

ABSTRACT

Title of Thesis: Convenient Allies: Why Governments and Organized Crime Cooperate in the Western Balkans

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Governments in the Western Balkans often cooperate with organized crime. Because states have the right to a monopoly on force, this is unexpected as organized crime can be an alternative competitor to use of force. This raises the question: given that states have sovereignty within their borders, what strategic reasons might Western Balkans governments have for cooperating with alternative sources of power such as organized crime? This thesis proposes four reasons why this might happen: organized crime may not engage in protection rackets, it may contribute to the economy, drug consumption in the region is low, and bribes and coercion may encourage officials to cooperate. These conclusions are preliminary, and this thesis is designed to identify promising areas for future research.

Convenient Allies: Why Governments and Organized Crime Cooperate in the Western Balkans

By

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Chapter 1: With friends like these...

The governments of sovereign countries are privileged with the right to exercise force and make decisions for their citizens, yet in the Western Balkans region, many governments frequently show signs of cooperating with organized crime. Organized crime could be expected to be a potential competitor to the states' monopolies on force, so it is surprising that governments would not more actively seek to eliminate it. This thesis seeks to answer the following question: given that states have sovereignty within their borders, what strategic reasons might Western Balkans governments have for cooperating with alternative sources of power such as organized crime?

My thesis explores four of these reasons in Chapters 2-5. Firstly, organized crime in the Western Balkans does not try to act as a provider of security and other goods and services, nor challenge the fundamentals of the governments' sovereignties. Secondly, governments in the Western Balkans are not incentivized to interfere with organized crime's role in the informal economy as it generates economic activity, and some governments may rely on the informal economic activity. Thirdly, because hard drug usage in these countries is low, they do not suffer as much from the adverse social and economic impacts related to drug use and are therefore less incentivized to obstruct organized crime and its role in drug smuggling. Fourthly, organized crime can also provide direct positive incentives to cooperate, such as providing bribes, campaign financing, and being useful to friendly officials, as well as providing direct negative incentives such as threats, harassment, and assassinations in some cases against unfriendly officials.

This research question is critical because as Western Balkans countries seek membership into the European Union, fighting organized crime is a requirement for receiving entry. The EU maintains that “fighting organised crime effectively is part of the EU accession process” and that “in order to meet the EU membership criteria, the Western Balkan countries need to implement comprehensive reforms in crucial areas and deliver concrete results in judicial reforms and the fight against corruption and organised crime.”¹

The fight against organized crime in the Western Balkans will continue to be severely inhibited as long as governments continue to be complicit cooperators in organized criminal activities, or even continue to tacitly ignore their activities. This inhibits regional development by disrupting rule of law, making public officials less accountable, making it more difficult to conduct a legitimate business in the region, and preventing EU membership. A lack of research makes it difficult to create policies that may help in the fight against organized crime as the incentives for cooperation between government and organized crime are not understood. This thesis serves to identify tentative answers to the research question and identify promising areas for further research.

This first chapter will give some context and methodology for the four findings of this thesis. First, it will give one salient example of potential cooperation between organized crime and government to show how visible this cooperation can be in the Western Balkans. Secondly, it will provide some historical context for the events discussed in this thesis. Thirdly, it will describe the methodology used to explore the research question.

¹ European Parliament, 2021

A Conspicuous Secret

The Savamala district in Belgrade cuts through the city like a mining scar. It includes a wide swath of muddy ground along the banks of the Sava River surrounded by tall buildings on either side. It was once the site of a bustling neighborhood, including many bars, restaurants, and *splavs*, or floating nightclubs on barges in the river that draw thousands of tourists every year. Now, it is the future cite of “the Belgrade waterfront project,” a controversial construction project to build a luxury complex with restaurants, apartments, and malls largely funded and owned by Eagle Hills, a real estate company from Abu Dhabi.²

The project has been marked by controversies, including legal questions about building codes, land ownership, a lack of a standard bidding procedure, and government capitulation giving the investors free reign to act as they pleased.^{3 4} However, one of the most striking aspects is an incident that took place during the night between April 24 and 25, 2016.

Under the cover of darkness, “a group of masked men blocked Hercegovacka Street in Savamala, seized mobile phones from eyewitnesses, tied some of them up and then, using bulldozers, demolished several buildings in the street where the huge Belgrade Waterfront complex was to be built.” Police refused to respond to phone calls about the incident according to a report by the Ombudsman at the time. Despite the then-prime minter Aleksandar Vučić (who is the current president at the time of this paper) saying “highest Belgrade authorities” were responsible, years later only the shift commander at the police operations center received any legal penalty.⁵

² Dato, 2019

³ Shepard, 2016

⁴ Dato, 2019

⁵ Rudic, et al. 2019

This kind of story and its visible effects on one of the Western Balkan's major cities is just one illustrative example of cooperation between organized criminal activities and the government. Given the secretive nature of organized crime and corruption, it can be difficult to find the evidence needed to connect specific actors within the government to organized crime, or to know exactly who the criminals are, which works to benefit both organized crime and their cooperative enablers in the government. However, the Savamala site is still there for anyone to see. Cooperation between government and crime has become a "common knowledge" for many of the city's residents, but without accountability through courts and official institutions, it becomes difficult to prove individual instances on a targeted level.

To a local or external observer, the individual facts of the Savamala incident may seem to point responsibility at the local government, but without proper investigation, one cannot expect facts to become evidence, and evidence to become truth. Given the questionable integrity of official local institutions as demonstrated by the Savamala incident, it falls to academia, think-tanks, independent researchers, and the international community to understand and explore the dynamic between government and organized crime.

Contextualizing the Issue

The term "Western Balkans" is often used as the polite terminology for the geographic area formerly known as the Socialist Federal Republic of Yugoslavia (SFRY) as well as Albania. After World War II (WWII), Yugoslavia was made up of the six republics of Bosnia i Herzegovina, Croatia, Macedonia, Montenegro, Serbia and Slovenia⁶ as well as the two semi-autonomous provinces of Serbia, Kosovo and Vojvodina under the communist leadership of

⁶ Anderson, 1995

Josip Broz Tito. Despite having a communist-dominated government, the country broke away from Soviet leadership and was a founding member of the Non-Aligned Movement in 1961. The SFRY broke apart into individual states during a string of wars during the 1990s⁷ featuring atrocities such as the genocide of civilians.⁸ Since then, two of these states have become members of the European Union (EU), with Slovenia joining in 2004⁹ and Croatia in 2013.¹⁰

This paper uses the term Western Balkans to describe the pocket of mostly non-EU states in the region. These states are Albania, Bosnia i Herzegovina, Croatia, Kosovo, Montenegro, North Macedonia, and Serbia. This is the definition of Western Balkans as it is commonly referred to by the EU.^{11 12}

The process of the breakup of Yugoslavia and the wars that followed in the 1990s is a long and complicated chapter in the history of the Balkans, the full scope of which is not covered in this thesis. However, this thesis will provide a brief summary given the importance of these wars for contextualizing modern events.

One of the most important changes that led to the breakup of Yugoslavia was the decentralization of power after the death of Tito and the rise of Serbian nationalist-strongman, Slobodan Milosevic. When Tito died in 1980, power was decentralized by establishing a collective presidency with representatives from each of the eight provinces leaving the federal government with a diminished role. In 1989, Milosevic became the president of Serbia after fanning a wave of Serb ultra-nationalism, shoring up his power by removing the autonomy of the

⁷ Office of the Historian, "The Breakup of Yugoslavia, 1990–1992"

⁸ Tan Hui Huang, 2021

⁹ European Union, "Slovenia"

¹⁰ European Union, "Croatia"

¹¹ De Munter, 2021

¹² Grid-Arendal, 2015

provinces of Kosovo and Vojvodina and replacing the Montenegrin government with his supporters.¹³ He also was able to gain control of the Yugoslav People's Army (JNA) including its military hardware, removing other ethnicities and replacing them with ethnic Serbs.¹⁴

Under nationalist leadership, Slovenia and Croatia declared formal independence from Yugoslavia in 1991.¹⁵ Serbia used the JNA to intervene, withdrawing from Slovenia after just 10-days. However, the war that followed in Croatia killed tens of thousands and displaced hundreds of thousands more. Macedonia also declared independence in 1991, which went comparatively peacefully.¹⁶

Bosnia i Herzegovina declared independence in 1992. This resulted in a war with Serbia that killed hundreds of thousands and was marked by ethnic cleansing and targeted attacks and executions against civilians. Although technically allies, Croatia attacked Bosnia i Herzegovina from the other side as well.¹⁷ This includes the massacre at Srebrenica, during which Serb forces slaughtered over 8,000 Bosnian refugees sheltering in a United Nations (UN) safe zone.¹⁸ The war was ended in the 1995 Dayton Accords.¹⁹

After removing Kosovo's autonomy in 1989, Milosevic imposed a direct rule of the province from Belgrade, the capital of Serbia, repressing the ethnically Albanian majority living there. The Kosovo Liberation Army (KLA) formed in 1997 as an Albanian resistance movement, replacing a peaceful resistance movement and parallel government led by Ibrahim Rugova. "In late 1998, Milosevic unleashed a brutal police and military campaign against the KLA, which

¹³ Office of the Historian, "The Breakup of Yugoslavia, 1990–1992"

¹⁴ Little & Silber, 1995

¹⁵ Little & Silber, 1995

¹⁶ Office of the Historian, "The Breakup of Yugoslavia, 1990–1992"

¹⁷ Office of the Historian, "The Breakup of Yugoslavia, 1990–1992"

¹⁸ Lockie & Rosen, 2019

¹⁹ Mullins, 2020

included widespread atrocities against civilians.” This provoked a NATO intervention, and Milosevic surrendered after a 78-day air campaign that included airstrikes in Belgrade. Elements of the KLA carried out reprisals against Serb and Roma communities,²⁰ causing many Serbs to flee to Serbia and “ethnic enclaves” within Kosovo. Kosovo declared independence in 2008, which Serbia still does not recognize.²¹

The Organizations of Crime

Organized crime in the region seems to be made up of small groups of around four to ten people. These groups may form and break up again as needed, and often are organized around family ties and close contacts.²² While it is not clear how these groups are internally structured, there does not seem to be any strict hierarchy or organizational structure to connect or govern these groups externally. Rather, these individual groups often cooperate or collaborate similar to small businesses within a market, using personal connections and ties to form criminal networks that help organize the delivery of goods and services to one another and their customers.²³

Although principles of homophily suggest that these groups may tend to be ethnically homogenous,²⁴ they appear to work across borders and be able to cooperate inter-ethnically.²⁵

This idea is quite different from popular portrayals of organized crime in books and movies as a structured hierarchy.

²⁰ Office of the Historian, “A Guide to the United States’ History of Recognition, Diplomatic, and Consular Relations, by Country, since 1776: Kosovo”

²¹ Office of the Historian, “A Guide to the United States’ History of Recognition, Diplomatic, and Consular Relations, by Country, since 1776: Kosovo”

²² Arsovska, 2015

²³ One of the only academic sources that has researched the structure of organized crime in the Balkans is Jana Arsovska, who focused specifically on Albanian organized crime. However, there is reason to think that this may be true for criminal organizations of other ethnic groups, including a global tendency for organized crime to decentralize and some suspected familial ties between government and organized crime in Serbia.

²⁴ Arsovska, 2015

²⁵ Krasniqi, 2016

Many criminal networks appear to also have their roots in the wars of the 1990s. For example, the Kosovo Liberation Army (KLA) used criminal activities to fund and supply their civil war against Serbia.^{26 27} The Serbian government worked with Serb paramilitaries in Bosnia, some of whom would later be involved in the assassination of a Serbian prime minister organizing anti-corruption policies after the war.^{28 29} During the siege of Sarajevo in Bosnia i Herzegovina, smuggling and the informal market not only allowed vital goods to enter the city, but also provided rampant opportunities for war profiteering and crime.³⁰ Many people involved in groups like the KLA went on to enter government,³¹ and there are a number of opportunities for research into tracking how criminal networks became politically involved.

The topic of the makeup of organized crime deserves more discussion than what can be included in this thesis. It is another suggested area for further research in addition to the ones given in the following chapters. In particular, tracking how individuals engaged in wartime criminal activities have become engaged in government may show how organized crime is able to influence governments towards cooperation.

This thesis identifies four main areas for further research and explores them using the information and data available on the subject of why organized crime and governments cooperate. In Western Balkans countries, there is a cultural expectation of corruption and organized crime, but this does not necessarily translate into evidence that helps explain why organized crime is so prevalent and seems to act without repercussion from state and local

²⁶ Arsovska, 2015

²⁷ Mandic, 2021

²⁸ Gordy, 2014

²⁹ Bami & Dragojlo, 2022

³⁰ Andreas, "353. Blue Helmets and Black Markets: The Business of Survival in the Siege of Sarajevo"

³¹ International Crisis Group, "What Happened to the KLA?"

authorities. The lack of information and data to help answer these questions inhibits policy makers both locally and internationally to deal with this problem, which inhibits democratic and economic development of the countries. This thesis is written to be a starting point to inspire and suggest further research as well as to begin to explore some of the factors that may incentivize governments to cooperate.

Methods

This thesis is a qualitative research paper, which drew upon a number of primary and secondary sources, as well as journalist reports. It was conducted to complete the requirements of the University of Michigan Program in International and Comparative Studies honors program. The primary researcher was Samuel Vogler, and the research was overseen by Dr. Anthony Marcum as program director and Ambassador Melvyn Levitsky as research advisor. Sources were collected and analyzed by the primary researcher.

This paper used both qualitative and quantitative data from a variety of sources. These sources include books, academic papers, academic journal articles, government websites and publications, reports from inter-governmental organizations, reports from non-governmental organizations, and news publications. This includes both primary and secondary sources. No primary data collection was conducted in the writing of this thesis. Sources were critically evaluated for bias and reliability, using both content and thematic analysis. Although many of these sources have the potential to contain biased views, this thesis was written with careful consideration of which opinions to include to try to be as objective as possible, while recognizing that as a qualitative paper, some bias is unavoidable.

This thesis includes discussions on many sensitive topics. The information presented was chosen for its accuracy, ethicality, relevance, and to best inform its readers about ongoing events.

However, given the sensitive nature of the topics such as ethnicity, sovereignty, nationalism, and culpability in criminal activities, it may contain information or opinions that some readers will find offensive or disagree with. Additionally, as many of the issues discussed in this thesis are ongoing, future developments may change the understanding of some of the events in this paper. When ongoing events are discussed in this paper, it is done with the intent of complete transparency.

Qualitative analysis is common in the field of international studies, which is the field of the program this thesis was written for. It makes use of a wide variety of sources, which is necessary given the limited amount of previous academic research in the field of organized crime in the Western Balkans. However, given that many sources of information are not peer-reviewed and may include ongoing events, the understanding of these topics may change as new evidence comes to light. This thesis is designed to identify promising areas for future research and does not claim to offer conclusive proof on any of the ideas proposed. Because the research question of this thesis is broad and does not have much existing scholarship, this is the best method for fulfilling the goals of this thesis.

This thesis makes use of some sources written in Serbo-Croat. These were translated by the primary researcher using online translations tools, dictionaries, and a working knowledge of Russian, which is related to Serbo-Croat as a member of the Slavic linguistic family. This paper uses evidence sparingly from the general meaning of these sources whenever possible, or otherwise when the meaning of the information was clear.

A Personal Note on Bias

Prior to beginning this paper, I spent several months studying in Serbia and Kosovo. While there, I engaged in conversations, visited locations, and experienced events that inspired

and helped to inform this thesis. However, these experiences undoubtedly have given me some views and biases that affect how I analyze information regarding this thesis. My exposure to Serbian and Kosovar social issues and politics gave me many of the ideas I would explore in this paper, but also bias my paper to include more information and issues relating to these two countries.

Conclusion

The Bosnian genocide represents one of the most colossal failures of the West after the Cold War. The West and the UN repeatedly tried and failed to broker peace agreement between the Bosnian and Serbian government.³² Arms embargoes³³ created with the intention to prevent conflict prevented the Bosnians from being able to defend themselves, as the Serbian government had control of the JNA and its weapons. In Srebrenica, the UN became accidentally complicit in genocide by corralling refugees into a “safe zone” it was unprepared to defend, preferring to appear neutral.

Yugoslavia and the region now known as the Western Balkans were a source of confusion for many in the west, being a non-aligned communist country. One of the most popular books at the time was *Balkan Ghosts* by Robert Kaplan, which claimed that the war was the result of ancient hatred and ethnic irreconcilable grievances.³⁴ This claim fails to account for the causes for why conflict erupted when it did and does not sufficiently explain Yugoslavia’s successes as a heterogeneous and multiethnic state in which ethnic intermarriage and therefore ethnic heterogeneity was common. This book was popular, however, at the time of the Balkans

³² Little & Silber, 1995

³³ Daalder, 2016

³⁴ Jonas, 2019

wars and was reportedly influential on President Bill Clinton's understanding of the conflict.³⁵

This lack of understanding likely influenced him and other decision makers into inaction which exacerbated the Bosnian genocide.

This shows that misunderstanding and a lack of reliable information has stymied policy regarding the region in the past. The four tentative answers to why organized crime and governments often cooperate in the Western Balkans seek to shed light on an important issue for regional development. This thesis makes use of data and information from cases around the world involving organized crime and government, as well as theoretical perspectives. However, when researching this paper, it became clear that much of the available information was incomplete, or the available information would raise more questions than it answered. This paper does not claim that these answers are conclusive. These ideas are possible answers to the research question and are designed to help guide and suggest promising areas of future research.

³⁵ Little & Silber, 1995

Chapter 2: Noncompetition in the Protection Business

The first reason why governments in the Western Balkans may be incentivized to tolerate organized crime within their borders addresses the basic assumptions of the question. This chapter will discuss why governments and organized crime might be expected to compete with one another over issues like sovereignty and the provision of security. Despite this expectation, organized crime in the Western Balkans does not try to act as a provider of security and other goods and services, nor challenge the fundamentals of the governments' sovereignties. This chapter will then explain how other examples of organized crime sometimes engage in these kinds of activities and why there is little evidence for it occurring in this case.

Why should we expect competition?

In classical political theory, the state is often assumed to be the sole source of legitimate force. "The state is a human community that, within a defined territory—and the key word here is 'territory'—(successfully) claims the *monopoly of legitimate force* for itself."³⁶ The word "state" does not have a universally agreed on definition, but the idea that the state has a "monopoly of legitimate force" is noteworthy because it implies that state governments do not have to share power with other sources. If an alternative provider of force such as organized crime were to appear, this would question whether the state indeed had a monopoly of force. As will be explored below, if two or more actors tried to project force on the same population in order to provide security, one might expect them to compete for control.

There are competing ideas for definitions of *sovereignty* and *statehood*. For Jean Bodin, a sovereign is an individual person with power over the law, but who is above the law themselves. "Bodin's definition of sovereignty is the 'absolute and perpetual power of a republic,'" and is

³⁶ Weber, 1965

utterly exclusive. A government is not the same as a “sovereign,” as it is bound by norms, but it “is strong only when it is legitimate.”³⁷ For Thomas Hobbes, the embodiment of sovereignty was an “artificial man,” called a Leviathan. This Leviathan was formed by a collection of people who consented to give up their autonomy to a commonwealth or state, that would act as an united body.³⁸ This topic spans centuries and countless writers, however, elements of these classical ideas come together in Weber’s definition. Bodin’s ideas of “absolute power” and “legitimacy” reappear in Weber’s “monopoly of legitimate force,” and Hobbes’ idea of a sovereignty forming a “commonwealth, or state” connect Weber’s requirement that a state have legitimate force within a territory.

It is curious that any sovereign state would willingly tolerate another potential source of violence within its territory, especially when the state claims a monopoly on the legitimate use of force. Consider the following model for the formation of a state:

A community is peopled by a ‘specialist in violence’ and two groups of citizens. Headed by powerful patrons, the groups can act in a unified manner. The specialist in violence earns his living from the use of force; he either seizes the wealth of others or pockets funds they pay for their protection.³⁹

This is part of a model from Robert Bates to describe how a state can form in a society previously without a government. This model sets up a self-sustaining equilibrium to show how a state can prevent warfare and increase productivity. Without the state, the groups of citizens would be tempted to raid one another or intentionally stay poor, but with a “specialist in violence”—the state—keeping order in exchange for taxes, the citizens can live without fear of violence from one another and accumulate more wealth.⁴⁰ However, this model only assumes

³⁷ Benoist, 1999

³⁸ Hobbes, 2018

³⁹ Bates, 2002

⁴⁰ Bates, 2002

there is one “specialist in violence” that exists in a power vacuum. If we introduce another violent source of power, other political models anticipate they would be in competition with one another.

Consider the following scenario:

...A group of independent farmers in a stateless realm who engage in small-scale agricultural production. Farms are inhabited by kin groups, and enough grain is produced so that a modest surplus accumulates each year and is stored in a granary. The surplus is a store of wealth and is used for trade. Under these conditions, the community is vulnerable to theft or parasitic raiding by non-agriculturalists because the economic incentives are high and the costs are comparatively low.⁴¹

This is part of another model of state development from Katherine Hirschfeld, in which the author argues that theft or raiding will be common because the payoff for raiding is higher than the payoff for farming. However, a state of equilibrium can emerge in which the agriculturalist pays a tribute to the raiders instead, which saves the raiders from the trouble of collecting the wealth themselves, and saves the agriculturalists from extra damages and waste, allowing themselves to increase their production. The former raiders are now essentially engaged in a *protection racket* which, with a certain amount of refining can turn into a primitive state, collecting taxes in exchange for security services such as a police and military.⁴²

However, the state is now required to provide security to the people paying taxes. Otherwise, any rival group of raiders can engage in similar predatory raiding and steal from the state’s source of income. To keep its payoff high, the state must establish a territory and provide the “protection” promised by the protection racket within that territory to prevent raiding from rival groups.⁴³ This model provides an expectation for how one might assume a state and

⁴¹ Hirschfeld, 2015

⁴² Hirschfeld, 2015

⁴³ Hirschfeld, 2015

organized crime to interact with one another. Criminal organizations would have an incentive to steal from the citizens, similar to the origins of the state, while the state would have an incentive to protect its citizens to secure its power and source of income.

When considering modern organized crime within a state, the models above suggest that organized crime and states governments would be in competition with one another. The state, trying to prevent predation on its taxpayers, would want to eliminate organized crime within its territory. The state wants to avoid sharing resources with organized crime and to prevent organized crime from supplanting the state by providing “protection” of its own by the evolutionary process by which a protection racket becomes a state.

This kind of conflict does exist in many places of the world, some of which will be discussed later in the chapter. However, this kind of relationship does not appear to exist in the Western Balkans. Governments and organized crime appear to enjoy a non-competitive relationship in which governments repeatedly support or at least tacitly ignore the activities of organized crime.

Examples of this in the Balkans are so common, that to many citizens and visitors to the these countries, the line between government and criminal organization appears blurry, and difficult to distinguish. In Serbia, many notable corruption scandals such as the Savamala scandal, Krusik affair, the attacks on the KRIK media outlet⁴⁴ show a willingness for the Serbian government to turn a blind eye and cover up for organized crime, while connections between political elites and organized crime are becoming more apparent in reporting in some media

⁴⁴ Elek, et al., 2021

outlets.⁴⁵ In Kosovo, both former prime minister Nasim Haradinaj⁴⁶ and former president Hashim Thaçi⁴⁷ have been indicted to the Hague for obstruction of justice and witness intimidation, and war crimes respectively, showing a connection between the modern government and the criminal side of the Kosovo Liberation Army. (Haradinaj has also faced trial in the International Criminal Tribunal for the former Yugoslavia for war crimes in the past and was found not guilty.)⁴⁸ A criminal feud in Montenegro has connections to several prominent Serbian officials. Albania plays a key role in the smuggling of drugs globally.⁴⁹ These are only a few examples that point towards an endemic problem of governmental and criminal organizational cooperation within the Western Balkans region.

The cooperation between governments in this region and organized crime demonstrates that organized crime and governments are not in competition like the above model predicts. Why can organized crime and government coexist despite this expectation?

Noncompetition in “Protection”

Despite the fact that the above model suggests competition between organized crime and government, a lack of evidence to support this assumption suggests that organized crime avoids competition by not directly challenging the states’ rights to providing security to its citizens. Organized crime in the Western Balkans largely avoids using protection rackets, which is the activity most similar to what is described by the parasitic relationship. This may be an intentional strategy to avoid conflict with the governments of the region, or an accidental feature of how the network of organized crime functions. It allows organized crime to avoid confrontations

⁴⁵ Dragojlo, 2021

⁴⁶ Haxhiaj, 2021

⁴⁷ Brezar, 2021

⁴⁸ International Justice Resource Center, 2019

⁴⁹ Elek, et al., 2021

predicted by the above model, as governments are not incentivized to fight organized crime for “tribute” (either in taxes or protection money), and organized crime does not seek to supplant the state as the provider of security.

Most evidence indicates that organized criminal groups tend to be small. One book on Albanian organized crime estimates that most groups have between four to ten members and tend to organize around personal or familial connections, as personal relationships allow for a greater sense of trust.⁵⁰ Interviews of prisoners conducted by the UN made similar findings. Although there are exceptional examples of larger criminal groups, a typical migrant-smuggling group consists of five people, while a typical drug-smuggling group consists of five to ten people. These groups tend to have a short lifespan, most forming and breaking apart within one year.⁵¹

The organization of these groups appears to differ based on their size. According to the UN report, “three main types of OC groups emerged from the expert interviews: small ad-hoc groups without an established structure, medium-sized groups with a hierarchical structure, and large groups resembling the structure of a network. There are also differences that emerge between different types of organized crime groups and their proclivity towards territoriality. Drug trafficking groups tended to be more territorial than migrant traffickers, possibly due to a need for a more entrenched network of suppliers, wholesale distributors, retailers, and local dealers.⁵²

This runs counter to the implications of the above model suggesting competition. Organized crime tends to operate in small cell, with only drug trafficking groups tending to

⁵⁰ Arsovska, 2015

⁵¹ “Measuring Organized Crime in the Western Balkans,” 2020

⁵² “Measuring Organized Crime in the Western Balkans,” 2020

maintain an idea of territory. A small, organized crime group engaging in collecting protection money may struggle to have enough power to credibly threaten its victims or offer protection against other groups, and territoriality is also implied as an organized crime group would have to have a reasonably credible monopoly on violence, which is often geographically bound. There is also a notable gap in the literature indicating the existence of protection racket related crime, despite trafficking related crime having some research to indicate its existence. Although this does not necessarily prove that protection rackets do not exist, it is not a well-recognized problem in the region.

Protection rackets involve offering protection from credible threats to a business or citizen, whether that threat comes from the entity offering protection or elsewhere. In this way, they are related to the crime of extortion as a threat is being used to extract money from individuals. However, a mere .7% of businesses suffered from extortion attempts regionally according to the UN,⁵³ a crime which would be expected to be more common if protection rackets were a major feature of organized crime in the Western Balkans. Of this fraction of businesses, only 13.8 suspected that the threat was being made on behalf of organized criminal groups, indicating that protection rackets are not a prominent problem.

As this UN report was one of the only direct sources of data on extortion and other evidence regarding protection rackets is largely conjecture, there is not enough evidence to conclusively state that it does not exist on a large scale in the Western Balkans. However, what evidence there is suggests that the initial assumption (that organized crime and states would

⁵³ "Business, Corruption and Crime in the Western Balkans," 2013

compete based on a state's "monopoly of legitimate force" and on a monopoly on security) is not supported by evidence.

This is an important characteristic of modern Western Balkans organized crime, because other examples of criminal groups do include characteristics of protection rackets and *de facto* territorial control. This includes examples from around the world and the Western Balkans at different times. These cases demonstrate that the criminal organizations do sometimes engage in protection rackets or similar strategies, demonstrating contrasting methodologies for criminal organizations.

This is an important characteristic of modern Western Balkans organized crime, because other examples of criminal groups do include characteristics of protection rackets and *de facto* territorial control. This includes examples from around the world and the Western Balkans at different times. These cases demonstrate that the criminal organizations do sometimes engage in protection rackets or similar strategies, demonstrating contrasting methodologies for criminal organizations.

Protection Rackets in Organized Crime

One of the most famous examples of organized crime is the Sicilian mafia in America. The prominence of this mafia in popular culture, books, and movies is influential on the way that the public, researchers, and policy makers think about organized crime as a general subject. However, organized crime groups around the world vary widely in organization, motive, and—most importantly for this chapter—the kind of crimes they commit. This makes comparing criminal networks from around the world a useful tool for recognizing notable differences. The Sicilian mafia differentiated itself from organized crime in the Western Balkans by featuring protection rackets as one of its prominent activities.

The Sicilian mafia's use of protection rackets also tells us about the kinds of services that protection rackets provide. A business owner might pay a mafioso for "protection," broadly speaking, and also receive protection against competing businesses, moderation (and favorable treatment) in business deals, in addition to "protection" in the extortive sense in which the mafia offers protection from itself.⁵⁴ The Sicilian mafia demonstrates how protection rackets actually offer a range of goods and services that they provide in exchange for money. These goods and services are often provided by the government but in this case, organized crime acts as an alternative to more government functions than just the provision of security. In this way, a criminal network can act as a challenger to a state's sovereignty and role as a specialist in violence.

The example of the Sicilian mafia can be used to demonstrate how in practice, protection rackets offer a more complex economic and social service than Hirschfeld's theoretical description of a parasitic relationship based on raiding. Research looking for examples of organized crime acting as moderators or providing favorable treatment to those it protects could help prove the existence of protection rackets or the lack thereof. Such low reporting of "extortion" might also be because business owners do not view the protection racket as such a parasitic relationship as implied by the term "extortion," rather being a service they were willing to pay for.

The case of organized crime in the *favelas* of Brazil makes another interesting comparison to the Western Balkans. *Favelas* are dense, underdeveloped urban areas on the outskirts of major cities where some of the cities' poorest residents live. Criminal groups in the

⁵⁴ Gambetta, 1993

favelas often provide some degree of services to the communities in which they operate in exchange for tacit cooperation from the community. *Favela* gangs use their “quasi-dictatorial powers” to provide basic security and social assistance to poorer residents.⁵⁵ Although it is unclear if these services are usually in exchange for some kind of extortion (or taxation) such as in a protection racket, the fact that these *favelas* operate territorially and provide basic security shows them taking on governance roles that there is little evidence for in the Western Balkans.

The *favela* example is another interesting counterpoint to organized crime in the Western Balkans. Why would organized crime in *favelas* engage in some level of local governance while organized crime in the Western Balkans do not? A similar analog to the isolated and condensed populations of *favelas* could be the enclaves of ethnic Serbs along the northern border of Kosovo. These enclaves are isolated from the rest of Kosovo that also are underdeveloped or seem to be difficult for the Kosovar government to extend control over based on incidents such as the Mitrovica incident and the assassination of Oliver Ivanovic.^{56 57} Further research into the structure and role of organized crime in these communities could reveal insights into how organized crime might operate in isolated communities.

The last example of a nongovernmental organization engaging in the collection of money in exchange for the provision of services comes from the Western Balkans themselves. During the conflict between the Serbian government and the Kosovo Liberation Army (KLA) in the late 1990s, the NATO-backed KLA used connections with organized crime in Albania and elsewhere to fund their efforts against the Serbian government.⁵⁸ This is an example of a non-governmental

⁵⁵ Dewey, 2017

⁵⁶ Bajrami & Semini, 2021

⁵⁷ Joseph, 2018

⁵⁸ Chossudovsky, 1999

group providing security in exchange for support, and was marked by a bloody civil war. Interestingly, the civil resistance movement in Kosovo engaged in the provision of important goods and services, most notably public healthcare and education, using a system of voluntary taxation.⁵⁹ These “taxes” were spent on a number of public good programs, and was largely collected by the government in exile. The public goods programs also relied on smuggling to provide necessary materials.^{60 61}

The collection of taxes to provide a public good is similar to examples of protection rackets elsewhere. A nonstate organization was providing goods to a population where the existing governments were unwilling or unable to. Although it is not clear to what degree criminal groups were involved in the civil resistance movement, this demonstrates an example of the informal provision of goods and services in the Western Balkans. This is similar to how protection rackets work in that it was providing goods and services to people otherwise unable to receive it from the existing state specialist in violence in exchange for taxes. This was done against the wishes of the state government of Serbia.

The existence of the civil resistance movement and their strategies for providing goods and services show a historical precedent that could cause one to expect a similar situation today. However, there is little evidence to show that criminal organizations engage in this kind of taxation in exchange for services or protection rackets. This raises questions regarding how a non-governmental or even “criminal” organization to some may supplant an existing government

⁵⁹ Kostovicova, 2005

⁶⁰ Clark, 2000

⁶¹ There were a number of non-governmental and quasi-governmental organizations involved with the civil and military resistance in Kosovo. The lines between them are often not clear, but not all individual organizations have direct links to organized crime. Therefore, I avoid calling the civil resistance’s actions a “protection racket” because not all involved organizations were necessarily criminal, and the motives were not necessarily profit.

to as having a “monopoly on legitimate force.” For example: how do the motives of the non-governmental organization (such as being motivated by profit or public good) impact the effectiveness of their strategy? How does the ostracism of an ethnic group impact the demand for the alternative sources of public goods facilitated by organized crime? How does equitable access to public goods impact the ability of organized crime to provide alternative sources? Research into the social needs of a community and the ability of organized crime to engage in protection rackets could help clarify why there is such little evidence for protection rackets today in the Western Balkans, despite historic precedent.

Conclusion

Theoretical models and ideas about state sovereignty imply that state governments and organized crime would have an inherently competitive and antagonistic relationship, as organized crime can be a direct challenge to state sovereignty by providing alternative goods and services, (especially security,) in exchange for payment. This is usually referred to as a protection racket or extortion. However, there is little evidence for organized crime engaging in this kind of activity in the Western Balkans. This indicates that the assumption that organized crime and governments would have an antagonistic relationship based on the above models are not supported by evidence in the case of the Western Balkans. This finding is a key part of understanding why despite being states privileged with sovereignty within their borders, Western Balkans governments often facilitate alternative sources of power such as organized crime.

However, examples from other criminal groups around the world and local historical examples of similar concepts indicate that noncompetition is not true in all cases of organized crime. More research comparing Western Balkans organized crime with other examples from around the world is necessary to understand why some criminal networks develop protection

rackets while others do not. More research is also needed to be more certain that organized crime in the Western Balkans is not engaging protection rackets or the provision of alternative sources of goods and services. It could also be beneficial to look more into the role of organized crime as a moderator in private and business affairs in the region, as this could be indicative of organized crime fulfilling a role usually performed by a government.

Chapter 3: Organized Crime in the Informal Economy

From raiders to a protection racket to a government, the application of the evolutionary perspective to organized crime implies that a government forms in response to an incentive to tax more efficiently. As discussed in the literature review in the introduction, a criminal organization may evolve into a government to collect wealth more efficiently from the citizens living within its territory. This is achieved when the criminal organization is patient enough to develop a system of constant taxation over time in exchange for goods and services and chooses not to instead engage in a parasitic relationship of raiding or extortion.

Whether the group resembles more of a protection racket or a government, it is to their advantage to maximize efficiency of collection and not share the collected money with a competing group. As it relates to this paper's *why cooperate* question, it raises the following issue: If the governments of the Balkans want to maximize the taxes they collect, why would those governments allow organized crime to conduct business on their territory?

The model of evolutionary organized crime as discussed in the literature review (specifically by Hirschfeld and Bates) is more directed at criminal networks that engage in protection rackets, an activity for which there is not much supporting evidence in the Balkans. However, this question still applies to the effect of organized crime as a part of a larger informal economy, and what this implies for the ability of the governments to generate tax revenue, because the informal markets organized crime operates in cannot be taxed nor can the people who are working in them. This chapter will show that governments in the Western Balkans are not incentivized to interfere with organized crime's role in the informal economy as it generates economic activity, and some governments may rely on the informal economic activity. Governments are especially disincentivized to interfere with criminal informal economic activity

to which there is no legal alternative, as these activities cannot be brought into the formal economy, so eliminating them would eliminate a source of revenue.

Organized Crime in an Informal Economy

Before digging into why a government might tolerate an illegal untaxable source of revenue generation such as organized crime, one might ask the question: what is an informal economy and how does organized crime play a role? The answer to this question is the subject of much debate beyond the scope of this paper. However, a basic primer may be useful to understanding its significance to the questions of this paper.

Jim Thomas defines informal economic activity as “as the production and distribution of economic goods and services whose value is not included fully, if at all, in the National Income Accounts of a country.” He describes the informal economy as having four sectors: household, informal, underground, and criminal. These sectors are based on “whether market transactions are involved and whether either the goods and services or the processes of production and distribution are legal or illegal.”⁶² These differences are broke down by his following graph.

Table 1: The Structure of Informal Economic Activity

Sector	Market Transactions	Output	Production/Distribution
Household	No	Legal	Legal
Informal	Yes	Legal	Quasi-Legal
Underground	Yes	Legal	Illegal
Criminal	Yes	Illegal	Illegal

⁶³

This understanding of the informal economy helps differentiate between the different kinds of economic activity that make up and informal economy. The household sector may include activities such as a family growing some of their own food or cutting their own firewood,

⁶² Thomas, 2001

⁶³ Thomas, 2001

generating legal products which they use themselves. If that family were to sell the produce or firewood they were producing to neighbors, this would then qualify as being part of the informal sector. One example from the Balkans could be the smuggling of fuel and cigarettes, an activity that has historically been associated with organized crime. The activity is illegal, but the product it supplies is legal, qualifying this as underground activity. An example of a criminal informal economic activity would be if the criminal group were to smuggle heroine instead, as the output of this activity itself is illegal.

This understanding lists “informal” as a distinct sector of the informal economy, which may be confusing to some readers. All four sectors are considered part of the informal economy, with the “informal” sector being a distinct sector like the others. However, this understanding is useful to the purposes of this paper as it separates the criminal sector as a distinct aspect of the informal economy. The criminal sector is unique as the only one with an illegal output.

One article from Corrine Delechat and Leandro Medina defines the informal economy as one that “[comprises] activities that have market value and would add to tax revenue and GDP if they were recorded.” They may include people and businesses that avoid the formal economy to avoid taxation and regulation, but also those who “lack the education and skills for formal employment or be too poor to access public and financial services.” These economies are expected to shrink as an economy develops, and a large informal economy is taken to be a sign that an economy has not developed fully. Economic growth is considered to be hindered by informal economies as it does not contribute to the tax base, tends to remain small and is associated with high inequality.⁶⁴

⁶⁴ Delechat & Medina, 2020

This reinforces why we might expect governments in the Western Balkans to be incentivized to reduce the informal economies in the Western Balkans, including reducing the role of organized crime. If Western Balkans governments are incentivized to increase the amount of taxes they collect and informal economies are associated with a lack of economic development, this may incentivize governments to try to formalize the informal economic sector. However, Delechat and Medina also recognize that “the informal sector is currently the only viable income source for billions of people,” so developing countries have to formalize their economies gradually.⁶⁵

If a large portion of a country’s population relies on the informal economy, then the government of that country may also rely on the informal economy to provide for the basic needs of its citizens. An informal economy may also bring money into the country if products produced by or traded through the country is being sold internationally, which can stimulate the formal economy if there is trade between the formal and informal economy. People may also rely on the goods and services produced by the informal economy, including to conduct their businesses in the formal economy.

However, there is no formal alternative to criminal informal economic activities. For example, in the case of a criminal organization that traffics in humans and narcotics, governments cannot formalize and tax this market as the output itself is illegal. This may incentivize a government to ignore criminal activities if those activities are contributing economically if the societal cost of those activities are low enough. This chapter will explain one way in which money is brought into the country by the drug trade and how this money stimulates the formal economy. Chapter 4 will give more examples of how this trade has a lower social cost

⁶⁵ Delechat & Medina, 2020

than may be expected. This chapter will also explain describe two examples of an underground sector in the Western Balkans. In Serbia, illegally produced rakija is sold in the formal market, and in Kosovo an informal system of taxicabs provides an inexpensive alternative transportation providing a needed service.

Reliance on Informality

The fundamental problem with eliminating the informal economy is that in many places in the Western Balkans and the world, the informal economy is relied upon by many people especially when the formal economy may lack economic opportunities. The table below gives a snapshot of several key economic features of the Western Balkans countries covered in this thesis. Without an informal economy, many of these countries might struggle to provide for their populations.

Table 2 : Economies in the Western Balkans

Country	GDP per capita in 2019 (USD, nominal)	GDP per capita Rank in Europe (of 46)	Unemployment percentage (Taken between 2020-2022)	Human Development Index (HDI)
Albania	5,372.7	40	11.6	0.795
Bosnia i Herzegovina	5,741.8	39	31.0	0.780
Croatia	14,949.8	29	7.8	0.851
Kosovo	4,442.4	43	25.6	N/a ⁶⁶
Montenegro	8,703.9	35	24.2	0.829
North Macedonia	6,096.5	38	15.2	0.774
Serbia	7,397.7	36	9.8	0.806

⁶⁷ ⁶⁸ ⁶⁹ ⁷⁰ ⁷¹ ⁷² ⁷³ ⁷⁴ ⁷⁵

GDP per capita in these countries is well below the average in Europe of 26,332.4 ^{USD} in 2019.⁷⁶ Although these countries have reasonably high HDI scores, they are still generally well below the average HDI of the European Union at 0.895.⁷⁷ HDI is calculated by “mean years of schooling, expected years of schooling, life expectancy at birth, and gross national income (GNI)

⁶⁶ No data available from HDI. However, Kosovo ranks 85th on the United Nations Human Development Programme, which has some similarities to HDI. Kosovo is amongst the lowest ranking in the Western Balkans region. (Annex C. Field Visit to Kosovo, 2020)

⁶⁷ “List of European Countries by GDP Per Capita,” 2021

⁶⁸ “List of European Countries by GDP Per Capita,” 2021

⁶⁹ “Unemployment Rate: Europe,” 2022

⁷⁰ “Briefing Note for Countries on the 2020 Human Development Report Albania,” 2020

⁷¹ “Briefing Note for Countries on the 2020 Human Development Report Bosnia and Herzegovina,” 2020

⁷² “Briefing Note for Countries on the 2020 Human Development Report Croatia,” 2020

⁷³ “Briefing Note for Countries on the 2020 Human Development Report Montenegro,” 2020

⁷⁴ “Briefing Note for Countries on the 2020 Human Development Report North Macedonia,” 2020

⁷⁵ “Briefing Note for Countries on the 2020 Human Development Report Serbia,” 2020

⁷⁶ “European Union GDP Per Capita,” 2022

⁷⁷ “Human development in the European Union,” 2022

per capita.”⁷⁸ However, one of the most striking features of this above table is the high unemployment rate, with Bosnia i Hercegovina having 31% of its population unemployed.

Notably, the data above relating to GDP and unemployment do not include money and jobs generated by the informal economy. The size of the informal economy in any of these countries is inherently difficult to assess, as the types of informal economic activity are unreported or even intentionally hid, depending on their legality. However, assuming that most people need to have some means of subsistence, a high unemployment may indicate a large number of people relying on an informal economy to live. Furthermore, as discussed earlier, there are many different degrees of reliance on the informal economy, as a person may have a formal job in addition to engaging in the informal economy. A person may also find themselves not working in the informal economy, but still rely on consuming goods and services produced by the informal economy.

The lack of formal economic activity makes it more likely that people may rely on an informal economy to survive, especially within a country’s poorer populations. The economic opportunities of the informal economy may be more lucrative or easily available, encouraging more people to look for employment in these markets. The lack of regulation and the need to compete with legal alternatives may also drive down the cost of some of these goods and services, which may allow poorer people to rely on goods and services in the informal market as consumers as well. Some specific examples of informal markets are discussed below.

Examples of Informal Economy in the Western Balkans

Perhaps one of the most famous (or infamous) examples of an underground informal economic activity in the Western Balkans is the production and consumption of *rakija*. Made

⁷⁸ “Human Development Index (HDI),” United Nations Development Program

from fermented fruit, *rakija* is a distilled alcoholic spirit endemic to the region. Despite being sold commercially, much of the spirit is homemade, often without proper licensing.^{79 80}

However, there is little evidence to suggest much effort on the part of law enforcement to stop the practice of homemade *rakija*, although some estimates claim that illegal production may produce three quarters of the spirit in the Serbian market⁸¹. The *rakija* market is a good example of a underground informal economic activity because although it is not in of itself illegal, much of the production takes place illegally outside of the regulated formal market.

However, the production of illegally made *rakija* is also a good example of how a product can move from the informal economy to a formal economy. *Rakija* produced illegally can often find its way into legally operated bars, restaurants, and liquor stands, where it is then sold again legally, generating tax revenue. Though the government may be incentivized to gradually regulate this activity and bring it into to formal economy, it may overall reduce its tax revenue if it damages the bar and restaurant industry by damaging the supply of *rakija* through overzealous enforcement.

Another example is the informal taxi system of Prishtina, Kosovo. This service involves independently operating cab drivers, offering a service somewhere in between what would be expected from a taxi and a bus, often taking on multiple passengers at once and ferrying them around the city much more quickly than public transport for only slightly more cost.⁸² Despite being illegal, these cabs are popular due to their practicality and affordability although there is a legal taxi system as an alternative. Again, this underground informal economic activity

⁷⁹ Subotic, 2015

⁸⁰ "Carinici kaznili 98-godišnju Staricu Jer Je pekla rakiju," 2019

⁸¹ Subotic, 2015

⁸² Kika, 2018

demonstrates how a legal service is being conducted illegally and at risk of fine outside of the formal market.

Although the government may prefer to have a fully formal and taxable taxi system, this provides a source of transportation to the Prishtina's residents to which there may not be a better alternative. If a government were to try to enforce laws against this taxi system more strongly, it could damage this service that many of its citizens find necessary, or even damage the formal economy further if it becomes difficult for people to go to work or travel to stores to buy things. This may incentivize the government to tolerate this area of the informal market until it can gradually create a more formal and tax-paying alternative.

However, not all markets have a legal alternative. Chapter 4 will discuss Albanian marijuana production as one such example of an illegal industry that makes up a significant portion of the economy of a country. Being such a large industry in a country with a small GDP per capita, it should be little surprise that people report relying on the money it generates^{83 84}. The extent of the problem—how many people are reliant on the market and to what degree—is not clear for this specific issue, but some evidence is emerging which gives an idea of the prevalence of criminal activity in the informal market as a whole.

Illicit Financial Flows (IFFs) is broad and loosely defined term for “‘money that is illegally earned, transferred or used and that crosses borders’, and that is mainly generated from three sources: criminal activity, corruption and tax fraud.” In one UN report on Kosovo, Albania, and North Macedonia, illicit financial flows may make up as much as 30-40% of the informal economies of the countries. Another large industry for IFFs is the housing and construction

⁸³ Ziaj, 2021

⁸⁴ Nabolli, 2016

industry, which is frequently used to launder money by undercounting the value of labor and the sale of finished buildings. Construction is part of the larger general industry sector, which accounts for between 20-30% of the three countries' GDP.⁸⁵

This shows that a large percentage of these countries' GDP may be reliant on the informal economy. It also shows how the informal economy and formal economies are connected. Large amounts of money from the drug trade are laundered through formal industries such as construction and housing,⁸⁶ showing how criminal informal economic activities can still contribute large amounts of money to the formal economy. Milo Djukanovic, who became prime minister of Montenegro in 1991, was implicated in smuggling activities with the Italian mafia in the 1990s, bringing large amounts of money into Montenegro that arguably allowed the country to survive, in addition to making Djukanovic incredibly rich.⁸⁷

These examples make an important point about the criminal informal economic activities in these countries. Despite their illegality, these activities are important sources of revenue for their countries which already struggle with having enough economic activity. These markets also do not have an easy legal alternative. As long as marijuana is an illegal product, there is no legal alternative to the criminal activities that would allow the governments to tax it. Likewise, there is no legal alternative to the money-laundering taking place in the construction industry.⁸⁸ Because these illegal markets cannot be replaced by a legal alternative, there is no direct tax incentive to

⁸⁵ Amerhauser & Reitano, 2020

⁸⁶ Amerhauser & Reitano, 2020

⁸⁷ Kemp, 2017

⁸⁸ A reader may be asking at this point, "How is money-laundering in construction not part of the underground sector, as construction is a legal industry?" This is because the *product* in question is the money-laundering itself, which has no legal alternative. In this definition of a criminal informal economy, the construction industry is merely the tool being used to produce an illegal product, therefore only the section of the construction industry being used for this end is treated as illegal for the purposes of this thesis.

regulating and inhibiting these markets in order to promote a legal alternative. On the contrary, these industries can help circulate money and bring in additional money from outside the country that may be later spent in the formal economy or help provide a livelihood for their citizens.

This does not apply to the examples of underground informal economies discussed above. *Rakija* and the informal Pristina taxi service do have a taxable legal alternative, and therefore the relevant governments do have an incentive to legalize them. This makes them easier candidates to incorporate into the legal economy, but there are still practical challenges to enforcing laws. Four possible examples are highlighted below.

Firstly, people may rely on the money they can make in these informal sectors for income. Unlike some criminal informal economic sectors such as drugs or human trafficking, people may also legitimately depend on this sector for the goods and services it provides such as cheap transportation in the case of the informal taxi service.

Secondly, as opposed to criminal activities such as drug and weapon smuggling, human trafficking, protection rackets, and violent crimes, this type of illegal economic activity does a more minimal societal damage by not paying taxes or competing with legitimate business. Given that they also create some economic activity, albeit untaxed, this may make underground informal economic activity a low priority for law enforcement.

Thirdly, if the court systems are overburdened, underfunded, or otherwise struggle to keep up with the demands on their time, this may make it difficult to prosecute or effectively enforce the law relating to these markets.

Fourthly, corruption and bribery also may make enforcement difficult. This is the subject of Chapter 5 in which it will be explained further. However, it is easy to bribe one's way out of a

fine or even arrest due to rampant corruption problems, reducing the effectiveness of law enforcement.

Again, these issues stress the need for additional research on this topic, as any one of them could become the subject of papers and books on informal economy and its effects, yet there is especially little evidence regarding peoples' reliance on the informal market and its damage to the economy.

Conclusion

Organized crime is part of the informal economy but does not account for its entirety. Many countries in the Western Balkans may rely on the informal economy to create activity in their struggling economies. Despite being unable to tax it, Western Balkans governments are incentivized to tolerate informal economic activity—part of which involves organized crime—because it brings money into the country, circulates it throughout the economy, and creates jobs, goods, and services people rely on. In particular, there is little economic reason to crack down on criminal informal economic activities, because as they produce illegal products, there is no way to bring them into the legal formal economy in which they could be taxed.

Chapter 4: The Western Balkans in the Drug Market

Organized crime networks do not affect all countries they are found in in the same ways. This chapter will specifically discuss the drug trade, and how the effects of the business might be different for a country that has consumers for the drug than a country that is merely distributing the drug, such as those found in the Western Balkans.

Most of the countries in the Western Balkans region act as distributor countries for drugs. Albania is unique in that it also produces some of the drugs itself. However, because hard drug usage in these countries is low, these countries do not suffer as much from the adverse social and economic impacts related to drug use compared to countries in western Europe where the drugs are consumed. Therefore, governments in the Western Balkans are less incentivized to obstruct organized crime by the societal cost of drug usage enabled by organized criminal networks within their borders.

This chapter shows that most of the opium in the Western Balkans and Europe originate in areas of Afghanistan and Pakistan, before being trafficked through the Western Balkans to somewhere else. Cannabis is being produced partially in Albania, but also is being trafficked in large part to other countries such as Italy because the consumption of the product is lower in the Western Balkans. The lower rate of consumption may contribute to the lower incentive to halt drug smuggling activities.

Drugs in a Global Trade Network

This chapter describes how different countries play different roles along the Balkan Route. Some countries, such as Afghanistan, Pakistan, and Albania are *Production Countries* in which large amounts of certain drugs are being produced. Other countries, such as Iran, Turkey, and most of the Western Balkans play a role of being *Distribution Countries*, as much of the

global drug trade passes through them from production countries, but the drugs are not consumed in them to a large extent. The drugs eventually arrive in *Consumption Countries* which in this case are mainly found throughout the rest of Europe. As the name implies, these countries are generally the final market in which the drugs are consumed.

The difference between production, distribution, and consumption countries along with the role of Western Balkans countries along the Balkan Route, may help explain why governments in the Western Balkans are not incentivized to take stronger action against organized crime.

Production

The Balkans sit along a global trade network for opium products.⁸⁹ The opium primarily originates in Afghanistan, the world largest opium producer.⁹⁰ Afghanistan's opium production hit record highs in 2017, when it produced approximately 9,000 metric tons of opium, but quickly fell to 6,400 metric tons due to a drought.⁹¹ In 2020, Afghanistan was producing 85% of the world's opium products.⁹²

The production of opium in Afghanistan is tied to Taliban groups both before and after the 2001 US invasion of Afghanistan. Before the invasion, Afghanistan's opium production never exceeded 4,600 metric tons in 1999. In 2001, Afghanistan's production fell to 200 metric tons due to environmental factors and the US invasion, although distribution does not seem to

⁸⁹ Kemp, 2017

⁹⁰ World Drug Report, 2021

⁹¹ "Afghanistan Opium Survey," 2018

⁹² World Drug Report, 2021

have been affected due to the Taliban stockpile.⁹³ Following 2001, production rose to record high in 2017 before stabilizing.⁹⁴

The Taliban's success with growing opium was not confined to Afghanistan. Taliban-controlled areas of Pakistan such as the Swat valley are important areas for opium production. One of the main driving factors to the production of opium is its profitability and low risk. "In 2009 the United Nations reported that Afghan farmers earn \$3562 per Ha from poppies compared to \$1101 per Ha of wheat."⁹⁵

The opium trade network is enabled by an underground banking system called the hawala.⁹⁶ This is a complex system of informal transactions and credit that dominates the Afghani market and is estimated to conduct 90% of all business transactions within Afghanistan, including legal ones. This system is also used to conduct other kinds of financial transactions such as deposit keeping, currency exchange, loans, and other services.⁹⁷

The Balkans are also important to the global trade of cannabis and cannabis products. Afghanistan is the estimated to be the second largest producer of cannabis resins behind Morocco. Given the existence of trade networks already in place to transport opium products via the Balkan Route, it is likely that these routes could also be used to transport cannabis resins from Afghanistan. However, unlike other plant-based drugs that are produced in a few countries and distributed around the world, cannabis herb tends to be widely produced and shipped a shorter distance before being consumed.⁹⁸

⁹³ Swartz, 2011

⁹⁴ World Drug Report, 2021

⁹⁵ Swartz, 2011

⁹⁶ Swartz, 2011

⁹⁷ Rahimi, 2020

⁹⁸ World Drug Report, 2021

Among the source countries for cannabis, Albania is one of the largest regional producers. “Over the 2014-2018 period Albania was mentioned by other European countries as the main ‘country of origin’ of cannabis herb found on their markets, closely followed by the Netherlands.”⁹⁹ The “cannabis capital of Albania” used to be the municipality of Lazarat near the Greek border. Before a crackdown on the production of cannabis, it was estimated that “Lazarat may produce up to 6 billion dollars’ worth of marijuana every year. To put that in perspective, the annual GDP of the entire Albanian economy is about thirteen billion dollars.”¹⁰⁰

Following police raids and a crackdown on cannabis production in Lazarat in 2014, there is evidence that the production of cannabis was dispersed to the outlying parts of the country¹⁰¹ leading to a possible record harvest in 2016. This may be partially due to an increase in cannabis prices following the 2014 Lazarat raid driving up prices and encouraging production. Subsequent police raids and enforcement efforts have successfully seized large amounts of cannabis, but the continued drop in prices indicates that production is still growing.¹⁰² This may be due to a lack of high-profile arrests in the cannabis business, as arrest numbers are low and are mainly of low-level laborers.¹⁰³ Police efforts against drugs elsewhere in the country have also been unsuccessful, with experts in Albania estimating that a mere 20% of drugs passing through the country are seized.¹⁰⁴

Distribution

The Balkan Route is the largest trade route for opiates in the world, it plays an important role in the distribution of cannabis, and it may play more limited but not insubstantial part in the

⁹⁹ “Measuring Organized Crime in the Western Balkans,” 2020

¹⁰⁰ Arsovska, 2015

¹⁰¹ Ziaj, 2021

¹⁰² “Measuring Organized Crime in the Western Balkans,” 2020

¹⁰³ Nabolli, 2016

¹⁰⁴ Amerhauser & Reitano, 2020

import of cocaine products from South America. “More than 70 per cent of the heroin in Western and Central Europe seems to have transited the Balkan Route over the period 2015–2019.”¹⁰⁵ ¹⁰⁶

This is the path of most opiates as they follow the Balkan Route: Opiates generally are produced in Afghanistan and transported Pakistan. From there they are usually transported by land into and out of Iran and into Turkey. From Turkey, the drugs are smuggled to Bulgaria and into various Western Balkans countries. From there, it is distributed to central and western Europe.¹⁰⁷ Often the route also includes shipments to Italy via Albania, whose respective organized crime networks have historically shown a tendency to collaborate.¹⁰⁸ Otherwise, it is thought to flow north from the Balkans into western, central, and eastern Europe. It is important to note that this is probably the largest route, but the constant shifting nature and numerous branches means that not all opiates pass this way all of the time. The annual market value of heroin transferred along the Balkan Route is estimated to be around 20 billion dollars.¹⁰⁹

One of the most commonly used drugs in the Balkans is cannabis. 7.7% of respondents aged 18-64 in Serbia said they had used cannabis at least once in their lifetime.¹¹⁰ About 1 in 10 people aged 15-64 in Albania reported trying cannabis at least once.¹¹¹ In Kosovo, lifetime cannabis users were found to be at 3.8%. In a survey by the European School Survey Project on Alcohol and other Drugs, 1.4% of students aged 15-16 said they’d used cannabis in the last 30

¹⁰⁵ World Drug Report, 2021

¹⁰⁶ Cocaine is mostly left out of this analysis, as there is only limited evidence for it being a major drug smuggled through the Balkan Route. However, new data is emerging related to cocaine busts in the region that may indicate that this may be a relevant area for research in the future.

¹⁰⁷ World Drug Report, 2021

¹⁰⁸ Arsovska, 2015

¹⁰⁹ World Drug Report, 2010

¹¹⁰ “The Strategy for the Prevention of Drug Abuse for the Period 2014-2021,” 2014

¹¹¹ Albania National Drug Report 2017, 2017

days, which was one of the lowest rates of participating countries.¹¹² While these figures may not necessarily be representative of other Western Balkans countries, the fact that consumption is consistently low suggests that this may be a regional trend.

The low demand in these countries indicates that although some of the cannabis being produced is consumed locally, there is not high enough demand in the Balkans to explain the high rate of production. This indicates that the cannabis produced and trafficked through the Western Balkans is headed to other destination countries. This, combined with evidence of large quantities of cannabis in Europe being identified as from Albania, indicates that much cannabis and cannabis products originate from or are smuggled through the Western Balkans, but are on their way to somewhere else.

Consumption of other drugs is also low. In Serbia, an 1.6% of respondents had used other illicit drugs,¹¹³ while in Kosovo, only 0.6% had tried heroin or amphetamines.¹¹⁴ This suggests that opium is also being moved through the country without being used.

Consumption

The consumers for the drugs acquired via the Balkan Route are mainly found elsewhere in Europe. Although it is difficult to find precise data indicating where the majority of the drug is being used, the UN estimates that 0.8% of the population has used it in the past year,¹¹⁵ which is notably higher than the global average of 0.6%.¹¹⁶ Opium use tends to vary widely by country, but is consumed slightly more commonly in eastern and southeastern Europe.¹¹⁷ Overall, based

¹¹² National Report Kosovo 2014, 2014

¹¹³ "The Strategy for the Prevention of Drug Abuse for the Period 2014-2021," 2014

¹¹⁴ National Report Kosovo 2014, 2014

¹¹⁵ World Drug Report, 2021

¹¹⁶ World Drug Report, 2021

¹¹⁷ World Drug Report, 2021

on data from the European Monitoring Centre for Drugs and Drug Addiction, the concentration of opium users appears to be lower in the Western Balkans than the rest of Europe.

Cannabis is the most widely consumed drug in the world.¹¹⁸ Albania continues to be a major producer of cannabis in the region and for the rest of Europe.¹¹⁹ However, although some cannabis is consumed in Western Balkans countries, compared to the rest of Europe, the percentage of users tends to be lower.

Below is a table of the four most populous EU countries and the three most populous Western Balkans countries and their respective drug usage of cannabis and opioids. These countries were chosen for their population size to represent as many EU and Western Balkan citizens as possible, without regard for usage rates to avoid bias. Therefore, the variety in usage rates, especially across EU countries, indicates that usage changes by country, and these numbers may not reflect the usage across every EU country.

¹¹⁸ World Drug Report, 2021

¹¹⁹ "Measuring Organized Crime in the Western Balkans," 2020

Table 3: Cannabis and Opioids Use

Country	Problem Drug Users (% of population) ¹²⁰	High-risk opioid users (rate/1000)	Last year cannabis use (% of population)
Germany	.177-.21	1.95	6.1
France		5.19	11
Italy		6.04	10.2
Spain		2.2	11
Serbia ¹²¹	.23		3.4
Bosnia i Herzegovina	.259		1.1
Albania	.21		5

¹²² 123 124 125 126 127 128 129 130 131 132 133 134 135

Opioid consumption in the Western Balkans appears to be generally lower than some EU countries, or equal to the consumption in EU countries with a low consumption. Cannabis consumption is much lower with Albania having the highest rate of consumption, which may be related to the high rate of production previously discussed.

One of the problems with directly comparing rate of drug usage is the fact that the EMCDDA does not always use the same terminology, and when it does, it would seem that some terms such as “high-risk opioid use” are not consistently defined. Germany is the only country

¹²⁰ This percentage is derived from the estimated number of users calculated against the size of the population during the year the estimate was made.

¹²¹ The EMCDDA report on Serbia uses the term “people who inject drugs” as opposed to “problem drug users,” although the terms seem to be describing similar factors. Most of these injections are thought to be opioids.

¹²² EMCDDA, “Germany, Country Drug Report 2017,” 2017

¹²³ “Germany 2017,” 2019

¹²⁴ EMCDDA, “Serbia National Drug Report 2017,” 2017

¹²⁵ “Serbia 2013,” 2019

¹²⁶ EMCDDA, “Bosnia and Herzegovina country overview,” 2013

¹²⁷ “Bosnia and Herzegovina 2009,” 2019

¹²⁸ “Albania 2014,” 2019

¹²⁹ EMCDDA, “Germany, Country Drug Report 2019,” 2019

¹³⁰ EMCDDA, “France, Country Drug Report 2019,” 2019

¹³¹ EMCDDA, “Italy, Country Drug Report 2019,” 2019

¹³² EMCDDA, “Spain, Country Drug Report 2019,” 2019

¹³³ EMCDDA, “Serbia, Country Drug Report 2014,” 2014

¹³⁴ EMCDDA, “SUBSTANCE USE AMONG THE GENERAL POPULATION IN BOSNIA AND HERZEGOVINA IN 2018,” 2019

¹³⁵ EMCDDA, “Albania, Country Drug Report 2017,” 2017

that has data for both “problem drug users” and “high-risk opioid use,” and thus is a useful metric when comparing the two categories, showing them to be reasonably similar at least in Germany’s case. These numbers were from two separate reports from different years.

“Problem drug use is defined as injecting drug use or long-term or regular use of opioids, cocaine and/or amphetamines.”¹³⁶ “High-risk opioid use” is determined using slightly different metrics for different countries, but for Germany, it was “estimated by means of two multiplier methods using two data sources: drug-induced deaths in 2017 and treatment admissions in 2016.”¹³⁷ These two methods seem to be fairly typical for EMCDDA reports and give a good idea of the term means. This also may indicate that if more data were available, the Western Balkans would appear to have even less drug consumptions as “problem drug use” may encapsulate a larger number of users because most “high-risk” opioid users presumably also qualify as “problem drug users,” but “problem drug users” do not necessarily have to die or require medical treatment to qualify. “Problem drug use” also includes any injectable drug, most often opioids in the examples above, but may also include other drugs such as cocaine or amphetamines.

Difference in Attitude Towards Organized Crime

The different roles that countries play in the global drug trade may change the way that their governments prioritize issues relating to organized crime. As organized crime plays an important role in the production and distribution of drugs in a global market, countries in which the drug is being consumed may feel the negative impacts associated with drug usage more than countries in which drug usage is lower. While the Western Balkans do play an important role in

¹³⁶ EMCDDA, “Albania, Country Drug Report 2017,” 2017

¹³⁷ EMCDDA, “Germany, Country Drug Report 2019,” 2019

the distribution of opium and the production of cannabis, the lower usage rates (especially of more destructive drugs such as opium and its derivatives) mean that its governments may not experience the negative societal impacts as severely.

The lower prevalence of drug users in the Western Balkans may indicate one of the reasons why the Western Balkans governments seem to be more tolerant of organized crime networks. Although organized crime networks may be facilitating a market damaging the rest of Europe, the Western Balkans do not experience the negative impacts as strongly. This creates political challenges for both the Western Balkans and the rest of Europe, as they do not share the same priorities about combatting illicit drugs and thus possibly about organized crime.

Why it Matters

Making progress in the fight against organized crime remains a requirement to gaining membership to the European Union for most Western Balkans countries.¹³⁸ (Slovenia became a member state in 2004.)

The EU adopted a new enlargement strategy for the Western Balkans countries in 2018.... The strengthening of the rule of law, fighting corruption and organised crime are the cornerstones of the EU-Western Balkans strategy of 2018 and the new accession talks framework of 2020.¹³⁹

However, as mainly distribution countries, with the exception of Albania, which is also a producer, these countries are not as incentivized to make progress against organized crime. This is one characteristic of organized crime that may help it avoid conflict with governments in the Western Balkans. Not only can the lower usage rate of drugs help limit their societal damage, but the money brought in by drugs can be reinvested into the economy, which will be described later on in the thesis. Although the lower usage rate only describes a lack of incentive to fight

¹³⁸ Hoxhaj, 2021

¹³⁹ Hoxhaj, 2021

organized crime rather than a direct incentive to cooperate with it, the lack of societal problems related to drug use decreases the societal costs of organized crime. This may reduce the cost of cooperation for government officials, allowing them to cooperate in exchange for more positive incentives, which will be discussed further in the thesis.

Conclusion

The Western Balkans play a distributor role in the European drug trade. Much of the opium consumed in Europe passes through the Balkan Route on its way to countries that will consume the drug, but comparatively less of the opium appears to be consumed in the Western Balkans. Likewise, cannabis consumption seems to be lower in the Western Balkans as well. Albania is unique among Western Balkans countries as a producer of cannabis and unusual in the world as one of the rare exporters of cannabis, which is generally produced locally. Albanian cannabis may be smuggled to Europe over land through the Western Balkans or by boat to Italy.

The EU has made fighting organized crime a priority for Western Balkans countries' accession process into the EU. However, Western Balkans countries may be less incentivized to stop organized crime related to drug smuggling than the EU, as their consumption of the drugs appears to be lower, and therefore may experience less of the societal problems associated with drugs. While this is an example of a *lack of* an incentive to fight organized crime rather than a direct incentive to cooperate, this shows how the societal or political cost of organized crime's presence may be lower. Therefore positive incentives that will be discussed in further chapters may have less of a negative consequence, encouraging cooperation.

Chapter 5: Bribes and Threats

The previous chapters focused on features of organized crime in the Western Balkans that may incentivize governments to cooperate with them. Organized crime is unlikely to engage in protection rackets, may contribute to the formal and informal economies, and a low rate of drug consumption reduces the societal cost of the drug trade in the Western Balkans. Organized crime can also provide direct positive incentives to cooperate, such as providing bribes, campaign financing, and being useful to friendly officials, as well as providing direct negative incentives such as threats, harassment, and assassinations in some cases against unfriendly officials. Being a broad topic, this chapter will address these incentives briefly in turn, but will focus on providing some general findings about the way in which they are conducted and some region examples. It will not seek to provide an exhaustive account of the available information.

Direct Positive Incentives

Positive incentives discussed in this chapter include the paying of bribes, in money or otherwise, in exchange for favorable treatment from public officials. Although there is limited evidence on how organized crime pays these bribes, there are some surveys about how private businesses pay bribes. This gives a general sense about how bribes are conducted in the region, which could be continued to look more closely at how organized crime conducts bribes in future. Most of the information for this section comes from an United Nations Office on Drugs and Crime (UNODC) report based on interviews with over 12,700 companies in the western Balkans. This report provides useful quantitative data on how bribery is conducted in the western Balkans between government officials and private businesses.

On average, 10.2% of businesses in the western Balkans that had contact with a public official within 12 months of their interview paid a bribe. The number of bribe-paying businesses and the frequency with which they paid varies greatly by country. For example, Albania and

Serbia have the highest number of bribe-paying businesses. However, in in Croatia and Kosovo the average number of bribes was highest, even though the number of bribe-paying businesses in Kosovo are some of the lowest in the region. Although only about one out of ten businesses are paying bribes, the average bribe for a bribe-paying business is 7.1 a year. This may be related to the types of businesses common in each country, as the prevalence and frequency of bribes also varies by business sector.¹⁴⁰

Bribes are paid to a variety of public officials. “Some [28%] of businesses with recent corruption experience paid bribes to local government officials during the period surveyed, [27%] paid bribes to tax or revenue officers and [24%] per cent to customs officers.” Only 1.8% of these bribes are reported to authorities. This indicates that bribery is considered normal or an accepted practice.¹⁴¹

Bribery can come in different forms as well. Cash is the most popular form of bribery at 35.7%, while 33.6% of bribes are paid in food and drink. “Other goods” are exchanged in 21% of cases and 10.3% are in the form of some other kind of illicit “favor.” Again, this varies by country.¹⁴² This shows that there is a lot of variety in the method of conducting bribes. While about one third of bribes are made in cash, the popularity of paying in other forms may make bribes especially difficult to trace by not leaving a clear paper trail. This may be an intentional consideration when considering making a bribe to an official, however, even in cases when the bribe is made using money, (the report does not clarify whether a “cash” payment could include

¹⁴⁰ “Business, Corruption and Crime in the Western Balkans,” 2013

¹⁴¹ “Business, Corruption and Crime in the Western Balkans,” 2013

¹⁴² “Business, Corruption and Crime in the Western Balkans,” 2013

electronic payments such as wire transfers), the regional preference for transactions paid in physical cash may also help facilitate bribes.

Although the information above is about bribe paying businesses rather than organized crime groups, it demonstrates three key factors that may apply to organized crime as well. Firstly, the high frequency of bribes shows that governments and public officials are vulnerable to bribery or are actively exploitative. Secondly, bribes are paid to a wide variety of officials, indicated vulnerabilities across levels and sectors of government. Thirdly, the tendency for bribes to be made in cash, goods, or illicit favors means that bribes may be difficult to trace.

Western Balkans governments are also vulnerable to influence from organized crime in the form of campaign financing, as well as other forms of influence. Albania and Kosovo both permit a combination of private and public financing for political campaigns; however, private funding is supposed to be limited. In Kosovo private funding is limited to 10,000€ and in Albania 8,000€. ¹⁴³ However, the Global Initiative Against Transnational Drugs and Crime reported that

In Kosovo, a former employee of the EU Rule of Law Mission in Kosovo (EULEX) reported that political parties are hiding their finances and that the money they spend on elections far surpasses their declared income. In 2018, the European Commission reported that independent audits of political-party finances found that the parties ‘had significant amounts of unverifiable income and expenditures, persistent violation of financial accounting, international control and reporting standards, and showed instances of being in violation of the tax laws and the Law on the Prevention of Money Laundering’.¹⁴⁴

In Albania, 2019, leaked prosecution wiretaps revealed that senior party officials had colluded with criminal groups to buy votes and intimidate teachers to vote for party candidates.

¹⁴³ Amerhauser & Reitano, 2020

¹⁴⁴ Amerhauser & Reitano, 2020

The same year a wiretap revealed that Astrit Avdylaj, a known criminal leader arrested for drug trafficking, played a role in campaign of the mayor of Durres by securing votes in the region. The interference of organized crime and lack of transparency in campaign financing may inhibit the economic and democratic development of the region as it may make politicians less responsive to their electorate.¹⁴⁵

Organized crime can also be a useful tool for governments and individual politicians. In Serbia, a fan group of football hooligans known as *Janjicari*, or Janissaries, has been used to for political purposes. The *Janjicari* have been linked to drug trafficking, kidnapping, and murder, and have well established links to top political officials,¹⁴⁶ including the son of Serbia's president, Aleksandar Vučić.¹⁴⁷

In 2017, men with connections to the *Janjicari* gang were hired as private security guards for Vučić's inauguration and were photographed manhandling journalists.¹⁴⁸ Later, when leader of the *Janjicari* was arrested in the late winter of 2022, he offered to testify in several high-profile cases, including the assassination of Oliver Ivanović and the destruction of the Savamala district¹⁴⁹ mentioned in the introduction to this paper.

In Montenegro, Milo Djukanovic who became prime minister in 1991 is alleged to have been involved in a cigarette smuggling ring in partnership with the Italian mafia, using the Montenegrin coast guard to protect smugglers. Djukanovic, (who would continue serving in politics into the 2020s), made an enormous profit, but later used his influence and power to

¹⁴⁵ Amerhauser & Reitano, 2020

¹⁴⁶ Dragojlo, Feb 4 2021

¹⁴⁷ Dragojlo, Feb 16 2021

¹⁴⁸ Dragojlo, Feb 16 2021

¹⁴⁹ Bami & Dragojlo, Mar 9 2022

capture the Montenegrin state and use it to the advantage of himself, his family, and a small circle of elite, creating a “mafia state.”¹⁵⁰

This shows ways in which organized crime can also be useful to governments or politicians, beyond providing them with bribes or campaign financing. In Serbia, the *Janjicari* were used as muscle for the Serbian government at Vučić’s inauguration and may have played a role high-profile crimes with political connections. Djukanovic was able to use his power as prime minister to assist the Italian mafia, making himself rich in the process. Governments and politicians may also be incentivized to cooperate with organized crime because they can be useful to their own political or private goals.

Governments may be incentivized to cooperate through direct positive incentives, such as bribes, campaign support (financial or otherwise), and usefulness of organized crime to their political and personal goals. However, organized crime can also incentivize cooperation through direct negative incentives as well.

Direct Negative Incentives

Organized crime can also use negative incentives to encourage governments and officials to cooperate with them. These can include threats and coercion in the form of harassment of political campaigns, or even assassinations of prominent politicians. Of these high-profile assassinations, two of the most prominent ones are the assassination of Zoran Djindjić and Oliver Ivanović.

On March 12th, 2003, Serbian Prime Minister Zoran Djindjić was shot and killed by a sniper while walking from his car to a government building.¹⁵¹ 12 Serbs have been found guilty

¹⁵⁰ Kemp, 2017

¹⁵¹ “Djindjic Murder: Still Questions One Year On,” 2004

of the murder. Some of them were members of the paramilitary units the Serbian government used to fight in Bosnia, while others were members of the infamous “Zemun Clan.”¹⁵² In charges brought against members of the Zemun Clan, the Serbian government described them thusly:

The goal of organizing this criminal group was to commit illegal acts, including automobile theft, grand theft, extortion, kidnapping, murder, illegal trade in narcotics, and other criminal acts....

[The Zemun Clan] had completely regulated “connections” with various personalities from state institutions, the police, the judiciary, the prosecutors’ office, the Security Information Agency (BIA), with the president of the Serbian Radical Party Vojislav Šešelj, with military security commander General Aco Tomić, and with the entire command of the Unit for Special Operations (JSO) which was, in fact, under their strong influence, that is under their command.¹⁵³

Following the Balkans wars of the 1990s, Djindjic was a leader of a coalition that “wanted to replace, as quickly as possible, the system inherited from the communist and nationalist-authoritarian periods with one that could integrate easily into European and global institutions.”¹⁵⁴ He was one of those responsible for dispatching Slobodan Milosevic, the infamous president of Serbia who led during the wars of the 1990s, to the Hauge to face trial. “The indictment contended that Mr. Djindjic’s assassination had been an attempt by Mr. Ulemek and his co-conspirators, many of whom rose to power under Slobodan Milosevic, the former Yugoslav president, to bring extremists back to power and prevent war-crime suspects from being sent for trial in The Hague.”¹⁵⁵

In this case, members of the old establishment in Serbian politics chose to assassinate a high-ranking government official using a criminal organization to preserve their interests. Although motivations are difficult to prove, it may be that this was also about sending a message

¹⁵² Wood, 2007

¹⁵³ Gordy, 2014

¹⁵⁴ Gordy, 2014

¹⁵⁵ Wood, 2007

to other members of government that it was unsafe to challenge the incumbent government or their criminal connections.

Another high-profile assassination was that of Oliver Ivanovic, a Kosovar Serb and prominent politician in the Kosovar government. He was shot and killed in June of 2018 outside of his party's offices in Mitrovica after being subject to a string of harassment and attacks such as his car and office being set on fire, and an assailant breaking into his home to assault his wife. He was a well-known critic of the criminal establishment in Mitrovica, saying once in an interview:

Fear is pervasive in Mitrovica, not of Albanians anymore, but of Serbs, local criminals who ride around in SUVs without license plates. Drugs are sold on every corner. And the police only watch. It is obvious that they are afraid of the perpetrators, or the perpetrators are part of the security structures themselves.¹⁵⁶

His assassination and harassment seem to be at least partially symbolic. Although he was a well-connected member of the political establishment, he did not hold a high-ranking office at the time of his assassination. Four people so far are accused of being part of a criminal enterprise involved in the murder, and two police officers have been accused of evidence tampering.¹⁵⁷ Already, the case has been marked with controversy as witnesses have asked to alter their testimonies, possibly to avoid retaliation. The indictment includes accusations against Ivanovic's Belgrade-backed political rival, Milan Radoicic, who denied the allegations and is currently not on trial at the time of this paper being written.

Although this is an ongoing event and will likely develop further after the writing of this paper, there are already three key components of this case that demonstrate the ideas of this

¹⁵⁶ Joseph, 2018

¹⁵⁷ Bami, 2021

chapter. Firstly, elements of the case such as accusations of a criminal enterprise suggest that organized crime may have been involved. Secondly, accusations against police evidence tampering and a possible connection to Belgrade suggest that there may have been involvement by members of local governments. Thirdly, the harassment of Ivanovic and possible intimidation of witnesses suggests that coercion and threats may play a role in the events leading to his death and the subsequent trial. This is still an ongoing trial and a recent event still in development, however, there are early indications that may provide some insight into the way organized crime uses coercion to incentivize cooperation.

The threats against Ivanovic before his murder and the threats against Albanian teachers in 2019 are indicative of a larger problem of coercion used by organized crime to keep friendly politicians in power and keep unfriendly politicians out of power. Threats are also often made against journalists¹⁵⁸ and members of grassroots movements. Threats may be one method organized crime can use to intimidate government officials into cooperation.

Conclusion

Organized crime uses a variety of direct positive and negative incentives to encourage cooperation. The positive direct incentives it provides includes bribery, campaign support, and other useful services it provides to governments. Bribery is a common problem in the Western Balkans, can come in a variety of forms of payment, and is directed at a variety of government and public officials. Organized crime can also provide positive incentives in the form of campaign financing or other support. Lastly, organized crime can also provide useful services to friendly politicians and governments.

¹⁵⁸ Gall, 2015

The direct negative incentives organized crime uses include assassination and intimidation. The assassinations of Zoran Djindjic and Oliver Ivanovic are two notable examples of high-profile assassinations. Ivanovic was also the subject of threats and harassment before his assassination, which is also a common way to intimidate journalists.

Chapter 6: Conclusion

When I began studied abroad and began researching the Balkans in 2020, most of the lectures, field trips, and materials covered were about themes like the wars in the 1990s and their memorialization, the history of Yugoslavia, and various activist groups and causes working in the region. But in nearly every discussion, there was a passing comment about organized crime, corruption, or a lack or rule of law, yet nobody seemed to be able to answer questions about why this was especially problematic for this region. As it would turn out, when I began researching the issue, I learned that there was a limited amount of work done on the subject for what was apparently such a big problem.

This apparent disconnect would continue to bother me as I continued to read into the topic of organized crime. There were so many interesting questions and beginnings to papers, but it seemed like there was never enough information to complete the answers to them. In an age in which we expect information on any topic that we can think of questions to, and we take for granted the assumption that there is not an original thought left to be had, it almost seems paradoxical. Without research we cannot find answers to our questions, yet because there is a lack of information to study, it becomes exceedingly difficult to even begin to conduct research. All research is based on someone else's previous work to lay the foundations, but in this case, there are so many unanswered questions, that it seems like there is not much to build upon.

This is the gap in the literature this thesis seeks to fill: the beginning. I know that there is not enough research yet to answer all of my questions to this elusive subject, so instead this thesis promotes curiosity and raises unanswered questions. Each chapter raises an answer to the question "Why do governments and organized crime cooperate?" The chapter then tries to

answer it based on the best of the information available, then suggests research that would help answer the question fully.

Chapter 2 deals with the theoretical aspects. It shows how organized crime can transition into government and vice versa. If a country's government is new, as many of the governments in the Western Balkans are, then it may retain ties to its days as a criminal organization. Examples of this in this thesis include Kosovo, Montenegro, and Serbia. Interestingly, it does not appear that organized crime engages in protection rackets, which is the assumed business of a criminal organization trying to become a government based off of the theoretical perspectives in Chapter 2. What ties may yet exist in these governments, and how much organized crime each government contains is not clear, but another great subject for further research.

Chapter 3 discusses the informal economy and the reliance on it in Western Balkans countries. Despite being incentivized to formalize the economy to the extent it can be taxed, the governments are aware that many of their citizens rely on it to survive. It also brings money into the country and circulates it, often bringing needed funds into the taxable formal economy at some point in their circulation as the formal and informal markets are often intertwined. Although organized crime only makes up a portion of the informal economy, some of the markets that the government is least incentivized to regulate is the most illegal ones, as there is no licit or taxable alternative to illegal markets such as drugs as long as the products of those markets stays illegal.

Chapter 4 addresses some of the assumptions of organized crime. Namely, that an organized drug market in a country leads to societal drug problems. After all, the EU made fighting organized crime a requirement for entry, and UN reports on organized crime in the

region frequently focus on the superhighway for drugs that makes up the Balkan Route, so drugs appear to be a subject of concern for the international community. Despite this appearance, Western Balkans governments have not successfully stopped the drug trade. My thesis suggests that although drug traffic may be high, consumption is low in the Western Balkans. Governments there may not be as incentivized to stop the flow of drugs as much of the international community because it does not experience many of the adverse effects of high drug use.

Chapter 5 addresses the direct positive and negative incentives organized crime can use to encourage governmental cooperation. The positive incentives include bribery, campaign assistance, and providing useful services. The negative incentives can include assassination and harassment or intimidation. The interference of organized crime holds back development, as it may make governments less responsive to their electorate or change political trajectories.

I would also like to address a chapter I was not able to write. I had intended to devote a chapter to the organizational structure of organized crime, its origins in the bloody aftermath of Yugoslavia and the fall of communist Albania, and how it has adapted to be hard to fight but easy to tolerate. Unfortunately, timing did not allow for this to become a full chapter, limiting it instead to a couple paragraphs scattered throughout the thesis.

Throughout this thesis, I often came up against the problem that I had an idea or an answer I wanted to write as fact, but that I could not find sufficient evidence to say for sure. I tried to bring as many as possible into the realm of acceptable research by finding more evidence or writing them as postulates. One can only take this so far however, and many things that I was sure were good ideas got cut from the final draft. This was the challenge with writing about an unaddressed topic: much of what I wanted to write was from personal observation or conversations I had that were not citable interviews. In a way though, this reinforces my main

point. To many people with experience in the region, this problem seems important and obvious, yet there is not enough citable and reliable evidence to solve the problem or inform policy makers and voters. This is why more research into organized crime is important. This thesis begins the conversation.

Recommendations for Further Research

Chapter 2 raises a lot of questions for future research. The premise relies on the fact that there is little evidence for organized crime engaging in protection rackets or otherwise taking on the role of a government. However, if more research could demonstrate that protection rackets are a significant part of the organized crime network, it would challenge this idea for noncompetition. Research into “ethnic enclaves” difficult for state governments to control such as Mitrovica or Republika Srpska is especially recommended. More questions include: how do the motives of the non-governmental organization (such as being motivated by profit or public good) impact the effectiveness of the strategy? How does the ostracism of an ethnic group impact the demand for the alternative sources of public goods facilitated by organized crime? How does equitable access to public goods impact the ability of organized crime to provide alternative sources?

Chapter 3 focuses on organized crime as part of the informal economy. Although there is evidence that organized crime’s role in the informal economy may stimulate the formal economy, it is not clear how much. Research into organized crime’s involvement in the construction and housing industry as well as estimates of how many informal jobs it may create would help explain how much of the economy relies on organized crime. This may inform policy recommendations to crack down on crime if its contributions are small. Research into economic

development may also yield recommendations for how societies can formalize their economies, making them less reliant on the informal economy including organized crime.

Chapter 4 showed that drug consumption in the Western Balkans may be lower than in some countries of the European Union. This may make the governments of the Western Balkans less incentivized to fight organized crime. However, the data on drug consumption was not always directly comparable, as the data for the Western Balkans was harder to find and often less specific. More research into drug consumption trends in this region could provide more insight into this idea.

Chapter 5 gave an overview of some direct positive and negative incentives organized crime can use to encourage governments to cooperate with them. Much of the information for this chapter came from journalistic sources. In this case, there was not as much of a lack of information as in other chapters. There were more sources and avenues for research than I had the space or time to include, showing that more research could be conducted in these areas based on the information already available. However, given that much of organized crime's ability to use bribes, assassinations, and harassment could be combatted with a strong court system, research into developing this could be productive. More research into where campaign finances come from and the development of transparency programs and legislation could help build resistance to criminal influence as well.

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