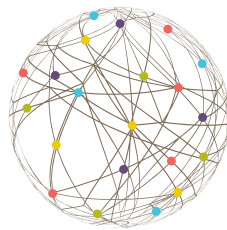
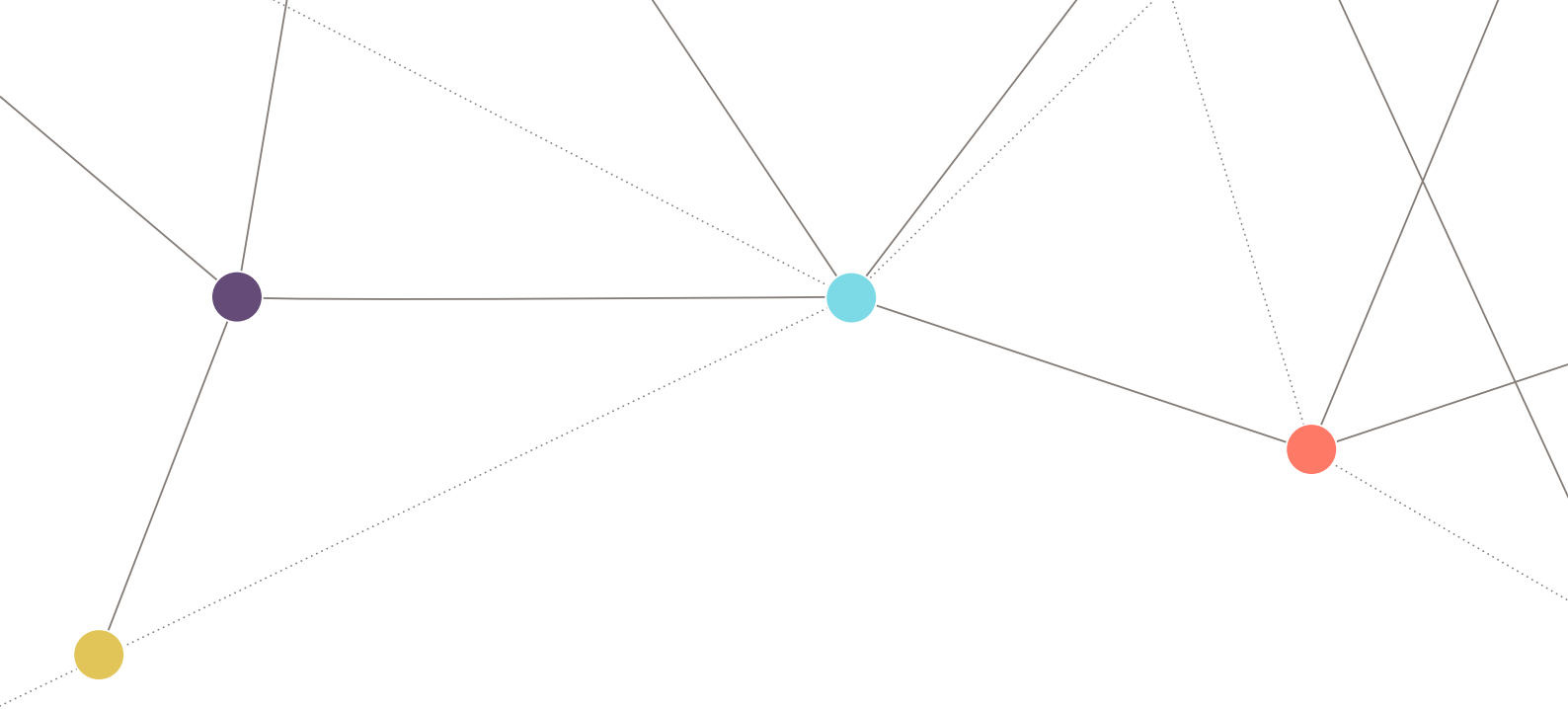


A NETWORK TO COUNTER NETWORKS



Crooked Kaleidoscope Organized Crime in the Balkans

June 2017



© 2017 Global Initiative against Transnational Organized Crime. All rights reserved.

No part of this publication may be reproduced or transmitted in any form or by any means without permission in writing from the Global Initiative. Please direct inquiries to:

The Global Initiative against Transnational Organized Crime
WMO Building, 2nd Floor
7bis, Avenue de la Paix
CH-1211 Geneva 1
Switzerland

www.GlobalInitiative.net



Acknowledgements

The author would like to thank, among others, Erhard Busek, Tim Del Vecchio, Odd Berner Malme, Goran Svilanovic, Ivan Krastev, Guy Vinet and colleagues in the OSCE Strategic Police Matters Unit, Gerald Tatzgern, Robert Hampshire, Christian Jechoutek, Norbert Mappes-Niediek, Thomas Pietschmann, Svein Eriksen, Ugi Zvekic, as well as colleagues at EUROPOL, the OSCE, UNHCR and UNODC.

A big thank you to Sharon Wilson for layout, Sebastian Ballard for the maps, and to Ray Bartkus as always for a fantastic cover.

A special tribute to the many brave journalists and members of civil society, particularly in Macedonia and Montenegro, who would prefer to remain anonymous.

Thanks to Mark Shaw and Tuesday Reitano at the Global Initiative for their support and encouragement to make this paper possible.

The Global Initiative would like to thank the Government of Norway for the funding provided for catalytic research on illicit flows and zones of fragility that made this study possible.

About the Author

Walter Kemp is a Senior Fellow at the Global Initiative against Transnational Organized Crime. He is particularly interested in the relationship between organized crime and conflict. While at the International Peace Institute (IPI), he led a project called "Peace without Crime" which looked at the impact of organized crime on peace operations, and what to do about it. He has also been Spokesman and Speechwriter at the United Nations Office on Drugs and Crime (UNODC), and has more than ten years of experience in the Organization for Security and Cooperation in Europe (OSCE).

The paper is written in a personal capacity and does not represent the views of any of the institutions or organizations with which he may be associated.





Figure 1: Towns in the Balkans mentioned in the report. (S.Ballard)



Executive Summary

The Balkans is back in the spotlight. A coup attempt in Montenegro, tensions between Belgrade and Pristina over the status of northern Kosovo, a wire-tapping scandal followed by political unrest in Macedonia, rivalries in Bosnia about the future status of Republika Srpska, as well as the impact of the refugee crisis have started to ring alarm bells. A region which had been out of the limelight for a decade and considered to be on a path towards peace and prosperity is once again looking vulnerable. This can be attributed in part to the failure of the region – and its friends – to come to terms with organized crime and corruption.

The report urges countries and organizations that have invested so much economically and politically over the past 25 years to stay engaged in the region and help it avoid back-sliding. In particular, it calls for stronger measures to fight corruption, enhance justice, and go after the proceeds of crime rather than just focusing on police reform.

It recommends a more joined-up approach to looking at and responding to organized crime in the Balkans, as well as for enhancing networks to strengthen resilience to this threat.

This report looks at organized crime in the Western Balkans.¹ In particular, it focuses on the impact of organized crime on politics and stability. It warns about the impact of relations between political, business and criminal elites, and the spill-over effect of illicit activity in areas of weak governance.

Chapter 1 provides an overview of the current situation, and asks why the Balkans is vulnerable to organized crime.

Chapter 2 looks at the main types of organized crime in the region, particularly drugs, weapons and the smuggling of migrants.

Chapter 3 looks at the relationship between crime and governance. It asks if organized crime is a transitory phase of state-building, or if there is a more deep-seated relationship between crime and politics in the Balkans that results in criminalized states. Montenegro is used as an illustrative case study. The dangerous nexus between crime and ethnicity is looked at in the former Yugoslav Republic of Macedonia.

Chapter 4 looks at responses of the international community to organized crime in the Balkans.

Chapter 5 concludes by warning that the international community, particularly Western European institutions, should pay greater attention to the impact of organized crime in the Balkans. It also provides recommendations of what can be done to more effectively prevent and combat organized crime.

This report illustrates that in the Balkans things are not always what they seem. When first looking through the hole of the kaleidoscope, certain shapes appear. Turn the kaleidoscope, and while some of the figures may be the same, the impression changes. Such is the Balkans: what might look like an ethnic conflict is actually a diversion from high-level bi-ethnic collusion. Someone who looks like a businessman one day may be a politician or a crook the next. With one quick twist, a calm image can fracture into myriad pieces. Friends may betray you, while enemies may assist you. This is the crooked kaleidoscope of organized crime in the Balkans.

¹ The Western Balkans covers ex-Yugoslavia minus Slovenia plus Albania, in other words: Croatia, Bosnia and Herzegovina, Kosovo, the former Yugoslav Republic of Macedonia, Montenegro Serbia and Albania. This report makes passing references to other Balkan countries, including Bulgaria, Romania and Slovenia.



Table of Contents

Chapter 1: The Balkans at a Cross-roads	1
Factors of vulnerability	2
Chapter 2: Crime Trends	6
Drugs	6
Human trafficking	10
Smuggling of Migrants	10
Weapons	12
Cigarettes and fuel	13
Follow the money	14
Chapter 3: Crime and Governance	15
Organized crime and state building?	15
Shadow states	16
Case Study Montenegro: Pirates of the Adriatic	19
Playing with fire: ethnicity, conflict and collusion	22
Chapter 4: Shifting the Balance - Multi-lateral Responses	26
Community policing in post-conflict environments	26
Little attention to organized crime	27
A plethora of regional initiatives	29
Operational cooperation	30
Chapter 5: Keep Your Eye on the Balkans	31
What can be done?	32
A final frightening thought	34





Mosque in Mostar © Alan Bloom

Chapter 1: The Balkans at a Cross-roads

In geo-politics, like real estate, location is everything. The Balkans is at the cross-roads of Europe and the Mediterranean, between East and West, between Europe and Asia. Throughout history, this has had a major impact on the region's stability as manifested by conflicts in the late nineteenth century, in the build-up to the First World War, and in the early 1990s. As Margaret Macmillan put it, the Balkans has "too much history and too many neighbours".²

The location of the Balkans makes it attractive for trafficking. The region is situated between the world's biggest producer of opium (Afghanistan) and the biggest markets for heroin (Western Europe). It is along the main route for people moving illegally from the Middle East and North Africa to Europe, either as smuggled migrants or as victims of human trafficking. And it is a key hub for weapons trafficking. In addition to its strategic location, the Balkans is attractive to traffickers because of weak governance and porous border control – in some cases due to collusion by state officials in illicit activity. Therefore, the Balkan route is not only the shortest, it is the least risky. As a result, the Balkans is a cross-roads for crime.

The region is also at a political cross-roads. For the past 15 years – since the end of the war in Kosovo and the Ohrid Agreement in Macedonia – the Balkans have had a low profile. Attention was focused on EU and NATO enlargement, wars in Georgia and Ukraine, the financial crisis and Brexit. But lately the Western Balkans have re-emerged as a theatre for geo-political competition between Russia, the West, and Turkey. Like during so many times in its history, the region finds itself at the epicentre of great power rivalry.

Some powers – including China, Turkey and some Middle Eastern countries – are attracted by the region's location, and its emerging markets. Others are interested in the region as an energy corridor.

Countries of the region are also being wooed as strategic allies. While EU enlargement has been slow, it is still a club that most Balkan countries want to join. Albania and Croatia became NATO members in 2009, and Montenegro joined this year. Western powers maintain close relations in the region; both as an end in itself, and as a way of countering Russian influence – especially since the crisis in and around Ukraine. For its part, a more

² See Margaret Macmillan, "Too much Too Much History and Too Many Neighbours: Europe and the Balkans before 1914", in *Balkan Legacies of the Great War: The Past is Never Dead*, edited by Othon Anastasakis, David Madden, Elizabeth Roberts (2016).



assertive Russia has been trying to use soft power (like Russian media), economic ties, and Slavic solidarity to strengthen its influence.

As a result, countries in the region are performing a delicate balancing act between their many suitors, particularly Russia and the West. Leaders of the region are not passive spectators in this game. They are players, using the interest of external powers to shore up their position at home. For example, countries like Macedonia effectively used their response to the refugee crisis to win support in Western Europe while Serbia has been currying favour with both Russia and the West. As has been pointed out, 'a balancing strategy means that Balkan governments can access advantageous economic agreements, financial assistance packages and political support from multiple external powers.'³

Because of the stakes involved, Western concerns about corruption and crime have been downplayed for the sake of stability and maintaining strategic partnerships.

For Russia, amongst others, graft provides leverage. As Ivan Krastev warns, 'corruption connects people, and in the Balkans it connects dangerous people. Most of the Balkan oligarchs have their Russian connections. Russian foreign policy could easily make use of them.'⁴

After a decade of relative stability, growing prosperity and closer integration to Western Europe, there are signs of instability. A coup attempt in Montenegro, tensions between Belgrade and Pristina over the status of northern Kosovo, a wire-tapping scandal followed by political unrest in Macedonia, rivalries in Bosnia about the future status of Republika Srpska, as well as the impact of the refugee crisis have started to ring alarm bells. While the situation is not as bad as in the 1990s when the region was wracked by war, there are warning signs that the Balkans is still vulnerable. Such instability is dangerous in what has been described as the "soft underbelly of Europe."⁵

Either the Balkans will slide back into its bad old ways of authoritarian leadership and instability, or it will move forward. A determining factor will be how countries of the region deal with corruption and organized crime.

"The region's location makes it vulnerable to organized crime. It is along the main heroin smuggling route between Afghanistan and Western Europe. It is along the route of migrants trying to move from Northern Africa and the Middle East to Europe."

Factors of vulnerability

There is nothing inevitable about organized crime in the Balkans, despite all the clichés. As one author has pointed out, the very word 'balkan' (used both as a verb and a noun) conjures up images of 'a space where mythology rules history, inhabited by wild and exotic people to whom blood and belonging are the most important values, where conflicts and religious wars are forever looming overhead in this space of insecurity'.⁶ To avoid simplistically re-enforcing this image, let us look objectively at some of the factors of vulnerability.

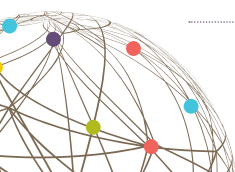
As already mentioned, the region's location makes it vulnerable to organized crime. It is along the main heroin smuggling route between Afghanistan and Western Europe. It is along the route of migrants trying to move from Northern Africa and the Middle East to Europe. It is on the doorstep of the European Union, and all of the advantages that brings for unhindered movement of goods and access to lucrative markets (including for drugs, weapons, people, and luxury goods). Weak governance and porous borders, for example around northern Kosovo, southern Serbia, and some of the border regions of the former Yugoslav Republic of Macedonia, are prime locations for illicit activity.

3 Stratfor, 'The Problems Foreign Powers Find in the Balkans', (19 May 2015).

4 Ivan Krastev, "The Balkans are the soft underbelly of Europe", Financial Times (14 January 2015).

5 Ibid.

6 Slavenka Drakulic, *The Balkans – From Noun to Verb* (and back), (Vienna: Erste Stiftung, 2011), p. 15.



One major factor of vulnerability is the legacy of conflict. War in Bosnia and Herzegovina started 25 years ago in 1992. Albania suffered civil unrest in 1997. Serbia and Montenegro were being bombed by NATO in 1999. And there was armed conflict in Macedonia just 15 years ago. Therefore, many states in the Balkans are still in the post-conflict phase. One of the biggest problems has been the fact that there are plenty of weapons in the region, and men who were willing and able to use them.

War in the Balkans was inextricably linked to organized crime. As Peter Andreas has observed, criminalization of war is particularly evident in 'intrastate conflicts that take place in the context of anemic state capacity, limited production, and reliance on external funding and supplies.'⁷ Yugoslavia certainly fits that description.

During the war in ex-Yugoslavia, smuggling was a means to an end for many people. It was a survival strategy for common people – for example those suffering through the siege of Sarajevo who needed basic supplies, as well as the defenders of the city (many of whom were criminals⁸) who needed weapons and ammunition. Because of a UN arms embargo, newly formed armies, like those in Croatia and Bosnia, had to smuggle weapons.⁹ Armed groups, like the Kosovo Liberation Army or paramilitaries in Bosnia like Arkan's Tigers, needed to acquire weapons and fund their activities – and did so, in part, with the profits of drug smuggling, plunder and extortion.¹⁰

Organized crime was also a key part of the survival strategy for regimes which were coping with sanctions. Serbia and Montenegro, for example, needed oil¹¹ as well as hard currency which it acquired through the smuggling of drugs and cigarettes. Indeed, smuggling was considered patriotic. Yet, while smuggling generated revenues that were used to finance a number of state services, as Marko Hajdinik points out, 'it might be more accurate to say that smuggling financed the ruling regime, rather than the state.'¹²

For others, organized crime was an end in itself – a golden opportunity to be exploited. As one Serbian journalist put it, the war in Bosnia created the 'opportunity for low-risk robbery in patriotic costume.'¹³ This is consistent with the behaviour of criminals in other conflict situations. As James Cockayne points out in *Hidden Power*, war allows 'violent entrepreneurs and organized criminals to cloak themselves in the mantle of community protection.'¹⁴ For those who profit from instability, there is no incentive for peace. As Hajdinik noted, 'smuggling and war formed a closed circle in which the war generated the need for smuggling and the profits, which smuggling was to bring to those involved, generated the need to prolong the war as long as possible.'¹⁵

Organized crime persisted in the post-conflict period. In contrast to East Central Europe where the old nomenclatura/political elite converted political capital into economic (and sometimes criminal) capital, in many Balkan countries, criminal capital accumulated during the war has been converted into political capital after the war.¹⁶ Over time, the criminal structures that emerged during the war came to permeate political systems, judiciaries, bureaucracies, and law enforcement agencies. In effect, state-sponsored smuggling channels became

7 Peter Andreas, "The Clandestine Political Economy of War and Peace in Bosnia", *International Studies Quarterly* (2004) 48, p. 29.

8 A journalist from the Washington Post observed in 1993, 'In the absence of any organized military structure, brigands and black marketeers have ascended to positions of importance in the militia forces of Bosnia's Muslims, Croats and Serbs. Armed robbers wanted in West European countries direct Serb paramilitary units. A 27-year-old who served a prison term for assault and robbery in Sarajevo led Bosnia's military police until early this year. Thugs with swastikas on their shoulders and long police records dominate parts of the Croat militia in central Bosnia.' See John Pomfret, "Murderers or War Heroes?", *Washington Post* (14 May 1993), p. A34.

9 Marko Hajdinjak, *Smuggling in Southeast Europe: The Yugoslav Wars and the Development of Regional Criminal Networks in the Balkans* (Sofia: Centre for the Study of Democracy, 2002), pp. 8-11.

10 See Peter Andreas, p. 35. Particularly on the "hierarchy of looters" among the Serb paramilitaries in Bosnia in 1992.

11 On how this was done, see *Smuggling in Eastern Europe* p. 14.

12 Hajdinik, p. 14.

13 Op cit. Peter Andreas, p. 35.

14 James Cockayne, *Hidden Power: The Strategic Logic of Organized Crime* (Oxford: Oxford University Press, 2016), p. 313.

15 Hajdinjak, p. 25.

16 Peter Andreas, p. 44.



privatized by well-placed individuals and groups within or close to the ruling elite.¹⁷ This obstructed the political and economic developments of countries in the region.¹⁸ In short, vulnerability attracted crime, and crime deepened vulnerability.

In Bosnia, for example, 'the criminalized side of the war left a powerful legacy, evident in an expansive postwar smuggling economy based on political protections and informal trading networks built up during wartime'.¹⁹ In several countries of the region, individuals who were thugs or bouncers before the war became heroes and profiteers during the Balkan wars, and then moved into the worlds of business and politics in the post-conflict period. Although they changed from uniforms to sharp suits, they did not change their ways. Yet they gained legitimacy, wealth and power – often thanks to the support of Western governments and institutions.

Another factor that makes the Balkans vulnerable to organized crime is weak border control. This is partly because of the terrain, as well as insufficient and/or corrupt border and customs officials. There are also no visa requirements between most Balkan countries. Furthermore, import-export trade accounts for a significant amount of national GDPs. Trans-border crime boomed with the increase in trans-border trade after the break-up of Yugoslavia as well as the opening of new markets. Indeed, it has been argued that in the 1990s transactions at national borders exceeded the value of revenues from privatization.²⁰ This was partly enabled by corrupt border guards. The author was told of border crossing points – in several Balkan countries – where there is a "happy hour" during which smugglers know that, for the right price, they can cross unhindered. In some areas, where borders are relatively new (like in the triangular border region between southern Serbia, Kosovo and the former Yugoslav Republic of Macedonia referred to as the "Balkan Medellin"²¹), groups that share the same ethnicity – in this case Albanians – are used to moving relatively freely back and forth – including to smuggle. 20 years ago it was drugs and weapons. Now the region is a major artery for smuggling migrants.

"The region's legacy of authoritarian leadership has enabled the rise of mafia states. There was single-party rule in the Balkans for almost 50 years."

The region's legacy of authoritarian leadership has enabled the rise of mafia states.

There was single-party rule in the Balkans for almost 50 years. During the Communist period, the region had a number of strong, charismatic leaders like Tito, Nicolae Ceausescu and Enver Hoxha. This tradition continued after the collapse of communism with leaders like Slobodan Milosevic, Franjo Tudjman and Milo Djukanovic. Authoritarianism combined with nationalism enabled the leaders to portray themselves as the best guarantors of the country's survival. As a result, any enemy of the leadership was an enemy of the state. As the fate of the leadership and the survival of the state became so closely intertwined, public institutions (including the security services) were used by the elites as instruments of their power. And public assets were used to fund patronage networks. This created a system based on secrecy and power where the business, political and criminal elites are often one and the same. As one observer put, 'they are woven together tighter than a basket'.²²

Weak institutions, weak economies, and a lack of transparency are a fertile ground for corruption. In the Balkans, police and customs officials are perceived as corrupt.²³ This type of corruption – for example at border crossings – is a crime in itself, but also a predicate offence that facilitates other crimes. More disturbing is the type of grand theft that enables elites to rig privatization processes or siphon public money into private bank accounts. It may seem hard to believe, but according to the 2016 Balkan Barometer, 78% of people in South Eastern Europe say

17 Hajdinjak, p. 22.

18 Crime Wars, p. 76.

19 Peter Andreas, p. 31 and p. 44.

20 Hajdinjak, p. 6.

21 Marko Milivojevic, "The Balkan Medellin", *Jane's Intelligence Review* 7, no. 2 (February 1995).

22 Interview with author.

23 See UNODC (2011) *Corruption in the western Balkans: Bribery as Experienced by the Population*.



that the judicial system is not independent from political interference. 71% do not have confidence in courts and judiciary. And 83% think the law is not applied to everyone equally.²⁴ This is a shocking indictment of a rotten system. Where the courts are weak, the press is intimidated or bought, and anti-corruption measures are toothless, the rich and powerful operate with impunity. It seems that in the Balkans, the bigger the crime the less likely you are to be punished.

Although Yugoslavia broke up in the 1990s, the region remains ethnically diverse. This diversity is an asset. Indeed, it is overly simplistic to argue that the wars of the 1990s were purely ethnic in nature. Even during the war, for example in Bosnia and Herzegovina, Serbs and Croats traded weapons, oil and food with each other.²⁵ Today, criminals cooperate freely across borders thanks to kinship ties, similar languages, and the ethnic heterogeneity of the region. Organized crime seems to be one of the few things that transcend ethnicity in the Balkans.²⁶ As one observer argued, 'for criminals, Yugoslavia still exists.'²⁷ That said, (as described below) ethnic issues are sometimes instrumentalized to whip up tensions. Or leaders play the ethnic card to mask selfish interests.²⁸ Large diaspora communities have also been a major asset in facilitating organized crime.

Another factor is a disillusioned youth. In the early 1990s, a generation grew up in the Balkans with the feeling that Yugoslavia had collapsed without being replaced by something meaningful or viable. The elites had stolen or destroyed everything, the West had bombed them and then abandoned them. As Daniel Samuels wrote in *The New Yorker*, the invisible wall erected by the West kept criminal elites rich and the rest of the population poor.²⁹ These children of a country that did not exist anymore were like the angry young men of Roberto Saviano's *Gomorra* – driven by the appeal of adrenaline and money. With few opportunities at home, and few licit ones abroad, some turned to a life of crime. The most notorious example is the Pink Panthers: a group of smash-and-grab jewel thieves from the Balkans. As Samuels concludes in his brilliant exposé, 'the Pink Panthers were taking revenge on a world that had robbed them blind.'³⁰

A new twist on this phenomenon are the number of lost youth who look to radical groups for redemption or adventure. In several Balkans countries, particularly those with sizeable Muslim populations (like Albania, Bosnia, Kosovo, and Macedonia), the foot soldiers of criminal groups are being joined by others – often educated by Wahhabi teachers from abroad – who are susceptible to radicalization. Radicalized youth from the Balkans have gone to the Middle East to join ISIS, others have been involved in terrorist attacks in the region, or in Western Europe. Once-tolerant Muslim communities have been turned into fertile ground for extremists.³¹ In the 1990s, the region – particularly Bosnia and Herzegovina – imported foreign fighters to help during the Balkan Wars. Now they export them.

To summarize, porous borders, corruption, a legacy of conflict, geo-strategic competition, as well as privatization at a time of post-conflict and post-Communist flux made the Balkans vulnerable to the rise of organized crime. On the one hand, (as described in chapter 3) this has a major impact on governance in the affected countries. On the other hand, it makes the region's neighbors vulnerable.

24 RCC' Balkan Barometer 2016.

25 Peter Andreas, p. 38 and Hajdinik, p.24.

26 Crime Wars: The Global Intersection of Crime, Political Violence and International Law, Paul Battersby, Joseph M. Siracusa, Sasho Ripiloski, Praeger, Santa Barbara, 2011.

27 Interview with author, 12 December 2016.

28 See Walter Kemp, "The Business of Ethnic Conflict", *Security Dialogue*, Vol. 35, no. 1. (March 2004).

29 David Samuels, "The Pink Panthers: A tale of diamonds, thieves and the Balkans", *New Yorker*, (12 April 2010).

30 Ibid.

31 See Carlotta Gall, "How Kosovo Was turned into fertile Ground for ISIS", *New York Times* (21 May 2016) and Christopher Deliso, *The Coming Balkan Caliphate: The Threat of Radical Islam to Europe and the West* (Praeger: London, 2007).





Police operation in Albania against Drug Trafficking © AFP/Scanpix

Chapter 2: Crime Trends

This chapter looks at the main types of organized crime in the Balkans. This includes trafficking in drugs, cigarettes, weapons, people, and the smuggling of migrants.

Drugs

The “Balkan route” continues to be a key conduit for drugs, particularly heroin transiting from Afghanistan to Western Europe. Estimates by the United Nations Office on Drugs and Crime (UNODC) suggest that between 60-65 tons of heroin flows into South-Eastern Europe annually.³² Most of the drugs are moved by road vehicles.

UNODC calculates that the value of the drugs trafficked along the Balkan route amount to approximately \$28 billion.³³ This is a massive amount of money. That said, only a relatively small amount of it is earned in the Balkans. The total gross profit made by traffickers in the countries of South-Eastern Europe is estimated at \$1.7 billion.³⁴ The relative value of opiate trafficking is highest in Albania and Bulgaria; equivalent to 2.6 and 1.22% of GDP respectively.³⁵

It is worth noting that interdiction rates for heroin in the Western Balkans are relatively low. High amounts of heroin are seized in Turkey or Iran before reaching the Balkans. And there are significant seizures of heroin in Western Europe, for example in Germany, from drugs that transited the Balkans. But there are few seizures in-between. Indeed, according to UNODC, in 2012 less than one ton of heroin was seized in South-eastern Europe.³⁶ This suggests that heroin trafficking through the Balkans is well-organized, and there is either benign neglect or even complicity among law enforcement officials. As UNODC diplomatically puts it, “the “invisible” trafficking of large shipments through parts of South-eastern Europe may also suggest a vulnerable environment for drug trafficking

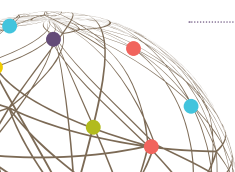
32 UNODC (March 2014), *The Illicit Drug Trade Through South-Eastern Europe*, p. 5.

33 UNODC (2015), *Drug Money: the illicit proceeds of opiates trafficked on the Balkan route*, p. 8.

34 *Ibid*, p. 43.

35 UNODC (March 2014), *The Illicit Drug Trade Through South-Eastern Europe*, p. 10.

36 *Ibid*, p. 9.



at that stage of the Balkan route.³⁷ There is also evidence to suggest that large heroin shipments are being broken down in the region, and in some cases adulterated and repackaged.³⁸

Albanian groups from the Western Balkans seem to control most routes (having taken over from Kurdish/Turkish groups in the 1990s). According to UNODC, other traffickers from the Balkans are often involved in the trade, for example in transportation and logistics, but are not necessarily members of the groups that own the drugs.³⁹

In the past few years, the route has seen some competition from the emergence of alternative trajectories like the “southern route” which travels southward from Afghanistan, either through Pakistan or through the Islamic Republic of Iran to Western or Central Europe.⁴⁰ There is also evidence of increasing use of air routes from East Africa directly to Western Europe.⁴¹

Recent data on seizures suggests that war in Syria has caused a shift in trafficking routes. Some routes that traditionally went through Kurdish regions are now moving via the Caucasus (i.e. Georgia) and Ukraine before entering the Balkans. Nevertheless, this has not had much impact on the volume of heroin transiting the region. Indeed, the Balkan route is still the channel via which perhaps the largest proportion of Europe’s heroin supply travels.⁴²

While heroin is flowing from Afghanistan to Europe via the Balkans, the precursor chemicals needed to produce heroin from opium are moving in the other direction. The main chemical moving along this “reverse” Balkan route is acetic anhydride. Strangely, there have been almost no seizures of acetic anhydride in South-eastern Europe since 2010.⁴³ And yet heroin production has not decreased. This suggests either a shift in the trafficking route, or a blind eye among border guards.

"While heroin is flowing from Afghanistan to Europe via the Balkans, the precursor chemicals needed to produce heroin from opium are moving in the other direction."

There are allegations that the ports of Albania, Croatia, Montenegro, and Slovenia on the Adriatic are hubs for cocaine trafficking to Western Europe.⁴⁴ There is limited evidence to support this claim based on seizure data.⁴⁵ But the fact that the Adriatic coastline is a playground for the rich and (in)famous, past links between Balkan and Italian criminal groups, recent drug-related gang warfare on the Montenegrin coast, and the fact that Balkan ports offer relatively easy access to the European Union make this highly probable.

Although the Balkans is not a major route for cocaine trafficking, nationals from the region are active in the trade. For example, in early 2016 an investigation called Operation Danube led to the arrest of 13 suspects (including six Croatians, five Austrians and two Serbian nationals) belonging to a Balkan organised crime group responsible for importing approximately 34 kg of cocaine from South America to Europe through the Netherlands.⁴⁶ The “cocaine king” Darko Saric was arrested in March 2016, inter alia on charges of trafficking 5.7t of cocaine from Uruguay to

37 Ibid, p. 75.

38 Ibid, p. 12.

39 Ibid, p. 37.

40 Ibid, p. 5.

41 Ibid, p. 16.

42 Ibid, p. 36.

43 Ibid, p. 39. It is worth noting that in the indictment against drug lord Naser Kelmendi includes a charge of trafficking 2.5 tons of acetic anhydride.

44 EUROPOL: EU Organised Crime Threat Assessment – OCTA 2011.

45 For example, 250 kg of cocaine was seized in the Montenegrin port of Bar in June 2014. *BalkanInsight*, “Montenegrin customs seize major cocaine shipment” (6 Juni 2014). While 100 kg of cocaine was discovered in a shipment (from Brazil) in the Slovenian port of Kopor in March 2016 (*Xinhuanet*, “Slovenian police seize 100kg of cocaine in shipment” (14 April 2014), and while another 120 kg of cocaine destined for the Slovenian port of Trieste was seized by Italian police in the southern Italian port of Gioia Tauro in September 2015. *Xinhuanet*, “Italian police crack down on mafia drug trafficking, gambling business (15 September 2015).

46 See “Europol supports Europe-wide crackdown on cocaine-trafficking Balkan Organised Crime Group”, 1 March 2016.



Europe.⁴⁷ In May 2015, just over one ton of cocaine was seized on a yacht in Spanish waters on its way from South America to Western Europe: one Serb and two Croats were arrested. In 2013, a 39-year-old Croatian, Anastazije Martincic, was sentenced to 15 years in a Uruguayan prison for possession of two tons of pure cocaine.⁴⁸

The Balkans is not only a transit region for drugs. It is also the source of significant amounts of cannabis, mostly in Albania. Albanian authorities estimated a total production of 540t of cannabis herb (dried) in 2014. There have also been major seizures including 101.73t of cannabis herb and 24.45t of cannabis resin in 2014.⁴⁹ Most of Albania's cannabis is destined for Italy and Greece as well as Western Europe via the Western Balkans.

One of the main areas of cultivation during the past decade has been the village of Lazaret in southern Albania, sometimes referred to as 'Marijuana Mecca' of 'Europe's cannabis capital'. Some estimates suggest that the village grows 900 metric tonnes of cannabis which would be worth \$6.1 billion – equivalent to half the country's GDP. In June 2014, several hundred police fought a full pitched battle for several days to gain control of the village.⁵⁰ A similar raid was carried out almost exactly one year later. Thanks to a major crackdown (with help from Italian law enforcement), more than one million cannabis plants were apparently destroyed by Albanian police in 2016.⁵¹

Yet the problem seems to persist: indeed, it appears to have spread. A credible Western diplomatic source estimates that 3,000 tons of cannabis could be produced in Albania in 2017. This generates a massive amount of money that seems to be corrupting senior officials – including a Minister of the Interior and the head of the customs agency who were fired – as well as buying power.

The Balkans also appears to be a transit route for synthetic drugs and precursors, both from the EU to the East, and from Asia to Europe. There is also evidence of growing production of amphetamines, methamphetamines and other psychoactive substances in the region, particularly in Serbia. This trend is expected to increase.⁵²

47 WorldBulletin, "Suspected Seb cocaine boss arrested with CIA help" (18 March 2014).

48 Croatia Week, "Croatian sentenced to 15-years prison in Uruguay after biggest coke bust in history" (3 March 2013).

49 Figures from UNODC, provided to author.

50 The Guardian, "Albanian cannabis growers and 800 police battle in lawless village of Lazarat" (17 June 2014).

51 OCCRP, "Albania: Cannabis Production Far From Coming to an End" (5 July 2016) and The Economist, "Drug Wars: Hash and burn" (22 September 2016). See also: U.S. Department of State (2017), International Narcotics Control Strategy Report, Volume 1, p. 95, (March 2017).

52 See OSCE (2016) *Regional Serious Organized Crime Threat Assessment* (for Serbia, Montenegro and Macedonia), p. 23.





Figure 2: Flows of Heroin and People through the Balkans (source: author; drawn by S Ballard)



Human Trafficking

Over the past 20 years, trafficking in persons has been one of the main types of organized crime in the Balkans. The region has been a source of trafficked victims, a transit region, as well as destination for trafficked women. However, it seems that human trafficking is in decline in the region.

Most Balkan states are source countries for men, women and children subjected to sex trafficking and forced labour, including domestic servitude and forced begging. Particularly vulnerable are women and children, as well as Roma, trafficked to Western or Southeastern Europe. According to latest figures, most victims from the region are women trafficked for sex. Most of the traffickers are men from the countries where they were convicted.⁵³

The problem seems to have become more localized. In several countries of the region, women and girls are victims of sex trafficking within the country in private residences, bars and night clubs, as well as truck stops.⁵⁴

In the past two years, migrants and asylum seekers transiting the region trying to reach Western Europe have become vulnerable to trafficking. Yet they are reluctant to come forward to police – if they can – for fear of being returned as illegal migrants. As the number of unaccompanied minors rises, there are fears that they may be vulnerable to trafficking.

Smuggling of Migrants

In the past few years, the smuggling of migrants has become one of the most lucrative types of organized crime in the Balkans. War in Syria as well as a haphazard European strategy to deal with the large flow of refugees and migrants since 2014 has created a major opportunity for criminal groups in the Balkans.

The record number of refugees and migrants arriving in Greece had a major impact on the Western Balkans since most of the people on the move tried to make their way via the former Yugoslav Republic of Macedonia, through Serbia into Hungary and then towards western Europe. In 2015, 764,000 people illegally crossed the border into the Western Balkans – 16 times more than the previous year.⁵⁵ Most of the people on the move were Syrians, Iraqis and Afghans.

It is worth noting that a large number of people from Albania and Kosovo took advantage of the chaos to move with the mixed migration flows. In fact, according to German immigration figures, Albania and Kosovo were the second and third highest source countries for people claiming asylum in Germany in 2015 – after Syria, but before Afghanistan and Iraq.⁵⁶

Unsurprisingly, some of the most common routes are those used for other forms of trafficking, like drugs and weapons: the triangular border region between Kosovo, northern Macedonia and southern Serbia; the borders of Bulgaria, Serbia, Macedonia, and Turkey. Cities like Bodrum in Turkey, Belgrade, Subotica and Budapest have become key hubs.

Initially, the demand for facilitators was relatively low. With porous borders, people were able to move quite freely. Facilitators arranged transportation by boat to Greece, then in cars and trucks sometimes by train through the Western Balkans – and on foot across borders if necessary. As has been pointed out, 'the smugglers on the Balkan section of the journey operate not unlike travel agencies and range from well-organized concerns to small agencies to individual service providers'.⁵⁷ EUROPOL describes it as a "crime-as-a-service" business model: a network

53 UNODC (2016), *Global Report on Trafficking in Persons*, New York.

54 U.S. Department of State (June 2016), *Trafficking in Persons Report*.

55 Frontex (online), "Western Balkan Route".

56 54,762 people from Albania and 37,085 from Kosovo claimed asylum in Germany in 2015. See BMI (2016); „2015: Mehr Asylanträge in Deutschland als jemals zuvor“.

57 Spiegel Online, "The Deadly Business of Human Smuggling" (7 September 2015).





Refugee crisis in the balkans region © European Commission

of facilitators who either provide a skill or who have knowledge of a particular route.⁵⁸ Traffickers tend to operate from hotspots around key transportation hubs, like railway stations, ports, airports or bus terminals. Most do their business via mobile phones. This enables them to attract clients, arrange logistics, and shift money (particularly through the *hawaala* system). It also makes them vulnerable to the police who can trace the networks and routes based on data from seized phones.

As fear of being “swamped” by foreigners grew, European governments reacted by restricting movement, even erecting fences and reintroducing border controls. On 9 March 2016, the Western Balkan transit corridor was completely closed. The number of illegal border crossing dropped dramatically: from 217,815 in the first quarter of 2016 to 28,789 in the second quarter.⁵⁹ Most of the detected cases were trying to cross the border between Macedonia and Greece, and then Serbia and Hungary.

On the one hand, the closure of the Balkan route has displaced the flows elsewhere, for example through Albania to Italy. Trips are also reportedly taking longer, and becoming more dangerous. UNHCR regularly reports incidents of abuse and violence against refugees, as well as tragic accidents resulting in death. Logically, the increase in risks and barriers makes the smuggling of migrants more profitable. For example, the fees of smugglers in Evzoni, on the Greek side of the border with Macedonia, increased more than tenfold when access was tightened in 2016.⁶⁰ As Misha Glenny points out, the refugee crisis had produced one winner: organized crime.⁶¹

That said, criminals – being entrepreneurs – are also talking up the increased risks in order to inflate prices. According to Gerald Tatzgern, head of the Joint Operational Office of the Austrian Ministry of the Interior dealing with smuggling migrants, fences along the Balkan route have their limitations ‘because the criminals have keys to the locks.’⁶² So the risks are not much greater, but the profits are.

58 EUROPOL (February 2016), *Migrant smuggling in the EU*.

59 FRONTEX (April-June 2016), *Western Balkans Quarterly*, Quarter 2, p. 5.

60 Andrew Byrne, “Human trafficking in the Balkans surges back to life”, *Financial Times* (4 March 2016).

61 Misha Glenny, “The Refugee Crisis Has Produced One Winner: Organized Crime”, *The New York Times* (20 September 2015).

62 Interview, 20 February 2017.



Along the Balkan route, there is now an increased demand for “facilitators” (smugglers) who provide false documentation, act as guides and scouts, provide transport, accommodation and tickets, and bribe border guards. It is worth noting that, according to EUROPOL, many such facilitators engage in polycriminality, in other words they are also involved in other forms of crime, including trafficking in human beings (20%), trafficking drugs (15%), and property crime (23%).⁶³ There are also frequent reports of refugees and migrants being beaten and robbed by smugglers and criminals (including by Afghans and Pakistanis), for example around the notorious smuggling towns of Lojane, Moin and Vaksince – known as “the jungle” – on the Macedonia/Serbian border. Significantly, while the number of non-regional migrants dropped by 88%, the number of detected facilitators increased by 18% to 307. Most of the facilitators (73%), were nationals of Western Balkan countries.⁶⁴ Many of the others are former refugees and migrants.

Even if only around 100,000 people are now being smuggled through the Balkans per year, the profits are massive. It costs between €1,500 and €4,000 to get from Turkey to Greece or Albania, depending on the quality of the boat. And it costs at least another €3,000 to get from Serbia into the EU. If, by a conservative estimate, it costs between €5,000 and €7,000 to be smuggled from Greece via the Western Balkans into the EU, then the trade is worth at least between €5 and €700 million per year. EUROPOL estimates that migrant smuggling into Europe (not just the Balkans) was worth between €3 and €6 billion in 2015, and they predict profits to double in 2016.⁶⁵ It is a growth industry. Demand is high. ‘Those who have escaped the bombs of Aleppo or the violence of Sudan, Somalia or Afghanistan – those who have crossed the Mediterranean and walked through Macedonia on foot – are not going to be held up by a couple of rolls of barbed wire.’⁶⁶

Weapons

The Balkans is awash with small arms and light weapons. According to the Small Arms Survey (2012), there are over six million firearms in private hands in the Balkans.⁶⁷ This is a legacy of the war in Bosnia and Herzegovina, civil unrest in Albania, and stockpiles from the former Yugoslavia.

At the moment, there appear to be two trends concerning the weapons trade. The first is a massive trade in weapons from the Balkans to the Middle East. As exposed by the Balkan Investigative Reporting Network (BIRN), in the past five years (since 2012), €1.2 billion have changed hands in arms deals between the Balkans and the Middle East.⁶⁸ Among the main exporters are Croatia (€302 million) and Serbia (€194 million): the main importers are Saudi Arabia (€829 million), Jordan (€155 million), and the United Arab Emirates (€135 million). According to expert opinion, many of the weapons are being diverted to armed groups in Syria, Libya and Yemen (which would be illegal if the end-user certificate says that the arms are not intended for re-export).⁶⁹ It has been suggested that foreign intelligence agencies are facilitating some of the deals.⁷⁰ Weapons factories that had been in decline since the end of the Cold War are working at full capacity to keep up with demand.

The other trend is a smaller scale, but dangerous trade in small arms from the Balkans to criminal and terrorist groups in Western Europe. In many of the recent terrorist attacks in France and Belgium, at least some of the weapons and

63 EUROPOL, “Latest Trends in migrant Smuggling: EPMT one year anniversary infographic” (12 September 2016).

64 FRONTEX (April-June 2016), *Western Balkans Quarterly*, Quarter 2, p. 7.

65 EUROPOL, *Migrant smuggling in the EU*, February 2016. Indeed, EUROPOL reported on 27 June 2016 that in the first half of 2016, prices for migrant smuggling tripled. See EUROPOL press release 27 June 2016, “Latest Trends in Migrant Smuggling”.

66 Spiegel Online, “The Deadly Business of Human Smuggling”, (7 September 2015).

67 See the Small Arms Survey (2012). It reports that Serbia has the highest concentration of private guns per head in Europe: 1.19 registered, and 1.5 unregistered.

68 BIRN, “Making a Killing: The 1.2 Billion Euro Arms Pipeline to the Middle East” (27 July 2016).

69 Ibid, p. 2. See also, “Saudis Step Up Help for Rebels with Croatian Arms”, C.J. Chivers and Eric Schmitt, *New York Times* (25 February 2013). Reportedly, in 2014 American, Australian, British and Canadian military cargo planes collected 22 million rounds of Kalashnikov ammunition and other arms from Albania and delivered them to Kurdish Peshmerga forces fighting Islamic State in northern Iraq. See *The Economist*, “Ask not from where the AK-47s flow” (16 April 2016).

70 “The UAE’s shadowy dealings in Serbia”, *The Middle East Eye*, 15 August 2014, <http://www.middleeasteye.net/news/uaes-shadowy-dealings-serbia-44700108>



ammunition originated in the Balkans. For example the terrorists in Paris in November 2015 used AK-47s made by Zastava, a Serbian manufacturer. The attackers of Charlie Hebdo used ammunition made in Bosnia. And the arsenal discovered in the apartment of suspected terrorist on 24 March 2016 near Paris included a machine pistol from Croatia.⁷¹

Future terrorist attacks perpetrated by radicalized individuals or groups with access to weapons from the Balkans is a clear and present danger. As a recent Europol reports observes, 'the current situation concerning the availability of illegal weapons in countries neighbouring the EU, particularly in Ukraine and the Western Balkan countries but also in current conflict zones, may lead to a significant number of those weapons becoming available via the black market, posing a significant threat in the near future.'⁷² This, combined with the return of foreign fighters and the radicalization of Muslims in the Balkans, is a potentially explosive cocktail.

Cigarettes and Fuel

In the past, fuel smuggling was a major source of revenue for a number of countries in the Balkans. During the war, when Serbia faced sanctions, oil was smuggled from a number of neighboring countries, including from Albania to Montenegro across Lake Skadar, and from Hungary, Bulgaria, Romania and Macedonia. This was facilitated by cooperation between the Serbian and Montenegrin security services and criminal groups.⁷³ Fuel was at the heart of illicit activity in Bosnia and Herzegovina during the war there in 1993 and 1994. More recently, there has been smuggling of fuel from Serbia into Kosovo.⁷⁴ There are also allegations that some of the profits from oil smuggling in Greece – estimated to be worth €3 billion annually – are laundered in the Balkans.⁷⁵

Over the past 25 years, one of the most lucrative illicit businesses in the Balkans has been cigarette smuggling. Cigarettes have either been produced locally and smuggled abroad (particularly within the region), dumped wittingly in the Balkans by big tobacco companies in order to increase market share, or counterfeit versions of major brands have been packaged in the Balkans and smuggled abroad – also to evade taxes. Sometimes cigarettes have been manufactured in an EU country, shipped to (for example) Montenegro, and then smuggled back into the EU to avoid high purchase taxes. One of the biggest problems are the so-called "illicit whites": cigarettes manufactured and exported legally in one country, but normally intended for smuggling to another country where import and sales taxes are evaded.⁷⁶ The market is estimated to be worth billions of dollars every year.

In the mid 1990s, state-supported cigarette smuggling was a major source of revenue for former republics of Yugoslavia – like Serbia and Montenegro – that suffered under sanctions. In the past few years Serbia has cracked down on the "tobacco mafia", even arresting a number of former police chiefs and customs officials. As described below, Montenegro – once known in the 1990s as "The Cigarette Empire" – has been less vigilant.

The trade continues today, but to a lower degree. Nevertheless, countries in the region lose millions of Euros of revenue every year through illicit cigarette imports. Furthermore, it remains a concern in the wider region. For example, Bulgaria and Romania have seen a dramatic increase in cigarette smuggling since joining the EU in 2007.

"Future terrorist attacks perpetrated by radicalized individuals or groups with access to weapons from the Balkans is a clear and present danger."

71 The Economist, "Ask not from where the AK-47s flow" (16 April 2016). See also Reuters, "Gaffer tape and 500 euros: running guns to the heart of Europe" (28 November 2015).

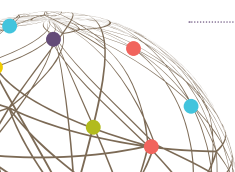
72 See EUROPOL (November 2016), *Changes in Modus Operandi of Islamic State Revisited*, The Hague, p. 10.

73 See CSD report 10, p. 14.

74 Walter Kemp, Mark Shaw and Arthur Boutellis, "The Elephant in the Room: How Can Peace Operations Deal with Organized Crime?", *International Peace Institute* (June 2013), p. 48.

75 See Balkanalysis, "Greece Takes Measures against Fuel Smuggling" (25 November 2008). and Jen Alic, "Is Oil Smuggling and Organized Crime the Cause of Greece's Economic Crisis?" (10 April 2012).

76 Francesco Calderoni et al., "The Eastern Balkan Hub for Illicit Tobacco", *Transcrime Research Centre on Transnational Crime*, (Milan, 2016).



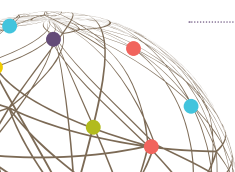
Follow the Money

All of these illicit trades – as well as licit ones like the gaming industry – generate a lot of revenue, particularly cash. (It is worth noting that Kosovo and Montenegro use the Euro as their currency, which makes it harder to track). This money is being used to buy real estate, businesses, and luxury goods. It is also buying loyalty, influence and power.

Some of the money is being invested in the region. A lot is also allegedly moving offshore. According to a conservative estimate by Global Financial Integrity, \$111.6 billion was lost through corruption and tax evasion in the Balkans between 2001 and 2010 – almost half of it (\$51.4 billion) through illicit financial flows from Serbia.⁷⁷ Factor in the profits of crime, and this figure would be substantially higher. To put that in perspective, EU funding to Serbia between 2014 and 2020 is projected to be €1.5 billion.

None of this would be possible without the complicity of banks, both local as well as branches of international banks. Indeed, their lack of vigilance seems to be attractive to foreign “investors” who allegedly launder their money through the region.

77 GFI (2012), “Illicit Financial Flows from Developing Countries: 2001-2010”.





Milosevic © AP

Chapter 3: Crime and Governance

Organized Crime and State-Building?

According to Charles Tilly, organized crime is often part of state-making. For Tilly, the state is the ultimate protection racket: it produces both the danger and, at a price, the shield against it.⁷⁸ The price is taxation and loyalty. In return, the privileged receive patronage while the rest of society can live in stability and relative prosperity.

Echoing Hobbes, Weber and Machiavelli, Tilly recalls that ‘governments stand out from other organizations by their tendency to monopolize the concentrated means of violence’. Interestingly, he adds that ‘the distinction between “legitimate” and “illegitimate” force makes no difference to the fact.’⁷⁹

Tilly was talking about Europe in the Middle Ages. As he points out, at that time ‘the builders of national power all played a mixed strategy: eliminating, subjugating, dividing, conquering, cajoling, buying as the occasions presented themselves.’⁸⁰ Fast forward several centuries, and the same trends are apparent in the Balkans (and elsewhere). As he concludes, ‘in our own time, the analogy between war making and state making, on the one hand, and organized crime, on the other, is becoming tragically apt.’⁸¹

Tilly’s theory certainly applies to some parts of the Balkans. Because of the break-up of Yugoslavia, the war, and Western sanctions, many former Yugoslav republics had few resources. As a result, some of them engaged in illicit activity. Leaders like Milosevic and his family got rich by smuggling cigarettes, weapons and fuel. Djukanovic orchestrated cigarette smuggling on a massive scale. These activities were not only dictated by greed; it was a survival strategy. For Serbia, and countries with extensive trade links to it, sanctions busting was crucial in precluding

78 Charles Tilly, “War Making and State Making as Organized Crime”, in *Bringing the State Back In* (Cambridge: Cambridge University Press, 1985), p. 169.

79 Ibid.

80 Tilly, p. 175.

81 Tilly, p. 186.



economic collapse.⁸² The elites needed to circumvent the sanctions to fund their patronage networks, and to run the state. They used all means at their disposal, including the instruments of state. State agents – particularly the security service and the customs bureau – actively participated in the illicit trade of petrol, medicine, food, alcohol, cigarettes, and various consumer goods across national borders.⁸³ Indeed, they controlled it to the point that after the war they gradually transformed into a mafia-like organization.⁸⁴ It has been argued that ‘smuggling, as such, played a crucial function in the process of state formation throughout the former Yugoslavia.’⁸⁵ It has also been argued that ‘the very origin of the security sector in these new states was criminal. Arms smuggling, having been facilitated by the security services, officers and army units in the former republics, had been regarded as a patriotic activity bringing benefit to society during national independence wars.’⁸⁶

Bosnia and Kosovo are clear examples of how organized crime contributed to state building. Peter Andreas argues that ‘the Bosnian state would probably not exist (or certainly not in its present form) without the assistance of criminal combatants, black market traders, and arms embargo busters.’⁸⁷ Kosovo would have stood little chance against the Serbs if it had not been for the weapons smuggling of the Kosovo Liberation Army, and the resources that the latter gathered through drug smuggling and extortion.

After the war, many of those who were involved in illicit activity moved up into business and politics. But in the process, they did not shake off their criminal past. Instead, they simply rebranded themselves, bought sharp suits, and took over the trappings of office.

Thus, organized crime has certainly played a role in state-building in the Balkans. However, it has been done in a way that creates state structures that serve and protect the interests of the elites rather than the public. The leaders act as if the state is their sandbox or bank machine, and they make the rules and reap the benefits.

This raises a counter-argument to Tilly. Organized crime may play a crucial role in state-building. But individuals and groups that acquire power and wealth through illicit means don’t necessarily “go straight” once a conflict is over: instead, they move up the food chain from the criminal world, to the business world, and into the world of politics. In some cases they may keep a dirty hand in all three. While illicit activity may have been an end in itself, when it is still being pursued by security services and enriching the elites after several decades, it is clearly an end in itself. They shape the laws, policies, and regulations of the state to their own advantage. The result is state capture.

Indeed, it is like a classic protection racket. The leaders start by defending the interests of the community, or the ethnic group. Think of the “bridge watchers” in northern Mitrovica, Albanian “liberation armies” in Macedonia or Kosovo, or leaders of the various entities of Bosnia and Herzegovina like Milorad Dodik, president of Republika Srpska. They begin to dominate the structures of control. And before you know it, they have a monopoly on coercion and can exploit the people they claim to protect. This merger of personal, political and ethnic agendas can be considered “selfish-determination.”⁸⁸

Shadow States

As Doug Farah explains, criminalized states are those where the senior leadership is involved in organized crime, ‘levers of state power’ are ‘incorporated into the operational structure’ of organized crime, and ‘organized crime is used as an instrument of statecraft.’⁸⁹ The monopoly of violence merges with mechanisms of coercion to give state

82 Crime Wars, p. 75.

83 Ibid, p. 76.

84 Hajdinik, p. 25.

85 Crime Wars, p. 76.

86 Center for the Study of Democracy (2004), *Partners in Crime: The Risks of Symbiosis between the security sector and organized crime in Southeast Europe*.

87 Peter Andreas, p. 33.

88 Walter Kemp, “Selfish Determination: The Questionable Ownership of Autonomy Movements”, *Ethnopolitics*, No. 1, 85-104 (March 2005).

89 Op cit. Cockayne, Hidden Power, p. 19.



officials licence to kill and steal. As Moises Naim points out, 'in a mafia state, high government officials actually become integral players in, if not the leaders of, criminal enterprises, and the defense and promotion of those enterprises' businesses become official priorities.⁹⁰

William Reno describes how clandestine economies contribute to strengthening political authority in what he calls "shadow states": 'The Shadow State is a form of personal rule; that is, an authority that is based upon the decisions and interests of an individual, not a set of written laws and procedures, even though these formal aspects of government may exist.'⁹¹ Reno was talking about captured states in Africa, but some parts of the Balkans certainly match this description.

To quote Donald Trump, the system is rigged. In criminalized or mafia states elites run the state as a private (sometimes family) business. The instruments of the state are used to create business opportunities that enrich a few – even if it undermines the integrity and long-term interests of the state. This includes opaque and questionable privatization processes that provide private benefits to public officials, intentional distortion of laws and practices to provide advantages to certain individuals (i.e. issuing end-user certificates, approving permits for building permits), and money laundering.

In such situations, business, political, and criminal elites rub shoulders. Sometimes it might be the same people. Indeed, it is interesting in the Balkans how some of the same names keep popping up, particularly those of "controversial businessmen" as they are euphemistically called. As Croatian author Slavenka Drakulic commented in 2008 – after a spate of bombings and shootings in Zagreb – 'the problem – far from being unique to Croatia – of course, is the elaborate network of criminals, politicians, big business and the police. There is a picturesque word for it in Italy: octopus.'⁹²

In the Balkans, the tentacles of an octopus may spread throughout the region. Take the example of Naser Kelmendi. Kelmendi, born in Kosovo, was involved in illicit activity throughout the Balkans.⁹³ In addition to being charged for the murder of his rival Ramiz Delalic, Kelmendi is alleged to have been the kingpin of an organized criminal group that trafficked heroin from Turkey to Europe and ecstasy tablets and acetic anhydride in the other direction. He was active in Bosnia, Montenegro, and Kosovo as well as Turkey and Western Europe.

In shadow states, mechanisms of coercion enable a system of control. Security services protect the ruling elite, not necessarily the state. Indeed, they may be used as agents against political opponents, the media and civil society, or to provide intelligence and security for the leadership – even if it means breaking the law (like engaging in trafficking). Indeed, the security services may even collude with criminal groups. In the Balkans, they have been doing this for years, according to a Western intelligence official familiar with the region: 'the security services cooperate with criminal groups and even protect them when they need them, and then they get rid of them when they don't.'⁹⁴ There is also the danger that criminals and the security services team up against the political elite, as witnessed by the assassination of Serbian Prime Minister Djindic in 2003 by a former member of the Serbian State Security organization (DB) with links to a criminal group (the Zemun clan).⁹⁵

Under such conditions, votes are bought, the media and civil society are threatened, judges are bribed, and immunity ensured. Crime is not only organized, but protected, through political and state institutions.⁹⁶ The result is

90 Moises Naim, "Mafia States: Organized Crime Takes Office", *Foreign Affairs*, (May/June 2012), p. 101.

91 William Reno, "Clandestine Economies, Violence and States in Africa", *Journal of International Affairs*, Vol. 53, No. 2 (Spring 2000), p. 434.

92 Slavenka Drakulic, "Crime in the circles of power", *The Guardian*, 29 October 2008.

93 For his indictment, see OCCRP 4 July 2014.

94 Author interview, 8 December 2016. See also *Crime Wars*, p. 76. There is also a parallel with the trend to use football hooligans as political proxies and/or for criminal activities.

95 Nemanja Mladenovic, "The Failed Divorce of Serbia's Government and Organized Crime", *SIPA Journal of International Affairs*, 27 November 2012.

96 Ibid.



a criminalized state.⁹⁷ This leads to demoralization among the population, lack of faith in government, poor public services, limited foreign investment, and a climate of fear.

While the public have little confidence in captured state structures, the elites desperately try to hold on to them since losing power means losing access to wealth. Getting elected means having access to power, and the levers of the state – to protect your clan. As they say in Macedonia, the dream of most politicians is to have “kancelarija, kola, and kurva”: an office, money, and girls. Therefore all means necessary are used to hold on to power. ‘It’s all about how to keep my gang in power, and how to keep everyone else down. If I don’t hit them, they will hit me.’ There is no sense of a loyal opposition: either you are in or you are out. If you are in, you use the state to your advantage. As a result, (as witnessed most recently in Macedonia) relinquishing power is usually done with great reluctance – not least since losing power can mean going to jail or into exile, not just into opposition. If you are out, you try to obstruct. Leaders will even promote disorder and uncertainty in order to stay in power, or to acquire it.

Nobody blows the whistle because they are all complicit. The problem is not that nobody knows about the connections between crime, business and politics, ‘just the opposite – that everybody profited from them. The paralysis of the state institutions was a deliberate one. If too many people too high up are corrupted, who is to throw the first stone?’⁹⁸

Despite the name, shadow states do not hide in the dark. They operate in plain sight. They are part of the international community. As Reno explains, ‘they rely upon the willingness of outsiders to recognize the façade of formal sovereignty. This allows rulers to use government power as a tool to ensure their own private enrichment, and to control economic markets to increase their own power and control over people’s access to resources.’⁹⁹ Indeed, these leaders could not survive without witting or unwitting accomplices in the international system, and the private sector – like real estate agents, bankers and lawyers. Think of some of the banks implicated in major money laundering cases in recent years, including the now defunct Hypo Alpe Adria Bank.

As Reno points out, the shadow state survives through the rulers’ abilities to manipulate external actors’ access to markets, both formal and clandestine, in such a way as to enhance their power.¹⁰⁰ These external actors are seldom useful idiots: they profit from exploiting the opportunity of making illicit deals behind the façade of legitimate states. ‘Together, partners of this sort manipulate the façade of the shadow state’s globally recognized sovereignty for mutual commercial gain.’¹⁰¹

Corrupt elites do not completely sell off the state, or strip all of its assets: that would be like killing the golden goose. Rather they hollow it out for their own benefit while polishing the shell of sovereignty to keep up appearances to international partners and their populations. As Reno points out, ‘paradoxically, rulers who attempt to maintain control in their own countries through reliance on these external commercial actors depend on their own claim to statehood to legitimate these actions.’¹⁰²

This raises another dangerous side-effect: shadow states are unpredictable and sometimes dangerous actors within the international system.¹⁰³ As James Cockayne points out, in such cases (which are not unique to the Balkans) it is hard to figure out ‘whether a state’s behaviour is guided towards classical political objectives and the long-term welfare of the state, or the short-term enrichment of state rulers.’¹⁰⁴ How can you trust your counter-parts if they are part of the problem? How can you exchange information with intelligence agencies that collude with

97 See also Michael Miklaucic and Mosis Naim, “The Criminal State”, in *Convergence: Illicit Networks and National Security in the Age of Globalization*, Michael Miklaucic and Jacqueline Brewer (Washington D.C.: Center for Complex Operations Institute for National Strategic Studies, National Defence University Press, 2013).

98 Slavenka Drakulic, “Crime in the circles of power”, *The Guardian*, (29 October 2008).

99 William Reno, “Clandestine Economies, Violence and States in Africa”, *Journal of International Affairs*, vol. 53, no. 2, pp 433-59, 2000.

100 William Reno, “Clandestine Economies, Violence and States in Africa”, *Journal of International Affairs*, vol. 53, no. 2, pp 433-59, 2000.

101 William Reno, “Clandestine Economies, Violence and States in Africa”, *Journal of International Affairs*, vol. 53, no. 2, pp 433-59, 2000.

102 William Reno, “Clandestine Economies, Violence and States in Africa”, *Journal of International Affairs*, vol. 53, no. 2, pp 433-59, 2000.

103 Naim, p. 102.

104 Cockayne, p. 282.





Italian police and customs at war against organized cigarette smugglers in Apulia, Italy on April 18th, 2000 (Eric VANDEVILLE / GETTY)

criminal groups? Are key players more susceptible to external manipulation if their loyalty is for sale? These are key considerations at a time when the Balkans once again finds itself at the centre for great power competition.

The example of Montenegro shows the dilemma of organized crime as part of the state-building process, and the dangers of a captured state.

Case Study Montenegro: Pirates of the Adriatic

To focus more sharply on the fine line between organized crime as state-building and the danger of state capture, let us focus on Montenegro – the newest member of NATO.

During the war in Yugoslavia, and then during the period of sanctions against Serbia and Montenegro, the elites survived (and prospered) through illicit activity, particularly the smuggling of oil and cigarettes.

Montenegro, the junior partner in the relationship, was led by a junior leader: Milo Djukanovic who became Prime Minister of Montenegro in 1991 at the age of 29. Djukanovic, who was a member of the Yugoslav Communist League and then the secretary of the League of Communists of Montenegro, learned from the master – Milosevic – how to combine the populism of nationalism with the control of communism and the advantages of crime and corruption.

It is alleged, by an investigation carried out by Italian magistrates, that between 1994 and 2002 Djukanovic was at the top of a massive cigarette smuggling ring. His cohorts apparently colluded with the Camorra (Neopolitan mafia) and Sacra Corona Unita (the crime family of the Apulia region) to transport on average 100,000 cases of cigarettes per month from Montenegrin ports to the Italian coast. That means that over this eight year period, a staggering one billion cigarettes were smuggled from Bar to Bari in large, go-fast speedboats – allegedly protected by the Montenegrin coast guard.¹⁰⁵

An operation on such an industrial scale could only have been possible with the collaboration of state authorities. In fact, it was run by the state. The Djukanovic government slapped a so-called transit tax on shipments by the

105 Misha Glenny, *McMafia: Crime Without Frontiers* (London: The Bodley Head, 2008), pp. 33-37 and Chris Deliso, "Letter from Montenegro: Organized Crime's State of Play", *The American Interest*, 27 October 2015



smugglers. A state company, Montenegro Tabak Transit, was even established to manage the business.¹⁰⁶ This generated an estimated \$700 million of hard currency annually (during a time of hyper-inflation) which was diverted to a secret parallel government budget.

Not surprisingly, the Italian prosecutor accused Djukanovic of 'having promoted, run, set up, and participated in a mafia-type association.'¹⁰⁷ One author even compared Montenegro to a Caribbean island notorious for its pirates calling it the "Tortuga of the Adriatic sea": a heaven for illicit trafficking where impunity was granted to mobsters, and a place where authorities guaranteed the passage of illicitly traded goods.¹⁰⁸ Djukanovic could not be tried because of diplomatic immunity – and the case was eventually dropped.

The profits made by the Italian mafia – estimated to be worth more than \$1 billion – were allegedly laundered and deposited in banks in Cyprus and Switzerland.¹⁰⁹ The money that stayed in Montenegro enabled the country to survive. Therefore, one could argue that organized crime was certainly part of Montenegro's state building process. But the distribution of the benefits of that wealth did not favour the public interest. As one member of civil society put it, 'instead of building an economy, we built a mafia state'.¹¹⁰

Dirty money also made Djukanovic and his cronies rich. This wealth was used, in part, to generate political capital and fund a patronage network including kick-backs to the security services. And it enabled him to buy some distance from Serbia.

Djukanovic is a shrewd operator. Radio Free Europe once called him 'the smartest man in the Balkans'.¹¹¹ When he could see that Yugoslavia and then Milosevic had little chance of survival, he moved closer to the West. While the West no doubt knew about his criminal activities, it was worth closing a blind eye to his transgressions in order to weaken Serbia. Indeed, the dapper, charismatic president became the darling of the West for distancing himself from Milosevic. And there was broad support for Montenegro's independence in 2006. By then, Djukanovic had anyway stopped his involvement in cigarette smuggling. Now he had a bigger prize – controlling and exploiting the new state.

After its independence, Montenegro quickly became a captured state. Djukanovic, his family, and a small elite used their control of the state to their own advantage. A Privatization and Capital Investment Council was created to 'protect the interests of Montenegro during the privatization process'. It landed up protecting the interest of the Djukanovic clan. Djukanovic's sisters' law firm facilitated a number of lucrative deals with foreign investors, while Djukanovic's brother Aleksandar (or Aco) seems to have had a midas touch in gaining control of several companies involved in real estate, tourism, construction, and power generation. The family had their finger in every pie – indeed the country was run like a family business.¹¹² As one observer pointed out, 'there was conflict of interest at almost every level'.¹¹³

As the old saying goes, if you want to get rich rob a bank: if you want to get really rich, own one. Aco Djukanovic followed this advice by taking over Niksic Bank (from his home town) and transformed it into First Bank (Prva banka). Conveniently, most public funds had to be channelled through this bank. As a result, its deposits grew from €23 million in November 2006 when the Prime Minister's brother privatized the bank, to €127 million within a year.¹¹⁴ As the Organized Crime and Corruption Reporting Project put it, First Bank became the cash machine of the first family.

106 Ibid. See also: "Djukanović revealed through wiretapped phonecalls with his lover" (08 July 2003).

107 Leo Sisti, "The Monteneneagan Connecton: Love, Tobacco, and the Mafia", *International Consortium of Investigative Journalists*.

108 Ibid.

109 Ibid.

110 Interview with author, December 2016.

111 Nenad Pejic, "The Smartest Man in the Balkans", *Radio Free Europe* (17 October 2008).

112 Miranda Patrucic, Mirsad Brkic and Svjetlana Celic "Djukanovic's Montenegro a Family Business", *International Consortium of Investigative Journalists* (2 June 2009).

113 Interview with author, Podgorica.

114 See OCCRP (May 2012), "First Bank – First Family".



Flush with cash, the bank gave out soft loans to the family's cronies and a number of dubious characters which enabled the latter to buy up prime real estate (in the capital and on the coast), fund major tourism and building projects, as well as pick the cherries of the privatization process. It became an enabler for crooked deals, and both a supplier and receiver of dirty money.¹¹⁵ As one observer put it, 'no organized crime could be possible without the banks'. The result is what James Cockayne has described as a "joint venture" strategy between business, politics and the mafia. In such arrangements, 'the capabilities of criminal and political organizations are vertically integrated to operate simultaneously across the upperworld and the underworld'.¹¹⁶ Criminal actors use political assets within their criminal enterprises, and political actors use criminal capabilities as instruments of political action and statecraft.¹¹⁷

Privatization and development on Montenegro's Adriatic coast ran roughshod over planning regulations and zoning laws, as well as the region's cultural heritage and natural beauty. Dodgy deals enriched a few, but led to the construction of massive glass and concrete structures in precious tourist attractions like Petrovac and Budva. In other cases, loans were granted for projects which never materialized.¹¹⁸ As one local put it, 'on the coast, you can smell the corruption.

As long as the economy boomed, and few questions were asked about the origins of foreign investment pouring into the banks and the property market or the insufficient collateral for many of the bank's loans, everyone seemed happy.¹¹⁹ But as the economic situation deteriorated in 2008 and 2009, First Bank became vulnerable, overexposed, and short of money. The bank was deemed too big to fail, so was bailed out with €44 million of public money – money which the state was only able to raise through the sale of the state electric company Elektroprivreda (after which utility prices went up). Despite the scandal and bailout, First Bank stayed in the hands of the Djukanovic clan.

While the public bailed out the bank that had enabled the greed and graft of the elite, many small and medium sized enterprises went bankrupt, the middle class was all but wiped out, and public debt increased. One of the most glaring examples was the Aluminium Plant Podgorica (KAP). In what was to have been "the privatization of the century", KAP was sold in 2005 for €48.5 million to an offshore company. Since then, the public has lost almost twenty times that amount through debt resettlement, bailouts to keep the factory open, and compensation for illegal contracts. In the process, the factory – previously one of the country's biggest employers – has gone from employing 5,300 to less than 300.¹²⁰

Despite the crises and economic failure, Djukanovic (who is a multi-millionaire, despite having earned less than \$2,000 per month) managed to stay in power. Domestically, this was made possible through patronage for his network. It is the type of system that Mark Shaw and Tuesday Reitano have described as a "protection economy".¹²¹ The state protected his interests, while he protected the interests of the elite and those who kept him in power. Internationally, he was a reliable ally – he opened up his country to Russian business interests, while playing up his pro-Western orientation by seeking to join the EU and NATO. He may have been a devil, but at least he was one that they knew. To his people, he delivered strong leadership, stability, and raised Montenegro's profile. As one local put it to me, 'Milo is a crook. But he is our crook. And he's better than the others. Honestly, I don't know what we would do without a strong leader'.¹²²

115 OCCRP (April 2014), "Montenegro: Prime Minister's Family Bank Catered to Organized Crime" (8 April 2014). Among clients of the bank are alleged to be convicted cocaine trafficking Darko Saric and his brother Dusko, several of the top figures indicted for cigarette smuggling, as well as the former Prime Minister Thaksin Shinawatra – who has Montenegrin citizenship.

116 Cockayne, p. 280.

117 Ibid.

118 See for example "Zavala: Cape Corruption", OCCRP, 11 June 2012. See also Chris Deliso, "Letter from Montenegro", *The American Interest*, 27 October 2015.

119 First Bank reportedly did not comply with anti-money laundering rules. See "Banking Above the Law", OCCRP, 5 June 2012. Major foreign investors came, inter alia, from Russia, Serbia, and Gulf states.

120 See *10 Years of Independence: Insight View, Civic Alliance, Podgorica*, May 2016, p. 54.

121 Mark Shaw and Tuesday Reitano, *Fixing a Fractured State*, Global Initiative against Transnational Organized Crime (April 2015), p. 43.

122 Author interview in Podgorica, 7 December 2016.



In this system, the powerful elites operate with impunity. Over the past decade, very few cases of major fraud have resulted in convictions, and those that did usually ended in plea bargains carried out in a non-transparent way. As one journalist said, in Montenegro ‘justice is being bought, not served.’ In Djukanovic’s Montenegro, the police, the judiciary and the state are hostages of the mafia.¹²³ In the words of the Organized Crime and Corruption Reporting Project, who voted Djukanovic as their Man of the Year in Organized Crime in 2015, ‘he has built one of the most dedicated kleptocracies and organized crime havens in the world.’¹²⁴

And yet Djukanovic has maintained a modicum of stability, peacefully gained independence, and moved closer to the EU and NATO. So, is it state-building or state capture? Perhaps it is a bit of both.

But the story is not over yet. In October 2016, Montenegro appeared to be on the verge of a coup. Accusations have flown back and forth: some allege that the governing party manufactured the plot to create a distraction and gain sympathy in the West; others accuse Moscow of trying to de-rail the country’s pro-Western ambitions.

Furthermore, in the past few months Montenegro’s Adriatic coast has become the scene of gang violence including bombings, assassinations, and shoot-outs in broad daylight. The violence seems to be linked to be a turf war over trafficking routes (particularly around major ports like Bar and Zelenika) after the arrest of “cocaine king” Darko Saric who, in July 2015 was sentenced to 20 years in prison for smuggling cocaine from South America to Europe. More violence in resort towns like Kotor and Budva could hurt the country’s tourism industry.

Therefore, while illicit activity may have had its benefits in building the state, if Montenegro wants to profit from its “wild beauty”, move closer the West, and promote foreign investment it will need to show that organized crime is a thing of the past.

Playing with Fire: Ethnicity, Conflict, and Collusion

Many problems in the Balkans are blamed on inter-ethnic conflict. Ethnicity, when instrumentalized, certainly plays a role, not least when a national minority feels a sense of grievance. However, there is nothing inevitable about ethnic tensions turning violent in the Balkans. That said, there is a much higher likelihood that inter-ethnic issues will turn violent if associated with organized crime. The case of the former Yugoslav Republic of Macedonia is a good example.

The ethnic Macedonian majority, particularly the former governing party in Macedonia, often portrays Albanians as the root of all evil: they are frequently described as criminals and terrorists. For their part, a hard-core nationalist group of Albanians in Macedonia depicts the majority community as bent on assimilating ethnic Albanians and depriving them of their rights. Spurred on by their kin in Kosovo and Albania, a radical fringe have shown that they are willing to take up arms against the government in order to defend their national identity – even unite with ethnic Albanians in neighboring countries. This is a combustible situation. Yet there was no need for it to catch fire.

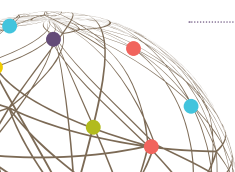
When Macedonia became independent in 1992, the country had a weak sense of national identity. This was not helped by the fact that the country’s very name was contested by Greece. As a result, the majority Slav population was reluctant to grant certain demands to the country’s sizeable ethnic Albanian population (which actually forms a majority in several municipalities in the West and North of the country), like proportional representation in the public administration and security services, access to Albanian-language higher education, greater local self-government, and rewording of contested parts of the Constitution.¹²⁵ These were contentious issues, but they were solvable.

While ethnic grievance was a contributing factor to the outbreak of conflict, another was the fact that corruption and

123 Milka Tadic Mijovic, “Mafia hostages”, *Monitor weekly*, (5 November 2010).

124 OCCRP (2015)

125 Crime Wars, p. 62 and Walter Kemp, *Quiet Diplomacy in Action: The OSCE High Commissioner on National Minorities*, Kluwer Law International, 2001.





Jihad in Balkans (from an ISIS Video)

weak governance in the young country had enabled an environment where criminality flourished. State institutions had been weakened by rampant corruption. Furthermore, according to some observers, the government turned a blind eye to smuggling along Macedonia's border with Kosovo – a key trafficking route – as part of a deal between the ruling VMRO-DPMNE party and its Albanian coalition party, the DPA, to divide the country into criminalized spheres of influence.¹²⁶ The VMRO-DPME would enable the DPA to carry out lucrative smuggling activities in the Albanian-inhabited Western and Northern regions, while the DPA would prop up the VMRO-DPME and enable it to plunder the state.

However, this created space for extremists. The crisis in Kosovo in 1999 – particularly the sudden influx of more than 330,000 refugees into Macedonia – and the spread of weapons throughout the region as a result of civil unrest in Albania in 1997 lit a match that ignited a conflict in Macedonia in 2001. After the war in Kosovo, there were a number of armed Albanian groups loosely associated with the UCK that were spoiling for another fight. As one observer put it, 'if your skill set is fighting, looting and threatening people, then peace is boring and bad for business.'¹²⁷ The attempts of the so-called Liberation Army of Presevo, Medvedja, and Bujanovc (UCPMB) to stir up trouble in the Presovo Valley in southern Serbia were quickly put down, so the group moved south of the border into Macedonia, calling itself the National Liberation Army (NLA). Trouble flared up in March 2001 when four Macedonian policemen were killed in the remote and mountainous village of Tanusevci which had long been a hub for smuggling (drugs and weapons).

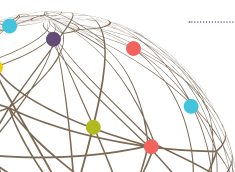
This triggered an armed conflict between the NLA and Macedonian security forces that was eventually resolved with the involvement of the international community – including NATO – and the signing of the Ohrid Agreement on 13 August.

One theory for the outbreak of violence was that the NLA was critical, and/or jealous, of the DPA's collusion with the VMRO-DPME. A crisis would strengthen its nationalist credentials, and give it greater control over licit and illicit spoils. It had the weapons and the fighters to cause trouble.¹²⁸ Whatever the reason, neither the Macedonian conflict nor those that preceded it in Kosovo and the Presevo Valley can be wholly understood without examining

126 Crime Wars, p. 78. See also Macedonia's Public Secret: How Corruption Drags the Country Down, 14 August 2002 and Robert Hislope.

127 Interview with author, November 2016.

128 Robert Hislope, "Organized Crime in a Disorganized State: How Corruption Contributed to Macedonia's Min-War", *Problems of Post-Communism* (May-June 2002), pp. 33-41. He notes that several NLA commanders were mafia bosses.



the role played by organized crime.¹²⁹

In the short term, DPA kept the upper hand with the implementation of the Ohrid Agreement. The agreement was designed to give self-government to the Albanian community. However, as pointed out in a damning report by the International Crisis Group (ICG), 'instead of attenuating ethnic differences through shared government, Macedonia's ruling parties have functioned as corrupt coalitions, dividing turf among and within ministries and even on the ground for separate exploitation'.¹³⁰ Inter-ethnic conflict was replaced by bi-ethnic criminal collusion. Sharing power meant dividing the loot.

But this angered those who were not at the trough. Instead of an in-group/out-group dynamic based on ethnicity, social cleavages developed between those with power and those without it. This had the perverse effect of creating opposition to the Ohrid agreement since the latter was seen as irrelevant to unemployed Albanians and humiliating to dispirited Macedonians.¹³¹ It also empowered opposition parties, including the NLA which transformed itself into a political party, called the Democratic Union for Integration (DUI), under the former NLA commander Ali Ahmeti. Significantly DUI won 11.9% of the popular vote and 70% of the Albanian vote in the legislative elections of 15 September 2002, and VMRO-DPME lost power to the Social Democratic Union of Macedonia (SDSM).

But history repeated itself fifteen years later. Again VMRO-DPME was in power, this time in a coalition with DUI. To an even greater extent than his predecessor, Prime Minister Nikola Gruevski used all available levers of the state to consolidate his power. A key player in his administration was his cousin, Saso Mijalkov, former head of the security services in Macedonia who is alleged to have links to the underworld. It is worth noting that his brother was an advisor in the cabinet of the general director of Macedonian Customs while Zoran Stavreski, who was the Deputy Prime Minister and Minister of Finance, was the best man at Gruevski's wedding. They are often referred to in Macedonia as "the family".¹³² How these men managed to capture the state is a story in itself. Suffice it to say that they ripped off the state to develop a patronage network. They dispensed favours through the party to get people jobs in the public service, and in return the latter mobilized their family, friends and co-workers to support the ruling party – either in voting or turning out for public protests in support of the government. This "rent-a-mob" approach can even be used to foment violence, as seen in the storming of the parliament in Skopje on 27 April 2017. Where possible, deals were made – thereby implicating their counterparts. Where necessary, other methods were used. For example, the elite allegedly gained control of businesses by threatening to unleash the financial inspectors on those who did not cooperate. Those who could not be bought were compromised in other ways, for example by information gathered by the interior ministry through wire-tapping. As one observer put it, 'The family has the dirt on everyone – everyone is complicit. So they can be manipulated when the time is right'.¹³³ In short, in the style of a mafia state, control was gained and maintained by buying power or through mechanisms of coercion. With the tentacles of the state so closely interwoven with corruption and crime, the regime had a lot to lose, but so did anyone associated with it. As one diplomat living in Skopje phrased it: 'You cannot slay the Black Knight because you would implicate yourself in the process. The whole system is tainted.'

"Inter-ethnic conflict was replaced by bi-ethnic criminal collusion. Sharing power meant dividing the loot."

The story of the Gruevski's regime crooked control of power in Macedonia is interesting in and of itself. But turn the kaleidoscope a little and it becomes even more curious.

Remember the DUI that came to power in opposition to the DPA's corruption when the latter was in coalition with

129 Crime Wars, p. 86.

130 Ibid.

131 Ibid.

132 OCCRP, "The Landlord Spy" (8 May 2014).

133 International civil servant formerly based in Skopje, (Vienna, 6 December 2016).



the VMRO-DPME? Remember how it resorted to armed violence to allegedly defend the interests of the Albanian community?

A strange thing happened in the spring of 2015. On 5 May, there were large anti-government protests against the Gruevski government for allegedly wire-tapping some 20,000 Macedonian citizens. The DPA accused the DUI of being fellow-travellers of the government, and selling out the interests of ethnic Albanians. The government needed to distract attention from the crisis, while the DUI needed to show its nationalist credentials.

On 9 May a group of armed Albanians (mostly from Kosovo) appeared in the town of Kumanovo. According to someone familiar with the background to the event, the group was supposed to fire a few shots in the air, shout pro-Albanian slogans, and then be chased away by the Macedonian police back into the hills. The DUI could strengthen its credentials among its nationalist base, while the government could rally support around national security in the face of a threat from Albanian “terrorists”. It could have been a win-win scenario. If it is true (and the further release of some of the wire-tapped material could, apparently, be revealing) the Macedonian security services had close links with criminal groups and Albanian armed groups.

But somewhere along the line wires were crossed – and people were double crossed. What was, allegedly, to have been a staged event turned into a bloody massacre. Macedonian police officers were shot (it is not clear by whom), and the situation escalated into heavy fighting. In the end, eight policemen and ten militants were killed, and there were several wounded on both sides.¹³⁴ Interestingly, in what was portrayed (by both sides) as an ethnically motivated popular uprising, no civilians were killed. This was more like a gang war.

What is also odd is that some of the participants in the attacks in Kumanovo – as well as other attacks like in Brodec on 7 November 2007 – have links to jihadist groups. If there was collusion between top members of the VMRO and armed Albanian groups, and between the latter and jihadist groups, was there any relationship between the security services and the jihadists? Why would notorious criminal and NLA member Lirim Jakupi and radical imam Shukri Aliu have been quietly released from prison in the autumn of 2016, just before the elections – at a time of high political tension? How crooked could the kaleidoscope be?

It is unwise to speculate. But, apparently some radical Islamists in Macedonia are involved in illicit activity.¹³⁵ ‘Do you know what they are trafficking?’, said someone with knowledge of the situation. ‘Women, drugs and weapons, and other long beards’: some to join ISIS in the Middle East, others moving to Western Europe. This is a frightening prospect. So too is the possibility that these “extremist criminal groups” could be instrumentalized when needed.

In short, inter-ethnic relations are not always what they seem in the Balkans. While there may appear to be tensions on the surface, there may be collusion under the table. Political enemies may be partners in crime. Attempts to overthrow a government mired in corruption may simply result in new parties at the trough rather than reform. To promote sustainable peace and good governance, the links between ethnicity, organized crime and governance need to be better understood, not least in the Balkans.

134 The Economist, “Violence in Macedonia: Danger or Distraction?” (16 May 2015).

135 Ebi Spahiu, “Militant Islamists, Organized Crime and the Balkan Diaspora in Europe”, *Terrorism Monitor*, vol. 13, issue 23 (2 December 2015).





KFOR troops patrol Southern Kosovo, 1999 (KFOR)

Chapter 4: Shifting the Balance: Multi-lateral Responses

In the past 20 years, there have been many initiatives to assist countries of the Western Balkans to deal more effectively with organized crime. This has included capacity-building for police, legal reforms, the establishment of national and regional institutions, as well as the creation of law enforcement networks. There have even been attempts at executive policing, and the use of special prosecutors. The results have been mixed.

Community policing in post-conflict environments

Initially the focus of the international community was on police reform, and filling the security void in post-conflict situations. For example, in Eastern Slavonia, the UN mission (UNTAES) established the Transitional Authority Police Force – a multiethnic police force of Serb and Croat officers, as well as international mentors. In Bosnia and Herzegovina, a UN-led International Police Task Force (IPTF) was created. The IPTF's mandate and powers were beefed up in UN Security Council resolution 1088 in 1996. As a result, the IPTF (which included 1,800 international police officers) monitored police throughout Bosnia, participated in patrols, were present in police stations, and vetted police officers. IPTF was succeeded by the EU Police Mission (EUPM) which began its operations on 1 January 2003 – the first-ever such police operation launched by the EU.¹³⁶ The EUPM was mandated, inter alia, to strengthen the operational capacity and joint capability of the law-enforcement agencies engaged in the fight against organized crime and corruption.

A further actor was the Western European Union (WEU) which sent just under 200 international officers to Mostar (Bosnia and Herzegovina) between July 1994 and October 1996 to provide security and to forge a unified police force between the Croat and Muslim officers.¹³⁷

136 The mission concluded on 30 June 2012.

137 Florian Bieber, Policing the Peace After Yugoslavia: Police Reform between External Imposition and Domestic Reform, GIPS Policy Research Center Discussion Paper:10-07.



In Kosovo, an internationally staffed civilian police force (CIVPOL) took over from KFOR. At its peak, it was comprised of 4,450 police officers. Furthermore, a Kosovo Police Service (KPS) was established. The KPS was recruited by the UN and trained by the OSCE.¹³⁸ While the number of KPS officers reached 5,700 by early 2004, their reputation was seriously dented in their first real baptism of fire in March 2004 when thousands of protestors burned Serb Orthodox churches and houses, and forced Serbs out of their homes. KPS, CIVPOL and KFOR were all attacked. As Florian Bieber points out, the violence and the inability of KPS to stem it revealed a number of weaknesses of the international police effort: the officers' pay and morale was low and training and equipment for crowd control was limited. Furthermore, the riots exposed weaknesses in coordination between KFOR, CIVPOL and the KPS, and a lack of preparedness for crowd control.¹³⁹ When Kosovo gained its independence in February 2008, KPS took over most policing functions, backed up by the European Union Rule of Law Mission in Kosovo (EULEX).

Another example of international policing assistance in the Balkans is Proxima, which was deployed to the former Yugoslav Republic of Macedonia after the Ohrid Peace Agreement in order to promote a "depoliticized, decentralized, multi-ethnic police". This 200-strong force was deployed for two years, before handing over to the OSCE. The OSCE was also active in training a multi-ethnic police force for South Serbia after violence flared up around Presevo, Medvedja and Bujanovac in 2000. In both cases, the localized initiatives to promote minority-focused police reform expanded to become broader national community policing programmes.¹⁴⁰

These international policing efforts were mostly designed to promote monitoring, mentoring, and advising, particularly to promote community policing in post-conflict multi-ethnic communities. They were not designed or intended to tackle organized crime.

It is not the intention of this report to evaluate the impact and effectiveness of these policing operations. Suffice it to say that they helped to make police forces in the Western Balkans smaller, more professional, and more inclusive in terms of gender and ethnicity. And the Balkans became one of the safest regions in Europe, in terms of low crime rates.¹⁴¹

However, they also demonstrated competition and confusion among the alphabet soup of international organizations engaged in the Balkans in post-war Yugoslavia, as well as the institution-shopping by the states concerned. Furthermore, these international policing operations showed that it is difficult to implement reforms using police officers from different backgrounds, legal systems, and cultures in the absence of common standards and practices. And in many cases, bilateral assistance circumvented or duplicated multi-lateral initiatives, and were driven more by the agendas of donors than the needs of the states.

Little attention to organized crime

Strikingly, despite the massive investment into police reform and the priority attached to it by so many international actors, little attention was paid to organized crime. Some countries (mostly from Western Europe and North America) provided bilateral technical assistance, and some organizations like the OSCE and EU provided some capacity building expertise. But such assistance was often donor driven, disjointed and project-rather than programme-oriented.

On a few occasions, the military – including KFOR and EUFOR Althea in Bosnia – went after criminal groups. But these operations, while robust, highlighted the limitations of soldiers doing police work. For example, efforts to stop bad guys resulted in destroying the evidence needed to bring them to justice. One of the few effective forces was the Multinational Specialized Unit (MSU) created within KFOR, mostly composed of Italian Carabinieri.

138 See Bieber, p. 7.

139 Bieber, p. 7.

140 Bieber, pp. 14-15.

141 UNODC (March 2008), *Crime and Its Impact on the Balkans and affected countries*.





Kalashnikov in Bosnia and Herzegovina © Open UK Government License

Meanwhile, plenty of illicit activity was being carried out under the noses of the international actors in the Balkans – sometimes with their complicity. There are plenty of notorious examples of internationals in the Balkans creating a market for human trafficking, as well as smuggling weapons and drugs, and turning a blind eye to the smuggling of fuel, women, cigarettes and cars.

One of the lessons learned from the international community's response to organized crime in the Balkans is that in the future there should be a much savvier approach to dealing with organized crime in post-conflict transition periods. As with medical emergencies, the international community has a "golden hour" following a traumatic injury in which treatment to prevent irreversible internal damage and to optimize the chance of survival is most effective. If that opportunity is lost, the criminals with the guns will call the shots: in business, and in politics.

Indeed, by the early 2000s policy makers seemed to realize that a more sophisticated and holistic approach was needed along the whole criminal justice chain, 'from crime to prison'.¹⁴² Perhaps because of the UN (Palermo) Convention against Transnational Organized Crime (adopted in November 2000), or the growing realization that organized crime was one of the greatest impediments for the Balkan countries to move closer to EU accession, organized crime became a higher priority. An illustration of this came with the convening of a Ministerial Conference at Lancaster House in London on 25 November 2002 focused on "Defeating Organised Crime in South Eastern Europe". At the meeting, ministers warned that 'organised crime threatens all of us. It is an enemy we must defeat, or it will defeat us'. They acknowledged that 'in the past, organised crime has been more organised than national and international efforts to defeat it. We now undertake to shift the balance'.¹⁴³

The statement, while well-intentioned, was merely declaratory and aspirational. It had no teeth or incentives. The main leverage came through recalling that countries of the region should fulfill their crime-fighting commitments made to the EU, particularly in the Stabilisation and Association Process.

That said, the Stability Pact for South Eastern Europe (created in 1999) managed to keep a focus on the issue, particularly through the Stability Pact Initiative to fight Organised Crime (SPOC). SPOC was established to strengthen regional

142 Tobias Flessenkemper and Damien Helly, Ten year after: lessons learned from the EUPM in Bosnia and Herzegovina 2002-2012, Institute for Security Studies (28 January 2013).

143 Centro Studi di Politica Internazionale, "The London Statement" (25 November 2002).



capacities to combat organized crime in accordance with internationally recognized standards, like the Palermo Convention. This was important since many countries in the region lacked legislation specifically targeted against organized crime and corruption. A Secretariat was opened in Bucharest in 2003. It worked closely with the SECI Regional center for combating trans-border crime. Its main focus was on implementation of relevant legal commitments, sharing good practices, encouraging mutual legal assistance, and facilitating donor assistance. The most important contribution of SPOC was to facilitate the drafting of a Police Cooperation Convention for Southeast Europe which entered into force on 10 October 2007. It provides a legal framework for regional cooperation against organized crime.

A plethora of regional initiatives

The Stability Pact spawned a number of initiatives designed to promote regional cooperation to fight crime. The Southeastern European Cooperation Initiative (SECI), which was established in 1996, evolved into the Regional Cooperation Council (based in Sarajevo) and the Southeast European Law Enforcement Center (SELEC) based in Bucharest. International Law Enforcement Coordination Units (ILECUs) have structured cooperation, and there is a Western Balkans Prosecutors' Network. A Southeast Europe Police Chiefs Association (SEPCA) was established in 2002. The region was also integrated into the Paris Pact initiative that was designed to promote cooperation against drug trafficking from Afghanistan.

As a result, there has been an improvement in the quality of policing in the region, as well as regional cooperation in the fight against organized crime. The countries of the Western Balkans have also taken great strides in harmonizing their laws to EU standards. However, what is lacking is the implementation. One of the mantras of the Stability Pact was to ensure that the process had local ownership. However, this led to a proliferation of small institutions so that all countries would have something. But there were too many of them, and they were dependent on funding from countries of the region to survive. As a result, their resources have been limited. And while the Police Cooperation Convention provides a solid legal framework, and there is good cooperation among law enforcement officials at the working level, there is no political strategy to promote regional cooperation against transnational organized crime. As one observer put it, 'the politicians are very good at saying all the right things to the West because we have been teaching them for the past twenty years. But there is very little follow up'.

The most glaring problem is the lack of political will to tackle crime at the highest level. One attempt to rectify this lacuna was the creation of the European Union Rule of Law Mission in Kosovo (EULEX) in 2008. Its main mission has been to help the Kosovo authorities in establishing strong and independent rule of law institutions. This has included an executive policing function, as well as assisting in the prosecution of cases of serious organized crime.

But EULEX's effectiveness has been hampered by its lack of access to northern Kosovo, and political interference both domestically and from Brussels. It has also been accused of being selective in which cases it has decided to pursue. And some senior EULEX members have even been accused of corruption. The fact is that this large operation of over 1,600 international staff with a massive budget (over €1 billion) that has been operating for more than seven years has made almost no high-level convictions.¹⁴⁴

The pattern is similar in other countries. With the notable exception of Croatia, very few high level prosecutions and convictions have been made. Pressure from the EU seems to have little impact. European Commission reports often reproach governments of the region that hope to join the EU, criticizing them for a lack of sufficient progress in dealing with organized crime and corruption. The reports review implementation of chapter 23 (judiciary and fundamental rights) and chapter 24 (justice, freedom and security) of the EU acquis. But the language is usually rather diplomatic and the consequences are minimal – not least since most Balkan countries that aspire to join the EU see accession as a long way off.

144 For a damning exposé by a former insider, see Andrea Lorenzo Capussela, *State-Building in Kosovo: Democracy, Corruption and the EU in the Balkans*, London: I.B. Taurus and Co, 2015). The EU even appointed an independent legal expert, Jean-Paul Jacqué, to evaluate EULEX's implementation of its mission. The critical report seems to have disappeared from the EU's website.



Operational cooperation

What is needed is more regional cooperation at the operational level. As one observer quipped, ‘criminals still operate as if this was Yugoslavia – there are no borders for them in the Balkans’. The police need to do the same.

A good example is a Joint Operational Office opened by the Austrian Ministry of the Interior in May 2016. The office in Vienna (partly funded by the EU) promotes cooperation among law enforcement officers dealing with human trafficking and the smuggling of migrants in the Balkans. It was triggered as a response to the fact that almost 800,000 people travelled to or through Austria between 5 September and 31 December 2015, as well as the discovery of 71 corpses in a truck on a highway close to Vienna’s international airport on 27 August 2015.

The office acts as a control centre for exchanging information and carrying out joint investigations of smuggling rings. During the critical phase of an investigation, officers from the affected countries are encouraged to come to Vienna and work together on the case. In the process, the centre has strengthened networks and trust among practitioners. It is plugged into EUROPOL, FRONTEX and INTERPOL (I-24/7) information-sharing and analysis networks, and is part of the European Multidisciplinary Platform against Criminal Threats (EMPACT).¹⁴⁵

The legal basis for the cross-border cooperation facilitated by the Joint Operational Office is the Police Cooperation Convention for Southeastern Europe. This multilateral agreement allows the Balkan states to cooperate with police forces from EU countries at operational level.

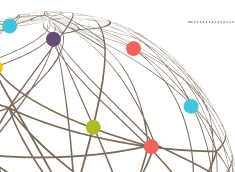
In short, the Joint Operational Office is a good example of needs-driven, intelligence-led policing that promotes practical regional cooperation among experts, without duplicating resources or institutions. It is a model that should be followed by others.

Another good example is joint operations carried out between countries of the Western Balkans and EUROPOL. A number of joint operations and “action days” have proved successful in cracking down on trafficking of weapons and drugs, as well as smugglers of migrants. This type of practical cooperation has much greater potential.

But it is not enough to catch the criminals. They must be brought to justice. Therefore, greater international assistance is needed to improve cooperation between the prosecutors and the police, and to support special prosecutors, like those in Macedonia, who are trying to clean up the system.

The recent example of reform of the judiciary in Albania is instructive. In July 2016, after considerable legal consultations as well as pressure and support from the West (including the Council of Europe), Albania’s parliament unanimously amended its constitution to overhaul the country’s long-criticized justice system. Pursuant to the amendments – if they are implemented – more power will be moved to the judicial branch, special structures will be created for the prosecution and adjudication of corruption, and all sitting judges and prosecutors will be vetted. The process is set to be overseen by an International Monitoring Operation (IMO) composed of senior judges and prosecutors from EU Member States and the United States.

145 i.e. EUROPOL’s Secure Information Exchange Network Application (SIENA).





POINTPULSE
WESTERN BALKANS PULSE FOR POLICE INTEGRITY AND TRUST

**PROMOCIJA INTEGRITETA
POLICIJE NA ZAPADNOM
BALKANU**

///

**PROMOTING POLICE
INTEGRITY IN THE
WESTERN BALKANS**

Promoting Police Integrity in the Western Balkans © Pointpulse.net

Chapter 5: Keep Your Eye on the Balkans

In conclusion, the message of this report is keep your eye on the Balkans. It was assumed – particularly by wishful thinkers in the European Union – that the Balkans was on a liberal, linear trajectory towards Western European standards and institutions. That is not the case. The situation in the Balkans is highly unstable. Bosnia and Herzegovina is on the verge of collapse. Relations between Belgrade and Pristina are tense – talk of secession of northern Kosovo is in the air. And the leaders of the Balkan states are being courted and cajoled by an active group of external powers – with divergent interests.

What makes the situation unpredictable is that the loyalty of corrupt regimes could be for sale. Here the West only has itself to blame. By turning a blind eye to state capture for the sake of stability, it may pay the price of instability because of state capture. The more that Russia uses soft power, business interests and Slavic solidarity to exert influence in the Balkans, the less likely Western countries and institutions will choose to expose corruption and criminality in the region. But this risks lowering entry standards to Western clubs, like the EU and NATO. And it enables the spread of illiberal democracies, even mafia states. As one observer put it, 'by doing nothing we are legitimizing corrupt authoritarian regimes'.

Furthermore, like an extortion racket, Balkan leaders have a vested interest in talking up the threat posed by Russia in order to curry favour and to be accepted by the West as guarantors of stability.

While organized crime has often been cited as a source of instability in other parts of the world, it is either ignored or glossed over in the Balkans where wars have traditionally been interpreted through a nationalist, primordialist lens.¹⁴⁶ But now the lens of the crooked kaleidoscope has shifted: organized crime, rather than nationalism, represents the greatest threat to stability in the Balkans.¹⁴⁷ And the nexus of ethnicity, extremism and criminality is even more dangerous.

146 Crime Wars, p. 75.

147 Crime Wars, p. 87.



The impact is far-reaching: on governance; on the economy; on tourism; and on morale. It also has an impact on stability – in individual countries, in the region, and to Europe. If the Balkans is the soft underbelly of Europe, what comes out of it can have a dangerous impact elsewhere – like the export of drugs, weapons, and jihadists. Meanwhile, the common people suffer. Money which should be going into public services and institutions is being siphoned off. Parliaments lurch from one crisis to the next. Several societies – like Bosnia and Macedonia – are arguably worse off than they were twenty years ago. And there is a danger of back-sliding elsewhere.

As a result, more attention needs to be paid to the political economy of countries in the Western Balkans. What makes them tick? What are the vested interests of the elites? Without understanding this, one risks rewarding bad behaviour, or having blind spots.

The problem for Western European countries and institutions is that they are not the only game in town. Russian, Chinese and Middle Eastern countries attach fewer strings to doing business or providing economic assistance. As a recent study points out, 'the gradual consolidation of clientelist governments' in the region make it hard to 'front-load EU-style Rule of Law, especially since accession remains as unlikely as ever, and the spoils of full membership less assured'.¹⁴⁸

But jeopardizing justice for stability is not sustainable. As has been pointed out in the context of post-conflict transitions, turning a blind eye to crime and corruption may buy short-term peace, but it creates many more problems in the future. The same logic applies to EU accession. Stability is one of the priorities of the EU neighbourhood policy. After all, the agreements with prospective partners are called Stabilization and Association Agreements. But lowering standards for the sake of maintaining the EU's power of attraction and expanding the club risks bringing corrupt and criminalized states into the fold. Furthermore, there does not appear to be any leverage against states (like Bulgaria and Romania) after they accede to the EU. The bar is high to get into the club, but there are few consequences if you break the rules once you are in.

Indeed, many of the EU's policy failures have come home to roost in the Balkans: mismanagement of the refugee crisis, the financial crisis, and the new neighbourhood policy. As a result of the current strategy, 'Brussels has become complicit with deceitful government elites, alienating ordinary people in the region and undermining the EU's soft power'.¹⁴⁹

What can be done?

- Despite all of the other challenges in the world, the international community – particularly those countries and organizations that have invested so much economically and politically in the region over the past 25 years – should stay engaged. They must keep an eye on the Balkans.
- There should be a more joined-up approach to looking at and responding to organized crime in the Balkans. Nationally, foreign ministries, development agencies, law enforcement and intelligence agencies should work together to look at the issue from a number of angles and work towards long-term crime reduction strategies. Regionally, the issue should be mainstreamed into development and regional strategies, not only law enforcement cooperation.
- Friends of the Balkans should insist on a continuation of the process of strengthening integrity and enhancing justice, particularly in the fight against corruption and organized crime. The strongest conditionality comes through chapter 23 (Judiciary and fundamental rights) and 24 (justice, freedom and security) of the EU acquis for conditions of membership. The European Commission needs to maintain pressure for reform, and be unequivocal about crime and corruption in its progress reports.

148 Peter van Ham, "Gridlock, Corruption and Crime in the Western Balkans: Why the EU Must Acknowledge its Limits", *Clingendael* (October 2014), p. 15.

149 Peter van Ham, p. 22.



- Governments and organizations concerned about the impact of crime on stability in the Balkans should call a spade a spade. The US “kingpin” list as well as EUROPOL and INTERPOL lists help to focus attention on wanted criminals who some states may be wary about bringing to justice, but who others are willing and able to pursue.
- There is a need for strong, independent anti-corruption agencies. Fearless anti-corruption agencies in Romania (DNA) and Croatia (USKOK) have shown in the past decade what can be done. In both countries even former prime ministers have been brought to justice.¹⁵⁰ Former politicians who operated with impunity – thought to be untouchable – have been brought down by the new “untouchables” who are not afraid to go after the big fish. The only concern now is that such agencies become too powerful and unaccountable. Furthermore, there is a limit to how many high-level convictions there can be. In the long term, building integrity will also depend on preventive reforms (particularly in the public sector) and educational efforts to change societal habits. The blueprint – as demonstrated in Croatia and Romania – is to apply the United Nations Convention against Corruption.
- There is a greater need within the region for expertise in dealing with cybercrime, as well as tackling economic and financial crime, and carrying out financial investigations. This includes creating effective financial intelligence units, as well as implementing measure to freeze, seize, confiscate and recover stolen assets. It is worth watching how some countries (like France, Switzerland and the US) have gone after the assets of Vice President Teodorin Obiang Nguema of Equatorial Guinea (including cars, mansions, and luxury goods). Similar enthusiasm should be shown for going after the billions of euros that have disappeared from the Balkans in the past 20 years.
- Similarly, there needs to be a sharper focus on underground banking in the region, particularly the Hawala system which is being used, for example, for informal alternative remittance systems to pay for the smuggling of migrants.
- Furthermore, there is a need to ensure that checks and balances are in place to combat money laundering, including complying with the 25 recommendations of the Financial Action Task Force on combating money laundering, requiring confirmation of the beneficial ownership of all banking and security accounts, tightening procedures of public procurement and privatization processes, and enhancing multi-lateral partnerships among the relevant judicial, law enforcement and financial regulatory authorities. More closely following the money trail into and out of the Balkans can help to clarify sources and destinations of unexplained wealth, and enhance accountability.
- The top-end of the justice system also needs to be enhanced. In the past twenty years there has been a strong focus on community policing. Now the focus should be on effective judicial reform and strengthening prosecutors.
- Enhanced cooperation among serious organized units is essential. Mentoring and networking is helpful, but it is most fulfilling to all sides when carried out in the context of joint operations as demonstrated by the Joint Operational Office, and cooperation between West Balkan countries and EUROPOL.
- More could be done to improve border management in Balkan countries, as well as cross-border cooperation and communication. Coping with the migrant and refugee crisis is a good opportunity to do so.

"There is a need to ensure that checks and balances are in place to combat money laundering, including complying with the 25 recommendations of the Financial Action Task Force on combating money laundering."

150 Gabriel Kuris, “The Little Anti-Corruption Agency that Could”, *Foreign Policy*, (7 August 2015).



- Special focus should be put on areas of weak governance, like southern Serbia, northern Macedonia, and regions bordering Kosovo. The political economy of northern Kosovo deserves closer attention to better explain why certain individuals or groups in both Serbia and Kosovo have a vested interest in the region remaining a grey zone.
- Information-sharing needs to be improved. The frameworks exist: legal frameworks like the PCC SEE, and networks like SELEC. Most countries of the region are also now plugged into EUROPOL and INTERPOL networks. But databases are only as good as the data fed into them. Thus, they must be continuously updated.
- Better information-sharing should enhance intelligence-led policing. In addition to looking at crime trends and arresting suspects, information on organized crime should be used to better understand the political economy of countries and crises, shed more light on criminal markets, as well as popular routes. For example, as has been suggested by UNODC, law enforcement authorities could develop heat maps of the most vulnerable cross-border paths, and disrupt these routes.¹⁵¹ This should enable a more holistic approach to tackling the causes and consequences of crime rather than just going after traffickers.
- There is also a need for more analysis of organized crime in the Balkans. Mapping illicit activity in the region would more clearly expose the impact of organized crime on politics and stability, and enable a more targeted response. National and regional SOCTAs are becoming more routine, for example recent efforts of the OSCE, as well as SELEC. Such SOCTAs can enrich wider threat assessments, like those of EUROPOL. But there are limits to how much information states are willing to disclose about themselves, either to each other or to the public. It would therefore be useful to also engage outside analysts, and to have a more granular picture. It would be useful, for example, for networks like the Organized Crime and Corruption Reporting Project and the Global Initiative against Transnational Organized Crime to link up and develop a more systematic regional observatory for the Balkans.
- Because of the extent of state capture in so many Balkan countries, it is vital to support those who are shining a light on organized crime: investigative journalists, human rights defenders, anti-corruption activists, and other brave members of civil society. They help to make the invisible visible. Networks should be developed, empowered and supported (including from foreign partners) among civil society organizations in the Balkans which are dealing with organized crime and corruption.
- Deepen regional economic integration to promote connectivity within the region and between Balkan countries and their neighbours (not least, but not exclusively, the EU). Such cooperation could build on the Central European Free Trade Agreement (CEFTA) and the Regional Cooperation Council (RCC).
- Since borders are particularly vulnerable to crime, reduce their vulnerability by promoting licit cross-border cooperation. Promote development and cooperation in border communities (through the Instrument for Pre-Accession Assistance) and on the model of the European Grouping for Territorial Cooperation (EGTC).¹⁵² Indeed, it would be useful if the EGTC could somehow be extended to the Balkans.

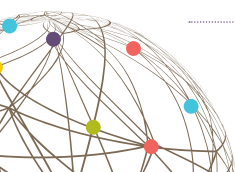
A final, frightening thought

There is a more worrying thought. Perhaps the leadership style in the Balkans is symptomatic of a new model of governance. As James Cockayne warns in his recent book *Hidden Power*, 'we are seeing a disruption of sovereign statehood as the dominant business model for government'.¹⁵³ As Phil Williams warns, 'global

151 Drug Money: The illicit proceeds of opiates trafficked through the Balkan route, UNODC, 2015.

152 See also the work of the Central European Service for Cross-Border Initiatives (CESCI) and the Association of European Border Regions (AEBR).

153 Cockayne, p. 305.



anomie is becoming a problem at the state level as well as the individual level'. As he points out, 'this is apparent in the spread of corruption in government, in the development in many countries of a "political-criminal" nexus between the elites and organized crime, and the willingness of some governments to protect criminals and drug traffickers'.¹⁵⁴

On the one hand, there is a growing sense that things are falling apart. In a world of rapid change and real and perceived threats, many people are looking to strong leaders to maintain order and provide security. Yet these leaders usually deepen lawlessness and disorder because of their corruption, abuse of power, lack of scruples, violation of the rule of law and basic freedoms, and self-obsession. In response, some people take to the streets (as recently witnessed in Romania and Macedonia). Some leave. Some see extremism as the solution. But many resign themselves to their fate, and simply try to make ends meet. As William Reno warns, we need to address this issue and not consign people 'to the fate of innocent civilians like those in Sarajevo and Srebrenica who happened to be in the way of power-grabbing strongmen and ethnic political entrepreneurs'.¹⁵⁵

In the past twenty years, the West has operated on the assumption that given enough time, money, and mentoring the Balkans – considered "what Europe is not" – would eventually come to resemble the West.¹⁵⁶ But the opposite has happened. In the ultimate twist of the crooked kaleidoscope, some parts of the West are starting to resemble the Balkans.

As Tom de Waal has pointed out, 'even before Mr. Trump won the White House, much of eastern Europe was living in Trumpland, where business and politics are fused and politics is more about making deals than building institutions'.¹⁵⁷ As one observer said of many leaders in the Balkans, 'it's about ego, image and power. They want to be the Big Men. Which means that they'll never give up – even if they become filthy rich'. Sound familiar? When I asked someone close to Donald Trump how the President operates, he said 'what is important to him is family, loyalty, everything is transactional, and you have to be prepared to make deals with unscrupulous people'. Welcome to the Balkans!

In conclusion, with Pax Americana coming to an end, the EU's power of attraction waning, and other actors – particularly Russia and Turkey – becoming more engaged in the region, the geo-political kaleidoscope in the Balkans is shifting. Add to this the threat of Islamic radicalism, renewed nationalism, and power struggles within and between states and you get a dangerous cocktail. As pointed out by Moises Naim, and as illustrated in this report, what makes the region so unpredictable is the 'criminalization of national interest'.¹⁵⁸ This needs to be kept in mind as policy makers start to focus again on an increasingly volatile region.

154 Phil Williams, "Lawlessness and Disorder: An Emerging Paradigm for the 21st Century", in *Convergence: Illicit Networks and National Security in the Age of Globalization* (Washington D.C.: National Defense University Press, 2013), Chapter 2.

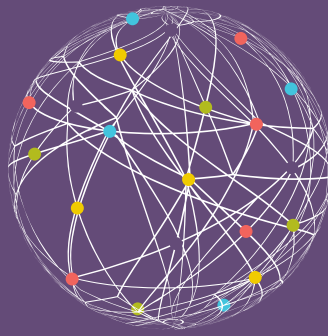
155 Reno, p. 459.

156 See Drakulic, p. 14.

157 Thomas de Waal, "Dealmaker Trump will feel at home in eastern Europe", *Financial Times*, 1 December 2016.

158 Moises Naim, *Illicit*, p. 278.





THE GLOBAL INITIATIVE
AGAINST TRANSNATIONAL
ORGANIZED CRIME

www.globalinitiative.net



A NETWORK TO COUNTER NETWORKS

