Pathways to Self-Rule: Occupation, Resistance, and State-Building in Palestine and Timor-Leste

by

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In memory of:
Sidney Fuld Greenwald
(1921 - 2016)
and
Rose Lou Shelton
(1934 - 2011)

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I began my doctoral studies in 2010 with a scattered and wide-ranging set of interests related to the political economy of the Middle East. At the time, I had no idea how difficult it would be to transform those ideas into a concrete contribution to scholarly research. I thought it would take six years; it took seven. I thought I would wake up each morning motivated to attend class; complete a problem set; study for an exam; work on my dissertation proposal; collect data; transcribe an interview; prepare presentation slides; or write (and rewrite, and rewrite, and rewrite) a chapter. Some mornings, I had no such motivation. But, in 2010, I was also unaware of how many bright, inspiring, funny, and generous people I would meet along this journey. The actual cast of characters is inevitably longer than the list of those acknowledged below. These individuals not only helped me achieve the aforementioned checklist of research tasks, adding up to a completed dissertation, but they also encouraged me to take care of myself in the process. I could not have made it through these past seven years without them.

I began graduate school in a state of mild disbelief that I was fortunate enough to have Mark Tessler, a luminary in the field of Middle East politics, as my advisor. However intimidating his 16-page curriculum vitae might have been, I quickly learned that it belied a personality that was anything but. Mark is cheerful, kind, and perceptive and I have learned so much from him. Perhaps most critically, I have learned how to approach Israel and Palestine as a careful and compassionate scholar. Our conversations about my work would often jump from abstract concerns regarding theory development, to how to draw inferences from my empirical analysis, to our hope or despair (regrettably, it was usually the latter) regarding whatever the past week's headlines were from the region. It seems impossible that the amount of knowledge Mark possesses about the Israeli-Palestinian conflict is contained within one person. Mark cares about my work and he constantly pushes me to make it better. Furthermore, he cares deeply about Israeli-Palestinian peace. From him, I have gained a deep appreciation of both the privilege and the responsibility we bear as scholars trying to get things right. I could not have asked for a better mentor.

Ever since teaching me introductory game theory, Bill Clark has made, and continues

to make me, a more disciplined thinker. I often run sentences and paragraphs by a virtual Bill in my head as I am writing them. Bill has an unparalleled ability to break down large, ambitious theoretical arguments into their constituent pieces, no matter what the topic may be, sometimes devastating your best-laid plans. However, as an advisor, he also helps you put them back together again. Whenever I told Bill about the sweepingly broad questions I wanted to answer in my research, he would ask me, first, what I already knew. Drawing on whatever data I had cobbled together at the time, I would provide some tentative answer. Then, he would ask me: "Well, what is the next thing you need to know?" I always left meetings with Bill feeling like I knew what the next step in my research should be, making the journey toward the completed dissertation just a little bit less daunting.

Brian Min was hired by Michigan's political science department the same semester that I started graduate school. In part for this reason, Brian has always served as a model for me of what a successful academic career should look like. While he has always told me that the dissertation should be the "worst thing you ever write", his own dissertation project, now a book, and the first seven years of his career as a professor have set the bar extremely high. Brian is a meticulous scholar, and I often found his attention to detail contagious. Brian once suggested to me (either in a one-on-one meeting or in a class with my peers) that, no matter what context one works in, it was usually not valid to complain about a lack of data because "data is everywhere". This simple statement fundamentally changed the way I approached the empirical component of my project.

I met Anne Pitcher before I even began graduate school, and I have always been inspired by the genuine passion and creativity that she brings to her own work. It is another contagious quality. Anne is also one of those people that contains a seemingly impossible amount of literature and information in her head. By Anne's example, I have been encouraged to dive headlong into the weeds of my cases; to be unafraid to use multiple, creative methods to address a question; and to read widely and across disciplines. It was also thanks to Anne and Brian that I was able to attend the 2014 American Political Science Association (APSA) Africa Workshop in Mozambique, where I was connected to an invaluable community of early career scholars from the United States and sub-Saharan Africa working on issues of distributive politics.

Mark Dincecco joined my committee in 2013 when he arrived in Michigan, and I could not be more grateful for his guidance since then. Mark has an impressive way of distilling research down to its most important and fundamental contributions. If there are parts of this unwieldy dissertation that come across as neat, tidy, and clearly argued, that is probably due to Mark's influence. Given his own training and expertise, Mark's guidance

has been critical in helping to frame this project as a contribution to the broader field of political economy, despite its relatively narrow empirical focus. I have deeply appreciated his positive energy and encouragement during these last few years of writing.

In my development as a scholar, I have also benefitted from the input of numerous other members of the University of Michigan political science faculty. I have presented sections of this work various times at the Comparative Politics Workshop and the Political Economy Workshop at the University of Michigan, and the feedback I have received there has undoubtedly improved this project. In addition, I have presented at numerous conferences and workshops over the years – too many to name here – each time coming away with renewed motivation and inspiration. Thank you to all of those sharp minds who have taken the time to read or listen to my work over the years.

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I was especially lucky that my move to Michigan in 2010 coincided with my sister's move to the area to begin her position as Assistant Professor at Eastern Michigan University. She has since bought and completely remodeled a home, achieved tenure, and produced a truly delightful offspring. Being in close proximity to Katy, Brandon Groff, and Matilda Groff has been such a gift. I thank them for pulling me away from my work for near-weekly dinners, adventures with gardening and ducks, drawing, and make-believe games. They have kept me grounded. I am grateful to my parents, Roy and Gail Greenwald, for making numerous visits to Michigan over the years to visit us, and for their constant love and support while I made my way through the doctoral program.

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to count, taught me about music, joined me on various international travel escapades, made me laugh, cleaned my car multiple times, listened to my rants, and continues to raise a little hooligan of a dog with me. Unconditional love is a truly wonderful thing. I cannot wait for our future.

TABLE OF CONTENTS

LIST OF TABLES

LIST OF FIGURES

Figure

LIST OF MAPS

Map

LIST OF APPENDICES

Appendix

LIST OF ABBREVIATIONS

ABRI *Angkatan Bersenjata Republik Indonesia*, or the Armed Forces of the Republic of Indonesia

APODETI *Associação Popular Democratica Timorense*, or the Timorese Popular Democratic Association

ASDT *Associação Social-Democrata Timorense*, or the Social Democratic Association of Timor

CIVAD Israeli Civil Administration

CNRM *Conselho Nacional da Resistência Maubere*, or the National Council of Maubere Resistance

CNRT *Conselho Nacional da Resistência Timorense*, or the National Council for Timorese Resistance

Falintil *Forças Armadas da Libertação Nacional de Timor-Leste*, or the Armed Forces for the National Liberation of Timor-Leste

Fatah *Harakat al-Tahrir al-Watani al-Filastini*, or the Palestinian National Liberation Movement

FRETILIN *Frente Revolucionária de Timor-Leste Independente*, or the Revolutionary Front for an Independent East Timor

Hamas *Harakat al-Muqawama al-Islamiyya*, or the Islamic Resistance Movement

PA Palestinian Authority

PFLP Popular Front for the Liberation of Palestine

PLO Palestinian Liberation Organization

UDT *União Democrática Timorense*, or the Timorese Democratic Union

UN United Nations

UNTAET United Nations Transitional Administration in East Timor

ABSTRACT

National self-determination movements are defined by their demand for new state institutions. Often drawing on popular feelings of exclusion, discrimination, and real experiences with violence and repression, they pledge that a new state will better serve the community that they claim to represent. Yet, contemporary versions of these movements face a thorny challenge: they must form in a populated territory that is already controlled by an existing state. Using a mixed-method approach, this project develops a two-part theory of self-rule and state capacity development among nationalist movements in such settings.

First, I argue that incumbent state's goals in a contested region will shape the amount of self-rule (or *autonomy*) a competing nationalist movement is able to achieve. I assess this argument through a qualitative comparison of the West Bank in the Palestinian Territories and Timor-Leste, and through a typological analysis of a larger sample of cases from the UCDP/PRIO Armed Conflict Dataset ($N = 81$). I find support for the proposition that incumbent states which seek to annex contested territory *inclusive* of the existing population are unlikely to grant any governing autonomy to nationalist movements that oppose their rule. By contrast, incumbent states which seek to annex contested territory *exclusive* of the existing population are more likely to permit partial autonomy for competing nationalist movements.

The second part of the theory suggests that a national movement's experiences during conflict with the incumbent state can shape its development of fiscal capacity, one of the core capacities associated with statehood. In the West Bank, I draw on elite interviews; geo-referenced data on variation in Palestinian policing autonomy; an original, panel dataset on municipal revenues in 107 West Bank towns; and local election data to demonstrate that the association between coercive capacity and fiscal capacity is not unconditionally positive, and greater Palestinian control over policing only translates into revenue growth in those areas where opposition to the ruling party, and arguably to the Palestinian Authority (PA) itself, is strongest. These findings demonstrate that not all state-like capacities necessarily grow together among contemporary national movements seeking statehood. My findings in Timor-Leste do not demonstrate similar distortions. Using data from a nationally representative survey ($N = 1,243$) conducted in collabora-

tion with The Asia Foundation in 2016, and building on results from my own pilot test, I find that lower state coercive presence appears to be associated with less expressed dependence on government and lower tax morale. This research suggests that Timor-Leste, a country that experienced no autonomy during the Indonesian occupation, may exhibit a more straightforward, positive correlation between coercive and fiscal capacity development than was observed in the West Bank, which has experienced an extended period of partial, but restricted, autonomy from Israel.

CHAPTER I

Introduction

Since the end of World War II and the decolonization of most of sub-Saharan Africa and Asia, nearly all of the world's territory is governed by sovereign states. Almost by necessity, populations seeking independent statehood today must do so on territory claimed by an existing state. In many ways, this is a different process than it was to seek and gain independence from the supranational empires and colonial powers of the past. Most borders between countries are accepted on our maps as solid, not dashed, lines. If any universal right to self-determination exists, its recognition has become increasingly contingent on the interests of existing states.[1]

Still, the daunting nature of waging a campaign for self-rule has not stopped a myriad of nationalist movements from engaging in the struggle. These movements may frame their fight in the language of self-determination, liberation, separation, secession, or independence. What they have in common is an aim to discard the existing political authority in favor of a new set of state institutions. Often drawing on popular feelings of exclusion, discrimination, and real experiences with violence and repression, nationalist movement leaders pledge that a set of new, autonomous institutions – often, a new state – will better capture the shared interests of the community that they claim to represent. Although varying in their structure and tactics, contemporary nationalist struggles in places such as Aceh, the Basque Country, Eritrea, Kashmir, Kurdistan, Nagorno-Karabakh, Namibia, Northern Ireland, Palestine, Quebec, South Sudan, Timor-Leste, and Western Sahara have been inspired by this overarching aim. Coggins (2011) counts 256 secessionist move-

[1] Horowitz (1985, 4-5) frames the postcolonial dilemma somewhat differently. After the decolonization of most of Asia and Africa, he says: "No longer was colonial domination the issue. Self-determination had been implemented only to the level of preexisting colonial boundaries. Within these boundaries, the question was to whom the new states belonged." Unlike Horowitz, the present work makes the construction of state institutions, not merely the distribution of the state's spoils, the main focus of attention. These are related, but distinct, axes of potential conflict.

ments that have begun since 1931, with 63 unique cases that were still ongoing in 2000.[2]

Existing scholarship offers rich insights into nationalist movements and new state formation. Research on the former, for example, provides explanations for why nationalist movements adopt the goals of self-determination or independence (Hale 2000; Hechter 1992; Horowitz 1985; Lawrence 2013; Walter 2006); under what conditions nationalist conflicts may be prone to violence (Gurr & Moore 1997; Walter 2009); when rebel movements, including nationalist ones, will provide order and governance in areas they control (Arjona 2016; Mampilly 2011; Weinstein 2007); and why some movements are, eventually, able to obtain recognition as independent states (Coggins 2011; Roeder 2007). In addition, classic and more recent contributions in political economy and sociology have advanced our understanding of the emergence of modern states (Abramson 2017; Olson 1993; Tilly 1992) and how, and to what extent, they have developed some of their core capacities (Bates 2010; Besley & Persson 2011; Boone 2003; Dincecco 2011; Herbst 2000; Migdal 1988). The current project situates itself at the intersection of these bodies of work, a relatively unpopulated space, and contends that we can learn something about the possibilities for new state development by better understanding the conflicts from which they emerge. Building on extant work, I suggest that certain features of self-determination conflicts themselves, such as the experiences they produce for individuals and the institutions they create, will shape the potential for nationalist movements, emerging from such conflicts, to establish new, functional political institutions.

Understanding the nature of political institutions that emerge and persist in such settings – settings that I refer to below as regions of *contested statehood* – is important. In these areas, individuals accumulate formative interactions with organizations that purport to govern them, whether they are fully sovereign states or largely unrecognized national resistance movements. These may include experiences as weighty as fighting on behalf of a nationalist militia or losing a family member to violence, but they also, almost certainly, include the types of transactions that those of us fortunate enough to live in stable, peaceful countries think of as mundane: acquiring a building permit, reporting a crime, or paying a tax, for example. These legacies are important to document insofar as we care about how states and organizations aspiring toward statehood affect the daily lives of people. Further, long after the dust of conflict settles, people's understanding of the state – their willingness to comply with its authority, their view of the state's respon-

[2]Coggins (2011) defines a secessionist movement as a "nationalist group that is attempting to separate from an existing state in order to form a newly independent state." To be included in her dataset, the movement must formally declare independence and intended separation from the home state; possess a national flag; make a claim over both territory and population; and "last at least 7 (24 hour) days, include at least 100 individuals and claim at least 100 square meters of territory."

sibility toward them, and their perspective on their own rights as residents or citizens – may be informed by these complex legacies.

1.1 Motivation

In part, this project began as a search for a theoretical and conceptual home for the Palestinian case. In that sense, it is partially inductive. I visited Israel and the Palestinian Territories for the first time in 2011, the summer after my first year of graduate school. I began my doctoral studies with a deep interest in the politics of the Middle East, but I was wary of the Israeli-Palestinian context in particular. "Minefield", "morass", "caustic", "too politicized", or "an academic backwater" were words that I heard at various times to describe either the region itself or the study of it. As it happened, the summer of 2011 was a time when revolution and some of its early, frightful consequences were sweeping through much of the Middle East and North Africa. The Palestinian Territories were, relatively speaking, a model of calm. Thus, with the support of my advisor, I decided to go to the West Bank to continue my study of the Arabic language and to start learning how to do field research. I spent three months there, and I quickly became sucked into the morass.

In that first visit to the West Bank, I felt a certain cognitive dissonance in observing the way political life functioned. In some ways, interactions between the government – in this case, the Palestinian Authority (PA) – and the population were as we might predict. The trash got collected (sometimes), the court system functioned, people payed their taxes, the banks were regulated, and cops directed traffic. In fact, *non*-political life also went on as usual, and often in spite of, the conflict: weddings, theater performances, high school exams, holiday celebrations, doctors appointments, barbeques, camping trips, mortgage payments, etc. What minefield, one might ask? Yet, in other ways, the military occupation and the conflict affected everything and everyone. If, following Bates, Greif, and Singh (2002), states are meant to provide an environment in which individuals do not need to engage in self-defense but instead they can pursue production and leisure – and if they are defined by political leaders using their coercive capacity to protect citizens and property rather than predating upon them – then it is clear to any casual observer that Palestinians do not have a state. To imply that the PA is *moving toward* statehood is, at the very least, controversial and, at worst, a dangerous fiction.

Despite this, and despite the fact that the Palestinian national struggle has been one of the longest, as of yet unsuccessful, campaigns for independent statehood in the modern era, a set of political institutions has emerged in the West Bank that are worth under-

standing in their own right. The PA has been called a "nascent" or "emerging" state (Brown 2003; Khan 2004), a quasi-state (Hilal 2003), and, less charitably, a proto-police state (Buttu 2017). It is easy to become absorbed by semantic debates. Yet, in the meantime, I observe two general oversights that existing studies of the Israeli-Palestinian context fail to capture. First, despite ongoing efforts to characterize the PA and its relationship to the empirical features associated with statehood, most analyses of the Palestinian case fail to put the PA in a broader, comparative context. There are some very good reasons to be cautious with such comparisons, which I hope that readers will find I take seriously in the proceeding chapters. However, it is not a stretch to suggest that extended conflicts over statehood will likely shape the institutions that emerge from such conflicts and how populations in such settings interact with, and relate to, these institutions. Examining other cases for similarities and differences will help us better understand what is, and what is not, unique about Israel and Palestine. Second, there is often an implicit assumption in existing work that the PA's capacity to act like a state is *uniformly* degraded by the conflict, or by factors such as corruption, clientelism, or authoritarianism within the national movement. In fact, I suggest that these effects may not be uniform across Palestinian communities. Further, the very links between the different forms of state capacity development may themselves be perverted from what we would expect in other settings.

As suggested above, another motivation for this study was to make a contribution to the political economy literature. In parallel to pursuing exploratory research in the Middle East, I became increasingly interested in how states develop the authority and capacity to extract resources, mainly revenue, from their populations. The ability to tax plays a central role in our understanding of what makes government successful. Public revenues fund national defense, police forces, roads, clean water, schools, courts, public transportation, and public spaces. Further, there are two principles – if not widely held beliefs – that seem to be produced and reproduced in public discourse about government revenues around the world. First, such revenue should be extracted primarily from those who are benefiting from the state and its services, and second, to the extent possible, it should be extracted with the consent of the population. In fact, these principles are deceptively simple, and governments and societies that are able to successfully embody them have achieved a remarkable feat. There are many ways in which revenues might be extracted from those who are not benefiting from government, and of course this may be done through force rather than consent. In any case, it seemed worthwhile to understand tax system development at its earliest stages – when the state was being contested and formed. Mobilizing resources for that great feat of collective action that we call the state requires at least two principal parties to the transaction: those doing the extracting on

behalf of the state and the holder of those resources. What this study demonstrates is that a far greater number of actors are implicated in those transactions. This may be especially so in settings where the formation of the state is partial or contested, or in places with complex histories of conflict, but perhaps not. Envisioning taxation as an exchange between two (aggregate) actors is likely too simplistic for most settings.

1.2 Terminology

Even within the field of comparative politics and the more specific branches of conflict studies and political economy, many of the terms I use throughout this manuscript require further clarification. Some of them are new terms based on concepts that I have generated for the purposes of my theory, whereas others are frequently used in the literature but may have multiple or ambiguous meanings. I clarify some of these briefly here, and they are further elaborated in the subsequent chapters in which they appear.

First, the scope of cases that are relevant to this project could be defined in several ways. As mentioned, the project began inductively with the Palestinian case. Unfortunately, the Palestinian case is often an outlier by default. The Palestinian national movement is sometimes described as an independence movement, which is relatively unproblematic, although informally this term has a greater association with postcolonial movements rather than more contemporary movements that are not explicit responses to colonialism. While the universe of "secessionist" or "separatist" conflicts are more temporally proximate to the Palestinian one, it is potentially problematic to refer to the Palestinians as seeking secession or separation for two, main reasons. First, because some elements of the Palestinian national movement have stated the aim of establishing a state in not only the territories of the West Bank, Gaza Strip, and East Jerusalem, but also across the land that is now within what is widely recognized as Israel's sovereign borders. This does not represent a call for secession or separation, but rather for the replacement of one state with another. Second, use of the term "secession" or "separation" often implies that an existing state possesses recognized sovereignty over the would-be secessionist region. In this case, Israel has not annexed the West Bank and Gaza Strip, thus the territories are not considered – by the international community, nor, officially, by Israel itself – to be part of Israel. Classifying the Israeli-Palestinian case as one of civil conflict is relatively uncontroversial, although it generates a universe of cases that is perhaps too broad and diverse for useful comparison. Further, from an empirical standpoint, the number of casualties per year in the Israeli-Palestinian conflict sometimes falls below conventional thresholds

of violent conflict.[3] Finally, paralleling some of the problems with the terms "secession" and "separation", referring to the conflict as "civil" implies that it is domestic, or internal, to a state, which may be disputed by those that do not recognize the Palestinian Territories as internal to Israel.

Given these complications, I define a set of cases to capture the critical features of the two cases I analyze in this manuscript – the West Bank in the Palestinian Territories and Timor-Leste (or, previously, "East Timor") – and the broader set of cases I turn to in chapter 4. I define these as areas or regions of *contested statehood*. The unit of analysis, therefore, is a geographically defined territory or region. It is "contested", as will be described in chapter 4, because there are competing claims to which state or organization exercises ultimate authority, or coercive power, in the region.

In nearly all contested territories in the contemporary era, there is an existing state that asserts its rule. Borrowing language from Mampilly (2011), I refer to this throughout as the "incumbent state". As with other scholars mentioned above in reference to the Palestinian case, I struggle with terminology that adequately captures organizations that may possess some qualities that more closely resemble a national movement while others that more closely resemble a state. Thus, I sometimes refer to the institutions developed by the competing national movement as those of the aspiring, or emerging, state. This is consistent with a conceptualization whereby statehood can be measured along a continuum, including national movements aspiring toward statehood on one end and fully sovereign, recognized states on the other. However, precisely because these movements are not yet states, referring to them as *movements* or *organizations* is preferred. In this vein, the reader will note that the following terms are often used interchangeably: national movements seeking statehood, national*ist* movements, and self-determination movements. In addition, I sometimes interchange "movement" and "organization". This may obscure a distinction that is substantively important, but suffice it to say, for now, that much of the subsequent discussion will focus on movements that do, in fact, have an organizational structure. For example, as is discussed in chapter 2, the Palestinian national movement was subsumed under a self-named "organization", yet many still refer to the national movement to encapsulate a broader variety of parties, fronts, and collectives that may or may not be part of the Palestinian Liberation Organization (PLO). Chapter 4 aims to generalize beyond particular country cases and thus delves into some detail on these concepts.

The concept of "autonomy" will receive a lot of attention in the pages that follow. To

[3]For example, the Israeli-Palestinian conflict only enters the Correlates of War dataset of "extra-state" wars for four years of the Second Intifada, from 2000 to 2003 (Sarkees & Wayman 2010).

avoid any initial confusion, it is worthwhile to clarify from the outset that I use "autonomy" in reference to the nationalist movement(s) mentioned above, and it connotes autonomy *from* the incumbent state *over* governance. In particular, I define autonomy in chapter 4 as *the existence of formal institutions of self-governance in part or all of the contested region that are controlled by, and serve, members of the national community seeking statehood.* Because it refers to governance, the term is roughly interchangeable with "self-rule", hence the title of the manuscript references the latter, more familiar, term.[4]

1.3 Summary of Argument

Here, I briefly summarize the overarching argument of this manuscript. It connects three main concepts: (a) the goals of the incumbent state in a contested territory; (b) the amount of autonomous, self-rule obtained by a competing national movement in this territory; and (c) the forms of state-like capacity developed by the national movement and the connections between them.

First, the goals and decisions of incumbent states in contested regions will shape the prospects for national movements to develop state-like capacity. In settings where incumbent states pursue *inclusive annexation* – in other words, where they perceive net benefits to absorbing both the contested region and its population into the existing state – national movements are likely to gain little to no autonomy during the period of incumbent state rule. The strategies of control associated with the goal of inclusive annexation may include a combination of both "carrots" and "sticks", however in all cases they require a far-reaching institutional presence into the contested territory by the incumbent state, leaving no room for self-governance among the existing population. This causal proposition is supported by the analysis of the case of Timor-Leste in chapter 3 and the broader cross-case analysis in chapter 4, both of which are summarized below.

A few other propositions regarding inclusive annexation emerge from the Timorese case that are not formally tested, but are suggested for future theory building. The first is that strategies of inclusive annexation can become prohibitively costly and thus, in some cases, may be inherently unstable. If inclusive annexation is unsuccessful, national movements in such settings are likely to move directly from virtually no governing autonomy to complete autonomy or independence. In these cases, the predictions from the existing state formation and state-building literature should hold for the new state. For example, we should expect a positive correlation between the state's coercive and fiscal capacity.

[4] I prefer autonomy in the empirical components of the analysis that follows only because it is somewhat easier to grasp degrees of autonomy, in my opinion, than degrees of self-rule. That is an entirely subjective preference.

Different forms of state capacity should grow (and shrink) together. The positive correlation between different forms of state development finds empirical support in the analysis in chapter 5.

In cases where incumbent states pursue exclusive annexation – in other words, where they perceive net benefits to absorbing the contested territory, but they do not perceive net benefits to incorporating its population – nationalist movements competing with the incumbent state are likely to obtain partial autonomy during the period of contestation. This is supported by the results in chapters 3 and 4. Strategies of exclusive annexation do not require as extensive a non-coercive, bureaucratic presence in the contested territory. Further, they are often accompanied by settlement strategies to "right-people" the contested region as described by Brendan O'Leary (cited in Haklai & Loizides 2015, 5). The restrictions on the functional autonomy granted to the national movement seeking statehood can have far-reaching implications for various forms of capacity, not just the one that is being functionally restricted. Partial autonomy can introduce distortions in the relationship between different forms of state capacity, such that there is not an unconditional positive correlation between the different forms of state capacity development. This is supported by the analysis in chapter 2 of the Palestinian case – where we observe that an increase in coercive capacity is associated with an increase in fiscal capacity only in those areas controlled by the opposition.

1.4 Research Design and Methods

This research draws on several visits to the Palestinian Territories and one visit to Timor-Leste between 2011 and 2015. In Israel and the Palestinian Territories, I conducted over 30 formal, open-ended interviews with political elites, including former cabinet officials, high-level managers, local government officials, heads of non-governmental organizations, and scholars and analysts. I also visited the Israeli State Archives, the Israeli Central Bureau of Statistics, the Palestinian Central Bureau of Statistics, the Palestinian Ministry of Local Government, and conducted informal meetings and email correspondences with a range of individuals and organizations. I established the relationships and data sharing agreements needed for the analysis in chapter 2. While in Timor-Leste, I conducted a smaller number of targeted meetings, however my focus was on building the infrastructure and contacts to collect survey data. Thus, I conducted the small pilot survey discussed in chapter 5, and laid the groundwork for the larger survey, conducted in partnership with The Asia Foundation in 2016. This survey data is also analyzed in chapter 5. This project draws on multiple methodological approaches, including, most

centrally, qualitative process tracing and econometric analysis of large-N observational data.

The chapter structure of this dissertation does not exactly mirror the research process itself, but the sequence is quite close. (The main exception is that chapters 3 and 4 were primarily written after returning from Timor-Leste in 2015, while chapter 5 returns to the subnational level of analysis within Timor-Leste, building on ideas I developed while I was there.) This increases the transparency of the process, as the reader moves between empirical observation and theory-building in a similar way that I did myself. For readers whose brains naturally process information like mine does, this will be a boon. For others, the structure may seem atypical and jumpy at times. For convenience, I provide a summary of each chapter below.

Chapter 2 begins on the ground in the West Bank. Even casual observers of the Israeli-Palestinian conflict acknowledge that the institutions of the PA – the entity set up in the mid-1990s to provide Palestinians partial self-rule in the West Bank and Gaza Strip – fail to resemble the institutions of a fully sovereign state in a myriad of ways. This chapter focuses on explaining one such deviation. A shared insight across much of the existing literature holds that as a state increases its monopolization of violence within the territory it controls, we should also observe an increase in its fiscal capacity, or its ability to extract revenue. However, national self-determination movements seeking statehood today face a particularly thorny challenge – they must form in populated territory that is already controlled by an existing state. This chapter builds on the theoretical "hunch" (Mann 1994; Yom 2015) that this basic condition will affect the relationship between coercive and fiscal capacity development among such aspiring states. In the West Bank, local geographic variation in the central PA's policing authority provides an opportunity to test the proposition that an increase in an aspiring state's coercive control will be associated with an increase its fiscal capacity. Using a newly constructed dataset of revenues from 107 municipalities in the West Bank from 2006 to 2012, I find that greater Palestinian control over internal policing only appears to enhance revenues in towns governed by the opposition – in this case, Hamas – not towns governed by the ruling party, Fatah. I discuss two possible mechanisms, ultimately suggesting that increased repression in areas of higher PA policing authority may drive counter-mobilization by Hamas resulting in greater fiscal capacity development. While focused on a very specific and peculiar case, the findings in this chapter suggest that not all state-like capacities grow together among contemporary national movements seeking statehood. Instead, consolidating policing capacity under one party in a conflict setting, for example, can lead the opposition to develop other forms of local capacity as a means of building its base.

At the conclusion of chapter 2, we are left wondering what particular features of the Israeli-Palestinian case might have generated the distortions in the relationship between coercive and fiscal capacity development that were observed. **Chapter 3** uses a "most similar systems" comparison between the cases of the Palestinian Territories and Timor-Leste (formerly East Timor) to argue that the incumbent state's goals in a contested region will influence the degree of autonomy, or self-rule, that a competing nationalist movement can obtain. This chapter relies primarily on the method of analytic process tracing to assess whether the observed, intermediary implications of the theorized causal relationship – in this case, between incumbent state goals and nationalist movement autonomy – are borne out *within* the case under analysis. This chapter, like chapter 2, draws on a variety of primary and secondary sources, including the series of interviews that I conducted while in the West Bank. Here, in chapter 3, I argue that Israel's goals in the West Bank were the primary driving force behind the creation of partially autonomous Palestinian institutions in the West Bank. Specifically, because Israel sought to maintain control of the territory while avoiding absorption of the Palestinian population, certain features of governance were devolved to the Palestinian national movement but the use of coercive force was constrained. I assess the counterfactual outcome that may have obtained had Israel's goals differed by analyzing another case that, despite being located over 6,000 miles away, shares many similarities with the Palestinian one – Timor-Leste, which was annexed and occupied by Indonesia from 1975 to 1999. Relying on primary and secondary sources, including archived content of Indonesian newspapers, I demonstrate that Indonesia's goals in Timor-Leste differed considerably from those of Israel in the West Bank. Although it pursued a violent campaign to quash resistance to its rule, Indonesia's investments in bureaucracy, propaganda, and its restraint on settlement activity indicated that it sought full annexation of the territory *and* its population. I make the qualitative argument that the Timorese national resistance movement – first under the Frente Revolucionária de Timor-Leste Independente (FRETILIN), and, subsequently, the Conselho Nacional da Resistência Maubere (CNRM) – exercised no autonomy over governance during the occupation due in large part to Indonesia's goals.

Chapters 2 and 3 may try the patience of readers who are seeking more general lessons for cases outside of these small and perhaps (depending on one's perspective) peripheral conflicts. **Chapter 4** is addressed to these readers. This chapter first asks: what are Palestine and Timor-Leste cases of? I define the universe to which they belong as regions of *contested statehood*, or populated areas where an incumbent state exercises disproportionate control, but faces opposition from a movement or organization that seeks to establish self-rule. Drawing on the analysis in the preceding chapters, I develop a conceptual ty-

pology of such regions in which they are defined according to two dimensions: first, the incumbent state's goals in the region can be more *inclusive*, in which the incumbent state leadership perceives a net benefit to annexing both the territory and its existing population, or more *exclusive*, in which the incumbent state leadership only perceives a net benefit to annexing the territory but is uncertain, or perceives a net cost, to fully incorporating the contested territory's population into the state. The second dimension measures the extent of governing autonomy exercised by the nationalist movement. During the period of active contestation with the incumbent state, the nationalist movement can exercise *no autonomy* or *partial autonomy*, with the latter defined as the authority to fulfill some subset, but not all, of the functions of governance, including: internal policing, taxation, dispute resolution, and the distribution of some public or club goods (other than policing, defense, or dispute resolution). Subsequently, I identify a sample of contemporary regions of contested statehood (n = 81) using the UCDP/PRIO Armed Conflict Dataset (Version 4-2016) and code each contested region for three variables related to incumbent state goals and three variables related to nationalist movement autonomy at various stages of the conflict. I find that nationalist movements are less likely to gain partial autonomy in environments where the incumbent state is pursuing inclusive annexation. While there are a number of possible explanations for this observed correlation, the findings in this chapter, in conjunction with the analyses presented in chapters 2 and 3, increase our confidence in the proposition that the objectives of the stronger party in a conflict setting – namely, the incumbent state – will shape governance outcomes for movements which seek national self-rule.

Chapter 5 returns to Timor-Leste to examine subnational outcomes, like chapter 2, but this time in a setting where the nationalist movement experienced no autonomy under occupation. A more precise comparison to the Palestinian case would examine the association between state coercive and fiscal capacities across regions within the country, mirroring the operationalization of those variables used in chapter 2. There are several theoretical and empirical reasons that I do not pursue this path, including the lack of imposed variation in coercive capacity in the Timorese case and the absence of any form of fiscal decentralization that would allow us to examine variation in revenue collection across localities. Instead, this chapter draws on original survey data to explore the micro-level foundations of state fiscal capacity — namely, individuals' willingness to comply with taxation. I use novel survey data from a pilot test that I conducted in three districts in 2015, combined with qualitative analysis, to generate several hypotheses about regional variation in attitudes toward taxation, as well as variation in these attitudes at the individual level. I test these hypotheses on a nationally representative survey of Timo-

rese citizens ($N = 1,243$) conducted by The Asia Foundation in November and December 2016. I find that individuals in the region where the post-independence government has typically displayed a less decisive monopoly on violence are consistently less likely to support taxation in exchange for services and less likely to believe that it is the government's responsibility to ensure that people are prosperous. Given the caveat regarding the differences in research design, this provides suggestive evidence that, unlike in the case of the West Bank, the coercive and fiscal capacities of the Timorese state may exhibit an unconditionally positive correlation across regions of the country. Consequently, in areas where the Timorese state's coercive capacity is weaker, there are weaker foundations for fiscal capacity development. This data also allows us to probe individual-level factors that are associated with attitudes toward taxation. Interestingly, I find that veterans and surviving family members who are rewarded for their participation in the national resistance against Indonesia, unlike recipients of other forms of state benefits, do not have lower tax morale than non-recipients. One possibility is that veterans have higher initial senses of civic duty or sociotropic attitudes that make them more inclined to view tax paying in a positive light. This produces another potential line of inquiry for future research examining the varied legacies of conflict and resistance on the fiscal capacity of new and aspiring states.

Chapter 6 concludes by reviewing the preceding findings, as well as highlighting some topics related to our understanding of states and organizations in conflict that merit further scholarly attention.

CHAPTER II

Between Autonomy and Statehood: Policing, Taxing, and Resisting in the West Bank

2.1 Introduction

States are famously defined by Weber (1919, 33) as "the form of human community that (successfully) lays claim to the *monopoly of legitimate physical violence* within a particular territory." For modern states to exercise this claim, they must have the means to extract resources from their populations (Bates 2010; Levi 1988; D. North 1981; Skocpol 1979; Tilly 1992). The ideal exchange between states and citizens looks something like this: the state deploys its coercive power to protect property and citizens, and those benefiting from this protection willingly dedicate some share of their resources toward the state in the form of taxation. However, contemporary nationalist movements seeking to form their own states today face a thorny challenge – they must attempt to establish this bargain in a populated territory that is already controlled by an existing state that they oppose. It seems likely, then, that conflict with the incumbent state will influence the nationalist movement's ability to perform some of the essential functions associated with states, including the monopolization of the legitimate use of violence and the ability to raise revenue.

This chapter begins the theory-generating process on the ground in the West Bank, following the creation of the Palestinian Authority (PA). Due to a set of agreements negotiated during the Israeli-Palestinian conflict, artificially imposed variation in the PA's ability to wield coercive force provides an opportunity to test a fairly robust finding in the existing literature on states: namely, that a state's capacity to wield force (*coercive capacity*) and its ability to extract revenue domestically (*fiscal capacity*) develop in complementary fashion. Using geo-coded data on variation in Palestinian policing authority and a newly constructed dataset on municipal revenues, I demonstrate that an increase

in coercive capacity is only associated with greater fiscal capacity in areas controlled by the opposition – in this case, *Harakat al-Muqawama al-Islamiyya*, or the Islamic Resistance Movement (Hamas) – rather than the ruling party, *Harakat al-Tahrir al-Watani al-Filastini*, or the Palestinian National Liberation Movement (Fatah). This suggests that the exchange of protection for revenue may be complicated in contexts where new states are being negotiated, contested, and formed. I explore a few possible mechanisms that may be driving this result. I find preliminary support for the proposition that restrictions which limit Palestinian coercive capacity to internal policing have resulted in greater repression by the central government under Fatah's rule. Paradoxically, this repression may have enabled the opposition to build greater fiscal capacity in areas where the ruling party has greater coercive control. These findings demonstrate that not all state-like capacities necessarily grow together among contemporary national movements seeking statehood. In fact, consolidating policing authority under one party in a conflict setting may lead the opposition to develop other forms of local capacity as a means of building its base.

Why study revenue generation in political organizations that aspire to be states? The ability to raise revenue captures, in many ways, the essence of statehood. As Levi (1988, 1) famously claims, "[t]he history of state revenue production is the history of the evolution of the state." States, in their ideal form, represent a set of relatively stable arrangements between political leaders and their populations. This equilibrium rests on a fundamental consensus about how institutions should operate. Assessing the ability of the state to mobilize revenue is one way of evaluating the strength of this consensus. Following Lieberman (2003), I conceive of a country's tax system – even down to the small-scale fiscal exchanges that occur at the local level – as intimately tied to how the country's political community is defined. However, this chapter also has a more ambitious theoretical aim, which is to identify with some precision the conditions under which the exchange of revenue for a non-excludable good (such as policing or "law and order") functions. This requires broadening the scope of candidate organizations to include not just consolidated states, but also multifaceted entities such as the PA – often described as a "pseudo-" or "quasi-" state – and Hamas – which is both a political party and an extra-systemic militant organization. Thus, this work follows in the spirit of recent subnational research which interrogates the limits of existing theories to understand whether and how both states *and* non-state actors in conflict zones engage in this exchange (see, e.g., Arjona 2014; Flores-Macías 2014; Mampilly 2011; Rodríguez-Franco 2016; Shapiro, Steele, & Vargas 2014; Weinstein 2007).

A road map of this chapter follows. Section 2.2 revisits core insights from the foundational literature on state formation and the origins of state capacity. I argue that this body

of work remains critical for our understanding of where, how, and to what extent contemporary states develop capacity, but it cannot provide us with a nuanced understanding of within-country outcomes. Research on postcolonial state development gets us chronologically and, in some ways, theoretically closer to contemporary cases of aspiring statehood, but it does not fully address how complex and persistent legacies of conflict can shape institutions of self-rule among what might be called *post*-postcolonial national movements aspiring toward statehood. Further, much of this literature converges on the prediction that the coercive and fiscal capacities of the state should be positively correlated; I argue that this deserves further scrutiny in settings of contested statehood and newly formed states. In section 2.3, I summarize, as briefly as possible, the most relevant historical context for understanding the two interventions of interest to this study: first, the creation of a Palestinian authority in the West Bank whose coercive capacity varied by region; second, the set of local and national elections held between 2004 and 2006 that gave Hamas formal political representation for the first time and triggered a fiscal "shock" to the PA at both the central and local levels. This context is critical to understanding the empirical analysis that follows. Section 2.4 draws on these qualitative details of the case and insights from the state-building literature to present three hypotheses regarding the relationship between Palestinian coercive and fiscal capacity. In section 2.5, I show that an increase in Palestinian policing capacity does not unconditionally enhance revenue collection. I use a newly constructed dataset containing revenue data for 107 West Bank municipalities from 2006 to 2012 – a period following rare municipal council elections in which both the ruling party, Fatah, and their main opposition, Hamas, competed – to demonstrate that greater authority over policing only improved revenue performance for those towns controlled by Hamas, whereas it had no significant, revenue-enhancing effect for those controlled by the ruling party, Fatah.

Following Hamas's victory in the 2006 national elections and their subsequent takeover of the Gaza Strip, the movement faced increased fiscal isolation, enhancing the need for local revenue collection. Yet, even if Hamas faced clear incentives to improve revenue collection, two questions remain. First, how was it able to successfully do so? Second, why were these gains concentrated in areas where the central PA – controlled by Hamas's rival – wielded more coercive authority? In section 2.6, I suggest two alternative mechanisms. First, qualitative reports suggest that those areas where Fatah controlled a relatively stronger police force but where Hamas had more local support experienced greater repression following the latter's electoral victory and subsequent takeover of Gaza. I hypothesize that repression may have driven counter-mobilization by Hamas and its supporters in these areas, leading us to observe greater revenue collection. Second, Hamas

may have exerted greater tax effort in high-capacity areas where it knew it had strong popular support, because these areas are strategically more important if the movement ultimately seeks to capture central PA institutions. I argue that Hamas's dogmatic stance against the Oslo Accords and the PA itself makes the first proposition more plausible. I also address possible sources of selection for the two independent variables in my analysis – namely the variation in PA coercive capacity and the variation in party support at the local level – that may otherwise bias my results. Section 2.7 takes a step back to consider how these findings might be usefully applied to other settings of "contested statehood". There are many ways in which the eccentricities of the Israeli-Palestinian context may have generated the results we observe. I contend that the PA's restricted, or *partial*, form of autonomy from Israel is the most important scope condition for understanding why Palestinian coercive and fiscal capacity are not unconditionally positively correlated. This serves as a preview of chapters 3 and 4, which, in stages, abstract away from the Palestinian case to produce and substantiate generalizable claims about the relationship between incumbent state goals and the extent of autonomy – or self-rule – achieved by competing national movements.

The subsequent analysis has important implications for the sequencing of state-building in Palestine and other would-be states. The PA, loved or loathed, is central to present and future efforts to address the Israeli-Palestinian conflict. Any future sovereign state – whether the PA itself, Israel, or some future Palestinian or binational state – will surely build upon, or grapple with, its institutional legacies. Even if it is ultimately a failed experiment in Palestinian state-building, the PA's enormous institutional footprint is, and will continue to be, important. One of the implications of this study is that as long as Palestinian state control over policing is variable and uneven, the fiscal relationships between Palestinians and their government will remain distorted. This can have noticeable effects for Palestinians living in municipalities with low fiscal capacity, where local revenue collection may not be sufficient to provide the same level of public services as in neighboring towns. Further, while it is well known that the political economies of the West Bank and Gaza Strip have dramatically diverged, this chapter shows that patterns of authority are generating divergence in "state"-society relations *within* the West Bank itself. Finally, this research suggests that increasing state control over internal policing without parallel control over borders and national defense may simply enable coercive capacity to be used toward repression rather than protection of property and the preservation of law and order.

2.2 The Coercive and Fiscal Capacities of States

This project is situated at the intersection of three broad bodies of literature in comparative politics and comparative political economy. The first is a set of work which offers formal and informal theories, based on an underlying logic of rational actors, of *the formation of states* and *state capacity development*. The second is the robust literature on *the complex challenges facing state-builders in post-colonial contexts*. Finally, a related and rapidly developing body of research is building theories about *governance within not states, but rebel movements*. These are all relevant to our understanding of aspiring states, such as the Palestinian Authority, which are located somewhere along the continuum between national movement aspiring toward statehood and fully sovereign state.

2.2.1 Classic Literature on State Formation

Historical and sociological accounts of the development of states in early modern Europe underpin some of the most influential theories on state formation (Bates 2010; Olson 1993; Tilly 1992). States, according to this work, emerged as a vehicle for monarchs, political leaders, and warlords to control territory. Leaders found that consolidating and monopolizing coercive control made it easier to defend and expand their holdings. While this could be done using fortifications around urban areas, the defense of less populated areas required the mobilization of armies. Because leaders required revenue and labor to finance their ambitions to defend against external threats and wage wars, they sought ways to extract from the local populations living in the territory. The earliest, most critical benefit that was provided to populations in exchange for these extracted resources was protection of life and property. According to Tilly (1992)[16], states in Europe were created "[a]lmost inadvertently" as part of rulers' need to stay in power, which required defense and control of increasingly productive and valuable territory and, thus, almost continual war. Fiscal capacity was just one outgrowth of historical warfare. Because leaders had already dedicated effort to build centralized armies and invested in capital to engage in defensive and offensive battles, the provision of protection was a relatively inexpensive byproduct that leaders could offer to the population within the territory. In exchange for defending those living within the state's territory, leaders or warlords were able to extract resources – i.e. revenue and labor – from this population with relative ease. As Olson (1993) argues, leaders with moderately long time horizons found it in their best interest to settle down as "stationary" rather than "roving" bandits to develop reliable relationships of extraction and protection with local populations and capital-holders.

When considering its explanandum, this literature stands out as a bit of an anomaly

because, instead of explaining variation in how states are formed, it largely recounts how and why political relations in so many disparate contexts converged on the unit that we now know so well: the nation-state.[1]. Even explanations of variation in the effectiveness, robustness, or strength of states is still embedded in a history that arrives at the familiar, relatively high-capacity, sovereign states that we know today and which are the dominant unit of political authority. This literature is largely unconcerned with whether models of political organization other than violence-monopolizing states might yet manage to persist in a global order dominated by states and, if so, what they might look like.

Thus, either explicitly or implicitly, much of the classic work on state formation seeks to answer the question of *how* and *why* we arrived at a particular model of political authority, not whether the *capacities* of nation-states themselves may differ. In other words, these theories are most useful for understanding where state authority came from in the first place, but not necessarily why it will vary in interesting ways within states. The state formation research enterprise has been extremely fruitful, of course, and lay the groundwork for the next stage of inquiry, as Tilly (1992) himself acknowledges. While he produces and substantiates a theory of convergence on the national state in Europe, he is not unconcerned with contemporary struggles for statehood in other parts of the world. In his words:

> "[T]he fact that European states formed in a certain way, then imposed their power on the rest of the world, guarantees that non-European experience will be different. But if we pinpoint the durable characteristics of the system Europeans first built, and identify the principles of variation within European experience, we will be better placed to specify what is distinctive about contemporary states, under what historically-imposed constraints they are operating, and what relationships among characteristics of states are likely to hold in our own time," (16).

In fact, most state formation theorists did not attempt to make universal claims about a unidirectional, path-dependent process whereby greater centralized control over the means of violence inherently and unconditionally allowed political leaders to develop extractive capacity. Observers of states recognized that pure coercive control did not automatically generate fiscal capacity. Hence, subsequent work focused on the characteristics of political institutions – i.e. constraints on the executive, representative institutions, and a centralized bureaucracy – and how they relate to fiscal capacity development. For

[1]Some of the early post-colonial state formation stories also focused on convergence (see, e.g., Zolberg 1966,)

an increase in state coercive control to lead to greater compliance with taxation, and thus greater fiscal capacity, it seemed necessary that such coercive control was used primarily to benefit, rather than threaten, the population. First, Levi (1988) points us to the importance of cultivating "quasi-voluntary compliance" with extraction for European state-builders. Other state-building scholars highlighted the role of representative institutions, such as parliaments, or others that sought to limit the executive (Bates & Lien 1985; Dincecco 2011; D. C. North & Weingast 1989). Such institutions ensure that populations can observe and oversee how revenues are spent, and that state coercion does not become disproportionately confiscatory or repressive.

Still, while these contributions managed to introduce variables that conditioned or otherwise affected the expected relationship between coercive and fiscal capacity, the question became one of institutional design. *Under certain conditions*, an increase in coercive control may also lead to an increase in the fiscal capacity of states; but, given the presence of the requisite institutions or incentives, then overall state capacity should still grow as expected. And while this literature is attentive to historical legacies, it is mostly concerned with how conflict produced stable institutional equilibria rather than how institutions that persisted during prolonged periods of conflict might have had their own consequences for capacity development.

2.2.2 State Capacity Development in Post-Colonial and non-European Contexts

More recent examinations of state capacity development in the post-colonial (or, more broadly, non-European) world generate some insights that we might find more useful in understanding contemporary movements for statehood. Namely, that states may vary in how effective they are at wielding power and extracting. They may be more or less likely to broadcast their authority, and more or less vulnerable to threats, depending on factors like geography, population distributions, relationships between state and local elites, or how political elites have historically responded to contention (Herbst 2000; Slater 2010; Soifer 2015). Historical legacies matter for state capacity development. In addition, we might even observe subnational variation in state capacity, depending on how central political leaders in the metropole choose to interact with local political organization on the ground (Boone 2003; Migdal 1988). In the end, despite these empirically rich accounts, the theoretical insights in this literature still predominantly suggest we consider state capacity as an aggregate concept. In areas where the state is good at doing some things, it is good at doing all things; similarly, in areas where the state exhibits low capacity in some functions, it exhibits low capacity in all functions.

The approaches adopted in this literature – often detailed within-country studies that

pay close attention to historical processes – are appropriate for understanding whether and how state capacity develops in contemporary settings of contested statehood. Further, studies which take into account intra-elite dynamics have important implications for how we understand the sequence of often overlapping state-building projects in the region of focus in the current study: the West Bank. (Elite cooptation and confrontation has been an important part of all state-builders in the region, from Zionist settlement and institutional development prior to the creation of Israel, to Jordanian annexation, to Palestinian-led state-building efforts emanating from both the Palestinian Authority and its detractors.) Yet, to some extent, a different macro-historical situation dictates different theories and questions than have been addressed by extant literature. The global state system is different than the system of colonies and empires, and if new states are to emerge from it, the process by which they emerge is sure to be quite different from the process by which post-colonial states emerged.

2.2.3 Rebel Governance

Because cases like Palestine are best thought of as located somewhere between national self-determination movement and sovereign state, our understanding of the interactions between Palestinian political leaders, institutions, and the population is informed by the growing body of work on governance patterns within rebel movements. This work examines interactions between rebel movements and civilian populations in conflict settings, and, while careful not to impose a teleology, often notes the ways in which these may approximate state-citizen dynamics (Arjona 2016; Mampilly 2011; Metelits 2009; Staniland 2012; Weinstein 2007). Much of this work is based on a small number of detailed case studies – including examples such as the Shining Path in Peru, the National Resistance Army in Uganda, the Liberation Tigers of Tamil Eelam (LTTE) in northern Sri Lanka, and the Revolutionary Armed Forces of Colombia (FARC) – with qualitatively and empirically rich accounts that are both hypothesis-testing and, because the field is relatively new, theory-building. Like the present study, the "rebel governance" literature often focuses on lower levels of variation – either geographic or temporal – in a particular rebel movement's structure or governance strategy, for example.

In conflict zones, an assortment of violent organizations may interact with the civilian population – from the existing state to a variety of challengers. The rebel governance literature has filled a particularly important gap in our understanding of comparative institutions by characterizing those spaces where existing, sovereign states do not exercise anything close to the Weberian monopoly on violence. Weinstein (2007) presents a theory of rebel group behavior where an organization's initial endowments – whether

economic or social – are highly consequential for its strategies vis-a-vis recruitment, the use of violence, and governance strategies. By governance, though, Weinstein (2007) is mostly focused on how participatory or inclusive – i.e. how democratic – the movement is, and the extent to which civilians are engaged. His findings are not unlike what a classic scholar of state-building might expect to observe: namely, that movements or organizations with access to external resources, or resources which do not require civilian labor or support, will be less likely to promote inclusive institutions (Weinstein 2007, 196). Mampilly (2011) assesses the drivers of "effective governance" under rebel administrations, with effectiveness defined based on the fulfillment of three criteria: a capable police force, the existence of dispute resolution mechanisms, and the provision of public goods. Once again, though, despite extremely well-researched, empirically grounded accounts of three cases, "effective governance", like state capacity in the literature discussed above, is a multidimensional yet, aggregate, concept. It is meaningful to observe and compare it across countries. Further, we do not observe counterintuitive findings where a movement's governance is highly effective in one area, but not effective in another. To abstract considerably from Mampilly (2011)'s rich analysis, the LTTE represents the most effective movement, the Congolese Rally for Democracy (RCD) in the Democratic Republic of Congo represents the least effective, and the Sudan People's Liberation Army (SPLM/A) in modern-day South Sudan was somewhere in between.

The present work is partially inspired by the bold turn made in the scholarship on rebel governance which directs us away from state-based analysis and teleological or path-dependent assumptions about state formation. However, it is also the intention of this paper to push one step further, theoretically, in disaggregating normatively-tinged, aggregate concepts of "strong" states or "effective" governance systems to suggest that there is a way to analyze the capacity of such organizations in a disaggregated manner, and doing so might produce some surprises.

2.3 The Palestinian Context: Restricted Autonomy and Varied Capacity

The empirical analysis that follows is situated after the creation of the PA. The PA was formed out of a series of agreements known as the Oslo Accords, signed by Israel and the PLO between 1993 and 1995. The Oslo Accords represented a watershed moment in the Israeli-Palestinian conflict, and the changes they entailed for governance in the West Bank were dramatic. With the creation of the PA, Palestinians obtained a form of self-rule in the West Bank and Gaza Strip for the first time, including the establishment of a popularly

elected national legislature and executive. However, the second major agreement in the Oslo Accords – the Interim Agreement on the West Bank and Gaza Strip ("Oslo II") in September 1995 – codified a number of functional restrictions on the PA and introduced geographic variation in its coercive capacity across the West Bank. Among the numerous functional restrictions, the Interim Agreement prohibited the PA from developing any institutions of national defense. In terms of geographic variation, the Interim Agreement divided the West Bank into three zones across which the PA's ability to station and deploy its police forces varied. This artificially introduced variation in coercive capacity is one of the two main interventions, or "treatments", analyzed in the empirical section below. The second intervention is the set of elections held between 2004 and 2006, that gave Hamas formal political representation for the first time at the local level and triggered a fiscal "shock" to the PA.

While I do not pretend to offer a complete history of the Israeli-Palestinian conflict, this section will provide salient context for the empirical analysis that follows and for the more detailed qualitative analysis in chapter 3. The main focus in this section is, first, to provide readers with a sense of what forms of authority preceded the PA in the West Bank and why the geographic variation in coercive capacity across the West Bank was introduced.[2] Second, I aim to clarify why Hamas chose to compete in the 2004-2005 municipal elections in the West Bank and Gaza, and why Hamas performed better in some West Bank towns while Fatah, the ruling party, performed better in others.

Subsection 2.3.1 provides some necessary historical context on the politics of the region leading up to the 1967 war. Subsection 2.3.2 briefly summarizes the period between 1967, when Israel gained control of the territories and the occupation began, until just before the Oslo Accords. This period will be the focus of a more detailed discussion in chapter 3. Subsection 2.3.3 discusses the first intervention – the creation of the PA. Subsection 2.3.4 provides some necessary information on local governance in the Territories. The final subsection, 2.3.5, summarizes the set of local and national elections held between 2004 and 2006. This context informs the hypotheses that follow in the next section of this chapter.

[2] At this point, the reader may feel that they are lacking additional context on how the peculiar constellation of institutions comprising the PA came into being. Chapter 3 should satisfy this need by returning to the period *before* the PA's creation, arguing that Israel's goal of *exclusive annexation* in the West Bank was a highly consequential factor in driving the creation of a Palestinian authority whose autonomy from Israel was functionally restricted.

2.3.1 The West Bank Before 1967

Prior to falling under Israeli control, the West Bank, East Jerusalem, and the Gaza Strip – collectively referred to as the Palestinian Territories – were ruled by a series of national and supranational state authorities dating back to the Ottoman Empire. At the conclusion of World War I, the British defeated the crumbling Ottoman Empire and seized control of the territory that comprises modern-day Syria, Lebanon, Israel, Jordan, and the Palestinian Territories. Following the Sykes-Picot agreement between Great Britain and France and the conclusion of postwar negotiations, the land that now comprises Israel and the Palestinian Territories was assigned to the British Mandate for Palestine. Who would ultimately exercise sovereignty over these territories became increasingly ambiguous during the period of British rule. While voluntary and involuntary Jewish emigrants arrived in Palestine in the early 20th century – many fleeing pogroms and discrimination in Russia and eastern Europe – the British had made an awkward, and apparently conflicting, set of commitments. First, they had promised an independent, Arab state in the region to Sharif Hussein of Mecca – a promise which was understood to include Palestine – and, second, they had committed to support Zionists seeking to establish a Jewish homeland in Palestine.

Palestinian nationalism was on the rise in the 1920s and early 1930s, and tensions escalated between the Jewish and Muslim Arab communities in British Mandate Palestine. Tessler (2009, 235) describes the riots that occurred in 1929, ending in the death of over 100 Jews, over 100 Palestinian Arabs, and the injury of hundreds more, as "shattering whatever illusions the British and others may have had about peaceful coexistence and initiating an era of direct Arab-Zionist conflict that has yet to come to an end." As the presence of Jewish emigrants and settlers became further entrenched under the watch of the British, the Arab Revolt beginning in 1936 saw increased violence against Zionist and British Mandate institutions. The Second World War and the stark, unprecedented tragedy of the Holocaust – with its loss of nearly six million Jews across Europe – mobilized greater support behind the idea of a Jewish homeland (Tessler 2009, 255).

It is in this context that a partition plan for the territories – one which featured a Jewish homeland and an Arab state – was put forward by the United Nations Special Committee on Palestine in 1947. The plan was accepted by the Zionist delegation, but rejected by the Arab delegation. A slightly modified version of the plan was endorsed by the General Assembly in November 1947, unleashing civil war in Mandate Palestine. Israel declared its independence in May 1948 as the British Mandate officially expired, and a coalition of Arab states intervened. Thousands were killed on both the Israeli and Arab sides, but the Haganah, the precursor to the Israeli Defense Forces, emerged victorious.

1948 is celebrated by Israel as the triumphant year of its independence. Following the tragedies of World War II, the War of Independence concluded in the much anticipated creation of a state for the Jewish people. Yet, the war exacted large costs, including, notably, the displacement of hundreds of thousands of Arab-Palestinians from the territory of the newly recognized Jewish state. Many of these refugees settled in the neighboring territories of the West Bank and Gaza Strip, which fell under the control of Jordan and Egypt, respectively. Tessler (2009, p. 280) estimates that 420,000 Palestinian refugees from the 1947-9 violence ended up in the West Bank. Before the creation of Israel, tensions between Jewish settlers and the Arab-Palestinian population had already been high. This continued after Israel's founding; even after the 1949 armistice agreements, the new country's relationship with the Palestinian population and neighboring Arab states – notably, Egypt, Syria, and Jordan – was tenuous.

After the 1948-9 war, the West Bank and the eastern half of the city of Jerusalem were annexed and ruled by the Hashemite monarchy of Jordan. Brand (1995, 47) describes Jordanian annexation: "[King] 'Abdallah's extension of Jordanian citizenship to all West Bank Palestinians...as well as to the 70,000 who went directly to the East Bank laid the formal political basis for the 'unity of the two banks'." Palestinians soon made up two-thirds of the constituents of the Hashemite kingdom (Abu-Odeh 1999, 265). West Bank Palestinians were permitted to vote in local and parliamentary elections in Jordan, but Palestinian nationalist currents were effectively suppressed due to strong alliances between King Abdullah's regime and local, more conservative Palestinian notables in the West Bank (Mishal 1980; G. E. Robinson 1997). While Jordan's official rule in the West Bank only lasted 17 years, it left an important mark, especially since the Israeli authorities, when they gained control of the territories, left much of the legal framework from the Jordanian period intact, and even replicated some Jordanian strategies to control elites.

In the meantime, the PLO was officially established in 1964, first under the auspices of the Arab League, but later emerging as the official organization advocating for "liberation" of Palestine under the leadership of Yasser Arafat and his Fatah party.[3] This transformation of the Palestinian image that started to occur toward the end of Jordanian rule in the West Bank is aptly summarized by Khalidi (2007, 141):

> "The ascendancy in the 1950s and 1960s of the leaders of Fateh [sic], along with the rise of other competing militant groups, represented a thoroughgoing generational change and a striking alteration in the image presented by those

[3]Jordan officially renounced its claims to the West Bank in 1988, halting payments to its remaining civil servants in the territory and its development programs, removing any ambiguity about the PLO's role as the Palestinians' primary representative in advocating for self-determination.

> who represented the Palestinians. It involved a shift from the domination of Palestinian politics by sober men in their fifties and sixties wearing suits and red tarbushes...to the leadership of militants in their twenties and thirties wearing short-sleeved shirts and military fatigues."

Frictions exploded into violence in 1967, the year in which governance of the West Bank was transformed in a dramatic way. After intelligence reports that Egypt was amassing troops in the Sinai Peninsula and escalating tensions with Syria in the north, Israel engaged in preemptive military strikes on June 5, targeting Egyptian airfields and pushing ground troops into Gaza, Sinai, East Jerusalem, and the West Bank (Tessler 2009, 397). At the conclusion of the swift conflict, thousands of lives had been lost on all sides, and the state of Israel was in possession of significantly more territory than before. Over the course of the "Six Day War", Israel captured the West Bank and East Jerusalem from Jordan, the Gaza Strip and Sinai Peninsula from Egypt, and the Golan Heights from Syria (see Map 2.1). Along with the conquest of territory, Israel acquired over one million new people under its rule: roughly 600,000 residents of the West Bank, many of whom were refugees or first-generation descendants from the 1947-8 war, 350,000 residents of the Gaza Strip, and an estimated 65,000 residents of East Jerusalem (Perlmann 2012).[4]

2.3.2 1967 until 1993: The First Decades of Israeli Occupation

Starting in June 1967, the West Bank, Gaza Strip, and East Jerusalem would form an increasingly central part of the Israeli-Palestinian conflict. Soon after the war, Israel moved to expand the municipal boundaries of Jerusalem, effectively annexing the eastern half of the city and explicitly signaling its intention to reunite the ancient capital and secure the holy sites on the Temple Mount (or Haram ash-Sharif) as part of the Jewish state. Israel's military maintained control of the West Bank, Gaza Strip, and, initially, the Sinai Peninsula, before the latter's return to Egypt as part of a separate peace deal reached between Israel and Egypt in 1979. Thus, the status of the West Bank and the Gaza Strip became one of open-ended military occupation.

The West Bank presented a particularly challenging dilemma – on one hand, religious and cultural attachments to the territory ran fairly deep in Israeli society. Further, the territory's fertile Jordan Valley and the inner hills and mountains provided both strategic and economic benefits. Yet, demographically speaking, full absorption of the territory threatened to dilute the Jewish identity of the Israeli state, not to mention that guerrilla

[4]The Sinai Peninsula was relatively sparsely populated – Tessler (2009, 399) estimates 45,000 to 50,000 in 1967 – and was returned to Egypt following the 1979 Camp David Accords and associated peace treaty.

attacks against Israel were already emanating from PLO bases in nearby Jordan. Until 1977, left-wing parties – which had united to form the Labor Party in 1968 – dominated the Israeli government and thus were largely responsible for Israel's strategy vis-a-vis its newly captured territories. "Permanent" annexation of the West Bank was suggested by the right-wing minority, but not embraced by the government at the time.

Map 2.1: Israel and the Territories Captured in 1967 (Gorenberg 2006)

Despite this, the establishment of Jewish settlements in the West Bank and Gaza began almost immediately after 1967, and served an initial purpose in maintaining Israel's short-term hold on the land. The military installed the first settlements in the Jordan Valley in the West Bank with security considerations in mind. In addition, though, some of the earliest politically and religiously motivated settlements began springing up around the West Bank (Tessler 2009, 466-7).

1977 saw a dramatic shift in the Israeli state's approach to the territories, with the

right-wing Likud party winning a plurality of seats in the May elections and forming a coalition of right-wing and religious parties. Settlement of the West Bank evolved from small-scale strategic and religious establishments to a state-directed strategy of altering the demographic landscape and increasing Jewish Israeli claims on the territory. On Likud's strategy in the West Bank, Lustick (1993, 10-11) recounts that:

> ...[T]he Likud plunged into a rapid, wide-ranging, and expensive effort to annex the territories without formally changing their legal status. By the end of this period approximately half of all West Bank and Gaza land had been transferred to Israeli government or Jewish control through expropriations, requisitions, legal redefinitions of public and private land, zoning regulations, and purchasing programs. While the government virtually prevented investment by Arab inhabitants of the West Bank and Gaza in industry or agriculture, it spent billions of dollars on Jewish settlements and the infrastructure to support them, concentrating on those areas, heavily populated by Arabs, that had previously been avoided by Labor government-supported settlement efforts."

Indeed the growth in settlement construction during this period and into the 1980s reflected the new government's efforts to change the status quo in the territories. In 1977, when the Likud came to power, Prime Minister Menachem Begin made the demographic transformation of the West Bank one of his priorities. While there were just over 1,000 settlers in 1972 (Foundation for Middle East Peace 2012), there were over 20,000 by the end of 1982, with much of this growth occurring after the conservative 1977 government came into power (Tessler 2009, 548). The Begin government also expanded the geographic reach of settlements into areas abutting those inhabited by Palestinians, (Tessler 2009, 548-9), thus making security and resource distribution to these populations more complex.

While Palestinians experienced some economic benefits in the early years of occupation, including easier access to jobs in Israel and thus limited socioeconomic mobility (Migdal 1980, 47), ongoing military rule, settlement growth, and eventual economic stagnation fueled frustrations with the lack of progress toward a Palestinian state. Amidst this environment, the first *Intifada*, or uprising, broke out in 1987. Estimates suggest around 1,200 Palestinians were killed, while the Palestinian side maintained a largely unarmed resistance strategy.[5] The *Intifada* demonstrated the costs of continued occupation to Israel's leadership, while international powers made a renewed push to bring

[5]See Pearlman (2011). This was achieved through a grass-roots local leadership in the territories and reinforced by the PLO leadership, based in exile in Tunisia at the time.

about a resolution to Israel's conflict with the Palestinians and its neighbors in Jordan, Syria, and Lebanon. The multilateral Madrid Conference was launched in 1991. Pressure on the Palestinian side also pushed Yasser Arafat, then-chairman of the PLO and leader of Fatah, its largest faction, to negotiations. Following the Madrid Conference, a secret bilateral negotiation track began between Israeli and Palestinian leadership in Oslo, Norway.

2.3.3 1993-1995: The Creation of the Palestinian Authority

In 1993, the Declaration of Principles, the first part of the Oslo Accords ("Oslo I"), was signed between Israel and the PLO. The symbolism of this moment was consecrated by a handshake between Israeli Prime Minister Yitzhak Rabin and PLO Chairman Yasser Arafat on the White House lawn. Oslo I called, for the first time, for the creation of an interim, self-governing authority for Palestinians living in the West Bank and Gaza Strip. The Interim Agreement ("Oslo II") followed in 1995, stipulating more details about the authority itself. Oslo II contains 31 articles and 7 annexes detailing myriad aspects of the roles and responsibilities of the Israeli military and civil administration and the new Palestinian Authority. The supposedly "interim" period of five years commenced in 1994, when the first Palestinian Authority offices were set up in Jericho, in the West Bank, and Gaza. During this five year period, negotiations between Israel and the PLO were to continue to seek solutions on the "final status" issues of the conflict, including whether the PA was to transform into a sovereign entity with recognized borders and peaceful relations with Israel. These supposedly transitional arrangements agreed to in the Oslo Accords remain the status quo at the time of writing, over 23 years after the PA was triumphantly established.

Contemporary sovereign states often exercise, or attempt to exercise, a monopoly over a set of functions within the territory they control, namely: coercion, taxation, and the provision of a selection of other public goods (i.e. regulation, a system of courts or dispute resolution, a national currency, and sometimes goods such as roads, schools, and other infrastructure). The functional jurisdiction of the PA was formally restricted in a number of ways. Most relevant to the current study, Oslo II explicitly barred the PA from developing any institutions of national defense, such as an army or a navy. The responsibilities of the newly created Palestinian police force are detailed throughout, while Article 12 of the Interim Agreement stresses:

> Israel shall continue to carry the responsibility for defense against external threats, including the responsibility for protecting the Egyptian and Jordanian

> borders, and for defense against external threats from the sea and from the air, as well as the responsibility for overall security of Israelis and Settlements, for the purpose of safeguarding their internal security and public order, and will have all the powers to take the steps necessary to meet this responsibility. (Israel Ministry of Foreign Affairs 1995)

Further, Article 14 notes:

> Except for the Palestinian Police and the Israeli military forces, no other armed forces shall be established or operate in the West Bank and the Gaza Strip. (Israel Ministry of Foreign Affairs 1995)

Thus, the *de jure* and *de facto* coercive capacity of the Palestinian Authority was restricted to matters of internal policing.

Second, the PA's policing authority *varied within those zones over which it had jurisdiction*. The growth of Israeli settlements – outcomes of a policy which had been in full swing for over 15 years when the Oslo Accords were signed – had created a scattering of both Israeli and Palestinian towns and cities across territory. Due to Israel's claims on the settler population, the land they inhabited, and land for future development, some Palestinian towns in the West Bank were permitted to fall primarily under the *de jure* authority of the new PA, while others were located in areas where the PA's authority in security and policing is shared with, and effectively subordinated to, the Israeli military. In fact, Oslo II divided the West Bank into three zones, decreasing in Palestinian control over affairs of policing and security. This division is summarized briefly below, described in more detail in Appendix A, and visible in Map 2.2:

- "Area A", which was to fall under full Palestinian civil and security jurisdiction;
- "Area B", which was to fall under full Palestinian civil jurisdiction but for which security-related authority was to be shared by Israel and the Palestinian Authority; and
- "Area C" which was to fall under full Israeli civil and security-related jurisdiction until additional land transfers could take place.

Area A contained all of the largest Palestinian cities, including the cities of Jenin, Tulkarem, Qalqilya, Nablus, Jericho, Ramallah, Bethlehem, and Hebron (although the latter was placed under a special arrangement in 1997) in addition to some smaller towns. Area B contained many of the surrounding towns and hamlets. Finally, Area C was sparsely

populated, but contained the fertile Jordan valley and most of the existing Israeli settlements and land designated for settlement expansion.[6]

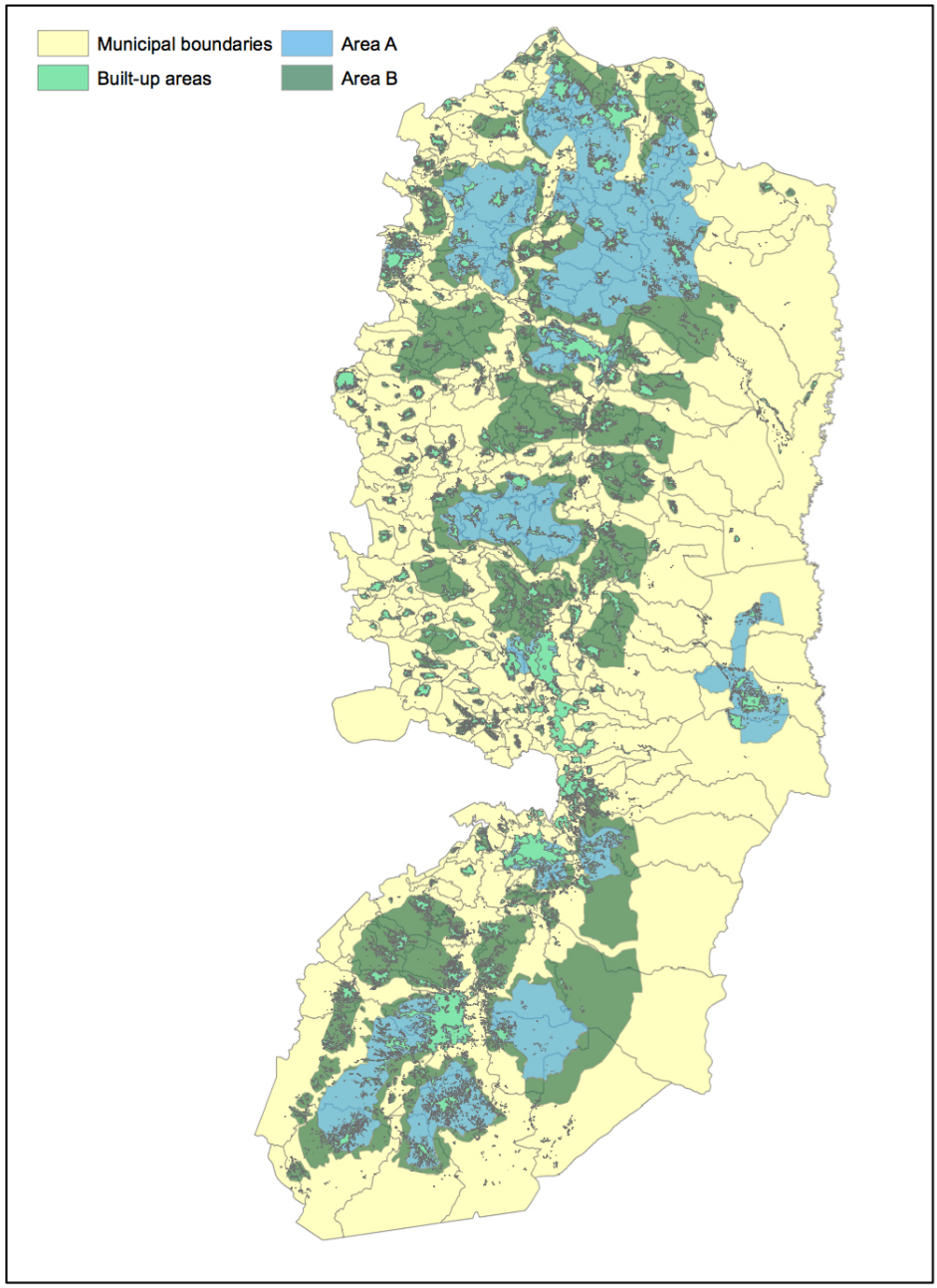
Importantly, these divisions were non-random. As suggested, they had much to do with the location of major Palestinian population centers, existing and planned Israeli settlements, and strategic resources. However, to support the identification strategy used below, I posit that there was *some* randomness for small- and medium-sized Palestinian towns as to whether these towns fell mostly into Area A or Area B. Variables that may have accounted for selection into Area A and Area B are discussed in more detail in section 2.6.

While the negotiations that led to the drawing of these maps were opaque, there is qualitative evidence suggesting that Israel's priorities in the negotiations were to achieve an interim agreement that would allow them to 'test the waters' with Palestinian self-rule in piecemeal steps. Consistent with Israel's priority of protecting its settler population and key military and natural resource areas, maintaining discretion over security was key for Israel's negotiators. However, to achieve its goals, concessions to Palestinian populations had to be made. Shimon Peres, one of the architects of the first part of the Oslo Accords, described his view leading up to the negotiations. Of a much more limited plan for Palestinian autonomy, first proposed by Menachem Begin in 1978, Peres admitted:

> "I felt there was no real prospect of implementing the Palestinian autonomy plan...I believed that genuine implementation would mean in practice negotiating the handover of the entire West Bank and Gaza to Palestinian rule, for which we were not ready. Instead, I supported the idea of an interim agreement. If we could not agree on a map at this stage, at least we could reach an agreement on a timetable, in the hope that time itself would alter the circumstances so that we would eventually agree with the Palestinians on a common map," (Peres 1995, 277-8).

The Israeli side – if not publicly – privately felt strongly that the interim agreement was merely a trust-building measure. There was no necessary, logical extension of Palestinian authority beyond what was agreed upon unless certain security conditions were met that could make such a concession politically feasible. The extent and speed of future redeployments of Israeli forces out of the West Bank was something over which Israel itself would maintain full control (Peres 1995, 289).

[6]International and local organizations have conducted extensive research on the effect of the restrictions on Area C – whose land and resources are essentially off-limits for Palestinian development – on the Palestinian economy. See, for example, Kadman (2013); World Bank (2013). This is an area of enormous policy importance, however because no major Palestinian population centers are located in Area C, it is not an area of focus for the current study.



Map 2.2: Map of the West Bank, including municipal boundaries, Areas A/B/C.

Identifying the factors that generated the exact borders of Areas A, B, and C in the West Bank is not an easy task. The creation of these zones was the result of closed-door negotiations, and the participants were not the same ones who were involved in the Declaration of Principles (or "Oslo I"). A senior member of the Israeli negotiating team at Oslo was emphatic to note to me that he was not involved in the subsequent "Oslo II" negotiations (Phone interview with Author, December 15, 2016). From his perspective, the military was "too involved in the second negotiations to compensate" for their minimized role in the first Oslo process. Additional, qualitative evidence suggests that Israel, and in particular, the Israeli military establishment, had a disproportionate influence on the starting point and trajectory of the negotiations that led to the creation of Areas A, B, and C. A senior member of the Palestinian delegation who was present for the drawing of the Oslo II maps lamented that the Palestinians were at a serious disadvantage during these negotiations, as they had "no maps, no satellite images" and no political institutions yet that could have provided such data, (Interview with Author, Ramallah, December 13, 2016). While they requested this data from third parties, they were reportedly refused access and, thus, had to rely on the maps that the Israeli delegation brought with them to the negotiations. A senior member of the United States delegation did not respond to repeated requests for an interview.

From the Palestinian perspective, Oslo was seen as a first step toward eventual, full autonomy in the West Bank. The accords, at least nominally, represented a transitional arrangement: in the months and years that followed, Israel was to slowly transfer more land from Area C (areas of full Israeli control) to Area B, and even Area A, in exchange for security cooperation and a reduction in violence from the Palestinian side. In the Wye River Memorandum of 1998, Israel agreed to redeploy its military in phases under these conditions, however only a small amount of land was transferred before the agreement fell through. The second *Intifada* broke out in 2000 in part due to the stagnation of the supposedly temporary arrangement that was embodied in the Oslo Accords. In a 2005 meeting of the redeployment coordination committee, the Palestinian delegation head, Ismael Jabr, noted the importance of Area B in particular: "We want our jurisdiction in Area B...We want the police stations to be re-opened." (Al Jazeera Palestine Papers 2005).

While much attention has appropriately focused on larger status issues in the conflict – i.e. the fate of the city of Jerusalem, the future of Israeli settlements in the West Bank, and Palestinian access to the vast amounts of land in "Area C" of the West Bank – it is clear that the distinctions regarding policing and security even *within* zones of nominal PA rule (Areas A and B) has been an important constraint on Palestinian state development. Entrances to Area A – the areas where the PA has greater coercive authority – are clearly

Figure 2.1: Entrance to Area A.

demarcated (see Figure 2.1) and, except during unusual circumstances, are not visited by either Israeli civilians or military personnel. The ability of Fatah, the ruling party in the West Bank, to project statehood has depended critically on what is able to achieve in these high-capacity areas.

Finally, and importantly, while the Palestinian authority over security varied across the three zones of the West Bank described above, the political structure was centralized. Khan (2004) describes executive centralization as a key feature of PA rule, and one that contributed to corruption and "maladministration" within the PA. He notes "this architecture was essential for the 'security-first' route that Israel insisted on, and nothing else was on offer to the Palestinians in their attempt to construct a two-state solution," (13-14). This has meant that Palestinian control over the internal coercive apparatus has been concentrated in the hands of Yasser Arafat's Fatah party. In January 2005, two months after the death of the popular Palestinian resistance leader, his nominated successor, Mahmoud Abbas, won a resounding victory in presidential elections that extended one-party rule in the PA for years to come.

2.3.4 Background on Local Governance

The Palestinian population in the West Bank had some very limited experience with what might be referred to as "self-rule" at the local level prior to the creation of the PA.

In fact, the Oslo Accords effectively superimposed a central government with *limited and variable autonomy* on top of a pre-existing municipal governance structure. Thus, even following the creation of the central PA government, municipalities maintained their significance as an area of meaningful political mobilization and control for factions within the national movement.

Historically, local governments in the West Bank had functioned with varied levels of oversight and discretion under Ottoman, British, Jordanian, and finally direct Israeli authority.[7] The PLO was not formed until 1964, thus municipal councils did not feature a strong Palestinian nationalist voice during most of the Jordanian period – most mayors and council members were reliably conservative and loyal to the Hashemite monarchy in Jordan. This approach toward West Bank elites was replicated through all levels of the Jordanian government. As G. E. Robinson (1997, 10) states, "[i]t was precisely those notables who had tacitly renounced their national Palestinian aspirations who were chosen for positions in the Jordanian state."

After capturing the West Bank in 1967, Israel found itself in a position of overseeing Palestinian municipal councils. Israel initially sought to maintain allegiances with the traditional, pro-Jordanian rulers until 1976 (Ma'oz 1984). Because Israeli bureaucratic presence in areas of civil governance was limited, Palestinian municipal institutions in the West Bank began to fill some of the gaps. Municipalities were responsible for providing basic services, however – speaking to the centrality of land and territory in the conflict – their role in zoning, planning and development was quite limited (Shahwan 2003). As the Palestinian nationalist movement gained ground in the Territories, municipal governments became a base upon which the Palestinian resistance movement could coalesce. In 1976, Israel permitted local elections in the West Bank, and many Palestinian nationalist candidates affiliated with the PLO swept into victory, advocating resistance against the Israeli occupation and continued struggle for national self-determination (Ma'oz 1984; Tessler 2009). This empowerment of local nationalist leaders did not last long, however. One of the mayors elected in 1976 recalls that municipal budgets fell under serious scrutiny from the Israeli military authorities, and portions of the budget were even kept in the municipal council members' houses to avoid complying with orders to keep the funds in Israeli bank accounts (Interview with Author, northern West Bank, 3 December 2014). Finally, several of these elected mayors were targeted with assassination attempts

[7]For more information on local government during the Ottoman, British and Jordanian periods, see Shahwan (2003), Ma'oz (1984, pp. 20-61), and G. E. Robinson (1997, pp. 1-18). For context on local economic and political configurations between local elites in the mid- to late-Ottoman period, see Doumani (1995). She provides a particularly illuminating description of Ottoman strategies for tax collection on pages 17-18.

by the Jewish Underground in 1980. By 1982, all elected mayors were replaced by appointed leaders amid a climate of increasing Israeli repression of Palestinian nationalists. In 1984, Israel's High Court of Justice upheld a decision by the military administration to ban local elections in the West Bank. Benvenisti (1986, 41) describes the decision: "The court accepted the [Israeli military] authorities' position that municipal elections in the West Bank were a framework for national struggle and an instrument for the PLO to undertake subversive activities."

There are other indications that Israel's ability to completely coopt or repress local-level Palestinian leadership was limited. For example, it is worth noting that Israel pursued a slightly different strategy to maintain compliance in the smaller towns. Only 25 towns in the West Bank were recognized as municipalities by Israel during this time. Israel attempted to divide the rural Palestinian population from the urban nationalists with the creation of the "Village Leagues" in the early 1980s, yet these puppet leaderships were largely seen as a failure. Tessler (2009) writes: "In practice...the village leagues were unable to strike roots; aside from gaining the support of some members of their immediate families and clans, the leagues could not claim any substantial constituency," (p. 552). Many villages and towns were upgraded to municipalities after the creation of the PA.

Experiments such as the Village Leagues and the 1972 and 1976 municipal elections show that Israel was willing to pilot strategies in which the Palestinians were granted some degree of local self-governance, and these experiments, while risky, were at the time seen as preferable to direct rule by the Israeli civil apparatus at the local level. Israel's policies in the territories – its settlement policies, its construction of roads and infrastructure, and the restrictions it put in place to limit Palestinian access to Israeli labor markets – meant that Palestinian areas became geographically and, over time, increasingly economically isolated from Israeli areas. Practically, this meant that the systems of local governance of the Palestinian- and Israeli-populated areas also functioned as relatively distinct from one another.

In the end, while Israel did devolve some self-governing authority to local actors in the Palestinian Territories, the Israeli Civil Administration (CIVAD) under the Ministry of Defense still had most *de facto*, final authority over resources and governance, and the upper echelons of CIVAD were comprised of Israeli individuals. Israeli policy toward localities in the West Bank and Gaza can be described in general terms as the selective empowerment of Palestinian elites who were willing to work within the system. Popular grievances associated with this process fed into the First *Intifada*.

During the Intifada, Palestinian-led municipal governments were in an awkward position. During this time, Palestinian municipalities were continuing to provide basic ser-

vices to their constituents, but with increased difficulty. This was partially due to economic stagnation in the 1980s (Shahwan 1992) and, of course, partially due to the uprising, through which parallel, grass-roots organizations of Palestinian leaders were directly challenging Israeli authority. In describing the role of the Beit Sahour municipality during the *Intifada* protests, one senior activist notes: "The municipality at that time was playing many different roles. [On] one hand, they are part of the community; [on] the other, they are the liaison for the [Israeli] occupation," (Interview with Author, Beit Sahour, 6 December 2014). Thus, in many ways, the Palestinian staff of these municipal governments depended on the Israeli military administration for their jobs and survival, yet also sought to avoid alienating a grass-roots, Palestinian resistance movement that amassed widespread public support.

With the creation of the PA in 1994, municipal governments experienced a relatively radical shift – they were subsumed under a central Palestinian government for the first time. Fatah, the PA's founding party, was faced with the task of exercising authority at the national level that was functionally and geographically restricted, as described above. As the new PA defined municipal boundaries in the mid-1990s following the Oslo Accords, some towns were based on old boundaries that had existed under Jordanian and British rule, whereas other new units were created. Importantly, the PA sought to project its authority over the entirety of the West Bank, so the definition of municipal units was comprehensive, and many towns, so defined, contained a combination of Areas A, B and/or C (See Figure 2.2). In an interview with a general director in a municipality in the Tulkarem district, he described when the PA came in 1994 and his town transformed from a village council to a municipality. He described that the members of the former village council had been seen as collaborators with the Israeli occupation, so the new, central Palestinian government insisted on making changes. (Interview with Author, Tulkarem governorate, 16 November 2014). Municipal councils were not freely elected until the 2004-2005 elections. In the meantime, municipalities operated more freely than they had under direct Israeli occupation, but they also chafed somewhat under their new central government.

2.3.5 Fragmentation of the National Movement and 2004-2006 Elections

Fatah was the founding party of the Palestinian national movement. It was formed very soon after the PLO itself was established, and, under Yasser Arafat, it soon becoming the leading faction within the organization. However, it has not been without its challengers. While secular, leftist parties including the Popular Front for the Liberation of Palestine (PFLP) have moderately strong grass-roots representation in the West Bank, Fatah's most significant challenge has come from the Islamist party, Hamas.

Hamas was established during the First Intifada as a branch of the Egyptian Muslim Brotherhood. Although it organized its own activities and, at times, competing message, in practice it largely worked in a complementary fashion to the PLO resistance efforts at the time of the Intifada (Pearlman 2011; Roy 2013). However, the Oslo Accords sharply divided Hamas from Palestinian nationalists who supported the formation of the PA as a path toward independence. The Islamist factions, including both Hamas and Palestinian Islamic Jihad, rejected the compromise reached with Israel. According to Tessler (2009),

> "The Islamist movement, particularly Hamas, was the most important counterweight to the Palestinian Authority. Hamas and Islamic Jihad opposed Fatah and the PA on ideological grounds, not for authoritarianism but for participating in a peace process they considered futile as well as illegitimate," (792).

And, Tessler (2009) goes on to describe, while they didn't form a formidable threat to the new PA and President Arafat in the early years following Oslo, they did develop a strong grass-roots presence in the Territories during this time. In the early years of the PA, groups that opposed Oslo, including Hamas, turned to civil society and associations to promote their message (Jamal 2009, 53). With the concentration of formal authority in Fatah's hands following Oslo, rejectionist groups worked to maintain connections with the Palestinian street. Further, even at the end of the First Intifada, Hamas's militant wing, the Qassam Brigades, carried out suicide attacks inside Israel to avenge the massacre of 29 Palestinians by a Jewish settler in Hebron (Roy 2013, 35-6). After the transition to Palestinian self-rule began, it was the Palestinian Authority, not Israel, that began cracking down on Hamas activists in the West Bank and Gaza to reduce such acts of violence (Roy 2013, 36).

Hamas's entry into the Second Intifada, which lasted from 2000 to 2005 and was more violent than the first, signified the growing disillusionment with the peace process promoted by Fatah and increasing divisions within the Palestinian national movement (Pearlman 2011). The first local elections under Palestinian self-rule were held between December 2004 and December 2005, at a time when Hamas was becoming increasingly popular in the West Bank. Pro-Hamas party lists made strong gains in a number of municipalities.[8] The subsequent parliamentary elections across the West Bank and Gaza Strip in 2006 allowed the movement to claim 74 out of 132 of seats in the Palestinian Legislative Council. This surprised many international observers. Since the US and other

[8]See section 2.5 below for how these election results were coded. Municipal council seats are awarded proportionally to party lists, but it is not always clear which lists were Fatah sympathizers, which were Hamas sympathizers, and which were neither. More details are provided below.

members of the so-called Quartet of Middle East donors – the US, EU, Russia and United Nations – considered Hamas a terrorist group, their election victory caused a halt in foreign aid to the PA until Hamas relinquished the use of violence, accepted previous peace agreements, and formally recognized Israel (Human Rights Watch 2008). Subsequently, fighting between Fatah and Hamas escalated and Hamas managed to seize control of the Gaza Strip in June 2007. Hamas has governed Gaza since then in the context of strict Israeli control of the entry of materials and persons in and out of the Strip.

Following Hamas's victory in the election and takeover of Gaza, reports of repression and human rights abuses mounted, accusing Hamas of targeting Fatah supporters in Gaza and Fatah doing the same to Hamas supporters in the West Bank (Human Rights Watch 2008). My analysis below comes in the wake of the rise of Hamas and this historic split between PA political institutions in the West Bank and Gaza. The divisions within the national movement had been evident for some time since Oslo, but the series of local and national elections between 2004 and 2006, and the subsequent split in governance of the West Bank and Gaza in 2007, made them dramatically more visible.

2.4 Hypotheses

As described above, the central government's coercive authority varies as a result of the Oslo Accords. Whereas the Israeli military occasionally violates the security arrangements agreed to at Oslo by entering into Area A towns, the Palestinian Authority has less ability to act in such a way as to alter the balance of power in their favor. For example, even if the PA deployed its police to a site in Area B or C without obtaining the requisite permission from Israel in advance, the Israeli military could respond to this act by deploying its disproportionately stronger military resources. Due to its superior military strength and equipment when compared to the Palestinian police and security apparatus, demonstrations of force by Israel in Palestinian areas can definitively undermine the PA's seeming "monopoly" on violence.

Thus, the restrictions on Palestinian coercive deployments in Areas B and C can be conceptualized as *de jure* and *de facto* limitation on the *coercive capacity* of the aspiring Palestinian state. This variation in coercive capacity provides an opportunity to test one of the claims supported by existing literature: namely, that increased state control over the means violence will make it easier for the state to extract revenue from its population. Following from this literature, the first hypothesis below predicts that increased Palestinian control over the means of coercion will result in greater popular willingness to contribute to revenue mobilization efforts:

H1. The PA will demonstrate greater fiscal capacity in those areas where it has greater coercive capacity, *ceteris paribus*.

The 2004-2005 local elections also provide an opportunity to examine how partisanship is related to fiscal capacity. As described below, there are reasons to suspect that the party in power at the local level may interact with the coercive capacity of the central government to shape revenue collection.

As noted, the 2004-2005 elections resulted in some municipal councils being dominated by Hamas and others by Fatah. Historically, municipal councils have been an intermittent venue for Palestinian nationalist mobilization. Especially following the 1976 elections, they were monitored by Israel and, at times, council members and mayors were direct targets of Israeli repression. However, precisely because they were functioning in an environment of surveillance – where, for example, their access to outside funds from the Palestinian diaspora or other Arab countries was heavily scrutinized – municipal institutions were forced to be relatively entrepreneurial and self-sufficient. This means that municipalities became a legitimate arena for political competition, a legacy that would carry over into the post-Oslo period, when the creation of the central PA effectively removed municipal councils from direct Israeli supervision. The historic and strategic importance of these municipal institutions helps explain why Hamas chose to compete against Fatah for the first time in local elections. Both sought strong representation on municipal councils and in mayorships, because municipalities remain one of the most promising avenues for forging connections with the Palestinian public and solidifying grass-roots support.

Why would partisanship shape the link between coercive and fiscal capacity? First, we can think of Levi (1988)'s "quasi-voluntary compliance" by taxpayers as the implicit mechanism underlying the proposition in the existing literature that the coercive and fiscal capacities of the state will be positively correlated. After observing an effective state coercive apparatus in action, individuals will be more willing – or, to put it in less fully "voluntary" terms, face a greater incentive – to comply with revenue collection. This is *quasi-voluntary* in the sense that individuals may be moved to contribute more to the state coercive apparatus because they are deriving benefits from it in the form of protection or national defense, or individuals may be compelled to contribute out of fear that the same coercive apparatus could be turned against them if they do not. In Levi (1988)'s research, we learn that effective state-citizen relationships take advantage of this mixture of volition and fear. Either way, the mechanism relies on a *coherent conception of the state*

as both provider of coercion and extractor of revenue, a coherence that we might expect to endure in settings where the same political party or set of political leaders fulfills both functions.

Thus, in applying this to the Palestinian context, areas governed by Fatah at the local level may be better able to leverage greater Palestinian authority over policing at the central level and generate greater fiscal capacity. This leads to the following, interactive hypothesis:

H2a. Coercive capacity and revenue collection will show a stronger positive association in Fatah-dominated areas as compared to Hamas-dominated areas, *ceteris paribus*.

Yet, there are also reasons that we might expect exactly the opposite. Following its victory in the 2006 national legislative elections, Hamas, as a political movement, faced a sharp reduction in funding. Transfers to the PA from foreign donors and from Israel were reduced, and there is evidence to suggest that these losses were passed onto Hamas. As noted by a mayor of a northern West Bank town who won on a Hamas list: "In 2005, they had a project to build a school, and it was 90 percent completed, but then [the United States Agency for International Development] USAID realized the elected municipal council was mainly made up of Hamas members. This shouldn't [affect] municipal projects, but they stopped the funding for the school," (Interview with Author, 16 November 2014). Thus, beginning in 2006, Hamas may have been forced to rely on taxation of its West Bank constituents to a greater extent than Fatah.

While Hamas exhibited a greater demand for local revenue during the post-2006 period, why would taxpayers necessarily supply it? Here, I hypothesize that Hamas's ability to transform its demand for more revenue into greater actual revenue collection might have depended on the coercive environment.

The qualitative analysis above suggests that the development of the Palestinian coercive apparatus has been quite different from the processes by which states generated monopolies on violence in the past. The Oslo Accords layered national-level, coercive institutions on top of existing, and strategically important, municipal institutions. Further, since the PA has no *de jure* or *de facto* authority over national defense or external security, the entire coercive apparatus is focused on internal policing. In the context of a fragmented national movement and given the inward-facing nature of the Palestinian coercive apparatus, the temptation to use coercive authority to repress one's rivals is strong. Indeed, evidence suggests that, especially following the 2006 elections and subsequent 2007 coup in Gaza, each party began to use its security and police forces to crack down

on the other (Human Rights Watch 2008). Thus, Fatah activists were repressed in Gaza, while Hamas activists and affiliates were imprisoned in the West Bank. As documented in a report by Human Rights Watch:

> "After Hamas's violent takeover of the Gaza Strip in June 2007, Fatah and the Palestinian Authority feared a similar fate might befall the West Bank. They took immediate steps to crack down on Hamas members and institutions, with the political and financial support of Israel, the United States and European Union, which likewise wanted to see Hamas's influence in Palestinian politics reduced or eliminated," (Human Rights Watch 2008).

While Israel also sees Hamas as its enemy, it can largely outsource repression of Hamas to Fatah-dominated police and security services. Israel's use of the PA to outsource its repression of Palestinian threats in the West Bank is well-documented. Hilal and Khan (2004, 84) describes this dynamic that was built into PA institutions from the time of their construction:

> "[T]he initial focus of externally assisted institutional capacity-building in the [PA] was in the areas of policing, surveillance, and the maintenance of internal order. The [PA] had to prove its 'capacity' in these areas in order to make progress toward statehood. This meant essentially proving that it was able and willing to use repression on a sufficient scale to satisfy Israel that it could transfer to it the job of policing the Palestinians in the occupied territories. A number of competing security forces were set up within the [PA] structure, each answerable directly to the President."

The centralization of PA security forces under then-President Yasser Arafat continued after Arafat's death under his successor, Mahmoud Abbas. The security of Israel's settler population in the West Bank has consistently relied on one-party – if not one-man – control over the armed wings of the Palestinian pseudo-state. Hamas, both a fierce rival of Fatah and an enemy of Israel, is a natural target for surveillance and police repression. Thus, one can infer that the threat of repression for Hamas supporters is higher in areas where Fatah has greater control over policing – namely, the high-capacity ("Area A") towns.

While the effects of repression on a movement have been found to vary across contexts or over time, some literature in the field suggests that repression can lead to greater mobilization by popular movements, and this mobilization can take forms other than protest (Davenport 2005; Lichbach 1987; Moore 1998). Thus, there are reasons to expect that repression by the Fatah-dominated PA – real and threatened – will lead to an increase in the

mobilization efforts of Hamas. In addition to rallying political support, the repression, or threatened repression, of Hamas supporters in the West Bank may also lead constituents to more actively comply with Hamas's revenue-generating policies. This would increase revenue generation in Hamas-dominated towns facing repression, producing the following, rival hypothesis to **H2a**:

H2b. Coercive capacity and revenue collection will show a stronger positive association in Hamas-dominated towns as compared to Fatah-dominated towns, *ceteris paribus*.

To summarize, **H1** predicts an unconditional, positive relationship between policing capacity and fiscal capacity, in keeping with the traditional literature on the development of state capacity; **H2a** hypothesizes that the positive relationship between policing capacity and fiscal capacity will be significantly stronger in Fatah-run municipalities; and **H2b** hypothesizes that the positive relationship between policing capacity and fiscal capacity will be significantly stronger in Hamas-run municipalities. While **H2a** and **H2b** are mutually exclusive, neither is mutually exclusive with **H1**.

2.5 Data and Empirical Analysis

Below, I describe my data and the research design I use to ascertain how variation in coercive capacity and the ruling party at the local level affect municipal revenues. My main quantitative analysis uses ordinary least squares (OLS) regression on a newly constructed dataset of municipal revenues, policing capacity, the local ruling party, and other control variables.

2.5.1 Fiscal Capacity

I proxy for the PA's fiscal capacity with municipal revenues per capita. Detailed data on municipal revenues come from the PA Ministry of Local Government, including total revenues and revenues by source, for 107 municipalities in the West Bank from 2006 through 2012. I manually extracted the revenue data from approximately 749 detailed, yet inconsistently formatted, budget workbook files in Arabic – one file for each municipality-year – and entered these data into a clean and consistently formatted dataset in English.

Why examine municipal, rather than central government, revenues? There are a few challenges to assessing how variation in the PA's policing capacity might affect its ability

to raise revenue. First, variation in the size or capacity of a state's police force would be expected to affect the state's *demand* for revenue. Specifically, the PA may exert greater tax effort in areas where revenues are explicitly needed to finance the police force. This alternative mechanism may generate a correlation between coercive and fiscal capacity, but tax effort would likely be responding to existing budgetary needs rather than greater mobilization efforts or greater subsequent compliance. Second, the Palestinian police and security apparatus is funded through taxation and donor contributions to the *central* PA budget. Tax revenues at the central government level are additionally complicated by the fact that Israel actually collects a large share of the PA's taxes – including import taxes and value-added tax on imported items – and then transfers the revenues to the Palestinians. The PA does collect income, sales, and property tax itself, however it would be difficult to pinpoint the geographic "incidence" of these taxes. For example, a Palestinian resident who lives in an Area B town may nonetheless work and pay consumption taxes in Ramallah. Data to connect income or sales tax payments to an individual's place of residence is not currently available, which would be critical for testing the hypotheses above. Property taxes would be an interesting alternative, however property tax collection was being phased into municipalities during the time period covered here and many municipalities did not yet feature this source of revenue.

For these reasons, I use data on municipal government budgets. Regardless of the central government's authority over policing, Palestinian municipalities are responsible for providing the same set of goods and services across the West Bank and face the same budgetary needs. Thus, the variation in policing authority does not affect the demand for revenue from the municipality's perspective. Further, focusing on municipal-level outcomes allows us to examine the effect of the party in power – i.e. Hamas or Fatah – on revenues for otherwise similar towns in the West Bank.

Municipal governments in the West Bank engage in activities such as street maintenance; solid waste collection and disposal; water and electricity supply (although much of this is transitioning to private providers, as discussed below); town planning and road rehabilitation; providing small contributions to schools, libraries, and health centers; maintaining sewage and drainage systems; maintaining cemeteries; maintaining fruits and vegetable markets; and the like. Municipalities generate revenues from a variety of sources, including user fees for some of the services mentioned; fees for licenses and permits; and taxes that are transferred from the central government. I restrict my attention to revenues collected through permit fees, service provision fees, and fines, all of which are directly collected by the municipality itself. Thus, this measure does not include taxes – such as property and agricultural land taxes – that are collected by the

central government and transferred to the municipalities. Further, I exclude fees collected for electricity and water provision. These are often quite a large source of revenue for municipalities, however only some municipalities collect these fees themselves; over the time period contained in the dataset, an increasing share of towns were relinquishing this service to semi-private utility companies.[9] To ensure I am comparing comparable sources of revenue across towns, I restrict my attention to other service fees (i.e. waste collection, sewage treatment, slaughterhouse, meat/vegetable market fees, etc.), permit and licensing fees, and fines, all of which were possible forms of revenue collection for all West Bank municipalities over the time period analyzed.

I remove three municipalities that are outliers from the sample. Nablus and Hebron, the two largest cities in the West Bank, are dropped. While the median population in 2007 for the rest of the sample is 7,475, these two cities have populations that exceed 100,000.[10] I also remove Ramallah, the *de facto* capital of the PA. Due to the town's saturation with aid agencies and non-governmental organizations (NGOs), Ramallah is an outlier in its level of economic development. For example, the share of the population employed in the private sector – which includes NGOs – is over 50 percent in Ramallah while the mean for the rest of the sample is just over 8 percent. This means that Ramallah features a much larger tax base than other Palestinian towns and cities. Thus, the reduced sample includes 104 municipalities.

I use Palestinian Central Bureau of Statistics (PCBS) annual population projections to compute revenues per capita mobilized by each municipality for each year (rpc).[11] The units are New Israeli Shekels (NIS), which is the currency used in Israel and the Palestinian Territories after 1967. Figure 2.2 shows the distribution of mean total revenues per capita for the 104-town sample, as well as mean revenues per capita for each of the component parts – service fees, permit fees, and fines. Towns ranged from generating an average of 2.53 NIS/capita (0.68 USD, 2010 dollars) to 179.18 NIS/capita (48.04 USD, 2010

[9]There are other reasons to exclude electricity revenues to the extent that we view fiscal capacity as capturing the ease with which governments are achieving compliance with their revenue-generating efforts. Electricity and water fees are increasingly being collected via pre-paid metering in the West Bank. Because access to the service depends on payment in advance, non-compliance is more difficult. Perhaps more importantly, the financing of electricity provision in the West Bank is quite complicated, however nearly all of the electricity in the West Bank is supplied by Israel. Palestinian consumers are aware that much of the revenue collected for electricity provision is eventually transferred to Israel. Thus, there is little room for Palestinians to imagine that compliance with fee payment, in this case, directly benefits either Fatah or Hamas, or the state-building project more broadly.

[10]Further, Nablus and Hebron both fall mostly within the high-capacity zone. If they also raise more revenue per capita simply due to the more complex and efficient fiscal institutions we might expect to see in larger cities, then they may bias my estimates of the effect of coercive capacity in a positive direction.

[11]The PCBS population projections begin in 2007, so I impute 2006 by assuming the same locality-specific population growth rate for 2006 to 2007 that was observed between 2007 and 2008.

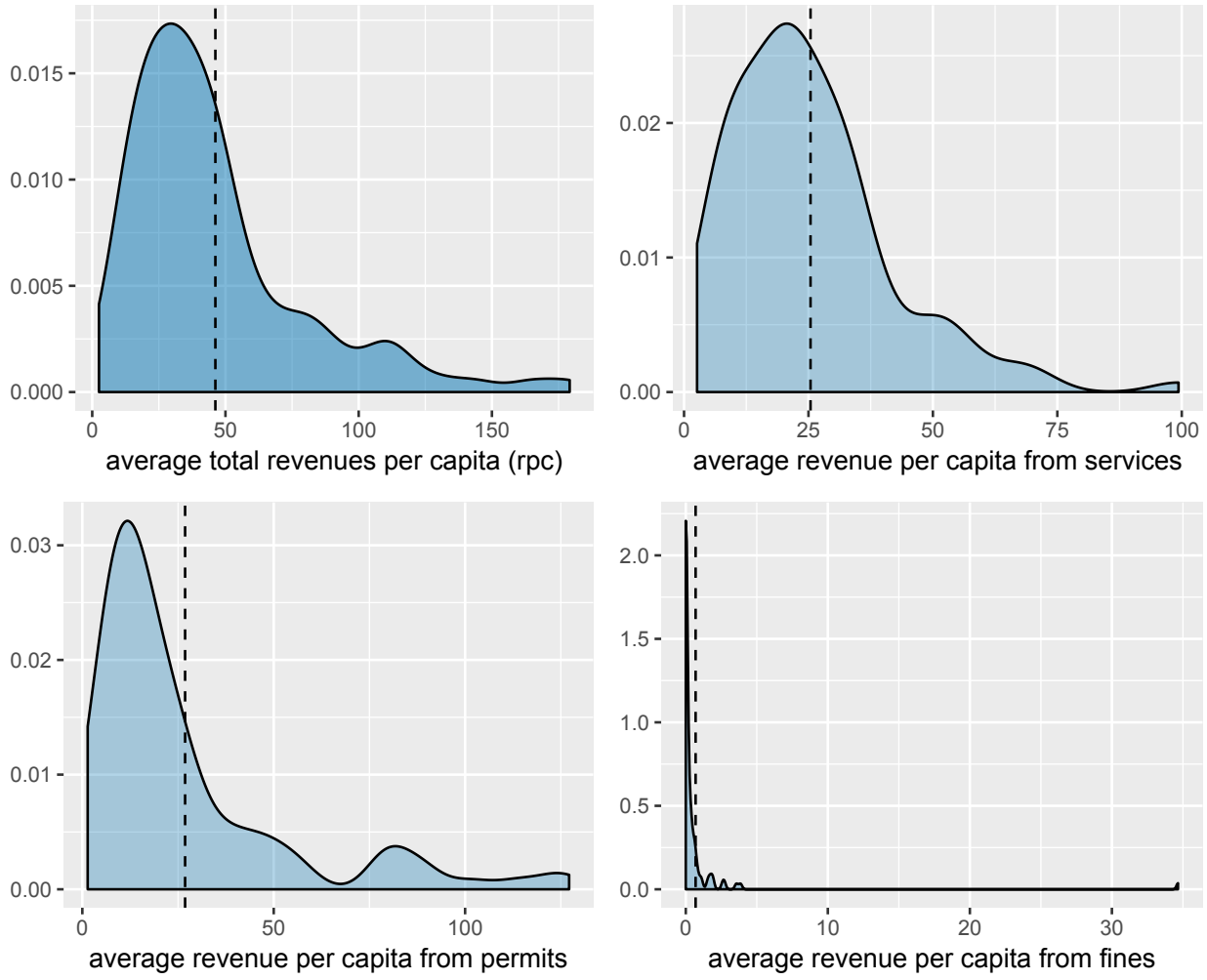


Figure 2.2: Density plots of average revenue per capita and component parts (services, permits, and fines).

dollars) over the seven-year period, with a sample average of 46.22 NIS/capita (12.39 USD, 2008 dollars). For context, GDP per capita in the West Bank and Gaza Strip ranged from 2,557 to 2,935 dollars/capita (2010 USD) between 2006 and 2012 (The World Bank n.d.).

These revenues only represent a fraction of the total revenues to which municipalities have access. As mentioned, municipalities also had access to transfers from the central government – including property taxes for select municipalities and vehicle licensing and registration fees. Further, some municipalities who had not yet moved to privatize electricity and water provision also generate substantial revenues from usage fees for those utilities. In 2008, the World Bank estimated that central government current transfers comprised approximately 13 percent of aggregate municipal budgets and fees from electricity and water approximately 50 percent (World Bank 2010, 75). Note that these are observations from a single year, thus year-to-year fluctuations in central government transfers, which anecdotal evidence suggests are sometimes dramatic, are not reported. The fees that we examine in the analysis below do not comprise the majority of municipal revenues on their own; however, for the reasons mentioned above, they are the best collection of revenues to capture relatively direct and unmediated forms of exchange between municipal governments and their populations.

2.5.2 Coercive Capacity

The first independent variable of interest is the coercive capacity of the central Palestinian government. In "Area A", as described above, the Palestinian police have full authority. In "Area B", however, they are required under the terms of the Oslo Accords to coordinate policing activity more closely with Israel. While over 60 percent of the territory of the West Bank falls in "Area C", where the Israeli military has complete authority, there are no major Palestinian population centers with municipal governments in this area. Thus, the distinction between Areas A and B is the focus of the analysis below.

As shown in Map 2.2, municipality borders do not neatly line up with the delineation of areas of more (Area A) and less (Area B) coercive capacity. My primary measure of the coercive capacity associated with a municipality is a dichotomous measure, *coerce*, capturing whether most of the municipality's "built-up" or populated area falls within Area A ($coerce = 1$) or Area B ($coerce = 0$). This measure is constructed from Palestinian Ministry of Local Government geo-referenced data (Palestinian Authority 2015) on building cover. Geo-referenced boundaries of Areas A and B were obtained from the Israeli human rights organization, B'Tselem. I first constructed a continuous measure of the share of a town's built-up areas that are in the high-capacity region (see Map 2.2 to view the

built-up areas in Area A); thus, higher values denote more coercive capacity. I find that, although a few towns are split more evenly, the distribution tends to be fairly bimodal (see Figure 2.3), with almost no density around the midpoint. Therefore, I primarily use the dichotomous measure in my analysis below, since it seems to capture the substantive distinction of importance for how much coercive capacity the central government possesses in a given town. Using the continuous measure (*coerce_share*) alters the statistical significance, but not the direction or approximate magnitude, of some of the estimated effects as noted below.

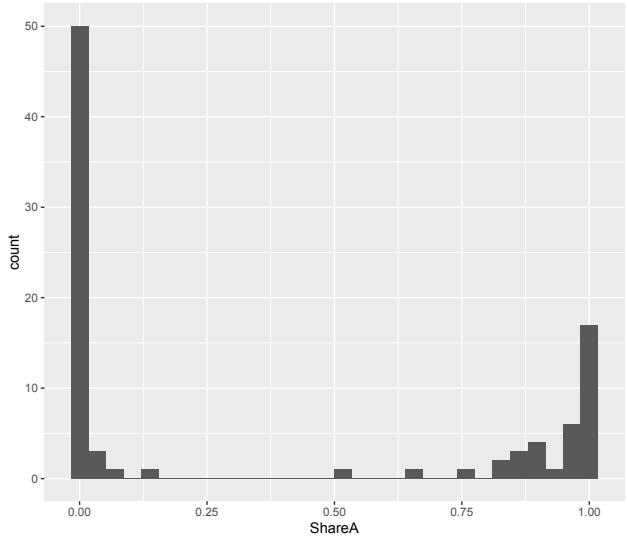


Figure 2.3: Continuous measure of share of municipality in "Area A" (*coerce_share*).

The Ministry of Local Government's data on built-up areas is unavailable for 16 towns in my dataset. Thus, I used a secondary data source on the share of *populated areas* in each town that are in the high-capacity ("Area A") zone to code *coerce* for those observations which would otherwise be missing. We might expect the area in which the population resides to closely align with that population's experiences with coercive institutions, and thus a measure based on populated areas, rather than building cover, might be preferable. However the exact boundaries of the populated areas are approximate. They are taken from a map designed by B'Tselem whose data I was only able to access via the organization's website. In Figure 2.4 below, I show examples of the B'Tselem data on populated areas for four municipalities. The darkest shade of brown represents a Palestinian populated area. The next darkest shade of brown indicates a high-capacity area ("Area A"), while the next darkest shade (a yellowish color) indicates a low-capacity area ("Area B"). Finally, the lightest shade of yellow indicates Area C. In the examples provided, Rawabi and Bal'a would be coded as falling mostly in Area A (*coerce* = 1), while Atara and Deir

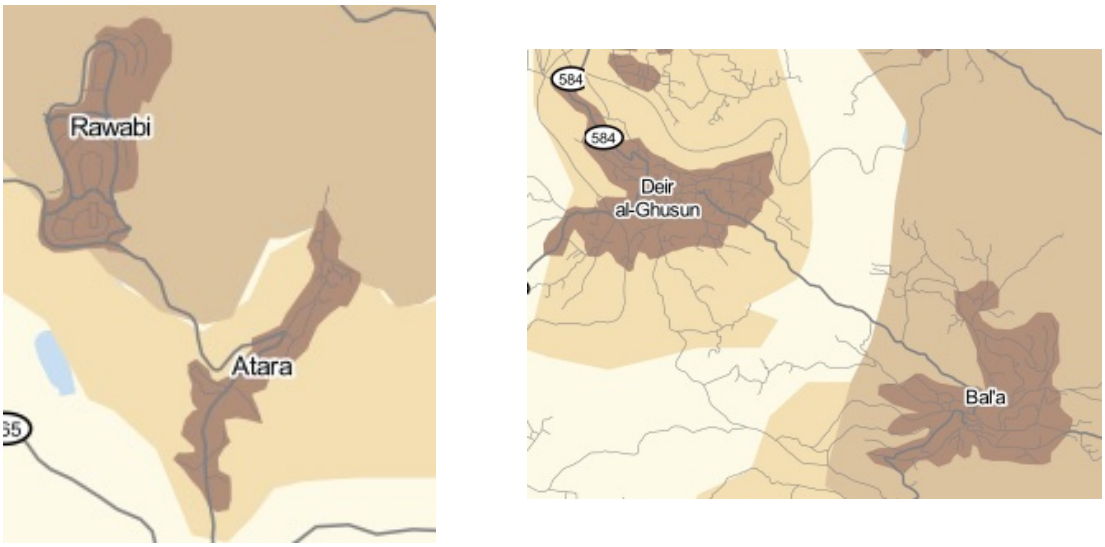


Figure 2.4: Examples of Area A and Area B municipalities using BT'Selem map.

al-Ghusun are coded as falling mostly in Area B (*coerce* = 0). While these codings are a bit more approximate, they do highlight how seemingly arbitrary some of these divisions were for small towns located right next to each other that are minimally different from each other.

2.5.3 Dominant Party

The variable *fatah* captures which party is governing in each locality, coded as '0' if a Hamas list gained a plurality of seats in the 2004-5 municipal council elections or '1' if a Fatah list gained a plurality of seats. Fatah is the main founding party of the PLO and has governed the West Bank since the PA was established in 1994. Hamas, an Islamist party, is Fatah's main rival and has governed the Gaza Strip since 2007. Municipal mayors are selected by a majority vote from council members; if no candidate obtains a majority, then a run-off is held between the two candidates with the most number of votes on the council.

I use a dichotomous measure here instead of a continuous measure of seat share for the following reason. The local elections took place over four rounds between December 23, 2004 and December 15, 2005. In the first two rounds, councils were elected according to a block voting (or "plurality-at-large") system that resulted in a winner-take-all outcomes for Hamas, Fatah, or independent party lists. In August 2005, in between the second and third rounds of the elections, President Abbas signed a new local elections law which switched the system to closed-list proportional representation. Thus, for the final two rounds of the local elections, there is variation in the number of seats obtained by the

"winning" party. To obtain consistent coding, I use a dichotomous measure.

Much of the coding of the *fatah* variable was done by a Palestinian research assistant, who reviewed archived news stories available online to determine which party earned a plurality of seats. This was not a trivial task – especially for the last two rounds of the elections – since party list names were not constant across municipalities, thus local knowledge was critical. In our coding of municipal election results, a number of municipalities featured majority coalitions of local politicians with no clear connections to either party, or councils where Fatah- and Hamas-affiliated lists controlled equal numbers of seats. Towns falling into either of these categories were dropped in those analyses in which this variable is used. For the 83 towns that were coded, 43 councils were dominated by Hamas lists while 40 were dominated by Fatah lists.

2.5.4 Control Variables

Other than the effects of the functional restrictions on sovereignty that the Oslo Accords imposed, there are a number of reasons that Area A municipalities might mobilize more revenue than their Area B counterparts. In several of the estimations below, I include control variables to proxy for the underlying level of economic development and the size of the local government, both capturing sets of variables that would be expected to affect revenue collection. Unfortunately, the control variables described below are only available at the municipal level for a single year (2007 or 2008). The Palestinian Central Bureau of Statistics does not have the capacity to update these data annually. This raises concerns that they are endogenous, especially since my revenue data includes observations from 2006 and 2007. However, because municipal revenues and spending are relatively small compared to total local production, it is unlikely that revenue collection in one year would drive changes in the underlying level of economic development in the following years. While we do not know for sure, one might guess that these measures would be fairly static over the course of the seven-year period covered by my dataset.

The following control variables are used in several specifications below. First, *emp* measures the share of the population employed in the private or nongovernmental sector, and *est* measures the number of business establishments in operation per 1,000 residents. These statistics on employed persons comes from the Palestinian Central Bureau of Statistics (PCBS) 2009 governorate yearbooks, and the population of each town is taken from PCBS projections.[12] Unfortunately, these measures are not available for the ten towns in

[12]The numerator for *emp* and *est* is taken from tables in the PCBS yearbooks titled "Number of Establishments in Operation and Employed Persons in the Private Sector, Non Governmental Organization Sector and Government Companies." I interpret "Government Companies" to include publicly owned companies,

the Jerusalem governorate, so specifications including these control variables will drop those observations.

Housing density might also affect the ease of tax collection: *ohpc* is a measure of occupied housing units per capita in 2007, and is also taken from the PCBS yearbooks. Higher values of *ohpc* indicate a population that is spread out more sparsely across housing units, while lower values indicate residential units are more densely populated. Higher values of *ohpc*, therefore, could be a result of a wealthier population where fewer individuals reside in each house, while lower values suggest that housing units may include extended family members, for example. $Munemp$ is a measure of municipal employees per 1,000 residents, with the number of municipal employees per town taken from World Bank (2010). Finally, we also include the natural logarithm of a town's distance to the nearest Israeli settlement or military outpost ($\log(dist)$) in our battery of controls. Using data from the the Palestinian Ministry of Local Government GIS portal, I calculate the geodesic distance between each municipality and the nearest Israeli settlement or military base to construct $\log(dist)$.

Tables 2.1 and 2.2 provide descriptive statistics for the dependent variable (*rpc*), revenues per capita averaged over the seven-year period, and all righthand-side variables used in the subsequent analysis.

Variable	**Levels**	**n**	%
coerce	low	64	61.5
	high	40	38.5
fatah	Hamas	43	51.8
	Fatah	40	48.2

Table 2.1: Descriptive Statistics: Discrete Variables

Statistic	N	Mean	St. Dev.	Min	Max
rpc	104	46.22	33.98	2.53	179.18
coerce_share	88	0.35	0.45	0.00	1.00
emp	93	0.08	0.06	0.02	0.35
est	93	34.39	13.10	9.60	79.20
ohpc	103	0.18	0.02	0.14	0.22
dist	101	1,384.22	1,426.31	0.00	5,852.33

Table 2.2: Descriptive Statistics: Continuous Variables

but not governmental offices or ministries.

2.5.5 Coercive Capacity and Revenue Generation

H1 predicts that coercive capacity will be associated with unconditionally higher revenue. Since the coercive capacity of each municipality was designated during the Oslo process in 1994-1995, if **H1** is correct, we should observe higher revenue in the high-capacity towns than low-capacity towns when observing a cross-sectional average of revenues per capita over the full 2006 to 2012 period – the years for which we have data on the dependent variable. Greater *de jure* control over internal policing should generate consistently higher revenues. A simple comparison of average municipal revenues per capita over the seven-year period shows that high-capacity municipalities raise an average of 51.53 NIS/person (approximately $14.66 USD, 2008 dollars), while the low-capacity towns raise an average of 42.89 NIS/person (approximately $12.20 USD, 2008 dollars). However, a Welch two-sample t-test shows the difference to be statistically insignificant ($p = 0.22$).

Because the level of economic development is higher in high-capacity towns, it is not expected that a statistically significant relationship between coercive capacity and revenues is being obscured by omitted variables related to the level of development. Indeed, average values of all of the control variables related to development – employment in the private sector (*emp*), number of business establishments per 1,000 residents (*est*), occupied housing units per capita (*ohpc*), and number of municipal employees per 1,000 residents (*munemp*) – are higher for high-capacity towns than low-capacity towns. Nonetheless, I estimate a cross-sectional OLS regression of the form:

$$rpc_i = \beta_0 + \beta_1 coerce_i + \mathbf{X_i}\gamma + u_i \tag{2.1}$$

where rpc_i is average revenues per capita in town i and $\mathbf{X}$ is the matrix of time-invariant economic development control variables described above. These results are not shown, however the estimate of β_1, while positive, is statistically insignificant for all specifications in which the employment measure (*emp*) is included. The coefficient on *emp* is positive and statistically significant, indicating that the employment status of the population, and thus the size of the underlying tax base, is a stronger predictor of municipal revenues than the central government's authority over policing. This test provides little to no support for **H1**, challenging the application of the insight from the classic state formation literature that coercive and fiscal capacity are necessarily strongly correlated. The PA's coercive capacity, which is limited to internal policing, has not resulted in unconditionally higher fiscal capacity in the long term.

However, it is worthwhile to look at trends in revenue over the seven years. In figure

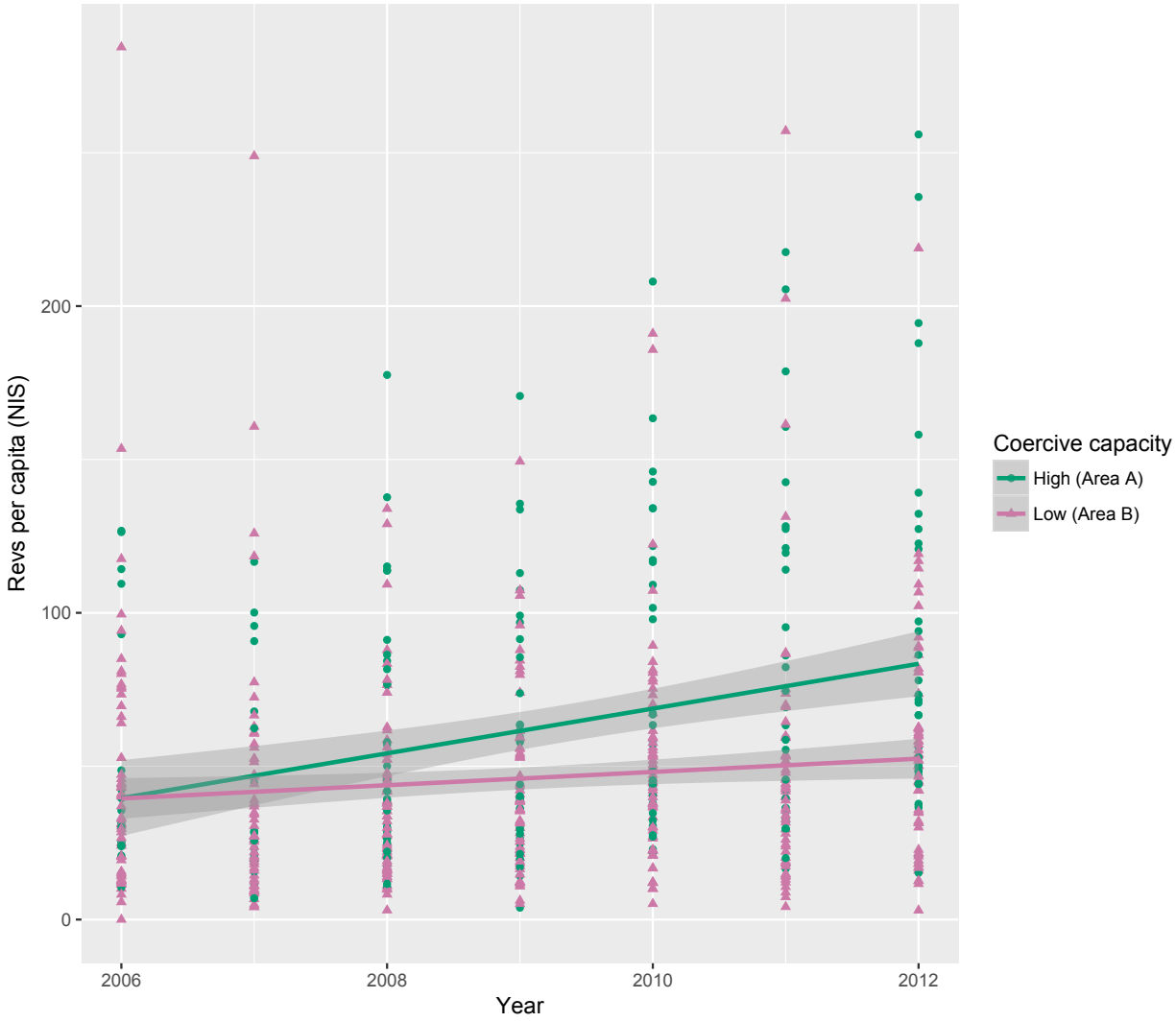


Figure 2.5: Revenue growth by level of coercive capacity.

2.5, we plot revenues per capita by year for low- and high-capacity towns, with a locally weighted linear regression (loess) line drawn through each subsample. This shows that the high-capacity towns do start to separate from low-capacity towns over time. After 2008, revenues per capita in the high-capacity towns appear to be significantly higher than those in the low-capacity towns.

To exploit both temporal and cross-sectional variation in revenues, I estimate the following dynamic models:

$$rpc_{it} = \beta_0 + \beta_1 rpc_{i(t-1)} + \beta_2 coerce_i + u_{it} \tag{2.2}$$

$$rpc_{it} = \beta_0 + \beta_1 rpc_{i(t-1)} + \beta_2 coerce_i + \mathbf{X_i}\gamma + u_{it} \tag{2.3}$$

where rpc_{it} is revenues per capita in town i in year t and $rpc_{i(t-1)}$ is revenue per capita lagged by one year. Note that I cannot use unit-fixed effects due to the time-invariant nature of the key independent variable of interest. Column 1 of Table 2.3 reports the results from the reduced-form model (equation 2.2) without the economic control variables. Column 2 includes both lagged revenues per capita and the time-invariant controls. Because the control measures proxy for the underlying level of development in the locality, much of their potential effect on revenue may be captured in the lagged dependent variable itself. (Indeed, in the specifications below we see that $\hat{\beta}_1$ decreases substantially in the specifications that include the control variables.)

Coercive capacity now shows a positive and significant association with revenues per capita in both specifications. Moving to a high-capacity zone (from Area B to Area A) is associated with a marginal increase in revenues per capita by between 4.0 and 5.5 NIS per capita from the previous year's value. This is about $1 or $1.50 per person per year. For a municipality with a population of 12,310 – the mean municipal population projection for 2013 – this translates into an additional $18,465 per year.

Thus, there is suggestion that coercive capacity plays a role in revenue growth over time.[13] While the cross-sectional evidence did not provide unconditional support for **H1**, there is reason to believe that the relationship between coercive capacity and revenues varies over the span of the seven-year period captured in this sample. One plausible source of such variation would be the change in party in power at the local level in a number of these towns after the 2004-2005 elections. This change became even more meaningful following Hamas's victory in 2006. Thus, next, we move onto the relationship between the party in power at the local level and revenues.

[13] All columns of Table 2.3 were also estimated with a time trend included and the results remained substantively the same.

Table 2.3: Panel regressions of revenue per capita (*rpc*) on coercive capacity, party in power, and controls

	(1) H1	(2) H1	(3) H2a/H2b	(4) H2a/H2b
Intercept	6.626^{+}	-37.92**	5.463	-39.85**
	(3.810)	(11.96)	(4.031)	(12.33)
*rpc_lag*1	0.885***	0.595***	0.901***	0.595***
	(0.0843)	(0.151)	(0.0831)	(0.151)
coerce	5.515**	4.028**	5.741**	5.635***
	(1.893)	(1.336)	(1.918)	(1.695)
fatah		-3.063^{+}	2.207	-1.863
		(1.616)	(1.864)	(1.631)
coerce $*$ *fatah*			-4.615*	-3.653
			(1.873)	(2.289)
emp		154.0**		155.5**
		(54.55)		(54.85)
ohpc		239.1***		253.3***
		(70.12)		(73.49)
est		0.126*		0.113*
		(0.0547)		(0.0573)
munemp		1.100		0.769
		(1.204)		(1.317)
log(*dist*)		-0.210		-0.190
		(0.715)		(0.720)
N	525	327	423	327
adj. R^2	0.754	0.783	0.755	0.784

Panel corrected standard errors in parentheses.

$^{***}p < 0.001$, $^{**}p < 0.01$, $^{*}p < 0.05$, $^{+}p < 0.1$

2.5.6 Coercive Capacity, Party in Power, and Revenue Generation

While we do not have hypotheses about the *un*conditional relationship between $fatah$ and rpc, a brief description of this relationship follows. First, it is worth noting that average revenue per capita is higher in Fatah-dominated towns (51.97 NIS/person) than Hamas-dominated towns (40.17 NIS/person), a difference that is weakly significant ($p = 0.09$). As with the analysis above, I also estimate a cross-sectional OLS regression with the usual controls (results not shown), and find that the positive relationship between Fatah control and revenues becomes statistically insignificant for those specifications in which the number of municipal employees per 1,000 residents ($munemp$) is included. This suggests that the association between Fatah control and revenues may be driven by higher municipal payrolls in Fatah-dominated towns. Interestingly, in the dynamic model including the lagged dependent variable and controls (see Table 2.3, column 2), the coefficient on $fatah$ is *negative* and is weakly significant at the 10% level. This suggests that, while Fatah- and Hamas-run municipalities are performing comparably over the full seven-year period – with Fatah-run municipalities perhaps doing even slightly better, on average – there may be a decline in Fatah performance over time. Overall, though, we cannot say that the party in power has a conclusive, unconditional effect on revenues per capita.

To test the rival propositions embodied in **H2a** and **H2b**, I estimate a model which interacts $coerce$ and $fatah$. Thus, columns 3 and 4 of Table 2.3 estimates the following models:

$$rpc_{it} = \beta_0 + \beta_1 rpc_{i(t-1)} + \beta_2 coerce + \beta_3 fatah + \beta_4 (coerce * fatah) + u_{it} \tag{2.4}$$

$$rpc_{it} = \beta_0 + \beta_1 rpc_{i(t-1)} + \beta_2 coerce + \beta_3 fatah + \beta_4 (coerce * fatah) + \mathbf{X_i}\gamma + u_{it} \tag{2.5}$$

The results demonstrate that policing capacity is only associated with greater revenue collection for Hamas-dominated towns. On the other hand, capacity does not have a statistically distinguishable effect on revenues for those towns in which Fatah won the local elections. This observation holds for both specifications, with and without $\mathbf{X_i}$, the suite of control variables. Among towns where Hamas won a majority of seats, the estimated marginal effect of coercive capacity is positive and significant (see Figure 2.6).

If a town ruled by Hamas were hypothetically re-assigned from an area of low Palestinian policing capacity to an area of high capacity, we would expect it to raise nearly 6 NIS ($1.70 USD, 2008 dollars) per capita more, or just over $20,000 more for a town with the mean 2013 population level. It is worth noting that the sign of the effect is the same, but it fails to reach statistical significance when the continuous measure of coercive ca-

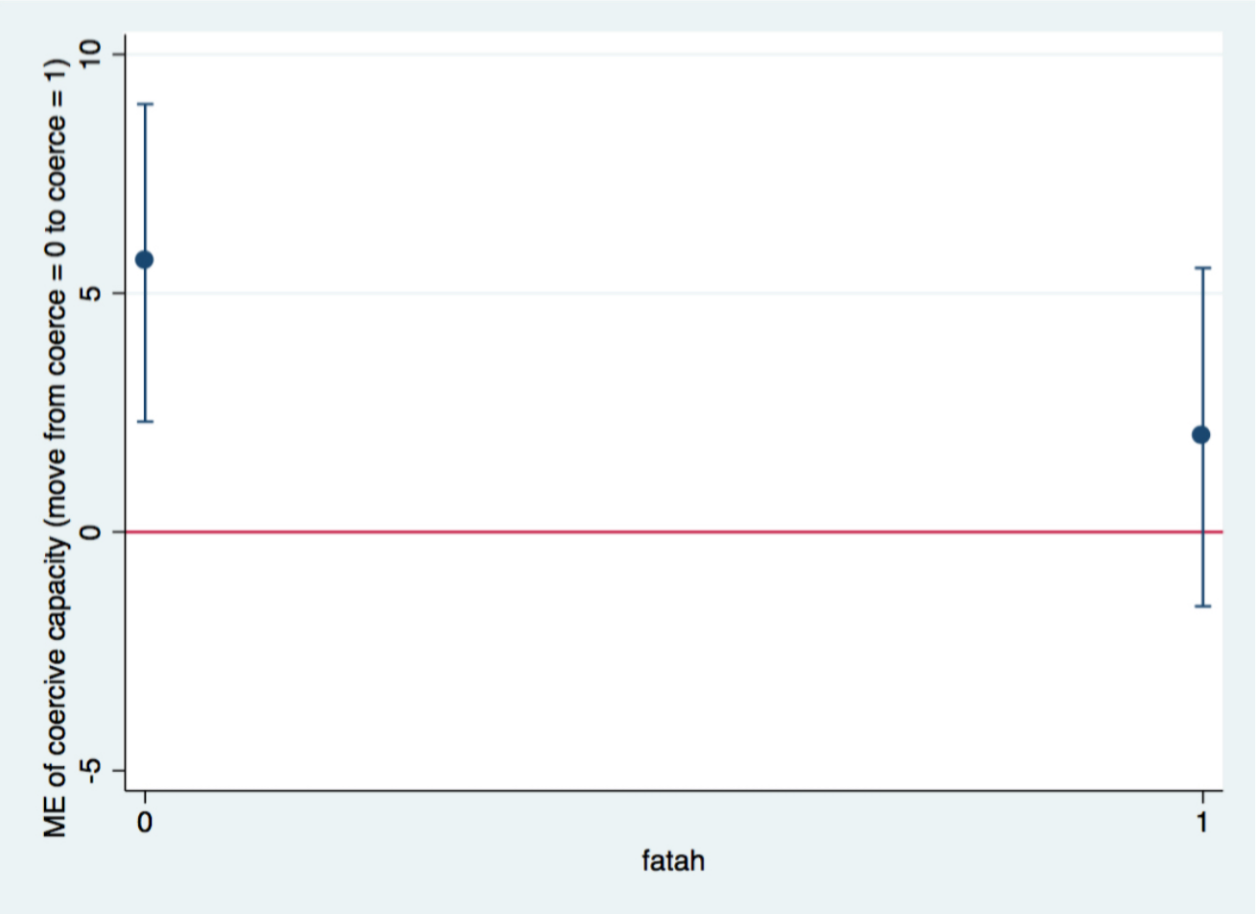


Figure 2.6: Marginal effect of coercive capacity on revenues per capita given party plurality ($0 = Hamas; 1 = Fatah$)

pacity (*coerce_share*) is used. Because the distribution of towns was fairly dichotomous, this suggests that the results are best interpreted as applying to those towns that are clustered toward each end of the spectrum.

These results provides initial support for **H2b** – the positive relationship between coercive capacity and revenue observed in the dynamic specification in columns 1 and 2 of Table 2.3 is driven exclusively by those towns governed by Hamas. As we saw above, high-capacity towns separate from low-capacity towns around 2008, which was the first fiscal year after Israel and the Quartet froze aid and tax transfers to the PA. Thus, towns may have faced a particularly strong imperative to increase their self-generated revenue at this point, especially those governed by Hamas, which was the target of the international freeze.

2.6 Discussion

It is clear that after the 2006 elections, the subsequent political crisis in Gaza, and the freezing of international aid, Hamas had additional incentive to generate its own revenue. However, the findings above suggest that not all Hamas-governed towns in the West Bank were able to do so equally; Hamas generated significantly more revenue in those areas where the PA exerts more authority over policing. In practice, this translates to areas where their domestic rivals – Fatah – had more control over the police force. Why would this be the case? Here, I suggest that the *increased threat of repression* faced by Hamas in high-capacity areas may drive greater compliance with fiscal extraction by the movement in those areas. In other words, repression functions to mediate the relationship between coercive capacity and party in power as explanatory variables and fiscal capacity as an outcome. I also discuss an alternative mechanism whereby Hamas may be engaging in greater *tax effort* in high-capacity areas as part of a long-term strategy for building its capacity in areas that are most likely to be part of a future Palestinian state. I suggest that this is less likely, due to Hamas's rejection of the Oslo Accords and the zones of high and low capacity that it created. In subsection , I discuss potential sources of selection bias or confoundedness that may bias the observed relationship between coercive capacity, party in power, and fiscal capacity, and how I have addressed them.

For Hamas municipal council members and mayors elected into office in 2004 and 2005, the key, distinguishing feature of high-capacity areas was repression. As described by Signoles (2010) in a review of local governance in the Territories:

> "The 'hunt' for Hamas mayors and municipal council members was stepped up after the Islamists' victory in the 2006 legislative elections and, even fur-

ther, after Hamas' military 'coup' in the Gaza Strip in June 2007," (31).

While the initial targeting of local Hamas politicians was done by Israel, later phases of surveillance and repression after the 2007 split were carried out by the PA itself, as documented in Human Rights Watch (2008). More systematic reporting of repressive incidents is contained in the reports by the Palestinian Center for Human Rights (2007, 2008). A preliminary review and coding of incidents of "Excessive Use of Force by Law Enforcement Officials", "Arrests, Torture and Other Forms of Cruel and Inhuman Treatment," and "Violations of the Right to Peaceful Assembly" in the 2007 and 2008 annual reports shows that 65 percent of all incidents (17/26) occurred in Area A while 23 percent (6/26) occurred in Area B (see Table 2.4). It was not possible to determine the precise location of three of the 26 incidents. Because 2007-2008 represents the peak of the crackdown following Hamas's electoral wins and takeover of Gaza, some of the descriptions of incidents contained in the PCHR reports actually notes that Hamas activists and members were the targets of the repressive act.

Building on the vast literature on the complex effects of repression, I suggest here that it is possible that increased repression at the hands of Fatah may have, counterintuitively, led Hamas to develop stronger local capacity. Repression can encourage a movement or group to substitute other forms of mobilization instead of the one that is being repressed (Lichbach 1987; Moore 1998). In this case, I suggest that compliance by Hamas supporters with the movement's efforts to raise revenue is an alternative form of mobilization. Paying taxes to Hamas is much less likely to be penalized than other forms of public support for the movement, especially since this fiscal exchange is occurring within the formal institutional framework of the PA.

As is perhaps unsurprising in an environment of occupation and statelessness, Palestinian compliance with taxation has a history of being contingent, and selectively withheld as part of protest or collective action. For example, during the First Intifada, tax resistance was used in some communities to confront the Israeli occupation, most notably in the town of Beit Sahour, a Palestinian city in the Bethlehem area. The connection between taxation and self-determination – a variant of the link between taxation and representation that is so familiar to historians of the United States – seems to have been present in the minds of Palestinians. In transitioning to self-rule after the creation of the PA, this legacy was not lost on the new authorities. On the day that the newly created PA took over partial responsibility for taxation in the West Bank and Gaza Strip in December 1994, Atef Alawneh, then-Director General of the Palestinian Ministry of Finance, gave a speech, stating:

"Taxes are the dowry of independence and the key to democracy...Nonpayment

Table 2.4: Sample of Selected Incidents of Repression (Palestinian Center for Human Rights 2007, 2008)

Date	Event	Town/City	Coercive Capacity (A = high, B = low)
2-Jul-07	PA police arrest 3 Hamas leaders	Jericho	A
6-Aug-07	PA police arrest 15 members of Hamas	al-Shuyoukh	B
5-Sep-07	4 school directors summoned by Palestinian security services (PSS) and taken to prison, forced to resign	Nablus	A
9-Sep-07	PSS used force to disperse conference	Hebron (Hebron University, H1)	A
14-Sep-07	PSS arrested 3 from “village near Nablus", beaten detained	Nablus area	.
17-Sep-07	Palestinian Preventive Security (PPS) arrested 1 from Nablus, beaten, interrogated about Hamas	Nablus	A
22-Sep-07	PSS disperse demonstration by wives of political prisoners	Ramallah	A
26-Sep-07	Palestinian National Security Forces (NSF) arrested individual on college campus	Andaleeb Nursing School in Women’s Union Hospital, Nablus	A
7-Oct-07	TV crew arrested	Ramallah	A
10-Oct-07	Shot driver refusing to stop for police	Tulkarem city center	A
26-Nov-07	10 Palestinian arrested	Beit Furik	B
27-Nov-07	PSS used force to disperse peaceful demonstrations against Annapolis conference, 1 killed 30 wounded	Hebron	.
28-Nov-07	Arrested activists at funeral	Hebron	A
3-Dec-07	PSS forces raided, searched houses and made arrests	Assira	B
14-Dec-07	PSS arrested 16 Palestinians for Hamas ties	Qalqilya	A
10-Jan-08	Use of force to disperse demonstration	Ramallah	A
22-Feb-08	Death in custody, illegal detention by PSS General Intelligence	From Kobar	B
24-Feb-08	Use of force to disperse funeral	Ramallah	A
15-Apr-08	4 wounded when PSS fired at militant	Nablus city center	A
1-Jun-08	7 Palestinian civilians wounded in clashes w/security officials in campaign against illegal vehicles	Beit Fourik	B
15-Jul-08	Use of force to disperse peaceful demonstration	Beginning in al-Samu’a vilage	A
29-Jul-08	Preventing women’s colloquium attendance in Hebron, violent dispersal	Hebron	.
2-Aug-08	Use of force to disperse peaceful demonstration	Tulkarem city center	A
May-Aug 2008	Detainment/Arrests of municipal council members	Qalqilya, Nablus	A
29-Sep-08	Death in custody	from al-Bireh	A
9-Dec-08	5 wounded in attempted arrest of wanted person	al-Rama neighborhood, Hebron	B
		Total incidents in Area A:	17 (65%)
		Total incidents in Area B:	6 (23%)
		Total incidents unknown:	3 (12%)

> of taxes under occupation was a national struggle worthy of praise...Now it is 180 degrees different. Now delay in paying means a delay in building the Palestinian state," (Greenberg 1994).

Director General Alawneh was aware of the challenge of enforcing tax payment in a setting where the aspiring state did not exercise *de facto* sovereignty. In fact, since its founding, PA tax enforcement has focused chiefly on large taxpayers, not individuals and families, perhaps in an effort to forbear from aggravating an already quite burdened population whose support they depend on for survival (Holland 2016). This leaves room for us to consider popular compliance with the small-scale payments analyzed in the empirical section above as indeed contingent on political support for the governing authorities. The party in power – namely, Fatah or Hamas – and their approach to the state-building and resistance project may shape the population's propensity to comply.

It is also possible that Hamas exerted a larger tax effort in high-capacity areas in particular. These are areas where, should Hamas win a national election and manage to take power, they would have greater policing capacity according to the agreement reached in Oslo. However, Hamas's opposition to the Oslo process and the resulting restrictions on the Palestinian Authority complicates this argument. Since Hamas has never accepted the legitimacy of the Oslo Accords, why would the movement adapt its own strategies to the way that the accords themselves have defined areas of Palestinian coercive authority? It is still plausible that Hamas's leadership has a pragmatic approach, and views "Area A" towns as the most likely to be included in any future Palestinian state. Thus, as an alternative mechanism, Hamas's greater efforts to extract revenue from constituents in these areas may represent a strategic move by the movement rather than the effect of repression on popular mobilization and compliance. However, because of the movement's historic stance of rejecting Oslo, I suggest that this is less likely to be the explanation for Hamas's higher fiscal capacity in Area A.

If Hamas's greater revenues per capita is a sign of the movement building stronger connections with its popular base in areas of higher policing capacity, the next logical test would be to see if Hamas-run municipalities are also *spending* more in these areas, or whether revenues are being redirected elsewhere. Analysis of panel-level expenditure data is not included within the scope of the current study, but World Bank (2010) includes total expenditures in 2007 and 2008 for 78 municipalities. Among this restricted sample, a Welch two-sample t-test demonstrates that Area A (high-capacity) towns spend more: average expenditures across the two years were 271.64 NIS/capita in Area A towns compared to 166.67 NIS/capita in Area B towns, a statistically significant difference (t=-2.24, p=0.03). However, there is no significant difference across towns governed by Fatah

versus Hamas, nor does an ordinary least-squares regression (results not shown) demonstrate an interactive effect between coercive capacity and party in power as was observed for revenue. While this analysis is limited to two years of data, it suggests that greater spending in high-capacity towns results from factors other than the party in power. Interestingly, it also suggests that Hamas is not spending more "on the books" as compared to Fatah, leaving room for the possibility that Hamas's revenues were redirected to undocumented expenses, including the organization's militant activities.

World Bank (2010) also includes data on the number of municipal employees for each municipality in 2008. Again, this is quite limited in its usefulness because it is only observed for one year, however the correlation between municipal revenues per capita in 2007 and municipal employment in 2008 is much higher for Fatah-led towns in my sample (0.42) than for Hamas-led towns (0.01). In fact, there is almost no correlation between the number of municipal employees per capita in 2008 and revenues generated in the preceding year in Hamas-dominated towns. This suggests that Fatah was more likely to use municipal revenues to inflate their payroll – and perhaps less likely to spend on services – than Hamas.

2.6.1 Addressing Potential Selection Bias

Two processes of selection could be affecting the results we observe: First, the selection of towns into high- or low-capacity areas, and second, the process that led Fatah or Hamas to win the elections in each town. The creation of Areas A, B, and C which define the PA's authority over policing was not a random process. Similarly, whether Fatah or Hamas gained more representation on a municipal council in 2005 was not random. There is a risk that variables that influenced these selection processes are also going to drive fiscal outcomes. Further, if the bias is leading to an *over*estimation of the effect of coercive capacity on revenues or the effect of party in power on revenues, this bias would be compounded in the interactive model.

The qualitative analysis in section 2.3 above suggests that the location of existing Palestinian population centers was one major factor driving the division of the West Bank. Towns with larger Palestinian populations were more likely to end up in the high-capacity zone (Area A). While data on locality population size from the time is scant, I perform a simple difference in means test below, matching high- and low-capacity towns based on the town's population in 1997 ($pop97$). This is the closest data I could obtain to a town's population size when the arrangements for Areas A, B and C were determined.[14]

[14]The Interim Agreement ("Oslo II") was negotiated and signed between 1994 and 1995. 1997 was the first year the new Palestinian Authority was able to take a census. There is no evidence of significant sorting

The biserial correlation between *coerce* and a town's population in 1997 is 0.53, implying that population size likely did play a role in determining whether a locality fell primarily into a high- or low-capacity zone.

We might imagine that towns with a greater population size at the time of selection will not only generate more revenue, but will also be likely to generate more revenues *per capita*. For example, if there are increasing returns to scale in developing extractive capacity, larger towns would be able to extract more on a per capita basis. Interestingly, then, this would lead to an overestimation of the effect of *coerce* on rpc, but in the cross-sectional analysis we saw no significant effect. Further, it is worth recalling that the two largest cities in the West Bank – Hebron and Nablus – as well as the city of Ramallah (the de facto capital of the PA) were dropped. Finally, I perform a rudimentary matching exercise, whereby high-capacity towns in my sample are matched with low-capacity towns, allowing replacement. I consider treated units matched if the population size is within 20 of the population size of the control unit. The estimated average treatment effect on the treated (ATT) according to this analysis is 8.51 NIS per capita, however the effect is statistically insignificant ($p = 0.22$). This suggests, at least, that a locality's population size did not downwardly bias our tests of the unconditional effect of capacity on revenue generation (**H1**). Although this addresses concerns with the cross-sectional analysis, it is still theoretically possible that a town's initial population size has biased the estimates on the dynamic specifications. However, for that to be the case, a town's initial population would have to affect both *coerce* (or $fatah$) and the year-to-year *change in revenues per capita* over the 2006 to 2012 period. It is not clear why this would be the case.

Distance to existing and planned Israeli settlements likely influenced where the PA was permitted to have policing capacity. Unfortunately, I do not have data on the location of existing and planned settlements from the period immediately preceding the Oslo Accords. The only data available is on the location of settlements as of 2014, thus they do not reflect the distribution of settlements or planned settlements that Israeli negotiators had in mind in the 1990s and they cannot perfectly substitute for a pre-treatment variable. This contemporary measure of distance to the settlements is included as a control variable in the regressions above (Table 2.3, columns 2 & 4). Distance from settlements is not a statistically significant predictor of revenue collection. Interestingly, the biserial correlation between a town's level of policing capacity and distance to the nearest *current* settlement or outpost ($dist$) is only 0.15. This may mean that Israeli settlement placement

of the population after Oslo II based on the area designations – in fact, most people did not understand or realize the significance that Areas A, B and C would have for long-run outcomes – so I use a town's 1997 population as a rough proxy for the size of Palestinian towns at the moment of selection.

did not play a large role in determining whether a town was designated Area A or B, or that Israeli settlements and outposts were built and expanded in unpredictable ways after Israel and the PLO concluded their agreement in 1994.

Of course, a town's distance to Israeli settlements in 2014 is not a very informative proxy for the strategic considerations that Israeli negotiators envisioned in 1994. In addition to the temporal problem, these data measure distance "as the crow flies," not as traveled along roads, which would probably be more relevant for Israel's security-related concerns. Further, they do not capture distance between Palestinian towns and sites of religious or cultural significance that, in addition to existing and planned settlements, would have been important to Israeli negotiators. Yet it still remains unclear how distance to the settlements would have positively biased the estimate of the coefficient of interest in the preceding regressions: namely, the estimated effect of an increase in coercive capacity in Hamas-governed localities. For example, if towns located closer to existing or planned Israeli settlements were given a lower degree of coercive authority, as we might expect, this selection process would only be a threat to inference if it caused such low-capacity towns later governed by Hamas, but not those governed by Fatah, to experience lower revenue collection due to their proximity to Israeli settlements. It is not clear why this would be the case.

Third, Jerusalem itself can be considered a key strategic and religious, or symbolic, interest for Israel. The area around Jerusalem would have been particularly sensitive for Israelis and caused most areas bordering the city to be designated as "Area B", or low-capacity, zones for the new PA. These areas are also largely cut off from Jerusalem by the separation barrier, so their level of development has largely stagnated since the early 2000s. Thus, low fiscal capacity in these areas would be hard to attribute directly to the level of PA policing capacity, and probably has more to do with their proximity to the wall. As noted above, the economic control variables *emp* and *est* are not available for towns in the Jerusalem district, so these observations are omitted from the specifications that include control variables in the analysis above (Table 2.3, columns 2 & 4). However, running the other specifications (columns 1 & 3) without the Jerusalem-area towns produces substantively and statistically similar results.

Finally, although data from the pre-Oslo period is scarce, I use a sample of 11 towns, roughly matched by population size, to demonstrate that revenue collection prior to the assignment of coercive authority was comparable across those towns that did, eventually, become "high" versus "low" capacity, respectively (see Appendix B). It is important to note that the treatment which led to variation in policing capacity also created the PA itself. Thus, in many ways, comparing pre- and post-treatment municipal data is "comparing

apples and oranges" since, prior to 1994, the West Bank was ruled directly by the Israeli Civil Administration and military apparatus and the budgetary demands of municipalities probably differed considerably. Nonetheless, this should bolster our confidence in the fact that other factors that may have accounted for the creation of Areas A, B and C were not fundamentally related to revenue.

The final selection process to consider is how towns came to support Fatah or Hamas in the 2004-2005 elections. First, it is important to note that underlying support for Fatah or Hamas did not affect the selection of *coerce* that occurred at Oslo – in fact, at this time, Hamas had not emerged as a major threat to Israel. More importantly, factors that caused a town to support Fatah or Hamas in the 2004-2005 elections could have also affected revenues per capita or revenue growth, thus biasing estimated coefficients on the $fatah$ variable. Variables that led a town to support Hamas and led to greater revenue growth are particularly problematic, since they would have led us to underestimate the effect of $fatah$ (i.e. overestimate the effect of Hamas).

Of course, the local victories experienced by Hamas in these elections – and, further, in the 2006 national elections – came as quite a surprise to both seasoned international observers of the Territories and to Fatah itself. Thus, it is hard to pinpoint what, exactly, led certain towns to support Hamas in those historic elections. Preliminary, anecdotal evidence suggests that economic exclusion and perceptions of corruption played a role in alienating voters from Fatah; if this is the case, our economic control variables should be capturing some of this effect. Importantly, if more economically depressed areas were likely to vote for Hamas, we would expect such areas to generate *less* public revenue, not more. Unfortunately, data on public perceptions of corruption is only available at the governorate (i.e. district) level.[15] If higher average perceptions of corruption in a municipality drove support for Hamas and also drove greater fiscal capacity, conditional on the level of coercive capacity, this would be consistent with the larger story that Hamas was able to mobilize its base, or, at the very least, build organizational capacity in those areas where its support was strongest and where it faced the threat of repression from a Fatah-led police force. Subsequent analysis of how popular perceptions fed into initial support for Hamas and, potentially, the organization's ability to build local capacity would further refine the argument being presented here.

A final threat to inference may come from certain towns simply being early bastions of support for Hamas. Additional research is needed to ascertain the identity of these

[15]With only 11 governorates in the West Bank, an estimate of the effect of perceptions of corruption on support for Hamas would likely be underpowered at conventional levels of statistical significance, however a simple correlation could be estimated.

towns, since this is clearly a sensitive topic to discuss with informants. In any case, it isn't immediately clear how historic bases of Hamas support in the West Bank would have also been equipped to perform better fiscally.

2.7 Conclusion

This study has implications for other regions of *contested statehood*, or areas featuring both an existing, expansionary state and a national self-determination, independence, resistance, or liberation movement. Understandably, these are also usually sites of recent or ongoing conflict. My assumption is that the transition from national movement to sovereign state is a process. This process can be characterized by abrupt progress, but is often messy, violent, non-linear, and, quite possibly, frozen at various stages along the way. It seems quite possible, then, that these trajectories might distort the process of capacity development among national movements that emerge in such settings.

How can fiscal capacity – a concept that relies inherently on quasi-voluntary exchange between citizen and state (Levi 1988) – develop in settings of incomplete state coercive control? In this study, I find that greater Palestinian authority over policing does not inherently translate into stronger fiscal relationships between state and citizen and, thus, greater fiscal capacity. Instead, I suggest that the use of coercive capacity to repress internal rivals may be driving divergence in fiscal capacity across opposition party- and ruling party-held areas. This has important implications for both those who are interested in the specific dynamics of the Israeli-Palestinian conflict and Palestinian state formation, in addition to those interested in other areas of contested statehood or asymmetric rule. While the early state-building theories described a political leader or organization that was able to wield coercion to defend against both external and internal threats, coercive capacity that develops among non-sovereign organizations in conflict settings may look quite different. When internal policing is the dominant – or only – form of coercion that aspiring state-builders are able to wield, the result may be greater fragmentation, rather than consolidation, of the political community.

What specific aspects of the Israeli-Palestinian context led to these restrictions on coercive capacity development? In the subsequent two chapters, I suggest that, while the West Bank is a unique case in many ways, the *partial* form of autonomy over self-governance that Palestinians possess is, in general terms, more common than we might think. In particular, I define *partial autonomy* as any setting where an organization exercises limited self-rule, but its ability to carry out certain functions of governance are restricted. In chapters 3 and 4, nationalist movement autonomy becomes the dependent

variable. Through a small-N qualitative comparison and a large-N descriptive analysis, I find support for the proposition that an incumbent state's goals in a contested region play a significant role in shaping how much autonomous self-rule the competing nationalist movement will obtain.

The quest for self-determination or independent statehood is perhaps more daunting than it was in the past. Still, Palestinian nationalists are not alone in attempting to build a state in the midst of ongoing conflict. Although varying in their structure and tactics, many contemporary nationalist struggles have been inspired by the overarching aim to form a new state. Whether or not independent statehood is a "right" of national communities, it is critical to understand how institutional legacies from conflict and occupation influence the capacity of aspiring states. These organizations, even if they have not attained juridical sovereignty, still perform the functions of governance – such as the exchange of goods or protection for revenue – that are so universal they are seemingly mundane. Yet, in contested territories, it is not an exaggeration to state that the quotidian transactions between civilians, states, and rebels may be matters of life and death.

CHAPTER III

Imagining Another Path: A Qualitative Comparison of Palestine and Timor-Leste

3.1 Introduction

The creation of the Palestinian Authority (PA) in 1994 was a turning point in the conflict over statehood in the West Bank and Gaza Strip. At the time, it was celebrated as an historic achievement by *Harakat al-Tahrir al-Watani al-Filastini*, or the Palestinian National Liberation Movement (Fatah), the largest faction of the Palestinian Liberation Organization (PLO), and its allies. However, the Oslo Accords – the set of agreements signed between Israel and the PLO which established the PA – preceded a series of troubling developments, including the fragmentation of the Palestinian national movement, the continuation of violent attacks by Palestinian factions against Israeli targets, the failure to reign in the growth of Jewish settlements in the occupied territories, and, ultimately, the breakdown of the peace process, culminating in the Second *Intifada*. There has been much, relatively data-free, speculation about what direction the Israeli-Palestinian conflict would have taken had the semi-autonomous PA never been created. Yet the preceding chapter identified one legacy that appears to have resulted directly from the establishment of the PA. One of the basic, functional capacities associated with states – the ability to raise revenue – has developed unevenly across the West Bank. Revenue growth has been particularly strong in areas where opposition to the ruling party, and arguably to the PA itself, is strongest. These findings suggest reconsidering a fairly robust finding in the existing state-building literature that the state's control over the means of violence and its ability to extract revenue should grow, and shrink, together. Further, it suggests that our analysis of governance and institutions in conflict zones would benefit from an understanding of state capacity which disaggregates the various functions of the state, or would-be state, and examines the complex and conditional relationships between them.

There are many ways in which the specific features of the Israeli-Palestinian conflict condition the relationships that develop between Palestinian residents and their government. The previous chapter suggested, but did not test, the proposition that constraints on the PA's autonomy – most importantly, the constraints that required its coercive institutions to be inward-facing – distorted the association between coercive and fiscal capacity development in the West Bank. This chapter and the one that follows it will, in stages, abstract away from the Palestinian case in order to develop more general propositions about what generates these types of constraints on institutions in the first place. In the current chapter, the level of analysis shifts from subnational units *within* a contested territory to a comparison across two such territories. I propose that Israel's overarching goals in the West Bank were particularly important in generating partially autonomous Palestinian institutions. The purpose of this chapter is to use qualitative comparison to assess how things could have gone differently. Using counterfactual analysis, I compare the West Bank to a case that shares many similarities with it despite being located over 6,000 miles away: Timor-Leste, another small nation that was occupied by the military of a larger, neighboring state – in this case, Indonesia – and which featured an organized national resistance movement seeking independence. The primary method employed is process tracing, whereby I rely on primary and secondary sources to interrogate the claim that *the goals of the incumbent state in a contested region shape the amount of self-governing autonomy that a competing nationalist movement can obtain*. My analysis reveals that Indonesia, unlike Israel, expended effort toward the comprehensive annexation of both the territory of East Timor – now known as the Democratic Republic of Timor-Leste – *and* its population. I find support for the theory that the different goals adopted by Israel and Indonesia produced different strategies of control, resulting in variation across the two cases in the amount of autonomy that the national movement was able to achieve. While Palestinian nationalists assumed control over institutions that were restricted in their *de jure* and *de facto* autonomy from Israel, the Timorese national movement, by contrast, moved from virtually no governing autonomy during the Indonesian occupation to, eventually, full independence.

In many ways, the constraints on Palestinian state autonomy in the West Bank are unique, and one struggles to find an example of a similar case in which the geographic and functional reach of governing institutions has been restricted in such a formal way within the territory and amongst the population that the aspiring state claims as its own. However, this should not prevent us from determining what insights from the Israeli-Palestinian context may be applicable to other settings, as long as operative conditions in the West Bank are carefully translated into more general concepts. Despite promi-

nent geographic and cultural differences, I elaborate below on why a joint analysis of the cases of Palestine and Timor-Leste is fruitful in the tradition of a "most similar systems" design. Inevitably, sources of variation across the two cases exist which could represent confounding or omitted variables, preventing us from reaching definitive, causal conclusions. However, a close read of the Israeli-Palestinian and the Indonesian-Timorese conflicts increases our confidence in the proposition that a causal relationship exists between incumbent state goals and autonomy outcomes for those movements aspiring toward statehood.

As a preview, chapter 4 will integrate these observations into a generalizable framework, defining and coding variables related to incumbent state annexation strategies and national movement autonomy for a larger sample of settings of *contested statehood*. In chapter 4, we observe that incumbent state goals are indeed correlated with the amount of autonomy gained by the national movement contesting their rule in a wider set of cases, lending further plausibility to the causal argument made with respect to Palestine and Timor-Leste. Subsequently, in chapter 5, I will return to Timor-Leste to ask how tax morale – the micro-level foundation of state fiscal capacity – varies across individuals and regions. I find that support for taxation and expectations of government are lowest in a region where the Timorese state has struggled to exercise a monopoly on violence. This suggests that coercive and fiscal capacity development may exhibit an unconditional, positive correlation in the Timorese case, unlike in the West Bank. However, necessary adaptations to the research design and hypotheses tested in Timor-Leste require that comparisons to the Palestinian case be treated as suggestive rather than confirmatory.

The rest of this chapter proceeds as follows. While chapter 2 provided readers with a somewhat detailed historical overview of governance in the West Bank and the conflict, section 3.2 in this chapter draws on a variety of sources to make the analytic argument that Israel's overarching goal of controlling, or annexing, the territory of the West Bank *without* incorporating its existing population helps to explain the creation of a Palestinian authority with functional restrictions on its ability to govern. Most notably, these restrictions included a constraint on the deployment of coercion which stipulated it must be directed against internal, rather than external, threats. In section 3.3, I provide justification for the selection of my comparative case: Timor-Leste. Section 3.4 engages in an in-depth analysis of the Timorese resistance to Indonesian rule from 1975 through 1999 and the transition to independence. In this case, the incumbent state, while also conducting a brutal campaign of violence, initially sought full annexation of *both* the territory and the population of East Timor, resulting in virtually no autonomy for the national movement resisting their rule. This was followed by a sudden change, whereby Indone-

sia agreed to a referendum that resulted in Timor-Leste's full independence. Section 3.5 considers some possible alternative explanations for the different levels of autonomy obtained by the nationalist movement in these two cases, including the role of: incumbent state regime type, pre-existing governance structures, the existence of other separatist threats to the incumbent state, and factors related to urbanization and terrain. Finally, section 3.6 concludes by segueing into the broader framework that follows in the next chapter, which aims to evaluate the proposition developed here on a wider set of cases.

3.2 The West Bank

The PA that was formally inaugurated in the summer of 1994 represented a new central government structure through which Palestinians in the West Bank and Gaza Strip could practice limited self-rule. In this section, I jointly consider two questions: Why did Palestinians gain any degree of autonomy over governance at all? Further, given that some autonomy was gained, why was it partial and restricted?

Following the signing in May 1994 of one of the successor agreements to the Declaration on Principles ("Oslo I"), the PA established initial operations in Gaza City and in Jericho in the West Bank. In August, an additional agreement called the "Preparatory Transfer of Powers and Responsibilities in the West Bank" was signed between Israel and the PLO. This agreement stipulated some of the preliminary functions for which the newly created PA would assume responsibility, namely: education and culture, health, social welfare, tourism, and direct taxation (Aruri 1995; Israel Ministry of Foreign Affairs 1994). Notably, no authority over security and policing was granted to the PA in this earlier agreement (Aruri 1995). Thereafter, a subsequent round of negotiations produced the long and detailed Interim Agreement on the West Bank and Gaza Strip, informally known as "Oslo II".

While Oslo II further detailed the PA's control over many facets of civil governance, it contained both *functional* and *geographic* restrictions on the PA's use of force. Functionally, defense against external threats and defense of borders was the sole prerogative of Israel; the PA was barred from developing an army, navy, or any externally-facing coercive institutions. Geographic restrictions, covered in detail in the previous chapter, limited the stationing and deployment of Palestinian police and security forces. The previous chapter suggested that functional constraints on the PA's autonomy – constraints which limited their coercive institutions to providing internal policing rather than external defense – introduced incentives for coercion to be directed toward repression of rivals rather than protection. Repression, in turn, was found to be a possible mechanism

explaining the conditional relationship between coercive and fiscal capacity development that was observed in Palestinian municipalities.

For the purposes of this chapter and the one that follows, the above-mentioned constraints introduced by the Oslo Accords are used to motivate a conceptual definition of *partial autonomy*, or a setting where *a nationalist movement is able to engage in limited self-rule that is functionally restricted.* This section adopts the approach of qualitative process tracing, supported by quantitative data where possible, to argue that Israel's goals in the West Bank between 1967 and 1994 were what drove the creation of governing institutions with partial, functional autonomy from Israel. Namely, the commitment to avoid annexation of the Palestinian population led Israel to outsource civilian governance to the Palestinians while still maintaining the capability to deter violent threats. This strategy became manifest in the devolution of most of the distributive and regulatory facets of civilian governance to the PA, whose authority in these spheres was uniformly recognized across areas of the West Bank with significant Palestinian populations, combined with *de jure* restrictions in the PA's ability to wield coercive force.

3.2.1 Israel's Goals in the West Bank

As mentioned in the preceding chapter, roughly 600,000 Palestinian residents of the West Bank soon found themselves under Israeli rule following the latter's victory in the 1967 ("Six-Day") war. It has been well documented by Tessler (2009), Gorenberg (2006), and others that Israel's top military and intelligence establishment did not expect to go to war in June 1967. After intelligence reports about Egypt amassing troops in the Sinai and escalating tensions with Syria in the north, Israel struck first on June 5, targeting Egyptian airfields and pushing ground troops into Gaza, Sinai, and East Jerusalem and the West Bank (Tessler 2009, 397). At the conclusion of the swift conflict, thousands of lives had been lost on both sides, and the state of Israel was in possession of significantly more territory than before.

Israel adopted somewhat different approaches to control and governance in each of its newly acquired territories. In part, this was due to differences in the territories themselves and the nature of their populations; however, the varied strategies used are also suggestive of the different historical, religious, and strategic attachments that Israel and the Israeli population had to each place. East Jerusalem was fully claimed by the Israeli state. In 1980, Israel formalized its annexation of East Jerusalem in the Israeli Basic Law, a move that was not recognized by most of the international community. The status of Jerusalem invokes passionate arguments on all sides – for Israel, at the time, the "reunification" of Jerusalem had enormous cultural and religious significance, since the

eastern half of the city contained some of Judaism's holiest sites on the Temple Mount (referred to in Arabic as *Haram ash-Sharif*). In the wake of the war, Tessler (2009, 411) notes that Israelis across the political spectrum were in "agreement that the city would remain united under Israeli rule, with the entire city serving as the capital of the Jewish state." He also describes Israel's "deliberate effort to divide East Jerusalem from the rest of the West Bank, of which it had been an integral part prior to the June [1967] War," including the creation of new municipal boundaries that encapsulated the city into Israel's jurisdiction and the construction of "Jewish neighborhoods in former Arab areas" to create both a symbolic and physical barrier between the city and the rest of the West Bank (466). An Islamic *waqf*, established and funded by the Jordanian king, continues to control and maintain the Musim holy sites on *Haram ash-Sharif*, including the *al-Aqsa* mosque and the gold-plated Dome of the Rock. The status of Jerusalem, a city considered holy by all three monotheistic religions, continues to be one of the most hotly contested issues in the ongoing conflict. However, there was, and continues to be, little ambiguity in Israeli society, or among Israeli political leaders, about the city's status as Israel's capital.

The Golan plateau promised primarily strategic, rather than symbolic, value to Israel, due to its elevation (Harris 1978). Further, much of the area's population left or fled during the 1967 war. Unlike the West Bank and Gaza, the first census after the war showed "total desertion of all parts of the Golan with the exception of the Druze villages," (Harris 1978). This paved the way for Israel's de facto annexation of the Golan, cemented in Israeli law in 1981 but not internationally recognized. As for the Sinai Peninsula, it also presented high strategic value however, as mentioned, it was returned to Egypt as part of a later peace deal.

The position of Israeli society on what should be done with the West Bank and Gaza Strip was not as uniform and, thus, far more complex. The West Bank, in particular, combined symbolic and strategic value with demographic challenges. The policies adopted by Israel from 1967 until the time the PA was created varied depending on factors such as the ideological preferences of the ruling coalition, levels of violence, and economic conditions in Israel and the territories. The period under analysis can be usefully divided into three segments, each of which is defined by key events that shaped Israel's strategy, in particular: 1967 to 1977; 1977 to 1987; and 1987 to 1994. Each of these periods is discussed below.

Attributing a single goal, or set of goals, to an entire state apparatus comprised of many individuals and political currents is inherently reductive. Yet, it is still possible to define a minimal set of criteria that captures the range of Israeli goals during the period

leading up to the Oslo Accords. At a minimum, I argue, Israel's leaders were focused on maintaining control of much of the territory of the West Bank. In addition, the option of fully incorporating the Palestinian population of the West Bank into the Israeli state – e.g. by offering them citizenship – was never seriously considered. Subsequently, this outlook informed Israel's policy toward negotiations with the Palestinians, eventually producing the PA with its restricted, or partial, form of autonomy.

There are two relevant criticisms of this argument one could make. The first is that I have inaccurately characterized Israel's goals, and, in fact, either (a) Israel was prepared to concede most or all of the West Bank's territory if the safety and sovereignty of Israel, within the borders of the state that had existed since 1949, could be guaranteed; or (b) Israel was prepared to annex the West Bank *inclusive of* the Palestinian population that lived there. Below, I engage with each of these plausible alternative characterizations of Israel's goals. The second criticism is that a factor other than Israel's goals was more important in producing the partially autonomous PA institutions. Some of these alternative hypotheses are discussed in section 3.5.

1967-1977

For the first decade of occupation, the left-leaning Labor party (the Mapai party until 1968) and its subsequent Alignment coalition, headed the Israeli government. As mentioned in chapter 2, while the war itself and Israel's swift victory were a surprise, the earliest Israeli settlements in the West Bank began almost immediately after the cease-fire was signed. Although advanced by the left-wing government, the establishment of new West Bank settlements drew on an influential strategy known as the "Allon Plan", authored by Labor leader and erstwhile territorial maximalist (Gorenberg 2006) Yigal Allon, by which Israel would establish a "permanent defensive perimeter" in the Jordan Valley, while areas heavily populated by Palestinians would eventually be given to Jordan as part of a final peace deal, (Tessler 2009, 466-468). In addition, some politically and religiously motivated settlements began springing up around the West Bank (Tessler 2009, 466-7). During this period, right-wing currents within Israeli society sought a more direct and unconditional absorption of the West Bank, in particular, into the state of Israel. Gorenberg (2006) depicts how the reunification of Jerusalem, but also the opening up of areas such as Hebron and Nablus in the West Bank – historic towns which had been cut off to Israelis since the end of the War of Independence – had symbolic, religious, and cultural significance to irredentist segments of the religious Zionist wing. Thus, at times, this meant that the political leadership under the Alignment coalition was in conflict with influential segments of its own population. For example, Tessler (2009)[467]

describes the government's initial hesitancy in approving the early religious-Zionist settlement of Kiryat Arba in the West Bank city of Hebron. Bottom-up demands to settle – and therefore effectively annex – the West Bank were not consistent with the approach of the Labor-led government. The left-leaning government pursued an approach that saw eventual territorial compromise and the creation of an Arab, or Palestinian, state in parts of the West Bank.

Official government positions from 1967 until 1977, therefore, leave room to consider the first rival interpretation of Israel's goals in the West Bank. At least during this initial decade of occupation, it appeared that Israel would consider conceding most or all of the West Bank's territory if the safety and sovereignty of Israel could be guaranteed, within the pre-1967 borders or some slightly modified version of them. However, even in 1969, (Tessler 2009, 467-8) notes the important caveat that the winning Labor Alignment coalition "did declare that it would not accept a complete return to the armistice lines used before the June War; asserting that changes were dictated by security considerations, it called for a negotiated peace settlement based on limited though not inconsequential modifications of the pre-1967 boundaries." Most likely, these modifications were to include some parts of the Jordan Valley that had already been settled.

Another important consideration is that the day-to-day policies of administering the occupied territories and maintaining some sense of order advanced on the ground regardless of the government's position that compromise with the Palestinians would be the eventual outcome. Thus, another way to assess the priorities of the Israeli government – perhaps, most especially, its military apparatus – in those months following their 1967 victory is to revisit the first administrative and legal policies put into place in the newly occupied territories. Early governance decisions related to the territory were accomplished through military decree. As Shahwan (2003) describes: "The process of restructuring the administrative system started in the very early days of the occupation with the issuance of a series of military orders to this effect. Orders No. 1 and 3 issued on June 7, 1967 transferred the legal and administrative powers vested in the Jordanian Government in the West Bank to the Israeli military governor," (45-6). Early orders were also issued during the first year of occupation pertaining to the judicial system, tax collection, control over water and electricity, and the establishment of the Israeli Shekel as the operative currency. Many of these military orders involved transferring authorities that previously fell to local leaders under Jordanian and Egyptian rule (in the West Bank and Gaza, respectively) to the Israeli military governor. Importantly, the military governor's authority fell within the chain of command of the Israeli Ministry of Defense, and thus governance decisions were not made in consultation with Palestinians.

Pearlman (2011) summarizes military rule during this time:

> "...Israel upheld military rule through a combination of carrots and sticks. It denied Palestinians the rights of citizens but allowed them to work and travel in Israel. It co-opted traditional elites and new collaborators and prohibited nationalist expression. The army, and after 1981 the Civil Administration that it established to administer the territories, governed Palestinian life through some twelve hundred military orders that served as law under occupation. Israel punished political activism with such measures as house demolitions, imprisonment, curfew, travel restrictions, and 'administrative detention' without charge or trial. From 1967 to 1978, it deported more than one thousand Palestinians [citing (Khouri 1978; Lesch 1979)," (95-6).

While a comprehensive analysis of the content of all 1,200 military orders is beyond the scope of this project, many of the military orders pertaining to taxation were collected and translated from Arabic to English with the help of a Palestinian research assistant.[1] In the early years, for example, Military Order No. 113 (1967) transferred the authorities related to "public monies" to the area military commander. Appeals to income tax payment were consolidated under a special appeals committee with members appointed by the Israeli military governor according to Military Order No. 406-A (1970). An initial reading of a number of the early military orders indicates that many of the *distributive* functions of government were left to the still intact Palestinian municipal councils, while many of the *regulatory* and *coercive* aspects of state authority were consolidated in the Israeli military and civil administrations. This suggests that the state's primary goals were to maintain control of territory – initially in both the West Bank and Gaza Strip – and counter potential threats to the Israeli population there.

1977-1987

1977 saw the right-wing Likud coalition come to power for the first time. At this time, settlement of the West Bank became a more explicit, state-directed strategy to increase Jewish Israeli claims on the territory. Earlier, as leader of the far-right Herut party, Menachem Begin frequently referenced Biblical claims to the West Bank and Gaza. These were combined with efforts which, according to a sympathetic scholar:

> "sought to deepen the legitimacy of the status quo *post bellum*...[relying] upon legal opinions that distinguished between the legal status of the Sinai Penin-

[1] All orders were originally published in both Hebrew and Arabic. They are available online via the *al-Muqtafi* searchable database, hosted by Birzeit University (Birzeit University Institute of Law 1995).

> sula and the Golan Heights, and that of the West Bank (Judea, Samaria) and the Gaza Strip: the former were conquered from states whose sovereignty over them was unquestionable; the latter were taken from conquerors whose sovereignty over them was never recognized," (Naor 2015, 467).

Indeed, in the immediate aftermath of the June War, Begin had been among those in the Israeli cabinet who voted in favor of an offer to Egypt and Syria to return to pre-war borders in the Sinai Peninsula and Golan Heights respectively, "indicating that his map of the homeland did not include the Sinai or Syrian land," (Gorenberg 2006). On this point, scholars associated with each side of the political spectrum seem to agree – the West Bank, in particular, held special meaning for Likud leaders and their supporters. In a December 1977 speech to the Knesset, riding high on his new electoral mandate, Prime Minister Begin stated pointedly:

> ‘"We do not even dream of the possibility – if we are given the chance to withdraw our military forces from Judea, Samaria [the Biblical name for the West Bank] and Gaza – of abandoning these areas to the control of the murderous organization that is called the PLO...We have a right and a demand for [Israeli] sovereignty over these areas of Eretz Yisrael [The Biblical "Land of Israel"]. This is our land and it belongs to the Jewish nation rightfully," as quoted in Tessler (2009, 506), citing a December 28 speech reprinted in Laqueur and Rubin (1984).

It is critical to note that the leaders on Israel's right were keenly aware that the growing Palestinian population in the West Bank and Gaza Strip presented a demographic threat to Israel's self-stated Jewish identity. Thus, while it is possible that those at either end of the political spectrum would disagree with this characterization, Likud and its allies on the right were often distinguished from Labor and its allies on the left simply by the method and extent to which the Jewish Israeli population in the Territories would be separated from the Palestinian population. In other words, both sought separation, even if the right-wing leaders were less likely to support any form of statehood, or complete transfer of authority, to the Palestinians. Lustick (1993) elaborates on the ways in which Likud's efforts to normalize Israeli absorption of the territories generated modes of *de facto* separation and exclusion of Palestinians, including referring to non-Jewish residents of the territories "who in fact comprised overwhelming majorities of their populations, as ‘the minorities’" (359) and setting up separate municipal court systems for Jewish settlers "making it unnecessary for Israeli citizens to appear before local Arab courts enforcing the military government's interpretation of [in the case of the West Bank] Jordanian law,"

(360). Further, in 1978, Begin proposed his own plan for "autonomy" for the Palestinians; notably, it was based on a more personalized and individualized conception of self-rule which did not involve specific territorial concessions (Tessler 2009, 528).

While the Israeli-Jewish population in West Bank settlements grew steadily, there are two other features of Israel's relationship to the Palestinian populations in the West Bank and Gaza during this period that are worthy of note. First, in 1981, Israel set up the Israeli Civil Administration (CIVAD), a special apparatus that, while still under the portfolio of the Ministry of Defense, would be in charge of issues related to civil governance in the Territories. The subsection below will go into more detail about Israel's bureaucratic investments in the Territories and what this reveals about its priorities. Second, it is worth noting that, while the *political* incorporation of Palestinians living in the West Bank and Gaza into the state of Israel was never offered, they were able to achieve a certain degree of *economic* incorporation through working in Israel. At the end of the June War, Israeli labor markets became available to workers in the West Bank and Gaza for the first time, and those at the lower end of the income distribution and low-skilled workers were the primary beneficiaries.[2] In 1991, nearly one-third of gross national product (GNP) in the West Bank and Gaza was estimated to be derived from Palestinians working in Israel (Institute for Social and Economic Policy in the Middle East 1993, 24). As the next chapter formulates generalized conceptions of *exclusion* and *inclusion* based on the Israeli-Palestinian case, this is an important criteria to keep in mind – while economic incorporation of Palestinians in the occupied territories was sporadic and dependent on the political situation, their political incorporation was never seriously considered.

1987-1994

1987 marked the beginning of the *First Intifada* in the Palestinian Territories. While the opening of Israeli labor markets to young, formerly low-income groups had brought economic growth to the territories (Migdal 1980, 54-77), skilled Palestinians found it harder to get jobs, investments in infrastructure stalled, and the share of output comprised by industry shrank. The territories were dependent on the Israeli economy and other regional states for imports. Furthermore, the political realities of occupation were becoming tiresome. Thus, a grass-root resistance emerged, and Israel responded with force. This period saw a substantial increase in Israeli repressive tactics in response to

[2]Migdal (1980) provides an illuminating description of how increased living standards and economic opportunities for this population actually ended up undermining the authority of some of the older, more conservative local leaders in the West Bank that Israel, like Jordan before it, had been intent on propping up.

Palestinian protest. Significantly, the Intifada demonstrated the costliness of continued occupation to Israel, and was one of the major factors that drew them to the pursue back channel negotiations with the PLO, leading to the Oslo Accords in the early 1990s.

Hypothetically, one could imagine things simply reverting to the status quo after the Intifada without any major changes to the sovereignty or administration of the territories. As an observer, then, we are in a position to ask why Israel chose to move ahead with negotiations that were premised on the idea of recognizing the PLO and permitting Palestinians some degree of self-governance. One possible driver was the change in government in Israel – with a left-wing coalition coming into power in 1992. However, it is critical to note that the Madrid process – a public, multilateral negotiating process between Israel, Arab countries, and Palestinian groups – began in 1991 under the right-wing Prime Minister Yitzhak Shamir. So, in fact, Israel initially went to the negotiating table under Likud's leadership. I suggest that the costs of continued, unmediated, and direct occupation was a major factor in pushing Israel to accept some degree of governing autonomy for the Palestinians. These costs included both economic costs – which waxed and waned and are discussed in some more detail below – but also political and reputational costs both at home and abroad. Had Israel's aim been comprehensive annexation of the territories and their populations, then the eventual benefits of occupation may have outweighed these costs. However, the set of goals that emerged after the surprise war, and victory, of 1967 were focused on, first, maintaining the security of Israel and its population, and second, absorbing as much of the territory of the West Bank, in particular, into the Israeli state as possible while not politically incorporating population.

What, then, constitutes a minimal definition of Israel's goals during the period in which it has controlled the West Bank? In summary: From 1967 on, Israeli political leaders were, at various times, either not able or not willing to fully relinquish control of these territories to a Palestinian or Arab authority. It was broadly acknowledged that there was a basic need, if not desire, to maintain control over the West Bank for the short term while other possibilities for the future were debated. While Likud and the religious Zionist parties were more hawkish in seeking to normalize Israel's annexation of the West Bank, even the left-wing Labor government that was in power from 1967 to 1977 saw the territory as high in strategic value and held that its transferral to a Palestinian or Arab authority (including, possibly, Jordan) must be contingent on a reduction in Palestinian violence. Thus, it is possible to speak of a kind of consensus over maintaining Israeli control of the West Bank, at least in the short term. Yet, what did this mean for Israel's relationship vis-a-vis the Palestinian population there? Two plausible options emerged, in keeping with the more dovish and hawkish views, respectively: first, handing over parts

of the territory to Jordan or a Palestinian entity if such concessions were done in exchange for peaceful relations ("land for peace"), and second, not relinquishing the territory, but instead maintaining and increasing Israeli control over it. To some extent, this is an overly simplistic depiction, as there were segments of the left, especially in the early and euphoric years after 1967, that were also territorial maximalists (Gorenberg 2006). Yet the more hawkish viewpoint was almost universally adopted by those on the right.

Annexing the territory *inclusive of* the Palestinian population living there into the Israeli state was never considered as a serious option. The main reason for this is that incorporating the Palestinian population in the West Bank and Gaza would have shifted the demographic makeup of the state of Israel considerably, eventually projecting a future state of Israel that contained more Arab residents, who were Muslim and Christian, than Jewish Israelis. This was seen as antithetical to the broader Zionist project of establishing a homeland, and state, for the Jewish people. The evidence reviewed above implies that Israeli political leaders from across the spectrum sought some form of separation of the population – a division of Jewish Israelis from the area's Arab residents. For the doves, that separation took the form of a preference for two, separate political entities: the state of Israel and an at least partially autonomous Palestinian- or Jordanian-governed state. For the hawkish segments of Israeli leadership, it meant separate forms of governance and state presence for the two populations: in essence, democracy for one and occupation for the other. This desire for *separation* by either method aligns with the argument that Israel was not ready to concede territory, however it was also not ready to extend its state structures in their existing form into the territories and populations over which it gained control. Nearly all segments of the Israeli political spectrum were united in their desire to avoid incorporating the Palestinian population of the West Bank into the Israeli state. This minimal definition of the Israeli state's goals vis-a-vis the territory sufficiently captures the spectrum of positions adopted by governments led by Labor, Likud, and the unity coalition governments from 1967 to 1994. This was one in which absorption of the territory, not its population, was paramount.

3.2.2 Israel's Goals through the Lens of Bureaucratic Development

Because of Israel's goals described above, its deployment of bureaucratic infrastructure across the territory was limited and strategic. Israel did not seek to develop relationships of exchange with the Palestinian population, wherein the state provides goods and services and the population provides either fiscal or political support. The distributive bureaucracy of the Israeli state apparatus – which, after 1981, took the form of the CIVAD – was limited. As of 1993, on the eve of the Oslo Accords, CIVAD in the West Bank and

Gaza Strip employed approximately 22,000 people. Roughly 95 percent of them were Palestinian, while most senior-level positions were held by Israelis (World Bank 1993a, 7). With a conservative estimate placing the West Bank and Gaza population at about 1.8 million at the time, this amounted to 83 Palestinian residents per civil servant.[3] Table 3.1 shows comparable statistics on the number of Israeli citizens per civil servant within Israel proper. Including both ministry employees and the police force, but excluding the military, there were approximately 68 Israeli citizens per civil servant in 1993 – or over 20 percent fewer than in the West Bank and Gaza. Further, the fact that CIVAD's staff was so overwhelmingly Palestinian lends further support to the suggestion that Israel preferred to accomplish its objectives in the Territories through a more indirect, or outsourced, style of governance.

	1991	**1992**	**1993**	**1994**	**1995**
Ministry employees	52,460	53,549	53,914	55,278	56,183
Police	21,993	22,491	24,072	24,591	26,637
Total	74,453	76,040	77,986	79,869	82,820
Population	5,058,800	5,195,900	5,327,600	5,471,500	5,619,000
Citizen-civil servant ratio	67.9	68.3	68.3	68.5	67.8

Table 3.1: Israeli Government Employees from 1991 to 1996 (Israel Central Bureau of Statistics 1996)

Outcomes of these administrative and bureaucratic gaps were apparent to the World Bank when authoring its report on development for the interim period before Palestinian self-rule. At the time of writing in 1993, they note: "Many public services are in disarray: municipalities are starved of cash; power outages are frequent; [and] public water supply is below WHO [World Health Organization] quality standards," *(World Bank 1993b, 16). The report also notes: "[p]ublic investment at 3 percent of GDP is remarkably low, and especially so in the context of an overall investment rate of 30-odd percent of GDP," (World Bank 1993b, 23). Public investment reflects, among other things, the time horizons and intentions of political leaders. Because Israel's leaders did not intend permanent incorporation of the Palestinian West Bank population into Israel, it is no surprise that investment in infrastructure and other growth-enabling public goods were minimal.

The most detailed information on the economic costs of the occupation comes from Benvenisti (1986). He notes: "In the mid-1970's net transfers to the West Bank (by the Israeli government) were negative, i.e. the territories contributed to Israeli public expen-

[3] According to the Israeli Central Bureau of Statistics, the population of the West Bank and Gaza in 1993 was 1,832,800, which does not include Jewish settlers.

diture. In the late 1970's the burden came to $10-15 million a year. In the early 1980's the burden steadily decreased, and by 1983-84 was negative," (18). Israel financed the occupation through a combination of income taxes collected on Palestinians working in Israel and indirect taxes on goods produced in Israel or imported goods that were destined for the West Bank and Gaza (Benvenisti 1986). Deducting the subsidies Israel placed on certain Israeli goods consumed in the West Bank, Benvenisti (1986) estimates that the Israeli Treasury gained at least $40-50 million per year, on average, over the course of the occupation. However, as noted, Israel spent more than it gained during certain periods. Further, it is worth noting that Benvenisti (1986) does not contain data on the two years leading up to the First Intifada.

In conclusion, despite a pervasive military presence, Israel did not exhibit a sustained intent to *govern* the Palestinian population or incorporate them into the Israeli state. This is reflected, at a most basic level, in Israel's failure to annex the territory. This meant that incentives to provide infrastructure or basic services to the population were low. It was deemed preferable to outsource these mundane, but costly, tasks of governance to the local population. Thus, a careful reading of Israel's history of involvement in the West Bank since 1967 shows that signs of partial autonomy were beginning to emerge in Israel's strategies before the Oslo Accords. The formalization of this system of control was embodied in the Oslo Accords and the creation of the PA. The details of this partial autonomy were discussed extensively in the previous chapter.

3.3 Comparative Case Selection

Is there any reason to believe the relationship between an incumbent state's goals, in a setting of contested statehood, and the amount of autonomy won by a national movement during conflict may be generalizable? The analysis that follows draws on the "most similar" systems design – the foundation of the so-called comparative method – to select Palestine and Timor-Leste from the set of possible cases where we might observe the proposed relationship between an incumbent state's goals in a contested region and a competing national movement's achievement of autonomy.

Most similar systems design leverages the same research design principles as statistical matching does in studies where this procedure is followed by regression analysis (Nielsen 2016). Given a causal relationship of interest between explanatory variable X and outcome variable Y, cases are selected that are similar on most other dimensions other than their value of X. Then, the theory is tested by observing whether temporally prior changes in X are associated with subsequent changes in Y. Other factors that are

similar across the two cases can be ruled out as "causes" of Y, thus, if a relationship is observed, we can increase our confidence that the changes in Y are a result of the changes in X. As Nielsen (2016) describes, only those variables that are believed to be potential confounders in the causal story being tested should be used in the matching of most similar units, since matching on too many variables will increase the distance between units. For small-N most similar systems comparisons this is reassuring advice, since the number of variables one will practically be able to "match" on in the selection of cases is limited.

Variable	**West Bank**	**Timor-Leste**
Time Period	1967-Present	1975-1999
Estimated population	598,637 (1967)	646,155 (1973)
Land area	2,178 mi^2	5,743 mi^2
Pop/square mile	275	113
Military occupation	Yes	Yes
Incumbent regime type	Democracy	Autocracy
Other secessionist challenges	No	Yes

Table 3.2: Comparing Palestinian and Timorese Cases of Contested Statehood

Source for Palestinian population estimate from Table 1 in Perlmann (2012). Timorese population estimate from Hull (2000), who cites Ranck (1977, 62), reprinted by Kevin Sherlock in 1981. Land area estimates from the CIA World Factbook.

A number of similarities stand out across these cases which could have otherwise influenced autonomy, as an outcome, or the relationship between incumbent state goals and autonomy (see Table 3.2). First, the Palestinian and Timorese national movements began in the same decade from the mid 1960s to the mid 1970s, a time when most, but not all, of southeast Asia and sub-Saharan Africa had been decolonized and a new set of self-determination and liberation movements was emerging. This generation of movements, like some anti-colonial struggles that preceded them, drew on the influential philosophies of Frantz Fanon, Che Guevara, and Mao Tse-tung. However, they often were challenging incumbent states whose ruling parties had, themselves, achieved independence following colonialism. Thus, self-determination movements beginning in the 1960s and later did not benefit as much from a global environment of sweeping decolonization. International norms of self-determination had, of course, been recognized, but whether and how these norms would apply to these "second generation" self-determination movements was far from clear. The PLO was founded in 1964, but it began its active campaign of violent attacks against Israel after the 1967 war. Its initial stated goal was the "liberation" of Palestine, including the lands that were officially part of the state of Israel, however it moderated both its territorial ambitions and its tactics over time. *Frente Revolucionária de Timor-Leste Independente*, or the Revolutionary Front for an Independent

East Timor (FRETILIN) was founded in 1974 and became the main front for challenging the Indonesian occupation after 1975.

Second, the size of the contested territory – and thus the proposed state – was small in the case of both Palestine and East Timor, although, as can be seen in Table 3.2, the West Bank was much more densely populated than East Timor at the beginning of occupation, with more than twice as many estimated residents per square mile. This is reflected in the West Bank's more urban and peri-urban nature, whereas most of East Timor outside of the city of Dili had, and has, a very rural feel. Population density, or level of urbanization, represents a potential confounding variable in the observed relationships between incumbent state goals and national movement autonomy. I discuss this possibility in section 3.5 below.

A final similarity is that Israel and Indonesia both acquired the territory through military means, thus the initial presence of the incumbent state in the territory was in the form of military occupation. After this point, each country took a different path, but each maintained the military as the most senior institution in terms of defining and enforcing the law. The military's role in the Palestinian Territories and East Timor should not be taken as exogenous, or as a "given", in either case. Indeed, the balance of authority between the military and other political actors is a core part of the outcome to be explained, namely how the extent of self-governance extended to the national movements in each case. While the fact that both occupations *began* as military occupations is something that is convenient to hold constant across the two cases, the fact that each *maintained* the military occupation over time is, in essence, endogenous to the explanation advanced here.

The main factors that I identify and discuss in section 3.5 as potential confounding or omitted variables are: the regime type of the incumbent state; the role of pre-existing governance structures; the presence of potential other threats to incumbent state sovereignty; and features related to level of urbanization or terrain.

3.4 Timor-Leste

Indonesia's approach toward the territory and population of East Timor from 1975 to 1999 was starkly different than the Israeli occupation of the West Bank. Below, I provide qualitative evidence that the Indonesian government, under then-President Suharto, built up an extensive military and civil administration in the territory that sought to ensure Timorese acquiescence to Indonesian rule. In addition, this strategy ensured state penetration of the island through the development of infrastructure and the dissemina-

tion of propaganda. Further, although some settlers did migrate from other parts of the archipelago into East Timor, the number of settlers and settlement flows were dramatically less than what was observed in the West Bank. Indonesia's devotion of resources to not only a repressive military, but also a civil bureaucracy, infrastructure, and informational propaganda strongly suggests that the goals motivating their actions differed from the goals of Israel in the West Bank. The evidence, detailed below, supports the assertion that Indonesia sought full annexation of both the land of East Timor and its native population.

3.4.1 Before Indonesian Rule

Before Indonesia took over the eastern half of the island of Timor, it had been under the control of Portuguese colonizers since the mid-16th century, following initial settlements by Dominican missionaries and visits by traders extracting and exporting sandalwood. Timor-Leste's four-and-a-half centuries under Portuguese rule are important – not only for the purposes of understanding the legacies of governance and repression that this period left in its wake, but also because observing the Portuguese experience may have influenced Indonesia's own strategies toward the contested territory after it seized control in 1975. The early aims of Portuguese merchants and colonizers in East Timor was the export of cash crops. During the Portuguese occupation of East Timor, the economy relied primarily on subsistence agriculture and the export of coffee once the sandalwood supply was tapped (Hill 1978). Shortly after, the western half of the island of Timor fell into the hands of the Dutch and was administered as part of the Dutch East Indies colony until Indonesian independence.

Portugal's goals in the colony were primarily to extract natural resources and export for trade, but not to politically incorporate Timorese population. Thus, Portugal is unsurprisingly described as exercising a form of "indirect rule" in East Timor (Dunn 2003). It was also ruled to some extent through the Portuguese Viceroy in Goa, rather than directly from Lisbon (Saldanha 1994, 43). The use of indirect rule also left the colonial power vulnerable to challenges from traditional chiefs (*liurai*). Later, it also enabled educated Timorese to serve in the civil service and military at high levels. Some of the early leaders pressing for Timorese independence emerged from this educated generation. (They did not necessarily profess hostility toward a continued relationship with Portugal, but they did later become a thorn in the side of Indonesia.) This strategy also entailed little effort to develop the territory. Literacy rates were low and the first secondary school was only opened in 1952 (Jones 2000, 44-5). Dunn (2003) provides the estimate that "in 1940 there were only about 1000 children in primary schools in the entire territory," (18).

Notably, the most well-known uprising against Portuguese rule – led by Dom Boaventura, a *liurai* from the southern coast – was reportedly spurred by protest against excessive taxation. Indeed, taxation was historically coercive when East Timor was under Portuguese rule, and forced labor was common. Pinto and Jardine (1997) describes how many who lived as subsistence farmers could not afford the Portuguese *imposto*, or head tax. Those who couldn't pay had to commit to more work for the government. Pinto and Jardine (1997) relay the memory of one of the co-authors, Constâncio Pinto, who was to become one of the leaders of the clandestine resistance against Indonesia:

> "I know many old people who say that they were tortured in public, especially during the *arolamento*, the population census. *Arolamento* was also the time for tax collection. During that time the administrator would go from one village to the next, registering people's names as well as punishing people who had committed some sort of infraction, such as failing to participate in forced labor," (Pinto & Jardine 1997, 33).

Thus, there is evidence that Lisbon's main administrative investments in East Timor were in coercive institutions.

Two major turning points in the mid-twentieth century shaped Portugal's long-term considerations for its overseas holding in Southeast Asia. The first was World War II and the destruction it left on the island in its wake, which Dunn (2003, 22) describes as making the Portuguese occupation "untenable". The second was the 1974 Carnation Revolution in Portugal that overthrew the *Estado Novo*. The increasing costliness of maintaining control of East Timor relative to its strategic value meant that the new Portuguese administration soon sought ways to free itself from its far-flung maritime colony. By the time of Portugal's unceremonious withdrawal in 1975, three major Timorese associations had formed: *União Democrática Timorense*, or the Timorese Democratic Union (UDT), a conservative party which initially sought to maintain ties with Portugal; *Associação Popular Democratica Timorense*, or the Timorese Popular Democratic Association (APODETI), which favored "'autonomous integration' with Indonesia" (Pinto & Jardine 1997, 14); and *Associação Social-Democrata Timorense*, or the Social Democratic Association of Timor (ASDT), which was later to become FRETILIN, the main arm of the Timorese resistance against Indonesia. When Portugal left their former colony, there was a brief period of civil unrest between the various factions and FRETILIN emerged dominant. They exercised a short-lived administration of the colony from September to December 1975, and even issued a declaration of independence in November (Pinto & Jardine 1997).

3.4.2 Indonesian Rule: 1975-1999

In describing Indonesia's initial views toward East Timor during the waning days of Portuguese rule, Dunn (2003) recounts how a divide emerged within the senior Indonesian leadership over whether the territory should be given the opportunity of independence or absorbed into Indonesia. On one hand, Foreign Minister Adam Malik provided Timorese leader Jose Ramos Horta with written assurance that independence was "'the right of every nation'", including East Timor, and that "'[t]he [Indonesian] government as well as the people of Indonesia have no intention to increase or expand their territory, or to occupy territories other than what is stipulated in their constitution'," (Dunn 2003, 91). On the other hand, Malik's position was "very much at variance with those of a more influential group of generals who exercised greater influence over President Suharto" and who "quickly arrived at a consensus that an independent East Timor was not in Indonesia's best interests," (Dunn 2003, 92). In the Cold War climate, following the United States' withdrawal from Vietnam, President Suharto's right-wing regime had growing concerns about an independent Timor falling under communist influence (Dunn 2003, 88-96). What began as a subversive information campaign to promote Timor's integration into Indonesia in 1974 developed into military preparations in the fall of 1975 – with the tacit support of Australia, the United States, and other Cold War allies – and, then, a full-scale military invasion of Dili in the early morning hours of December 7, 1975. Indonesia's invasion of East Timor was one of the largest military operations in Indonesian history (CAVR 2013, 209).

While Indonesia secured control of Dili, the capital, and other major cities, they were unable to quickly "pacify" the rest of the country. With the invasion, FRETILIN fighters and much of the Timorese population fled for the mountains. Large scale exoduses from civilian areas such as Baucau, Ainaro, and areas around Liquica meant thousands of Timorese retreated behind FRETILIN lines. Dunn (2003, 253) notes: "Fretilin leaders were to become concerned at their inability to cope with the basic needs of more than half a million people, with limited food supplies, few medicines, and without doctors." Because Indonesia faced greater difficulties in securing the interior and the eastern part of the country, 1977 saw renewed military advances by Indonesia. "Starve or surrender" tactics were used to get Timorese down from the mountains and to coerce them into declaring loyalty to Indonesia. In 1979, humanitarian relief was permitted into the country, and the scale of some of the devastation from the first four years of occupation became apparent. Shockingly, it was "estimated that between one-tenth and one-third of the population had perished because of the war, and more than 200,000 of the remainder were languishing in resettlement camps," (Dunn 2003, 283).

Indonesia may have defined its strategy in opposition to what it saw as Portugal's failures in maintaining control of the territory through indirect rule and limited development. Indeed, Indonesia's strategy differed dramatically from Portugal's. While fighting an armed conflict against the resistance, led by FRETILIN, President Suharto swiftly ratified legislation in 1976 that formally incorporated East Timor as a province of Indonesia (Saldanha 1994, 101). As stated in CAVR (2013, 363-4):

> "The state structure that Indonesia imposed on Timor-Leste was itself heavily militarised [sic]. This derived from the extensive involvement of the armed forces in Indonesian politics and the economy during President Soeharto's New Order regime...In Timor-Leste, the Indonesian military had an even more pervasive role than in New Order Indonesia. *Angkatan Bersenjata Republik Indonesia*, or the Armed Forces of the Republic of Indonesia (ABRI) was directly involved in establishing the province of Timor-Leste and thereafter dominated its administration."

This, as might be predicted, produced extremely high levels of repression and violence across the territory. Even after those first few years, gross human rights violations, the use of deadly force, and indiscriminate violence were used by Indonesia and its allied militias over the course of the conflict. Human rights violations and assassinations of alleged Indonesian collaborators also occurred on the FRETILIN side, but the scale was incommensurable to the destruction that Indonesia and its allies left in their wake.

Interestingly, in addition to the extensive use of repression, the Indonesian regime went to great lengths to demonstrate its goals of developing and modernizing Timor-Leste, the country's newest province. This was especially the case after 1979, when many of the FRETILIN guerrilla fighters had come back down from the mountains. At this time, "the intensity of Fretilin disturbances dwindled drastically and the government started to consider the resettlement of the population back to their own villages," (Saldanha 1994, 139). While contemporary annexation projects usually do not refer to "civilizing" the local population – as referenced in Mamdani (1996)'s description of direct rule – they often use similar, but more sanitized, language about developing or modernizing the region. In this vein, Indonesia framed itself as Timor's best hope for post-colonial development. Propagandistic media reported that "The most striking activities in East Timor now are humanitarian developments. Whether physical infrastructure or mental (and spiritual) developments–their objective is to lift East Timorese's human dignity who are just freed from colonization for almost five centuries."(Unknown n.d.-b). When describing Indonesia's approach after gaining control of the eastern half of the island, Saldanha (1994) says:

> Indonesia had no other choice but to develop this former Portuguese colony after the region had joined the Republic of Indonesia. The main goals were to improve the welfare of the people and to legitimize its integration with Indonesia, as well as to show the government's good intentions regarding the development of this region," (30).

Of course, it would be more accurate to acknowledge that pacification *and* development were both goals of the regime, and with the former came a great deal of horrific violence. In any case, though, development, as a way to cultivate loyalty and integration, was portrayed as a natural outcome following annexation.

The government's information campaigns sought to emphasize the region's integration and similitude to the rest of the country. One way in which Indonesia sought to normalize the annexation and incorporation of East Timor as another province was by demonstrating that standards of living and prices were comparable in East Timor as compared to Jakarta. In another newspaper article published under the auspices of the Indonesian regime, it was noted:

> "For those coming to Dili for the first time, they will be curious to see the availability of essential goods and grocery in stores. It's useless to bring cigarettes from Jakarta because they are abundantly available in Dili, Baucau, Maliana and Oeccusi. A blank cassette tape is only 350-400 Rupiah. A pair of Levi's jeans is only 4000 Rupiah. The price of a cigarette is generally the same as in Jakarta, except Dunhill is 200 rupiah," (Unknown n.d.-a).

Other headlines that were translated from the pro-Indonesian newspaper articles during the time include: "Integration and Its Meaning [As] Felt by the Little People"[4]; "The Future Filled With Hope"; "A story of a pro-East Timor integration fighter"; and "National Consciousness as a Great Country Starts to Spring in East Timor". These concerted efforts to generate a positive image of East Timor's integration into Indonesia stand in sharp contrast to the statements made, both in public and private, by Israeli leaders with regards to the Palestinian population of the West Bank and its relationship to the state of Israel.

It seems almost paradoxical that violent repression could co-exist with rapid economic growth, but in the case of Timor-Leste under Indonesian rule this appeared, at least at times, to be the case. The first set of aggregate economic data available after Indonesia's 1975 invasion covers 1981-1982, and it is estimated that East Timorese GDP grew by

[4]I thank Jennifer Frentasia for her assistance with translation. Here, she notes that "*rakyat kecil*, literally translated as 'little people', is an Indonesian term to describe poor, powerless people. It is not a derogatory term for East Timorese...It's widely used in political campaigns (similar to "People Power" used by Filipino) and everyday conversations."

8.1 percent in this year (Saldanha 1994, 186). From 1983 to 1990, annual GDP growth averaged almost 8 percent, compared to an average rate of just under 6 percent between 1969 and 1972, which was the period of late Portuguese rule that had the most consistent, year-to-year growth record.[5] Some of this growth from the early 1980s onward could have been due to the fact that the resistance movement's main bases had been reclaimed by Indonesia at this time and many civilians had returned, voluntarily or not, into the large towns. Thus, economic production may have resumed somewhat normally at this time.

Living standards were already extremely low by regional and international standards when Indonesia took control of the province. Although there were certainly increases in living standards under Indonesia occupation, an estimated 52 percent of the population remained illiterate in 1990 and the infant mortality rate was approximately 106 per 1,000 births – both of which were very high in comparison to Indonesia's other provinces (see Saldanha (1994, 275) Table 5.47). Further, the housing stock in East Timor was of lower quality than elsewhere in Indonesia, with 64 percent of households in homes where the roof was made of leaves – compared to 10.8 percent across all of Indonesia – and 54 percent in houses with the walls made of bamboo – compared to 33 percent on average, across the whole country – rather than more durable material (Saldanha 1994, 276). Finally, it is worth noting that Timorese province was almost entirely dependent on the distribution of revenues from the central government, which effectively meant that Timorese had very little, if any, input into how development priorities were defined or how funds were spent (Saldanha 1994, 168-170).

Unlike Israel in the West Bank, Indonesia instituted a relatively extensive bureaucracy in East Timor, down to the village level, to demonstrate a strong state presence in the new territory. The civil service built by Indonesia was "nearly twice as large in relation to population than the [Indonesian] national civil service," (CAVR 2013, 403). This can be contrasted with the case of Israel's civil service investments in the West Bank, which were *less* intensive than in other parts of Israel's territory. Indonesia's vast civil service complemented its deep military presence across the country. Complaints were common among Timorese that Indonesians from other islands were occupying all of the civil service positions, and employment prospects for educated Timorese were fairly grim. For example, Jones (2000, 53) notes that, in 1999, less than 12 percent of teachers were native Timorese, with the rest coming primarily from Java, West Timor, and other nearby islands. The Indonesian state was also involved in settling a number of farmers on East Timor,

[5]From 1954 to 1963, estimates appearing in (Saldanha 1994, 186) show the economy contracting in three out of nine years, although 1956 and 1958 saw growth rates in excess of 8 percent.

although it is less clear whether this was an intentional effort to generate demographic advantages or merely an effort to solve distributional conflicts on other islands.

Ultimately, there was little indication that settlement was used to substantially alter the demographic make-up of the island. Above all, military and political domination, including propaganda and repression, were the Indonesian regime's tools of choice for concentrating power. Settlement of other Indonesians on the island was also seen as part and parcel of the larger development strategy for the island. As a government informational document cited in Eiran (2015, 108) describes:

> "In an informational document in 1984, Indonesia presented transmigration as intended to help the Timorese: 'The increase in rice production in the Province of East Timor is...due to the increase in the skill of the people of East Timor in farming. In this context, mention must be made of the positive results from the effort made by the government to bring...expert farmers from Bali to East Timor. The exemplary farmers were placed alternately among the East Timorese farmers so that the Timorese farmers could learn from the Balinese farmers the right ways of farming,' (Republic of Indonesia 1984, 51-52)."

Thus, Indonesian information campaigns actively sought to frame settlement by Indonesians from neighboring islands as transferring productive skills to the Timorese. This can be contrasted with Israel's approach to settlement, which emphasized the normalization of settlements as part of Israel, but which did not emphasize any real or rhetorical connections to the Palestinian population.

3.4.3 Timorese Autonomy

Overall, the Indonesian occupation of East Timor was a slow-moving humanitarian catastrophe. Research by the Timor-Leste Commission for Reception, Truth and Reconciliation (CAVR) in cooperation with the Human Rights Data Group (HRDAG) found an estimated 102,800 conflict-related deaths in the 1974 to 1999 period – with a margin of error of 12,000. This included approximately 18,600 that were killed in conflict while over 84,000 were estimated to have died "due to hunger and illness which exceed the total that would be expected if the death rate due to hunger and illness had continued as it was in the pre-invasion peacetime period," (CAVR 2013, 488). Indonesia's highly repressive and omnipresent form of rule left little to no room for self-governance by the Timorese independence movement at either the local or national levels during occupation.

The resistance, dominated by FRETILIN, primarily took the form of a guerrilla movement whose bases were mostly rural after the first few years of conflict. Simultaneously,

the resistance operated through a clandestine, urban front that attempted to subvert Indonesian rule and support the rural movement by channeling resources to them. Shortly after Indonesia's invasion in December 1975, FRETILIN and its armed wing, *Forças Armadas da Libertação Nacional de Timor-Leste*, or the Armed Forces for the National Liberation of Timor-Leste (Falintil), set up bases in the mountains (CAVR 2013, 417-8). In these initial years of occupation, the FRETILIN/Falantil bases featured a relatively well-organized administrative apparatus from the sub-village to the district level (CAVR 2013, 420). It is during this period, from 1975 until 1978-1979, that we would be most likely to observe FRETILIN developing any sort of formal institutions of autonomous governance. Indeed, the CAVR (2013) report suggests that FRETILIN had quite a thoroughly developed civilian and military administrative structure, and likely fulfilled some of the core, transactional functions we associate with the "state" in these zones that had not yet formally fallen under Indonesia's command, including distributing food and water and providing security to civilian supporters. However, because Indonesia possessed disproportionate military force and because any areas that were controlled by the national movement were seen as a threat to Indonesia's annexation project, the *zonas libertadas* did not last long. Unlike in the Palestinian case, there is no evidence that Suharto's regime was willing to permit partial self-governance by FRETILIN for an extended period of time.

This early separation of FRETILIN and Falantil fighters from the main Timorese population centers meant that any form of "self-governance" practiced by the resistance movement was limited to those rural areas that it controlled. The resistance carried on in both the mountains in the interior and in the major towns along the coast. In 1978-1979, Indonesia began campaigns to target the "liberated areas" under FRETILIN control in the mountains, causing the descent of many civilians from the mountains back down into the major towns (CAVR 2013, 418). The report states:

> "The separation of civilians from the armed resistance prompted the Resistance movement to enter a new phase, in which Falintil in the forest were supported by civilians in the settled, Indonesian-controlled areas. Previously, by contrast, civilians had been organised by Fretilin cadres in the Resistance support bases (*bases de apoio*), and Falintil had been responsible only for security."

From this point on, the use of clandestine, urban networks to support the resistance in the context of extensive Indonesian military, civil and intelligence apparatuses became a prominent feature of the movement. In the mid-1980s, "Falintil began to decline in

numbers and in its military capability, but an extensive network of non-military support in the towns and villages of East Timor was developed," (Dunn 2003, 296-7). Further, the resistance was not just limited to men: Mason (2005) details women's participation in the non-violent resistance, both providing traditional forms of domestic support to male combatants and through participation in protest action.

In the mid-1980s, it became clear to the Timorese resistance fighters that Indonesia had disproportionate military power on its side, and *Conselho Nacional da Resistência Maubere*, or the National Council of Maubere Resistance (CNRM) was founded as a new umbrella organization to represent the resistance internationally. As described in CAVR (2013, 419), the focus of the struggle for independence was increasingly moved to the international, diplomatic arena from this point on. It was also at this time that a notable ideological division emerged within the national movement, personified as a rivalry between the leader of the guerrilla resistance movement based in the mountains, Xanana Gusmão, and the exiled FRETILIN party leader, Mari Alkatiri (Shoesmith 2003). The founding of CNRM was a result of Gusmão breaking with the increasingly "doctrinaire" Marxists in FRETILIN's Central Committee in 1986 (Shoesmith 2003, 240), and was intended as "a nonpartisan umbrella organization" for the resistance, including FRETILIN, the UDT, and other underground actors, (Pinto & Jardine 1997, 122). While intended to unite the resistance movement and make the armed wing more representative of all the factions, this was also part of Gusmao's "plan to remove the resistance struggle from FRETILIN control," (Shoesmith 2003, 240). From this point on, Falintil was officially under the command of the umbrella group rather than just FRETILIN.[6]

This movement structure is in stark contrast to the Palestinian resistance. Palestinian local leaders affiliated with or sympathetic to the PLO were able to take advantage of some degree of formal autonomy to secure their substantial foothold in the West Bank – first, and temporarily, through municipal governments that were freely elected in the 1970s, but more notably after Oslo, through the creation of the Palestinian Authority as a formal governing entity in Palestinian areas of the West Bank and Gaza. The Timorese resistance, on the other hand, faced a different incumbent state with a different set of goals and tactics. The more densely populated towns were absorbed under Indonesian military rule fairly quickly after the invasion, although the eastern region was the last to be subdued. None of the resistance movement's three fronts – the armed, clandestine,

[6]The umbrella group in the lead-up, and then immediately following, independence became known as *Conselho Nacional da Resistência Timorense*, or the National Council for Timorese Resistance (CNRT) and was the primary group that represented Timor on the international stage and supplied leaders for the new state's institutions. FRETILIN, however, was the dominant party in the Constituent Assembly elections (Shoesmith 2003, 242).

and diplomatic fronts – engaged in formal, repeated transactions of governance with the Timorese population. Indonesia's commitment to absorbing the entire region as the 27th province of the country meant that FRETILIN and, later, CNRM had little opportunity to develop those relationships.

Instead of an extended period of "partial autonomy", the Timorese resistance movement's diplomatic outreach, changing international conditions, and the end of Suharto's rule all contributed to an about-face in Indonesia's approach to East Timor. In 1999, following a surprising announcement by Indonesia's new, transitional leader, President B.J. Habibie, a referendum was conducted on whether East Timor should be granted full independence or merely function as an autonomous region within Indonesia. The announcement of the vote – and the vote itself, in which 78.5 percent of Timorese voted for independence – unleashed a bloody campaign of destruction by the Indonesian military and affiliated militias, leading to the death of at least 1,200 civilians (G. Robinson 2003). The country then entered a two-and-a-half year period of transition under the United Nations Transitional Administration in East Timor (UNTAET), and finally achieved full independence in 2002.

The devastation of the 24-year-long occupation, combined with the targeted and efficient destruction of key infrastructure during their withdrawal, left UNTAET and Timorese leaders with a daunting task of rebuilding infrastructure and building new state institutions. The transitional period lasted from 1999 to 2002 – between the independence referendum and *de jure* independence. Lemay-Hébert (2012) discusses the conflict between "institution-building and local empowerment" that dogged UN transitional efforts in Timor-Leste, where, he argues, international officials initially prioritized the former at the expense of the latter. This stirred resistance to UN administration efforts by Timorese political elites, who felt they were being asked to observe and provide token consent for executive action, rather than being actively engaged in the process (474). Undoubtedly, the UNTAET period generated its own legacies for the institutional development of the Timorese state, a topic to which we briefly return in chapter 5.

3.5 Alternative Explanations

While it is clear that Indonesia and Israel differed in their goals for their newly acquired regions – East Timor and the West Bank, respectively – there may be other reasons that lead us to observe differences in the amount of autonomy, or self-rule, that the national movements are able to achieve. I discuss several alternative explanations in turn below.

3.5.1 Regime Type

One clear distinction between the two cases is the regime type of the incumbent state during the time that it controlled the contested territory. Israel was, and is, widely recognized as an electoral democracy. Israel was coded as either a 9 or 10 for the 1967-2010 period in the revised combined Polity score, a variable in the Polity IV project dataset that codes country-years from -10, indicating a strong autocracy, to +10, indicating a strong democracy (Marshall, Gurr, & Jaggers 2015). Indonesia, on the other hand, had a revised combined Polity score of -7 until 1997, -5 in 1998 (the year that Suharto resigned, initiating Indonesia's democratic transition), and 6 thereafter. Thus, Indonesia was ruled by an autocratic military regime for nearly the entire period in which it controlled East Timor.

Regime type might confound the relationship between state goals and national movement autonomy if it influences the methods used to achieve those goals. For example, some literature suggests that democratic regimes are less likely to use repression when faced with threats (Davenport 1999; Poe & Tate 1994; Poe, Tate, & Keith 1999; Rummel 1997). However, this claim has been qualified in the literature – for example, Regan and Henderson (2002) suggest that less developed, semi-democratic regimes may be most likely to use repression, reinforcing the assertion that regime type and political violence may exhibit an "inverted-U" relationship (Fein 1995). Davenport and Armstrong II (2004) decompose the relationship by estimating several non-parametric and parametric models; in the latter, they find that, below a certain level of democracy, democratic regimes are no less likely to use repression. An additional characteristic of Suharto's regime, however, is that it was a military regime, and this may make it more likely to use repression against nationalist threats even vis-a-vis other types of autocracies (Davenport & Armstrong II 2004; Poe, Tate, & Keith 1999). Indeed, in terms of numbers of casualties, although many thousands of Palestinians have died as a result of the conflict with Israel since 1967, the scale and intensity of violence employed by the Indonesian regime in Timor-Leste far exceeds that which was used by Israel in the West Bank in the period under study.

Could the use of large-scale and, at times, indiscriminate violence have precluded the possibility of the Timorese national movement gaining any degree of formal governing autonomy? I acknowledge the possibility that repression itself served to either partially or fully mediate the relationship between incumbent state goals and nationalist movement autonomy in these two cases. In fact, the qualitative analysis above suggests that, more generally, the *strategy and tactics of control* employed by Indonesia and Israel differed in several ways – including the extent of civilian bureaucracy deployed in the contested territory, the amount of informational propaganda used (and the targets of this propa-

ganda), and the degree of state-sponsored settlement of non-indigenous populations into the contested territory. While repression was used by both regimes, the extent and intensity of repression is one other tactical distinction between these two incumbent states. Nonetheless, the presence of a potential mediating variable, while deserving of further analysis, does not falsify the hypothesis that incumbent state goals and nationalist movement autonomy are causally linked.

Another possibility is that regime type *precedes* the causal process described above, namely: regime type drives incumbent state goals, which, in turn, shapes autonomy arrangements. Indeed, it seems plausible that, due to the differences in decisionmaking institutions across autocracies and democracies, the process by which an incumbent state's objectives in a contested territory are defined will differ across regime types. As described above, what Israel's goals *should be* in the West Bank and Gaza was, and continues to be, a topic of much open discussion. By contrast, we can infer that Indonesia's approach in Timor-Leste was more strongly determined by a closed circle of elites close to President Suharto. While beyond the scope of the current study, it would be perfectly plausible to suggest that regime type is an antecedent to the creation of incumbent state goals. While it does not explicitly test this proposed configuration of causal variables, chapter 4 does analyze the relationship between regime type, incumbent state goals, and nationalist movement autonomy on a larger dataset.

3.5.2 Pre-Existing Governance Structures

Another plausible rival explanation is that the extent of pre-existing governance structures drove incumbent state strategies in both cases. In the West Bank, Israel could build upon the historically important municipal councils, a structure which had been in place in the region in different forms since Ottoman times, whereas Indonesia did not encounter any similar formal governing institutions at the local level in Timor-Leste.

In fact, local governance has a nuanced and intricate history in East Timor that was not discussed in detail above due to space limitations. Traditional local chiefs (*liurai*) played an important role in dispute resolution and other forms of local governance before the arrival of the Portuguese, and thus both Portugal and Indonesia had to choose how they wanted to interact with these local leaders. While some were coopted under Lisbon's rule, for example, others, such as the liurai of Manufahi, Dom Boaventura, who was mentioned above, led important revolts against colonial rule. Hill (1978, 56-7) highlights the symbolic importance of the *liurai*-led resistance against colonial rule:

> "The 'Great Rebellion' of 1912 [led by Dom Boaventura and eventually quashed

> by the Portuguese] was important for the growth of nationalism in East Timor. According to Francisco Xavier do Amaral, founding President of FRETILIN, (whose mother remembered well the battle of 1912), Dom Boaventura succeeded in establishing a seat of government in Manufahi, the authority of which extended over approximately 16,000 hectares and which he governed for 18 months. Regardless of the historical validity of this claim it was clearly an important precedent for nationalist leaders to use in their political campaigns after 1974 when they were trying to persuade Timorese that they could run their own country."

Given the checkered history of both cooperation and resistance emanating from these local rulers, Indonesia faced a certain level of unpredictability in terms of how the *liurai* would react to the imposition of Jakarta's rule on the island. In fact, Indonesia managed to successfully coopt some of these leaders. APODETI, the main Timorese party that supported integration with Indonesia, benefited from the early endorsement of Guilherme Maria Gonçlaves, the *liurai* of Atsabe, and his son, Tomas, received military training from Indonesia prior to the 1975 invasion (CAVR 2013; Dunn 2003). Further, in the months leading up to the independence referendum, militias affiliated with an Ainaro *liurai* were responsible for brutal attacks against resistance leaders and their sympathizers (CAVR 2013, 283).

While running the risk of oversimplifying the issue of *liurai* loyalties and oppositions – positions which were obviously taken on an individual basis and sometimes shifted – it is clear that, at a minimum, Indonesia did face the opportunity to cultivate indirect rule on East Timor just as Portugal had done. It would be inaccurate to suggest that Timor-Leste did not feature any local governing structures, and thus it follows that these existing structures might have been part of a plan to delegate limited autonomous self-rule to the Timorese population under Indonesian occupation between 1975 and 1999. While the formality of local governing institutions did not approach the status quo of the municipal councils in the West Bank that preceded Israeli occupation, for example, it is nonetheless defensible to see Indonesia's decision to exercise a more direct form of rule – one which did not allocate any power to local, traditional authorities – as a strategic choice toward fulfillment of a specific set of goals.

3.5.3 Other Secessionist Threats

While the Palestinian movement was, and is, the sole national resistance movement Israel faces, Walter (2009) makes the argument that Indonesia's responses to organized

separatist movements in East Timor and Aceh were conditioned on the perceived threat of possible future secessionist demands from other regions. This explains, according to her logic, why President Suharto's regime was more willing than might otherwise be expected to "signal toughness" in the conflict and to continue incurring the costs of occupation and repression past when one might think it was rational to do so (Walter 2009, 148-159). By extension, we might believe that incumbent states with numerous potential secessionist threats on the horizon would not grant any degree of governing autonomy to the first such threat, since it might be a "slippery slope" toward granting autonomy, or even full independence, to more and more communities.

Indeed, this argument deserves serious consideration. However, it seems likely that, if the potential of future secessionist threats in other regions of the country were to enter into the incumbent state's calculus in a given contested territory, the way it would do so is by, first, shaping the incumbent state's *goals* vis-a-vis that territory. As was discussed with regime type, this does not undermine the analysis above of how those goals, in turn, may have shaped autonomy outcomes for the Palestinian and Timorese national movements. It does, however, suggest a way in which these goals themselves could be endogenized as part of a larger theory of what generates different incumbent goals in the first place.

Further, it is not so far-fetched to suggest that Israel's approach to the Palestinian Territories in the early years of occupation could have stirred secessionist or separatist tendencies among its own Arab population. Israel contains a large Arab-Palestinian minority within the 1948-9 armistice lines – namely, within Israel's recognized boundaries, excluding the occupied territories. If Palestinians in the West Bank and Gaza Strip were able to successfully achieve some degree of autonomy (as they eventually did), this could have also generated a "slippery slope" effect with Israel's own Arab minority. One possibility is that Israel's Arab community may have sought to move to the newly autonomous territories or, if full independence was granted, to the independent state of Palestine. This suggests that Israel may have had longer term reputational concerns in mind, too, just as Indonesia did in its dealings with Timor-Leste. Thus, if these concerns drove Indonesia to allow no self-governing autonomy for the Timorese population during the occupation, why did Israel pursue such a different path with the Palestinians? The threat of "secession" of the Arab-Palestinian minority in Israel was certainly more remote than the threat from Indonesia's other regions, and there may have been elements on the far right of Israel's political spectrum that would not have been too troubled by Israel's Arab-Palestinian citizens moving into a new Palestinian state. Indeed, one way to conceptualize the difference is that Israel did not face a less serious secessionist threat than Indonesia, but the integrity, and longed-for Jewish identity, of the Israeli state would have been less

threatened by these forms of secession.

3.5.4 Urbanization and Terrain

Finally, it was suggested in section 3.3 that the physical nature of terrain, and levels and patterns of urbanization, could constitute confounding variables in this analysis. In particular, Timor-Leste featured a more mountainous terrain – which has been shown to be well-suited to guerrilla-style insurgencies – and was less urbanized than the West Bank. This may have shaped opportunities and incentives facing the nationalist movements themselves in each setting. For example, FRETILIN may have been more likely to adopt a rural, guerrilla movement structure rather than focusing on setting up bases of governance. On the other hand, Palestinian nationalists benefitted from pre-existing urban structures such as the municipal councils and universities in the West Bank.

Indeed, it seems plausible that pre-existing features of the terrain and population distributions would have affected both incumbent state strategies and resistance movement structure. However, it is also worth noting that partially autonomous rebel organizations have been well-documented in quite rural areas, including the Shining Path in Peru's Andean hills and Renamo in rural Mozambique (Weinstein 2007). This, in and of itself, should not have been a limiting factor for FRETILIN if it had sought to set up its own governing institutions amongst segments of the Timorese population. Further, there is also extensive research suggesting that urbanized, or highly concentrated, populations are *easier* to govern, so one must ask why, if that was the main factor driving Israel's strategy in the West Bank, did they not choose a more direct style of rule? These questions suggest that other factors were more important in shaping Indonesia and Israel's strategies, respectively.

3.6 Conclusion

This chapter has argued that Israel's goals in the West Bank – namely, a set of goals that shifted with time but which, at a minimum, sought to maintain control over parts or all of the territory without governing the population – shaped the approach they adopted and, subsequently, the forms of self-rule available to Palestinians. In addition, I have traced the sequence of Indonesia's occupation of Timor-Leste, a case that, I argue, shares a number of essential similarities with the Palestinian one. Indonesia's occupation was not just military: it extended a vast civil service into the then-province of East Timor, investing considerably in infrastructure and education. Under Suharto's regime, Indonesia also deployed an intensive propaganda campaign, directed not only at international au-

diences, but also domestic Indonesian constituents, to project the image of East Timor as a normally and fully integrated province within the country. This evidence suggests that Indonesia's annexation goals were more inclusive in nature; despite the widespread and systemic use of violence and repression on a large scale, the Indonesian regime ultimately aimed to "pacify" and ensure the loyalty of the Timorese population to the government in Jakarta. This strategy closed off options for the resistance movement, leaving it little room to establish any formal relations of governance with the population before the end of the occupation.

Chapter 4 examines a broader universe of cases, taking what we have learned from chapters 2 and 3 to assess the relationship between incumbent state goals and nationalist movement autonomy in other settings of contested statehood. Chapter 5 returns to Timor-Leste and examines the relationship between legacies of conflict, the coercive capacities of the new state, and attitudes toward taxation.

CHAPTER IV

Other Settings of Contested Statehood: Do Existing States Constrain the Emergence of New Ones?

4.1 Introduction

Chapter 2 demonstrated a peculiar divergence in the coercive and fiscal capacities of the Palestinian Authority (PA), an entity formed to provide partial self-rule to Palestinians living in the West Bank and Gaza Strip. I suggested that the PA's capacities may not be growing in the ways we would expect due to functional restrictions that allow it to build certain forms of coercive capacity but not others. Chapter 3 explored the origins of these restrictions on Palestinian governing autonomy, and, through a counterfactual analysis using Timor-Leste as the comparative case, proposed that Israel's goals in the West Bank played an important role in generating the constraints on Palestinian institutional autonomy. But how generalizable is this observation: namely, that an incumbent state's goals in a contested region can shape the degree of autonomous self-rule obtained by a competing, nationalist movement? For nationalist movements aspiring toward statehood, the Palestinian experience suggests that governing autonomy obtained during conflict can have far-reaching implications for the ability of the movement to build state-like capacity. Thus, gaining a better understanding of governance during conflict might inform the development of strong and responsive state institutions in the long term.

The present chapter broadens the scope of analysis both conceptually and empirically by advancing a typology of regions of *contested statehood*. These regions are defined as populated areas where an existing (or "incumbent") state exercises disproportionate control, but faces opposition from a nationalist movement that seeks to establish self-rule. Drawing on the arguments of the previous two chapters, I define and categorize regions of contested statehood along two dimensions: First, the type of annexation strategy pursued by the incumbent state in the contested region (whether it is primarily *inclusive*

or *exclusive* of the existing population) and, second, whether the competing nationalist movement has been able to construct partially autonomous political institutions or not.[1] If there is a causal connection between incumbent state goals and movement autonomy, then we should observe cases of contested statehood clustering in two cells of the subsequent four-cell framework. Employing a contemporary subset of cases of conflict from the UCDP-PRIO Armed Conflict Dataset (n = 81), I find that situations of partial autonomy are *less* likely to arise in settings where the incumbent state is pursuing inclusive annexation. Instead, when incumbent states are pursuing exclusive annexation – or a less easily classified strategy of "benign neglect", described more below – nationalist movements are more likely to obtain partial self-rule over the course of the conflict.

There are a number of possible explanations for this observed correlation. First, there is the explanation offered in the earlier analysis of Palestine and Timor-Leste, namely that incumbent state goals are shaping opportunities for nationalist movement self-rule. Second, an omitted variable, or a set of omitted variables, may be driving both incumbent state goals and nationalist movement autonomy. Third, reverse causality is a possibility; because incumbent states and nationalist movements are usually engaged in a series of interactions over time, the amount of governing autonomy obtained by the nationalist movement may shape incumbent state goals. Resource and space limitations prevent me from observing and coding year-to-year variation in incumbent state goals or nationalist movement autonomy for each of the 81 conflicts in my subsample. Therefore, the second and third possible explanations above cannot be definitively ruled out. However, the correlational findings in this chapter, in conjunction with the detailed case studies presented in the preceding two chapters, increase our confidence in the first proposition: that the objectives of the stronger party in a conflict setting – the incumbent state – influence governance outcomes.

The rest of this chapter proceeds as follows. Section 4.2 describes the method and purpose of conceptual typologies in brief. It then defines the theoretical scope of the subsequent typology and some of its assumptions. Section 4.3 introduces two types of incumbent states in contested territories: one which pursues the annexation of both the territory and its existing population (*inclusive annexation*) and the other which seeks to annex territory first and foremost, but does not actively seek to absorb the population that lives there (*exclusive annexation*). Section 4.4 is informed by the analysis in the preceding two chapters and thus aims to define, in more general terms, the concept of *autonomy*, or

[1] Conceptually, this dimension focuses on the two categories of "no autonomy" and "partial autonomy". "Full autonomy" would be possible at the end of conflict if the movement obtained full independence, for example, but the current study focuses mainly on the period during active conflict or contestation. This is discussed in more detail below.

the degree of self-rule obtained by a national community seeking statehood. In section 4.5, I introduce the data and coding methodology, and I provide descriptive results of the classification of 81 self-determination conflicts drawn from the UCDP-PRIO Armed Conflict dataset. This analysis demonstrates that nationalist movements are more likely to gain partial autonomy in settings where the incumbent state is pursuing an exclusive annexation strategy or a somewhat mixed strategy. Nationalist movement autonomy during conflict is significantly less common in settings where the incumbent state is committed to inclusive annexation. Section 4.6 concludes by considering some of the implications of partial autonomy for movements that seek to transition to statehood, and for the populations living in this environment. It also draws some conceptual parallels between direct rule and the "inclusive annexation/no autonomy" settings and between indirect rule and the "exclusive annexation/partial autonomy" settings.

4.2 Building A Conceptual Typology: Purpose, Scope, and Assumptions

The primary purpose of a conceptual typology is to identify and map out the dimensions of a concept (D. Collier, LaPorte, & Seawright 2012). Such conceptual, or descriptive, typologies are ideally "mutually exclusive and collectively exhaustive – that is, every case of the phenomenon fits into a type, and only into one type, and types are designed to minimize within-type variation and maximize variation between types," (George & Bennett 2005, 238). The aim of such an exercise is not necessarily to make causal claims, but to identify "clusters of characteristics" that seem to co-occur (George & Bennett 2005, 238). In this sense, the contribution of a conceptual typology is usually directed toward theory construction rather than theory testing.

In this case, the typology follows the partially inductive research in chapters 2 and 3. Scholars agree that conceptual typologies can often play an important role in multi-method research (D. Collier, LaPorte, & Seawright 2012, 226). Transitioning from individual cases toward a more general typology represents a move "up the 'ladder of abstraction', or generality," (George and Bennett (2005, 242), citing Sartori (1970)). In the Palestinian and Timorese cases, I proposed that incumbent state goals may have shaped the amount of autonomy gained by the national movement in each case. The following analysis assesses whether this correlation is a "typological regularity" in a broader set of cases (George & Bennett 2005, 239). Moving toward more abstract concepts has its costs, as Sartori (1970, 1034-5) presciently warned:

> "Now, the wider the world under investigation, the more we need conceptual

> tools that are able to travel...[T]he larger the world, the more we have resorted to *conceptual stretching*, or conceptual straining, i.e., to vague, amorphous conceptualizations...And the net result of conceptual straining is that our gains in extensional coverage tend to be matched by losses in connotative precision."

The conceptual exercise below and empirical classification aims to take Sartori (1970)'s warnings seriously, and thus follows the sequence of, first, clearly defining qualitative categories which are useful but not overly broad, and, second, cautiously aiming to match these concepts to variables which can be observed and measured on a dichotomous or ordinal scale. Only by being transparent about each step of the process might the reader identify the utility of the overall framework.

The relevant scope of the subsequent typology is defined as settings of *contested statehood*. In summary, these are settings in which we can distinguish two political units: first, there is an existing state whose membership in the state system – if not its precise geographic borders – is widely recognized. Borrowing language from Mampilly (2011), I refer to this as the *incumbent state*. The incumbent state exercises a relatively high degree of coercive and political control over a contested piece of territory. The second political unit is a national movement or organization seeking autonomous self-rule, liberation, or independence. It is in conflict with the incumbent state because it wishes to exercise coercive and political control over the contested territory. In other words, it seeks to obtain its own monopoly on violence (Weber 1919) and set up its own structures of political decision-making. Note that there is no constraint on whether the incumbent state exercises a form of democracy or authoritarianism, nor on whether the national movement has expressed support for the creation of either democratic or non-democratic institutions. Referring to the nationalist challenger as a movement or organization implies that some basic level of support for the nationalist project being pursued exists amongst the population of the contested region. Nonetheless, the movement or organization may be more or less democratic in its relationship to the population on whose behalf it is supposedly advocating.

Importantly, the incumbent state's substantive reasons for continuing to hold the contested territory may differ. For example, the justifications may be described as purely economic, geo-strategic, political, symbolic, or some combination of the above. However, I do assume that, regardless of the intentionality of the incumbent state's actions that led it to acquire the territory, it has an underlying desire to retain control over it. This condition should be understood in its minimal sense: for example, within the incumbent state's constituent population or within its political system, there may be an active debate about whether the state should hold onto this additional territory and at what cost.

However, the basic assumption is that the state's political leadership during the period of analysis is not ready to immediately, or unconditionally, give up the contested territory. It may appear problematic to refrain from defining the degree of intentionality or strategy involved in the incumbent state's acquisition of the contested territory. The subsequent framework rests on the assumption that any territorial acquisition by a state results from some combination of that state's own intentional strategy and other observed and unobserved factors that will shape the precise nature of the final result. For now, we leave the relative importance of these various factors undefined.

I make one key assumption about the national movement. First, I allow that the particular grievances and demands of the national movement may vary, but I restrict my attention to national movements whose ultimate goal is to replace incumbent state institutions with a new state authority for the national community that it claims to represent. In other words, the national movement seeks self-rule; it may also reference self-determination, liberation, separation, secession, or independence in its discourse. I do not present a theory of what factors lead national communities to mobilize around such goals. There are important questions regarding whether a movement coalesces around national self-determination (Kelle 2017; Lawrence 2013), when we might expect collective action dilemmas to undermine such mobilization (e.g. Lichbach 1994; Olson 2002), and to what conditions such mobilization might be a response. To simplify and restrict the set of cases to which the following typology applies, the starting point of the analysis is a setting in which an existing state is in possession of a contested territory and is faced with an organized national movement that seeks to replace the existing state's institutions with new institutions of self-rule. These movements are not organized around demands for autonomy *within* the existing system (although, as we have seen, this may be what they get). Instead, they advocate for the creation of new institutions to supplant the old. As a movement, they may be engaged in a range of forms of resistance against the incumbent state, adopting non-violent or violent tactics, and these approaches may vary within the movement or over time.

Finally, we must restrict the temporal window of analysis somehow, so while we focus our attention on the period immediately following the emergence of an organized challenge to the incumbent state, this does not rule out the possibility – or perhaps probability – that such a movement is building on long-standing historical claims to the region in question. The reader may be concerned that the varied nature of these deep, historical legacies across cases will complicate the ability of our framework to produce generalizable propositions. In other words, won't the incumbent state's actions, and subsequent outcomes for the national movement, vary significantly depending on the historical roots

of the conflict? Indeed, we must allow for this possibility. Thus, for the subsequent discussion, the key concepts and variables to be defined should be thought of as *changes*, *or deviations*, *from* what existed immediately prior to the period in question. For example, when the incumbent state's goals are discussed, these should be understood as a move toward a certain goal from an unspecified starting point.

The territory is contested precisely because of the existence of these two units. It is also worth noting that the universe of cases is not equivalent to all cases of civil conflict. The scope of this framework parallels that of Lustick (1993, 3), who pays special attention on "those cases [of state formation] where force majeure was not decisive in the determination of outcomes, or where it is not expected to be decisive." This lack of decisiveness parallels the concept of the territory being "contested". I also assume that the contested territory is populated. Unpopulated, or very sparsely populated, territories are excluded from the analysis because one of the main concepts of interest is the development of governing institutions, which, in this case, necessarily includes governance of a population, in addition to activities related purely to the use of a territory. Hypothetically, the population in the contested territory could be incorporated into the incumbent state or could be incorporated into a new state should the national movement achieve its goals.

4.3 *Inclusive* versus *Exclusive* Annexation

I define regions of contested statehood according to two dimensions. The first dimension aims to address the question of *why* the incumbent state seeks to maintain control of the contested region. As noted earlier, the conceptualization presented here is agnostic as to whether the motivation is best described as economic, geo-strategic, political, symbolic, or some combination of the above. I offer a relatively simple way to distinguish between types of incumbent states, based on the answer to the following question: Does the incumbent state seek to incorporate *both* the contested territory (its land and natural resources) *and* the population that resides there into the existing state, or does it primarily seek to incorporate the territory?[2] Territory, defined to include both land and other natural resources, and people – or, in economic terms, labor – constitute the two types of resources that could plausibly motivate incumbent states to maintain control over a populated region. Incumbent states for which the incorporation of the existing population

[2]We could also imagine a power that only sought to incorporate people, but not territory. Such pernicious state projects have, of course, existed – for example, those that depended on the trans-Atlantic slave trade or other slave economies. I do not discount that this type of authority structure exists, however I do not include it in my typology of *regions* of contested statehood, since the primary axis of contestation cannot be defined by competing claims over a geographical region.

is *at least as important* as the annexation of the contested territory are defined as seeking *inclusive annexation*. Incumbent states whose primary aim is the annexation of contested territory, not its existing population, are referred to as pursuing *exclusive annexation*, as they seek to exclude the existing population from the expansion of the state.[3] Each is defined in more detail below. These two categories should be thought of as ideal types, while the analysis that follows will acknowledge that most state projects fall somewhere between these poles. Nonetheless, I argue that incumbent states in contested regions can be usefully distinguished as falling toward one end or the other on what is probably a continuous spectrum of types.

4.3.1 Inclusive Annexation

States that acquire a populated territory may seek full inclusion of both the territory and its existing population within the geographic and substantive boundaries of the state. I refer to this type of state as one pursuing inclusive annexation. Adopting a rational choice framework, we classify incumbent states as "inclusive annexers" if the expected benefits of incorporating the population exceed the expected costs. "Incorporating", in this context, means ultimately governing. Of course, there is a wide range of ways that we might conceive of these costs and benefits. For example, state leaders may perceive benefits such as increasing the tax base, obtaining a larger population from which to recruit into a state's armed forces, or political benefits that a state's rulers may perceive by absorbing additional citizens of a particular demographic, ethnic, linguistic, or religious group. Costs, on the other hand, may include the cost of extending government infrastructure and services to the newly acquired population, the costs of extending the benefits of citizenship to additional residents, and the risk of incorporating a new population, some segment of which may present a threat to the existing leaders' rule. What is important is that the state's leaders *perceive* the benefits to outweigh the costs, not that they actually do. Thus, one could imagine imperfect information or stochastic or unanticipated shocks playing a role in generating outcomes that leaders did not expect when their goals were initially defined.

One implication of the basic definition above is that incumbent states engaging in

[3] I use the words "existing", "native", "local", or "indigenous" population to connote the population residing in the territory just prior to the incumbent state's acquisition of the territory. These terms should not be interpreted as offering an evaluation of historic claims, or rights, to the land – a point which will become particularly important in the discussion of settlement strategies below. Further, the term "native" has unfortunate paternalistic and racist connotations which I seek to avoid. These are also discussed by Mamdani (1996). In my writing, "native" can be thought of as "pre-existing" or "already inhabiting" the territory in question.

inclusive annexation are relatively more likely than other incumbent states to *extend the visible presence of the state* into the contested region. Importantly, the relative costliness of coercive versus non-coercive state-building strategies will shape the mix of institutional functions – i.e. whether they are monitoring, repressing, or providing services to the existing population. An example helps to demonstrate how incumbent states often couch this in the language of development. Mundy and Zunes (2015, 40)'s description of the case of Morocco's attempted absorption of Western Sahara reflects what we would expect under inclusive annexation:

> "Moroccan development efforts in Western Sahara – from administrative structures to the built environment – have attempted to erase any sense of difference between the occupied areas and the rest of Morocco. What looks, from the perspective of international law, like an illegal aggrandizement scheme is, from Morocco's point of view, nothing more than a development scheme aimed at addressing the underdevelopment of its 'Saharan Provinces,' in the same way that Morocco seeks to address development challenges in its other peripheral regions..."

Incumbent state presence can be thought of more broadly, too. The literature on state-building acknowledges a variety of possible techniques, including more symbolic extensions of the state through the use of official flags and slogans, as well as more specific information and propaganda campaigns. Such observable markers of state presence would be included in the definition of what we might expect to observe under inclusive annexation. Inclusive annexation may be associated with a variety of approaches to state-building – using "carrots", "sticks", or both – but in any case we can expect relatively high degrees of incumbent state presence throughout the contested territory.

A second, observable implication of a strategy of inclusive annexation can be found in how such states will formalize their relationship to the local population in the contested region. In the contemporary global system, where citizenship is the normal mechanism of state inclusion, states pursuing inclusive annexation are relatively more likely to offer – or, as the case may be, demand – citizenship of the population. There is a robust literature on citizenship, variation in its forms, the mix of rights and responsibilities that it may entail, and how politicians may manipulate its applicability. There of course may be "tiers" of citizenship, something which is acknowledged more directly in the empirical operationalization of the concept below. In sum, though, citizenship may be used to win or coerce support, but it is very unlikely that we would observe a state pursuing inclusive annexation without offering citizenship to the newly acquired population. Since incumbent states are now subject to more scrutiny from international observers than were the

colonizers of the past, inclusive-annexing states will often commit to a *de jure* uniformity of rights for all segments of their population, including in the contested region that they are seeking to annex. However, they may limit these rights in practice through, among other things, the disproportionate use of repression in the recently acquired territory. Suffice it to say that the norms of citizenship and rights create, at the very least, surface-level distinctions between incumbent states pursuing inclusive annexation today and, for example, warlords, monarchs, colonial empires and state-builders of the past.

4.3.2 Exclusive Annexation

Incumbent states that place relatively *greater* emphasis on incorporating the newly acquired territory into their borders but relatively *less* emphasis on absorbing the territory's population that currently resides in the area are defined as seeking *exclusive annexation.* Such states may place a premium on control of the contested territory or its natural resources, and the existing population is seen as an impediment, rather than enabler, of this goal. In these cases, the perceived benefits of incorporating the population into the existing state are outweighed by the costs. Critically, the perceived benefits of maintaining control of the territory, or its extractable resources, in the contested region are *greater* than the perceived costs.

Since it is difficult to reliably trace the intentions of incumbent states in contested territories, one of the key observable differences between inclusive and exclusive annexation will be the nature, location, and types of investments in state presence that are made. Exclusive annexation results in a more limited and strategic deployment of state presence than inclusive annexation. Exclusive-annexing states will be more likely to invest in a bureaucracy that is designed to control and protect territory and, where relevant, their own populations that have settled in the contested land. They will minimize, to the extent possible, bureaucratic linkages between the state and the existing, or indigenous, population. While exclusive annexation projects may also be accompanied by the liberal use of repression against the existing population, the distributive arm of the state – the provision of goods and services – will be limited. Further, the incumbent state adopting a strategy of exclusive annexation will not actively seek to extend formal political inclusion to the population living in the contested territory. This may be hard to observe, since, as discussed earlier, states offering citizenship to those residing in the territory they claim is now a strong international norm. However, exclusive-annexing states are expected to go to greater efforts than inclusive-annexing states to condition or restrict the extension of citizenship to residents of the contested territory.

Exclusive annexation projects – or those in which an incumbent state seeks to augment

the territory under its control – are often accompanied by state-sponsored settlement of the territory to "right-people" it, as described by Brendan O'Leary (cited in Haklai & Loizides 2015, 5). In fact, settlement projects *may* also accompany inclusive annexation. However, in these cases, they are less likely to be overtly directed by the state, and they are more likely to be smaller in scale. Because demographic pressure on the existing population would be against the interests of the inclusive-annexing state, such forms of settlement could ultimately run counter to their aims. For the exclusive annexer, these pressures may encourage displacement of the existing population that facilitates the incumbent state's primary goal: annexation of the territory itself. Table 4.1 summarizes the conceptual distinction between the two types of incumbent states.

	Inclusive	**Exclusive**
Annexation goal	Territory and population	Territory
State presence in contested region	Extensive	Minimal
Settler population (from incumbent state to contested region)	Minimal	Moderate to Extensive
Citizenship for existing population in contested region	Likely	Unlikely

Table 4.1: Distinguishing Traits of Inclusive versus Exclusive Annexation

Importantly, incumbent state type is primarily driven by the goals adopted and pursued by the state, thus the distinction among types is largely an elite-based theory of state action. The extent to which these elite goals coincide with those of the general population is something which may vary extensively across states. This conceptualization is thus predicated on another assumption: that the goals of political leaders are substantively important for shaping the action of states. Notably, incumbent states may change their type over time as the goals of political leaders change. For example, Mampilly (2011)'s fascinating account of how Sri Lanka, the incumbent state, handled the Tamil national movement in the northern and eastern parts of the country suggests that their approach varied over time, from an intentional strategy to change demographic patterns in the region, consistent with an exclusive annexation strategy, to, at times, a desire to extend services to the Tamil population, something which we would expect under inclusive annexation. Similarly, Sudan's approach in South Sudan evolved over the two, consecutive civil wars.

Finally, it is worth noting that some of the more symbolic, softer tactics of state-building may be used in either form of annexation. These include policing the use of nationalist terminology, ideology, and historical narratives in the public sphere (for example, in educational textbooks) that may run counter to the incumbent state project.

These ways of managing information and ideas may exist under either annexation type. However, under inclusive annexation, as mentioned above, the incumbent state is more likely to position itself as the steward of development, law, and order vis-a-vis the local population and, as discussed, they are more likely to make the labor and capital investments required to maintain that position. Exclusive annexers will probably exert less effort on such messaging and investment strategies.

4.4 National Movement Autonomy

As defined above, the contested region features an incumbent state and a national resistance movement, with relatively weaker coercive control, that seeks to form a new political authority structure for the existing population or some subset of it. Therefore, the second dimension of this typology relates to the extent of autonomy over governance that the movement seeking statehood has been able to achieve for the population it claims. In this context, autonomy is defined as *the existence of formal institutions of self-governance in part or all of the contested region that are controlled by, and serve, members of the national community seeking statehood*.

It is important to clarify how this definition relates to existing understandings of autonomy in the literature. The chief relational elements of the concept to be defined are: autonomy *for whom* and *from whom*. Here, we are primarily thinking of autonomy *for* the aspiring state – which currently takes the form of a nationalist movement of organization – *from* the incumbent state. Thus, this is a concept about relationships between organizations; it is not, at least directly, between populations.

This conceptualization of autonomy differs from some standard versions that are seen elsewhere in political science. In American politics, the concept of autonomy is perhaps most frequently used in context of executive bureaucracies to denote a bureaucratic agency's freedom to act and pursue policy goals independently from political parties or leadership (e.g. Carpenter 2001; Huber & Shipan 2002) or, alternatively, to conceptualize the individual agency of "street-level" bureaucrats from their superiors (Hupe & Hill 2007; Lipsky 2010). In comparative politics more broadly, the autonomy of the state resurged as a central research topic in writing after the much-vaunted edited volume, *Bringing the State Back In* (P. B. Evans, Rueschemeyer, & Skocpol 1985), an institutionalist response to pluralist or interest group-based theories of politics. P. Evans (1995) brought us the concept of "embedded autonomy" to describe state involvement in industrialization in the so-called developmental states (see also Ang 2016; Johnson 1982; Kohli 2004). I note that this was a resurgence, rather than a wholly new focus of comparative

politics, because the work that focused explicitly on state autonomy from the landed, or even industrial, elite often explicitly channeled the classic perspectives of Karl Marx and Max Weber.[4] In the typology below, the idea of autonomy – something that a nationalist organization that claims to represent a population is able to exercise – does share a basic definitional component with some of the above-mentioned varieties found in the literature. Like these definitions, we are interested in the extent to which institutions are immune from a certain kind of interference. However, in our set of cases, autonomy is minimized when it is challenged *from without* by the incumbent state, not *from within* by, for example, party leaders, organized interest groups, or the private sector elite.

The present study is not the first to use autonomy in reference to national movements for self-determination. In this literature, it is perhaps most commonly associated with decolonization – an intermediate status of self-rule, short of independence. More recently, Lawrence (2013, 51) and others have problematized the notion that autonomy – which she groups under a broad category of demands for political reform sought by national communities under colonial rule – was simply "an early stage in an evolutionary process toward nationalist resistance," despite what historians, as well as colonists and nationalists themselves, may have claimed. Autonomy, she argues, was a distinct demand for reform *within* the existing colonial system. National autonomy has also taken on its own normative and strategic dimensions. As Weller and Wolff (2005, 1-2) describe, after the Cold War and with emerging nationalist conflicts in Central and Eastern Europe,

> "autonomy was re-discovered as a potential remedy to self-determination claims. It was now no longer seen as the secessionists' stepping stone toward independence, but instead, in a 180-degree reversal of the previous position, autonomy was now considered as a possible tool in accommodating separatist movements without endangering the continued territorial integrity of an existing state."

As they explain, following the breakup of the Soviet Union, Czechoslovakia, and Yu-

[4]Of note for readers of the current study, the centrality of the coercive and fiscal capacity of states to the concept of autonomy is highlighted in particular by Hamilton (2014, 7), but also the tension embedded in the concept:

> "In particular, control of the means of coercion would appear to facilitate state autonomy...Given the concentration of the coercive power of the state in the military/police apparatus, its level of integration and adherence or resistance to government authority is obviously of crucial importance in state cohesion or in determining the outcome of divisions and conflicts within the state. But if the possibility of state autonomy appears to be enhanced by control of the means of coercion and by a high level of cohesion within the state, it is limited by the state's dependence upon resources – chiefly taxes and loans – generated through the mode of production and, in capitalist societies, the private sector."

goslavia, it was gradually accepted in Europe as a more palatable form of devolution to compromise with separatist factions.

The specific form autonomy takes in any given region may vary, which may explain the larger concept's under-theorization in the literature. It may refer to religious or linguistic autonomy; it may refer to devolved versions of the legislative, executive, or judicial branches at the regional level; or it may refer to a greater devolution of state functions, such as taxation, policing, or mechanisms of dispute resolution. While special autonomy granted to an ethnic or linguistic community may be interpreted as a devolution of governance to that community, I only define it as such when that community is granted additional control over some functions of governance that other communities or regions within the incumbent state do not have. In between the two poles of no autonomy and full autonomy, there may be a range of configurations. I refer to any form of autonomy that functionally limits the *de facto* authority of the autonomous unit as *partial autonomy*. This is described in more detail below.

In regions of contested statehood, I propose that national movements seeking statehood may be categorized according to three levels governing of autonomy that they may acquire over the course of conflict. I focus explicitly on arrangements that occur *prior to* any formal peace negotiations that may occur to end the conflict between the incumbent state and the national movement. Thus, the analysis is restricted to autonomy exercised during the period of active contestation.

First, the national movement may possess no autonomy. In these cases, the national movement does not engage in any of the formal functions of a government, including: providing internal policing within the areas that they control; extracting revenue through taxation; engaging in formal dispute resolution; or managing the distribution of public or club goods and services to the population. The "rebel governance" literature delves into great detail to understand how rebel movements are able to provide certain governmental functions even in settings of ongoing conflict (Arjona 2016; Mampilly 2011; Weinstein 2007) It is somewhat difficult to imagine the theoretical extreme case in which a nationalist movement or organization is engaging in absolutely none of the governance activities captured in this literature. In fact, the conceptualization of autonomy mirrors the discussion of inclusive and exclusive annexation, in that these are ideally defined categories that, in practice, differ continuously rather than categorically. Therefore, we can think of the polar extreme of *no* autonomy as very conceptually close to cases where the nationalist movement engages in *very little* autonomous governance. Empirically, I suggest that nationalist movements practicing little or no autonomy will take one of two, main forms: either they will be organized as a cell-based resistance movement amongst the existing

population with no control of territory, or they will be exclusively focused on protecting their territory from incumbent state control but they will not engage in any of the other governance-related activities mentioned above (i.e. internal policing, taxation, dispute resolution, or distribution of other public or club goods).

The other extreme consists of nationalist movements that exercise complete self-rule, including coercive authority over internal policing and external defense, and control over the day-to-day affairs of governance. In short, this is observationally equivalent to complete independence. In these cases, the territory is no longer contested and features a new set of state institutions. Across the areas of the contested region that are claimed by the national movement, there is no variation in the autonomy from the incumbent – or, in this case, preexisting – state. One question is whether a nationalist movement can obtain full autonomy without obtaining sovereign independence. Indeed, there are cases that we would likely categorize as very close to the polar extreme of "full autonomy" that are not recognized as independent by the incumbent (or preexisting) state or by all members of the international community. Somaliland is one such example, having achieved *de facto* independence from Somalia despite not being recognized as an independent state by the incumbent state or international community.

Of course, nationalist movements may also fall somewhere between these two extremes, and it is this category of *partial* autonomy that is most challenging to define. Partial autonomy can be considered a form of self-rule, however it is limited in scope. In contexts of partial autonomy, the incumbent state, by definition, retains control over some aspects of state authority. Those aspects may vary, but partial autonomy refers here to *any arrangement whereby the nationalist movement possesses autonomy over some functions of governance but not others.* For example, the national movement may supervise its own courts or other institutions of dispute resolution, and these institutions are autonomous in the sense that they are not superseded by those of the incumbent state. Alternatively, the nationalist movement may be highly involved in managing the distribution of public or club goods such as schooling or healthcare, but not have autonomy over the other functions of governance, such as policing or taxation. We can even think of the provision of official documents, such as passports, as a club good. By definition, the partially autonomous national movement fulfills some subset, but not all, of the following functions of governance – internal policing, taxation, dispute resolution, and the distribution of some public or club goods (other than policing, defense, or dispute resolution). Further, a nationalist movement is not described as possessing partial autonomy if equivalent autonomy is granted to a collectively exhaustive set of subnational units across the incumbent state's entire territory or population. In other words, I do not explicitly

include federalism within the scope of the concept of partial autonomy. A vast body of scholarship on federalism attests to its consideration as a distinct concept. Because federal systems are, by definition, federated throughout the entire country, it is usually a noisy way of capturing the institutional arrangement that results from an incumbent state's conflict with a specific nationalist movement. For a movement or organization to have obtained partial autonomy within the present framework, it must not be a form of autonomy that is universally granted.

As is evident from the preceding two chapters, these conceptualizations of autonomy – like those of inclusive and exclusive annexation – are informed by the findings from the Timorese and Palestinian cases. On moving from cases to concepts, George and Bennett (2005, 239) note that "[c]ase studies can contribute to the inductive development of typological theories in the early stages of a research program by identifying an initial list of possible theoretical variables." The PA is an extremely institutionalized case of partial autonomy. One of the purposes of creating the subsequent typology is to ascertain how common it is to observe partial autonomy in settings of contested statehood using this broader definition.

4.5 Empirical Analysis

Empirically defining the universe of cases of contested statehood is not straightforward. On one hand, regions of contested statehood do not necessarily have to meet a violence threshold. In particular, the threshold for inclusion into the Correlates of War project datasets of 1,000 battle-related deaths per year (Sarkees & Wayman 2010) seems too high to capture some of the low-level conflicts between incumbent states and self-determination movements – or conflicts which were historically violent but have since subsided – that are nonetheless important to include. Even if we can define cases of contested statehood according to a lower threshold of violence, we must subset the space of conflict zones in another way. Cases of contested statehood must, as defined above, must be regions that are contested between an incumbent state and a movement seeking secession, independence, or national liberation. Thus, they contain at least two, specific actors.

The UCDP/PRIO Armed Conflict Dataset (Version 4-2016) provides a useful starting point (Gleditsch, Wallensteen, Eriksson, Sollenberg, & Strand 2002; Melander, Pettersson, & Themnér 2016; UCDP 2013). The UCDP/PRIO dataset is a "conflict-year dataset with information on armed conflict where at least one party is the government of a state in the time period 1946-2015," (Uppsala Conflict Data Program 2017). The threshold for

inclusion into the dataset is 25 battle deaths per year. From this dataset, I use the conflict-year data to select the following subset of conflicts over statehood:

First, as mentioned, I focus on intrastate conflicts over territory. The UCDP/PRIO dataset categorizes conflicts over the source of incompatibility, which may include government, territory, or government and territory. Incompatibilities over government include disputes "concering [the] type of political system, the replacement of the central government, or the change of its composition," (UCDP 2013). Those over territory concern "the status of a territory, e.g. the change of the state in control of a certain territory (interstate conflict), secession or autonomy (internal conflict)," (UCDP 2013). Because I focus exclusively on intrastate conflicts in the UCDP/PRIO dataset, the latter source of incompatibility is closely aligned with the definition of regions of contested statehood.

Second, because the theoretical focus of this framework is contemporary cases of contested statehood, I focus on conflicts that reached the 25 annual battle death threshold for any year between 1993 and 2015. These include conflicts that passed the battle death threshold sometime on or after 1993, but are part of an ongoing conflict that began much earlier. Alternatively, conflicts that began *and* passed the battle death threshold in 1993 or later are also included. In fact, UCDP/PRIO codes two start dates for each conflict episode: first, as precisely as possible, they code each episode for when it incurred its *first* battle-related death. Second, they code each episode for the date at which it passed the 25 annual battle death threshold. Thus, some cases in our subsample – such as Myanmar's battles against a number of secessionist movements, Iran and Iraq's conflict with the Kurds, Ethiopia's conflict with Ogaden, or Israel's conflict with the Palestinians – had their first battle-related death a number of decades before 1993.

This reliance on the 25 battle death threshold means that we run the risk of missing some conflicts that may have been quite violent before 1993 but whose violent activity diminished in the mid- to late-1990s, even if the conflict was ongoing. An interesting example is the conflict between the United Kingdom and Northern Ireland. The period commonly referred to as "The Troubles" from 1968 to 1998 only makes it into our subsample because it once again reached the 25 battle death threshold in 1998 with the series of bombings by the Real Irish Republican Army (RIRA), despite decades of earlier conflict between republicans and unionists. The violence associated with this longstanding conflict, much of which involved the Irish Republican Army (IRA), simmered in the early 1990s.

Beginning the period in 1993 excludes the creation of new states that were part of the former Soviet Union, a short wave of new state creation which may have been categorically different than other, more isolated incidents of aspiring statehood. However,

it does not exclude related conflicts in the former Yugoslavia or the Caucasus, some of which were ongoing into the 1990s and 2000s. The temporal scope allows us to focus on contemporary conflicts over statehood where the incumbent authority is necessarily a sovereign state rather than a multinational empire. The result is a sample of 81 unique conflicts. For each of these conflicts, UCDP/PRIO contains annual observations from 1993 to 2015, or whenever the conflict ceased. However, to simplify the classification of conflicts in the subsequent typology, I focus on the simple cross-section of conflicts and ignore temporal variation. This has implications for my coding, which I discuss below.

4.5.1 Variables and Coding

My dataset contains three variables related to the incumbent state's goals and three variables related to the national movement's acquisition of autonomy. To code each variable for each conflict, I consult a variety of qualitative sources. First, I rely on the UCDP/PRIO Online Database (http://ucdp.uu.se), which is a companion to the Armed Conflict Dataset and includes qualitative descriptions of each conflict in the dataset. Second, I use additional sources for supplemental knowledge of the governance dynamics that characterize each conflict.[5] The set of variables capturing the observable implications of the incumbent state's annexation strategy are assessed from the time the conflict spell begins through the end of the conflict spell. They are as follows:

- **Bureaucracy** : Indicates the extent of non-coercive (civilian) bureaucratic presence of the incumbent state in the contested territory. Coded as 1 if bureaucratic presence is relatively *more* extensive in the contested region than elsewhere in the incumbent state; 0 if bureaucratic presence is relatively *equal* in the contested region to elsewhere in the incumbent state; and −1 if bureaucratic presence is relatively *less* extensive in the contested region than elsewhere in the incumbent state.

- **NoSettle** : Indicates if the incumbent state refrained from encouraging the settlement of people from elsewhere in the incumbent state into the contested territory. Coded as 1 if there are *no* indications of incumbent state-sponsored population transfer or settlement of the contested territory *and* there are *no* indications of forced transfer of the existing population out of the contested territory.[6] Coded as

[5]Sources consulted include: Aspinall (2009); Burma Issues/Peace Way Foundation (2008); Cornwell (1998); Dapice (2016); Englebert and Hummel (2005); Human Rights Watch (2000); Ibrahim (1994); Jullien (2013); Katzman (2008); Middle East Institute (2016); Mukhopadhyay (2009); Santoshini (2016); Socialist Republic of the Union of Burma (1982); Tansey (2009); Vladisavljević (2004); Yavuz (2001).

[6]Note that other strategies of repression that may be used by the incumbent state short of forced relocation are not considered here.

0 when population movement favorable to the incumbent state occurred, but it did not appear to be explicitly sponsored *or* encouraged by the incumbent state. Coded as –1 when there are indications of incumbent state-sponsored or -encouraged population transfer or settlement of the contested territory *or* there are indications of forced transfer of the existing population out of the contested territory.

- **Citizenship**: Indicates whether the incumbent state extends citizenship to all residents of the contested region. Coded as 1 if the incumbent state *actively encourages* naturalization or preservation of citizenship specifically for residents of the contested region that the nationalist movement claims to represent. Coded as 0 if the incumbent state *does not actively encourage, but also does not actively work to inhibit, citizenship* for residents of the contested region that the nationalist movement claims to represent. In many cases this means simply maintaining the existing citizenship rules that permit citizenship to all residents. Coded as –1 if the incumbent state *restricts, or otherwise works to inhibit, citizenship* for residents of the contested region that the nationalist movement claims to represent. In addition, I create an aggregate measure of incumbent state goals that is simply a sum of the three measures above for each conflict (**GoalSum**).

The amount and form of autonomy over governance that a nationalist movement obtains in a conflict setting is often difficult to observe from the birds-eye view of the researcher. To keep the coding exercise tractable, I code whether the national movement possessed *partial autonomy* of any kind – as defined above – over the course of the conflict. I introduce three variables to capture autonomy at different stages of the conflict:

- **AutoPre**: Coded as 1 if the national movement or organization possessed partial autonomy *immediately before* the current conflict episode commenced, and 0 otherwise. Note that this corresponds to functional, governing autonomy above and beyond what other units in the state receive. So, for example, Nagaland was previously granted state status in India, but India is a federation, so they are not coded as having obtained any special governing autonomy prior to the conflict.

- **AutoDuring**: Coded as 1 if the national movement or organization practiced partial autonomy during *the majority of years of the conflict episode*, and 0 otherwise. Note, again, that this corresponds to functional, governing autonomy above and beyond what other units in the state receive. If the movement entered the conflict period with some degree of special governing autonomy (**AutoPre** = 1), then **AutoDuring** only equals 1 if *additional* autonomy was gained during the conflict period and was sustained during a majority of the conflict years.

- **AutoAfter**: If the conflict episode ceased by 2015, this variable is coded as 1 if the national movement or organization *concluded the conflict with greater governing autonomy than had been achieved immediately prior to, or during, the conflict*, and 0 otherwise. This captures autonomy arrangements that result from truces and peace deals at the cessation of hostilities. Because some conflicts have not yet ended in 2015, observations on this variable are inevitably right-censored.

Whether the national movement in question for each conflict gained autonomy during the period of contestation ($AutoDuring$) is closest to the theoretical concept described above. However, I also include $AutoPre$ and $AutoAfter$ in the dataset in case unexpected relationships emerge between incumbent state goals and autonomy at these other stages of the conflict. I also create an aggregate measure of national movement autonomy that is simply a sum of the three measures above for each conflict (**AutoSum**).

Finally, to address an alternative explanation for national movement autonomy that emerged in the preceding analysis of Palestine and Timor-Leste, I include a variable measuring regime type (**Polity**) which is simply the revised combined polity score for the incumbent state for the first year of the conflict episode (Marshall, Gurr, & Jaggers 2015). This measure ranges from -10 (highly autocratic) to +10 (highly democratic). All cases, including values for the six constituent variables (all variables except the sum measures) and the **Polity** values, are listed in Appendix C.

There are some complications in moving from a conflict-year dataset to a cross-sectional dataset of conflict regions. First, the criteria for inclusion in the UCDP/PRIO dataset is the battle deaths threshold, but this means that a single incumbent state could be fighting against multiple nationalist groups in a single observation, or a single case (a.k.a. a set of yearly observations for a single conflict). This raises the question of which national movement should be the subject of focus for the coding of the autonomy variables. Here, it is worth noting that multiple groups fighting the incumbent state in the same conflict will only appear as a single case if they share the same incompatibility with the central government. Thus, when coding autonomy for each conflict case, I consider whether *any* of the nationalist movements obtain autonomy. If there are multiple groups, this means they may exercise that autonomy in cooperation, or competition, with other nationalist groups that are making similar claims in the same conflict setting. This empirical reality does not perfectly reflect the simplified scope of areas of "contested statehood" that I have defined – namely, regions featuring a single incumbent state and single nationalist movement. Because the formation of the typology is primarily a descriptive exercise, I do not expect the existence of multiple nationalist groups, in some cases, to introduce error in the way cases are classified. However, when hypothesizing about possible causal mecha-

nisms that link incumbent state goals to the extent of autonomy obtained by a nationalist movement, we would ideally control for the number of nationalist movements in each setting.

4.5.2 Descriptive Results

The variables related to incumbent state goals, described above, are coded such that those characteristics associated with exclusive annexation have a lower value, while traits associated with inclusive annexation have higher values. After coding all 81 conflicts, the aggregate measure of incumbent state goals ($GoalSum$) ranges from −3 to 2 (see Figure 4.1). No states were observed engaging in active promotion of citizenship directed specifically at the population in the contested region, thus there were no cases where $Citizenship = 1$ in the sample. In a way, this is unsurprising. Because the sample only consists of contemporary cases in 1993 and later, it is likely that residents of the contested region were already incorporated as citizens in the incumbent state. Further, if they were not already incorporated, this was likely due to the preferences of the incumbent state. Here, the Palestinian case comes to mind, however we also see exclusionary tactics regarding citizenship arise in other settings: $Citizenship = -1$ for Myanmar's role in Arakan state; Sri Lanka's role in the Tamil Eelam region; Iraq in Kurdistan; Azerbaijan in Nagorno-Karabakh; and Israel in southern Lebanon.[7] A full 96 percent of cases are between −1 and 1. Some of these are due to an aggregation of exclusive practices on some dimensions and inclusive practices on others.

How can we recover the two categories of incumbent state – those pursuing inclusive annexation, and those pursuing exclusive annexation – from this relatively condensed distribution? In particular, what should be done with the 32 cases for which $GoalSum = 0$? I experiment with three dichotomous variables: For **incl1**, inclusive annexation is defined as those cases with $GoalSum > 0$; for **incl2**, inclusive annexation is defined as those with $GoalSum \geq 0$; and, finally **incl3** uses the same criteria as $incl1$ but drops the cases where $GoalSum = 0$. The first method ($incl1$) divides the cases such that 44 (54 %) are classified as exclusive annexers and 37 (46%) are inclusive annexers (see Table 4.2). The second method places 68 cases – a full 84 percent of the sample – in the inclusive annexation category.

In some ways, it seems empirically accurate that most conflicts between self-determination movements and existing states will emerge in regions that the existing state is fully inter-

[7] Israel's occupation of southern Lebanon began and ended during an internationalized civil war. It is a stretch to conceptualize this as a case of attempted annexation, or even as a strategic intent to absorb of territory.

ested in maintaining, inclusive of the population that lives there. In particular, given our focus on contemporary cases of conflict, most incumbent states consider their sovereignty over the territory within their borders relatively unambiguous and thus, through their actions (those captured by $Bureaucracy$, $NoSettle$, and $Citizenship$) will seek to preserve the status quo. If we consider these "zero" cases to be those where the incumbent state was merely preserving the status quo and maintaining existing sovereign claims, then it seems sensible to group those with other cases of inclusive annexation. However, an examination of the component variables of $GoalSum$ is instructive. In fact, we see that 56 out of 82 cases (68%) were coded as $NoSettle = 1$, meaning that the incumbent state refrained from state-sponsored, or state-condoned, settlement of incumbent state populations into the contested region. In light of this, many of the cases for which $GoalSum = 0$ are those which demonstrated a more exclusive tendency in either citizenship practices or bureaucratic development in the contested region. For this reason, the first method ($incl1$) is seen as preferable from a conceptual standpoint wherein *at least some* exclusive policies were pursued. Finally, $incl3$ restricts the sample to 50 cases, and thus can be seen, conceptually, as the more conservative version of $incl1$.

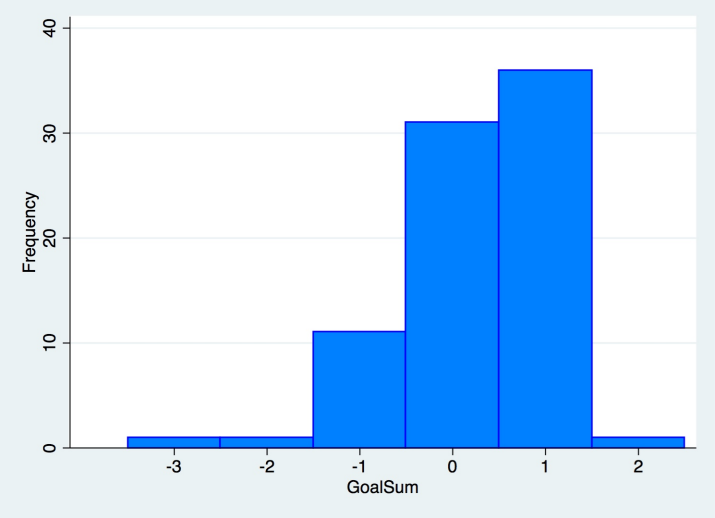


Figure 4.1: Goals of Incumbent States in Contested Regions ($GoalSum$)

Variable	Criteria	Inclusive	Exclusive
$incl1$	$GoalSum > 0$	37(45.7%)	44(54.3%)
$incl2$	$GoalSum \geq 0$	68(83.9%)	13(16.1%)
$incl3$	$GoalSum > 0$ (zeros dropped)	37(74.0%)	13(26.0%)

Table 4.2: Three ways of defining inclusive annexation

The distribution of cases across $AutoSum$ – the aggregate measure of nationalist movement experiences with self-governing autonomy immediately prior to, during, and immediately after the conflict – shows that very few cases receive the maximum score of 3 on this measure (see Figure 4.2). As mentioned, observations on $AutoAfter$ are right-censored due to the presence of conflicts in the dataset that were ongoing at the time of writing. Indeed, 30 conflicts could not be coded on $AutoAfter$, including offensives against the Islamic State in Afghanistan, Cameroon, Chad, Egypt, Lebanon, Libya, Niger, Nigeria, Russia, Syria and Yemen. Due to this large amount of missing observations, and in an aim to capture a measure which fits best with the concept of autonomy obtained and practiced during a period of active contestation, we focus most of our attention below on the $AutoDuring$ variable.

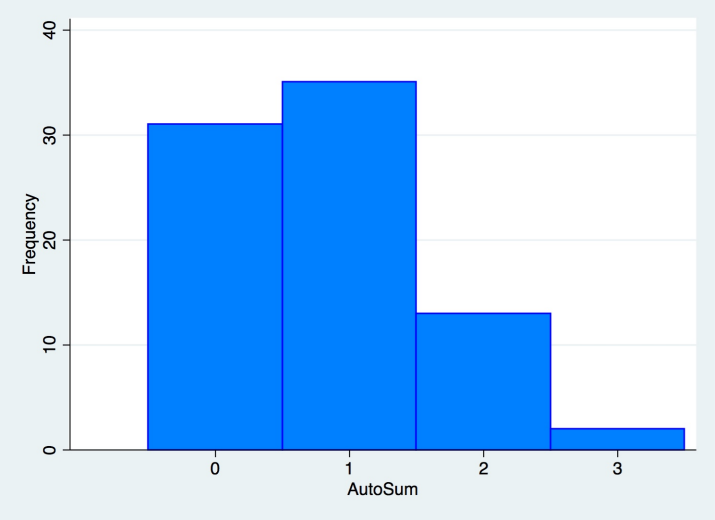


Figure 4.2: Nationalist Movement Autonomy in Contested Regions ($AutoSum$)

Self-determination movements only obtained governing autonomy during the conflict ($AutoDuring = 1$) in 24 out of 81 cases (30%). Further, while both settings of inclusive and exclusive annexation are more likely to coincide with a nationalist movement that has no governing autonomy during conflict ($AutoDuring = 0$), autonomy during conflict *is* more prevalent in cases where the incumbent state adopts a more exclusive approach, using the $incl1$ measure (see Table 4.3). A χ^2 test demonstrates that the relationship between annexation strategy and autonomy gained during conflict is statistically significant at ($p = 0.05$). Using $incl2$ or $incl3$, we still observe autonomy during conflict more frequently in settings of exclusive annexation, but the relationship does not reach a conventional level of statistical significance. Using the more conservative $incl3$ measure, for example, we find that 5 out of 13 cases (38%) of exclusive annexation featured nationalist

movements that gained autonomy during conflict, whereas only 7 out of 37 (19%) cases of inclusive annexation did the same ($\chi^2 = 2.01$, $p = 0.16$).

	AutoDuring = 0	**AutoDuring = 1**	*Total*
Exclusive ($incl1 = 0$)	27(61.4%)	17(38.6%)	44 (54.3%)
Inclusive ($incl1 = 1$)	30(81.1%)	7(18.9%)	37 (45.7%)
Total	57(70.4%)	24(29.6%)	81 (100.0%)

Pearson $\chi^2 = 3.75$, $p = 0.05$

Table 4.3: Classification of Incumbent State Strategy and Nationalist Movement Autonomy (Row Percentages)

While the autonomy variables described above clarify when a nationalist movement obtained governing autonomy, if at all, they do not clearly align with the distinction between partial and full autonomy discussed in section 4.4 above. Mapping the category of "no autonomy" into our dataset is fairly clear: In these cases, the autonomy variables will be coded as zero. Full autonomy is defined above as *de facto*, and perhaps also *de jure*, independence. Full autonomy is present in a subset of those cases where **AutoAfter** = 1. However, since $AutoAfter$ is defined as simply a status in which the nationalists have more autonomy than they had going into the conflict, or during the conflict, it is not necessarily true that all cases for which $AutoEnd = 1$ are settings where full autonomy has been exercised. We observe 16 cases which obtained additional autonomy at the conclusion of a conflict episode, including cases such as Timor-Leste – which obtained full independence – but also those such as the Donetsk separatist region in Ukraine, whose autonomy from Ukraine cannot yet be described as complete at the time of writing.[8]

In many ways, those cases that obtained some functional autonomy during the conflict ($AutoDuring = 1$) are the most precisely aligned with the concept of partial autonomy. By definition, this autonomy is not full, since the conflict is ongoing. It is instructive to note that there is no statistically significant relationship between annexation strategy and autonomy exercised immediately prior to the conflict ($AutoPre$), nor between annexation strategy and autonomy obtained at the end of conflict ($AutoAfter$), for the restricted subsample for which we could code this variable. This applies across all three operationalizations of inclusive annexation. This finding increases our confidence in the assertion that the explanation for the correlation between incumbent state goals and nationalist movement autonomy exercised *during* conflict is uniquely appropriate to the dynamics that occur during the active period of contestation. The lack of correlation with autonomy

[8]Although the conflict in Donetsk is ongoing, I was able to code $AutoEnd$ for this conflict because the episode fell beneath the battle death threshold in 2014 and did not exceed the threshold again in 2015.

prior to conflict also increases our confidence in the relative independence of incumbent state goals at the beginning of conflict – as we have defined them – from the amount of autonomy the nationalist movement already had prior to the conflict. The lack of significant relationship between annexation strategy and autonomy at the end of conflict, while only observed in the restricted subsample of 51 cases, suggests that, even if the stepwise switch in Indonesia's strategy – from permitting no autonomy to *Frente Revolucionária de Timor-Leste Independente*, or the Revolutionary Front for an Independent East Timor (FRETILIN) whatsoever to allowing for full independence – was a result of their goal of inclusive annexation, this relationship between goals and autonomy obtained *after* conflict is probably not generalizable. Inclusive annexing states appear no more likely than their exclusive annexing counterparts to permit autonomy at the end of conflict.

The rarest combination of traits is an incumbent state pursuing inclusive annexation ($incl1 = 1$) and a nationalist movement that exercise partial autonomy during conflict ($AutoDuring = 1$). The seven cases where this occurred were: Donetsk (Ukraine); Kosovo (Yugoslavia/Serbia); Lugansk (Ukraine); Nagorno-Karabakh (Azerbaijan); Novorossiya (Ukraine); Serb territory/Republika Srpska (Bosnia-Herzegovina); Serb territory/Serbian Krajina (Croatia). Notably, nearly all of these cases feature very prominent external sponsors for the nationalist region that obtained autonomy: three cases feature pro-Russian separatist movements in Ukraine; two are conflicts where Serbian forces were supporting separatist regions in neighboring Bosnia-Herzegovina and Croatia; and Nagorno-Karabakh has benefited from extensive Armenian support. Kosovo obtained *de facto* sovereignty after the 1998-1999 war, but it was coded as $AutoDuring = 1$ since the Kosovo Liberation Army also made extensive gains and exercised some of the functions of governance during the conflict, although its sources of external support during this time are disputed. In summary, though, the seven cases in this cell of the typology suggest that robust external sponsorship of the nationalist movement may undermine the relationship between incumbent state goals and nationalist movement autonomy that we would otherwise expect to see.

Finally, we see that democratic incumbent states are no more likely than autocratic ones to adopt exclusive strategies. In fact, according to the preferred cutoff for defining inclusive versus exclusive annexation ($incl1$), incumbent states pursuing *inclusive* annexation are more democratic ($\overline{Polity}_{incl=0} = 0.84$, $\overline{Polity}_{incl=1} = 3.0$), $t = -1.72$, $df = 80$, $p = 0.09$). Further, although incumbent states are more democratic in cases where nationalist movements obtain autonomy during conflict, the relationship is not statistically significant ($\overline{Polity}_{autoduring=0} = 2.42$, $\overline{Polity}_{autoduring=1} = 0.38$), $t = 1.45$, $df = 43$, $p = 0.15$). Recalling that regime type was offered as a possible alternative explanation in chapter 3 –

namely, that Indonesia's authoritarianism was the primary reason that FRETILIN did not obtain greater autonomy over governance during the occupation and conflict – this calls into question the generalizability of this claim to other cases, even if it was salient for the Indonesia-Israel comparison.

In sum, these findings suggest that national movements are more able to achieve autonomy during conflicts with incumbent states in settings where the incumbent state prioritizes incorporating the contested territory itself, rather than its population. We find stronger statistical relationships when we group incumbent states with more ambiguous goals (those cases where $GoalSum = 0$) with those pursuing this form of exclusive annexation. Some of these are cases that may be more accurately referred to as those where incumbent states adopted strategies of "benign neglect", i.e. where the incumbent state does not sponsor or condone a population transfer strategy ($NoSettle = 1$), however they also underinvest in bureaucracy ($Bureaucracy = -1$) e.g. Georgia in South Ossetia, or the Syrian regime in its Kurdish north. Others, such as the Phillippines in Mindanao, India in Bodoland, or the United Kingdom in Northern Ireland, did not necessarily underinvest in bureaucracy or pursue exclusionary citizenship rules, however they also ignored population movements that were likely to enflame tensions with the population seeking self-determination ($NoSettle = 0$). Thus, this category of incumbent state whose goals sum to zero requires a bit more exploration. One can perhaps conclude that national movement autonomy is most likely to thrive in settings of definitive exclusive annexation *or* settings where the incumbent state strategy is a bit more ambiguous.

4.6 Discussion

The creation of a two-by-two typology of regions of contested statehood demonstrated that incumbent state goals appear to be linked to opportunities for nationalist movements, which oppose the incumbent state, to obtain autonomy over some aspects of governance. It may not be the intentional decision of the incumbent state to outsource governance of the existing population, but rather the goal of exclusive annexation may, rather simply, create opportunities for nationalist movements to establish governing institutions. What I suggest, building on the small-N analysis in the preceding chapter, is that the incumbent state's goals are just one driver among others that determine opportunities for autonomy. It is also most useful to think of these relationships in probabilistic terms since unobserved variables and stochastic factors may push incumbent states defined as one type to, under certain circumstances, behave as the opposite type.

Ultimately, the analysis of the West Bank in chapter 2 pushed us to think about how

the acquisition of partial self-rule – or autonomy – for nationalist movements in conflict settings can affect their development of state-like capacity. While the Palestinian Authority represents a very formalized version of partial autonomy, the analysis in the present chapter shows that nationalist movements obtaining some functional authority in regions that are contested with the incumbent state is not an uncommon phenomenon. From Kosovo to Tamil Eelam to Azawad, rebel movements seeking national self-determination have been able to consolidate and institutionalize their roles as near monopoly providers in the areas of policing, taxation, justice, goods provision, or some combination of the above. If we are to infer lessons from the Palestinian case, these spells of autonomy have serious implications for how such movements might transition toward developing other forms of state-like capacity. In the Palestinian case, we saw that the Palestinian national movement, when in power, experienced a limited form of autonomy over policing and security which then appeared to facilitate the use of repression and distort fiscal capacity development. Would we expect similar distortions in the other cases of "partial autonomy" observed in the dataset in this chapter?

Practical constraints prevent us from considering all of the potential legacies of these settings where nationalist movements obtain autonomy over some functions of government, but not others. Unsurprisingly, these are often difficult areas and populations to access. One example is the special autonomous province of Aceh in Indonesia, which is permitted to follow and enforce *shari'a* law, thus practices autonomy in the areas of justice, policing, and some autonomy over taxing and spending. However, its emphasis on policing and imposing religious law has developed disproportionately to other forms of state activity – such as distribution of public goods. This uneven capacity may be fueling disproportionate investment in certain forms of capacity over others.

In theorizing potential causal links between annexation strategies and nationalist movement autonomy, it may be useful to investigate parallels between inclusive and exclusive annexation and forms of colonial rule. Although not identical in their aims, there are parallels between the inclusive annexation strategy and the concept of "direct rule" used to describe a form of colonial rule, used most notably by the French, in sub-Saharan Africa. Mamdani (1996, 16) describes direct rule as containing "a single legal order, defined by the 'civilized' laws of Europe. No 'native' institutions would be recognized. Although 'natives' would have to conform to European laws, only those 'civilized' would have access to European rights."[9] More contemporary examples of inclusive annexation share

[9]There is some debate over whether direct rule, the more heavy-handed imposition of colonial institutions, had positive or negative effects on future development for the newly independent state. Lange (2009, 6) finds that direct rule had positive downstream effects on development, arguing that it "institutionalized more bureaucratic states and made possible corporate state action by helping to discipline and coordinate

this commitment to a single, unified legal framework.

Exclusive annexation, and its association with autonomy, on the other hand, has a natural linkage with the concept of indirect rule. For example, Hechter (2001) argues that the prevalence of direct, rather than indirect, rule in the contemporary state system has been consequential precisely because it has *not* guaranteed national autonomy and thus has generated greater demands for national self-determination. Just as one of the implications of the inclusive annexation strategy is a "direct" style of rule, states pursuing exclusive annexation may adopt a strategy more akin to "indirect rule" vis-a-vis the existing population. Although its most well-known application was in the British colonial context, even early modern Europe featured relationships of indirect rule between monarchs and local leaders. Tilly (1992, 25) notes, prior to the consolidation of nation-states, "indirect rule made it possible to govern without erecting, financing, and feeding a bulky administrative apparatus." In Africa, Berry (1993, 25) describes how indirect rule was deployed by "most colonial regimes," explaining that "[o]ne obvious way to cut costs was to use Africans both as employees and as local agents of colonial rule. African clerks and chiefs were cheaper than European personnel." As Naseemullah and Staniland (2016) argue, indirect rule has not disappeared with decolonization. Gerring, Ziblatt, Gorp, and Arevalo (2011) provide a historically unbounded definition of indirect rule as essentially any form of decentralized rule. Thus, the concept has travelled beyond the colonial context.[10] Perhaps even more so than is allowed under the colonial and the more general formulations of indirect rule, contemporary states pursuing exclusive annexation may seek to symbolically distinguish institutions serving the existing population from those serving the incumbent state and, if it exists, its settler population. This distinction will not be between the "customary" and the "civil" as described by Mamdani (1996), but between different nationally defined constituencies.

This analysis may be fruitful for a number of other areas – for example, different annexation strategies and different associated opportunities for autonomy would be expected to generate different organizational structures amongst national resistance move-

state agents; states of former directly ruled colonies were more infrastructurally powerful and the inclusion of societal actors in policy making and policy implementation promoted development." However, this assumes that the institutions of direct rule are successfully preserved and captured by the founding party and leaders of the new state. On the other hand, examining differences in directly and indirectly ruled areas of India using an instrumental variables approach, Iyer (2010) finds that direct rule had a negative effect on development outcomes. A clear definition of the concept of direct rule, along with an assessment in each case of how much of its institutional legacies persist, seems fundamental to resolving this debate.

[10]My theory diverges from Hechter (2001) on the effects of indirect rule in necessarily diminishing nationalism. This is primarily due to differences between our conceptualizations of indirect rule – for Hechter, it is a somewhat organic solution that arises to organize pre-state solidary groups and to mediate their relationship to the state. In my cases, it is not at all organic.

ments. Under inclusive annexation, we can expect the organizational structure of the national resistance movement to be influenced by the pervasive, institutional presence of the incumbent state. While many factors can play a role in determining the organizational structure of the resistance, inclusive annexation projects may be more likely to facilitate a dispersed resistance movement whose bases are located outside of major urban or populated areas, where the incumbent state's strong presence will serve as a deterrent. By contrast, we might expect the opposite form of national resistance movement under exclusive annexation – one which is able to locate in major urban or populated areas where the national community seeking statehood resides. Thus, national movements in environments of exclusive annexation will likely have more potential to set up civil and political organizational structures. The correlation of incumbent state strategy, resistance movement autonomy, and resistance movement structure is just one possible extension of the framework defined in this chapter. The next chapter zeroes in on Timor-Leste for a final time with some exploratory analysis of how a setting of attempted *inclusive annexation* affected the resistance movement, its transition to statehood, and capacity development in one of the world's newest states.

CHAPTER V

Conflict Legacies and Tax Morale in a New State: The Case of Timor-Leste

5.1 Introduction

In this chapter, we return our focus to a single case of contested statehood – the Democratic Republic of Timor-Leste – which gained its independence in 2002 following centuries of Portuguese colonial rule, decades of Indonesian occupation, and a short transitional period under United Nations (UN) administration. Chapter 3 contrasted Indonesia's motivations in East Timor, as the territory was then known, with Israel's approach toward the Palestinian Territories, arguing that the former constituted a case of *inclusive annexation*, in which the Indonesian state, despite periods of extreme violence targeted at civilians, aimed to annex both the territory and the existing population of East Timor. This strategy ensured that the Timorese national movement – first under *Frente Revolucionária de Timor-Leste Independente*, or the Revolutionary Front for an Independent East Timor (FRETILIN), and, subsequently, *Conselho Nacional da Resistência Maubere*, or the National Council of Maubere Resistance (CNRM) – exercised virtually no formal governing autonomy during the Indonesian occupation from 1975 to 1999. Rather, the resistance consisted primarily of a guerrilla movement dispersed across the mountainous interior, supported by clandestine, urban cells and a diplomatic wing that pressed for East Timor's independence in the international arena. FRETILIN did control isolated "liberated zones" in the early years of the conflict, compelling the movement to engage in limited, transactional governance with Timorese civilians. However, because Indonesia prioritized comprehensive control of the whole territory, including integration of, ideally, a subdued civilian population into the Indonesian state, these areas were quickly targeted and quashed. The trajectory of the Timorese independence movement toward the end of occupation also diverged from that of Palestinian nationalists. In East Timor, the resis-

tance movement underwent a dramatic transition from no control over governance to a mandate for full independence following Indonesia's complete withdrawal from the territory.

The Timorese national movement's transition from resistance to governance was unidirectional and unambiguous when compared to the Palestinian case, where the relative importance of resistance and governance has oscillated, at times, while at others both have occurred simultaneously. This chapter, like chapter 2, seeks to determine how incumbent state-nationalist movement relations during conflict have shaped the development of fiscal capacity in the emergent state. Did Timor-Leste's unambiguous transition from occupied province to independent state generate different, observable outcomes in the fiscal relationship between the new state and its citizens than those that were observed in the more muddled and incomplete Palestinian state formation process?

The subsequent analysis draws on original survey data to explore individuals' willingness to comply with taxation – the micro-level foundation of state fiscal capacity. This introduction of a new research design and level of analysis requires some explanation. A more deductive comparison to the Palestinian case would examine the association between state coercive and fiscal capacities across regions within the country, mirroring the operationalization of those variables used in chapter 2. There are several reasons that I have chosen not to pursue this path. First, due to the availability of natural resource rents, discussed in more detail below, the Timorese state's overall tax effort is extremely low. Outside of Dili, the capital city, many people are employed in the informal sector or fall below the earnings threshold making them exempt from income tax.[1] The taxable income base is highly concentrated in Dili, and income tax is deducted from employee wages at source. This means that those who reside in neighboring districts but work in Dili will be taxed in Dili at their place of work, making it difficult to accurately measure the geographic incidence of taxes collected. Districts, sub-districts, and *sucos* (villages) do not collect any regular or substantial fees of their own. Thus, it is difficult to operationalize an outcome variable that is comparable to the local revenues observed in the Palestinian case. Second, the coercive capacity of the Timorese state does vary across regions, as will be elaborated below, but it is hard to identify this variation as exogenous to the state's capacity in other areas, including fiscal.

Thus, rather than replicating the research design pursued in chapter 2, I aim to answer a more tractable and relevant set of questions, namely: *In a newly independent, post-conflict state where experience with consent-based taxation is virtually non-existent, what leads*

[1]The Timorese government also collects import duties, excise taxes on certain goods, taxes on the petroleum sector, and business taxes on certain service industries.

to variation in individual attitudes toward taxation? Do the legacies of conflict and occupation influence this variation? Wars of self-determination that result in the creation of a new state may culminate in a mood of national optimism, but the challenge of constructing institutions that satisfy the expectations of the population can make the post-conflict period even more daunting. Beyond short-term reconstruction and recovery, new states also must cultivate new norms and practices of state-society relations. This study offers an examination of the correlates of tax morale in a setting where such norms are, on the whole, very nascent. I use novel survey data from a pilot test that I conducted in three districts in 2015, combined with qualitative analysis, to generate several hypotheses about regional variation in attitudes toward taxation, as well as variation in these attitudes at the individual level. I test these hypotheses on a nationally representative survey of Timorese citizens ($N = 1,243$) conducted by The Asia Foundation in November and December 2016.

I find that individuals in the region where the post-independence government has typically displayed a less decisive monopoly on violence are consistently less likely to support taxation in exchange for services and less likely to believe that it is the government's responsibility to ensure that people are prosperous. The divide between those from the eastern part of Timor-Leste (*lorosa'e*) and those from the western region (*loromonu*, often loosely defined to include both the western and central regions) is politicized, since tensions emerged between these groups following independence over participation in the resistance movement and, subsequently, the composition of the new state's military. Some attribute the tensions to agitators who do not reflect the general attitudes of the population, whereas others maintain that the division is, in fact, salient to many regular citizens. Most recently, 2015 saw the killing of a paramilitary commander Paulino Gama (known as "Mauk Moruk"), a former coup leader who had been leading violent attacks against police checkpoints in the eastern district of Baucau (Wassel & Rajalingam 2015). While the Timorese case doesn't feature externally imposed variation in state coercive capacity like we saw in the West Bank, it is accurate to say that the government has the most coercive capacity in Dili and less in the periphery, most especially in the east. Lower coercive authority – or state presence in general – appears to be associated with less expressed dependence on government and lower tax morale. While we cannot say if this apparent correlation is causal, these distinctive attitudes in the eastern region of the country may be due to legacies of less state control in those areas. This research suggests that Timor-Leste may exhibit a more straightforward, positive correlation between coercive and fiscal capacity development than we saw in the Palestinian case.

Due to extensive oil and gas reserves, the Timorese population has faced a low tax

burden since independence. However, at the time of writing, the government is planning to introduce new forms of taxation, such as a value-added tax (VAT), to compensate for dwindling resource rents and to diversify its funding sources as proven oil and gas reserves are expected to be exhausted in the coming decades. Thus, the current study comes at an opportune time to measure initial attitudes toward taxation and to ascertain how experiences with conflict and the state formation process itself may have influenced these attitudes. While we would expect overall tax morale to be low in a resource-dependent country like Timor-Leste, individual- and regional-level variation can have implications for future policies aiming to develop a domestic tax base.

The remainder of this chapter is structured as follows. In section 5.2, I review relevant findings from the large body of work in behavioral economics and political science on tax compliance. There is not much dialogue between this work and research on the fiscal capacity of states. Quasi-voluntary compliance is particularly important in new and aspiring states such as Timor-Leste and Palestine, where individual relationships with state authorities are often complicated by legacies of occupation and conflict. Thus, this chapter aims, at least implicitly, to connect compliance to fiscal capacity as one of its necessary, micro-level foundations. Section 5.3 provides important historical context on the Timorese resistance movement and Timor-Leste's fiscal situation after independence. In section 5.4, I summarize results from my pilot survey of 34 residents of Timor-Leste, which suggest sources of individual- and regional-level variation in attitudes. Section 5.5 draws on the preceding sections to generate hypotheses regarding individual- and regional-level variation in willingness to comply with taxation. Section 5.6 presents findings from the larger 2016 survey of Timorese respondents. Section 5.7 concludes, speculating about how these findings may be shaped by the particular conflict legacies of Timor-Leste, and what they may mean for other newly independent states or states transitioning out of conflict. There are many ways in which the case of Timor-Leste is quite different from that of Palestine. This important caveat means that we must be cautious in attributing any differences in the state's fiscal relationship with its population to the different legacies of conflict in the two countries. Yet the observations made here can still inform our understanding of how state-citizen bargains develop, and vary subnationally, in a state that has recently emerged from a period of contestation.

5.2 Tax Compliance and the Fiscal Capacity of States

The literature on tax compliance offers a number of possible explanations for why individuals pay taxes. Large-N empirical studies are particularly well-suited to identify

the role of macro-level institutional, economic, and cultural factors, yet these studies have largely focused on developed countries. The experimental literature, on the other hand, has contributed to more precise identification of why the propensity to pay taxes may vary across types of individuals, types of taxes, types of policy interventions, and further how these micro-level factors might interact. This section reviews some of those findings, including more recent extensions of this work to the developing world. I conclude that uncertainty remains in how these findings might travel to settings of recent conflict, or contexts where the norms of consent-based taxation are relatively nascent.

Both large-N observational studies and experimental work on the topics of tax compliance and evasion are informed by formal theory. A fairly general definition of tax payment is a redirection of one's private revenue toward public gain. Yet there are some ambiguities inherent in this definition, and thus in the transaction itself: First, is it certain that these revenues will be used for "public gain"? Second, as an individual contributing revenue, will I benefit from how these revenues are spent? With the answer to both of these questions usually clouded by some degree of uncertainty, it is not immediately clear why one would voluntarily pay taxes. The first observation from formal models of taxation – and, quite simply, from casual observation – is that people comply with taxation because they fear punishment for not doing so. The effects of coercion and the threat of enforcement appear as powerful explanatory variables for compliance at the individual level. Two straightforward results of the Allingham and Sandmo (1972) workhorse model of tax evasion are that an increase in either the penalty rate applied to tax evaders who are caught or the probability of being caught always decreases evasion. Building on this model, there is evidence that taxpayer compliance, a seemingly irrational behavior, is at least partially based on individuals overweighting the low probability of audit (Andreoni, Erard, & Feinstein 1998). These theories of taxpayer compliance and evasion share the assumptions that taxpayer decisions are made in an environment of uncertainty about the true capacity and enforcement effort of the state (Alm, McClelland, & Schulze 1992). Even so, given the low probability of being audited or punished in many settings, scholars challenged the idea that information asymmetries were enough to explain the high levels of compliance observed in many developed country contexts.

Of course, taxpayers may also comply because revenues are spent on goods or services that benefit them. Experimental and individual-level observational research has found that the perception of taxation as a fiscal exchange – in which individual compliance is motivated by the value and quality of goods received in return for tax revenues contributed – may increase compliance (Alm, Jackson, & McKee 1993; Alm, McClelland, & Schulze 1992; Bodea & LeBas 2014). In some ways, this is an intuitive result: those

who value state spending relatively more are relatively more likely to comply with taxation than those who value state spending relatively less. However, existing research also suggests that strong incentives for shirking may still exist if it is perceived that the good will be provided even without their contribution. Even if individuals highly value state spending, if they are reasonable sure that the valued goods or services will still be provided even if they don't pay their taxes, and if they think there is a low probability of being punished for shirking, then one could imagine they still might not pay their taxes.

In addition to these "extrinsic" motivations, researchers began to theorize, and aimed to empirically observe, *intrinsic* motivations matter in shaping tax compliance (Dwenger, Kleven, Rasul, & Rincke 2016; Luttmer & Singhal 2014). Some subset of these motivations are often captured under the somewhat nebulous concept of "tax morale." Some have conceptualized tax morale as "residual compliance" – in other words, compliance that is not due to the threat of enforcement or punishment, and thus have encouraged scholars to observe it in settings where enforcement activity is known to be minimal (Dwenger, Kleven, Rasul, & Rincke 2016; Luttmer & Singhal 2014). Beyond the threat of enforcement or the value of goods received in exchange for paying one's taxes, the perception of what the rest of the population is doing and notions of fairness are likely to affect individual compliance behavior (Carpio 2014; Cowell 1992; Grimes 2006; Levi 1988). In new state settings, information about what others are doing may vary depending on social and organizational linkages that predate independence. After a dramatic political transition such as regime change or new state creation, individuals may have had little opportunity to observe voluntary compliance or non-compliance among their fellow citizens. Thus, in such settings, it is perhaps relatively less likely that views toward taxation and actual behavior are driven by these "social" effects.

Overall, there are reasons to believe that individuals' attitudes toward taxation and compliance are shaped from an accumulation of experiences and are not easily perturbed. In an older, but revealing, study, Listhaug and Miller (1985) find that a set of more "symbolic" variables – capturing, for example, political ideology, religious values, and political dissatisfaction – are more predictive of one's attitudes toward cheating on one's taxes than "self-interest"-related variables related to income and standard of living. Luttmer and Singhal (2014)'s incisive explanation for why field experimental work which aims to ascertain the effect of moral suasion campaigns on compliance produced null effects could be taken as a broader critique of some of the experiment-based literature. They note: "Individuals' views of the competence of the government and the value of the public services it provides are formed through a lifetime of personal experience: a few lines of text in a mailed letter may just not be sufficient to cause taxpayers to update their be-

liefs or attitudes in many contexts," (158). To understand compliance behavior, we may need to incorporate more stable traits or predispositions of individuals, such as trust in government (Levi 1988; Levi & Stoker 2000; Torgler 2003) and pro-social spirit (Andriani 2015), which appear to be positively correlated with tax compliance.

Nationalism is often grouped together with other forms of "civic duty" that may make individuals more willing to pay taxes. Luttmer and Singhal (2014, 150) cite a telling example of the Kenya Revenue Authority's efforts to boost compliance by timing a campaign "to coincide with Kenyatta Day celebrations in honor of...national heroes" and pushing the message that "[p]resent taxpayers are taking a leading role in freeing their country from donor dependency to economic independence," (citing Waweru (2004)). Similarly, the reader will recall the new Director General of the Palestinian Authority Ministry of Finance, when Palestinians took over responsibility for direct taxation for the first time, noting that, while nonpayment of taxes under occupation was once a legitimate tool of protest, "[n]ow delay in paying means a delay in building the Palestinian state," (Greenberg 1994). These are just two among many examples of leaders using nationalist language and conceptions of national duty to motivate tax compliance. These efforts by politicians assume that cultivating greater individual attachment to the nation will result in a greater sense of responsibility toward the fiscal state. This assumption has not been extensively scrutinized or tested in the existing literature on compliance and evasion. On one hand, we may expect newly independent states, such as Timor-Leste, that have fought a long struggle for independence, to have high overall levels of nationalism and civic duty, thus increasing motivations to pay taxes. On the other hand, the complexities of the occupation and violent conflict also may have undermined societal trust and pro-social norms. The premise of the analysis below is that the national struggle had varied effects across individuals depending on whether they or a loved one fought for the resistance, what part of the country they are from, and other traits. Thus, we can also expect individual attachments to the post-independence state and, therefore, willingness to pay taxes to vary as well.

The survey-based design proposed below has some advantages and disadvantages as compared to these experimental-based approaches. First, surveys only ask for respondents' opinions or views, and thus cannot make inferences about their actual behavior when it comes to complying or not complying with taxation. While lab experiments are well-suited to observe behavior, the ability to generalize from findings in the lab to "real world" contexts is often uncertain. Field experiments are a promising way to understand individuals' behavior in a more natural setting and take advantage of the properties of randomization for causal inference, however they are sometimes cost-prohibitive. The re-

search design proposed below should be seen as complementary to existing and ongoing experimental work in this field.

While this chapter is primarily devoted to understanding tax compliance in a new state setting, it also has implications for our understanding of fiscal capacity development from the state's perspective. Whether voluntary, quasi-voluntary, or fully coerced, compliance is a necessary condition for states to extract revenue from their populations. The literature on fiscal capacity development in states, summarized in some depth in chapter 2, notes that cultivating voluntary or quasi-voluntary compliance is often desirable from the state's perspective, as it is less costly and risky than coercion-based compliance. However, it is not costless to develop the foundations for consent. In a young, post-conflict democracy such as Timor-Leste, one might assume that institutions will be fashioned which prioritize consent over coercion, because the costs of coercion can be particularly high. Further, the availability of extensive natural resource revenues has extended the time horizon and thus, to some extent, reduced the urgency of these efforts. Unlike the advanced democracies where the motivating question for much of the existing research has been to understand why individuals pay taxes, the most relevant and timely question for Timor-Leste is how consent-based tax compliance can be developed in the first place.

5.3 The Timorese Resistance and Transition to Independence

As described in chapter 3, the Indonesian occupation of the eastern half of the island of Timor – now the Democratic Republic of Timor-Leste – began in December 1975 under then-President Suharto's "New Order" regime with the support of the United States, Australia and other Cold War era allies. Prior to Indonesia's invasion, East Timor had been a colony of Portugal. While the pre-independence period was covered in some detail in chapter 3, here I will focus on key features of that history that might generate longer term effects in the ability of the post-independence state to develop fiscal relationships with its citizens.

The attitudes of contemporary Timorese citizens toward taxation may be influenced by their own experiences and, perhaps, those of their predecessors. Over four centuries of Portuguese colonial rule, and subsequently in the relatively short Indonesian period, the Timorese population had almost no experience with voluntary or quasi-voluntary fiscal exchange with a central state. Portuguese colonial administrators were largely motivated by extraction of natural resources, maintenance of maritime trade routes, and the export of labor-intensive agriculture. Therefore, "taxation" of the population, in its broadest

sense, was coercive and included not just revenue but forced labor. Accounts of this period consistently report that Portugal invested little in the development of this relatively remote colony and vastly undersupplied public goods to the population. Significant investments in educational institutions did not really occur until the 1950s. As described in chapter 3, Portugal engaged in indirect rule in the remote districts, coopting local tribal chiefs (*liurai*) when possible. It is undoubtedly difficult to summarize a colonial experience which lasted so long in a few brief sentences, but it is relatively uncontroversial to claim that Timorese living during this period observed little connection between the taxes and resources they paid to the empire and the benefits, if any, they received in return.

Before the Indonesian occupation began, the Timorese population that was alive in 1975 had what may have been a brief glimpse into how FRETILIN would rule, but there is no evidence to suggest that regularized systems of taxation were set up and maintained during this short period. FRETILIN was established in 1974 as Portuguese colonial rule over East Timor was coming to a close. Following a failed coup by a competing movement that sought integration with Portugal, FRETILIN leapt into power for a brief window between September and December 1975 and exercised temporary administration of the territory. However, FRETILIN's reign, and East Timor's initial independence, was short-lived. Portugal's withdrawal left Indonesia with an opportunity to consolidate its rule over the eastern half of the island of Timor, and Indonesian counterintelligence operations to promote East Timor's absorption into Indonesia had already begun. During its short and tenuous period of rule, FRETILIN aimed to develop a program "focused on decolonization, land reform, administrative reform, popular education and the development of small industries based on primary products like coffee," (Fernandes 2011, 14). However, the movement never really had a chance to advance these governance goals. FRETILIN anticipated that Indonesia might seize the opportunity and thus had some time to prep for the invasion. At the time of Indonesia's invasion of Dili:

> "FRETILIN had at its disposal an army of more than 10,000 men – a hard professional core of some 2500 regular troops and another 7000 who had obtained military training under the Portuguese. A further 10,000 or so were given short courses of military instruction. It was a 'people's army.' None of the FRETILIN commanders had been tutored on military tactics or strategy at staff colleges, and none had command experience other than in junior posts (mostly noncommissioned) before the civil war. However, several had already emerged as shrewd and inspiring leaders," (Dunn 2003, 251).

FRETILIN and its military arm, the *Forças Armadas da Libertação Nacional de Timor-Leste*, or the Armed Forces for the National Liberation of Timor-Leste (Falintil), were best equipped

for guerrilla-style warfare. Thus, the main resource it extracted from the Timorese population in the lead-up to Indonesia's invasion, and in the early years of Indonesian rule, was human recruits, not tax revenue.

Even more extensively than Portugal, Indonesia deployed coercion and, at times, indiscriminate violence as a central feature of its state-building strategy. However, quite unlike Portugal, Indonesia engaged explicitly in direct rule and, despite the use of repression and violence, it also pursued developmental priorities. The amount of revenue that the Indonesian state earned from taxation in East Timor was far less than it spent on infrastructure, development, and, of course, the brutal military occupation. As recounted by Saldanha (1994, 135), despite the immediate disorder after seizing control of the country, "the government of Indonesia immediately carried out preparations to manage East Timor under the motto 'implementing development in order to catch up with the other provinces'." While initially working uncomfortably alongside local, ethnically Timorese officials, the Indonesian administration expanded and "the majority of employees and officials at government offices were Indonesians from outside East Timor," (139). Because East Timor was at a comparably low level of development, significant investments were made in roads, education, health care, irrigation, and the creation of new administrative offices (Saldanha 1994, 139). (Further, in the first four to five years of the occupation, the Indonesian military was engaged in intense fighting with FRETILIN to "pacify" mountainous areas under the resistance movement's control, where many civilians had fled with them and were now living.) Despite the fact that Indonesia vastly outspended Portugal in its administration of the province, neither the Portuguese nor the Indonesian approach allowed room for a fiscal exchange between the Timorese population and its government.

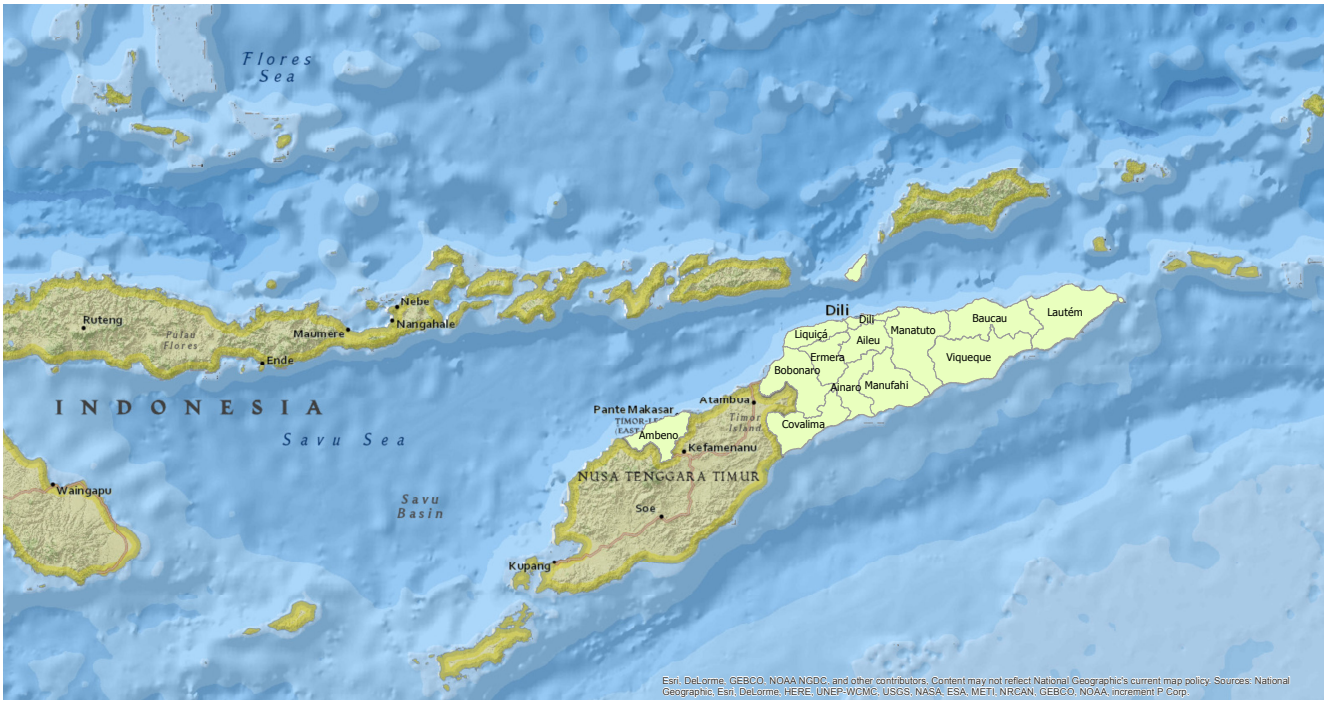
In 1999, with a change in leadership in Indonesia and the Cold War over, Indonesian President Habibie initiated a referendum in East Timor to determine the territory's status. The announcement of the vote – and the vote itself, in which 78.5 percent of Timorese voted for independence – unleashed to a bloody campaign of destruction by the Indonesian military and affiliated militias, leading to the death of at least 1,200 civilians (G. Robinson 2003). The country then entered a two-and-a-half year period of transition under United Nations Transitional Administration in East Timor (UNTAET), and finally achieved full independence in 2002. The UN maintained a support mission in the territory until 2005, and returned following an attempted coup and security crisis in 2006, withdrawing again in 2012.

Oil and gas exploration began in the 1960s and uncovered significant offshore oil and gas reserves in the Timor Sea. Since 2004, the independent Timorese state has begun re-

couping oil and gas rents, and set up a sovereign wealth fund to manage and invest oil income in 2005. Oil and gas revenues comprise almost 97 percent of government revenues, and the oil share of GDP was 75 to 80 percent in 2012-2013 (International Monetary Fund 2016). This places Timor-Leste among the most resource-dependent – although not resource-rich – economies in the world. As the literature on resource-dependent regimes tells us, this would predict low tax effort by the government and overall low tax morale among citizens. However, depending on assumptions about oil and gas prices and future spending, and depending on how a water boundary disputer with Australia is resolved, some estimate that Timor's petroleum fund could be depleted as soon as 2026 (Scheiner 2016). Further, the government is limiting, with some success, its spending from oil revenues and is already engaged in efforts to increase non-petroleum revenues through increased tax collection. A draft law for a value-added tax was shared by the Ministry of Finance for public consultation in mid-2016 before being put before the legislature. Thus, the current study comes at an opportune time to assess Timorese "baseline" attitudes toward taxation when, as of yet, the majority of the population does not have extensive experience with taxation. The primary, existing taxes are an import and sales tax – 2.5 percent each – levied on most goods upon entry; a flat income tax rate of 10 percent for those who make more than $500 per month; and a services tax (5 percent) for hotel, restaurant, and telecommunications businesses (Timor-Leste Ministry of Finance n.d.).

5.3.1 Regional and Partisan Legacies of the Conflict

The resistance against Indonesia and the brutality of the occupation affected all Timorese individuals – many lost their own lives or the lives of family members during this period. In addition, the conflict divided families: a substantial minority of Timorese fought on behalf of pro-integration militias and often faced off against family members and former friends who fought for independence on the other side. The struggle for Timor-Leste's future from 1975 to 1999 also tapped into local and regional divisions. In particular, the distinction between those from the Western part of the country (*loromonu*) and those from the East (*lorosa'e*) emerged during the conflict and continued to have salience after independence (see Map 5.1). The nature and significance of these regional identities is hotly debated – while some Timorese argue that the distinction is only reinforced by those seeking to create political rivalries and divide the country, others maintain that the West versus East divide is, in fact, meaningful and continues to produce tensions in the current, post-independence era. Some have noted that the latent distinction emerged during the Portuguese colonial period (Leach 2017; Shiosaki 2017).



Map 5.1: Timor-Leste Administrative Districts, using borders from Hijmans (2009)

In 2006, Timor-Leste had its first major crisis of governance since independence, and it is broadly acknowledged that the East-West division played a role in fueling the tensions underlying the crisis. The crisis erupted from within the FALINTIL Timor-Leste Defense Force (F-FDTL), the official military of the new state, but whose namesake, FALINTIL, had been the armed wing of the national resistance movement during the Indonesian occupation. A group of petitioners from the military began a protest over perceived discrimination within the institution; the protest was based on the claim that the military was discriminating against *loromonu*.

As Shiosaki (2017, 57) summarizes, the common understanding of the reemergence of East-West tensions after independence is rooted in perceptions of unequal contribution to the resistance movement:

> "The geographic location of these regions had strategic advantages and disadvantages. The resistance was strongest in the eastern region of Timor-Leste because of its distance from the border with West Timor and its mountainous terrain. The last bastion of the resistance was Mount Matebian in Baucau [an eastern district of the country]. The military wing of the resistance movement, the National Liberation Forces of Timor-Leste (FALINTIL), was more

> active in the east. These strategic advantages contributed to a perception that the eastern region put up a stronger fight...The pro-autonomy militia groups, supported by the Indonesian military, were more active in the western region because of its proximity to the border and, as a result, more *loromonu* were coerced into these groups."

Due to the violence inflicted by pro-Indonesian militias, this stereotype that Westerners were to some degree complicit carried over into the post-independence period and, ultimately, affected relations within the coercive institutions of the new state, including the military and police. Many of the initial soldiers recruited into F-FDTL were resistance movement veterans from the east, and efforts to correct the imbalance with younger recruits from the West did little to dispel tensions (Shiosaki 2017).

According to the account of Hasegawa (2013, 117), then Special Representative of the Secretary-General of the United Nations and Head of Mission:

> "[then Brigadier General, Taur Matan Ruak] ...TMR told me how the whole thing started. According to him, Gastao Salsinha, the leader of the petitioners' group, had complained that he had not been promoted to the rank of a captain, in spite of the fact that he had earned second place in the competency examination. TMR said that Salsinha was not promoted because he had been caught smuggling sandalwood for export to Indonesia. TMR also pointed out that many of the newly recruited soldiers demanded comparatively easy treatment; this contrasted with the severe hardship he and other guerrilla fighters had endured, without any reward, during the independence struggle. He felt the need for more discipline among young soldiers."

In fact, the crisis with the petitioners only escalated, with young people and martial arts groups, including the eastern based Colimau 2000, becoming involved on both sides. The military was deployed, casualties ensued, and this led to a major split between the Prime Minister, who authorized the military deployment, and the President (Hasegawa 2013; Shiosaki 2017). A United Nations commission later found that the Minister of Interior, Minister of Defense, and General Commander of the Police abused their authority in arming civilians during the crisis, all of whom had resigned or left their posts after the crisis (Office of the United Nations High Commissioner for Human Rights (OHCHR) 2006).

Timor-Leste features a vibrant, multi-party system, however regional identities continued to intersect with Timorese politics and the party system years after the 2006 crisis (Shiosaki 2017). Timor-Leste's two largest parties – FRETILIN and the National Congress for Timorese Reconstruction (CNRT) – emerged from the national resistance movement

and its leadership. FRETILIN is, of course, the namesake party of the founding group of the national movement. CNRT was officially founded in 2007 by Xanana Gusmão, the charismatic resistance movement hero who split off from FRETILIN during the resistance in the mid-1980s. FRETILIN, likely because of its association with the rank and file of the resistance movement, has historically done well with voters in the east, although there were signs that regionally-based voting may have been attenuated in the 2012 elections (Shiosaki 2017). However, it would be inaccurate to categorize FRETILIN as the party of the resistance movement: For example, Mari Alkatiri, one of the founders of FRETILIN and the first Prime Minister in independent Timor-Leste, was based in exile during the entire Indonesian occupation, whereas Gusmão, the first elected President, was a prominent hero of the guerrilla resistance movement, which he led, in part, from an extended stint in prison. Largely due to Gusmão's widespread popularity, CNRT formed part of the governing coalition in 2007, despite FRETILIN having won a larger share of the total votes, and again in 2012. In 2015, Xanana Gusmaão voluntarily stepped down as prime minister, citing an opportune moment to pass power along to the next generation, bringing FRETILIN into the ruling coalition and an unprecedented, but perhaps tenuous, degree of cooperation between the two parties.

While regional and partisan divides have been prominent in Timorese politics following independence, the current study comes at a time when the relative salience of these dimensions is an open question. The 2015 pilot survey and the larger 2016 survey described below precede parliamentary elections planned for summer of 2017. Some scholarship and informal conversations conducted by the author suggest that the distinction between *lorosa'e* and *loromonu* is not as salient as, quite simply, divisions between urban and periphery. As discussed by Leach (2017, 187), there are a number of candidate "dualisms" that Timorese individuals may use, separately or in tandem, to define themselves:

> "Examples include tensions between an individual's rural affiliations and their newer urban networks...as members of immediate family or of a wider 'house'; between coexisting beliefs in *lulik* [traditional conception of sacredness] and Christianity; between roles as a member of parliament, or the youngest brother in a family; as a police officer, or member of a martial arts gang."

What Leach (2017) and others have noted is that the theme of rectifying a debt for those those who suffered during the national resistance to Indonesian occupation was a common strain running through the politics and events of 2006.

More recently, the distinctive political and security environment in the eastern part of

the country reemerged in 2015, a year which saw the killing of a paramilitary commander Paulino Gama (known as "Mauk Moruk"), a former coup leader who had been leading violent attacks against police checkpoints in the eastern district of Baucau (Wassel & Rajalingam 2015). In the spring of 2015, Wassel and Rajalingam (2015, 32)'s Community Police Perceptions survey found that respondents from the eastern part of the country were more likely than those in other regions to say that the security situation in the country had become worse in the past year, likely due to the policing activity and violence that had emerged around Mauk Moruk's group and his eventual capture and defeat. Thus, regional identities may have shaped Timorese individuals' relationship to the state in the short term due to these more recent events, but there also may be more stable, longer-term aspects to those identities that draw on the legacies of the conflict and resistance.

5.4 Pilot Survey Results

Before implementing a large-scale survey, a pilot study was conducted to understand how Timorese citizens who have little experience with direct taxation would respond to questions about their views on taxation. This section will review the method and results of that study in brief, since some of its findings are used to inform the hypotheses below.

In May 2015, I surveyed a small sample of respondents ($N = 34$) from three districts in Timor-Leste: Dili (16), Bobonaro (9), Baucau (9). The survey was conducted in Tetum. Despite hundreds of mother tongues that vary regionally, Tetum is the lingua franca of the vast majority of the population. I conducted the survey door-to-door with a research assistant and interpreter. Districts were selected non-randomly to achieve regional representation: Dili is the district where the capital city is located, Bobonaro is in the western part of the country, near the border with Indonesian West Timor, and Baucau is the most populated eastern district. Subdistricts were also non-randomly selected to pick towns that were densely populated enough to make survey work practical. The primary sampling unit in each district was the village (*suco*). Two sucos in each subdistrict were randomly chosen, then two starting points were chosen randomly at least 300 meters apart. From each starting point, approximately every other house was selected and the closest-birthday method was used to choose individual respondents in each household. Consent was obtained before each interview. The sample size does not provide enough statistical power to generalize to the population of any particular village, however the purpose of the pilot test was to ascertain how questions would be interpreted by respondents and to begin to generate hypotheses of how attitudes toward taxation might vary across groups of individuals. There are no tests for statistical significance; the cross-tabulations pre-

sented here are merely descriptive.

To measure individuals' underlying support for taxation as a method of funding public services, respondents were asked the following question:

> *I am going to read two statements to you. Please tell me which one you agree with more:*
> *Statement 1: It is better for our community to pay higher taxes, if it means that there will be more services provided by government.*
> *Statement 2: It is better for our community to pay lower taxes, even if it means there will be fewer services provided by government.*

There were three possible responses: "Agree more with statement 1", "Agree more with statement 2", or "I don't know" (although the latter option was not read aloud). The language of this item was adapted from language used in rounds 5 and 6 of the Afrobarometer surveys (see, e.g. *Afrobarometer Round 6: The Quality of Democracy and Governance in Algeria* 2015). Similarly, in these surveys, respondents are asked which of two statements they agree with more, but the statement wording is somewhat different: The first statement is "Citizens must pay their taxes to the government in order for our country to develop," and the second statement is "The government can find enough resources for development from other sources without having to tax the people." Because of the extraordinary dependence of the Timorese budget on natural resource rents, I modified the wording in my survey so that the two statements were more explicitly framed around notions of fiscal exchange, whereby lower taxes definitively leads to fewer services. In examining the distribution of responses below, we can infer that support for Statement 2 would be even higher if we had used the Afrobarometer item wording, wherein respondents were not asked to consider the possible effect of tax revenues on service provision. Thus, we can confidently interpret agreement with Statement 2 in this pilot test as less support for a relationship of fiscal exchange between the population and government, and less support for community contributions toward public goods provision.[2]

In our sample, 7 out of 18 women (39%) supported statement 1 (higher taxes), whereas only 2 out of 16 (13%) of men did (Table 5.1). Men were more likely to support lower taxes than women. Further, residents of the capital district, Dili, were more likely to support higher taxes (38%) compared to residents of either the eastern (22%) or western (11%) district (Table 5.2). The capital district has the highest average levels of income, so it is somewhat surprising that respondents from Dili appear to support more taxation

[2]In addition, the Afrobarometer surveys gives respondents the option to either agree or strongly agree with either statement. To keep the options simple, we do not ask respondents for the strength of their agreement.

	Higher taxes (1)	Lower taxes (2)	NA
Male	2 (12.50%)	11 (68.75%)	3 (18.75%)
Female	7 (38.89%)	8 (44.44%)	3 (16.67%)

Table 5.1: Views toward taxation and services by gender.

and public services than those in the lower-income districts. The nature of the existing tax system sheds some light on why those in the capital district, who have higher average incomes, might not have associated "higher taxes" with a higher, *individual* tax burden. Currently, income tax in Timor-Leste is based on a flat rate and grants complete exemption to a large share of wage-earners. Thus, "higher taxes" could be interpreted as broadening the tax base to include lower income brackets, and thus may not necessarily imply, for respondents in Dili, more redistribution to more rural or low-income areas. The question is worded simply for maximum comprehension, but this does introduce ambiguity to how respondents interpret "higher taxes" and how they interpret that would, or would not, affect their own tax burden. By referencing "our community", the measure was meant to induce respondents to think about people like themselves, either living in close geographic proximity to them or in the same social and cultural networks.

An additional finding that may help explain the difference between Dili and outlying districts is that support for higher taxes appears to be increasing in level of education. While the number of those surveyed who had completed a post-secondary or university degree was small – only 5 total – 2 of them supported higher taxes (40%, Table 5.3). The percentage supporting higher taxes declines as level of education declines, with 28% of those with some secondary education or secondary schooling completed supporting statement 1; 25% of those with some primary education or primary education completed; and 0% of those with no formal education (although there were only 3 total individuals this group). On the other hand, those who characterized their current standard of living as "fairly good or very good" were most likely to support lower taxes – 7 out of 11, or 63.6% – as opposed to those who describe their living condition as "neither good nor bad" (55.6%) or those who report it as "fairly bad or very bad" (50%, not shown in tables). This suggests that education and perceived standard of living could be pushing in opposite directions on an individual's support for big government.

Of particular interest to the current project is how the post-conflict context in Timor-Leste and the legacies of the transition to independence might affect individual willingness to comply with state extraction. One category of interest was those who reported receiving a special government pension for individuals who were veterans of the national

	Higher taxes (1)	Lower taxes (2)	NA
Baucau	2 (22.22%)	6 (66.67%)	1 (11.11%)
Bobonaro	1 (11.11%)	4 (44.44%)	4 (44.44%)
Dili	6 (37.50%)	9 (56.25%)	1 (6.25%)

Table 5.2: Views toward taxation and services by region.

	Higher taxes (1)	Lower taxes (2)	NA
No formal	0 (0.00%)	1 (33.33%)	2 (66.67%)
Some primary / primary	2 (25.00%)	5 (62.50%)	1 (12.50%)
Some secondary / secondary	5 (27.78%)	12 (66.67%)	1 (5.55%)
Post-secondary / university	2 (40%)	1 (20%)	2 (40%)

Table 5.3: Views toward taxation and services by education level.

resistance movement or surviving family members of such veterans. The pilot test included the following item:

> *Does anyone in your household currently receive a veteran's pension or a "survivor's" payment – a payment made to certain surviving members of a veteran's family – from the government?*

Eight respondents reported a household member receiving a pension, compared to 24 reporting no household member receiving a pension. Two respondents did not answer the question. 75% (or 6 out of 8) of those who reported receiving pensions favored lower taxes and fewer services compared with 50% of those (12 out of 24) who reported not receiving pensions (see Table 5.4). Notably, 6 out of 24 of the non-recipients did not answer the question about tax preferences or said "I don't know." This could indicate a failure to understand the question. If all of the non-responders were actually members of the "lower taxes" group, then the proportions would be similar across those whose family receives a veteran or survivor pension and those whose family does not.

We also asked some questions about fiscal decentralization, such as whether respondents agreed with allowing districts, or even sucos (villages), the authority to raise taxes. Residents of Baucau district were more likely to agree or strongly agree with allowing

	Higher taxes (1)	Lower taxes (2)	NA
Family receives	2 (25.00%)	6 (75.00%)	0 (50.00%)
Family does not receive	6 (25.00%)	12 (50.00%)	6 (25.00%)

Table 5.4: Views toward taxation by veterans'/survivors' pension.

	Agree (1)	Neutral (2)	Disagree (3)	NA
Baucau	6 (75.00%)	0 (0.00%)	2 (25.00%)	0 (0.00%)
Bobonaro	6 (66.67%)	0 (0.00%)	2 (22.22%)	1 (11.11%)
Dili	10 (62.50%)	1 (6.25%)	5 (31.25%)	0 (0.00%)

Table 5.5: Support for districts having authority to tax, by region.

	Taxes	Oil/gas rev	Foreign aid/other	NA
No formal education	0 (0.00%)	0 (0.00%)	1 (33.33%)	2 (66.67%)
Some primary/primary	2 (25.00%)	4 (50.00%)	1 (12.50%)	1 (12.50%)
Some secondary/secondary	7 (41.18%)	8 (47.06%)	2 (11.76%)	0 (0.00%)
Post-secondary / university	2 (40.00%)	2 (40.00%)	0 (0.00%)	1 (20.00%)

Table 5.6: Preferred source of government financing, by level of education.

district-level taxation (75.0%) versus those in Bobonaro (66.7%) or the capital district of Dili (62.5%, Table 5.5). The same was found with support for suco-level taxation, suggesting that views toward fiscal decentralization are more regionally driven, and those in the eastern part of the country are more supportive of these forms of decentralization. Individual-level demographic and social factors show less systematic correlations with responses to this question.

When asked their opinion on what sources of financing the Timorese government *should* draw on for public services, those with higher levels of education were generally less likely to say oil and gas revenues, foreign aid, or anything else, and were more likely to say taxes (see Table 5.6).

In summary, we find that attitudes toward taxes among this small sample of Timorese respondents appear to be correlated with gender, region, and level of education. Women, individuals from the capital district, and individuals with higher levels of education supporting higher taxes in exchange for more services. It is not clear from the pilot test whether being a member of a family receiving a pension for serving the national resistance is strongly correlated with attitudes toward taxation. Below, we test alternative hypotheses about this relationship on the larger dataset, which includes a more detailed question about forms of social assistance received from the government, thus enabling a comparison between veteran/survivor pension recipients and those who receive other forms of assistance. Finally, allowing local authorities to raise their own tax revenue seems to be slightly more popular in the eastern district of Baucau, which has historically been the hub of several loose resistance movements against the central government.

5.5 Hypotheses

Drawing on the literature and the pilot survey results, I formulate the following hypotheses:

First, there are reasons to believe that the region of residence will affect attitudes toward taxation. As described in section 5.3, one salient regional divide that has informed Timorese politics, and which draws on the legacies, or perceived legacies, of the national resistance is the distinction between East and West. Additionally, the pilot survey, while not conducted on a representative sample, implied that those from the Eastern districts may have greater preference for localized control over taxation and goods provision. These characteristics, taken together, imply a lower attachment to the central state. One possible explanation for this is related to the legacies of conflict and the sources of tension that fueled the petitioners demands and subsequent violence in 2006. In particular, if those in the eastern part of the country perceive that they made an unfair sacrifice, or contribution, to the national struggle that has not been appropriately recognized by the state, then we might expect them to have lower attachment to the state and, thus, less willingness to voluntarily direct revenues toward the central state.

H1. Residents of the eastern districts will express lower tax morale than residents of other districts, *ceteris paribus*.

However, there may be another source of geographic variation in attitudes that is distinct from the East-West divide. In particular, attitudes may differ across respondents who reside in the urban core versus those that live in the periphery. The vast majority of economic activity in Timor-Leste is concentrated in the capital – Dili. In fact, the definition of Dili as the "center" is almost a requisite precondition for the definition of "east" and "west" described above (Leach 2017). Perhaps attachments to the state and attitudes toward fiscal exchange with the government are driven more by one's location vis-a-vis the capital city, rather than an east versus west divide. That would generate the following hypothesis:

H2. Residents of the capital district will express higher tax morale than residents of other districts, *ceteris paribus*.

In addition to regional drivers of attitudes, there are certain individual-level traits that could be important in shaping attitudes. In the two hypotheses below, we build on the

initial results that emerged from the pilot study. First, there are reasons to believe that those who have benefited from state expenditures on social programs will have a more favorable attitude toward contributing tax revenues. Interestingly, the pilot survey results were ambiguous as to whether this relationship applied to those receiving the form of social assistance that is most explicitly tied to the country's conflict legacies – the pension for veterans of the national resistance movement and their surviving family members. We explore this relationship further, and with a wider range of social benefits, in the larger poll.

H3. Recipients of social benefits will express lower tax morale than non-recipients, *ceteris paribus*.

Finally, the pilot survey suggested that gender may be another factor influencing attitudes toward taxation. Women in Timor-Leste may be more likely to perceive the benefits of government expenditures, such as the *Bolsa de Mãe*, a conditional cash transfer program for female-headed households; other spending programs related to women's, maternal, and neonatal healthcare; or education spending. Thus, drawing on the observed gender differences in the pilot study, I suggest the following hypothesis:

H4. Female respondents will express higher tax morale than male respondents, *ceteris paribus*.

Each of these four hypotheses is tested in the larger dataset below.

5.6 Empirical Analysis

In November 2016, The Asia Foundation fielded a survey of a simple random sample of Timorese adults, 18 years old and older, from all thirteen municipalities ($N = 1,243$). To test the hypotheses above, we use individual responses to survey questions that proxy for tax morale and expectations of government. We use four different dependent variables in the analysis. First, to proxy for an individual's willingness to pay taxes in exchange for government services, we include a question that is identical to one of the questions included in the pilot survey.

> *I am going to read two statements to you. Please tell me which one you agree with more:*
> *Statement 1: It is better for our community to pay higher taxes, if it means that*

there will be more services provided by government.
Statement 2: It is better for our community to pay lower taxes, even if it means there will be fewer services provided by government.

Respondents were given a three-point scale to indicate "Agree more with Statement 1", "Agree more with Statement 2", or "Neutral". We refer to this variable as *communitytax* in the analysis below, with values ranging from 1 to 3 with higher values indicating more agreement with statement 1 (higher taxes on the community).

In addition, The Asia Foundation included a question that it has used in previous polls which, instead of asking about the respondent's "community", attempts to measure an individual's own willingness to pay. Respondents were asked to rate on a five-point scale the extent to which they agree or disagree with the following statement:

I would be willing to pay tax to receive better services (healthcare, education, roads, etc).

Responses options were: "Strongly agree", "Agree", "Neither agree nor disagree", "Disagree", or "Strongly disagree". This variable is designated *individtax* below, with values ranging from 1 to 5, with higher values indicating stronger agreement with an individual's willingness to pay tax.

Like the pilot survey, we included an additional item on the larger survey to frame respondents' considerations about taxation within the context of Timor-Leste's alternative sources of revenue:

Which of the two statements do you more agree with:
Statement 1: The government of Timor-Leste relies too much on funding from the oil and gas sector. Individuals and businesses in other sectors should pay more taxes to pay for public goods and services (such as schools, hospitals and roads).
Statement 2: The government of Timor-Leste should continue to rely on funding from the oil and gas sector. Individuals and businesses in other sectors should not be taxed more now to pay for public goods and services (such as schools, hospitals and roads).

The wording of this question more concretely primes policy, explicitly mentioning the government of Timor-Leste, rather than individual or collective behavior. It also references the petroleum sector as the primary source of non-tax revenue, a feature of the economy that is well-known to wide swaths of Timorese society. If stated preferences for lower taxes on oneself or one's community are attenuated due to social desirability, this question may be less so because it is framed as a matter of government policy, rather

than individual or group compliance, and it explicitly primes the lower stakes option of continuing the status quo, namely reliance on oil and gas. We refer to this item as *lesspetro* below, and code responses as highest when respondents agree with statement 1 (*lesspetro* = 3) and lowest when they agree with statement 2 (*lesspetro* = 1), with those that express neutral attitudes in the middle.

Finally, the survey also included a question to assess broader expectations of the government's role in providing for the population, asking respondents whether they agree, strongly agree, disagree, strongly disagree, or neither, with the following statement:

> *It is the government's responsibility to ensure that people are prosperous.*

This item is referenced as *govresp*, with values ranging from 1 to 5. In this case, higher values indicate higher agreement with the statement, thus higher expectations of government.

Descriptive statistics of the dependent variables are shown in Table 5.7.

Table 5.7: Descriptive Statistics: Dependent Variables

Variable	**Levels**	**n**	%
communitytax	1	248	19.9
	2	300	24.0
	3	588	47.1
	NA	113	9.1
individtax	1	125	10.0
	2	278	22.3
	3	114	9.1
	4	451	36.1
	5	246	19.7
	NA	35	2.8
lesspetro	1	245	19.6
	2	260	20.8
	3	602	48.2
	NA	142	11.4
govresp	1	14	1.1
	2	57	4.6
	3	78	6.2
	4	585	46.8
	5	471	37.7
	NA	44	3.5

For independent variables, we include an indicator which captures what region respondents are from. We have fairly even distribution across regions, with 24 percent of

respondents from Dili district (*dili*); 30 percent of respondents from the central districts (*central*, includes Ainaro, Aileu, Manufahi, Ermera, and Liquica districts); 26 percent from eastern districts (*east*, includes Manatuto, Viqueque, Baucau, and Lautem districts); and 20 percent from western districts (*west*, includes Oecussi, Bobonaro, and Covalima districts).[3] We also include gender (*female*): the sample includes 618 females and 621 males. We also include ordinal variables to capture an individual's age, education, and income categories. The distribution on these variables is depicted in Table 5.8. One thing that is notable about this sample, and the Timorese population at large, are the overall low levels of schooling and low income base. Over one-third of respondents reported having no formal schooling or no income. Many of those reporting no income likely live as dependents with another wage earner or works in subsistence agriculture and thus does not have a significant cash income.

Finally, to identify beneficiaries of various social assistance schemes, we asked which, if any, of the following government payments did the respondent or a family member receive: Veteran's [or survivor's] payment (*pay_vet*); Bolsa de Mãe (*pay_bolsa*, a conditional cash transfer for eligible, rural mothers); a disability assistance payment (*pay_disab*); an old age pension (*pay_old*); or a pension for government employees and members of parliament (*pay_govpen*). All are coded as dummy variables, taking a value of 1 if the respondent reported receiving the payment and a value of 0 if they did not.

5.6.1 Analysis

First, I estimate four ordered probit models with each of the dependent variables mentioned above, controlling for whether an individual or his or her family receives any of the social benefits from the government noted above, age category, gender, income category, education category, and region of residence (Central, East, West, or Dili, the latter being the excluded category). Standard errors are clustered at the municipal level to account for lower-level non-independence among error terms for respondents from the same municipality. Results are shown in Table 5.9.

Keeping in mind that the magnitude of the coefficients cannot be interpreted as marginal effects and the different scales of the dependent variables, I focus my discussion on the direction, rather than the magnitude, of the observed coefficients. I find that those that receive Bolsa de Mãe payments – the conditional cash transfer program – and those that receive old age pensions are significantly less likely to support more taxes on their community. (Further, controlling for social assistance benefits, older respondents express

[3] 10 respondents, or 0.8 percent of the sample, was coded as NA.

Table 5.8: Descriptive Statistics: Selection of Independent Variables

Variable	**Levels**	**n**	%
age	<25	120	9.6
	25-34	323	25.9
	35-44	277	22.2
	45-54	241	19.3
	55-64	162	13.0
	65+	110	8.8
	NA	16	1.3
educ	No formal schooling	435	34.8
	Grade 1-3 incomplete	382	30.6
	Finished grade 3	74	5.9
	Finished grade 6	103	8.25
	Finished grade 9	82	6.6
	Secondary school incomplete	69	5.5
	University or above	87	7.0
	NA	17	1.4
income	No income	440	35.2
	<$50/mo	478	38.3
	$50-$100/mo	116	9.3
	$101-$300/mo	145	11.6
	$301-$500/mo	19	1.5
	>$500/mo	12	1.0
	NA	39	3.1

Table 5.9: Ordered Probit Models of Support for Taxation and Views Toward Government

	(1) communitytax	(2) individtax	(3) lesspetro	(4) govresp
pay_vet	0.0547	−0.00470	0.148	−0.0154
	(0.102)	(0.0815)	(0.178)	(0.0943)
pay_bolsa	−0.180*	−0.151	−0.0303	0.118
	(0.0824)	(0.112)	(0.0625)	(0.0729)
pay_disab	−0.300+	0.0528	−0.351*	0.481
	(0.167)	(0.270)	(0.155)	(0.366)
pay_govpen	0.0759	−0.170	−0.0809	−0.746*
	(0.228)	(0.115)	(0.184)	(0.290)
pay_old	−0.217**	−0.0806	−0.153	0.0980
	(0.0816)	(0.0935)	(0.130)	(0.0948)
age	0.0479*	0.0342	0.0265	0.0101
	(0.0212)	(0.0223)	(0.0216)	(0.0268)
female	−0.0638	−0.00904	−0.00689	0.00901
	(0.0537)	(0.0522)	(0.0580)	(0.0598)
income	0.0637	0.153*	−0.0279	0.133**
	(0.0419)	(0.0682)	(0.0424)	(0.0453)
educ	−0.00815	0.0479+	−0.00438	−0.00748
	(0.0187)	(0.0247)	(0.0222)	(0.0220)
central	−0.0333	−0.378	0.321*	0.532**
	(0.275)	(0.382)	(0.127)	(0.199)
east	−0.445***	−0.745***	0.0523	−0.388*
	(0.0829)	(0.140)	(0.178)	(0.165)
west	−0.320	−0.266+	0.0800	−0.0915
	(0.287)	(0.152)	(0.172)	(0.278)
α_1	−0.994***	−1.471***	−0.688***	−2.169***
	(0.105)	(0.189)	(0.111)	(0.307)
α_2	−0.238	−0.587**	−0.0310	−1.410***
	(0.131)	(0.183)	(0.151)	(0.243)
α_3		−0.314		−0.989***
		(0.175)		(0.207)
α_4		0.792***		0.559***
		(0.190)		(0.155)
N	1104	1178	1077	1168
adj. R^2				

Robust standard errors clustered by municipality are in parentheses.

$^{+}p < 0.1$, $^{*}p < 0.05$, $^{**}p < 0.01$, $^{***}p < 0.001$

more support for their community paying *more* in taxes, suggesting that the receipt of the benefit – or preexisting traits that make one more likely to receive the old age pension — is driving the correlation, not age.) Those who receive disability pensions are also less likely to support higher taxes on the community, albeit at a lower level of statistical significance ($p = 0.10$). Notably, however, none of these social assistance benefit recipients are significantly less willing to pay taxes themselves. The receipt of social benefits thus appears to be associated with views toward collective, not individual, tax burdens. Thus, there is some support for **H3**, but it is most clearly observed with respect to attitudes toward taxation of one's community, not one's individual tax burden. Further, the relationship between receiving social benefits and tax morale appears to be conditional on the type of benefit received. For example, the pension for veterans of the resistance movement and survivors shows no relationship with attitudes toward taxation across any of the four models. This suggests that there may be something distinctive about receiving the veterans' and survivors' pension, or something distinctive about those individuals who are selected to receive it, that is not associated with lower tax morale, as we might expect based on the results for the other forms of social assistance.

The ordered probit models also reveal some regional differences. Those from the eastern region are less likely to support more taxes on their community *and* less willing to pay more taxes as individuals, consistent with **H1**. In other words, a respondent from the eastern region has a significantly higher probability of indicating that they prefer *lower* taxes on their community or they are neutral ($communitytax = 1|2$) as compared to a respondent from Dili. We do not find conclusive support for **H2**. Dili respondents were the excluded category in the regressions in Table 5.9, and, while they are significantly more willing to pay individual taxes than those from the east ($p = 0.05$) and those from the west ($p = 0.10$), their attitudes on this measure are not significantly different from those in the smaller villages and towns in the central region. Further, it is those in the central districts, not in the urban core, that are most likely to support a reduction in Timor-Leste's reliance on petroleum revenues, and on whether it is government's responsibility to ensure prosperity, Dili respondents fall somewhere in between those from the east and those in the central region. Finally, those from the east are less likely to believe it is government's responsibility to ensure that the population is prosperous. Thus, I find that the most robust relationship is between those from the east and those from Dili: Easterners are less likely to agree with more taxes of their community, less willing to pay more taxes individually, and also expect less of government in terms of ensuring prosperity, when compared to Dili residents and sometimes residents from other regions.

Interestingly, we do not find support for **H4** – gender does not seem to influence atti-

tudes toward taxation or government. It is possible that the correlation between gender and attitudes toward taxation observed in the pilot study was confounded by other variables. One possibility is that women who received the Bolsa de Mãe transfer were driving the findings regarding positive tax morale in the pilot study. We have controlled for receipt of a variety of social transfers in the larger sample, so it is possible that this is why the gender result is no longer observed.

Rather than including fixed effects dummies for three out of the four regions (with one excluded category), an alternative way to account for variation between regions is to include group-level intercepts for each region that, themselves, vary according to an underlying probability distribution. This is what Gelman and Hill (2009) refer to as a varying-intercept model, but which is more commonly referred to as a random effects model. These models are convenient when the researcher is interested in explicitly comparing the random effects themselves and how these intercepts vary across groups. The model takes the following form:

$$y_i = \alpha_j + \mathbf{X_i}\beta + \epsilon_i$$
$$\alpha_j = \gamma_0^{\alpha} + \eta_j^{\alpha}$$

Because these can be easily combined into a single equation, the "multilevel" designation might strike some readers as counterintuitive. However, note there is both an error term that varies by individual and one which varies by group j, which, in this case, is region. Both error terms are assumed to be normally distributed with mean equal to zero.[4] In the varying-intercept model, $\hat{\alpha_j}$ can be interpreted as the estimated, baseline value of the dependent variable for an individual from a given region. Gelman and Hill (2009, 253) note that it is equivalent to a weighted average of the mean of the outcome variable for all observations within group j and the mean of the outcome variable across the whole sample:

$$\hat{\alpha_j} \approx \frac{\frac{n_j}{\sigma_y^2}\bar{y}_j + \frac{1}{\sigma_\alpha^2}\bar{y}_{all}}{\frac{n_j}{\sigma_y^2} + \frac{1}{\sigma_\alpha^2}}$$

where n_j = the number of observations in the sample from group j. This type of model

[4]Group-level predictors can be added to the second equation above if the researcher seeks to explicitly model and estimate the effects of variables that vary by groups. Further, the other coefficients captured in the vector β could, like α_j, also be specified as varying across groups according to a random distribution or a combination of group-level predictors and a random error term. For now, we estimate a simple model to gain a sense of variation across regions and to compare results with the ordered probit models above.

"corrects" estimated group-level intercepts for the sample size within the group, pulling estimates closer to the overall sample mean for those groups with small sample sizes and pulling estimates closer to the within-group mean for those groups that have larger sample sizes (Gelman & Hill 2009, 254).[5]

The multilevel models are estimated using restricted maximum likelihood estimation (REML) and are shown in Table 5.10. In these models, we see a somewhat more robust orientation toward low taxes emerge among recipients of the Bolsa de Mãe, who are significantly less likely to support greater taxation at the community level and, at a lower level of significance, at the individual level. They are also more likely to believe that it is the government's responsibility to ensure prosperity ($p = 0.1$). Disability and old age pension recipients are also less likely to support taxation of the community and less concerned with Timor-Leste's reliance on petroleum revenues at either the 5% or 10% significance level. Once again, we see no such attitudes emerge among the subsample of respondents who receive veterans' or survivors' pensions, lending further evidence to the assertion that this benefit, or this class of benefit recipients, is distinct from other benefit recipients.

The intercept shows the estimate of the constant term in the second level of the regression ($\hat{\alpha}$). To examine differences across regions, I plot the region-specific intercepts ($\hat{\alpha_j}$) for each of the four regions for each of the four dependent variables. I find that both the eastern and western districts have lower baseline levels of support for taxes on the community than the central region and the capital district (see Figure 5.1). However, on support for individual taxation (column 2 of Table 5.10) and belief that the government is responsible for economic prosperity (column 3 of Table 5.10), the estimated intercept for those from the east stands out as particularly low (see Figures 5.1 and 5.2). Consistent with the ordered probit results, those from the central region are most likely to believe that it is the government's responsibility to ensure prosperity. This is an interesting result that is supported across both types of models, and is perhaps suggestive of the specific experiences and attitudes of those that are in the immediate urban periphery – those districts are also largely rural, like their more peripheral counterparts, however they are in closer geographic proximity to the capital city. The baseline opinions on oil and gas are not highly variable by region.

[5]For the current study, we estimate linear multilevel models. For multilevel modeling with an ordered dependent variable, Gelman and Hill (2009) recommend allowing the cutpoints for the latent, continuous response variable to also vary by region. For ease of interpretation in these exploratory regressions, we estimate linear models below.

Table 5.10: Varying-Intercept Models of Support for Taxation and Views Toward Government

	communitytax	individtax	govresp	lesspetro
$\hat{\alpha}$	2.29^{***}	3.05^{***}	4.02^{***}	2.36^{***}
	(0.10)	(0.22)	(0.14)	(0.09)
pay_vet	0.04	0.02	0.01	0.10
	(0.06)	(0.09)	(0.06)	(0.06)
pay_bolsa	-0.12^{*}	-0.15^{+}	0.09^{+}	-0.02
	(0.05)	(0.08)	(0.05)	(0.06)
pay_disab	-0.21^{+}	-0.01	0.27^{*}	-0.24^{*}
	(0.11)	(0.17)	(0.11)	(0.12)
pay_govpen	0.07	-0.10	-0.55^{***}	-0.07
	(0.12)	(0.19)	(0.12)	(0.12)
pay_old	-0.15^{**}	-0.11	0.05	-0.11^{+}
	(0.05)	(0.08)	(0.05)	(0.06)
age	0.03^{+}	0.04	0.01	0.02
	(0.02)	(0.03)	(0.02)	(0.02)
female	-0.05	-0.01	-0.01	-0.01
	(0.05)	(0.07)	(0.05)	(0.05)
income	0.04^{+}	0.18^{***}	0.09^{***}	-0.02
	(0.02)	(0.04)	(0.02)	(0.02)
educ	-0.00	0.05^{*}	-0.00	-0.01
	(0.01)	(0.02)	(0.01)	(0.01)
AIC	2674.07	3893.88	2876.09	2668.11
BIC	2734.18	3954.77	2936.87	2727.92
Log Likelihood	-1325.04	-1934.94	-1426.04	-1322.06
Num. obs.	1107	1181	1171	1079
Num. groups: reg	4	4	4	4
Var: reg (Intercept)	0.02	0.14	0.06	0.01
Var: Residual	0.62	1.50	0.64	0.65

$^{***}p < 0.001$, $^{**}p < 0.01$, $^{*}p < 0.05$, $^{+}p < 0.1$

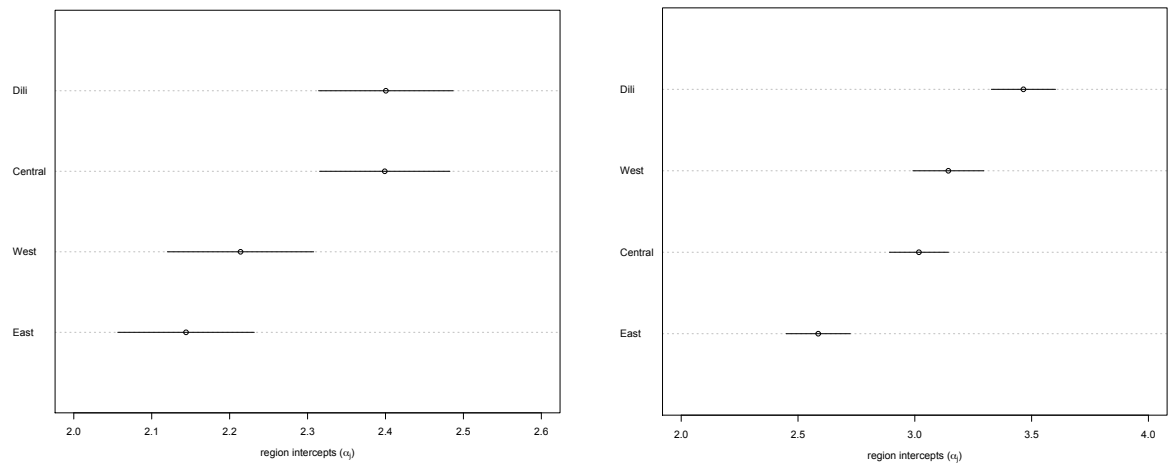


Figure 5.1: Estimated Intercepts by Region for Regressions of *communitytax* (left) and *individtax* (right).

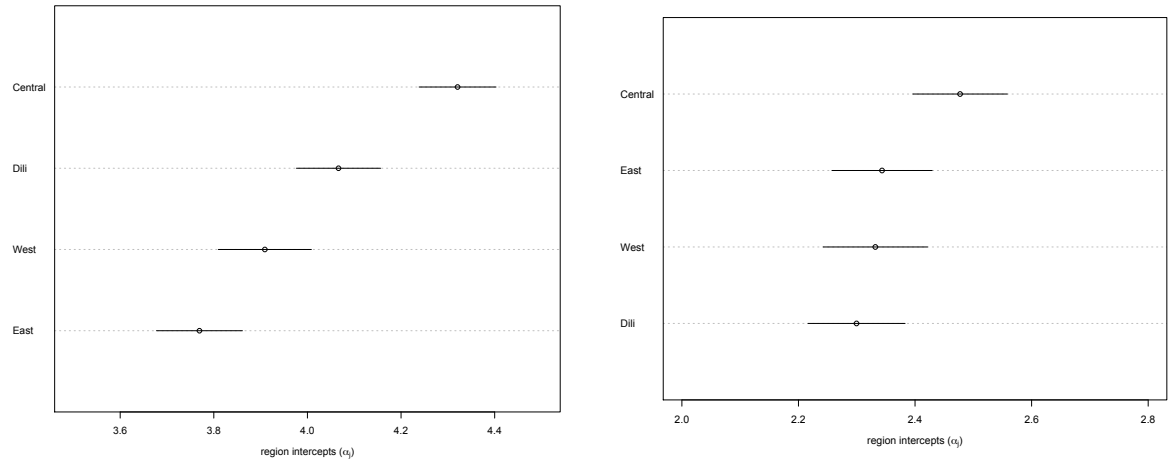


Figure 5.2: Estimated Intercepts by Region for Regressions of *govresp* (left) and *lesspetro* (right).

5.7 Discussion

This study sheds light on attitudes toward taxation in a setting where experiences with fiscal exchange are relatively new. One question guiding this inquiry was whether Timor-Leste would exhibit similar patterns to what was observed in Palestine. Are the foundations of fiscal capacity stronger in those areas where the government has a greater coercive monopoly?

In the larger survey, we observe that those from the eastern parts of Timor-Leste exhibit a set of traits that could be described as self-sufficiency – namely, they are opposed to higher taxes and they are less likely to believe that individual prosperity is the responsibility of the government. Incidentally, the regional identity associated with *lorosa'e* – or those from the east – is also tied to Timor-Leste's history and its conflict legacies in interesting ways. Some from the east viewed themselves as contributing disproportionately to the independence struggle and not appropriately recognized or compensated. If this translated into broader feelings of abandonment or neglect by the government, it is understandable that those feelings would also be correlated with lower support for taxation. Further, even after the 2006 crisis, one of the central government's main security challenges has emerged in the east, and in Baucau in particular. In 2015 – during the period in between when the pilot survey and the larger, Asia Foundation survey were conducted – the government apprehended and killed rebel militia leader "Mauk Moruk". State policing and security presence in Baucau has been controversial. Because of the presence of such groups, it would be reasonable to infer state coercive capacity is lower in the east, and we are also witnessing lower tax morale and expectations of government in these areas.

However, we also saw that those in the West and Central districts also differed from Dili residents in important ways. In particular, those that live in the more rural and smaller villages in the central region can be considered those in the periphery that are nonetheless close to Dili. It is these respondents that seem to believe most strongly in the government's responsibility to ensure prosperity. This suggests that the center-periphery cleavage may indeed be salient in driving *expectations* of government, but not necessarily in generating the micro-level foundations for fiscal capacity, namely: tax morale. Critically, when asked directly about their views toward taxation, respondents living in the eastern region seem to be most noticeably distinct. This suggests that Timor-Leste may exhibit the expected correlations between the various forms of state capacity. State presence and capacity is certainly higher in the capital city of Dili than anywhere else in the country, thus we would predict higher fiscal capacity in those areas as well. In ar-

eas where the state has lower coercive capacity, or where this capacity is less effective, support for taxation is also lower.

While our pilot results left us with little idea as to how receiving social benefits might shape attitudes toward taxation differently depending on the benefit, our findings in the larger survey suggest one of two things: Either receiving a pension for being a veteran or surviving family member of the resistance has a different effect on tax morale than other types of benefits, or those that receive these benefits are categorically different from those who receive other types of benefits in a way that has not been observed or measured and this is driving differences in attitudes toward taxation, not the receipt of the benefit itself. One possibility is that being a veteran may make one predisposed to exhibit greater pro-social norms and higher tax morale, and thus receiving the benefit might dampen this, but not enough to make it statistically distinguishable from the general population. On the other hand, other benefits (i.e. conditional cash transfers, old age, and disability benefits) may be associated with lower support for taxation of one's community, but not lower willingness to pay taxation as an individual.

This study represents a work-in-progress to analyze how conflict legacies and state presence shape attitudes toward taxation. It also motivates a future research agenda to better understand how individual-level experiences with conflict and the post-conflict state might shape compliance norms. Further, as Timor-Leste aims to increase its domestic tax capacity as oil and gas revenues are likely to dwindle in the coming decades, now is an important time to understand how conflict legacies and policies may shape baseline attitudes and levels of compliance among the country's current and future taxpayers.

CHAPTER VI

Conclusion

I conclude here by contextualizing the findings in the preceding chapters and laying out an agenda for future research. First, I briefly review our main findings.

The preceding chapters found that complex constraints on state capacity are likely to emerge from settings of exclusive annexation, ultimately challenging some of the preconceived ideals in the classic literature on states. While the *partial autonomy* that nationalist organizations develop in such settings may sound like the first step toward self-rule, in fact, this constrained form of autonomy may pervert and undermine relationships of exchange between the organization and its population. Generalizing from the results in the Palestinian context: The relationship between state productive capacity and state extractive capacity cannot proceed unfettered if the state's authority in producing a certain public or club good is curtailed. Protection through the use of coercive force is one example of such a good, and it is the good that is most fundamentally associated with the state.

Thus, under inclusive annexation by the incumbent state, I have argued that the national movement is more likely to obtain no self-rule under occupation. However, if and when the strategy suddenly switches – as we might expect with an inclusive annexation project that has become too costly – the national movement may have the ability to build its state from the ground up. In this case, the national movement has a path toward statehood that is relatively unfettered by ongoing ambiguities over sovereignty. In this case, the nationalist movement's new state-builders are in a similar position to those described in the earlier state formation literature. Of course, the legacies of previous colonial and post-colonial powers are still likely to shape the process, but the newly emerging state is now relatively unconstrained by the incumbent state and its preferences. To the extent that the relationship between the productive capacities of the state – i.e. the production of coercion, public goods, law, and order – and the extractive, or fiscal, capacity of the state are not perverted by some of the familiar distortionary influences such as resource

rents or external guarantors of national security, we may expect state capacity to develop evenly and in the usual ways. In these cases, it may make sense to speak of state capacity as an aggregate concept.

The relationship between incumbent state's goals, the level of autonomy granted to the national movement, and state capacity development among the national movement are summarized in Table 6.1.

Annexation Strategy (Type)	**Autonomy**	**State Capacity**
Inclusive	None	Correlations between different types of state capacity generally positive, following existing literature
Exclusive	Partial*	Fiscal capacity may not be positively correlated with other types of state capacity

*autonomy that is functionally restricted

Table 6.1: Incumbent State Types, National Movement Autonomy, and State Capacity

6.1 Self-Rule, Statehood, and Development

This manuscript focused on two particular pathways to self-rule. One question that emerges – particularly in the case of Palestine, but also in Timor-Leste's experience before independence – is whether our expectations for sovereign states do, and should, resemble our expectations for organizations that are not fully sovereign states. *Autonomy*, in the preceding chapters, has been used synonymously with *self-rule*, or the ability to govern without interference from outside actors. According to one interpretation of chapter 2's findings, our predictions regarding how states develop simply should not apply to organizations that are subject to *de facto* restrictions on that autonomy. This perspective would suggest that our existing understanding of the extent to which states fulfill their productive, extractive, and distributive roles – and where they do so, and for whom – is no longer applicable in such cases. However, the analysis of the Palestinian Authority (PA) in the West Bank suggests that we should not be content to stop there. The form of partial autonomy that the PA exercises in the context of ongoing occupation is not merely symbolic. The creation of the PA placed Palestinian policemen and policewomen on the streets; it allowed for Palestinians, at least intermittently, to elect their own leaders; and it created a bureaucracy of government offices that were not only staffed by Palestinians at the lower and middle levels, but were headed by Palestinian managers, directors, and ultimately, cabinet ministers. It created an environment where Palestinian nationalism

could be expressed and embraced within the occupied territories. Organizations may still fulfill certain state-like functions in such settings.

More scholarly research on such "partially autonomous" organizations will contribute to developing more refined, context-specific, and conceptually and empirically disaggregated concepts of state, or state-like, capacity. Advancing our understanding of governance and institutional development within *all* types of organizations that seek to rule is a worthwhile goal. The expanding field of rebel governance is a promising indication that political science scholars are ready to extend our theories of the internal dynamics of states to other types of organizations and, ultimately, challenge and update these theories. The current study has focused on two nationalist movements that explicitly sought independent statehood, but contributions by Mampilly (2011), Arjona (2016), Weinstein (2007) and others suggest that other movements act on incentives to develop state-like capacity in territories they control.

The present study has stopped at state capacity, but perhaps that is not the final outcome that we are interested in. While there is a now burgeoning body of scholarship on when not-fully-sovereign states may nonetheless develop state-like capacities, we lack a broader understanding of some of the long-term effects of this capacity on development. There is relatively broad agreement in the political economy literature that state capacity has a positive effect on development (see, e.g., Acemoglu, Robinson, & Torvik 2016; Besley & Persson 2009, 2011; Dincecco & Katz 2016), but is this necessarily the case when that capacity is held, and developed, by a non-state entity? Because such organizations are so often in direct conflict with an existing state, there are reasons to suspect that greater capacity development within such organizations will not generate Pareto improvements – for example, as the capacity of a non-state organization rises, does the capacity of the incumbent state fall? Further, the effects of any capacity improvements in the non-state organization may be swamped by the negative effects of the overarching conflict environment. Additional research may seek to understand these complex situations. So-called "frozen" conflicts may provide a particularly appropriate venue for such research. Because settings such as South Ossetia, Nagorno-Karobakh, Kosovo, or even the semi-independent republic of Somaliland have reached what appear to be relatively stable institutional equilibria, they may constitute a set of "most likely" cases for discovering a positive correlation between state-like capacity and development.

Finally, the findings in the West Bank revealed an interesting relationship that could also be tested in sovereign state settings: How does the party in power interact with institutions to shape state capacity? To my knowledge, there is not any research that explicitly links the existing findings on state capacity and state development to partisan character-

istics. This is consistent with the demonstrated need for the state capacity literature to not only situate the state in a context of other strategic political actors and non-state institutions, but also to disaggregate the state itself and dedicate theoretical attention to who, exactly, is performing its various functions. As suggested in the hypothesis section of chapter 2, some of the fundamental theories of fiscal exchange that undergird our understanding of the state rest on a coherent conception of the state, wherein the same actor, or set of actors, is responsible for its coercive, fiscal, and productive arms. A less coherent view that allows for a multiplicity of actors within the state might undermine the ability of taxpayers or constituents to think of this as a relationship of direct exchange.

6.2 Conflict, "Distortions", and States in Transition

Comparative politics has long been fascinated with transitions. Transitions from colonial rule, transitions to (and from) democracy, post-communist transitions, and post-conflict transitions are four major strains of interest in the subfield.

The current project substantively overlaps with research on the institutions that were developed in newly independent states following colonial rule. Naturally, the role of colonial and pre-colonial historical legacies featured prominently in many explanations of institutional outcomes. Studying the transitions themselves may have been a relatively more fashionable topic of research in the years immediately following decolonization (see, e.g., Smith 1978; Young 1965; Zolberg 1966), while much contemporary scholarship within mainstream political science has focused on the long-term legacies of colonialism – such as the literature on direct and indirect rule mentioned in the conclusion to chapter 4 – rather than focusing on the transitions to independence themselves as a subject of study.[1] At this point, political scientists may have concluded that this subject is better left to historians.

Nonetheless, contemporary struggles for independence and statehood provide an opportunity for scholars to revisit and update postcolonial theories. As mentioned earlier, there are similarities and differences between the process by which contemporary nationalist movements seek self-rule and the process by which independence movements sprung out of the colonial empires of the past. One important difference is that contemporary nationalists cannot benefit from a larger wave of self-determination movements or transitions to independence, such as the sweeping trend of decolonization that buoyed nationalist movements from the 1950s through the 1970s. An additional question emerges when we shift the focus to more contemporary cases of self-determination:

[1] Lawrence (2013) is a notable exception among recent literature in comparative politics.

namely, how similar are today's incumbent states to the colonist states of the past? The calculus of political leaders in a colonial metropole about their far-off colonies may have been substantially different than that of an incumbent state vis-a-vis contested territory that is adjacent or contiguous to the existing state. Political leaders and populations may approach territory that is geographically proximate to – or, some may say, contained *within* – a pre-existing state differently. Those differences may not be confined to the norms of sovereignty that often accompany such territories when they have been subsumed into an existing state, but may also influence the strategies of rule and the methods of resistance that make sense in such proximate geographies. Further, closer proximity between the incumbent state and contested territory may entail greater integration of labor and capital markets, and may shape how nationalists or incumbent state loyalists perceive of "the other". At the same time, the preceding chapters have demonstrated that some of the practices of control used by incumbent states – the resort to strategies that often resemble direct or indirect rule, for example – may not be too far removed from their colonial predecessors. Future research can seek to tease apart these similarities and differences.

Given current trends in the Middle East and North Africa, it is also worth asking whether post-revolutionary governments or new democracies might face a similar set of challenges as new state-builders do. For example, what are the effects of revolution and counter-revolution in Egypt on state capacity development? In Tunisia, how have the coercive, fiscal, or productive institutions of the state been affected by democratic transition? How will Yemen, Libya, and Syria construct post-conflict institutions that rebuild trust and facilitate relationships of exchange with their populations? Understandably, there is not yet much research addressing these questions, as we are still observing these processes unfold across the region, and practical and ethical limitations have appropriately constrained research on some of the most conflict-affected areas. However, if we, as scholars, are careful to avoid the familiar pitfalls of imposing a teleology or predicting "final" outcomes for such institutions and states in transition, we may be well-equipped to examine these processes for what they are – as outcomes to be explained in their own right – and leave their long-term effects for future analyses.

Clearly, this project also intersects with a vast array of work on the construction of effective state institutions following conflict, a literature which spans both the policy and more academic spheres and is too vast to summarize here (see, e.g., P. Collier 2009; P. Collier & Hoeffler 2004; Fjelde & Soysa 2009; Taydas & Peksen 2012; Wong 2016). One question that the current project has not answered due to its exclusive focus is whether conflicts over the state – of which the Israeli-Palestinian and Indonesian-Timorese are

just two examples – are categorically different from other forms of civil conflict in terms of the legacies they produce for post-conflict state capacity development. It is not easy to determine whether and how the substantive demands of groups in conflict settings – for example, whether groups merely demand greater political representation or call for a wholesale redefinition of the state – shape the post-conflict institutions that emerge. First, these demands can shift within the same conflict over time. Second, the demands of elites within a rebel movement or organization may not adequately capture the demands of society. Third, post-conflict settlements are often externally imposed, so it is difficult to disentangle the effects of the settlement from any pre-existing political grievances or demands. Still, it seeems quite possible that organizations or movements which demand independent statehood may invest in different governance strategies during conflict and, if given the opportunity, may have different approaches and objectives vis-a-vis post-conflict state institutions.

More generally, the preceding analysis also opens up an area of inquiry on the role of conflict in state development. In a way, partial autonomy destabilizes the incentives of state-formers in a similar way that natural resource rents or foreign aid might. It diminishes the relationship of exchange between rulers and their populations. A larger research agenda might explore the relationships and intersections between different forms of distortions on state development. In the Palestinian case, we saw conflict-induced restrictions on Palestinian coercive autonomy generated distorted forms of fiscal capacity development. In the Timorese case, our findings from the national survey suggest that conflict might affect the micro-foundations of tax capacity in distinct ways for different people. For example, regional feelings of exclusion and sacrifice may have contributed to the eastern region of Timor-Leste exhibiting lower tax morale. On the other hand, a comparison of veteran benefit recipients to other benefit recipients suggests that those who actively participated in the resistance movement may have higher levels of tax morale. There are two selection processes that complicate this story – selection into serving the resistance and then selection for receiving benefits, neither of were are we able to observe with current data – however it remains a possibility that their experiences during conflict shaped their attitudes toward the new state, and thus, taxation. This suggests future research to pin down conflict's individual-level effects, and this line of work is not irrelevant for those with more "macro-level" interests in state capacity.

Finally, while the links between coercive and fiscal capacity were examined in both Palestine and Timor-Leste, this overlooks the factors that shape coercive capacity development in new and emerging states. In the case of the West Bank, policing authority was artificially restricted, whereas in the Timorese case, it was speculated, but not formally

tested, that the state's extension of coercive authority was informed by the legacies of conflict. Of course, coercive capacity itself can be the dependent variable, and the problems facing states in conflict or unconsolidated states suggest that we should pay more attention to the origins of state coercive capacity itself. International donors have been establishing a plethora of programs to develop state military, policing, and security services in fragile settings. One of the trendy concepts in the field – "community policing" – indicates that the international development community is interested in making coercive institutions more representative of, and responsive to, the communities they are aiming to serve. Stakeholders are attentive to how imposing coercive institutions from the top down without popular involvement may, ultimately, generate vulnerabilities in these institutions and lead to a breakdown in order. The implications of the Palestinian experience suggest that top-down interventions in coercive institutional development may distort other forms of state capacity development, and these effects might last for some time. Thus, we need more endogenous theories of how violence is institutionalized, controlled, and ideally monopolized in such settings, and what makes these outcomes stable in the long run.

APPENDICES

APPENDIX A

Language from the Israeli-Palestinian Interim Agreement on the West Bank and the Gaza Strip

Source: Israel Ministry of Foreign Affairs. "The Israeli-Palestinian Interim Agreement." Accessed: 20 February 2015.

ARTICLE XIII
Security

l. The Council [the Palestinian Authority] will, upon completion of the redeployment of Israeli military forces in each district, as set out in Appendix 1 to Annex I, assume the powers and responsibilities for internal security and public order in Area A in that district.

2. a. There will be a complete redeployment of Israeli military forces from Area B. Israel will transfer to the Council and the Council will assume responsibility for public order for Palestinians. Israel shall have the overriding responsibility for security for the purpose of protecting Israelis and confronting the threat of terrorism.

b. In Area B the Palestinian Police shall assume the responsibility for public order for Palestinians and shall be deployed in order to accommodate the Palestinian needs and requirements in the following manner:

(l) The Palestinian Police shall establish 25 police stations and posts in towns, villages, and other places listed in Appendix 2 to Annex I and as delineated on map No. 3. The West Bank RSC [Joint Regional Security Committee] may agree on the establishment of additional police stations and posts, if required.

(2) The Palestinian Police shall be responsible for handling public order incidents in which only Palestinians are involved.

(3) The Palestinian Police shall operate freely in populated places where police stations and posts are located, as set out in paragraph b(1) above.

(4) While the movement of uniformed Palestinian policemen in Area B outside places where there is a Palestinian police station or post will be carried out after coordination and confirmation through the relevant DCO [Joint District Coordination Office], three months after the completion of redeployment from Area B, the DCOs may decide that movement of Palestinian policemen from the police stations in Area B to Palestinian towns and villages in Area B on roads that are used only by Palestinian traffic will take place after notifying the DCO.

(5) The coordination of such planned movement prior to confirmation through the relevant DCO shall include a scheduled plan, including the number of policemen, as well as the type and number of weapons and vehicles intended to take part. It shall also include details of arrangements for ensuring continued coordination through appropriate communication links, the exact schedule of movement to the area of the planned operation, including the destination and routes thereto, its proposed duration and the schedule for returning to the police station or post.

The Israeli side of the DCO will provide the Palestinian side with its response, following a request for movement of policemen in accordance with this paragraph, in normal or routine cases within one day and in emergency cases no later than 2 hours.

(6) The Palestinian Police and the Israeli military forces will conduct joint security activities on the main roads as set out in Annex I.

(7) The Palestinian Police will notify the West Bank RSC of the names of the policemen, number plates of police vehicles and serial numbers of weapons, with respect to each police station and post in Area B.

(8) Further redeployments from Area C and transfer of internal security responsibility to the Palestinian Police in Areas B and C will be carried out in three phases, each to take place after an interval of six months, to be completed 18 months after the inauguration of the Council, except for the issues of permanent status negotiations and of Israel's overall responsibility for Israelis and borders.

(9) The procedures detailed in this paragraph will be reviewed within six months of the completion of the first phase of redeployment...

ANNEX I: Protocol Concerning Redeployment and Security Arrangements
Article V
Security Arrangements in the West Bank

1. Coordination and Cooperation in the West Bank

As shown on map No. 4, eight DCOs will function in the West Bank, as follows:

a. a DCO for the Jenin District, located at the Quabatiya junction or in its vicinity;

b. a DCO for the Nablus District, located at the Hawara Junction;

c. a DCO for the Tulkarm District, located at the Kaddouri Junction;

d. a DCO for the Qalqilya District located at Tsufin Junction;

e. a DCO for the Ramallah District, located at the Beth El junction or in its vicinity;

f. a DCO for the Bethlehem District, located at the Panorama Hills in Beit Jala;

g. a DCO for the Hebron District, located at Har Manoakh (Jabal Manoah); and

h. a DCO for the Jericho District, located at Vered Yericho, that will maintain a subordinate Joint Liaison Bureau in the Allenby Terminal.

2. Area A

a. The Council will, upon completion of the redeployment of Israeli military forces it each district, as set out in Appendix 1 to this Annex, assume the powers and responsibilities for internal security and public order in Area A in that district.

b. Jewish Holy Sites

(1) The following provisions will apply with respect to the security arrangements in Jewish holy sites in Area A which are listed in Appendix 4 to this Annex:

(a) While the protection of these sites, as well as of persons visiting them, will be under the responsibility of the Palestinian Police, a JMU shall function in the vicinity of, and on the access routes to, each such site, as directed by the relevant DCO.

(b) The functions of each such JMU shall be as follows:

(i) to ensure free, unimpeded and secure access to the relevant Jewish holy site; and

(ii) to ensure the peaceful use of such site, to prevent any potential instances of disorder and to respond to any incident.

(c) Given the Jewish religious nature of such sites, Israeli plainclothes guards may be present inside such sites.

(2) The present situation and the existing religious practices shall be preserved.

c. Clarifications Concerning the Jericho Area

With regard to the definition of the Jericho Area, as delineated on attached map No. 1, it is hereby clarified that Route No. 90 crossing Auja from South to North and the East-West road connecting Route No. 90 with Yitav, and their adjacent sides, shall remain

under Israeli authority. For the purpose of this Article, the width of each such road and its adjacent sides, as shown on attached map No. 1, shall extend at least 12 meters on each side measured from its center.

3. Areas B and C

a. There will be a complete redeployment of Israeli military forces from Area B. Israel will transfer to the Council and the Council will assume responsibility for public order for Palestinians. Israel shall have the overriding responsibility for security for the purpose of protecting Israelis and confronting the threat of terrorism.

b. In Area B the Palestinian Police shall assume the responsibility for public order for Palestinians and shall be deployed in order to accommodate the Palestinian needs and requirements in the following manner:

(l) The Palestinian Police shall establish 25 police stations and posts in towns, villages, and other places listed in Appendix 3 to this Annex and as delineated on map No. 3. The West Bank RSC may agree on the establishment of additional police stations and posts, if required.

(2) The Palestinian Police shall be responsible for handling public order incidents in which only Palestinians are involved.

(3) The Palestinian Police shall operate freely in populated places where police stations and posts are located, as set out in paragraph b.l above.

(4) While the movement of uniformed Palestinian policemen in Area B outside places where there is a Palestinian police station or post will be carried out after coordination and confirmation through the relevant DCO, three months after the completion of redeployment from Area B, the DCOs may decide that movement of Palestinian policemen from the police stations in Area B to Palestinian towns and villages in Area B on roads that are used only by Palestinian traffic will take place after notifying the DCO.

(5) The coordination of such planned movement prior to confirmation through the relevant DCO shall include a scheduled plan, including the number of policemen, as well as the type and number of weapons and vehicles intended to take part. It shall also include details of arrangements for ensuring continued coordination through appropriate communication links, the exact schedule of movement to the area of the planned operation, including the destination and routes thereto, its proposed duration and the schedule for returning to the police station or post. The Israeli side of the DCO will provide the Palestinian side with its response, following a request for movement of policemen in accordance with this paragraph, in normal or routine cases within one day and in emergency cases no later than 2 hours.

(6) The Palestinian Police and the Israeli military forces will conduct joint security

activities on the main roads as set out in this Annex.

(7) The Palestinian Police will notify the West Bank RSC of the names of the policemen, number plates of police vehicles and serial numbers of weapons, with respect to each police station and post in Area B.

(8) Further redeployments from Area C and transfer of internal security responsibility to the Palestinian Police in Areas B and C will be carried out in three phases, each to take place after an interval of six months, to be completed 18 months after the inauguration of the Council, except for the issues of permanent status negotiations and of Israel's overall responsibility for Israelis and borders.

(9) The procedures detailed in this paragraph will be reviewed within six months of the completion of the first phase of redeployment...

APPENDIX B

Municipal Revenue Collection Before the Creation of the Palestinian Authority

One question we might have is whether there are other underlying differences between Area A (high coercive capacity) and Area B (low coercive capacity) municipalities that predate the 1994 intervention. There was a large proliferation of municipal units with the creation of the PA, and many of these towns had previously functioned as village councils in the Israeli period before 1994. For this reason, we do not have pre-Oslo data for many towns which eventually fell Area B (low capacity) areas, because these village councils were generally quite small and budget data for them is unavailable. For an initial comparative exercise, I create a matched subsample of 11 municipalities – 7 of which became Area A, and 4 of which became Area B – and look at revenue mobilization patterns across these two groups.

Since the dependent variable in the analysis in this chapter is revenue per capita, I examine whether there are any differences in revenue collection among those towns in this restricted sample that were later designated Area A versus those that were later designated Area B. For data on local governments prior to the PA period, I consult the Israel Central Bureau of Statistics' *Judea, Samaria and Gaza Area Statistics* (JSGAS) publications which provide revenue data from 1982 to 1994 – the period immediately prior to the creation of the Palestinian Authority, when the West Bank was still under direct Israeli occupation. The JSGAS publications were released either annually or biannually, and each year one volume contains an appendix titled "Financing of local authorities," that provided detailed budget data for 25 West Bank municipalities including total revenues and revenues by source.[1]

[1] Hard copies of the JSGAS publications were acquired from the CBS office in Jerusalem. The tables on local government financing are in Hebrew and were translated with the help of a native speaker.

While JSGAS provides the revenue figures, some very approximate estimation is required to get the population figures for municipalities. I use two sources – the 1967 Census of the West Bank and Gaza Strip, conducted by the Israeli Statistics Bureau (Perlmann 2012), and the Palestinian Central Bureau of Statistics (PCBS) 1997 census (Palestinian Central Bureau of Statistics 1999) – and take an average of one set of population estimates that extrapolates forward from 1967, and another set of estimates that interpolates backward from 1997.[2]

From the 25 municipalities represented in JSGAS, four municipalities that can be designated as falling mostly within "Area B" after 1994: Birzeit, Deir Dibwan, and Silwad in the Ramallah governorate and Ya'bad in the Jenin governorate.[3] Using the population estimates described above, I match these four municipalities to a group of 7 municipalities of roughly the same size. These 7 municipalities were later designated high-capacity areas (Area A) after 1994. Table B.1 shows the matched subsample of municipalities with their estimated average population over the 13-year period (1982-1994).

Table B.1: Subsample of pre-Oslo municipalities, matched by population.

High Capacity (Area A)			Low Capacity (Area B)		
Mun	Governorate	Pop	Mun	Governorate	Pop
Bani Zeid	Ramallah	2,967	Birzeit	Ramallah	3,244
Anabta	Tulkarem	4,453	Silwad	Ramallah	3,678
Beitunia	Ramallah	4,694	Deir Dibwan	Ramallah	3,861
Salfit	Tulkarem	4,825	Ya'bad	Jenin	7,344
Beit Sahour	Bethlehem	7,901			
Tubas	Jenin	7,992			
Dura	Hebron	9,028			
27.9 NIS			25.9 NIS		

The JSGAS data provides an estimate of ordinary revenue per capita, and the subset of that which is transferred from the Israeli Civil Administration to the municipalities.

[2]First, I use the 1967 census estimates of population by municipality and assume a constant growth rate of 0.91% – based on one author's estimates of the growth rate in the West Bank from 1962-1967 (Ennab 1994) – between 1967 to 1982 to comprise the initial 1982 figures. From 1982 onward, I assume a constant 4.5% rate through 1994. This is the estimated annual population growth rate provided in the World Bank *World Development Indicators* for the West Bank and Gaza for 1991 to 1997. Since the estimated population growth rates we have do not cover the period of interest, this strategy is likely prone to much error. The second strategy I use is the interpolate municipal populations back in time using the 1997 PCBS figures and assuming a constant 4.5% annual population growth rate going back to 1982.

[3]Using an alternative definition of "area" based on the *area*2 variable described in the text, one additional municipality became "Area B": Halhoul in the Hebron governorate. The results reported below do not substantially change when Halhoul is included in the Area B group.

Thus, by taking ordinary revenue per capita and subtracting that portion that is transferred, we have a measure of the direct revenue per capita raised by the municipality itself. Comparing across the four future Area B towns and the seven future Area A towns in our sample, a Welch two-sample t-test shows no statistically distinguishable difference between the average municipal revenue per capita mobilized in the Area A (27.9 NIS/capita) versus Area B (25.9 NIS/capita) towns (p=0.78).

Thus, when examining this restricted subset of existing municipalities, we see that those that were eventually designated as "high capacity" did not differ considerably in their revenue-generating capacity from those that were designated as "low capacity" before the intervention of the Oslo Accords. It is important to note that this earlier data comes from the years following the surprising 1976 elections and subsequent Israeli crackdown on Palestinian nationalist candidates; the return of relatively loyal, non-nationalist leaders to power in municipal councils; increased oversight and monitoring by the Israeli Civil Administration; and finally, the lead-up and outbreak of the First *Intifada*. If nothing else, this analysis suggests that the subsequent assignment of these 11 municipalities to "low" or "high" Palestinian coercive capacity does not appear to have been correlated with their existing fiscal capacity when they were functioning under Israeli occupation. Further, especially during the *Intifada*, amidst an environment of economic decline and protest, it is fair to assume that the capacity of all municipal governments to mobilize revenue from their populations was severely constrained. However, this analysis should increase our confidence in ruling out relative static features of these local economies that may have jointly determined their selection into Area A or Area B and their subsequent fiscal capacity in the post-PA period.

APPENDIX C

Sample of Areas of Contested Statehood (UCDP-PRIO)

Table C.1: Sample of Areas of Contested Statehood ($n = 81$)

Location	TerritoryName	StartDate2	EpEndDate	Citizenship	Bureaucracy	NoSettle	Polity	AutoPre	AutoDuring	AutoEnd
Afghanistan	Islamic State	3/3/15		0	-1	1	-1	0	1	
Angola	Cabinda	12/31/94	12/31/94	0	0	1	-1	0	0	0
Azerbaijan	Nagorno-Karabakh	12/30/91	7/15/94	-1	1	1	-3	1	1	
Bosnia-Herzegovina	Serb	4/30/92		0	0	1	0	0	1	0
Bosnia-Herzegovina	Bihaca Krajina	10/5/93		0	0	1	0	0	0	0
Bosnia-Herzegovina	Croat	1/14/93	9/5/94	0	0	1	0	0	0	0
Bosnia-Herzegovina	Croat	1/14/93		0	-1	1	0	0	1	0
Cameroon	Islamic State	8/11/15		0	0	1	-4	0	0	
Chad	Islamic State	5/27/15		0	0	1	-2	0	0	
China	East Turkestan	8/10/08	8/29/08	0	0	0	-7	1	0	0
Comoros	Anjouan	9/5/97	9/5/97	0	-1	1	4	0	1	1
Croatia	Serb	5/17/92	12/13/93	0	0	1	-3	1	1	0
DR Congo (Zaire)	Katanga	3/18/13		0	0	1	5	0	0	0
DR Congo (Zaire)	Kongo Kingdom	2/1/07		0	-1	1	5	1	0	0
Egypt	Islamic State	1/29/15		0	-1	1	-4	0	0	
Ethiopia	Ogaden	10/13/93		0	-1	0	0	1	0	
Ethiopia	Oromiya	12/31/94		0	-1	0	1	0	0	
Ethiopia	Afar	12/31/96	12/31/96	0	-1	1	1	1	0	0
Georgia	Abkhazia	8/17/92	11/29/93	0	0	0	4	0	1	1
Georgia	South Ossetia	8/19/04	10/12/04	0	-1	1	7	1	0	0
Georgia	South Ossetia	8/12/08	11/9/08	0	-1	1	6	1	1	1
India	Tripura	6/10/97	11/7/97	0	0	0	9	1	0	0
India	Punjab/Khalistan	12/31/83	12/24/93	0	0	0	8	0	1	0
India	Assam	12/31/94		0	0	0	8	0	0	
India	Bodoland	7/23/94	7/24/94	0	0	0	8	1	0	0
India	Nagaland	8/5/92		0	0	1	8	0	0	
India	Manipur	12/31/93		0	0	1	8	0	0	
India	Kashmir	2/12/90		0	0	1	8	1	0	
India	Islamic State	12/22/08	12/22/08	0	0	1	9	0	0	0
India	Kukiland	5/12/97	12/5/97	0	0	1	9	0	0	0
India	Garoland	11/15/12	12/21/12	0	0	1	9	0	0	0
India	Western South East Asia	6/4/15		0	0	1	9	1	0	
Indonesia	East Timor	5/31/97		0	1	0	-7	0	0	1
Indonesia	Aceh	6/1/99		0	0	1	6	1	0	1
Iran	Kurdistan	9/12/93	11/11/93	0	0	1	-6	0	0	0
Iraq	Kurdistan	3/14/95		-1	0	-1	-9	1	0	
Israel	Palestine	12/31/49		-1	-1	-1	10	0	1	
Israel	Southern Lebanon	7/10/90		-1	-1	1	6	0	1	1
Kenya	Northeastern Province and Coast	7/13/15		0	0	1	9	0	0	
Lebanon	Islamic State	8/3/14		0	0	1	6	0	0	
Libya	Islamic State	3/18/15		0	1	1	0	0	0	
Malaysia	Sabah	3/2/13	4/24/13	0	0	1	6	0	0	0
Mali	Azawad	10/4/94	12/18/94	0	-1	0	7	0	1	0
Mali	Azawad	5/17/14		0	-1	0	5	1	0	0

Location	TerritoryName	StartDate2	EpEndDate	Citizenship	Bureaucracy	NoSettle	Polity	AutoPre	AutoDuring	AutoEnd
Myanmar (Burma)	Karenni	3/6/96	10/6/96	0	-1	0	-7	0	1	0
Myanmar (Burma)	Shan	7/16/93		0	0	0	-7	0	1	
Myanmar (Burma)	Karen	12/31/94		0	-1	0	-7	0	0	
Myanmar (Burma)	Arakan	5/15/94	6/23/94	-1	0	0	-7	0	0	
Myanmar (Burma)	Mon	12/23/96	12/23/96	0	0	0	-7	1	0	0
Myanmar (Burma)	Kachin	6/27/11		0	-1	1	-3	1	0	0
Myanmar (Burma)	Wa	3/16/97	7/15/97	0	-1	1	-7	1	1	1
Myanmar (Burma)	Kokang	8/29/09	12/31/09	0	-1	1	-6	1	0	0
Myanmar (Burma)	Nagaland	4/17/95	5/3/95	0	-1	1	-7	0	1	1
Myanmar (Burma)	Palaung	11/15/13		0	-1	1	-3	1	0	
Niger	Eastern Niger	7/10/95	7/10/95	0	-1	0	8	0	0	0
Niger	Air and Azawad	5/16/94	9/26/94	0	-1	1	8	0	0	1
Niger	Islamic State	3/30/15		0	0	1	6	0	0	
Nigeria	Northern Nigeria	9/23/04	10/8/04	0	0	1	4	0	0	0
Nigeria	Niger Delta	6/4/04	9/20/04	0	-1	1	4	0	0	0
Nigeria	Islamic State	3/22/15		0	0	1	7	0	0	
Pakistan	Balochistan	8/1/04	12/25/04	0	-1	1	-5	0	0	0
Papua New Guinea	Bougainville	8/2/92		0	-1	1	4	0	1	1
Philippines	Mindanao	2/9/93		0	0	0	8	1	0	
Russia (Soviet Union)	Chechnya	11/26/94		0	0	1	3	1	0	0
Russia (Soviet Union)	Dagestan	9/2/99	9/9/99	0	0	1	3	1	0	0
Russia (Soviet Union)	Caucasus Emirate	11/28/07		0	0	1	4	1	0	0
Russia (Soviet Union)	Islamic State	8/1/15		0	0	1	4	1	0	
Senegal	Casamance	9/1/92	11/16/93	0	-1	1	-1	0	0	0
Serbia (Yugoslavia)	Kosovo	3/6/98		0	1	0	-6	0	1	1
Sri Lanka	Eelam	9/1/84		-1	0	0	5	0	1	0
Sudan	Abyei	5/19/11	6/15/11	0	-1	0	-2	1	0	0
Syria	Rojava Kurdistan	9/7/12		0	-1	1	-7	0	1	
Syria	Islamic State	7/26/13		0	-1	1	-9	1	1	
Thailand	Patani	10/27/03		0	0	1	9	0	0	
Turkey	Kurdistan	8/15/84		0	0	0	7	0	0	
Ukraine	Donetsk	5/2/14	9/16/14	0	0	1	4	0	1	1
Ukraine	Lugansk	6/14/14	8/26/14	0	0	1	4	0	1	1
Ukraine	Novorossiya	9/25/14		0	0	1	4	0	1	1
United Kingdom	Northern Ireland	8/15/98	8/15/98	0	0	0	10	0	0	1
Yemen (North Yemen)	South Yemen	4/28/94	7/4/94	0	0	1	-2	1	0	0
Yemen (North Yemen)	Islamic State	3/20/15		0	0	1	0	0	0	

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