

## 8. The Balkans

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### 8.1 A “BLACK HOLE” IN EUROPE? THE SOCIAL AND DISCURSIVE REALITY OF CRIME IN BOSNIA-HERZEGOVINA AND THE INTERNATIONAL COMMUNITY’S TACIT COMPLICITY

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#### 1. Introduction: The Balkans’ “black hole” image

The Balkans is deemed to be a stronghold of transnational organized crime (TOC). This is not without reason: During Yugoslavia’s violent demise in the first half of the 1990s, large-scale trafficking of drugs, human beings, cigarettes, alcohol, fuel, and weapons was widespread in Southeast Europe. The region figured both as an important transit corridor to Western Europe and as a destination for global illegal trade. It is this image of “states in the grip of organised crime” (Mappes-Niediek 2003) that has shaped much of the region’s perceptions by the Western European public up to the present day.

It was thus a surprise for many when the United Nations Office on Drugs and Crime (UNODC) published a report in 2008 that proved otherwise.<sup>1</sup> It showed that the level of conventional crimes such as murder, rape, robbery, and theft was, on average, below that of Western European states (UNODC 2008, 9–10, 35–43). Furthermore, the level of classic organized crime, which had dominated the region during the years of crisis and violent conflict, had decreased significantly (UNODC 2008, 12–16, 55–85).<sup>2</sup> What was seen as much more problematic than TOC was economic crime and corrupt state institutions: Practices at the interface of politics, the economy, and organized crime – like tax evasion, smuggling of le-

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1 | Compare Anastasijević (2010).

2 | This said, it has to be clarified that a decrease in organized crime in the Balkans does not mean its absence. Although in decline, the retail value of heroin trafficked by ethnic

gal goods, and misappropriation of public funds – were even judged as potentially hindering the Balkan states’ political and economic stabilization (UNODC 2008, 17–20, 85–107).

The discrepancy between the Balkans’ persistent perception as the “stronghold of organized crime” and the empirical evidence provided by the UNODC is illustrative of the way in which the bigger part of the discipline of International Relations has dealt with TOC over the last two decades. Fighting TOC is part of an extended understanding of security that evolved as a guiding concept in the post-bipolar era and eventually led to concepts of human security.<sup>3</sup> In these latter approaches, which put the individual at the center of security thinking, TOC – often in relation with transnational terrorism – is believed to destabilize the international order and to harm individuals in the states harboring the criminals (Benedek 2010).<sup>4</sup>

Linkages between state weakness and bad governance, on the one hand, and the occurrence of TOC, on the other, are often taken for granted, while there is less reflection on the deeper logics of illegal practices and their connections to the legal sphere. Most importantly, external actors’ roles in creating enabling conditions for crime are not taken into account to the same extent as the presumable defects of “local” structures and actors. Interestingly, in dominant security thinking the world tends to be imagined as highly globalized when it comes to the *threats*, which states in the “zone of peace” are facing, while *causes* for transnational activities such as organized crime and terrorism are imagined to be rooted rather in non-Western states or regions, which belong to the “zone of turmoil.”<sup>5</sup> This disregards that illegal practices are embedded into the same structures of world society that encompass the legal sides of politics and economy, and that both spheres are indissolubly tied together.<sup>6</sup>

Using the example of Bosnia and Herzegovina (BiH) – which in the Western mind is frequently imagined as at risk of becoming a “black hole” in (Southeast) Europe<sup>7</sup> – this article sets out to challenge stereotypical views on TOC in the region. Taking into consideration historically and sociologically informed state and society practices, the aim is to offer a more nuanced picture of organized crime, its roots, and logics. This includes the effects that the “black hole” discourse has on

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Albanian smugglers to Western Europe – by far the highest value contraband flow in the Balkans – was still higher in 2008 than the (low) gross domestic product of some countries in the region (UNODC 2008, 12–14).

**3** | For an overview, see Daase (2010a).

**4** | For a nuanced discussion of differences between TOC and transnational terrorism, see Daase (2010b).

**5** | Compare Buzan and Little (1999); van der Pijl (2002); Geis et al. (2007).

**6** | Compare, for example, Lock (2001); see also Jung (2001).

**7** | For example, *Financial Times* (2011), *Le Monde diplomatique* (2008); *The Independent* (2009); von Sydow (2011, 7); *WorldNetDaily* (2002).

social realities. Throughout the article, a special focus is put on the role of international actors in enabling the conditions of persistent economic crime and state corruption. It will be argued that “the international community’s”<sup>8</sup> involvement is in this regard best understood as tacit complicity.

## 2. Historical roots of crime in Bosnia and Herzegovina

Historically, crime is anything but an unknown in the Balkans. Going back to pre-communist times, romanticized imaginations of the military-historical figure of the *hajduk*, the “Robin Hood of the Balkans,” are part of regional popular culture (Allcock 2000, 390 et seq.; Bougarel 1999a). During communist rule, the smuggling of consumer goods thrived, and the fact that the citizens of non-aligned Yugoslavia could travel freely to countries in East and West put organized criminals from the SFR Yugoslavia into an ideal position as smugglers (UNODC 2008, 48). Communist leaderships, and especially their secret police and intelligence services, also contracted criminals as informants or to liquidate dissidents abroad (ibid.). These roots are important, as historically established functions and linkages might hint at certain path dependencies in the relationship between state representatives and criminal actors (ibid.).<sup>9</sup> However, to understand and explain organized and other forms of crime and their political linkages in the region today, it is crucial to look at the more recent causes and functions of illicit activity that boomed before and during the Balkan wars of the 1990s.<sup>10</sup>

It was during the 1980s, when the role of illegal economic activities became significant for large segments of Yugoslav society. The reason for this was the rapidly deteriorating economic and political situation in the Federal Socialist Republic. During the 1950s and 1960s, Yugoslavia’s economic model of the “Third Way” between a market and command economy had gained international attention and seemed, at first, to bring about economic modernization and prosperity. Yet this economic strategy had two main pitfalls. On the one hand, economic growth depended to a high degree on public investment financed by international aid and credit, which led the state into a severe debt crisis in the early 1980s (Kiza 2003). Credit-financed mismanagement of industrial assets in the republics sub-

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**8** | The catch-all phrase “international community” is used here and there for readability. Throughout the text, I will explain in more detail which actors and dimensions are meant by it. On the different notions of the problematic concept of “the international community,” see critically Bliesemann de Guevara and Kühn (2011).

**9** | The authors of the UNODC report argue, for instance, that due to these historical linkages between state agents and criminals, TOC in the Balkans is not accompanied by the high levels of violence known from other world regions, especially Central America (UNODC 2008, 47).

**10** | For a detailed account of the relationship between stateformation and economic development in Yugoslavia and BiH, see Bliesemann de Guevara (2009, 107–166).

sequently caused a breakdown of production and rising levels of unemployment. This situation was further aggravated by waves of returning guest workers from Western Europe.

On the other hand, the so-called workers' self-management, the core pillar of the Third Way model, did actually little to democratically empower workers (Kiza 2003, 200–201).<sup>11</sup> Rather, this decentralization of the industry enabled elites in the republics, provinces, and municipalities to seize control of industrial assets and establish local spheres of power, which built on the vertical ties with workers and local communities: "Society was permeated by vertical patron-client relationships as well as nepotist networks of mutual favours, originating in self-management workers' collectives, local communities, revitalised rural-urban ties, and the widespread black-market economy" (Schierup 1998, 229). Clientelist redistribution, subsistence farming, and black-market trade became the backbone of many families' everyday economic survival in view of unemployment, unpaid salaries, and dwindling remittances in the 1980s.<sup>12 13</sup>

Economic decentralization in the republics was paralleled by political centrifugal developments on the national level. In the early 1970s, an extensive transfer of state functions from the central government to the six republics left the Yugoslav central state weak, while "republican etatism" grew. In this situation of a dire national economy and a highly fragmented sociopolitical landscape based on vertical ties between local elites and their clientele, the international financial institutions, that is, the World Bank Group and IMF, prescribed reforms in the late 1980s that were aimed at economic and political liberalization and financial austerity of the state. While the reforms led to improved macro-economic indicators, they also fundamentally challenged established structures of rule, causing severe struggles among elites over ever-scarcer power resources.<sup>14</sup> The reforms meant cutbacks in an already weak federal state, yet, paradoxically, it was expected that this very state would provide for stability and order during political and economic liberalization (Woodward 1995, 17).<sup>15</sup> Some scholars have thus argued that the Balkan wars of the 1990s were, above all, a product of the internationally determined transformation from a socialist society to the model of a market economy and democracy.<sup>16</sup> Along the same lines, we can argue with regard to TOC that it was international

**11** | Cf. Dominik (2001); Lampe (2003).

**12** | For BiH, see Bojičić and Kaldor (1997, 156); Andjelić (2003, 51–56).

**13** | In the case of Kosovo, illicit economic activities were tied much closer to the deteriorating political situation of Kosovo-Albanians, who were steadily excluded from public institutions and built up underground political and social institutions in reaction to Serbian politics. The illicit economy finally played a crucial role in the decision for war as a state-building strategy; see Sørensen (2012) for more detail.

**14** | Compare Pugh (2002, 469–470).

**15** | Compare Pugh and Cooper (2004, 152–153).

**16** | Especially Woodward (1995, 1996).

orthodox-neoliberal policies that, although they may not have caused TOC directly, at least created perfect enabling conditions for a boom in informal and illicit economic activities in the region.

It is against this background of severe crisis that the state of Bosnia and Herzegovina came into formal existence in 1992. Multi-ethnic BiH was particularly affected by Yugoslav fragmentation. Due to a lack of horizontal stratification, new political parties were deeply divided along ethno-nationalist lines in their struggle for power. They soon started to carve up the political, economic, and social institutions of BiH among them, creating three parallel ethno-nationalist systems of rule. In a referendum on the question of BiH's political future, Bosniaks and Bosnian Croats supported the creation of an independent state. The Bosnian Serbs, by contrast, boycotted the referendum and declared the separation of Serb-inhabited areas. In spring 1992, war broke out between the two sides. In April 1993, with the declaration of an independent republic by the Bosnian Croats, a second conflict emerged. This Bosniak-Croatian "war within the war" ended with the Washington Agreement in March 1994, which established a federation between the two groups. Finally, in December 1995, the war between the federation and the Serbs came to an internationally brokered end with the signing of the Dayton Peace Agreement.<sup>17</sup>

Throughout the war, the smuggling of weapons and small arms, fuel, cigarettes, and essential goods thrived. Economic production in the three ethno-nationalist para-states declined due to the fighting, while the importance of illicit activities – from asset-stripping and theft to extortion, irregular taxes and tariffs, and large-scale smuggling – grew in importance, as did international forms of financing by neighboring countries, diasporas, and humanitarian aid agencies (Bougarel 1999b). Illicit trade thrived regardless of ethno-political divides, turning the war into "a continuation of business by clandestine means" (Andreas 2004a, 30). The war economy served a double purpose: On the one hand, it (poorly) financed the war parties and their systems of rule; on the other hand, it privately enriched those in control of illicit trade.<sup>18</sup> The effect was a profit-oriented creation of rent and mafia structures at the local level, which did not correspond with political and military conflict lines (ibid., 40–41). Due to these profit-driven dynamics of privatization and criminalization, the Bosnian war was taken as the primary example, with reference to which the disputed "new wars" hypothesis of the 1990s was formulated.<sup>19</sup>

Yet organized crime was more than the expression of war profiteers' greed. Criminal actors and activities had very different and often ambivalent roles. Smuggling was a way to organize weapons for defense in view of an international arms embargo that especially affected the Bosniak war government, which, com-

**17** | On the war see, for example, Burg and Shoup (1999); Calic (1996).

**18** | Compare Ehrke (2003, 133–136); Pugh and Cooper (2004, 153–157).

**19** | For example, Bojičić and Kaldor (1997).

pared to the Bosnian-Serb war party, was militarily heavily underequipped (*ibid.*, 38–39; Bougarel 1999b, 196). In the besieged capital, Sarajevo, criminals evolved into kinds of guardians of the Bosnian rump state at the beginning of the war, as it was only due to their help and weapons that the city could be defended against the militarily superior Bosnian-Serb attacks. It was only much later that the war government took steps to contain criminal activities (Andreas 2004a, 2008). Most importantly, however, in many places, and especially in enclaves and besieged cities, smuggling guaranteed people's everyday survival. In this sense, the criminalization of the economy by war profiteers, on the one hand, and the processes of informalization and subsistence-orientation among the broader population, on the other, were but two sides of the same coin. The small group of war profiteers comprised both powerful persons from pre-war times who had managed to preserve their power, as well as parvenus whose social advancement was based on their criminal or violent competencies (Pugh 2002, 470; Pugh and Cooper 2004, 156). Most importantly, the war created and strengthened relations between political and economic elites and criminal actors,<sup>20</sup> whose networks and interests persisted in post-war times (Andreas 2004b).

With the 1995 Dayton Peace Agreement, the “international community” assumed the task of guiding the peace process. During the first four years of the intervention, the international agencies focused on reconstructing the destroyed infrastructure, democratizing the political structures, and liberalizing the remainders of the socialist economy. This approach was built on the liberal idea that democracy and market economy are the ideal basis for sustainable peace and that these reforms would marginalize peace spoilers. Reality looked different, however. Wartime ethno-nationalists triumphed in the elections because the electorate regarded them as being the strongest safeguards of their interests (Manning 2004; Gromes 2007).

The intervention furthermore strengthened the old elites economically. BiH was swamped with aid money (Suhrke and Buckmaster 2006, 343–345), most of which was distributed in decentralized ways, evading the central state structures that were seen as lacking the capacity to channel the resources (Hertić et al. 2000). Local politico-economic networks used this arrangement for rent-seeking, that is, the illegal siphoning off of large amounts of public funds (Ehrke 2003, 141–142; ESI 2000, 15). The privatization process, which started in 1997, was another measure that unintentionally played into the hands of wartime elites and their networks of profit. Privatization was hoped to contribute to a modernization of the country's industrial assets and to a depoliticization of the economy (Donais 2002, 2; Pugh 2002, 474). Factually, however, the hasty privatization

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**20** | Often such a neat differentiation between elites and criminals is impossible, as single actors personify different of these roles, for example when politicians heavily engage in economic activities and use connections to criminal networks or misappropriate their positions in order to gain profits or power.

process enabled influential politicians and their cronies to appropriate socially-owned companies and apartments in dubious, sometimes criminal ways, and to make considerable profits.<sup>21</sup> Through its politics of liberalization, the intervention thus strengthened the very politico-economic networks that had already profited from war, while neither a modernization nor a considerable depoliticization of the economy took place. At the same time, the institutions of the Bosnian central state remained weak and proved unable to counter the politico-economic networks with state regulation. Many of the relations between political and economic entrepreneurs – legal as well as illegal ones – and of the informal channels established or strengthened in the first phase of the peace process are still effective today (Bliesemann de Guevara 2009, 139).

In view of the shortcomings and limits of the liberalization strategy, the international actors decided upon a policy shift by the end of the 1990s: The aim of the new “statebuilding” strategy was to build up and strengthen (central) state institutions (PIC 2000). A permanent pacification of society was now seen to depend on a state framework that was able to regulate societal interaction.<sup>22</sup> The “rule of law” was a central part of this strategy: Reforms of the police and justice sectors were meant to render the state capable of acting against crime. Firstly, reforms were aimed at countering the war-related ethnicization of state agencies, that is, their illegal alignment in favor of one ethnic group. This problem was minimized: State officials were vetted with regard to war crimes, ethnically mixed police patrols were created, and policemen, judges, and prosecutors received better training and pay.<sup>23</sup>

The second reform aim was depoliticizing the rule of law agencies, that is, strengthening their autonomy from powerful elites. This, however, proved to be a more obstinate problem that, to date, has not been solved. It is against this background that today’s links between politics, the economy, and organized crime have to be assessed.

### 3. Organized crime and corruption in Bosnia and Herzegovina today

Current practices of organized crime in BiH include different interlinked dimensions, which will be illustrated and discussed with reference to the following three episodes.

*Episode 1:* In August 2011, the trial against Zijad Turković – the alleged ring-leader of a notorious criminal gang – and nine other gang members commenced. Turković was charged with “organized crime, drug trafficking, founding a crime organization, robbery, extortion, money laundering, murder, and unlawful arms dealings” (BH-News 2011a). His group, which is believed to have a reach “well

**21** | For detailed accounts, see Donais (2002); Pugh (2002).

**22** | Compare Paris (2004).

**23** | For more detail, see Bliesemann de Guevara (2009, 190–194, 245–271); on police reforms, see also Collantes Celador (2006).

beyond BiH” (*SE Times* 2010), is said to have murdered – or attempted to murder – several persons in drug-gang rivalries (OCCRP 2011). Turković’s gang is also allegedly responsible for a “string of spectacular robberies, including the theft of 1.3 million euros from Sarajevo Airport’s cargo center in 2007” (*SE Times* 2010).

*Episode 2:* In 2010, the police of the Republika Srpska (RS), the Serb-controlled area of the two Bosnian political entities, dismantled a cigarette smuggling network that had operated throughout the country. Among the more than 60 detained persons were 22 active policemen from the municipalities of Stolac, Trebinje, and Čapljina. Stolac and Čapljina are situated in the southwest of the Federation of BiH, the Bosniak-Croatian controlled entity, bordering Croatia. Nearby Trebinje, which is in the southernmost corner of the RS, borders Montenegro, the country that became infamously known for its thriving, state-tolerated cigarette smuggling industry in the 1990s and early 2000s.<sup>24</sup> The detained police officers were “suspected of selling information about police patrols in certain locations, which helped the criminal network transport non-customs cleared commodities from Montenegro to BiH through the Bileća border crossing” (*SE Times* 2010). Next to cigarettes, this allegedly also included other high-tariff commodities, weapons, and cash (*ibid.*).

*Episode 3:* In May 2011, Catherine Ashton, the EU High Representative for Foreign Affairs and Security Policy, traveled to BiH to hold “crisis talks” with Bosnian-Serb President Milorad Dodik in Banja Luka, the capital of the RS. The reason for the talks was that, following a proposition by Dodik, the RS parliament had decided to hold a referendum, asking voters “whether the federal court and prosecution – Bosnia’s only central judicial institutions – ought to be abolished” (*European Voice* 2011). The parliament also planned to ask for voters’ stance on the international High Representative’s authority in BiH. The referendum would not have been in conformity with the Bosnian constitution, yet RS officials justified it by pointing to an alleged bias of national courts against Bosnian Serbs. The talks between Ashton and Dodik resulted in the RS authorities calling off the referendum and the EU pledging to establish a justice reform commission to review BiH’s judicial institutions (RFE/RL 2011).

What do these three episodes tell us about the intertwined situation of TOC, economic crime, and corruption in BiH and the region? The first episode is a classic story about a ruthless criminal gang involved in different types of lucrative illegal activities and deeply entangled in violent rivalries with competing organized gangs. The Turković case is thus illustrative of the existing rings of organized crime in BiH and the wider region. According to the UNODC, drug trafficking from Afghanistan via Iran and Turkey to Western Europe on the so-called Balkan route is “the highest value criminal activity in South East Europe” (UNODC 2008, 12–13). While especially the heroin trade is mainly controlled by ethnic Albanians, the Turković case suggests that other gangs in the region also look for their share

in the business and do so, if necessary, with violent means. Money laundering is a necessary activity for all criminal organizations, since their businesses are mainly based on cash, the origins of which have to be concealed (UNODC 2008, 94).<sup>25</sup> Arms dealing, by contrast, is supposedly losing attractiveness, as demand has shrunk significantly since the end of the wars in the region (UNODC 2008, 16). The same applies to human trafficking: Migrant smuggling has lost relevance due to the EU’s eastern enlargement and its Stabilisation and Association agreements with countries in the region, and trafficking for the purpose of sexual exploitation has also declined in view of saturated markets and higher risk-awareness among the potential victims (UNODC 2008, 14–16).

The Turković episode thus highlights some of the major traits of TOC in the region. Yet, there is little evidence that such activities are more “endemic” to this region, as suggested by the “black hole” discourse, than they possibly are to other parts of Europe.<sup>26</sup> There also seems to be a trend that “Balkan organised crime is [...] diminishing in importance” (*ibid.*, 16). Last but not least, the episode also hints at some positive developments in the Bosnian police and justice system: The fact that a ringleader such as Turković is detained and brought to court testifies to the increased capacity of the state’s law enforcement agencies, a finding that is in line with other sources.<sup>27</sup>

The second episode only seemingly contradicts this latter observation, although it involves corrupt police officers. The dismantled cigarette smuggling network is a typical example of an economic crime involving licit goods – in this case, tariff evasion for cigarette imports – that was enabled and backed by corrupt state agents who serve as border-crossing facilitators and get their share of the profits at the cost of the state’s income. Just like in war times, the cooperation is profit-oriented and takes place across the supposed political and ethnic divides that guide political rhetoric at the national level.<sup>28</sup>

The improved general performance of the police and its persistent corruption are no contradiction. The former is basically a result of international reforms, training programs, and oversight as well as of the successive creation of federal security services since 2000, above all the State Border Service, which ended the entities’ exclusive control of the borders, and the State Investigation and Protection Agency, which is in charge of investigating organized crime and war crimes. Furthermore, the very fact that RS police dismantled the cigarette smuggling net-

**25** | Throughout the article, the UNODC data is used because it is grounded in the most comprehensive database as compared to other accounts of TOC in the region. Other sources that discuss the topic are, for example, Anastasijević (2010), Randoux (2010), Stojarová (2007); on BiH especially, see Smajič (2010).

**26** | Think, for example, of the role of the rivaling biker gangs Hells Angels and Bandidos in Germany.

**27** | For example ESI (2007).

**28** | Compare episode 3.

work and stopped the police officers involved testifies to a general capacity of BiH's police to perform their duty.

The persistent levels of corruption, on the other hand, can be attributed to low and/or belated salaries and a dire economic situation in general.<sup>29</sup> Police and customs officers have found many illicit ways to cope with this situation – including the cooperation with organized and economic crime networks – and other illicit activities such as the creation of an informal traffic fee system. Smugglers of licit goods – especially cigarettes, oil, goods from China, and counterfeit products – make a profit by evading customs duties and taxes on the smuggled products; the state's customs and police agents are thus in strategic positions regarding these activities. With its 400 border crossings, BiH is difficult to control in this regard, and smugglers have used long-established routes and networks to bring in black-market goods (UNODC 2008, 85).<sup>30</sup> Different taxation systems in the region, too, are said to favor forms of economic crime. Ironically, it was only after the international agencies introduced a single value-added tax in BiH, that the country evolved into an interesting market for transnational value-added tax fraud (the so-called carousel fraud) – one of the biggest economic crime problems in the EU at the time (Bliesemann de Guevara 2008, 155).

As corruption surveys show, low-intensity state corruption is widespread in BiH and “is most pervasive at the local (municipal and particularly cantonal) level,” that is, where citizens' interactions with state agents mainly take place (Divjak and Pugh 2008, 376).<sup>31</sup> However, “the incriminating trail of activities such as the misappropriation of public funds, the mismanagement of public companies, and irregularities in the privatisation process, does lead to the top levels of power” (ibid.). This is where the third episode comes in.

The Dodik episode is least obviously connected to the questions of TOC, yet it is actually the most interesting case, as it contains an underlying story of high-level economic crime and impunity that points to deep structural problems of the Bosnian state. The surface topic of this episode is political struggles over the institutional and power arrangements in BiH, especially the transfer of competencies from the entity to the federal level (here: judicial powers). Such power struggles have accompanied the peace process in BiH from the beginning and involve both local politicians and international agencies.<sup>32</sup> Speaking in broad terms, a repeating

**29** | Compare Divjak and Pugh (2008, 379–383).

**30** | Customs duty evasion is a known problem in BiH, and although the amount of smuggled goods seems to have decreased with the establishment of the federal State Border Service (cf. ESI 2007, 3, 5–6), the episode suggests that the centralization of border control alone has not been enough to eradicate the problem.

**31** | Compare Chêne (2009); Transparency International (2006); Transparency International BiH (2004).

**32** | Since December 1997 the High Representative of the “international community” in BiH has the power to decree legislation and reforms and to remove politicians and other state agents from office – and thus to interfere deeply with the political process.

pattern of such struggles has been the convergence between international actors’ and Bosniak politicians’ interest in centralization. The Bosniaks have the strongest interest in a unitary state and would profit most from proportional representation in centralized state agencies, as they are the biggest ethno-national group. Bosnian Serbs, by contrast, have tended to oppose any centralization efforts. As they dominate politics in the RS, they have little interest in weakening the entity by transferring prerogatives to the central state. The Bosnian Croats – the smallest among the three constituent groups in BiH – have usually accepted reforms as long as these did not aim at abolishing the cantons of the FBiH, two of which are Croat-controlled. Occasionally, however, they have also called for the creation of a third, Croat-dominated, entity, which would give them a formal status equaling that of the other two ethno-national communities.

In such a “political power” reading, the struggle described in the third episode centers around questions of institutional settings and/or reforms, which aim at changing a precarious political power arrangement in a context that is highly sensitive to questions of ethno-national interests and prerogatives and vulnerable to destabilization. In this reading, Dodik threatens with a referendum because he fears a loss of political power for the RS and its elites and because he takes seriously the fears among his voters, who see their ethno-national interests threatened by growing Bosniak influence over state institutions such as the judiciary.

In a “political economy” reading, however, there is more to Dodik’s frequent referendum rhetoric, which has included threats of separation. As an article on corruption in BiH summarizes, Dodik’s

...two terms in 1998 and 2006 led to a number of embezzlement and corruption scandals surrounding his cabinet ministers, but no investigations or prosecutions were pursued. [...] Even recent findings of highly non-transparent public contracts issued by the Dodik government involving hundreds of millions of euros-worth of undisclosed deals have provoked little reaction by any law enforcement agency. Yet in reporting this news, pressure was exercised against the media, nongovernmental organizations (NGOs) and other watchdogs to the point where many democratic advances may have been reversed.<sup>33</sup> (Divjak and Pugh 2008, 378)

The Dodik case, among others,<sup>34</sup> is a prominent example of the persistent politicization of Bosnian state agencies, which allows powerful elites to pursue their

**33** | In 2008, for example, the NGO Transparency International temporarily closed its BiH office due to hostilities and accusations by Dodik, who blamed TI staff for being involved in extortion and organized crime.

**34** | To be sure, the Bosnian-Serb Dodik is only one example out of many; the Bosniak war-time prime minister, Haris Silajdžić, provides a very similar example of high-level impunity, as does the head of the main Bosnian-Croat party, Dragan Čović (Anastasijević 2010, 163; Divjak and Pugh 2008, 378). Čović was supposed to stand trial in the cantonal court in Sa-

political and economic interests. Although economic crimes and corruption by high-level politicians are known and sometimes (though seldom) prosecuted, this usually has few effects on the powerful perpetrators of such crimes. The international agencies have blamed the political and administrative fragmentation of BiH into the two entities RS and FBiH, the latter of which is further divided into 10 cantons, for enabling the misappropriation of public positions and funds.<sup>35</sup> Consequently, the centralization of state functions evolved as a mantra of the international community. Yet, reforms have either failed due to local resistance or were unable to live up to their goal of depoliticizing the Bosnian law enforcement agencies.

The police reform process, initiated by the international agencies in 2004, is a prime example for the former case of local resistance (Bliesemann de Guevara 2009, 218–224). Creating a centralized police that would not be under the oversight of the ministries of interior in the entities and cantons constituted a primary issue of the international statebuilding agenda. Centralization was meant to foster the police's efficiency, budgetary sustainability, multiculturalism, and accountability. While Bosniak politicians welcomed the reform, the plans found little favor with political elites in the RS. After a successful military centralization, the police had evolved into the “last bastion” of their control over the state's security apparatus. Even the EU's tactic of declaring successful police reform as being one of the prerequisites for the convergence process between the EU and BiH was unable to break local resistance, but rather contributed to a deep political crisis. In order to avoid the reform's complete failure, international actors finally accepted a compromise, which was mostly cosmetic; factually, police in BiH remain under the control of the state's political elites.

In the justice sector, too, there was only limited reform success, despite the international community's deep involvement and successes in the centralization of functions (Bliesemann de Guevara 2009, 260–271). The Bosnian justice system earns good grades when it comes to the criminal prosecution of conventional crime. Yet in the areas of organized and economic crime, that is, in those areas in which powerful actors are concerned, the state's prosecution is usually ineffective (Chêne 2009, 4–5). Cases in which any charges were brought against powerful political or criminal individuals usually involve the commitment of international

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rajevo for abuse of authority during his time as minister of finance. In May 2012, the charge was dropped and Čović was acquitted due to a lack of evidence; observers commented, however, that the trial had been a farce from the beginning. Another case concerns Zlatko Lagumdžija from the multi-ethnic party SDP, who, together with another SDP politician, was accused of trying to extort money (2.2 million BAM) from Sarajevo businessmen in exchange for building licenses. In June 2011, the investigations ceased despite an audio recording, which documented “SDP's racketeering” (BH-News 2011b, 2011c).

**35** | Compare Chêne (2009, 3); Randoux (2010); for a critical discussion, see Divjak and Pugh (2008, 374).

jurists deployed to BiH's courts. However, since 2009 the latter only have advisory functions, and it is highly questionable whether Bosnian courts will be able to do their job in a politically independent way without external help. Our third episode rather hints at difficult times for federal justice agencies in prosecuting organized crime and war crimes.

What is more, although possessing the power to intervene, international actors at times prefer to turn a blind eye to high-level economic crime. In the case of Dodik, for instance, international actors can be said to have empowered him in the first place, as "Dodik was first installed in 1998 with the significant support of the international community, who kept him in power as interim prime minister; his government was the largest recipient of donor funds in post-war RS" (Divjak and Pugh 2009, 378). This might explain why up until the present international agents in BiH have been reluctant to adopt harsher means against Dodik.

Summarizing the observations from the three episodes, it can be said that the activities of organized criminal networks and the everyday corruption of state officials enabling criminal activities are the most visible aspects of organized crime in BiH. People come into contact with them, for example, when buying low-priced goods such as smuggled cigarettes from the many black-market traders at local markets, or in their everyday dealings with state officials, for instance when applying for a business license or dealing with traffic police. High-level corruption and economic crime of political and economic elite figures, by contrast, are only partly visible. Although local media, NGOs, and international observers keep denouncing these sorts of criminal activities, rendering them prime issues of public debate, the accused have thus far been able to evade any form of serious prosecution by Bosnian law enforcement agencies. The three aspects (and actor groups) of crime and corruption in the country are not neatly separated but highly interlinked; yet, while TOC gangs and low-level state officials are increasingly becoming objects of state prosecution, political elites have thus far successfully hindered a complete clarification of their involvement in Bosnian crime – sometimes, as shown, enabled by and with the tacit complicity of international actors.

#### **4. Enabling conditions for persistent crime and corruption**

In a post-war society that has witnessed tremendous transformations since the late 1980s, phenomena such as smuggling, corruption, and a weak police and judiciary would not come as a surprise, was it not for the ongoing international intervention with its manifold reform projects explicitly aimed at fighting crime and corruption and strengthening the rule of law. Why is it that these problems have persisted despite the international community's comprehensive statebuilding agenda that is meant to curb them?

The apparent analysis would seek the answer to this question in local elites' particularistic interests and their resulting resilient behavior, as illustrated by the Dodik case. However, a complementary answer to this question is that the eco-

conomic intervention itself has created enabling conditions for the persistence of organized and economic crime and corruption. This “tacit complicity” is the invisible side of crime in BiH.

The war only constituted a short break in the economic liberalization process that had started in the 1980s. After 1995, the international agencies tied in with the earlier neoliberal policies. The efforts to privatize socially-owned assets, which played into the hand of war-time elites and thus enabled persistent economic crime, have already been discussed above; they laid the foundations for the enduring role of socioeconomic elite networks in the country. Since the strategic shift to statebuilding, the international complicity in providing enabling conditions for persistent crime has been less visible. Over the last 12 years, the international community’s economic strategy has been geared toward the creation of a conducive business and investment environment and the promotion of macroeconomic stability as the basis for economic growth. Strict budgetary discipline, effective taxation, and structural adjustment have been further aims.

These economic strategies have brought about some of the wished for effects with regard to macroeconomic and fiscal indicators; yet they also have been unable to fight the high levels of unemployment and poverty that plague BiH – thus leaving the socioeconomic push factors for low-level corruption and smuggling activities unaltered.<sup>36</sup> Although real growth between 2001 and 2007 reached an average of 5.4 percent (with peaks of almost 7 percent in 2006 and 2007), the unemployment rate was still more than 47 percent in 2006 (UNECE 2009) and 44 percent in 2012 (Sladojević 2012).<sup>37</sup> Activities in the informal sector were estimated at 43 percent of total employment in 2004 (Krstić and Sanfey 2006). The poverty rate in Bosnia was nearly 20 percent in 2004 (Council of Ministers of BiH 2004), and the United Nations Development Programme found that around 50 percent of the Bosnian population was socially excluded in one way or another, with women, pensioners, and young people being those most affected and vulnerable (UNDP BiH 2007).<sup>38</sup> In 2008 nearly two-thirds of young people between 18 and 35 years of age said they would emigrate if they could due to the lack of socioeconomic prospects (Early Warning System 2008, 47). For many families, the most important cushion has been money transfers from relatives who live and work abroad. Officially, these remittances amount to around 20 percent of the gross domestic product, with actual numbers probably much larger (World Bank 2007).

On the one hand, the high percentages of unemployed and poor citizens and the precarious employment contexts in the shadow economy boost the group of (young) Bosnians without job prospects who could possibly seek their income in

**36** | Compare also Smajić (2010).

**37** | The article reports that the official number of people looking for work by mid-2012 was 519,160 – that is, more than one-fourth of the total population of the small country with its estimated 3.8 million people.

**38** | Compare also Cenik (2011).

illegal activities in the future.<sup>39</sup> In this sense, the international economic strategy can be seen as “tacitly complicit,” in the sense that it is geared toward business interests, not social welfare.<sup>40</sup> On the other hand, the indicators also hint at deepening problems of the already weak Bosnian state, which is deprived of income taxes and faces costs for social service provision. This is one reason why the state’s possibilities to actively deal with economic problems and to regulate the negative effects of economic liberalization are severely limited (Bliesemann de Guevara 2009, 150–166).

The other reason is that, although the level of international budget aid has decreased significantly since the early 2000s, direct interference by the “international community” into the state’s economic and social policies has not ceased. Under the headings of “partnership” and “political ownership,” the internationalization of Bosnian economic, fiscal, and social policies has changed in form rather than in substance: Bosnian representatives remain under international oversight and thus are unable to formulate alternative economic programs (*ibid.*, 146–150). This deprives the state of an important source of (output) legitimacy, prolonging its disputed status among Bosnian citizens. In this sense, too, the intervention could be said to be “tacitly complicit” in maintaining a situation of uncertainty about the future that may be conducive to persistent crime.

## 5. Conclusions and outlook:

### The unintended effects of the “black hole” discourse

In terms of the transition from war to peace, Bosnia has come a long way since the end of the war in 1995, not least because of the comprehensive international intervention. Nonetheless, there seem to be limits to the possibilities of external actors to shape state institutions and enforce the rule of law, due to which economic crime and corruption have shown marked persistence. However, what we see in BiH is not case-specific, but rather a general dilemma of statebuilding: External interventions may be able to establish state institutions that look like their Western counterparts. Yet interventions are usually unable to anchor these

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**39** | The relation between the dire economic situation and illegal economic activities is as yet unexplored in the case of BiH. We can thus only assume, though with some plausibility, that the high levels of unemployment and poverty constitute enabling conditions for organized crime and corruption.

**40** | The question of whether the recent global financial crisis has deepened this problem can only be answered with an informed guess here. Although the Bosnian finance sector was not deeply affected by the “casino collapse” due to its limited integration into the global financial market, the trade and service sectors experienced the effects of recession in the form of falling demand. Remittances were also expected to fall. These developments may have deepened the tense economic situation in the country and thus contributed to the potential push factors of illicit economic activities.

institutions locally. The political logics behind the façade continue to conform to local rules and logics, which can hardly be shaped by the intervention. Statebuilding thus creates what could be called “Potemkin states” (Bliesemann de Guevara and Kühn 2010).

The gaps between the façade of these states and their “content” open up possibilities for illegal business activities. The country’s elites have profited most from these gaps, especially the de-facto impunity, and the economic strategy behind the intervention has done little to either foster the state’s rule of law agencies or overcome the enabling socioeconomic conditions for persistent illegal activities in the country – the majority of which concern (low-level) corruption and the smuggling of licit goods. As argued above with regard to the first two episodes, it is not that Bosnian rule of law institutions completely lack capacity; they have, in some cases, been very effective in fighting TOC and corruption. Furthermore, civil society actors such as Transparency International BiH and different media outlets have repeatedly named and shamed TOC, economic crime, and corruption in the country, thus creating awareness of the problems and putting those involved under public pressure.<sup>41</sup> In general, however, anticorruption and anti-crime strategies have not been able to live up to their goals, due to a lack of political will and the politicization of rule of law institutions.<sup>42</sup>

NGO activities and media coverage are not the only reasons why TOC, economic crime, and corruption – and especially the linkages between them, that is, the criminalization of politics and the politicization of crime – are among the most discussed issues in Bosnian public discourse. Since the late 1990s, international actors have held that these issues are a main problem threatening the success of statebuilding and that tackling them and creating public awareness of the problems should thus be central concerns (Chandler 2006, 143 et seq.). Although international accusations targeting ties between state agents and criminal actors have not been without substance, the international approach has been criticized for the way in which the charges were used to further the general statebuilding project. For instance, Chandler (2006, 160) has argued that the international anticorruption discourse led to what could be called “corruptionization” (following the Copenhagen School’s idea of “securitization”): Defining an issue area as corrupted enabled the international actors to exempt it from local political processes and to put it under their direct jurisdiction.

This international strategy, which heavily relied on the “black hole” rhetoric, contributed to a high visibility of issues of crime and corruption in the Bosnian public. Yet, although this definitely contributed to the intended problem-awareness, it also had unintended effects that overshot the mark: Western discourse

**41** | On September 14, 2004, for instance, the Banja Luka-based newspaper, *Nezavisne Novine*, published a special issue under the title “Crna Bosna” (Black Bosnia), with articles on crime, corruption, drugs, terrorism, and related issues between 2002 and 2004.

**42** | Compare Divjak and Pugh (2008, 376); Chêne (2009, 5–6).

about the Balkans as a “black hole” in Europe and a “stronghold of crime” also resulted in low levels of citizens’ general trust in public institutions and a climate of anxiety. Despite low ordinary crime rates in the region, the citizens’ fears of becoming crime victims was – and is – higher than in Western Europe (UNODC 2008, 18, 99–100). Such an unjustified climate of anxiety runs contrary to both sinking crime levels and growing state capacities, and it is little suited to consolidate young democratic institutions. Rather, it plays into the hands of ethno-national elites, who in past elections have regularly profited from people’s perceptions and anxieties. This way, however, the “black hole” rhetoric ironically strengthens the same actors who profit from economic crime, cooperation with organized crime, corruption, and impunity.

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