Kosovo originated in 1991, in a clash between the Serbians and Albanians once an underground Assembly of Kosovo met and decreed their authority. However, the debate is steeped in centuries of historical entitlements. The root of the claim made by the Albanians does not stem from any deep hatred of the Serbians, but rather a desire to form their own legitimate system not enforced with an iron grip or with violence (Bahcheli et al., 2004). The claim is fixed from two points of view: One, which developed from the existence of historical sovereignty, and the other from the realistic demographic nature of the territory.

The Albanians strongly denied the Serbians claim to rule based upon the ethnic majorities existing in Kosovo, and they continued to do so up to the 1980s. The Serbians responded with military force to demonstrations and separatist propaganda, whose demands ranged from improved economic and political conditions, to an autonomous state with republic status in 1990. This intense enmity between the two ethnic groups continued, and created great divides within Yugoslavia. Slobodan Milošević made it nearly impossible for the people of Kosovo or their parliament to liberally and democratically work within their own system. Over the course of several decades, and after years of denial by the Serbs and Yugoslavia, the disputes finally came...
to a head. The Kosovar Liberation Army attempted retaliation to Serbian discriminatory policies, which was responded to in kind with military force.

When the West attempted to interfere via air bombings, Milošević answered with a full-scale military assault (Bahcheli et al., 2004). The conflict ended with peacekeepers remaining in Kosovo territory, and Milošević removing his troops from the region. The United Nations administration took over, and nine years later in 2008 the parliament of Kosovo declared its independence once again. Serbia, unsurprisingly, strongly protested. Meanwhile, the United States, the United Kingdom, and several other powerful European countries recognized Kosovo’s independence (Vinci, 2008). The UN General Assembly referred the case to the International Court of Justice in order to determine the legitimacy of their claim, and in 2010 the ICJ affirmed they found nothing illegal within international law.

Who Helped, and How Much?

Since 1997, Kosovo has been offered an estimated 5.3 billion dollars in international assistance from a total of more than 45 countries and organizations. These donors have proposed more than 4,000 projects to assist Kosovo. This paper argues that it isn’t the dollars donated from aid that affects a country’s likelihood of achieving independence, but its number of donors. With this in mind, and after examining data provided from AidData, we can observe that a large number of Western states were prepared to financially support Kosovo during its pursuit of independence, thereby sending signals to the rest of the international community and their allies that they were prepared to vote for Kosovo’s legal sovereignty in the UN General Assembly. Countries including Spain, Norway, Hungary, Sweden, Estonia, and even Greece were prepared to commit aid in support of the new country (Tierney et al., 2011). Although not all of these countries officially declared their support of Kosovo’s claim through political statements, the
sheer number of nations willing to commit their efforts and back the fledgling state could have had a great impact in the number of affirmative votes in the UN, via the causal process discussed prior in the paper.

In order to better demonstrate the effect that the number of donors of foreign aid can have on a de facto state’s legal recognition, I have explored a more temporal effect through AidData. In an examination of donations for Kosovo between 1998 and 2007, I have found a steadily increasing number of donors provide their assistance over time. I select these years in order to encompass the first year prior to Kosovo’s UN occupation, and end in the year preceding Kosovo’s official international legal sovereignty. In 1998, a total of four countries provided Kosovo with aid. These include Canada, Finland, Liechtenstein, and Sweden. In 1999, this number hikes dramatically to 18. This can be explained by the UN occupation of the territory, and being in the limelight of the international arena, but even after 1999 the number still steadily rises. It increases to 21 in 2000, up to 23 in 2001, and up to 26 by the year 2007 (Tierney et al., 2011). This further demonstrates a domino effect for states and their decision to provide support to Kosovo. Among the 26 states that had pledged their assistance by 2007 were influential players in the international community. In this case, all 26 states that provided support in the form of foreign aid were among the first to recognize Kosovo’s sovereignty within a month of its claim of independence in 2008 (KosovoThanksYou, 2008).

Providing aid or assistance is a unique form of signaling support; one that many of these states used when choosing to back Kosovo, and one that has even broader implications in the international community. After all, the blatant refusal of aid is not necessarily disconcerting for states due to the loss of potential funds, but rather for the message that it sends to other nations
about the potential recipient’s claim to sovereignty. In this case, the willingness to commit is more important than the amount provided.
CHAPTER 4
TIMOR-LESTE

A Different Beginning

Also known as East Timor, Timor-Leste was colonized by Portugal in the 16th century and used for their convenient trade location for hundreds of years. After declaring their independence in 1975, East Timor enjoyed a refreshing nine days of autonomy before Indonesia occupied and claimed the territory, despite outcries from the United Nations Security Council. Unlike Kosovo, whose ethnic divides and been the crux of much historical enmity between the Albanians and the Serbs, Indonesia’s occupation was sudden, swift, and had little to do with ethnic clashes. In the two decades following Indonesia’s occupation of Timor-Leste, nearly one third of the population, over 250,000 people, lost their lives in violent conflict and clashes for freedom. After a referendum in 1999, during which roughly 79% of voters chose independence, Indonesian military and pro-Indonesia Timorese militia commenced scorched earth operations and destroyed the country’s infrastructure (Molnar, 2010).

After nearly one month of violent operations, Australia deployed its own peacekeeping mission to the region and brought the conflict to a halt. Between 1999 and 2002, the U.N. kept the territory in order with its own administration much like Kosovo. One important difference, however, was that East Timor was not simply waiting on a court case to be finished. Here, the United Nations was actually preparing the country to take the reigns and rule itself independently. Although this difference is a significant one, it is my belief that the administration of the United Nations in a de-facto state on its way to international recognition is
not the deciding factor. In 2002, the UN vacated the state and Timor-Leste was officially independent. A few months later, it became a member of the UN (Molnar, 2010).

A Similar Result

Much like Kosovo, after the tragic clashes in East Timor, many countries stepped forward to assist the new nation and help it re-establish growth and stabilization. Japan and other western countries in 1999 met, and made a promise to provide nearly 520 million dollars in aid over the course of several years to help rebuild infrastructure and rehome refugees. This assistance, among other commitments, provided Timor-Leste with an average of 170 million per year, between the years 1998-2003. I have chosen to examine this data from the World Bank in particular, because it forms the timeline from East Timor’s original claim of independence from Indonesia, until they are capable of taking over from the United Nations administration.

What I find of particular interest is that, despite the difference in the aid provided in dollars, the number of different donors to East Timor’s cause from beginning to end is almost exactly the same – 44. Now, this includes several identical countries to those that offered aid to Kosovo: Australia, Sweden, Hungary, etc. However, it also includes several unique states such as Portugal or Finland. Also like Kosovo, upon a closer examination of the temporal domain from 1997 – 2002, there is a gradual increase in the number of donors over time. Again, the selection of years begins just before UN occupation of the territory, and ends just before Timor-Leste is granted legal sovereignty. In 1997, Timor-Leste’s only supporter via financial aid is Belgium. In 1998, this number increases to four, including influential members of the UN such as the UK, Canada, and Australia. In 1999, this number rises yet again to 12 and includes other powerful members such as Spain, or Germany. In the year 2000, this number increases to 21, then 22, and ending at 24 in 2002 just before Timor-Leste is recognized as having legal sovereignty (Tierney
et al., 2011). Again, all of these states recognized Timor-Leste shortly after they claimed their independence in 2002 with the end of the UN mission (Molnar, 2010). This certainly demonstrates the importance of support from the international community, not just through funding and economic stability, but also through signaling influential backing and confirmation of the claim.
CHAPTER 5

CONCLUSION

Should this research be successful, there is much that it could tell us about the current state of foreign assistance and diasporas in the contemporary world. De facto states are a unique, seldom seen environment into which scholars have not fully taken the dive. Ideally, this research will unveil the utility of foreign aid within relatively new states, and highlight an interesting aspect of assistance from foreign countries that is rarely considered – its potential to signal support. I have shown through these case studies and theoretical examination that there is plausibility to the hypothesis that the number of donors of foreign aid is important for a de facto state’s quest for international legal sovereignty. The number of donors over time increased in both Kosovo and Timor-Leste to numbers great enough to have potential affects on the simple majority required for legal recognition. These donors also tended to be powerful and influential, and likely had sway over what would otherwise be ambivalent nations looking to court their stronger allies. If my argument were proven true, it would warrant researchers to examine foreign aid and assistance under the light of signaling literature, and encourage others to pursue research into the realm of de facto states.

This paper is the beginning of a much broader agenda, including the collection of data on foreign aid and other economic indicators for de facto states that have yet to be granted legal recognition by the UN, and who are still struggling to be granted sovereignty. That data should make quantitative studies more easily feasible, and at the least provide information so that
qualitative studies may vary their examinations. The temporal dimension of foreign aid donations explored in this research has interesting implications as well, and could warrant its own study of the waves of recognition that occur over time; at what point would the recognition of a de facto state become normal, and under what pressures do other states provide support (Finnemore & Sikkink, 1998)? This paper is just the beginning of a variety of research that can be done in order to have a greater understanding of the moving parts within de facto states. Other studies may examine not just whether or not a state becomes independent, but for how long it survives. Does its survival hinge more on political or economic stability? How does the presence of a conflict effect the development of these states? There are a myriad of questions that need to be answered to fully flesh out our understanding of these most basic states. In the process, perhaps we can unveil a greater comprehension of economic development not just within de-facto states, but within the third-world as well. Any dots scholars can connect between these wildly different cases will give us a firmer grasp on state formation, but the variety of de-facto states and their conclusions alone makes researching them a worthy endeavor.
REFERENCES


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