

## 5 State theory and statebuilding

### Towards a Gramscian analysis

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#### Introduction<sup>1</sup>

For a field ostensibly concerned with the state and how to construct it, the literature on international statebuilding curiously neglects an arguably fundamental task: to understand theoretically the state's basic nature. Most authors, and indeed statebuilders themselves, take for granted that we know what states are: a set of reasonably stable institutions capable of regulating the societies and territories they govern, extracting the resources needed to sustain themselves, and providing services to their populations. From this perspective, states are assemblages of bureaucratic, coercive, judicial and other institutions, with representative bodies guiding their work. The main question from this perspective is simply how to build these institutions in difficult, post-conflict environments where bureaucratic capacities are low, resources are scarce and experience of democratic politics is limited. The literature is consequently concerned with 'lessons learned' from past interventions, proposing improved planning, institutional design and sequencing, resource deployment, and so on, to improve outcomes.<sup>2</sup> This has fostered a view of statebuilding as a predominantly technical activity concerned with crafting efficient institutions and policies to enable good governance. Get it right, and the state will be stable.

This chapter argues that the inherent neglect of state theory in such approaches undermines our understanding of the statebuilding process and project. Engaging with state theory is necessary to understand what states are, how they are formed and transformed and what factors lead to their stability or fragility. Most mainstream approaches actually operate with implicit theoretical assumptions about these questions, which Hameiri usefully classifies as neo-Weberian and neoliberal institutionalist.<sup>3</sup> When made explicit and interrogated, these assumptions provide a weak foundation for exploring statebuilding because they fetishise institutions and neglect the historical and sociological dimensions of state formation. In particular, they fail to explore how state power is fundamentally underpinned and conditioned by historically specific coalitions of social forces

which shape which institutions emerge and how they may be used in practice. Consequently they focus excessively on crafting formal institutions in abstraction from social and political forces, rather than on building the socio-political bloc upon which stable state power may be founded.

This chapter advances an alternative perspective derived from Gramscian state theory. This approach emphasises that the state is not simply a collection of institutions but an expression of power; not the result of rational design, but the outcome of compromises struck between social forces. As historical sociologists have illustrated, conflict over power and resources among classes, class fractions, ethnic and religious groups and other forces, often violent in nature, has produced a wide variety of state forms and heavily conditioned what capacities states have developed and how state apparatuses operate in practice. Consequently, state-making is not simply an expert activity but a conflict-ridden process in which many different societal actors are inevitably involved. From this perspective, creating stable state institutions depends less on institutional design than on forging a durable settlement among dominant socio-political coalitions such that their interests are best served by the perpetuation of state institutions rather than their transformation or overthrow.

Theorising state-making in this way helps us better to understand contemporary international statebuilding projects, by situating them within broad, macro-historical processes of social conflict. It thereby helps to bridge (and dismantle) the unhelpful separation between the literature on historical state formation and contemporary statebuilding, which is one of the principal goals of this volume. International statebuilders may arrive in post-conflict environments with the hope of constructing rationally designed institutions that stand above and regulate societies. Yet various forces in these societies have their own, often contradictory ideas about how they want the state to develop, using their resources and political agency to shape emerging institutions in their own interests. International statebuilding projects should be conceived of as simply one party to the conflicts that determine what actually emerges in practice. Their primary function is to structure the political and economic resources and opportunities open to forces on the ground as they struggle for power and control.

The chapter proceeds in three subsequent sections. The first critiques the state theory implicit in the existing literature before advancing an alternative derived from Gramscian theory. The second section illustrates how this approach can be deployed analytically through a case study of United Nations (UN) statebuilding in East Timor. A conclusion then sums up, reflecting on avenues for further research and implications for practice.

### Statebuilding and state theory

A clear theoretical understanding of state institutions and state power is analytically necessary prior to understanding how states may be 'built' in practice. Although mainstream approaches typically neglect state theory, they rely implicitly on institutionalist assumptions which neglect the historical processes of social conflict that give rise to particular state forms and capacities. Gramscian theory, which sees states as being formed by processes of social conflict articulated within wider geopolitical, economic and ideational circumstances, offers a useful corrective. States are not mere institutional assemblages but also expressions of power whose capacities are fundamentally conditioned by the interests, ideologies and strategies of dominant socio-political coalitions. Stable state institutions express durable accommodations struck between social forces, cemented by an ideological project and flows of material concessions. From this perspective, international statebuilding projects can be viewed both as projections of historically specific accommodations in the leading states promoting them, and as parties to conflicts in the territories in which they are deployed.

Authors of mainstream statebuilding literature rarely spell out the notions of statehood underpinning their work. More often they merely list attributes associated with Western states as *desiderata*, then ask how they can be cultivated in other environments: the idea of 'getting to Denmark' as Fukuyama puts it, adopting a phrase coined by two World Bank officials.<sup>4</sup> However, Hameiri has usefully drawn out the implicit assumptions underpinning mainstream accounts, categorising them into two broad camps: neoliberal institutionalism and neo-Weberian institutionalism.<sup>5</sup>

The neoliberal institutionalist view of the state underlies the highly technocratic approach to statebuilding pursued by the world's major donor agencies.<sup>6</sup> Neoliberal institutionalism views states as institutional ensembles tasked with appropriately regulating markets and societies. Accordingly it diagnoses the problems facing 'fragile' states as weak governance, inappropriate policies and inefficient institutions, which lead to bad regulatory outcomes. Intervention, from this perspective, is about correcting these processes and establishing the basic liberal guarantees, such as the rule of law and private property rights, and minimal institutions required to ensure effective, market-led development. Statebuilding is thus predominantly concerned with 'human resources, administrative and institutional considerations'.<sup>7</sup> Neoliberal institutionalists emphasise 'capacity-building' and 'best-practice' administrative arrangements to establish efficient institutions and enable full market rationality. They seek to insulate these institutions from the 'vested interests' and 'rent-seeking' of day-to-day politics that they see as undermining these goals and even generating state failure.<sup>8</sup>

The neo-Weberian view of the state underlies much scholarly work on statebuilding and is a much more sophisticated perspective, less

influenced by the dogma of market rationality and more sensitive to domestic political conditions. This approach is influenced by notions of 'stateness' that became dominant in mainstream political science following the publication of the seminal *Bringing The State Back In*.<sup>9</sup> Neo-Weberian scholars assert that state institutions are, or should be, 'autonomous' from society, a supreme authority with a capacity to dominate populations in line with their monopoly over the legitimate use of force. They thus view state and society in dichotomous and even oppositional terms, such as that only one or the other may be 'strong'.<sup>10</sup> From this perspective, 'state failure' involves state institutions collapsing, their power and legitimacy dissipating back to society.<sup>11</sup> Accordingly, statebuilding involves strengthening institutions to restore their capacity to dominate their territories, 'penetrate' their societies and subdue unruly elements, restoring their absolute supremacy in order to enhance citizens' security and welfare.<sup>12</sup>

Despite considerable differences between these approaches, they converge in theorising statebuilding as a process of constructing institutions in opposition to the society they must govern. For neoliberals, this is about expelling 'rent-seekers' from state apparatuses to avoid them perverting regulatory procedures and fomenting conflict. For neo-Weberians, this is about grabbing back power from social groups that 'properly' belongs to the state. Both theories rest on an ultimately unviable theoretical proposition: that there exist 'clear and unambiguous boundaries between the state apparatus and society, state managers and social forces, and state power and societal power', when in fact such boundaries are 'emergent, partial, unstable and variable'.<sup>13</sup> Historically, *state-society interpenetration is the norm*, manifesting itself in state forms like corporatism, the existence of policy networks and divisions among state managers due to competing ties between them and different social actors. The boundaries between state and society are actually socially constructed, not natural. Neoliberal and neo-Weberian approaches are really normative prescriptions for how the state *should* be, rather than an analysis of what states historically *have* been, and are.

A more appropriate understanding of state-society relations is provided by Gramscian theory, which emphasises how state power is underpinned by broader societal power arrangements. Following Gramsci and Poulantzas, Jessop argues that the state is best understood not simply as a set of institutions standing over society, but as a 'social relation' and an expression of power.<sup>14</sup> That is, the state's institutional arrangements reflect historical struggles between social forces, their capacities being shaped by broader societal power relations. Put straightforwardly, states are the focal point of much political struggle because they play a key role in structuring access to power and resources. It is natural for socio-political coalitions – comprised of classes, class fractions, ethnic and religious groups, and so on – to seek to mould state apparatuses to secure privileged access to these

things for themselves, and to construct institutions that serve their interests and agendas. Conversely, other forces will resist the emergence of state institutions and capacities which damage their interests. This may occur both through political resistance and through informal practices such as industrial action, noncompliance, evasion and corruption, which may render formal state institutions powerless in practice. What emerges, both in terms of formal state institutions and the way they actually operate, is thus a function of historical struggles between contending coalitions. These forces in conflict, and the balance of forces between them, are powerfully shaped by global capitalist development, which has destroyed existing class forces and given rise to new ones, and geopolitical developments, such as the support given to social groups by ideologically aligned external sponsors during the Cold War. Postcolonial states have been particularly shaped by foreign intervention and the vicissitudes of the global economy.

From this perspective, effective and stable institutions do not arise because they are imbued with the capacity to expel or dominate societal groups but because a workable set of compromises has been struck between social forces. The task of winning consent for particular forms of state and regime was described by Gramsci as the cultivation of 'hegemony', by which subordinated social groups are incorporated within a political order through ideological practices and flows of material benefits. These flows may range from highly personalised patronage to institutionalised welfare payments but have in common the goal of fostering the consent necessary to establish and stabilise state power. Powerful interests must either be accommodated within the state form or be reflected in the way state apparatuses actually work in practice. If this is not achieved, severe instability is risked where excluded groups possess the social and economic power to paralyse state institutions or even render them moot. Democratic institutions, for instance, last only so long as they are tolerated by societal forces capable of overturning them.

Consider, for example, Weimar Germany. Here, a well-established bureaucracy possessed a good level of 'capacity', pursued reasonably efficient policies, and enjoyed a legitimate monopoly on armed force. According to institutionalist assumptions, the state ought to have been stable. However, the Weimar state was interpenetrated with a society experiencing severe class conflict. Following the Wall Street Crash, the economy could not sustain earlier flows of material benefits to social groups, undermining their tenuous accommodation within the republican regime. Workers and their Socialist Party representatives resisted capitalists' efforts to cut wages in order to maintain profit rates, with the conflict resolved only through the Socialists' ejection from the ruling coalition, deepening the crisis of political hegemony. Germany's crises of hegemony and accumulation were only resolved, through a process of trial and error, by the turn to fascism, which combined militarised state spending and a hyper-nationalist ideological project to resume flows of material benefits, cohere

a new ruling bloc and physically eliminate opposition forces.<sup>15</sup> State institutions were thereby re-stabilised, at a tremendous price. While extreme, the Weimar example illustrates how the struggle for hegemony and state-making, in Western democracies as much as in postcolonial settings, has frequently been violent and tumultuous.<sup>16</sup>

A more peaceful social accommodation characterised state formations in Western Europe after World War II. The post-war Fordist-Keynesian settlement reflected the rising power of organised labour, the experience of intense socio-political conflict in the early twentieth century and the context of the Cold War struggle against communism. To fend off more radical alternatives and to foster the social stability required for post-war reconstruction, moderate trades unions were directly incorporated into state apparatuses alongside business leaders and bureaucrats in corporatist state forms. Sustained and relatively equitable economic growth provided a flow of material concessions to subordinated social groups, facilitating the regularisation and institutionalisation of social conflict and relative state coherence.<sup>17</sup> However, the economic and political crises of the 1970s and 1980s led to the defeat of organised labour, the dismantling of corporatism, widespread pro-market reforms and the rise of neoliberal 'competition states' which offer ready access to business leaders while marginalising workers.<sup>18</sup> These changes and the accompanying shift to a neoliberal economic accumulation strategy have undermined the capacity of dominant social forces in Western states to maintain hegemony by, for instance, weakening welfare states and making national economies more vulnerable to serious crises. The contemporary imposition of austerity measures in response to the Global Financial Crisis is a case in point.

The example of corporatism and its neoliberal replacement helps to underscore the distinction between the Gramscian understanding of state (trans)formation and the mainstream institutionalist perspectives. Contrary to neo-Weberian approaches, there is no necessary dichotomy between state and society: The state may actually be at its most powerful when it directly incorporates social forces. Furthermore, state-society interpenetration is common to all state forms, which explains why neo-Weberian scholars seeking to define where states end and societies begin have typically failed.<sup>19</sup> Contrary to neoliberal institutionalism, Gramscians view this as a normal condition of statehood, not an aberration to be combated by empowering technocrats and insulating them from political pressure. This approach rests on the fundamentally mistaken notion that states are or can be made 'neutral' in their consequences for social forces. In reality, as Jessop emphasises, because of their role in structuring political opportunities, *all* states exhibit an inherent 'strategic selectivity', being more open to some forces pursuing particular agendas than others.

This is clearly true of the contemporary British state. While trades unions have been ejected from state apparatuses, the 'neutral' state ostensibly desired by neoliberals was not put in its place. Instead, business

groups remained entrenched, enhancing their power and access to resources. Consider, for example, the relationship between the state and the nuclear industry. The state provides concealed but large subsidies to the industry, which in turn part-funds an armed division of Britain's police force dedicated to its own protection, whose governance structure is comprised of industry representatives and retired state officials, and which is regulated by another industry-funded body.<sup>20</sup> Close collaboration between the intelligence services and the industry to defeat anti-nuclear activism is also reliably alleged.<sup>21</sup> Privileged business access to state power is also reflected through membership of policy networks, oversight committees, advisory panels, and so forth. For example, every government department's governing board contains non-executive directors drawn from business, whose role has been expanded to oversee Britain's austerity programme.<sup>22</sup> Both Labour- and Conservative-led governments have recently been rocked by successive lobbying, party financing, tax evasion and 'cash for access' scandals. These events are not simply a rash of political malfeasance but reflect a structural orientation of state institutions towards big business, reflected in ministers meeting with business representatives ten times as often as trades unions.<sup>23</sup>

That this sort of 'state capture' is far more subtle and 'legal' than the forms taken in many developing countries should not distract us from the normality of state-society interpenetration in all states. As this and other Western examples suggest, 'state "capture" by particular interests and coalitions ... is not an aberration, but something that is common to every state'.<sup>24</sup>

Gramscian state theory can help us understand the phenomenon of international statebuilding in two ways. First, it helps explain why different types of statebuilding are promoted at different historical junctures. They can be seen as embodying the preferences of dominant forces within Western states and the broader geopolitical and economic contexts in which their struggle to secure hegemony are articulated. Although statebuilding is commonly thought of as a post-Cold War activity, in fact, Western states have been actively promoting certain forms of state formation in developing countries for many decades. During the Cold War, they sponsored broadly 'Weberian' state projects designed to keep radical forces at bay through a mixture of material concessions (land reforms, economic development) and repressive-authoritarian measures. Today, reflecting a very different constellation of forces, Western donors seek to export the neoliberal state projects adopted in their own jurisdictions. While this project is often presented as neutral, technocratic and apolitical, it necessarily implies particular distributions of power and resources among actors in target societies by virtue of the state capacities it promotes and disavows.

Second and relatedly, it enables us to analyse the course and consequences of statebuilding interventions through situating them within

broader processes of social conflict and historical state formation. These interventions do not occur upon a *tabula rasa* but in situations characterised by struggles for power and control over resources. They are likely to confront a number of socio-political coalitions pursuing their own visions of statehood, in line with their own interests and agendas. From this perspective, the success of statebuilding interventions depends on the extent to which interveners' goals 'intersect with those of powerful domestic coalitions of interest' within target societies.<sup>25</sup> Where a close fit exists, the outcome may be close to plan, but a significant disjuncture is more likely, resulting in a very different settlement as groups seek to mould the emerging state apparatuses to suit themselves. Neoliberal interventions have often proceeded with some measure of social support in target states. However, resistance from social forces threatened by reform processes – workers, farmers, owners of uncompetitive businesses, *dirigiste* state officials, and so on – have frequently compelled a compromise settlement that falls well short of the ideal-type state planned by the interveners.<sup>26</sup> In some cases, deeply entrenched social and political coalitions have even been able to capture externally imposed reform processes and use them to reinforce their predatory domination.<sup>27</sup> What emerges from statebuilding interventions, then, stems from social conflict.

The interveners themselves are just one party to this conflict, albeit a potentially powerful one. As is powerfully suggested by the cases of Vietnam in the 1960s, Iraq post-2003 and Afghanistan 1979–1989 and post-2001, even backed by tremendous economic and coercive resources, international statebuilders will never be fully able to tame the forces on the ground. They must secure the consent of dominant social groups in order to constitute effective state power, and this necessarily involves some degree of compromise. If this is absent or insufficient, recalcitrant forces can undermine state institutions and/or simply wait out the interveners and capture the institutions once they have left, as the Taliban did after the Soviet withdrawal and are now poised to do again when Western troops depart. However, this should not be taken to imply that international statebuilders are simply feeble. On the contrary, depending on their scale and resources, statebuilding interventions may have powerful structuring effects on local social conflicts. Any state project promoted through statebuilding interventions will not be neutral, but by virtue of the strategic selectivity of state structures will offer greater economic and political opportunities to some local social forces, pursuing certain strategies, than to others. This conditions the options open to the coalitions contesting state power and consequently shapes the outcomes of interventions. This may, as in Afghanistan and Iraq, ultimately empower very retrograde ruling coalitions, contrary to the supposed liberal-democratic impulses behind the interventions. In other cases, the need to engage with international statebuilders may so distract state managers from cultivating domestic consent that the resultant institutions may be no more than

'phantom states', existent on paper but lacking the social basis that actually constitutes state power in practice.<sup>28</sup>

Having outlined a Gramscian analysis of the state and statebuilding, we can now illustrate this approach with a case study.

### Statebuilding in East Timor

The UN Transitional Authority in East Timor (UNTAET) remains the most ambitious statebuilding intervention in the organisation's history, having assumed full sovereignty over the territory from 1999 to 2002, with its successor missions on the ground for most of the years since then. Originally UNTAET was seen as a great success, but the near-collapse of the East Timorese state in 2006 led to more critical reappraisals. This section develops a Gramscian analysis of UN-led statebuilding in East Timor. It illustrates how the UN's neoliberal institutionalist project significantly shaped, but ultimately could not determine, the course of state formation in the territory. The project was, from the outset, forced to compromise with local forces as they struggled for power and control, with their conflicts shaping and becoming expressed within the emerging state institutions. However, the intervention also shaped these forces' strategies, particularly that of the dominant political party, FRETILIN (*Frente Revolucionária de Timor-Leste Independente*), inhibiting it from establishing meaningful hegemony. Relative stability has only been attained by a new leadership willing to dispense material resources to societal groups, in contravention of the UNTAET mission's neoliberal thrust. The following account briefly describes that mission, the context in which it was deployed, and how the interaction between these shaped outcomes on the ground.

#### UNTAET's state project and social forces in East Timor

UNTAET was initiated following Indonesia's withdrawal from East Timor in September 1999. The Suharto regime had annexed the former Portuguese territory in 1975, fearing a left-wing takeover. Following Suharto's fall from office in 1998, a referendum was held, with a large majority of East Timorese opting for independence. Indonesia's occupation force and allied militias went on a violent rampage as they withdrew, displacing most of the population and destroying 70 per cent of the territory's buildings. The extent of the devastation led international statebuilders to view East Timor as a *tabula rasa*, with UNTAET chief Sergio Vieira de Mello remarking, 'we are starting from scratch'.<sup>29</sup> Perhaps more than usual, therefore, the internationally conceived state project involved importing wholesale a rational, efficient institutional structure designed by Western technocrats, imbuing it with administrative and coercive 'capacity' and then transferring control to trained Timorese administrators.<sup>30</sup>

Although creating a 'neutral' environment for democratic, multiparty elections was also a core goal, the neoliberal contours of the state project effectively delimited what would be politically possible and acceptable within the state project. The international financial institutions and donor countries central to the project insisted that the state's economic role be restricted to facilitating a free market.<sup>31</sup> Emphasis was consequently placed on the development of the regulatory and security institutions required to maintain social order and to enable the functioning of free markets, rather than of developmental institutions designed to foster growth and providing employment. The projected budget for the future state, with a population of over 800,000 and an annual per capita income of around \$300, was a mere \$59 million per annum.

The context into which UNTAET intervened did not bode well for such an emaciated state project. Historically, the local Indonesian state in East Timor had been a highly coercive, corrupt and unpopular institution, co-opting a narrow elite through patronage. Despite above-average development spending, the local economy remained overwhelmingly agrarian, state-centred and rent-dispensing, with Jakarta covering 93 per cent of local government spending.<sup>32</sup> Given the historic centrality of massive coercion and state-led development in maintaining political order in the territory, a sudden shift to neoliberalism in the context of widespread material devastation was arguably a recipe for disaster, exacerbating the struggle for power and resources that would characterise any state-making process.

The main local actors in the unfolding drama were the forces that had campaigned against Indonesia's occupation. The resistance, initially led solely by the Marxist-Leninist liberation movement, FRETILIN, had split into two major and several minor factions prior to 1999. In 1984, FRETILIN's armed wing, FALANTIL, led by Xanana Gusmão, broke away after a prolonged ideological dispute. Gusmão called for a broad 'national front', incorporating a new generation of disaffected urban youths and eventually several other Timorese groups, including former collaborators, into the *Conselho Nacional da Resistência Timorense* (CNRT). This non-radical grouping secured Western recognition and support in the run-up to the 1999 referendum. Meanwhile, until returning in 1999 and joining the CNRT, FRETILIN representatives abroad, largely exiled in Mozambique, were gradually marginalised and also cut off from FALANTIL cells which rejected Gusmão's leadership, forming breakaway movements. These various factions vied for power and control over resources in the post-Indonesian dispensation.

Timorese society was also marked by many other struggles over inequalities of wealth and power. In rural areas, many people forcibly resettled by the Indonesians tried to return to their ancestral villages, either willingly or because they were expelled by those upon whom they had been foisted. Land disputes within and between villages also surfaced. In this situation of profound flux, younger Timorese began to challenge the authority of

the elders formerly backed by Indonesia.<sup>33</sup> In urban areas, this challenge from youths was even stronger, and conflict over land and infrastructure surfaced almost immediately as returning refugees grabbed what little was left standing.<sup>34</sup>

### *The statebuilding project unfolds*

UNTAET's state project, as the main source of economic activity in the territory, quickly became the major focus for competition over resources. This was heightened by the vast scale of UNTAET's budget (\$692 million) compared with the future state's budget, UNTAET's sloth in dispensing funds and the fact that only 5 per cent of foreign aid reached the Timorese themselves.<sup>35</sup> Rivalry for jobs with UNTAET was so intense that peacekeepers had to suppress two riots at recruitment centres in early 2000. The strategic selectivity of emerging state institutions also heightened rivalry by conferring disproportionate opportunities and rewards on different groups. For example, many refugees seized property in East Timor's capital, Dili. To institute a liberal private property regime, UNTAET recognised these seizures, despite the existence of contending claims. Their new 'owners' were then able to lease the properties to UNTAET staff at vastly inflated rents, infuriating other claimants.<sup>36</sup> As a struggle for survival unfolded, armed gangs emerged to establish control over major commercial centres, transport routes, protection and gambling rackets.<sup>37</sup> Others protested against the UN, demanding jobs and food.

UNTAET also structured the political opportunities available for local forces, though it was never able to constitute state power alone, instead being forced into compromises that shaped the emerging state apparatuses. Lacking any presence below the district level, UNTAET was dependent upon the networks of CNRT leaders to actually administer East Timor.<sup>38</sup> From the outset, therefore, the CNRT's elite had been incorporated into a national 'consultative council', which they dominated numerically. As social unrest escalated and elites complained about their lack of influence, De Mello initiated a 'co-governance' approach whereby CNRT leaders like FRETILIN's Mari Alkatiri and close Gusmão ally José Ramos Horta were appointed to 'cabinet' positions.<sup>39</sup> Despite continuing to bemoan the UN's continued dominance, clearly this gave disproportionate political advantage to CNRT members. It also influenced the distribution of resources and power. Most importantly, in exchange for providing charismatic leadership to maintain social peace and prevent the CNRT from disintegrating, Gusmão was permitted to handle the recruitment of East Timor's new armed forces, which he promptly stuffed with his FALINTIL allies.<sup>40</sup> The police and civil administration also filled up with Gusmão supporters. UN procedures designed to prevent such nepotism merely intensified the resentment of rival former resistance groups as they systematically favoured individuals with formal education and/or experience over them.<sup>41</sup>

The FRETILIN faction was meanwhile organising itself to seize state power and reverse Gusmão's emerging dominance. Tapping networks neglected by other CNRT parties, FRETILIN won the first post-occupation elections in August 2001, taking 57.4 per cent of the vote and 55 of the 88 seats in the constituent assembly. FRETILIN now sought to entrench itself in power. Its draft constitution centralised power in a strong parliament and created a weak presidency, correctly anticipating that Gusmão would seek and win the position. FRETILIN also sought to identify itself with the state by adopting FRETILIN's flag and anthem as national symbols, and renaming the army from *Forças de Defesa de Timor Leste* (FDTL) to FALINTIL-FDTL. The constitution also made Portuguese the national language, privileging the colonial-era elite of which its leadership formed part.

However, any hope that FRETILIN could cement its formal grip on state apparatuses by cultivating societal hegemony was undermined not only by the legacy of the UN's favouring of Gusmão but also by the neoliberal constraints of the statebuilding project. Reacting to the post-Cold War evaporation of international support for its socialist platform, FRETILIN had already embraced a 'pragmatic' line on economic management in 1999. Once in government, FRETILIN largely followed IMF and World Bank guidance, reflecting the importance of these institutions in the UNTAET project.<sup>42</sup> Contrasting East Timor to Cambodia, Caroline Hughes argues that FRETILIN's adoption of neoliberalism severely damaged its chances of building popular support through state spending.<sup>43</sup> Certainly, any attempts to do so were quickly curtailed by international agencies. For example, FRETILIN's plan to build infrastructure for local agricultural cooperatives was squelched by the World Bank's flat refusal to fund it since it 'would inhibit private entrepreneurship'.<sup>44</sup> Furthermore, while expenditure on the military and police was capped at 20 and later 25 per cent of the state budget, initially just 1 per cent was allocated to agriculture, which supported over 70 per cent of the population.<sup>45</sup>

These neoliberal economic parameters conditioned FRETILIN's political strategy and intensified rivalry within the state's coercive apparatuses, the main locus of patronage resources. Unable to cultivate a mass following through developmental spending, FRETILIN instead distributed state offices. After the 2001 election, the ex-guerrilla groups that had split from Gusmão after 1984 launched street protests over FALANTIL's monopolisation of army posts. Seeing an opportunity to broaden its base, FRETILIN appointed the protestors' leader, Rogerio Lobato, as interior minister, then supported his bid to build-up the police force (PNTL) as a rival powerbase to the F-FDTL.<sup>46</sup> Again, UNTAET's statebuilding project enabled this. Pursuing an institutionalist approach, the UN tried to build the PNTL in isolation from Timorese politics to ensure its 'professionalism', restricting recruitment and retaining control over the PNTL until 2004, two years after East Timor's formal independence. Yet, since the UN had cultivated



no socio-political support for the police's 'neutrality', thereafter, Lobato was quickly able to pack new paramilitary units with his supporters, establishing a 'state ... within a state'.<sup>47</sup> East Timor's factional rivalry thereby became expressed directly as rivalry between the coercive state apparatuses over their respective roles and budgets. Violence between PNTL and F-FDTL members broke out soon after control over the PNTL passed to the government.<sup>48</sup>

As factional rivalry intensified, elites began mobilising supporters along a crude east-west regional divide. This divide long operated as a mild prejudice wherein westerners are seen as temperamentally placid while easterners are seen as more fiery. However, by historical accident, the spoils of independence have accrued to social groups crudely corresponding to this division. For example, the best F-FDTL posts went to easterners, since FALINTIL was based in the east; land in Dili was seized by easterners since they returned more quickly after the 1999 crisis. Many PNTL posts went to westerners since that was where Lobato's supporters had been based, and so on. Some easterners tried to justify this situation by painting westerners as collaborators with Indonesia. However, rather than representing an 'ethnic' conflict as some analysts imagine, the east-west divide was merely a 'vehicle' to mobilise support and lay claim to scarce resources in an extremely competitive environment.<sup>49</sup>

The coalescing of grudges along this line nonetheless produced the spark for the collapse of state institutions in 2006. Early that year, western army personnel claiming to have suffered discrimination launched anti-government protests, apparently winning President Gusmão's support.<sup>50</sup> Anti-FRETILIN forces, including veterans' groups, western-backed opposition parties and youth gangs linked to opposition elites, opportunistically joined in, and the protests became violent. Reflecting the way the state apparatus was shot through by the same social divisions expressed in the protests, it rapidly disintegrated. Rather than suppressing the unrest, the PNTL and F-FDTL divided into factions supporting their allies beyond the state, joining the violence and attacking each other, with the F-FDTL commander arming 'eastern', and Lobato arming 'western', civilian groups.<sup>51</sup> The violence spread well beyond the capital, along fault-lines established by established rivalries over land and local state patronage.<sup>52</sup>

Unable to re-establish order, the Timorese government had to ask international peacekeepers to return; they remain there still. The political repercussions were severe. Lobato and FRETILIN Prime Minister Mari Alkatiri were forced to resign over the distribution of arms to civilians. Gusmão ally Jose Ramos-Horta took over temporarily as prime minister until elections were held in 2007. FRETILIN's electoral support was nearly halved and Gusmão became prime minister at the head of an anti-FRETILIN grand coalition, with Ramos Horta succeeding him as president.

The development of the post-occupation Timorese state has therefore been powerfully shaped not simply by the plans of international statebuilders,

but by the international political economy, neoliberal ideology and the strategies of domestic social forces. Despite UNTAET's technocratic attempts to insulate state institutions from society, the emerging state was influenced from the beginning by the need to compromise with actually existing power centres on the ground, and by the expression of social conflict in state apparatuses. At best, UNTAET was but one player, structuring political and economic opportunities, tilting the balance of forces and aggravating distributional conflict. Its very presence and attempt to regulate life in the territory created scarce resources – aid, land rights, jobs, administrative and political positions – which were unevenly distributed and thus empowered some social groups over others. The UN could not prevent the emerging Timorese state from being profoundly shaped by rivalry for power and control.

### *Post-2006 statebuilding: institutionalist fixes versus hegemonic strategy*

The continued institutionalist approach of international statebuilders has contributed little to restoring stability after 2006. Neoliberal institutionalists blamed the state's collapse on the UN's failure to build adequate institutional 'capacity' and therefore urged experts to return to develop the right policies, procedures and capabilities.<sup>53</sup> UN and Australian forces essentially pursued this advice after 2006, essentially dismantling and reconstructing the PNTL and putting officers through extensive training. Unsurprisingly, the PNTL has 'remained weak and unstable, not assuming even full localised responsibility until early 2008'.<sup>54</sup> This is because this technocratic approach continues to try to build institutions independently of social relations. At some point, state institutions must become embedded in a broader social framework, and foreign agencies simply cannot guarantee against their (re)capture by dominant groups. They frequently cannot even prevent this in the short term: many of the people involved in the 2006 violence remain in the security sector, and UN reform efforts have frequently been thwarted.<sup>55</sup>

Of more interest are neo-Weberian analyses. Neo-Weberians recognise the mismatch between the local population and the statebuilding process, but conceptualise it very differently to the neo-Gramscian analysis above. They suggest statebuilding failed in East Timor and elsewhere because it seeks to impose a 'European', 'modern' or 'Western paradigm' of political authority and institutions that clashes with 'traditional' or 'indigenous paradigms' derived from traditional social norms. They consequently recommend incorporating traditional structures like tribal and clan authorities into state institutions through sustained intervention, to combine the two 'paradigms'.<sup>56</sup> This more 'participatory' intervention would foster greater 'ownership' and stability. This 'solution' has gained considerable currency in policy circles, not least with respect to Iraq and Afghanistan where embattled Western statebuilders have pursued deals with tribal leaders.

There is, however, a glaring contradiction within this approach between the supposed need to engage with traditional authorities and the continued assumption that Western statebuilders can engineer outcomes to their liking. On the one hand, it is the fact that 'there is never a vacuum of power on the ground' – because local governance structures survived the conflicts preceding international intervention – that makes engagement with 'indigenous' forces necessary. Yet, *contra* the Gramscian approach, there is no sense that concessions to these forces will be required. Where indigenous structures violate 'international standards of human rights and democratisation' or are 'factionalised and serve as the core engine for continued conflict', Chopra and Hohe still advocate their total 'reinvention' through 'social engineering'.<sup>57</sup> Neo-Weberians thus contradictorily view international statebuilders as either too feeble to achieve their goals alone, or so powerful they can 'reinvent' target societies. They fail to grasp, as Gramscian analysis does, that interveners are just one party, albeit a significant one, to struggles over state formation, and that state power will always reflect an *accommodation* between social forces.

On the contrary, neo-Weberians clearly still hope to exclude social conflict from state-formation processes and state power. This is clear in their romanticisation of 'tradition' as a realm of harmony and cooperation, a potentially pure reference point for political authority, unsullied by 'modernity' or power struggles. This tradition-modernity dichotomy is quite unhelpful. In reality, even apparently 'primitive' societies have been shaped by the forces of global capitalism, imperialism and other state projects. The use of local chiefs in state projects does not simply harness traditional 'paradigms' but transforms local power relations and even creates 'tradition' out of whole cloth.<sup>58</sup> Indeed, one anthropologist notes, what counts as 'tradition' is itself a site of conflict:

much that is thought of as belonging to the realm of 'custom' (*adat*) (and therefore assumed to be ancient habit) is in fact the glossing of an inherited practice that may only be a generation or two old ... [Appeals to *adat* are really appeals for] the recognition of the legitimacy of the current practice than a statement of reality. Equally ... custom ... can be used just as forcefully as a basis for challenging current practices and their legitimacy as much as for justifying them.<sup>59</sup>

The contested nature of 'traditional' power relations and the difficulty in simply bolting these onto 'modern' political structures is well-illustrated by the World Bank's Community Empowerment Project (CEP) in East Timor, which distributed small rehabilitation grants through locally elected councils and is cited by Chopra and Hohe as an example of 'participatory intervention'. Belying Hohe's depiction of the norms of Timorese rural life as having survived 500 years of colonialism intact,<sup>60</sup> these councils were shot through with social conflict. Since village elders were formally excluded,

youths often dominated the councils, using them as a 'tool to express their wishes and revolt against the traditional powers'. In turn, elders and chiefs sought to manipulate elections and decision-making, often dominating apparently democratic, participative processes. Where villages were divided between competing resistance factions, 'CEP was used to express political divisions'. Reflecting their subordinate social status, women were marginalised, despite comprising 50 per cent of council membership, as were victims of Indonesian resettlement. Villages established under Indonesian rule resisted being placed under the authority of 'traditional' ones for the purpose of aid distribution, and chiefs used the councils to intervene in land disputes with their rivals.<sup>61</sup>

Such conflicts emerge both because power struggles are intrinsic to all social forms, including apparently 'primitive' ones, and because *all* state-building efforts, because they structure access to power and resources, will necessarily involve contestation and end up privileging certain groups. Chopra and Hohe admit that interveners faced a dilemma here. Either they backed the young councillors – which would either have 'been conducted brutally or, if done humanely, might simply have failed' – or they back the traditional elders, which 'would have simply reinforced existing power structures' that were illiberal, 'inequitable and gender biased'. Unable to solve this conundrum, they limply suggest that 'a more sophisticated approach was necessary'.<sup>62</sup> They cannot resolve this dilemma because their preferred outcome remains the neo-Weberian, idealised image of states as neutral institutions standing apart from society. Yet the dilemma's very existence illustrates clearly the strategic selectivity of state institutions: they will always privilege some interests over others.

From a Gramscian perspective, it is impossible to expunge social conflict from state-formation processes or to prevent state capture by dominant social forces. The real task is neither to bolt 'traditional' governance onto 'modern' institutions, nor to attempt to eviscerate social structures that do not fit; there is no institutional 'fix'. Rather, the fundamental task is a political one: to find a way to accommodate the interests and agendas of those forces capable of subverting state power into a durable coalition, cemented by flows of material and ideological concessions, capable of supporting the emergence of stable state institutions. Crucially, the institutions to which they are prepared to consent will frequently differ from those desired by outsiders.

Arguably, it is only through progressing towards more viable hegemonic and accumulation strategies that the Gusmão government has been able to organise a grand alliance and maintain relative stability within the Timorese state since 2006. Gusmão has promoted a pro-business, conciliatory ideology and made shrewd use of Timor's oil revenues, which came on-stream after the 2006 crisis, to widen government employment, and, using state resources and contracts, bring NGOs, gang leaders, disgruntled veterans, business groups and even the Church into his patronage



network.<sup>63</sup> In part, Gusmão succeeded where FRETILIN failed because, rather than adopting wholesale the international donors' neoliberal prescriptions, he has used state spending for explicitly political ends. In contrast to UNTAET's miserly \$59 million budget per annum, the state's budget for 2012 – an election year – was \$1.76 billion, up 28 per cent from 2011. Gusmão also benefited from the return of peacekeepers to restore order by force. The major threat to state power, an armed group of mutineers led by Major Alfredo Reinado, was physically eliminated in 2008 when foreign troops shot Reinado dead. Hegemony, as Gramsci observed, is 'armoured by coercion'.

The UN's neoliberal project made it difficult for any one group to establish hegemony within the emerging state, prolonging the country's political instability. It was not until one force was decisively defeated and another gained access to patronage resources they could use to bind social groups more tightly to the state that relative stability could be created. Order has thereby emerged, but it is not the sort of order that UNTAET intended. In September 2010, Deputy Prime Minister Mario Carrascalão resigned, accusing Gusmão of involvement in a US\$300 million corruption scandal, claiming that 'corruption, collusion and nepotism remain rampant'.<sup>64</sup>

## Conclusion

This chapter has argued that a theoretically and historically grounded understanding of how states come into being, are stabilised and transformed is necessarily prior to an understanding of statebuilding. Indeed, one cannot write about statebuilding without making some assumptions about the object being built. Unfortunately, mainstream approaches typically work with rather thin, institutionalist accounts of the state. This chapter offered a richer, Gramscian alternative which avoids institutional fetishism, the belief that capacities and powers inhere in state institutions themselves, rather than being constituted by broader social relationships. I argued that rather than conceiving of states simply as institutional assemblages standing apart from or in opposition to society, all states and societies are deeply interpenetrated and state forms consequently express social conflicts over power and resources, which are affected by the international political economy and geopolitics, and by dominant ideologies about legitimate statehood. Statebuilding interventions, from this perspective, are simply one party to such conflict, perhaps powerfully determining political and economic opportunities available to social forces, but never being able to fully tame the struggles to shape the emerging state apparatuses. Instead, outcomes are shaped by the interaction between these structuring effects and the strategies, composition and resources of the socio-political coalitions in conflict, and the wider economic and geopolitical environment.

The critique advanced here suggests that 'lessons learned' type approaches, which merely counsel a tweak of methods here or an institutional innovation there, are inescapably flawed. Western attempts to transplant the structures of market democracy have been unsuccessful not because of flawed institutional design but because formal structures are always liable to be captured and distorted by local forces, or simply bypassed by informal power relations. Understanding why statebuilding encounters so many difficulties, despite decades of experience and a vast proliferation of 'lessons learned', requires that we transcend the dichotomisation of state and society, and appreciate the struggles for power that constructing a state necessarily implies. The mainstream literature takes societal stability for granted once the correct institutional structure is in place, assuming that state 'failure' or social strife is the 'problem' to be explained. But if social and political conflict is normal, the question then becomes: How have some societies constrained these conflicts within the bounds of stable day-to-day politics, and why do they sometimes return to violence? From a Gramscian perspective, the answer lies in the ability of leading social forces to forge stable compromises and coalitions, underpinned by viable political-hegemonic and economic-accumulation strategies.

Exploring how this happens in different contexts, particularly the developing-country contexts where statebuilding interventions are typically deployed, is a potentially fruitful avenue for future research. Given that the means and opportunities available for such creative action vary greatly across space and time, such research must be sensitive to concrete social and historical conditions. Western societies developed under conditions that compelled landed elites and business classes to compromise with the demands of organised labour and the political left, which was critical in generating stable, democratic states.<sup>65</sup> By contrast, non-Western societies have been profoundly shaped by imperialism, Cold War interventions and the vicissitudes of globalisation. During the Cold War, for example, Western intervention repeatedly helped anti-communist forces to disorganise, suppress or physically eliminate the left. Consequently, the social compromises which produced Western social/liberal democracy were never struck in most postcolonial states. Rather than attaining true hegemony, which is principally 'consensual' and based on a flow of material and symbolic concessions to subordinated groups, ruling socio-political coalitions in many parts of the Third World have relied instead on neopatrimonialism, money politics and violence to sustain their domination. Ayubi even argues that some Third World social formations are now such that attaining hegemony is effectively impossible.<sup>66</sup> De Waal suggests that globalisation has also undermined the possibility of hegemony by devaluing symbolic concessions and monetising political loyalties.<sup>67</sup>

Finally, practical lessons might be drawn from this theoretical rethinking of the state and statebuilding. If social forces must be incorporated

within statebuilding projected, then how, and by whom? Adopting a similar approach to the one developed here, Rosser argues that since state capacities can only develop when dominant socio-political coalitions consent to their emergence, international statebuilders must construct not simply institutions but 'a set of relationships between competing coalitions of interest that enables state capacity to emerge in relation to particular objectives'.<sup>68</sup> As Rosser states, this would require compromises on both sides; Western statebuilders would, for instance, have to moderate their neoliberal designs to accommodate statist-developmental projects.

Even if they were willing to do this, however, it is highly questionable whether foreign interveners have the capacity or legitimacy to forge socio-political coalitions capable of dominating state power. This may be just as unrealistic as neo-Weberian proposals for 'social engineering'. Even the East Timor case, where internecine power struggles are relatively mild, suggests that intervention may inflame rather than tame social conflict. Conscious attempts to forge stable coalitions in Iraq and Afghanistan have empowered some of the most predatory, violent and retrograde forces, a form of 'social engineering' which recalls the worst Cold War-era interventions. This makes a mockery of the liberal justifications for such intervention, and may be unable even to deliver a limited goal of 'stability' and security. Moreover, as De Waal argues, coalitions established under conditions of foreign intervention last only as long as the intervention; when external support for particular social groups is withdrawn, 'rival elites will want to renegotiate'. Consequently, interveners 'become entrapped. They cannot resolve conflicts and the more they try to do so, the greater the part they play in the dynamics of the [political] marketplace itself, meaning they now can't withdraw'.<sup>69</sup> Encouraging ever-deeper 'social engineering' by foreign interveners thus seems like a recipe for perpetual meddling in the affairs of the target society, further deferring any real possibility of self-determination. The cultivation of hegemony fundamentally remains a task for domestic actors. Arguably, international statebuilders should recognise the limits of their power, and withdraw sooner, rather than later.

## Notes

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