



## **Discussion Paper 31**

### ***Kosovo: Successes and Failures of International Civil and Military Involvement***

Debate held at European Studies Centre, St Antony's, Oxford, 30 March 2004

**Discussion Report by Denisa Denisa Kostovicova and Dimitar Bechev**

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Denisa Kostovicova and Dimitar Bechev, Discussion Report: 'Kosovo: Successes and Failures of International Civil and Military Involvement'

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The outburst of violence on 17th and 18th March 2004 put Kosovo briefly back in the centre of international attention with 19 people dead, another 900 injured, and 700 Serb, Roma and Ashkali houses, as well as two monasteries and 30 churches, completely destroyed or damaged. Nearly 4,500 inhabitants of the province, belonging mainly to the Serb minority, were displaced. The events also triggered a heated response in Serbia: demonstrators took to the city streets, while the mosques in Belgrade and Nish were engulfed in flames following fire attacks. The international policy in Kosovo guided by the 'standards-before-status' principle appeared to have been dealt a serious setback. Kosovo has again come to haunt policymakers and diplomats as it did in the recent past. Whether in Belgrade, Prishtina, or the Western capitals, the difficult issue of a definitive settlement reemerged as powerful as ever.

The panel discussion on Kosovo co-organised by Oxford's South East European Studies Programme (SEESP) and the South East Europe Faculty Development Programme of the Centre for the Study of Global Governance (CsGG), London School of Economics and Political Science gathered a group of UK-based experts on the Balkans. It had two interlinked aims. First, the panel explored the political and economic causes of the persisting violence in Kosovo. Second, it looked at the dilemmas faced by various international actors in the Western Balkans and Kosovo in particular, as well as the implications for the future. What follows are summaries of each participant's presentation.

### *Questions about Kosovo*

#### **Othon Anastasakis, SEESP Director**

The Director of SEESP Othon Anastasakis opened the discussion by raising a number of questions prompted by the upsurge of violence in Kosovo. This, in his words, came as no surprise to those following Balkan affairs. First, he asked whether the protectorates in South East Europe - characterised by him as 'semi-solutions' - were capable of tackling the problems on the ground, and whether the international community needed a different strategy for the region? Second, Anastasakis posed the question of whether state-building had been approached in an effective way. To him, the answer was no. Neither the Albanian nor the Serb community were happy with international intervention in Kosovo. He suggested that this had wider implications for other regions like the Middle East. Third, Anastasakis asked whether the standards-before-status approach had been and remains to be the right one

### *What kind of multiethnicity for Kosovo?*

#### **Denisa Kostovicova, Centre for the Study of Global Governance, LSE**

**Denisa Kostovicova** focused in her discussion on the question how the misunderstanding of Kosovo's multi-ethnicity on the part of the international community and the policy based on such a misunderstanding reinforced ethnic inclusiveness and radicalism on both sides - Albanian and Serbian.

Historically, one of the key features of Kosovo's multi-ethnicity has been that ethnic groups have lived together but separately. This is a completely different model of multiethnicity than in Bosnia-Herzegovina. It is reflected in ethnic geographic distributions of the communities, negligible inter-ethnic marriage rates, as well as a scarcity of bilingualism among Kosovars. It has been more common for Albanians to

speak Serbian, although there are Serbs who are originally from Kosovo who speak Serbian. One statistic is illustrative: in the period from 1961 to 1981, 1,214 settlements in Kosovo became ethnically uniform. In sum, the trend in Kosovo was that one's preferred neighbour was one's ethnic kin.

Kostovicova went on to outline three stages of ethnic separation in Kosovo. The first stage took place until 1989 when different ethnic groups sought to live among the members of their own ethnic group and when this kind of mono-ethnic residential pattern got reinforced. The second stage was from 1989 to 1999. The Serbian state policy of segregation resulted in separation not only in residential patterns but also in economy, culture, education and society in large. 1999 marked the beginning of the third stage, in a form of enclavisation of Kosovo. This was a security strategy of the Serbs who remained in Kosovo despite the Albanian revenge attacks after their return from exile during the NATO intervention.

When the international administration was set up in Kosovo one of its key objectives was the creation of a multi-ethnic society based on the integration of minorities and return of IDPs. However, Kostovicova argues that, there is a problem concerning the way the integration of the Kosovar society was devised. She put forth that it was not based on the existence of a prior model which, for example, existed in Bosnia in Herzegovina, where, despite difficulties, the restoration of multi-ethnicity based on the prior model has had some success, especially in those areas where war criminals have been apprehended.

Kostovicova argues that, in Kosovo, it was very difficult to reinvent multi-ethnic integration in a post-war context, because this pattern did not exist previously. She went on to say that the international community in Kosovo found itself baffled by the challenge how to incorporate ethnic separation, which had already occurred, into the concept of the democratic governance. The first international administrator Bernard Kouchner toyed with the idea of creating special or safe havens for the Serbs. However, this idea was dropped no sooner than it was mentioned. Instead, there was insistence on the Western style of multi-culturalism based on integration. The outcome of the 17 March violence in Kosovo has been that the UN administrator in Kosovo, Harri Holkeri's suggesting that their approach to Kosovo multi-ethnicity has got to be changed.

Despite describing ethnic separation as a feature of the Kosovo society, Kostovicova mentioned a paradox. Despite all outstanding issues, such as that of Kosovo's status, a sort of a recreation of the Kosovo-specific multi-ethnicity characterised by contacts across ethnic boundaries was taking place. In the divided town of Mitrovica, for example, increasing contacts between Albanian and Serbian communities were taking place, even though people preferred to keep them secret. This was not the kind of integration that the international community had in mind. However, such development is encouraging since it took place in the context of the Serbian policy of insistence on territorial integrity of Serbia, i.e. that is Kosovo is part of Serbia, and the Albanian insistence on Kosovo's independence

Kostovicova also reflected on missed opportunities for the Serbian democratic leadership to blame Serbia's loss of sovereignty over Kosovo on Milosevic. By failing to do so, the Serbian democratic leadership inherited the blame for whatever status is

determined for Kosovo in the future. In addition, like Albanians, Serbs have selectively interpreted the 1244 UNSC Resolution, by insisting only on the part saying that Kosovo is part of Serbia and dodging the issue that there will be a process which will define the final status of Kosovo. Kostovicova pointed out as a most serious implication of such a strategy. As a result, since 1999 the Serbian authorities diverted their attention and energy away from seriously working on obtaining security guarantees for the Serbs who remained in Kosovo.

Kostovicova suggested that there is a similar selective approach on the Albanian side as well. The Albanian leadership in Kosovo has chosen not to acknowledge and stress that they did gain independence from Serbia in 1999. Instead, they sought to focus on the fact that their independence from the Serbs is not internationally recognised. The poignant implication of this is that it minimised the importance of the newly gained freedom. As a consequence, the development of the democratic governance in those spheres in which Albanians were empowered appeared to be a secondary issue to gaining internationally recognised independence.

Returning to the issue of spatial segregation, Kostovicova argued, that the Serbian enclaves became a thorn in the conflict between two nationalisms. By supporting parallel structures in the enclaves, and, particularly, in the north, the Serbian policy fed directly into the Albanian's fears of the partitioning of Kosovo. At the same time, the Albanians saw them as an obstacle to their meeting of standards, defined by the 'Standards before Status' strategy, pertaining to multi-ethnic integration required by the international community. As long as enclaves exist, they are reminder of the failure to attain the freedom of movement and the interethnic integration. From that perspective, it was the removal of enclaves was the removal of an obstacle between Albanians and their fulfilment of the standards.

Eventually, the international community is beginning to accept that some kind of territorialisation of rights is necessary to guarantee security of Serbs in Kosovo. Great irony remains that the Serbs in the enclaves in central Kosovo which were attacked and destroyed in the recent violence were more moderate and accepting of new Kosovo. By removing roughly half of the enclaves in the south, the importance of the Serb-controlled territory in northern Kosovo has been additionally reinforced. Some argue that this creates a basis for a Bosnia-style partition. Yet, at the same time, such a turn of events additionally fuels Albanian fears of dismemberment of Kosovo.

Kostovicova concluded that the real challenge now is how to find a way out of a situation marked by a fear of a 'double secession'. Just as the Serbs fear the final secession of Kosovo, so Albanians now fear secession of northern Mitrovica. What is poignant is that the Serbs and Albanians share the same fear of secession and a threat to the integrity of what they consider their territory. The question is whether the shared fear can offer some sort of a platform for understanding of each other's positions? Without a constructive exit out of the deadlock, the situation only favours the radicals. Continuing uncertainty over the status is bound only to further encourage the radicals to create their reality on the ground without giving a chance to diplomacy to catch up.

## *Inside Perspective on the International Community in Kosovo*

**Daut Dauti, free lance journalist from Kosovo**

**Daut Dauti** opted to focus on the civilian side of the international involvement in Kosovo, and, in particular, on the implementation of the programmes which come out of 1244 UNSC Resolution. Dauti reminded that this resolution established three directions of the international community's activity in Kosovo: administrative, economic and, the establishment of the political process.

The first challenge was to establish the administration in Kosovo and organise the elections. There have been three elections in Kosovo so far: two local elections and one general election. Dauti pointed out that the successful electoral process was taking place in Kosovo in the period 1999-2003. This period was marked by a 'feel-good' factor. People got jobs, they were well paid. However, when the internationals felt that things were going all right, they began to withdraw and leave the economic issues unresolved.

According to Dauti, that exactly is the point where the problems arise between locals, meaning, the Serbs and Albanians, and the internationals. However, another mistake that the internationals made from the first day they established themselves in Prishtina was that they left the Serbian community completely outside of the process. Instead of engaging them, instead of talking to them and seeing if they can field someone who would represent them, they rushed to Belgrade. They wanted the Serbian leaders to represent them from Belgrade. Dauti points out that this has had a negative implication. From the Serb point of view, it was, therefore, easy to assume that nothing has really happened, and that nothing has changed. In sum, Belgrade remains a factor here and the new reality does not really count much.

Dauti went on to point out that the UNMIK and its operations are not transparent. It is very difficult to understand it, the way it was established and the way it operates. This is not an issue just for the Kosovars, but also for UNMIK itself. Apart from transparency, Dauti also raised the issue of UNMIK's accountability. The year 2002 heralded a problem insofar as the administration looks from the outside as a protectorate but does not really match the classical definition of the protectorate. It is a creature that one does not really understand. Dauti singled out as the biggest failure the fact that UNMIK managed to establish an administrative structure and procedure, but failed to build democracy. It failed to engage the citizens in the political process, and it failed to bring two communities together.

By not engaging with the people, the space was left among the Albanians who would come forward and who are not satisfied with the situation, while there will always be someone on the Serbian side, in Belgrade, who would like to gain political points on this. This creates a confusion, which the economic element makes very dangerous. Kosovo has no central bank, it does not have a clear future, hence, there are no foreign investments, while successful local business has been able to absorb only about 20% of the unemployed people there. Meanwhile, the majority keeps looking for jobs, and never finds them.

The misunderstanding of this situation by UNMIK is best illustrated by UNMIK's appeal during the 17th and 18th of March unrest. There were appeals to 'stop the

demonstrations - you should go back to your work and your daily activities'. This caused laughter in Kosovo. People did not really have work to go back to, they did not have activities either. Dauti summed up that the unemployment is the biggest problem. If you are unemployed, then it does not matter whether you are Serb or Albanian. UNMIK has really failed in establishing an economy and a workable democracy process. These two elements are necessary for a sustainable political process. Yet, then you see UNMIK never accepting failure, always find someone to blame, either groups of Albanians or groups of Serbs.

Dauti reiterated that the problem between the Serbs and Albanians came about only because the internationals did not engage the Serbs properly in the political process. As a result, this created a sense of political instability, which, in turn triggered, economic insecurity, that the Albanians feel. He clarified that by saying that the UNMIK successfully established the local elected bodies, the internationals thought that this is success and their business ends there. As a result they had a parliament, as well as local structures, but then the problems started because then the citizen saw that something is really wrong. Above the parliament, above the bodies, above the politicians, there is always someone to disagree with their decisions.

In sum, all these international bodies had function totally excluded the citizens, put up many barriers for the citizen to get engaged in the political process, to take present their problems and make their needs clear to the politicians. It could, therefore, be argued that nobody has addressed the needs of the Serbs and the Albanians from 1999 until recently. Hence, it would be right to think that UNMIK is going to change the policy, see where it has gone wrong, and correct it. Again, the economic issues are key. Take privatisation for an example. You have the Kosovo Trust Agency. When they encounter a problem, when they don't know how to solve it, they go on holiday! They have done that three times since January, always when they did not know how to solve a problem. They leave and come back when the situation calms down. The head of this body has delayed the process for so long by always finding some excuse. They do not realise that the citizens suffer because the economic problems have not been addressed properly.

Another example is the media. When the international administration was set up, a lot of money went to the media. However, they were never told or trained how to function. No one ever trained them how to become democratic, they were never told how to become professional journalists. As a result, during the March unrest, one could see that the media do not know really what to do. They even produced reports which may have contributed to the violence, and, yet, so much money was given, regardless whether they were Serb or Albanian media outlets. Serbs had over 24 radio stations and Albanians 70. If you want to establish a paper, you go there, they give you money and you start but what then? How do you involve the media in the process of building democracy, and in the process of building a new society? This they were never taught. In addition, the media is not independent, but is indirectly controlled by the donors. Since they give you the money and you do not really criticize them, because if you criticize them you do not function after that because that is no more money for you.

Lastly, Dauti reflected on the security situation. Insecurity has been the biggest problem all along. You had Albanians and Serbs seeing no future ahead, no security.

They became worried. One day that it was enough to hear some bad news that Serbs had chased Albanian children and drowned them in the river. What else do you need to start the riots? And, you believe in that of course, which I believe that that is true, but even if it is not, you believe it. Another problem which contributed to the failure is the parliament, and the way that the system functions. We have a sort of a circle and everything goes round, has no start, has no end, instead of building a straight road with future prospects.

Dauti concluded by posing a question how do we get out of this situation? He suggested that every citizen should be told that a new reality has been created in Kosovo, Serbs should be made aware that there is no going back under the Belgrade government and they have to be engaged together with the Albanians to create a new society. Even the Serb politicians have made their contribution with their nationalism. They made the citizens of Kosovo believe that there is no other way of Kosovo except becoming independent

### ***International Community's Policy Is Not a Failure***

**Richard Caplan, University of Oxford**

**Richard Caplan** explored the implications of the recent violence in Kosovo for international strategy. While agreeing that dozens of dead, six hundred wounded and more than three thousand displaced represented a very serious setback, he argued that the events did not prove international policy to be a complete failure, as many have argued. Caplan highlighted three reasons:

- First, before the recent events international arrangements had appeared to be working in many important respects: the violence had been receding, KFOR had been removing its roadblocks and barriers, ethnically motivated crimes had been decreasing, some fifteen per cent of the Kosovo police service was made up of minority members. Finally, the rate of minority returns was continuing to increase even if, overall, the number of returns was still low.
- Second, international policy had not been a complete failure because it reflected a sound approach, or at least 'the least worst' approach. Although it might have been better to deal with the status issue when Milosevic was still in power, when avenues for the peaceful resolution of the conflict were still closed and when the Serbian opposition would have been more easily made to swallow the bitter pill of Kosovo independence, the international approach nevertheless had a valid logic. In Caplan's view, the insistence on building up democratic institutions of self-governance and insisting on respect for human and minority rights, while avoiding the inflammatory issue of final status for the moment, still had the potential to succeed.
- The third reason why Kosovo had not been a complete failure had to do with the difficulties of achieving success in inherently difficult situations. To Caplan, such situations can make sound policy seem fundamentally flawed, which was the case with Kosovo. In response to Dauti, Caplan remarked that part of the challenge was how to manage expectations. For instance, it could take a very long time before one could see economic prosperity in Kosovo, but the problem was that the expectation was there, partly due to the massive international presence on the ground.



High expectations vis-à-vis international administrations were not uncommon, as demonstrated also by the case of East Timor.

Caplan went on to explain what he meant by an inherently difficult situation. He pointed out that there are two communities in Kosovo, each with legitimate, though irreconcilable, aspirations; they are often unwilling to cooperate or to compromise, fearful of and mistrusting each other. Under the circumstances, there are no easy solutions and no approach will win universal support. Caplan added that the events over the previous two weeks had shown that any solution is going to attract spoilers.

Speaking about the way ahead, Caplan suggested that vigorous prosecution of the instigators of the violence was immediately needed. The defence of Serb and other minorities, not just by the international forces but by the Albanian leadership, had to be stepped up. He welcomed the reconstruction campaign launched by Prime Minister Rexhepi to rebuild Serb homes and religious buildings as an encouraging sign of support for, if not multi-ethnicity, then, at least, peaceful coexistence among the communities in Kosovo.

Caplan outlined three options for the future.

- Reintegration of Kosovo with Serbia and Montenegro (or Serbia alone as the joint state is very likely to be dissolved by 2006). He said that this option was untenable as it would usher in a permanent war between Kosovar Albanians and Serbia. After living for so many years under Belgrade's oppressive yoke, Kosovar Albanians would violently resist any form of reintegration.

- Indefinite continuation of the international administration was pointed out as another option. However, Caplan, did not consider this a viable solution in the long term, although he said it was indispensable in the short term. His opinion was that the continuation of the uncertain status of Kosovo was fuelling local frustration, discouraging investment, and fostering a dependency culture. Frustration fed into violence. Even if only a small minority of extremists had triggered violence, it had a certain resonance with the communities at large, in part because of peoples' frustration born of the lack of positive change.

- Caplan said that independence was the only viable option for Kosovo and that one had not to be afraid to talk about it. In his view, independence should be accompanied by a very large measure of territorial, political and cultural autonomy for the minority communities, but not partition. In addition, independence would have to be made conditional upon meeting the security needs of all peoples of Kosovo. The failure to provide for the security of minorities would open the door to more radical measures and possibly even partition. The alternative certainly could not be the mass expulsion of the minority communities or their elimination on the ground.

How can independence be justified given that Serbia is now if not a democratic than at least a democratizing state? Caplan pointed out that even liberal democratic societies - societies whose governments represent the whole of the people on the basis of equality and without discrimination - have been at times willing to entertain the possibility of secession of a constituent unit. He closed by reading from the 1998 advisory judgement of the Canadian Supreme Court defending the right of Quebec to

pursue secession in the event that a clear majority of its population were to be in favour and so long as in pursuing that goal Quebec respected the rights of others. While this judgement does not support a unilateral right of secession, it does suggest that the federal government has an obligation to respect the wishes of a clear majority. He finished by saying that it is sometimes useful to look at parallel experiences in order to get a sense of the possibilities that exist.

### *Implications of Impunity for Crimes*

#### **Gordana Igric, Institute for War and Peace Reporting**

**Gordana Igric** started her contribution by positing that if one were to think about Kosovo over these last two years, it ought not to be thought in terms of a conflict between Albanians and Serbs. In the events of 17th and 18th March in Kosovo the Serbs paid the biggest price. However, she argues that this was not a conflict between the Albanians and the Serbs. Rather, Igric put forth that there has been a simmering conflict in Kosovo for over two years between the radical Albanians and the internationals. She drew attention to radical sections of the Albanian population, and the implication of impunity for crimes.

Igric suggested that extremist groups may further exploit the weaknesses of the UN mission in Kosovo. She pointed out that many Serb populated areas in southern Kosovo have been wiped out, while Serbs now remained jammed in the north. The UN mission has got to protect them from the attacks that have not stopped since 1999. Igric pointed out that these attacks have decreased, and offered on an explanation for it.

She went on to say that the newly created situation in Kosovo now gives arguments both to Serbs and to Albanians for their cause. Citing the international community's inability to protect Kosovo Serbs, Belgrade can push for partition. By contrast, Albanians will ask why they cannot be independent? According to Igric, the international community is largely responsible for the latest turn of events in Kosovo. This, according to her, can be best illustrated if the situation is viewed from the perspective of war crimes.

In 1999 when the Serbian forces left the province and all Albanians came back with terrible experiences, there were three months of systematic burning, looting of all Serbian houses all over Kosovo. Everyone accepted it, recognised it, but did not oppose it. According to Igric, it was accepted, because it was very risky to confront the violence. People who organised the violence were accepted as military allies by the international community. According to Igric, this was motivated by good intentions, with the guiding logic according to which if you put radicals under political control and then they are easier to control. An example of this practice is Ali Ahmeti, after the ethnic violence in FYROM, who is very moderate and cooperative. In sum, the logic is: give them a piece of political cake, and everything will be fine.

However, Igric went not, this may be fine, but it now emerges that it is not easy to forget the crime because a crime is a crime. Furthermore, she argues, it is not only about war crimes. These are followed smuggling, human trafficking, political murders, and, eventually, ordinary murders. Kosovo now appears as a lawless country

with an ongoing tribal feud. This is in stark contrast with the Kosovo empowered by the 1974 constitution and all until the arrival of Milosevic. Kosovo was an organised society, with institutions, courts, education system, etc. The present lawlessness can be blamed on the international community, because it accept such a state of affairs in the first three months after its arrival.

The end result were Serbian enclaves which are an embarrassment for the international community. Why are they an embarrassment? Igric puts for that it is so because the rationale is: we will guard them for twenty-four hours and then we will not have crimes all the time. They were still targeted but less and less. At the same time, enclaves provoked a lot of anger among Albanians. The reason is because Belgrade was allowed to establish a parallel system, education, identity cards, etc., as well as to play political games with Kosovo Serbs.

Without punishing those who organised ethnic cleansing, a message was sent to moderate Albanians that such violence is tolerable. In fact, sometimes it will be punished and sometimes not, depending on our political allies at the time. Now, the internationals are complaining all the time that they cannot solve any single murder because they do not have witnesses. They do not have witnesses because witnesses are killed, regularly killed whenever they try to call someone to testify. Importantly, it is not just about war crimes, but also about ordinary crimes. A murder in an Albanian village in December is illustrative. Police was informed about the murder, it went to the village, and it did not find a body. The whole village was interviewed, there were no witnesses, and there was no body. The villagers were frightened into silence.

Igric pointed out that another problem represents the transformation of the KLA, the Albanian guerrilla fight Serbian security forces. The KLA was comprised of peasants who fought against Milosevic's forces and then went home. However, the KLA also had criminals. The international community pretended that criminal are not the KLA. They called it - Kosovo Protection Corps - describing it as a force to help out in civil emergency situation, which never happened. Instead, the KLA retained its own structures. The international community selected some KLA leaders and legalised them as a political party. Some others stayed out. Of them some are inclined to fight for independent Kosovo, some for greater Albania and some others were just criminal groups. Those groups were not a majority, but a relatively small percentage of the people. Nonetheless, they are stirring problems all the time. Due to a delay of the activity of UN, they have now succeeded in pulling all the other moderate Albanians into that mindset not to do or saying anything because they will thus risk independence.

Igric suggests that as a result only 28 per cent of people are happy with the UN mission in Kosovo and how they function. However, a year ago it was 63 per cent. Given that the Kosovar population is very young, there are radical student unions, and all of them are outside the institutions, the question is what will happen next.

Igric concluded by saying that the final status has to be addressed quickly, regardless whether it will be independence for Kosovo or not. Otherwise, the UN and KFOR will have to guard the Serbs in the north. She pointed out that the biggest challenge is how to deal with the radicals. The Albanian political institutions have not been able to

handle that problem at present, and the international community have not proved more capable in this respect either

### *Kosovo's Economic Predicament*

**Dominik Zaum, University of Oxford and European Stability Initiative**

**Dominik Zaum** concentrated on the economic causes of the crisis. Quoting Misha Glenny, he pointed out that since the post-war reconstruction boom, the UN administration had presided over a rapidly deteriorating economy providing thousands of young recruits for an army of dispossessed, unemployed and frustrated. He argued that the emphasis on the ethnic dimension that had dominated the coverage of the conflict, especially in the English-speaking press. This had obscured the important aspects of international involvement in Kosovo related to economic development.

He started by looking at the economic situation in the province. In 1999, the head of the EU mission responsible for development said that the Kosovar economy is restarting at an incredible speed. He pointed at the lively market places around Kosovo. In Zaum's view, very few would subscribe to the EU official's optimistic assessment at present. The market was put in place, but not the rules to make it run. After the war, Kosovo experienced two years of boom fuelled by construction and the inflow of diaspora and international-donor money. The effect on the economy, however, remained unclear.

Zaum said that economic data were scarce and disputable. As a rule, figures were a matter of guesswork. For example, the IMF and the Kosovo Ministry of Finance had provided clashing figures regarding the growth of the province's GDP. On more than one occasion, they had also revised those figures substantially, leaving doubts as to their reliability. What one knew for sure was that Kosovo was a service economy, producing very little. Trade deficit was about the size of GDP, imports were about forty times higher than exports. The decline of international aid and diaspora remittances showed the post-war boom had a very limited structural effect on the Kosovan economy. Of all inhabitants, regardless of their ethnicity, only ten percent had any formal employment. Half of them worked in the public sector. The remaining ninety percent relied on occasional incomes, subsistence agriculture and support from family members abroad.

Deindustrialisation was singled out as a key issue faced by Kosovo. The province had always been only superficially industrialised. The decline in the 1990s had almost wiped out any industrial production. As a result, two-thirds of those working in the private sector worked in trade and services earning little more than a few euros a day. To put things into perspective, a Kosovo teacher made €129 a month, while according to the World Bank the poverty line for an average seven-member household was €207 a month.

Zaum proceeded to dissect the policies carried out by UNMIK and the EU to deal with the grave economic situation. It featured three main elements:

First, rebuilding the physical infrastructure. It had been a relative success. About €2 billion have been spent on roads, water systems, electricity systems. Still, the

infrastructure necessary for economic development was still woefully inefficient. There were daily powercuts, a shortage of major road links. Outside big cities, the water and sewage system was inadequate.

Second, UNMIK and the EU had focused on establishing a legal framework for a market economy. Zaum considered this task largely accomplished.

Third came institutions for macroeconomic policymaking such as a banking and payments authority performing the role of a central bank, and a customs service collecting very successfully most of the Kosovo government's income. To Zaum, it had been one of UNMIK's major successes that the budget was sustained by customs revenue.

Privatisation, however, remained the keystone policy and it had showed the weakness and the lack of imagination of UNMIK's economic policy. It took three years to draft and pass privatisation legislation. US and the EU, on one side, and the UN, on the other, had disagreed on UNMIK's mandate to carry out privatisation. Only in summer 2003, privatisation started in earnest. After two runs of tenders, the process was stopped again by the EU due to litigation by Serb and American investors.

Although privatisation was about to be restarted, the stoppage had absolutely shattered the relations within UNMIK, between UNMIK and the government, and particularly between the UN legal department and the EU. Despite the enormous resources poured into privatisation, private sector remained underdeveloped. In Zaum's view, this was highly ironic, given that private-sector growth had been declared by the UNMIK and the international institutions a priority for Kosovo. In fact, it had been limited to several donor programmes and business-advisory services funded by the EU and the US, whose impact had been questionable.

Disagreeing with Richard Caplan, Zaum argued that UNMIK's approach had been rather unimaginative. Although managing expectations was important and Kosovo's starting level was very low, the real problem lied in the lack of any policy on the economy. Zaum conceded that some of the economic problems were linked to the status issue. Unresolved status, for instance, had resulted in a degree of legal uncertainty about property rights, which had impacted adversely investment. Yet, Zaum underscored that the main economic problems were going to be there independent of the status and independent of who was going to govern Kosovo in the future. Insufficient infrastructure, the lack of training, the economy's overall structure and deindustrialisation were problems faced nearly everywhere in the Balkans and were, therefore, not unique to Kosovo. They were even worse than in most other places.

Zaum explored some of the consequences of Kosovo's dire economic state. He started off by looking at the effects on the Serb minority. The lack of economic opportunities increased the latter's dependence on Belgrade, making it effectively a pawn in the government's game for Kosovo. A large number of Serbs still received salaries from Belgrade as well as additional payments - amounting to up to hundred percent of one's income - introduced by the Milosovic regime as an incentive for Serbs to move to Kosovo. Out of some 5,500 jobs in northern Mitrovica, 4,000 were in the public sector, almost all of them paid for by Belgrade. Belgrade had used these transfers,

which could be stopped at any moment, to put pressure on UNMIK and Mitrovica Serbs from working for the international administration. Zaum was emphatic that as long as there was no healthy private sector to provide an alternative employment for the Serbs in Kosovo, they would continue to rely on the precarious Belgrade funding, and the situation would remain highly unstable.

Demography was singled as another major problem, affecting the Albanians much more than the Serbs. Zaum pointed out that Kosovo had the highest population density in Europe comparable to prosperous regions such as Bavaria or southern England. The province's young population was also Europe's fastest growing. To absorb those people, Kosovo's economy would have to create around 30,000 jobs every year over a period of five years. Zaum said that there were between 160,000-200,000 jobs in Kosovo. Neither the public sector nor subsistence agriculture could expand further. Trade- and services-based private sector did not lead to any growth. Zaum joined Misha Glenny in highlighting the threats of chronic unemployment spinning out of control.

Zaum concluded by saying that addressing the socio-economic issues was essential for the stability of Kosovo and the region. The problems went on beyond the issue of independence and could only be resolved by the EU and the international community. Neither Kosovo nor Belgrade had the means or the answers. Zaum suggested that immigration was the key. To him, controlled migration into the EU was the only policy that could quickly relieve demographic pressures, and address poverty and deindustrialisation in Kosovo.

## **Conclusion**

Although their perspectives differed on a number of points, all panelists agreed that the riots in mid-March 2004 demonstrated the precarious state that Kosovo found itself after five years of international protectorate. Despite UNMIK's upbeat rhetoric, ethnic polarisation and economic decline have fed into growing tensions on the ground. Paradoxically, Serbs and Albanians find themselves united only in their distrust towards the international administration in the province. The panelists also agreed that the international community needs to rethink its next steps in Kosovo. These particularly concern a redesigning of the UNMIK operation so as to better fulfil its role as a facilitator for democratic consolidation rather than appearing as an alienated institutional structure involved in overbearing top-down governance. The uncertain issue of Kosovo's status was judged by all as yet another contributor to instability in Kosovo and in the region. However, it was made clear that even the overarching status issue is no easy answer for some of the structural problems related to socio-economic development. If the Kosovo question is put back on the diplomatic table in 2005, political, security and economic issues security should be granted an equal treatment.