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*Western Balkans, Organized Crime
and the Euro Crisis:
Myths and Realities on the road to Accession*

By Sotiris Serbos

ΕΥΡΩΠΑΪΚΟ ΚΕΝΤΡΟ ΑΡΙΣΤΕΙΑΣ JEAN MONNET
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Summary

By placing Western Balkans in the contemporary European economic context shaped by the ongoing debt crisis, the article discusses current strengths and weaknesses of Western Balkan countries towards EU accession. While the achievement of financial adjustment albeit the continuous presence of economic dualism along with the side effects produced by the global crisis are stressed, the article sheds light on the challenges of organized crime and corruption as a major risk factor and a barrier in the event that Europe abandons the completion of Balkan enlargement. With the Europeans unwilling turning the Balkan question into a hard European one the author provides argumentation for steadily moving from Balkan skepticism to Balkan realism.

Keywords:

Western Balkans, EU, debt crisis, organized crime, corruption

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Introduction:

The EU's post-conflict management for the Western Balkans

In the aftermath of the devastating Balkan conflicts of the 1990s, the European Union adopted a strategy, which aims to bring peace, democracy and ultimately EU membership to the whole region. Especially in the Western Balkans, the EU has been steadily and progressively more involved in through disarmament operations, humanitarian and rescue tasks, military advice and assistance, conflict prevention and peace-keeping missions, as well as tasks of combat forces in crisis management, including peace-making and post-conflict stabilisation.¹ EU's strategy focuses on limiting a potential outbreak of violent conflict and aims to create the conditions of sustainable peace. The EU puts particular emphasis on the consolidation and support of democracy and the rule of law, human rights and development, as ways of building a just and durable form of peace. Its policies also revolve around the post-conflict reconstruction, the creation of stable states and rehabilitation.²

With the EU being acknowledged as a security provider in the region, the process of European integration can also be seen as a post-conflict stabilisation project for the Western Balkans.³ Enlargement policies can be considered as both peace-

¹ Montanaro-Jankovski, Lucia, 'The Interconnection between the European Security and Defence Policy and the Balkans', *Southeast European and Black Sea Studies*, Vol. 7. No. 1, (2007): p. 155; Papadimitriou, Dimitris, 'The European Union's Strategy in the Post-Communist Balkans', *Journal of South East European and Black Sea Studies*, Vol. 1, No. 3, (2001): pp. 69-94.

² Duke, Simon and Aurélie Courtier, 'EU peacebuilding: concepts, players and instruments' in Steven Blockmans, Jan Wouters and Tom Ruys (eds), *The European Union and Peacebuilding – Policy and Legal Aspects*, (The Hague: T. M. C. Press 2010), pp. 7-8.

³ Baxevanis, Christos, 'Europeanization and Peacebuilding in the Western Balkans: The Case of Kosovo', *Hellenic Review of European Law*, International Edition 2011: pp. 155-177; Kammel Arnold H, 'Putting Ideas into Action: EU Civilian Crisis Management in the Western Balkans', *Contemporary Security Policy*, Special Issue: EUROPEAN SECURITY POLICY: STRATEGIC CULTURE IN OPERATION?, Vol. 32, Issue 3, (2011): pp. 625-643; Ryan, J. Barry, *Statebuilding and Police Reform – The Freedom of Security*,



building and state-building enterprises, establishing the conditions necessary for durable peace, security and stability in the region through socio-economic recovery and development, political and institutional reforms, interregional cooperation and integration between countries.⁴ Helping countries that have the potential to become members has been the EU's response to changes in the European political landscape over the past fifty years, promoting economic growth and strengthening democracy under the framework of the enlargement policy.

In this context, during the last decade, Western Balkan countries have made significant progress towards realising their European goal. Croatia will become the Union's 28th member in July 2013 and Serbia achieved candidacy status in March 2012. In addition, Montenegro started accession negotiations in late June and Bosnia and Herzegovina might submit a formal application for EU membership in early 2013. Finally, from January 2012 Kosovo has introduced visa liberalization dialogue with the European Commission. However, in spite of numerous efforts and achievements, the Western Balkan region still faces a number of pressing structural problems in a variety of institutional, political and economic spheres: these include open status issues, constitutional uncertainty, the "weak state" syndrome, a poor business environment and high rates of unemployment and poverty.⁵ The purpose of this paper is to set Western Balkans European perspective in the contemporary European context which suffers from the ongoing debt crisis. Subsequently, to address myths and realities including strengths, risks and barriers on the region's path towards achieving EU

(New York: Routledge: 2011), pp. 89-111; Bostic, Anze Voh, 'The Role of the European Union's Expert Assistance in the Process of Peace-Building: The Case of Bosnia and Herzegovina', *European Foreign Affairs Review*, Vol. 15, Issue. 2, (2010): pp. 216-220.

⁴ Blockmans, Steven, 'EU Enlargement as a Peacebuilding Tool', in Blockmans et al. (eds) *The European Union and Peacebuilding, Policy and Legal Aspects*, (The Hague: TMC Asser Press, 2010); Belloni, Roberto, 'European Integration and the Western Balkans: lessons, prospects and obstacle', *Journal of Balkan and Near Eastern Studies*, Vol. 11, No. 3, (2009): pp. 313-331; Hadjiconstantinou, Kostas & Sarigiannidis, Miltiadis, 'The making of Western Balkans at the antipodes of the EU and the international legal order: governance as "an imitation of an important and perfect action"', *Dimensions of transition and the European prospect of the Balkan countries*

Thessaloniki: Department of Balkan Studies, 2007, pp. 63-67. See also, European Commission, *Enlargement Strategy and Main Challenges 2011-2012*, [available at:

http://www.spcr.cz/files/en/eu/ec/strategy_paper_2011_en.pdf].

⁵ Freyburg, Tina & Solveig Richter, 'National Identity Matters! The Limited Impact of EU Political Conditionality in the Western Balkans', *Journal of European Public Policy*, Vol. 17. No. 2, (2010): pp. 263-281; Noutcheva, Gergana, 'Fake, Partial and Imposed Compliance: The Limits of the EU's Normative Power in the Western Balkans', *Journal of European Public Policy*, Vol. 16. No. 7, (2009): pp. 1065-1084.

membership, with the emphasis placed on its economic (hidden economy and corruption, financial adjustment) and security (organized crime) environment.

Enter Europe: Debt crisis and the road ahead

During the 21st century, Europe's environment has become more complex compared to past decades. The enlarged EU-27 is characterized by increased diversity and substantial pressure on its institutional and decision-making capacity. Furthermore, enlargement has created a conflict between the complexity of the process and the disproportionately loose political framework at EU level to see this task through in an efficient manner. In light of the above, Europe's common historical past has been coloured with different political, social and economic courses leading to development, including differentiated -as the case may be- European preferences and relevant strategies. In such a geography, where the traditional 'balance of power' approach has shifted, the difficulties encountered for searching common grounds on co-administrating European integration's vested interests, have worryingly increased. Regarding social perceptions, Europe's approach through individual or even collective citizens' subconscious -with the emphasis placed on younger generations- is by no means associated with post-war realities and the Cold War era. In addition, the unquestioned fact that the fluidity of the on-going economic crisis introduces elements of geopolitical uncertainty, further indicates the necessity for adopting revised policies between the power centers of a diverging multipolar world.

The key question is whether the globalization process, with its requirements for fast modernization and consequences for income redistribution, has rendered the overriding European goal for economic and monetary union insufficient, by raising the risks for the EU being turned simply into a common market that could face disintegration risks from the contradictory forces of globalization in the future. If that is the case, then the broader aspects of political and social integration and the need to exert stronger global influence in the cultural and external policy arenas are likely to gain in significance. Strategic calculations which allow room for a rational approach point out that for Europe, more than ever before, a clear vision of the purpose is by all means needed. As with individuals or corporate bodies, self-definition is achieved through action. Who you are is symbiotic with what you do. Since choices express values, the political

choices that Europeans will make in the next few years will define Europe's purpose and identity. In addition, the way the EU adapts to the future will determine how much influence it can exert in the world.

For the time being, it is of utmost importance for the Europeans to resolve the issue of highly indebted countries, a product of Europe's incomplete currency zone which allowed severe macroeconomic imbalances between its member-states and consequent divisions over creditor and debtor economies (instead of indebted state entities/citizens). Inside the EU its dynamic is shrinking. It is actually shrinking towards Germany which holds the upper hand in the Franco-German axis, while re-positioning itself in the struggle of maintaining core national interests before moving to the next step of 'Europe's journey'; pooling sovereignty and establishing common rule-based responses, concluding the build-up of mutual defences against common threats while spreading the benefits of stability and prosperity. In this respect, a balanced political consensus across Europe has to come forward, before a more serious deepening of the current crisis evolves or policy instruments run out.

The issue of European policy coordination is undoubtedly a difficult equation to be resolved in a short period of time. For more than a decade, strong vested interests that shape current economic growth models have been developed within both debtor and creditor countries. The unfinished business is put on hold until an agreement has been reached on how the burden will be shared between creditor and debtor economies, while all together bail out the European banks. A debtors' alliance should have been established from the first place, so as to smooth recession and force creditors to quickly adapt measures at the European level, leading to a more diverse and expanded burden sharing. However, with the present situation, the common denominator will be the one that serves a direction where both Germany and the EU will meet in an efficient manner. Germany will push forward the unfinished construction of the European project so as to address EU's institutional shortcomings and guarantee its structural pitfalls, only through policy paths more compatible with its national interests.

Essentially, internal frictions among debtors and creditors in the EU will remain for years to come. For the time being, creditors are the powerful actors while debtors possess minimal negotiating power. This reality will probably result in decisions taken at the lowest common denominator when it comes to growth; indicating European financial discipline via German leadership and further

integration to avoid destabilizing forces that will deconstruct the EMU and probably the EU as a whole. Creditors will agree to respectable low growth for a decade and push debtors to adopt restrictive policies. These countries will keep on saving so that they can repay their debt to creditors at real rather than inflated values. Although these policies present a variety of internal contradictions, this is how the bargaining works. After all, European integration is no longer just about peace in Europe. It is also about enabling the EU to assert itself in the era of globalization, with the Union's pendulum still swinging in search of a risky 'balance of power' among both its institutions and its member-states.

Western Balkans in the debt crisis context; weaknesses and strengths towards EU membership

Following the rationale of the analysis on European economic policy coordination, the focus now turns on potential economic and financial implications for Western Balkan countries and their prospects towards EU membership. If the EU is to continue to play a crucial and instrumental role in shaping the ultimate post-cold war European order, then it must strive to hold out a clear prospect of membership to the last region in Europe that remains to be embraced under a common banner of stability and prosperity. It is of paramount importance for the countries' European journey to continue unhindered and for Europeanization to remain above all as a forthcoming identity, an ideology a symbol and a myth⁶, fueled by the Union's engine for convergence between core Europe and its peripheries⁷.

Introducing the economic front, overall Western Balkan countries now present fiscal consolidation and low debt. Although, during the period 2008-2011, public debt of all countries in the region has increased, the numbers for the countries involved (starting from 26.5% of GDP in FYROM, turning to 40% of GDP in Montenegro, Serbia and Bosnia-Herzegovina and finally up to 60% of GDP in Albania⁸) are still far away to place them in the relevant category of highly indebted countries. Besides, the countries of the region have learned to live and

⁶ Anastasakis Othon, The Europeanization of the Balkans, *Brown Journal of World Affairs*, summer/fall 2005, vol. XII, issue 1, p.78.

⁷ Bechev Dimitar, The Periphery of the Periphery: The Western Balkans and the Euro Crisis, ECFR/60 Policy Brief, August 2012, pp. 1-16.

⁸ Radulescu Andrei, The Balkans: Between Economic Crisis and European Integration, *Financial Studies*, 2/2012, p. 139.



operate within their own means, sustaining a standard of living adjusted to their productivity. As a result, economies are not geared towards producing unsustainable debts and most foreign investment is in the form of FDI rather than to domestic borrowers. However, we refer to economies which are depended from the EU and cannot keep themselves sustainable in the case that Europe chooses to detach itself from the region. Montenegro and Kosovo⁹ have already adopted the Euro while “exchange rate pegs and the large role of European Banks in their financial systems effectively tie Croatia, Bosnia-Herzegovina and FYROM to the Euro as well”¹⁰. Ultimately, if the Euro collapses, Western Balkans banking system¹¹ will collapse as well since for the time being there are no bailout mechanisms available on behalf of the EU to avoid default. On the contrary, if the Europeans decide to push forward the unfinished EMU project through more integrationist policy paths, Western Balkans -although they might fail to enter the Eurozone- will be in a position to secure their place as members of the EU¹².

A pending weakness for the region; managing economic dualism

The economies of South Eastern Europe after having been through the immense hardship and economic disturbance of the early transition period started to recover in the late 1990s and in recent years have achieved impressive growth rates together with relative economic stability that has been evident in their ability to maintain single digit inflation rates after the hyperinflation and economic bankruptcy episodes of the mid-1990s. They have also managed to attract very significant levels of foreign direct investment¹³. Unemployment rates remain very high (starting from 13% of workforce in Albania and rising up to 28%, 31% and 40% in Bosnia and Herzegovina, FYROM and Kosovo

⁹ Reference to Kosovo is within the framework of UN Security Council Resolution 1244 (adopted in 1999).

¹⁰ Ben Slay, “The Euro Crisis”: Implications for Wider Europe, UNDP Regional Bureau for Europe and CIS, January 2011, p. 9.

¹¹ The share of the foreign banks in the banks assets amounts to 89%, while the vast majority of the banking sector is owned by Austrian, French, Greek, Italian and Slovenian banks (World Bank, 2011).

¹² In this scenario, the time frame for the completion of the association process for each of the countries involved will be extended.

¹³ Experience has shown that the prospect of EU membership increases foreign investment because risks and transaction costs are reduced. It has been found that there is a clear positive correlation between FDI and European integration prospects, and a negative correlation between FDI and political instability [see Calic, M-J (2005). *The Western Balkans on the Road towards European Integration*. Internationale Politikanalyse – Frieden und Sicherheit, Friedrich Ebert Stiftung]. The latter is understandably considered by foreign investors to be one of the key impediments to starting a business.

respectively¹⁴) echoing the economic displacement of the transition period while real wages have not been able to recover as fast having lost about 70% of their purchasing power over the 1990s compared to an overall decline of 55% for per capita incomes¹⁵.

Western Balkans are still characterized by significant economic dualism, with foreign corporations and domestic ones that have access to foreign currency borrowing forming the modern sector of the economy, while domestic small and medium enterprises with limited access to credit remaining trapped into technologically inferior activities and engaging in significant unofficial activity. Future success will greatly depend on alleviating institutional bottlenecks to economic activity. There are significant disincentives to investment that arise from legal instability, endemic corruption, weak law enforcement and bottlenecks in the functioning of the judicial system and the public administration. The informal sector plays a major role in the economy of these countries, accounting for more than one third of total income¹⁶.

The role of the unofficial economy and the linkages between organized (including economic) crime and state structures are often neglected, as governments feel that their elimination would deal a blow to economic activity and employment should the unofficial sector become significantly penalized. In addition, “too often party leaders with their power to distribute patronage, contracts and other sources of largesse, are the real power in these countries, overriding the rule of law”¹⁷. The unofficial economy still constitutes a significant burden for legal enterprises that have to make-up for the lagging tax revenues and face unfair competition, since unofficial companies can still have a significant cost advantage in the region of 15-30% over similar businesses¹⁸.

¹⁴ According to UNDP’s 2011 national statistics (percentage of workforce).

¹⁵ With unemployment and underemployment continuing to affect a significant part of the population, living standards are below the poverty line for large sections of the people. Addressing the long-lasting problem of human capital development includes the launching of education reforms which would need to blend with the education and vocational training systems in order to raise labor force skills and improve flexibility. The shock to domestic education systems over the 1990s and the mismatch between the new economy’s demand and the old education system’s supply of skills needs to be resolved via active R&D policies that should ideally entail the participation of the business community.

¹⁶ Zelic Iva and Claassens Maurice (eds), *Making the System Work: Ensuring Decent Work and Quality Jobs in the Western Balkans*, SOLIDAR-“Decent Work Balkan Network”, 2012, p. 2.

¹⁷ Steven Woehrel, *Future of the Balkans and U.S. Policy Concerns*, Congressional Research Service Report for Congress, RL 32136, May 2009, p. 3.

¹⁸ Anastasiadis George (ed.), *Financial Sector Reform in South Eastern Europe*, (Thessaloniki: University of Sheffield/SEERC Publications, 2005.



Furthermore, informal companies have no access to bank financing and as a result are less able to modernize thus perpetuating economic dualism and contradicting the commonly held belief that they will eventually opt to join the official economy. As a result, the unofficial economy continues to set a major barrier to further strengthen fiscal consolidation that requires the widening of the tax base.

Finally, on the political front, the fact that foreign investors have become influential stakeholders in domestic policy agendas becomes a problem when it is combined with high incidents of corruption in public life, the rise of a newly-rich elite alongside rising inequalities in income distribution and social insurance. This implies the need for the strengthening of civil society¹⁹, which is highly underrepresented at a time when it is evident that without it true democratic participation might never reach their appropriate listing in policy agendas.

A success story; achieving financial adjustment

For the countries of the region, prior to the crisis, the major risk factor stemmed from the fact that credit expansion by the majority foreign-owned banking system was primarily directed towards consumption and housing, penalizing the more productive sectors of the economy and elevating financial risk. The latter was greatly accentuated by the fact that over half of these loans were FX (foreign currency)-loans. Thus any significant declines in the exchange-rate would in many cases lead to non-performing loans, as corporations and especially household earning in domestic currency could find it hard to service the FX-loans. There were already significant signals of this forthcoming risk as the share of FDI in the financing of the widening external deficits of these countries was in decline shortly prior to the global crisis.

¹⁹ When it comes to the agents of change in the Western Balkans it is a reality that “the EU has come to rely too much on its own conditionality, which only works when empowering the forces of change in such societies and is ineffective when they are weak or absent” [Alina Mungiu-Pippidi, “A house of cards? Building the rule of law in the Balkans”, in Rupnik Jacques (ed.), *The Western Balkans and the EU: ‘The Hour of Europe’*, Chaillot Papers 126, June 2011, European Union Institute for Security Studies, Paris, p. 161. Additionally, it is countries that have excessively relied on elites at the expense of civil society evolution that are currently finding it harder to adjust as they lack the culture and often the democratic spirit that constitute prerequisites for innovation and creative flexibility at both leadership and grass root levels. Such conjunctures lead towards vicious rather than virtuous cycles in economic development because the inability to provide social safety nets perpetuates corruption, disincentives for work and demoralization of the workforce.

Up until the global economic crisis, it had been very difficult for the governments of these countries to check this destabilizing aspect of credit expansion and its impact on the real economy. This was greatly due to the fact that monetary policy was ineffective as foreign banks found ways of bypassing domestic regulation, especially through the use of FX-loans. The global crisis, despite the risks has signaled the commencement of an adjustment process in a desired direction. The EU has played a very positive and constructive role, in supporting both banking systems and governments to avert a disorderly adjustment through violent exchange-rate adjustments. Thus, averting the exchange-rate risk which would derail both the financial sector and the real economy.

In this respect, foreign banks limit credit -which was previously uncontrollable- due to recession and we have now moved towards a rationalization in the domestic market. Consequently, future financial risk is declining. At the same time, credit expansion that used to boost consumption and housing is moderated, implying greater degree of future reliance in the exports sector and more productive investment. In light of the above, it should be stressed that it was the actual global economic crisis that created the need and allowed these countries to start a period of gradual adjustment. If the crisis was to emerge five years later, most probably the countries of the region would face a serious financial crisis similar to the Greek one.

In fact, this adjustment will greatly boost the future potential of these countries to attract FDI from the rest of Europe. Because the abundant domestic investment opportunities in these countries will become more evident as a result of the weak domestic demand in the rest of Europe that will persist for years to come, due to the debt crisis. This argument is strengthened by the fact that these economies have gone through most of this adjustment process displaying a great degree of resilience²⁰. Despite the massive adjustment in their external deficits, their economic growth adjustment was less, compared to the rest of Europe and their financial systems remained intact (table 1 presents indicative examples for Albania, FYROM and Serbia)

²⁰ For the next five years, even if low-growth rates persist in the EU, Western Balkans will not face significant risks excluding the dissolution of the Eurozone.

Table 1: Economic Data – Albania Serbia, FYROM

Albania	2007	2008	2009	2010	2011 (f)	2012 (f)
Real Economy						
Real GDP	5.3	8.3	3.3	3.5	2.1	2.1
General Government (%GDP)						
Overall Balance	-3.9	-5.5	-7.4	-4.2	-3.7	-3.5
Balance of Payments (% GDP)						
Current Account Balance	-10.3	-15.3	-13.5	-11.8	-10.9	-9.8

Serbia	2007	2008	2009	2010	2011 (f)	2012 (f)
Real Economy						
Real GDP	5.4	3.8	-3.5	1.0	1.9	0.9
General Government (%GDP)						
Overall Balance	-1.9	-2.6	-4.5	-4.6	-4.5	-4.4
Balance of Payments (% GDP)						
Current Account Balance	-15.9	-20.9	-7.1	-7.2	-9.2	-8.6

FYROM	2007	2008	2009	2010	2011 (f)	2012 (f)
Real Economy						
Real GDP	6.1	5.0	-0.9	1.8	3.3	2.1
General Government (%GDP)						
Overall Balance	0.6	-0.9	-2.7	-2.5	-2.5	-2.5
Balance of Payments (% GDP)						
Current Account Balance	-7.1	-12.8	-6.7	-2.8	-2.9	-6.0

Source: Alpha Bank, *Greece and South Eastern Europe: Economic and Financial Outlook*, no 81, April 2012.

Post-conflict normalization and democratic reform process: The origins of organized crime and corruption in the Western Balkans

Although significant improvement and sustainability highlight Western Balkans economic and financial outlook, democracy and the rule of law are making slow and uneven progress in the region. As noted, the legacy of the past which still appears in the form of weak institutional frameworks at both political and

economic levels has been complemented by unpredictable challenges that have mainly arisen from the transition process and continue to develop due to politicized state institutions that present weak capacities to enforce legislation and control mechanism. Such a key and persisting challenge that has particular and growing significance for the EU is that of influential organized crime and high level of corruption that have been overtaking in importance the issue of potentially renewed war conflicts as the latter seem to have been contained at this stage.

A set of factors made the Western Balkans an inviting operational environment for organized crime networks and corruption. A prevalent explanation for high levels of corruption and organized crime in the region lies in the challenges related to the post-communism, mainly weak state institutions, incomplete legislation and poor enforcement of existing laws, lack of transparency and respect for the rule of law, poorly controlled national borders, unemployment and poverty on a disturbing scale, as well as the absence of a vibrant civil society, which are common to all former Soviet-bloc societies. In this context, serious questions are raised about the transformation of war economies and particularly about the impact of economic policies on war-shattered societies. Namely, peacebuilding initiatives focus more on macroeconomic discipline, privatisation and global integration rather than on job creation and employment protection policies. Therefore, most of the post-conflict societies experience high levels of poverty, unemployment and ‘shadow’ economic activities.²¹ Taking the example of Kosovo, ‘had it not been for foreign aid and receipts from the Kosovar diaspora, Kosovo’s economy would have been all but clinically dead’.²² As a result, economic problems and youth unemployment “create a recruiting pool for organized crime’.²³ In this context, the high level of unemployment and poverty

²¹ Pugh Michael, Cooper Neil and Turner Mandy (eds.), *Whose Peace? Critical Perspectives on the Political Economy of Peacebuilding*, (Basingstone: Palgrave Macmillan, 2008); Michael Pugh, ‘The political economy of peacebuilding: a critical theory perspective’, *International Journal of Peace Studies*, Vol.10, No.2, (2005), pp.23-42; Michael Pugh, ‘Post-War Economies and the New York Dissensus’, *Conflict, Security and Development*, Vol. 6, No. 3, (2006), pp. 269-289.; Turner Mandy & Pugh Michael, ‘Towards a new Agenda for Transforming War Economies’, *Conflict, Security and Development*, Vol. 6, No. 3, (2006), pp. 471-479.; Cramer Christopher, ‘Labour Markets, Employment, and the Transformation of War Economies’, *Conflict, Security and Development*, Vol. 6, No. 3, (2006), pp. 389-410.

²² Papadimitriou Dimitris, Petrov, Petar and Greiçevci, Labinot, ‘To Build a State: Europeanization, EU Actorness and State-Building in Kosovo’, *European Foreign Affairs Review*, Vol. 12, (2007): p. 233.

²³ Human Security in the Western Balkans (HUMSEC): The impact of Transnational Terrorism and Organized Crime on the Peace-Building Process, Final Scientific Report, [available at: <http://www.etc->



is not only a post-conflict characteristic of the region or a social problem, but a factor driving violence and organised crime.

Furthermore, the resurgence of nationalism in the Balkans and the experience of armed conflicts, ethnic cleansing and ethnicization of security structures, as well as the collapse of Albania in 1997 all provided a favourable environment for this phenomenon to bloom.²⁴ In this context serious questions are raised about the role of the security sector and its links to organised crime, especially during the Yugoslav wars. It is believed that after the wars these links have endured and are still causing great harm to the quality of governance in the region.²⁵

The Western Balkans' geographic position at the gateway between Europe and Asia constitutes another important explanatory factor for the specific ways in which corruption and organised crime have been interrelated in these countries. The region serves as the ideal basis for the organized crime networks that spread from Eastern Europe through Kosovo, FYROM and Albania into Western Europe and the United States of America, interlinked even with the Colombia mafia. The rising involvement of Balkan organized crime with the European market for human trafficking, counterfeiting and contraband as well as heroin and more recently cocaine trade have been noted by various international crime monitoring organizations.

Last but not least, the region's historical context and cultural tradition constitute another key factor related to the emergence of the organised crime and the corruption. For example, the role of Kosovo and Kosovans in organized crime can be explained "by a cultural of conspiracy, which served as survival tactics in a hostile environment characterized by poor relations with the authorities. These authorities, be they Ottoman, Yugoslav or Serbian, were perceived as oppressive and repressive foreign colonial overlords, against whom the extended family, the clan and the wider ethnic group served as protection. Post-war emigration, in particular after Tito lifted emigration restriction in the mid-1960s, resulted in Kosovo-Albanian diasporas being set up in many Western European countries. In

graz.at/typo3/fileadmin/user_upload/ETC-Hauptseite/publikationen/Occasional_papers/HUMSEC_occpaper.pdf

²⁴ Giatzidis Emil, 'The Challenges of Organized Crime in the Balkans and the Political and Economic Implications', *Journal of Communist Studies and Transition Politics*, Vol. 23. No. 3 (2007): pp. 328-329.

²⁵ Center for the Study of Democracy, *Corruption, Contraband and Organized Crime in Southeast Europe*, Sofia, 2003, p. 307.

particular in terms of economic crisis, this mixture of conspiracy and emigration became an ideal breeding ground for criminal networks.’²⁶

An overview of the present situation

The Freedom House Index (2012) indicates that all countries have made slow progress with regard to electoral process, civil society, freedom of the media, good governance, anti-corruption and the rule of law. The 2012 Democracy Score Chart of Freedom House shows that on a scale of 1 to 7 where 1 represents the highest level of democratic progress and 7 the lowest, the new EU members have scores between 1.9 and 3.4. By contrast, the countries of the Balkan region exhibit scores between 3.6 (Croatia and Serbia) and 5.2 (Kosovo). Interestingly, most of the Balkans countries meet only the criteria for semi-consolidated democracies (Croatia, Serbia, Montenegro, FYROM), Albania and Bosnia and Herzegovina are considered to be hybrid regimes, not to mention that Kosovo is classified as a semi-consolidated authoritarian regime.

Table 2. Ratings and Democracy Score Summary

Country	CO	DS
Albania	5.00	4.14
Bosnia	4.50	4.36
Croatia	4.00	3.61
Kosovo	5.75	5.18
FYROM	4.00	3.89
Montenegro	5.00	3.82
Serbia	4.25	3.64
Slovenia	2.25	1.89

Notes: The ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The 2012 ratings reflect the period January 1 through December 31, 2011.

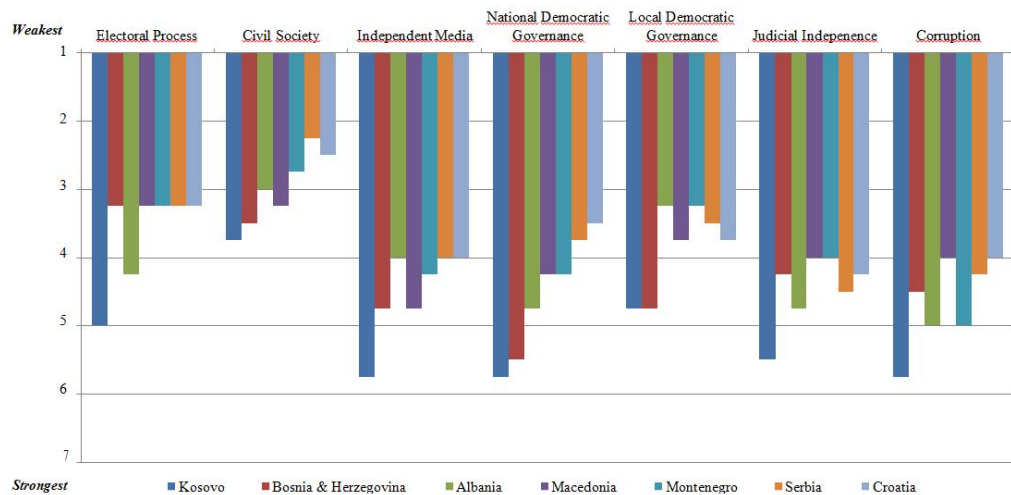
The Democracy Score (DS) is an average of ratings for electoral process, civil society, independent media, national democratic governance, local democratic governance, judicial framework and independence, and **corruption (CO)**.

Source: Freedom House, 2012 Nations in Transit Data

²⁶ Koeth Wolfgang, ‘State Building without a State: The EU’s Dilemma in Defining its Relations with Kosovo’, *European Foreign Affairs Review*, Vol. 15. No. 2. (2010): p. 244.

According to the latest annual report, there is still absence of stability and transparency in government; a resurgent appeal to extremism and ultranationalism in some countries; weak protection for the rights of ethnic and minority groups; political and economic pressures on the media; low government receptivity to citizen participation; and pervasive corruption at all levels of society and government. Civil society is still very underdeveloped and highly dependent on external donor funding.

Table 3. 2012 Overview of the Balkan



Source: Freedom House, *2012 Nations in Transit Data* (The NIT ratings are based on a scale of 1 to 7, with 1 representing the highest level of democratic progress and 7 the lowest. The 2012 ratings reflect the period January 1 through December 31, 2011).

As far as the fight against corruption is concerned, the findings show that corruption remains one of the most important problems facing Balkans countries. Despite a positive advanced trend, the overall enforcement record is still inadequate. Looking at the corruption perception index (CPI) prepared by Transparency International in the countries under analysis: on a scale of 0 (highly corrupt) to 10 (very clean), the CPI is lowest in Kosovo (2.9 and 112th position out of 183 analysed countries in 2011) followed by Albania (3.1, 95th position in 2011) and Bosnia and Herzegovina (3.2, 91st position). Serbia is listed 86th (3.3), FYROM 69th (3.9), and last but not least, Montenegro and Croatia are listed 66th (4.0). New Zealand (9.5), Denmark (9.5) and Finland (9.4) top the list, while North Korea (1.0) and Somalia (1.0) are at the bottom.

Table 4: 2011 Corruption Perceptions Index

RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE	RANK	COUNTRY/TERRITORY	SCORE			
1	New Zealand	9.5	25	France	7.0	46	Mauritius	5.1	69	Samoa	3.9
2	Denmark	9.4	25	Saint Lucia	7.0	49	Rwanda	5.0	73	Brazil	3.8
2	Finland	9.4	25	Uruguay	7.0	50	Costa Rica	4.8	73	Tunisia	3.8
4	Sweden	9.3	28	United Arab Emirates	6.8	50	Lithuania	4.8	75	China	3.6
5	Singapore	9.2	29	Estonia	6.4	50	Oman	4.8	75	Romania	3.6
6	Norway	9.0	30	Cyprus	6.3	50	Seychelles	4.8	77	Gambia	3.5
7	Netherlands	8.9	31	Spain	6.2	54	Hungary	4.6	77	Lesotho	3.5
7	Australia	8.8	32	Botswana	6.1	54	Kuwait	4.6	77	Vanuatu	3.5
8	Switzerland	8.8	32	Portugal	6.1	56	Jordan	4.5	80	Colombia	3.4
10	Canada	8.7	32	Taiwan	6.1	57	Czech Republic	4.4	80	El Salvador	3.4
10	Luxembourg	8.5	35	Slovenia	5.9	57	Namibia	4.4	80	Greece	3.4
12	Hong Kong	8.4	36	Israel	5.8	57	Saudi Arabia	4.4	80	Morocco	3.4
13	Iceland	8.3	36	Saint Vincent and the Grenadines	5.8	60	Malaysia	4.3	80	Peru	3.4
14	Germany	8.0	38	Bhutan	5.7	61	Cuba	4.2	80	Thailand	3.4
14	Japan	8.0	39	Malta	5.6	61	Latvia	4.2	86	Bulgaria	3.3
16	Austria	7.8	39	Puerto Rico	5.6	61	Turkey	4.2	86	Jamaica	3.3
16	Barbados	7.8	41	Cape Verde	5.5	64	Georgia	4.1	86	Panama	3.3
16	United Kingdom	7.8	41	Poland	5.5	64	South Africa	4.1	86	Serbia	3.3
16	Belgium	7.5	43	Korea (South)	5.4	66	Croatia	4.0	91	Sri Lanka	3.3
19	Ireland	7.5	44	Brunei	5.2	66	Montenegro	4.0	91	Bosnia and Herzegovina	3.2
21	Bahamas	7.3	44	Dominica	5.2	66	Slovakia	4.0	91	Liberia	3.2
22	Chile	7.2	46	Bahrain	5.1	69	Ghana	3.9	91	Trinidad and Tobago	3.2
22	Qatar	7.2	46	Macau	5.1	69	Italy	3.9	91	Zambia	3.2
24	United States	7.1	46	Macau	5.1	69	FYR Macedonia	3.9	95	Albania	3.1
95	India	3.1	120	Bangladesh	2.7	143	Belarus	2.4	168	Angola	2.0
95	Kiribati	3.1	120	Ecuador	2.7	143	Comoros	2.4	168	Chad	2.0
95	Swaziland	3.1	120	Ethiopia	2.7	143	Mauritania	2.4	168	Democratic Republic of the Congo	2.0
95	Tonga	3.1	120	Guatemala	2.7	143	Nigeria	2.4	168	Libya	2.0
100	Argentina	3.0	120	Iran	2.7	143	Russia	2.4	172	Burundi	1.9
100	Benin	3.0	120	Kazakhstan	2.7	143	Timor-Leste	2.4	172	Equatorial Guinea	1.9
100	Burkina Faso	3.0	120	Mongolia	2.7	143	Togo	2.4	172	Venezuela	1.9
100	Djibouti	3.0	120	Mozambique	2.7	143	Uganda	2.4	175	Haiti	1.8
100	Gabon	3.0	120	Solomon Islands	2.7	152	Tajikistan	2.3	175	Iraq	1.8
100	Indonesia	3.0	129	Armenia	2.6	152	Ukraine	2.3	177	Sudan	1.6
100	Madagascar	3.0	129	Dominican Republic	2.6	154	Central African Republic	2.2	177	Turkmenistan	1.6
100	Malawi	3.0	129	Honduras	2.6	154	Congo Republic	2.2	177	Uzbekistan	1.6
100	Mexico	3.0	129	Philippines	2.6	154	Côte d'Ivoire	2.2	180	Afghanistan	1.5
100	Sao Tome and Principe	3.0	129	Syria	2.6	154	Guinea-Bissau	2.2	180	Myanmar	1.5
100	Suriname	3.0	134	Cameroon	2.5	154	Kenya	2.2	182	Korea (North)	1.0
100	Tanzania	3.0	134	Eritrea	2.5	154	Laos	2.2	182	Somalia	1.0
112	Algeria	2.9	134	Guyana	2.5	154	Nepal	2.2			
112	Egypt	2.9	134	Lebanon	2.5	154	Papua New Guinea	2.2			
112	Kosovo	2.9	134	Maldives	2.5	154	Paraguay	2.2			
112	Moldova	2.9	134	Nicaragua	2.5	154	Zimbabwe	2.2			
112	Senegal	2.9	134	Niger	2.5	164	Cambodia	2.1			
112	Vietnam	2.9	134	Pakistan	2.5	164	Guinea	2.1			
118	Bolivia	2.8	134	Sierra Leone	2.5	164	Kyrgyzstan	2.1			
118	Mali	2.8	143	Azerbaijan	2.4	164	Yemen	2.1			

Source: Transparency International, 2011 Corruption Perceptions Index

Similarly, the 2012 Democracy Score Chart of Freedom House shows a slow downward trend with regard to the fight against corruption. In 2012 the average score for the Balkans countries was 5.0. After nine years, the average score in the realm of corruption is 4.6. In 2003 the countries of the region of the Western Balkans had scores between 4.75 (Croatia) and 5.5 (Kosovo). In 2012 the same countries exhibit scores between 4.00 (Croatia and FYROM) and 5.75 (Kosovo). Croatia and FYROM have the lowest CPI score (4.00). The worst situation seems

to be in Albania (5.00) and Kosovo (5.75). Interestingly, the CPI score related to Albania from 2003 to 2012 remains steady (5.00). Similarly, the CPI referred to Kosovo from 2004 (6.00) to 2012 (5.75) has declined just 0.25.

Table 5. Corruption

Ratings History and Regional Breakdown

	200	2004	2005	2006	2007	2008	2009	2010	2011	2012	Change
New EU Members											
Average	3.23	3.23	3.23	3.28	3.23	3.15	3.25	3.35	3.33	3.28	
Median	3.38	3.38	3.25	3.25	3.13	3.13	3.25	3.38	3.50	3.38	
The											
Albania	5.00	5.25	5.25	5.25	5.00	5.00	5.00	5.00	5.00	5.00	
Bosnia	5.00	4.75	4.50	4.25	4.25	4.25	4.50	4.50	4.50	4.50	
Croatia	4.75	4.75	4.75	4.75	4.75	4.50	4.50	4.50	4.25	4.00	▲
FYROM	5.50	5.00	5.00	4.75	4.75	4.50	4.25	4.00	4.00	4.00	
Yugoslavia	5.00	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Serbia	n/a	5.00	5.00	4.75	4.50	4.50	4.50	4.50	4.25	4.25	
Montene	n/a	5.25	5.25	5.25	5.50	5.25	5.00	5.00	5.00	5.00	
Kosovo	n/a	6.00	6.00	6.00	6.00	5.75	5.75	5.75	5.75	5.75	
Average	5.05	5.14	5.11	5.00	4.96	4.82	4.79	4.75	4.68	4.64	
Median	5.00	5.00	5.00	4.75	4.75	4.50	4.50	4.75	4.59	4.50	

Source: *Freedom House, 2012 Nations in Transit Data*

Survey results presented by United Nations Office on Drugs and Crime in its 2011 report show that bribery is simply a common practice in the region of the Western Balkans. According to the findings for every four who participate in an act of bribery in order to facilitate or benefit from a particular administrative procedure, there is only one who refuses, turning down the request made by a public official. It is worth mentioning that one in eight of the region's citizens who have applied for a job in the last three years in the public sector and whose application was successful admits to paying some money, giving a gift or doing a favour to help secure their position. Interestingly, only a negligible number of bribe-payers (less than 2%) report their experience to the authorities.²⁷

In its 2011 report "Enlargement Strategy and Main Challenges 2011-2012", the European Commission continues expressing the view that the fight against

²⁷ UNODOC, *Corruption in the Western Balkans: Bribery as experienced by the population*, 2011, pp. 8-9.

corruption and organised crime remains one of the key challenges for security, rule of law and democratization in most enlargement countries.²⁸ For FYROM, the Commission marks that corruption remains prevalent in many areas and continues to be a serious problem.²⁹ As regards Montenegro, more and sustaining efforts are needed in further developing a track record with respect to high-level corruption and organised crime cases.³⁰ When it comes to Albania limited progress has been observed in fighting organized crime and remains insufficient regarding anticorruption policy³¹.

Turning to Bosnia and Herzegovina and the efforts undertaken on tackling corruption and organised crime the Commission points out that it has achieved very limited progress. Implementation of the anti-corruption strategy and action plan remains weak and the anti-corruption authority is not yet fully operational. The judicial follow-up of corruption cases remained slow and only a limited number of high-level cases led to prosecution. Insufficient implementation of legislation and problems of coordination between entities remain issues of concern. In light of the above, Bosnia and Herzegovina needs stronger political commitment and determined action against corruption.³² Finally, as far as Kosovo is concerned, limited progress has been made on capturing organised crime. Although a number of searches, arrests, indictments and convictions have been achieved in organised crime cases, Kosovo's capacity to fight organised crime is still at a quite early stage. Therefore, serious efforts are needed to address this challenge. Kosovo has made limited progress in the fight against terrorism too. Kosovo's capacity to enforce relevant legislation and strategy papers such as the law on prevention of money-laundering and terrorist financing as well as the counter-terrorism strategy remain seriously weak. According to the European Commission, there has been little progress on personal data protection another area of increasing concern.³³

In light of the above findings, it is obvious that, although the countries of the region are slowly moving in the right direction, they are still far from reaching the position of the Central and Eastern European countries (CEECs) that recently

²⁸ European Commission, *Enlargement Strategy and Main Challenges 2011-2012*, COM(2011) 666 final, Brussels, 12.10.2011, p. 3.

²⁹ *Ibid*, pp. 38-43.

³⁰ *Ibid*, pp. 44-52.

³¹ *Ibid*, pp. 52-58.

³² *Ibid*, pp. 58-64.

³³ *Ibid*, pp. 64-72.



joined the European Union.³⁴ The case of the Western Balkans has shown that state-building and conflict management are closely intertwined with the democratic reform process. In addition, stabilization and democratization in the Balkans is vitally connected with the fight against organised crime and corruption.³⁵ It is widely acknowledged that the growing criminality and corruption represent a real threat to democracy and security in the region of the Western Balkans: “the biggest danger for democracy today is not sudden but rather slow death, meaning a gradual process of erosion and delegitimation that destroys democratic regimes even as their surface institutions remain in place...The goal should be to strengthen real democracy by reconnecting reforms to citizens’ actual concerns and regaining people’s trust in democratic institutions.”³⁶

Organized crime and corruption are two sides of the same coin. It is useless to deal with one without dealing with the other. In its 2011 report ‘The study to examine the links between organised Crime and Corruption’, Center for the study of Democracy highlights how the criminal structures, in particular in the Western Balkans, take advantage of corruption in a variety of ways, and vice versa. First of all, political corruption is organised crime’s most powerful tool. In most of the countries of the region, a vertical system of corruption functions from top to bottom in all public institutions: administrative apparatuses, the judiciary and law enforcement (i.e. police and customs). It is also observed examples of local administrative and political corruption. Organised crime also targets tax administrations, financial regulators and any other regulatory body that might impact criminal activities. Furthermore, police have the most direct exposure and frequent contacts with organised crime and, as such, organised crime most often targets them. Organised crime uses corruption in order to obtain information on investigations, operations, or competitors, and protection for continued illegal activities. Occasionally, corrupt officers become directly engaged in criminal

³⁴ Trauner Florian, ‘From Membership Conditionality to Policy Conditionality: EU External Governance in South Eastern Europe’, *Journal of European Public Policy*, Vol. 16. No. 5. (2009): pp. 774-790; Schimmlfennig Frank, ‘EU Political Conditionality After the 2004 Enlargement: Consistency and Effectiveness’, *Journal of European Public Policy*, Vol. 15 No. 6. (2008): pp. 918-937; Pridham Geoffrey, ‘EU Enlargement and Consolidating Democracy in Post-Communist States: Formality and Reality’, *Journal of Common Market Studies*, Vol. 40. No. 3. (2002): pp. 953-973.

³⁵ Giatzidis Emil, ‘The Challenges of Organized Crime in the Balkans and the Political and Economic Implications’, *Journal of Communist Studies and Transition Politics*, Vol. 23. No. 3 (2007): pp. 327-351.

³⁶ Krastev Ivan ‘The Balkans, Democracy without Choices’, *Journal of Democracy*, Vol. 13. No. 3. (2002): p. 44 & p. 52.

activities, running drug distribution rings or prostitution rings. Last but not least, organized crime networks corrupt magistrates in order to avoid pre-trial detention, to delay court action, or influence the trial outcomes. Judges, prosecutors and their administrative staff are also corrupted to leak information to criminals about ongoing investigations.³⁷

The emergence of organised crime and the growth of corruption in the Western Balkans constitute a direct threat for the region as a whole. Criminality and corruption frame the socioeconomic and political structures of each country, endangers the stability of the new democratic institutions and has a negative impact on the public confidence.³⁸ The absence of control and accountability, due to the growing organized crime in the Western Balkans, breaks the connection between society and state, intensifies the fear in society and increases insecurity on the individual level. Corruption by destroying fair competition and the potential for free private initiative frames official financial streams and disrupts the transition of state-owned economy into a fully-fledged market economy. Likewise, the systemic nature of corruption in the Western Balkans has distorted the restructuring of their public health care and the modernization of education systems.³⁹

Last but not least, criminal organizations and political corruption constitute a direct threat to the stability of each state, even national economic survival and internal security. The collapse of the Albanian economy as a result of the failed pyramid financial scandal is evidence of this possibility. In more details, the crash in 1997 “wiped out the lifelong savings of thousands of people, causing nationwide unrest and anarchy during which astonishing quantities of military equipment disappeared. It seems clear that organized crime did profit from the chaos by acquiring a great number of weapons, with many of them ending up in the black market”.⁴⁰ These events clearly indicate that when a government has been implicated in illicit practises, when its officials are corrupt and justice system has been paralysed by political corruption and influences, then national security and economic survival are under a serious danger. Therefore, it is

³⁷ Center For The Study of Democracy, *Examining the Links Between Organized Crime and Corruption*, 2011, pp. 308-311.

³⁸ Stojarova Vera, ‘Organized Crime in the Western Balkans’, *Human Security Journal*, Issue 1, (2007): p. 92,

³⁹ Center for the Study of Democracy, *Corruption, Contraband and Organized Crime in Southeast Europe*, Sofia, 2003, p. 7,

⁴⁰ Giatzidis Emil, ‘The Challenges of Organized Crime in the Balkans and the Political and Economic Implications’, *Journal of Communist Studies and Transition Politics*, Vol. 23. No. 3 (2007): p. 338.



evident that corruption and criminal networks negatively impact on democratic and economic reforms in the Western Balkans, as well as on post-conflict normalization and pacification processes in the region.⁴¹

Unveiling a risk factor and a barrier for the EU; from Balkan scepticism to Balkan realism?

The emergence of organised crime and the growth of corruption in the Western Balkans constitute a direct threat not only for the region but for Europe as well, encompassing significant political, socioeconomic and security implications. Despite the fact that both of them are internal in nature, organized crime and corruption have external consequences linked with serious threat such as state collapse, regional destabilization and regional conflicts, terrorism and proliferation of weapons of mass destruction. Moreover, the Schengen Agreement and easier cross-border operations have facilitated the presence of Balkan crime groups in most European Union countries and their links to European organized crime.

Due to its geographic position at the crossroads of South-Eastern and Western Europe, the Western Balkans remain an area of particular interest regarding illegal activities especially related to the trafficking of drugs, one of the most widespread forms of organized crime in the Balkans. The Balkan route is the main corridor for the smuggling of heroin and opiates between the production sites in Afghanistan and the main European markets. Seizures prove that over the past years the Balkan route has been more and more used also for trafficking cocaine from South America towards Western Europe.⁴² The United State's Drug Enforcement Administration (DEA) estimate that every month four to six tones of heroin transit through Turkey to the Balkans and into a number of North and

⁴¹ Ackerman Susan Rose, 'Corruption and Post-Conflict Peacebuilding, *Ohio Northern University Law Review*, Vol. 15. No. 3 (2008): pp. 328-343; Philippe le Billon, 'Corrupting Peace? Peacebuilding and Post-conflict Corruption', *International Peacekeeping*, Vol. 15. No. 3. (2008): pp.344-361. The link between statebuilding/peacebuilding and organized crime and corruption are explicitly made in several UN documents. See for example: A More Secure World: Our Shared Responsibility. Report of the High-Level Panel on Threats, Challenges and Change, A/59/565, 2 December 2004, General Assembly Resolution, A/RES/60/1, 24 October 2005, para. 111, Summary of the conclusions of the United Nations Chief Executives Board for Coordination at its first regular session of 2004, Vienna, 2-3 April 2004, Chief Executives Board, CEB/2004/1, 3 May 2004, pp. 7-10, Organized Crime and Corruption are Threats to Security and Development: The Role of the United Nations System, UNODC, April 2004.

⁴² European Parliament, Joint Parliamentary Meeting 13-14 April 2011 'Western Balkans - Towards a more integrated Europe', Working Documents, p. 18.

West European markets. In its 2011 Organised Crime Threat Assessment (OCTA), Europol points out that an increasing amount of cocaine from Latin America enters the EU via the Western Balkans and South East Europe: large shipments have arrived at ports on the Adriatic and Black Sea. The liberalisation of trade in the region and the presence of established transnational criminal networks have facilitated this expansion. Equally, criminals from the Western Balkans have established operational bases in Latin America, maximizing their profits by sourcing cocaine directly from producers.⁴³

The region also serves as the main land route and the Western gate for illegal immigrants from Near East and Asia.⁴⁴ It is estimated that over 100,000 illegal immigrants annually have come from the Balkans to the European countries, of which 15% originated from the region of the region itself.⁴⁵ Furthermore, the Western Balkans is one of the most important links in the chain of the sex industry. According to the International Organization for Migration every year 200,000 women and girls victims of the sex trade are bought and sold by the sex cartels of the Western Balkans.⁴⁶ In addition, EU member states continue to be affected by weapons trafficked from the Western Balkans. Large quantities of weapons and armaments from the conflicts of the 1990s remain beyond the authorities' control and continue to feed international criminal markets. Serbia and Bosnia and Herzegovina, in particular, are source countries for arms and ammunition for criminal groups in the EU.⁴⁷

The threat that the Balkans could become for the EU something similar to what some Latin American countries are for the USA has gained ground during the last decade.⁴⁸ The fear that some of these groups might be or have been establishing links with terrorist organizations has also been voiced.⁴⁹ This has

⁴³ Europol, OCTA 2011, *EU Organized Crime Treat Assessment*, p. 14.

⁴⁴ Papadopoulos Apostolos, 'Migration and security threats in south-eastern Europe', *Southeast European and Black Sea Studies*, Vol. 11. No. 4. (2011): pp. 451-469.

⁴⁵ Caparini Marina, (2005), 'Security Sector reform in the Western Balkans', *SIPRI Yearbook 2004: Armaments, Disarmament and International Security*, p. 257.

⁴⁶ Giatzidis Emil, 'The Challenges of Organized Crime in the Balkans and the Political and Economic Implications', *Journal of Communist Studies and Transition Politics*, Vol. 23. No. 3 (2007): p. 328.

⁴⁷ Europol, OCTA 2011, *EU Organized Crime Treat Assessment*, p. 38.

⁴⁸ Pascali Umberto, 'KLA and Drugs: The "New Colombia of Europe" Grows in Balkans', *Executive Intelligence Review*, Vol. 28. No. 24. (2001): pp. 70-73.

⁴⁹ Wolfgang Benedek, Christopher Daase, Vojin Dimitrijevic and Petrus van Duyne (eds.) *Transnational Terrorism, Organized Crime and Peacebuilding- Human Security in the Western Balkans*, (2010), London:



raised additional concern given the high incidence of arms smuggling, the fact that some Balkan territories constitute a transit route for illegal immigrants and the presence of Islamic populations in the region. For example, it is believed that terrorist are present in Bosnia and Herzegovina, or some Bosnian citizens have links with transnational terrorist groups, especially with radical Islamic movements, including al-Qaeda.⁵⁰ Additionally, multiple sources including academics, practitioners and government representatives from both sides of the Atlantic have alleged that the high profits from criminal activities are often invested in terrorist activities. The large underground economic activity that ranges between 30 to 50% of GDP combined with poverty form a rip environment for illegal activities.⁵¹

The EU continues to strive on its behalf by settings conditions in terms of deepening democratization and expanding security sector reform as part of the accession process. Through this endeavour Europeans have reduced the risk of local outbursts of violence, even armed conflicts, and regression to authoritarian rule. On the other hand, a possible worst case scenario, namely non-integration, includes even the danger of authoritarian and nationalist setbacks with significant side effects for the region's stability and trans-Atlantic security. In such a context, extremist groups and organised crime networks constitute additional threats to democratic reform process in the region with fast-moving and security implications for the European family. Non-integration could fester and destabilize the whole region undermining any progress achieved.⁵²

To cut a long story short, the opponents of Balkan membership without trouble forget that the achievement of stability and prosperity in the Balkan countries that EU membership would bring, would in turn make for security, stability and prosperity in Europe as a whole, something in which the EU has a fundamental stake. After all, enlargement benefits the EU as a whole and allows it to be better

Palgrave Macmillan; Angjeli Anastas, 'The Challenge of Terrorism and Crime', *Mediterranean Quarterly*, Vol. 14. No. 3. (2003): pp. 34-40.

⁵⁰ Caparini Marina, (2005), 'Security Sector reform in the Western Balkans', *SIPRI Yearbook 2004: Armaments, Disarmament and International Security*, p. 258.

⁵¹ Wibke Hansen, *The Failed State - Organized Crime - Terrorism Nexus*, SWP Comments 40, December 2011.

⁵² Integrating the Western Balkans into NATO and the EU: Challenges, Expectations and Needs, the PfP Consortium Working Group "Security Sector Reform" and the Study Group "Regional Stability in South East Europe", 27-30 September 2007, at the Zamak Pobore, in Budva, Montenegro, [available at: http://www.bmlv.gv.at/pdf_pool/publikationen/pfp_rssee_budva_policy.pdf].

positioned to address global challenges⁵³. That is why there is an additional reason for the countries of the region to stay anchored in Europe and not to abandon their prospects for EU membership. If the European project is left hanging in the air or starts to spill-back and finally collapse, a major and pressing issue will come forward, namely the one of organized crime leading to increased risks and instability for the Western Balkans as a whole. With the Western Balkans remaining its weak link and consisting an unstable backyard, Europe will face a great risk factor and the Balkan question will turn to a hard European one. Organized crime will further flourish, capturing and progressively swallowing a larger part of the formal economy, resulting in uncontrollable highly criminalized political economies. Without EU's interventionist policies and political presence to gradually absorb it, organized crime will achieve its autonomy, a development leading to its rapid expansion. In a period when "people don't queue up anymore to read about the Balkans"⁵⁴, the specific acceptance is of fundamental importance and offers valuable insight on how the EU views now Western Balkans. On the contrary, as stressed in previous section, if the EU moves forward towards greater integration (independently of the chosen path i.e. a more 'loose' euro for certain countries in Europe's periphery versus a core one for selected members of the Eurozone) the countries of the region are not in danger and will be in a position to achieve their accession.

Hence one can argue that the Balkans have actually come to constitute a new type of security threat for the European Union. The European Union's emphasis on institution building and capacity to enforce legislation show a willingness to secure that reforms are not token but real. This is undoubtedly so for the issue of crime and corruption too. Whichever way, it seems ironic that the region seems to be blackmailing its way to the EU first through ethnic wars and now through organized crime. To put it bluntly, it is a case of that which has crippled you also offering the wheelchair⁵⁵.

⁵³ European Commission, *Enlargement Strategy and Main Challenges 2011-2012*, COM(2011) 666 final, Brussels, 12.10.2011, p. 2.

⁵⁴ Jens Bastian, "In Search of the Balkan Recovery: The Political and Economic Re-emergence of South-Eastern Europe", *Southeast European and Black Sea Studies*, Vol. 11. No. 1. (2011): p. 85.

⁵⁵ Serbos, Sotiris, 'European Integration & South Eastern Europe: Prospects & Challenges for the Western Balkans', *UNISCI Discussion Papers*, No. 18, (2008): p. 107.



Conclusion

Finishing up the enlargement policy in the Western Balkans presents the EU with a set of challenges which derive from the nature of candidate countries⁵⁶ which are more fractious and fragile compared to CEECs. At first appearance, arguments of a negative nature seem to present themselves for inclusion of the Western Balkans in the EU⁵⁷. These are largely based on a rooted image of these countries that regards them as beset by a large unofficial economy, poverty, crime, corruption and conflict. Similarly, weak and corrupt institutions are still finding it difficult to enforce laws and deal with their deficiencies while maintaining an inviting operational environment for organized crime networks which constitute a direct threat not only for the region but for Europe as well.

The argument for a status below full membership for countries such as those of the Western Balkans takes it for granted that the influence of external political factors in internal political reform is very limited. It assumes that any positive trends already in place will continue if the governments of the Western Balkan countries keep on taking the right decisions. However, the history of European integration over the last sixty years has conclusively proven the decisive and continuing influence of external factors. Lucid political prospects and transfers of resources have helped in the steady modernization of accession countries. It must not be omitted that the prospect of future EU membership has already had a profound and beneficial transformative impact in the Western Balkan countries.

Although the promise of full EU membership remains the key driving force for enduring and deepening the reform process, the EU still faces a set of conflicting objectives in the Western Balkans. Primarily between “its security-based interest in moving ahead with the accession of these countries to the EU and its interest in the further democratization of the countries through strict conditionality, which would result in a much slower integration process. On the one hand, the integration of the SEE countries into the political community of democratic, peaceful states would be the best safeguard against renewed violence. On the

⁵⁶ Gordon Claire, ‘The Stabilization and Association process in the Western Balkans: An Effective Instrument of Post-Conflict Management?’, *Ethnopolitics*, Vol. 8 No. ¾ (200-9): pp. 325-340, Belloni Robert, *Europeanization and conflict management in the Balkans: lessons, prospects, and perils*, Paper presented in the ECPR Conference, Pisa 6-8 September, 2007.

⁵⁷ Goldstein, Avery; Batt, Judy: “Balkans in Europe: Why, When and How?”, Policy Brief, Belgium, European Policy Centre (EPC) (2007).

other hand, by integrating unconsolidated and still unstable democracies, the EU would inherit their problems but would no longer have any leverage to enforce resolutions after the accession.”⁵⁸

Drawing a conclusion, the success of EU’s policy will also depend on how high one places the bar. Too high and enthusiasm is lost, too low and genuine reform is reduced to tokenism. The Stabilization and Association Process stops short of promising EU membership but at the same time it puts forward a pragmatic approach based on lists of achievable targets that are to be approached gradually and in sequence. The ultimate question is whether this is going to prove a race against time or whether sustainable progress will fulfill the targets before persisting constraints derail the effort leading to social apathy or even conflict.

The final implications for the Western Balkans as a political entity will greatly depend on decisions taken at EU level regarding the future direction of the Union. These will depend on how the different approaches to European integration between member states will play out. In the meantime, EU membership represents a stable anchor in the swiftly changing international environment, and ‘belonging to the club’ continues to offer hope for stability and prosperity, despite the global financial crisis and the difficulties in the Eurozone.⁵⁹ Additionally, Western Balkan countries, despite the massive adjustment in their external deficits, their economic growth adjustment was less, compared to the rest of Europe and their financial systems remained intact. What is more, this adjustment will greatly boost the future potential of these countries to attract FDI from the rest of Europe.

In view of the above, through a coherent and enduring policy of concluding the complex ‘post-conflict’ Balkan enlargement, the EU should fully exploit its anchoring capacity and soft power of attraction to continue assisting Western Balkan countries to stay on track and close to Europe. The benefits of such a policy would be clearly visible for the EU itself as it would be able not only to preserve its security from newly established threats, but also to increase its global actorness by further expanding (through the SEE region as a whole) its regional and international interests. More than that, the way the EU adapts to the

⁵⁸ Richter Solveig, ‘Two at one blow? The EU and its quest for security and democracy by political conditionality in the Western Balkan’, *Democratization*, Vol. 19. No. 3. (2012): p. 508.

⁵⁹ European Parliament, Committee on Foreign Affairs, *Draft Report on Enlargement: policies, criteria and the EU’s strategic interests*, Rapporteur: Maria Eleni Koppa, 2012/2025(INI), 3.4.2012, p. 7.



challenges of its neighbourhood, will eventually determine how much influence it can exert in the rest of the world. Even with ‘Eurorealism’ taking over from ‘Europhilia’ as the predominant sentiment in the region⁶⁰, currently the answer seems to be still on the side of optimism.

⁶⁰ Bechev Dimitar, The Periphery of the Periphery: The Western Balkans and the Euro Crisis, ECFR/60 Policy Brief, August 2012, p. 3.

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