

Arbeitspapiere des **Osteuropa-Instituts**

Aleksandra Savanović

State Failure and the Formation of
Organized Crime -
A Case Study on Serbia in the
1990s

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Abstract

This study considers the role of state failure in the formation and development of organized crime and mafia practices in Serbia at the end of 20th century. Relying on Gambetta (1988) and Schelling (1984), the mafia is understood as a private protection company that circumvents the state and acts independently challenging the state in its monopoly over the legitimate use of violence. The study shows that the main conditions for the emergence of Serbian mafia were not the absence of the state and the introduction of private property and the its subsequent rights, as in the case of Italy (Sicily) and Russia, but that the mafia was formed on behalf of the state itself, only later becoming an entirely independent actor. The facilitating factors in the emergence of the phenomenon included failing legal and civic order, spread of corruption, raging wars in neighboring countries, increasing pressure from international community through sanctions, severe economic crisis and inflation, formation of patrimonial capitalism and so forth.

I Introduction

In recent years organized crime has emerged as one of the most publicly debated topics in majority of the post-socialist countries. The issue received a lot of attention in the literature as well, and the specific features of some criminal groups, especially those of Russian origin, have emerged as one of the most discussed and elaborated themes in sociology, criminology, and even law. These organizations had been analyzed from various perspectives and within different theoretical frameworks: from those, mainly Western scholars, who interpret Russian underground as pure mafia organizations with strict hierarchy and codes of conduct (Anderson 1979; Friedman 2000; Varese 2005), those who entirely reject these mafia features (Sokolov 2004), to those who avoid using established terminology and rather choose to suggest their own (Volkov 2002). On the other hand, for criminal organizations and mafia businesses in the rest of post-socialist countries, namely in the Balkans, no elaborative scientific studies had been conducted. Only recently and mainly due to the increasing pressure from the international community to get to grips with this phenomenon, has this topic gained attention in the epistemic community and started to be seriously studied.

However, it is mainly debated within the context of EU integration, as a practical matter that needs to be dealt with by introducing specific legislation, reforming the security sector and secret services, adopting laws on private security agencies, increasing 'quality' of governance, fighting corruption and so forth (Petrović et. al. 2011; Unijat et. al. 2011; Petrović 2008; Page et. al. 2006; Hadžić 2007; Grubač 2009; Stojarova 2007; Watkins 2010). Also, a vast number of different journalist accounts of the subject had been published (Anastasijević 2003a, 2003b, 2004a, 2004b; Vasić, 2000, 2005a, 2005b; Švarn, 2006a, 2006b, 2006c, 2010s, 2010b; Lopušina, 1998, 2001, 2003, 2004) analyzing its origins, formation, ways of functioning, regional and transnational networks, relation to state and its services, role in the wars and so forth. However, none of these studies managed to relate the phenomenon with known typologies, existing theoretical frameworks and global (scientific) knowledge on the issue. Hence, scientific community in the Western Balkans, or to be more precise, scientific community in Serbia (where the focus of my study is), as well as few foreign authors who wrote on the subject, failed to offer any theoretical interpretation or classification of organized crime networks and alleged mafia organizations operating in the Western Balkans which could enable the comparison with the similar organization operating across the globe.

The notable disinterest of scientific community to explore the phenomenon might be due to several reasons: first is certainly the lack of information, especially during 1990s, caused by the inability to access closed criminal circles, as well as data and documents held by the police, military and secret service (state security), which are rarely and only partly made public in the period after the regime change in 2000. The second reason perhaps lies in the fact that organized crime is relatively new phenomenon in the Western Balkans, as it, according to some authors (Grubač 2011; Petrović 2011) can not thrive in the totalitarian and semi-totalitarian countries¹ as former Yugoslavia was. The third factor can be contributed to the fear that organized crime wields in Serbia, which is not surprising after the two decades in which approximately forty people lost their lives in different gang disputes and targeted

¹ According to the mentioned authors, former Yugoslavia was not familiar with organized crime: the only known crime of larger proportions was "economic crime" which can be differentiated from organized crime in many features, most importantly the fact that it can not be "internationalized". As another proof of this claim authors offer the Italian experience where mafia was under the true control of the state only in the time of Mussolini.

assassinations including a number of journalists, former president of Serbia, several police and military officials and finally the prime minister at the time. Moreover, the common drawback of that few rare professional studies written on the issue is the misuse, meaning arbitrary, unselective and ungrounded use of terms such as 'mafia', 'mafiosi', 'clan', 'boss' and even 'organized crime'², which continues to foster a tabloid-driven equalization between phenomena of mafia and organized crime, but also large-scale corruption, fraud and even "ordinary" crime. This confusion is ubiquitous and omnipresent to such an extent that to my best knowledge, there are no studies, newspaper articles, reports and publications, at least in Serbian language, that use these notions properly.

These two factors - the lack of appropriate literature and the confusion caused by the arbitrary use of central concepts, will surely have an impact on the quality of the study before us. However, this is not the end of it. Yet another set of problems comes to mind when we think the possible shortcomings of the study presented - most importantly, the lack of information and data on organized crime, the inability to access closed criminal circles, and finally the nature of the phenomenon itself, which hampers the potential of applying existing theoretical frameworks and categories. Also, it is important to emphasize that I had poor accessibility to primary literature and sources in general, and had to give up on the original idea to conduct interviews with expert journalists and direct observers in organized crime activities. Access to the archives and government documents was problematic and too complicated to embark to, especially within the time frame assigned. The literature was often conflicting, presenting subjective views of the authors, with contradicting figures and information, official data poor and untrustworthy and secondary literature very often partisan. Governmental sources, EU and UN bodies, NGO and INGO reports and elaborated analysis as well as secondary literature (newspaper articles, tv series, documentaries, scientific books and articles, analysis of security experts) on the issue were all used (and trusted) equally and the information they provided constitute a

² This is especially notable in the reports on large scale frauds conducted by some state employees and officials. There were several such scandals that were attributed to some 'mafias' in recent years although there is no possible relation to strict definition of mafia in any sense. This is for example 'road mafia', a scandal involving highway payroll frauds, 'football mafia', involving the illegal personal appropriation of profits gained in the selling of footballers, 'archeological mafia' involved in organized thefts at archeological sites and so forth.

body of this study. Summing up, when reading one must always bear in mind the sources, and the limitations they brought upon this study.

However, and despite all possible shortcomings, the study presented is the first of its kind - it is the first scientific study on organized crime and mafia in Serbia, at least to my best knowledge, that frames the Serbian case with a stringent concept of mafia provided by international research on mafia-like phenomena and findings of authors such as Gambetta (1988; 1993; 1995; 2009), Anderson (1979), Arlacchi (1983) and Schelling (1984). This sort of approach offers a whole set of advantages over previously used (descriptive) methods: it is analytical rather than descriptive thus allowing the formation of typologies and classifications and enabling comparative perspectives, it is not policy driven, and it diminishes all terminological confusions. Therefore, relying on the given theoretical framework, I differentiate precisely between organized crime and mafia and analyze the emergence and development of these structures within the concept of state failure. I identify particularities of the Serbian mafia-like organizations in contrast to Russia but also the role model of all mafias - the Italian case, and conclude that the structures under investigation can be perceived as mafia, a sort of private protection company that circumvents the state and acts independently challenging the state in its monopoly over the legitimate use of violence, with some distinctive features attributed to the conditions under which its formation occurred - the collapse of Yugoslavia, national wars, international sanctions, inflation, extreme impoverishment, corrupted state elites etc. I conclude that OC was used as a political instrument of Milošević's government which supported the emergence of "independent" criminal protection suppliers, not in the sense of weakness or absence as in the case of Russia and Italy, but in a very pro-active way.

Hence, the following chapter gives a short overview of the state failure concept, its main postulates and features, determining if 1990's Serbia should be considered a failed state. I examine divergent views on state failure, adopting several definitions and applying them to the Serbian case. Drawing from the state failure concept, the third section gives an account on the existing theoretical definitions and categorizations of organized crime and mafia in relation to one another. I use this framework to narrowly define mafia and mafia features, differentiate it from organized crime and apply it to criminal activities and actors in 1990s Serbia. The fourth section of the study provides the background, political context and social

landscape that made the soil fertile for organized crime to appear - it elaborates on the prevailing conditions in the country and their criminalizing effects. Here I give a detailed account on the influence of national and civil wars fought on the territories of the former SFRY states, economic embargo imposed by the UN, flourishing grey and black markets, the nature of the Milošević's regime. I elaborate in detail on the influence of private property introduction and conclude that it did not have as decisive role as in Italy and Russia due to particularities of the Serbian case.

Bearing in mind the distinct feature of the mafia to act as a security guarantor, a sort of private company whose main task is to provide protection to its clients (Gambetta, 1988), challenging the state in its monopoly over the use of violence, but also relying on the Russian experience where private protection companies had been most notable actors in the story of the "Red mafia", the fifth section of the study explores the private security sector in Serbia - its history, formation, spread, and status under the law, arguing that in contrast to Russia, where criminal activity was legalized through the institution of private protection business, in Serbia overall criminal conditions in the country favored the criminalization of the sector.

In the sixth chapter, I use the example of a case famously attributed to the mafia - the assassination of Zoran Đinđić, Serbian Prime Minister at the time, to illustrate the nature of organized crime (mafia) groups responsible for the killing. Even though the assassination took place in 2003, therefore it is not strictly covered with the study title in the sense of the time frame assigned, it evokes the principles and mechanisms emerged during the 1990s and in a way presents a kind of final episode within this previously established framework. With this example, I illustrate and confirm the findings presented in the study - I verify the formerly made assumptions on the origin of organized crime in Serbia and the way it was formed, supported, developed and strengthened during the 1990s, I acknowledge and review its relation to the 'failed' state and determine its later pathway and further development, especially after the changes in 2000, when "mafia had lost the state" (Đinđić, cited from Vasić, 2005: 8).

My motivation to conduct this research came from the numerous studies of the Russian experience in the 1990s (Serio and Razinkin 1995; Waller and Yasmann 1995; Volkov 2000, 2002, 2004; Sokolov 2004; Varese 2001) to which I make constant reference. The motivation also thrives from the need to understand the

happenings, conditions, context, and finally responsible for the total moral and material collapse of the country I was born in, in the period I was too young to remember but was always aware that it left disastrous consequences and uncountable problems that continue to perform negative pressure on the daily lives of all Serbian citizens. This period was marked by the character of statelessness, or more accurately "by the state in which was not possible to precisely identify the state. In this state it was not known who has and who does not have the right to use the instruments of physical force, nor there were reliable rules which would differentiate between what is allowed and what is forbidden." (Dimitrijević, 2003: 5). Interestingly, this definition is remarkably similar to the one that Volkov gives in his study of the Russian experience: "Under the conditions in Russia in the mid-1990s, where the boundaries between public and private violence became blurred, when the de facto capacity to enforce and thereby define justice gained priority over written laws, when protection and taxation were increasingly privatized, the very existence of the 'state' as a unified entity and of the public domain itself was called into question" (Volkov, 2002: xii). This is exactly the reason why the study before us would in some instances refer to the Russian experience and the reason why the known categorizations and definitions would not be highly or entirely applicable. As Volkov argues, continuing from the previously quoted sentence: "Consequently, conventional terms that reflect the standpoint of the state, such as 'organized crime' and 'mafia' otherwise very useful, became inadequate for the purposes of sociological research". Nevertheless, unlike Volkov who offers and uses new concepts such as 'violent entrepreneur', 'violent entrepreneurship' and 'organized violence', I choose to relay on known categories, while in the same time refraining from them when needed and explaining their unfitness and limitations in certain parts of the definition. The focus of my study therefore largely stays on the issue of organized criminal groups, private protection companies, violence-managing agencies, state security employees, as well as their activities, characteristics, character and most importantly their relation to the state, or maybe more accurately the "para-state cartel" (Dimitrijević, 2003) that ruled Serbia during the last decade of the twentieth century.

II The Concept of State Failure

The state failure debate, although originally introduced in the early 1990s following the end of Cold war, when it was predominantly analyzed through the prism of the security dilemma (Wolff, 2011), has received its momentum only after the 9/11 attacks and since then has been mainly driven by policy concerns. Thus, while there was a vivid academic and policy discussion about state failure long before the 9/11, it only became the center of attention when it was shown that state failure poses great risks to international security. "It has become a common claim that the gravest dangers to world security are no longer military threats from rival great powers, but rather transnational threats emanating from poorly governed countries." (Cojanu and Popescu, 2007: 113). In this sense, failed, fragile and collapsed states threaten international security since their governments are not able to provide basic services to their citizens and are therefore associated with humanitarian catastrophes, mass migration, regional instability, international crime, proliferation of weapons and ammunition, and of course transnational terrorism. Both, the European Security Strategy³ and the National Security of the US identified failed states as a source of threats, affecting their security through international terrorism and proliferation of weapons of mass destruction in the US case, and crime, illegal immigration and piracy in the European case (Barrio, 2010).

Despite the overwhelming and increasing interest in the topic of state failure, there is no consensus on the precise number of weak, fragile, failing and/or failed states, nor there is a generally recognized and accepted definition of state failure and its features. For instance, The World Bank has identified about 30 low-income countries under stress using its WGI index (World Bank's Government Indicators) ranking countries with respect to six criteria of good governance: Voice and Accountability, Political Stability and Violence, Government Effectiveness, Rule of Law and Control of Corruption. On the other hand, Fund for Peace, an independent research organization, identified around 60 states in order of their vulnerability using its Failed States

³ The Report on the Implementation of the European Security Strategy - Providing Security in a Changing World (2008) S407/08

Index⁴. Furthermore, the Commission on Weak States and U.S. National Security estimates that there are between 50 and 60 failing or failed states, while the United Kingdom's Department for International Development classifies 46 nations as fragile (Cojanu and Popescu, 2007). Surely, the divergent estimates reflect differences in definition, that is different criteria and indicators used to define state weakness and fragility. Bearing in mind the pallet of different but not necessarily conflicting views on state failure, although avoiding to refer to those that criticize the concept as a whole⁵, I will offer a brief overview of the basic definition of the concept and prerequisites for a state to be considered failing or failed.

Divergent Views on State Failure

Despite the growing body of academic writings (Barrio 2010; Carment 2003; Cojanu and Popescu 2007; François and Sud 2006; Logan and Preble 2008, 2010; Lambach and Tobias 2007; King and Zeng 2001; Rotberg 2003; Wolff, 2011), especially after the topic of state failure emerged as a commonly highlighted policy concern, there is no agreement, nor wide consensus on its definition. According to some of the authors (Logan and Preble 2007, Wolff 2011) the most comprehensive and analytically rigorous study of state failure was a State Failure Task Force Report, which sought to "identify measurable characteristics of countries around the world that affect the risk of serious political instability, which we term 'state failure'" (SFTF Report: Phase III, 2000: iii). In this study state failure was defined as "a type of serious political crisis exemplified by events that occurred in the 1990s in Somalia, Bosnia and Herzegovina, Liberia and Afghanistan" (SFTF Report: Phase III, 2000: 4), structured to include four types of events, each of which indicates severe political instability -

⁴ Failed States Index is using 12 social, economic and political/military indicators to rank countries (demographic pressure; massive movement of refugees or internally displaced persons creating complex humanitarian emergencies; group grievance or group paranoia; chronic and sustained human flight and brain drain; uneven economic development along group lines; sharp and/or severe economic decline; criminalization and/or delegitimization of the state; progressive deterioration of public services; suspension or arbitrary application of the rule of law and widespread violation of human rights; security apparatus operates as a "state within a state"; rise of factionalized elites and intervention of other states or external political actors).

⁵ For example William Easterly and Laura Freschi from the NYU Development Research Institute argue that the concept of state failure has no coherent definition and only serves the policy goals of Western states to militarily intervene in other states. The similar observation can be found in Logan and Preble (2007).

revolutionary wars, ethnic wars, adverse regime changes and genocides and politicides. The key finding of the report states that "the strongest influence on the risk of state failure was regime type. All other things being equal, we found the odds of failure to be seven times as high for partial democracies as they were for full democracies and autocracies. In addition, each of the following risk factors roughly doubled the odds of state failure: low levels of material well-being, low trade openness, and the presence of major civil conflicts in two or more bordering states" (SFTF Report: Phase III, 2000: vi).

On the other hand, some other authors prefer giving more specific definitions than the ones broadly equating state failure with "serious political instability" or "serious political crisis" as in the Task Force Report. Surely, these kind of definitions are much narrower and therefore reflect only a portion of what could be considered failing or failed state. For instance, Susan E. Rice defines 'failed states' as "countries in which the central government does not exert effective control over, nor is it able to deliver vital services to significant parts of its own territory due to conflict, ineffective government or state collapse" (cited from Barrio 2010: 156). Unlike Rice, who's definition is predominantly based on the understanding of state territorial integrity and sovereignty, other authors such as Rotberg (2003), Carment (2003) and Wolff (2011) argue that for the purpose of understanding state failure, we have to differentiate between different levels of state capacity and its governance capability. "Fundamental to the analysis is performance - the effective delivery by a nation-state of the most crucial political goods. (...) There is a hierarchy of political goods. None is as critical as the supply of security, especially human security. The state's prime function is to provide the political good of security - to prevent cross-border invasions and infiltrations, to eliminate domestic threats to or attacks upon the national order and social structure, to prevent crime and any related dangers to human security, and to enable citizens to resolve their differences with the state and their fellow inhabitants without recourse to arms or other forms of physical coercion" (Rotberg, 2003: 5). Other political goods can be supplied only within a framework of security, and they usually include medical and health care, schools and educational institutions, infrastructure (roads, railways), money and banking system, rule of law, space for civil society development and flowering, protection of universally guaranteed

freedoms and rights, fiscal and institutional context within which citizens can pursue entrepreneurial goals and prosper and so forth.

Additionally, failed states could be defined in the comparison with strong or at least stable ones. Malek (2006) gives a useful comparison in this respect. He includes characteristics and indicators such as state monopoly on the use of force, sovereignty of the state, quality of democracy, legitimacy of the state and citizen's loyalty to it, security, state control over its territory and borders, effectiveness of institutions, infrastructure and bureaucracy, which are all low, very low or more or less absent in the weak and/or failing states, and high or at least existing in the strong and stable ones. He also includes such features as: disposition of means of physical violence which is concentrated in the hands of state in the strong countries and in the weak ones is in the hands of non-state players as well, corruption and crime which is low in stable countries and high or out of control in the weak ones, legal order and economy, reliable and functioning in strong states and unreliable, ineffective and in more or less in deep crisis in the failing or failed ones (Cojanu and Popescu, 2007).

Indeed, state failure can be observed and even measured according to the amount of state weakness and the degree of failure. This is exactly the starting point of Rotberg's analysis of state failure. He offers yet another 'state failure' taxonomy, which includes four categories of nation-state: strong, weak, failed and collapsed ones. "Strong states unquestionably control their territories and deliver a full range and a high quality of political goods to their citizens" (Rotberg, 2003: 2). Weak states include a variety of countries weakened by a combination of different factors: they typically harbor religious, ethnic, national and other tensions, their ability to provide adequate political, economic and social goods to their citizens is actively deteriorating, levels of corruption are increasing, the rule of law is porous. "Failed states provide only very limited quantities of essential political goods. They progressively forfeit their role as the preferred national suppliers of political goods to upstart warlords and other non-state actors" (Rotberg, 2003: 3). Failed states' institutions are decaying, rule of law is almost non-existing, the judiciary is strongly dependent on the political elite, bureaucracy is highly corrupted as well as the state officials, the physical infrastructure is deteriorating (telephone, electricity, roads and railways, water supplies, public transport) and the otherwise normal services such as educational and medical services vanish, the gap between extremely rich and extremely poor is rapidly

increasing due to currency speculation and arbitrage benefits in favor of the ruling class, the security deteriorates and crime rates rise empowering rebellious and organized crime groups to plunder. Finally, "collapsed states are rare and extreme versions of a failed state" (Rotberg, 2003: 4). Collapsed states have entirely stopped exercising their basic functions - they no longer provide any political, social, nor economic goods to their citizens.

Similarly to Rotberg, who sees the security function of the state as the decisive one, Schneckener (2006) gives another useful typology basing it mainly upon the states ability to provide protection to its citizens. According to Schneckener, states are characterized by three main functions - security, public goods/welfare, and legitimacy/rule of law. The first state function implies the provision of internal and external security to its citizens, public access to natural recourses and a functioning tax administration. The state executes its second function with valid macroeconomic policy, resource management, social security, education and health care, maintenance of infrastructure and environmental protection, whereas the third function refers to overall political and civil order: the separation of legislative, executive and judiciary power, democratic political order, functioning civil society, civil freedoms and so forth. Depending on the disruption is the performance of these functions, the states can be weak, failing and failed. Failed states can hardly be called states since the central government is incapable to perform the all above-mentioned functions. Failing states are mostly those that cannot safeguard the security of their citizens, even though the central government still provides public services to the bulk of its population and enjoys certain degree of legitimacy. Lastly, in weak states the security sector is formed, streamlined and financed by state institutions, yet in a remarkably inefficient manner. This inefficiency is directly related to the inability (or unwillingness) of the government to perform the other two functions. These states display serious financial and economic disruptions, uneven distribution of goods, declining state revenues, high unemployment rates inefficient public administration, high levels of corruption, absence of an efficient and independent judiciary, systematic exclusion of certain groups from the decision-making process, restrictions of political liberties and electoral frauds. Importantly, these states may therefore "provide a limited degree of security (...) albeit often in an arbitrary and unreliable manner, which could further undermine the states' legitimacy" (Schneckener, 2006:

32) and provide non-state actors (organized criminal groups, rebel groups) with the opportunity to impose themselves as alternative bidders. "Thus, for instance an inefficient judiciary is characteristic of weak states. Many individuals and economic actors are therefore precluded from collecting their claims through legal channels and turn to those that could efficiently help achieve this. However, those who offer these kinds of services and represent an alternative to state bodies often come from a world of crime and resort to arbitrary violence in doing their job. In this way, they aggravate the security situation, despite their efficiency in serving their clients" (Unijat et al, 2008: 46).

Therefore, if we are to offer the useful definition of state failure we are in a way obliged to make some arbitrary decisions and/or to relay on the interpretation of authors that we find to be the most convincing. Hence, when referring to state failure I will have in mind the aforementioned Rotberg's (2003) and Schneckener's (2006) understanding of the degree to which state capacity and its governance capability can be considered successful or at least functioning, with a special focus on the provision of security as a framework for the provision of all other political, social and economic goods. I will refer to features of failed states in Rotberg's and weak states in Schneckener's terms to examine the character of the Serbian state during 1990s.

Serbia as a Failed State

Serbia is currently⁶ taking 89th position on the scale of 177 countries ranked by Fund for Peace Failed state Index. Since the index has been first formed in 2005, Serbia has slightly improved its position, although constantly going back and forth across the scale, from 66th place in 2005 and 55th in 2006, to 78th in 2009 and 97th in 2011, falling again to 89th place that it currently takes. As the Report states "Serbia has made significant progress in recent years, as it has seriously pursued social, economic, and political reforms in order to continue its progress towards eligibility for EU membership." (SP-RS-11, 2011: 1). Nevertheless, its five core institutions⁷ are still considered to be weak and at the best moderately successful. Why is this the case and

⁶ Figures for 2012.

⁷ Leadership, military, police, judiciary, civil service.

how did it happen that the state which was enjoying lasting peace and stability since the end of WWII joined with other, today neighboring countries in the seemingly prosperous multinational and multi-religious Yugoslavia, came to the point in which corruption and nepotism pervade its core institutions, its state security apparatus has been involved in the assassination of country's prime minister, it exercises no control over its territory and borders⁸, and in which it was, at least in certain time period, unable to provide basic political goods to its citizens, primarily human security, followed by the rule of law, neutral judiciary, physical infrastructure (functioning roads and railways, electricity, running water, public transport) and basic welfare services (medical care and education).

If we are to speak about Serbia as failed state, especially during the 1990s, we are bound to at least mention the collapse of Yugoslavia and the reasons behind it. Even though the collapse of the federal state has been largely and most vocally interpreted as the consequence of deep-frozen ethnic conflicts and centuries long national hatreds and animosities, it can be argued with a lot more certainty that it was in fact a consequence of complete state failure caused by inability of the state to accommodate to the new global conditions brought about with the downfall of the Berlin Wall (Woodward, 1994). As Woodward writes: "The real origin of the Yugoslav conflict is the disintegration of governmental authority and the breakdown of the political and civil order (...) it is the result of the politics of transforming a socialist society to a market economy and democracy. A critical element of this failure was economic decline, caused largely by a program intended to resolve a foreign debt crisis"⁹ (Woodward, 1994: 15). It is therefore quite reasonable to assume that failure of federal state had affected the failure of its republics although they have themselves

⁸ Here I refer to Kosovo, even though Serbia claims it to be the integral part of its territory, it does not exercise any sovereignty over it. The only exception might be the North of Kosovo (north from the Ibar river) populated mainly by Serbian nationals, where Serbia has maintained some influence, although contrary to the laws and sovereignty of the Republic of Kosovo.

⁹ During 1970s, Yugoslavia had been fueling growth with foreign loans. However, due to Western recession starting in 1975, these loans began to dry out. After 1978, for instance, commercial banks virtually stopped lending money to Eastern European states. However, Yugoslavia needed to address its huge foreign debt, so it obtained a so-called 'three-year standby loan' from IMF in 1982. The IMF proposed "an anti-inflationary macroeconomic stabilization policy of radical austerity, trade and price liberalization and institutional reform to impose on firms and governments monetary discipline and real price incentives" (Woodward 1999 cited in Clark, 2008: 29).

claimed independence¹⁰. "Normal political conflicts over economic recourses between central and regional governments and over economic and political reforms of the debt-repayment package became constitutional conflicts and then a crisis of the state itself among politicians who were unwilling to compromise" (Woodward, 1994: 15). Moreover, as state socialism, the principal founding idea of Yugoslavia, was failing throughout the globe, newly introduced democratic and liberal institutions, including free elections, multiparty system, free media, private ownership, capitalist economy and so forth had proved to be yet another source of failure not only for the SFRY but for its republics as well as they have assumed the functions and responsibilities of the collapsed federation. The introduction of democratic procedures such as free elections, free media and multiparty system had only accelerated further disintegration of SFRY by bringing nationalistic elites craving for independence into power. With an unstable and failing civil and legal order, growing foreign debt crisis and changed international environment¹¹, the social conditions became explosive: "large-scale unemployment among young people and unskilled urban dwellers; demobilized soldiers and security police looking for private employment; thriving conditions for black market activities and crime; and flourishing local and global traffic in small arms and ammunition" (Woodward, 1994: 17).

In these conditions, all republics including Serbia, had been highly affected by the overwhelming sense of insecurity, distrust and fear, fueled by politically encouraged nationalistic frenzy and irresponsible media reports aiming at national and/or religious sentiment. The final breakdown of Yugoslavia in 1992 had left five newly formed states¹² in a desperate struggle to get to grips with the severe institutional crisis and

¹⁰ This is only partially true for Serbia, since it had no aspiration toward independence, at least not directly but within a framework of Yugoslavia, which would continue gathering all Serbs in one country. Hence, it continued claiming its right to be the sole successor and carrier of international-legal continuity of SFRY together with Montenegro in the so-called third Yugoslavia (FRY). However, this has not been achieved and FRY had to be internationally recognized anew and admitted into UN.

¹¹ As Woodward argues: "Critical to its breakdown was change from the outside, in the foreign economic and strategic environment on which the country's stability had come to depend" (Woodward, 1994: 22). The breakdown of communism was almost instantly translated into the end of Yugoslav policy of nonalignment and openness to economic relations with all three divisions of cold-war world and the fragile stability of SFRY based on the old-world conditions had ceased to exist.

¹² Slovenia and Croatia were the first republics to proclaim their independence (both June 25th 1991) and gain international recognition (beginning 1992). Macedonia (FYRM) proclaimed its independence on September 8th 1991, and Bosnia and Herzegovina on March 1st 1992. Federal Republic of Yugoslavia (FRY) had been proclaimed on April 28th 1992.

highly fragile civil and legal order coupled with increasing national and ethnic tensions¹³. With an authoritarian leader winning the first democratic elections in Serbia (Milošević)¹⁴, who had successfully switched his rhetorics and legitimization basis from the initial class interests advocate, echoing his elitist position in the communist party¹⁵, to later protector of national interests and an advocate of liberal transformation of the country, in its first years, Serbia was rather resembling partial democracy than the autocracy it would later become. Importantly, this switch in rhetorics was not as prominent in the reality, since Milošević continued relaying on the strong (socialist) state over the course of his rule. He even stopped some liberalization efforts commenced in the time of Yugoslavia: for instance, the regime blocked the privatization process, it relied mostly on the institutions inherited from the previous period (state and publicly owned banks, public companies), and was often bypassing constitutionally given rights of the parliament and the government. Juggling between ossified socialism and attempts for capitalism and liberalism in its first years, Serbia was increasingly becoming a weak/failing state incapable (or unwilling) to provide basic political goods to its citizens. In this respect, the State Failure Task Force Report makes a lot of sense stating that partial democracies have seven times as higher odds for failure than full democracies and autocracies, and Serbia was clearly galloping in this direction.

Beginning in the mid-1980s¹⁶ Serbia has set off on a journey that will essentially end up in three devastating wars in which thousands of people would be killed, wounded, and expelled from their homes; an alarming refugee crisis bringing about 700.000 people to settle in Serbia (Babić, 2000); highest hyperinflation ever recorded raising

¹³ Although it can be rightfully argued that Slovenia had managed to avoid the severe crisis other countries were facing.

¹⁴ Unlike in Croatia, Slovenia, and Bosnia and Herzegovina where the elections were won by the newly established right-wing nationalist parties, in Serbia the "reformed" communist party leadership had won the elections, reformed only in the sense that it was competing under another name (Serbian Socialist Party).

¹⁵ Milošević has built his political career from 1983 when he left the position of general manager in Beobanka (one of the state-owned banks that will later serve Milošević as the means to extract state money abroad) and quickly became the president of Belgrade's League of Communists City Committee.

¹⁶ According to Miloš Vasić the beginnings of Milošević's "para-state cartel" (Dimitrijević, 2003) could be traced back to 1984 when he used state security apparatus to achieve its political goals for the first time (Vasić, 2005).

the prices by 62 per cent per day on average in the January of 1994 (Dinkić, 1995); ubiquitous flourishing of grey and black markets¹⁷, nurtured by the state itself, and large-scale shortages of essential goods - from elementary food products to gasoline, from electricity to public transportation. Although Serbia was not directly affected by the raging wars in Croatia, Bosnia and Kosovo, at least not until 1999, when it sustained three months of aerial bombardment from NATO airplanes, the indirect consequences were many, most notably the high influx of refugees¹⁸ and deep economic crisis which was, although rooted in Yugoslav economic policies, accelerated and widened to extreme proportions only during the 1990s due to regime's malicious economic policies and internationally imposed sanctions. From mid-1992 to mid-1993 the per capita national income has dropped tenfold, from around \$3,000 to \$300, the prices of bread and milk increased 800 and 1,000 times, respectively, industrial output fell by 40 per cent, and one half of the labor force was unemployed¹⁹ (Bookman 1994: 114, cited from Clarck, 2008).

In the words of Bolčić, Milošević's Serbia was characterized with the extreme and undisguised "destruction crisis" (Bolčić, in Bolčić/Milić et. al., 2002), which was most notable in the destruction of its core institutions, not only concrete institutions such as certain banks and publicly owned companies that were ruined in the process, but the destruction of institutions as such, the institution of a bank, institution of government, institution of court, institution of police (state and public security apparatus) and so forth. These extreme conditions supported and nurtured pauperization and true "atomization" of the population, thus creating a genuine Hobbesian state of nature - "the most obvious Hobessian phenomenon was the communication on the friend/enemy axes which was nearly brought to perfection. Inherited from the communist collectivism, 'the principle of the enemy' has gained

¹⁷ According to some estimates (Božović, 1994, cited from Babić, 2000) the grey market alone reached approximately 30% of registered GDP in 1992. Following some other unofficial expert estimates the grey economy reached over 50% of registered GDP in 1998 (Babić, 2000). Various expenditure-based estimates suggest that in 1993, the worst hyperinflation year, the black economy generated the equivalent of 52,7% of registered social product (Palariet, 2001).

¹⁸ In 1994, 16% of household in Belgrade accommodated refugees and every fifth household supported refugees in some other way (Blagojević, 2002: 194, cited from Clarck, 2008).

¹⁹ According to Milošević, 48,7% of families in Serbia during 1990s had problems with unemployment, either in the form of work layoffs, "forced vacations", asylum or leaving the country (Milošević, in Bolčić/Milić et al, 2002).

new ideologically driven prefix, but its function remained the same: creating fear and general distrust, undermining solidarity and contributing to the dissolution of society as such. Certainly, the decisive difference in relation to the Hobbesian paradigm was that the Serbian 'war of all against all' was not about players with equal rights in a stateless context. Serbia in the time of Milošević was an entity that only resembled the state, governed by the regime with a thin outline of institutionalized political order. Nevertheless, this regime was rather Behemot than Leviatan, and the position of an individual rather resembled the picture of natural state. Arbitrariness occupied a place which belongs to constitutionalism in democratic societies. Arbitrariness was therefore the basic regime's feature in its 'institutional' aspect" (Dimitrijević, 2003: 6).

Moreover, relying on the characteristics of weak and failed states offered by Rotberg (2003) and Schneckener (2006), we can conclude that Serbia, especially during the 1990s was more or less a failed state. Just to look at some of the features of weak and failed states help us come to this conclusion: Serbia surely harbored religious, ethnic and national tensions, which ultimately resulted in the civil and national war in Bosnia and Croatia. Although the war itself was not fought on its territory (at least not until 1998 and 1999 when the war in Kosovo was in its pick), and Serbia officially never declared war to Bosnia and Herzegovina nor Croatia, it is most certainly known that it took leading position in it. I will touch upon the role of Serbia in the wars in Bosnia and Croatia in the fourth chapter. Moreover, levels of corruption were (and still are) very high²⁰, basic infrastructure was largely dysfunctional (in the years of most severe crisis, accelerated by enormously high inflation and the international embargo imposed by UN, otherwise normal services like electricity, running water, and public transport were highly deficient) and the state was unable (or unwilling) to provide adequate political, economic and social goods including health services, pensions, social security, and a functioning school system.

Most importantly, the state was unable, or rather unwilling to entertain its basic function, that is to provide security to all of its citizens. It can even be argued that it was doing the exact opposite - organizing and supporting paramilitary gangs and their leadership, nurturing corruption at all levels, allowing and supporting black and grey

²⁰ According to the Transparency International Corruption Perception Index, in 2003, the first time Serbia was surveyed it took 106th place with a score of 2.3 (out of 10), 2.7 in 2004 and 97th place, 3.5 in 2009 and 2010, and a decrease in 2011 of 3.3.

economy growth (smuggling of various goods, from food products to gasoline, cigarettes, weapons and ammunition and later drugs), deliberately causing large food shortages, robbing people out of their last savings through pyramidal bank schemes, purposefully linking and associating police and criminal organizations, using them both for cross-border military action, detaching police from its basic function to provide public protection to all citizens, training and using criminals for illegal state activities in the war areas and so forth. In this way, the state opened up the space for the appearance of various alternative protection-providing bidders: as it loosened its monopoly on the legitimate use of violence transferring it to numerous private organizations it created the opportunity for them to engage in different organized crime and mafia activities: from smuggling of various illegal goods to extortion, racketeering and loan-sharking.

This is precisely the point where the issues of state failure and organized crime come together at least in the case of Serbia and some other Southeast European states. As Shantov, Todorov and Stoyanov write: "while in Western and Central Europe organized crime has operated despite the efforts of law-enforcement bodies trying to curb it, in most of Southeast Europe it operated and, to a lesser extent, continues to operate through these institutions. The most dramatic case of this is in Serbia, where it can be argued that organized crime was a tool of Milošević's government, and that it served his political, military and economic goals. At the other extreme, one can point to Albania, where the state and its security sector were so weak that organized crime in effect took control over the whole country, resulting in the 1997 pyramid schemes that led to a financial crisis that almost caused the breakdown of the Albanian state" (Shantov, Todorov, and Stoyanov, 2004).

Bearing this in mind, in the next chapter I first offer a brief overview of the theoretical approaches to organized crime and mafia, narrowly defining their specific characteristics and relating them to Serbian, and for the sake of comparison, Russian experience. I then take a closer look at mafia and its attributes when determining which mafia-like features can be ascribed to Serbian "underworld" actors and activities. In the following chapters I closely examine criminalizing consequences of specific context-related features of Serbian state in the 1990s and analyze the role of private protection companies in the making of the Serbian mafia.

III Organized Crime as an Overarching Term

As stated several times above, arbitrary use of terms organized crime and mafia, not only within the public discourse, but also throughout the epistemic community including experts on security issues as well as those journalists highly informed on the subject, has brought about the situation in which notions of organized crime and mafia are practically equalled. Also, as Volkov (2002) accurately observes, state law enforcement bodies and experts tend to use the term 'organized crime' more often, while journalists and public opinion spokespersons rather use the term 'mafia', and 'mafia-related' notions such as 'clan', 'gang', 'boss', 'cartel' and so forth. Quite accurately, he argues that the "terms reflect an external reality inasmuch as they bear the stamp of the institution that gave birth to the terms and that keeps recycling them. (...) Both 'organized crime' and 'mafia' capture aspects of the same reality in the way relevant to the activity of respective institution" (Volkov, 2002: x). Having in mind the purpose of this study - to explore the formation and development of Serbian underground and determine if it is (or ever was) prone to mafia-like activities or it is rather concerned only with typical organized crime practices - I believe that it is out of crucial importance to finally step outside the instrumentalized use of the terms and define them in more 'objective' way. As stressed in the introductory chapter in doing so I rely on the works of Gambetta (1988; 1993; 1995; 2009), Anderson (1979), Arlacchi (1983) and Schelling (1984).

United Nations Convention against Transnational Organized Crime defines organized criminal group as "structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes or offenses established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material benefit" (United Nations Office on Drugs and Crime, 2004: 5). With its supplement protocols, the Convention concretely mentions crimes such as trafficking in persons, especially women and children, smuggling of migrants, illicit manufacturing of and trafficking in firearms, their parts and components and ammunition. Surprisingly, it does not mention drugs smuggling, although this is surely one of the most important and lucrative organized crime businesses. Organized crime can also be defined in contrast to ordinary crime. As we

can conclude from Schelling (1984), organized crime differs from ordinary crime in several important features: there is a public demand for its services (drugs, firearms, prostitution), it corrupts public officials, it nurtures corruption in the politics, administration and police, it tries to become captain of the underworld industry, it is a kind of parallel society, a sort of underground "government" with its own rules, laws and codes of conduct, that seeks to govern and control its monopolized territory or business, it tries to suppresses rival suppliers which can end up in fights between competing organizations. All of these characteristics are practically unknown to ordinary crime: there is no public demand for it, it rather avoids any relationship with officials, crimes are highly private, it does not try to govern the whole businesses and territories, and there is no society of ordinary burglars or thieves who fight against competing organizations.

On the other side, organized crime differs from mafia in one very important instance. Mafia is a specific organized crime subgroup, which apart from all the organized crime associated characteristics mentioned above, has an additional one - its main business and differentia specifica in regard to organized crime, is the practice of extortion (Schelling, 1984) and/or private protection (Gambetta, 1998). This is precisely where the arguments of Gambetta and Schelling take on slightly different pathways: whereas Schelling argues that mafia's main business is the practice of extortion, Gambetta explained that mafia, although prone to the practice of extortion, is in fact mainly concerned with the provision of private protection to its clients who are in real need for. According to Gambetta, this is supposed to be its primary function, as it is formed in economic environments where trust is highly fragile and scarce.

Mafia as a specific type of criminal organization

Mafia, or organized crime in the language of Schelling (1984), is a business operating both in underworld and overworld, prone to violence, monopoly, and extortion, which makes the definition of mafia extremely complicated. On one hand, according to the works of Gambetta, mafia primarily provides private protection, produces and sells trust and serves as a kind of guarantor for successful transactions. On the other, as Schelling argues, mafia rather relays on these conditions in order to practice its main

activity and its most lucrative source of profit - disguised extortion and racketeering. There are several more distinctive features of the mafia, or at least of the "original" Sicilian mafia, although for the purpose of this study they are far less important: a specific structure with strict hierarchical order, headed by a boss and followed by underboss and captains, special codes of conduct, ethic and moral rules. The Italian mafia is also largely family-dependent and firmly connected to those who represent the "friends" of the family. This is how Arlacchi explains this custom: "To find people who respect agreements, who will not make off with enormously valuable goods and capital in situations where it would be very easy to do so, and who will reveal nothing to the authorities if captured, the mafia has had to turn to those under obligations in natural or artificial kinship. (...) There is in fact a direct relationship between the number and strength of primary bonds that unite those employed in the firm, and the extent to which its operations (both internal and external) run smoothly and in secrecy." (Arlacchi, 1983: 201). Nevertheless, according to Anderson, the mafia is not entirely "totalitarian in organization", and its laws are not more rigidly enforced than those of legitimate governments (Anderson, 1979: 33).

However, the central argument distinguishing mafia from other types of (organized) criminal associations, for the purpose of this study, will stay the one related to the practice of protection and extortion, with the later focus on the lack of trust and its role in the formation and development of mafia-like companies. As Schelling argues, organized crime ('mafia') is always monopolized crime, a kind of society, or an underworld government that seeks to operate outside the legal frameworks, and "seeks not only influence but exclusive influence" (Schelling, 1984: 182). Hence, when in underworld, it is mostly found in businesses that are easy to control and monopolize, such as gambling, loan-sharking and prostitution and when in overworld it is mainly found in fragile businesses such as restaurants and laundry service. It operates in both underworld and overworld but it is generally more prone to underworld activities, which derives from the plane logic under which the mafia functions: entrepreneurs in illicit business are much less protected (from the state) than the ones involved in licit businesses, and thus in the need for protection from mafia. Additionally, they are relatively easy to locate and monitor, and it is difficult for them to carry away their business and therefore escape extortion. Moreover, legal entrepreneurs are also subjected to mafia extortion, especially in the cases when they

meet the specific criteria related to the nature and fragility of the business they run, which makes them perfect targets for harassment.

Gambetta, on the other hand, argues that defining mafia as a mere company for extortion is ultimately wrong. According to Gambetta, there are at least three systematic confusions that stop us from fully comprehending the differences between mafia and organized crime, or to be more precise, from fully understanding the core business and purpose of mafia: first, systematic equation of the market of whatever legal or illegal goods is being protected with the market of the protection itself (protected commodity vs. protection as a commodity); second, generally accepted opinion that mafia offers protection from dangerous, threats and distrust, which mafia itself creates; and third, widely accepted attitude that mafia does not supply real service but merely practices extortion. This is however, at least according to Gambetta, a common misunderstanding: first, "even in those instances where the mafiosi themselves are involved in some other economic activity they should be considered their own customers" (Gambetta, 1988: 130). The fact that mafioso sells drugs or deals cars doesn't make him mafioso but the fact that "he is capable of protecting himself against competition and cheats" (Gambetta, 1988: 130). As far as the second argument is concerned, Gambetta claims that protection can be willingly paid, especially having in mind that in an untrustworthy world without this intervention parties would not reach to an agreement and no market would evolve. The third confusion is a result of an information bias exaggerating the effect of extortion as opposed to those transactions in which the likelihood of being cheated is truly reduced as a result of protection. Gambetta therefore argues that mafia operates in the environment where permanent distrust and possibility of being cheated is endogenous, that the only commodity that mafia truly produces and sells is trust, trustworthiness, protection and guarantees (which should not be confused with the commodities that are being protected) and where people are willingly paying for the protection that mafia offers them.

Both authors therefore agree that monopolistic position of the mafia creates the conditions in which extortion is possible, however, Schelling sees mafia cartels as the starting point from which they develop their other practices (including extortion), whereas Gambetta argues that monopolies inevitably grow from the very nature of the protection business itself and that they can be (but not necessary) utilized with

extortion. Unlike Schelling, who sees extortion as endogenous characteristic of mafia, Gambetta gives only one example where extortion is given in its pure form, and that is “when the protection firm reaps all the benefits that dealers derive from being able to set prices above competition level” (Gambetta, 1988: 134). Thus, Gambetta argues that there are some actors who are willingly paying for the protection, whilst Schelling claims that they are always forced to do so.

Finally, we can conclude that both authors see illicit businesses and illegal activities as the environment in which mafia networks grow, flourish and reach their full potential. Moreover, both of them agree that the reasons why this is the case is fragility and scarceness of trust in these circles, as well as the lack of protection provided by the state. Hence, it could be argued that the main difference between the two perspectives is the starting point of the analysis: whereas Gambetta emphasizes the lack of trust and trustworthiness, and the impact of these factors on the initial formation of protection business, which can ultimately result in monopolistic position of mafiosi, and depending on their incentives to use this opportunity, in practices of extortion, Schelling develops his argumentation from the basis of already established mafia monopolies and practices and draws conclusions without analyzing how and why this situation came about. It is only reasonable to assume that once mafia has secured monopoly in the protection business, it will inevitably start to exploit it by practicing extortion and using this "power" to achieve some other goals other than providing protection for the smooth running of different businesses - it will try to raise its price, expand its business and gain new customers precisely because mafia, and this is another good point made by Gambetta, acts as almost "ordinary" capitalist firm - it needs to grow in order to stay alive. Nevertheless, it seems that for the purpose of this study Gambetta's position makes more sense, especially bearing in mind its starting point - the endogenous lack of trust within a certain context. Even though Schelling's argument makes a lot of sense, firmly emphasizing the most common, almost unavoidable and inevitable feature of mafia - extortion - it does not however, touch upon the reasons why and how mafia was formed in the first place. I therefore relay on both of these positions in explaining the Serbian underground, first on Gambetta's argument regarding the impact of distrust for the formation of organized crime and mafia businesses, and later on Schelling's explanation when discussing the development and role of mafia in the society.

The Issue of Trust and the Role of State

Relaying on Gambetta's position which emphasizes the "habit" of mafia to form and operate in the environment where permanent lack of trust and possibility of being cheated is endogenous (Gambetta, 1988.), I argue that when the state fails in providing trustworthy environment, i.e. fails in its basic function to provide protection and security to its citizens, the window for private protection suppliers becomes widely open. Additionally, I argue that in Serbia, the state itself was largely responsible for the creation of the environment that nurtured the formation and development of various "independent" protection suppliers. Their role was additionally strengthened with the abrupt social crisis and typical transitional country features: the war in former Yugoslav countries, the imposition of UN sanctions, capitalist transition and the introduction of private property on a large scale, and most importantly the role of irresponsible state elites who deprived the state of its basic public functions. All of these factors supported and grew from each other and were firmly and densely interconnected, thus creating an infinitive circle of distrust.

According to Beckert (2005) trust can be understood as a "central mechanism for overcoming those barriers for exchange and cooperation" and thus "defined as the expectation of the trust-giver that one-sided advance concession in the exchange relationship is not exploited by the trust-taker, even though the latter could achieve a higher utility by choosing to defect" (Beckert, 2005: 6). Thus, in order to conduct any transaction at the market we need to trust that the other side involved in the transaction is not going to cheat us thereby defecting from its agreed obligation. In perfect markets, there is no need for trust since all buyers and sellers are provided with perfect information and therefore cannot be cheated. However, there are no perfect markets in reality which makes trust a necessary prerequisite for successful functioning of all markets. The solution of the trust problem can therefore be provided either on the side on the market participants through commitment, congruence of expectations, competence and integrity, and/or on behalf of the state which is to monitor and control all transactions and punish those market participants who abuse the trust given to them. The state can thus "solve" the trust problem by guaranteeing that no side of the transaction will go unpunished if it chooses to defect from the obligation agreed. The functioning state does so by providing essential political goods to its citizens, i.e. by providing external and internal security through effective law

enforcement and bureaucratic efficiency, by protecting property rights, producing public goods and providing public access to natural resources, by enforcing a functioning taxing system and so forth (Schneckener, 2006). However, in the case of weak and failing states, the state provides only limited amount of essential political goods to its citizens thus largely influencing the decline of trust within the society, which could further undermine the states' legitimacy and provide non-state actors (organized criminal groups, mafia, rebel groups) with the opportunity to impose themselves as alternative protection suppliers.

Indeed, "mafiosi operate in those economic transaction and agreements where trust, while of paramount importance, is nevertheless fragile, and where it is either inefficiently supplied or cannot be supplied at all by the state: typically, in illegal transactions in otherwise legal goods, or in all transaction in illegal goods" (Gambetta, 1988: 128). However, we can also imagine the situation in which the state is not only powerless and incompetent to supply trust and protection to its citizens, thus opening a window of opportunity for mafia and organized crime to appear as in Gambetta's example, but is itself a predatory and ruthless system as it was Serbia in the 1990s. In the context of a failed (or failing) state, a state which is not able nor willing to provide basic political goods, including the primary good of security, especially human security (Rotberg, 2003) it is almost expected for the rival protection suppliers to appear. We should than ask ourselves, what sort of consequences can we anticipate if the state is not only failing to provide trustworthy environment and protection from physical and structural violence to its citizens, but is itself a source of distrust, confusion, and fear? What if the state is completely incompetent, or maybe even indifferent and disinterested in the well-being of its citizens, what if the political and economic elites are mainly concerned with their own private gains, what if their only political agenda is to hold on power as long as possible no matter the consequences? What if the state itself and its security apparatus are leading actors in the clandestine grey and black economy, what if they are openly collaborating with criminals, organizing and protecting smuggling channels of weapons, gasoline, cigarettes, automobiles, and drugs? Without a doubt, this will affect the levels of trust that citizens devote to various state institutions.

Certainly, the impact of the mentioned state behavior can be measured, at least to some extent. For example, according to the data provided by World Value Survey,

Serbia scores quite low in general levels of confidence²¹ in the countries social and political institutions, especially when compared to the other European countries²², or at least those not belonging to the former Eastern block. Above 63 per cent and 59 per cent citizens of Sweden and the Netherlands respectively, trust the police quite a lot, over 19 per cent and 26 per cent do not trust it very much, while the percent of citizens having no trust in the police at all is expectedly low, only 2 per cent for Sweden and 3 per cent for the Netherlands. In Serbia, on the contrary, only 36 per cent of citizens trust the police quite a lot, over 36 per cent of them do not trust it very much, while almost 18 per cent do not trust the police at all, which is 9 times and 6 times higher percentage of citizens than in Sweden and the Netherlands respectively. The situation is also quite illustrative when we look at other institutions such as Parliament, Government, Civil Services and Political Parties: 7.2 per cent of Dutch, 8.5 per cent of Swedish and as much as 28.2 per cent of Serbian citizens have no confidence at all in the Parliament, 11.1 per cent of Swedish and 24 per cent of Serbian citizens have no confidence at all in the Government²³, 7 per cent of Dutch, 7.1 per cent of Swedish and 23.4 per cent of Serbian citizens have no confidence at all in the Civil Services, while 11.2 per cent of Swedish and extreme 36.5 per cent of Serbian citizens have no confidence at all in the Political Parties²⁴. Therefore, we can conclude that trust in Serbia is pretty scarce, especially compared to other European, or at least EU countries²⁵.

Certainly, the state was a large factor in this equation: if there is more uncertainty, fear, psychical and social insecurity, and far less rules, obligations and therefore confidence and trust, all caused by state failure to entertain its basic functions, there will be more of those who can and will exploit this situation. Basic economic laws tell

²¹ WVS Survey measures confidence (question: I am going to name a number of organizations. For each one, could you tell me how much confidence you have in them: is it a great deal of confidence, quite a lot of confidence, not very much confidence or none at all?). Although I am aware that trust and confidence cannot to be fully equated, I will use the question on confidence to illustrate the levels of trust in the society.

²² Aggregated data for the Netherlands (1981, 1990, 1999), Serbia (1996 and 2001), and Sweden (1982, 1990, 1996, 1999), World Value Survey, Online Analysis.

²³ No data are available for the Netherlands for this particular question.

²⁴ No data are available for the Netherlands for this particular question.

²⁵ Here I refer to countries, which were EU members in the time when the last WV survey was conducted (1999-2001), i.e. before the "Eastern enlargement" of the EU.

us that the increase in demand will always be followed by the increase in supply, accompanied with the increase in competition. Hence, we may conclude that by doing the above-mentioned, state was not only failing in its basic function - to provide basic political goods to its citizens - but was doing the exact opposite - increasing the need, demand and subsequently supply for "out-sourced" non-state protection services, strongly influencing, directly and indirectly supporting and encouraging the formation and development of numerous mafia-like, private-protection-supplying agencies and businesses as well as organized crime networks. In this way the state was constantly decreasing its own impact, capacity, power and strength to fight and resist the influence of these growing criminal and mafia-like structures. This tendency will ultimately end up in the assassination of Serbian Prime Minister at the time, caused by the absolute inability of the state to hold on to its "rightful" monopoly on the legitimate use of violence within its own territory.

"Bracketing out the state as a privileged organization will give us yet another perspective, the realist, leading us back to the fundamental idea of the state of nature introduced by Thomas Hobbes in *Leviathan*. The defining feature of the state of nature is the absence of a central governing authority and, accordingly, of a law that limits the ways and means of action available to individuals. It is the realm of natural rights, where all are free to use any means, including force, to realize their interests and where everyone expects others to behave accordingly" (Volkov, 2002: xi). Compared to Russia, at least according to Volkov, where the state of nature and its logic in the year 1995 was the most appropriate starting point for sociological research, 1990s Serbia had somewhat different pathway, although it undoubtedly ended up in the same state approaching the end of the century. As I have previously hinted, Serbia began its way towards the "state of nature" with the action of the state itself - hiring, organizing and relying on criminals to do the jobs that the state itself was not able to. As Stojarova writes "Serbian organized crime lived in symbiosis with the state and both players profited from this symbiosis" (Stojarova, 2007: 99).

In time, dense networks of criminal organizations firmly connected and teamed up with the state security apparatus, managed to achieve partial autonomy of the state and its officials, and began working independently for their own account. As the state previously allowed them to act as they will, they have quickly become untouchable street "lords", who grew more powerful than any of the official public security

institution (or were themselves the official representatives of the state security apparatus as in the case of JSO²⁶). Over time, as the Milošević regime was losing power and control not only over the country as whole, but also over its various subcontracted "security" personnel, and especially after the changes in 2000, when Milošević was ousted, these criminal and criminalized structures manage to gain almost full autonomy and independence. In the words of Đinđić, the changes in 2000 brought about the situation in which "mafia was left without the state, and was looking for a new one" (Đinđić, cited from Vasić, 2005: 8) or maybe even aspiring to become one. However, "because of personal animosities and ambitions, conflicting themes (e.g. cooperation with ICTY), the fragmentation of the political scene, and other cleavages, no real debate about abolishing these forces took place" (Stojarova, 2007:99) after the new government was formed in 2001. This tendency will ultimately result in the true Hobbesian state of nature, where "there is no law, where no law, no injustice. Force and Fraud, are in war two cardinal features" (Hobbes, 1961: 110) and finally the assassination of the Prime Minister Đinđić.

Indeed, trust became a rare commodity over the course of the decade, and the only legitimate provider and guarantor of trust - the state, was not only failing in its function, but was actively working against it, opening a window of opportunity for alternative protection suppliers to appear. This process was further accelerated with some other distinctive features of the 1990's Serbian state, including malicious state policies and irresponsible state elites, UN imposed sanctions, wars in Croatia and Bosnia as well as standard transitional country features - shift from command to capitalist economy and the introduction of private property rights, privatization of state and publicly owned companies, extreme enrichment of some individuals with close relations to the government, high inflation, increase in grey and black economy and so forth. All of these condition continued contributing to the increase of overall feelings of insecurity and lawlessness. The maintenance of the grey economy which served as a mechanics for reducing discontent of impoverished masses and enriching enormously those at privileged positions, influenced extreme "atomization" of social actors. The "atomization" of society was marked by exclusive orientation to individual survival strategies which significantly undermined any attempt at group

²⁶ Special Operations Unit (Jedinica za Specijalne Operacije).

solidarity and collective action toward social change (Babović, in Bolčić and Milić, 2002: 68). All of these features, coupled with the introduction of private property and growing authoritarian behavior of the regime, were creating and maintaining a vicious circle of distrust not only toward the state but also throughout the population, which will eventually result in the situation where the alternative "governments", once liberated from the state control, will begin to challenge not only the state's monopoly on the use of violence, but also the state as a whole.

Protection business in the light of newly introduced private property rights

"The question of property rights - their definition, diffusion, and enforcement - is crucial in the transition from a centrally planned economy to market economy. When a centrally planned economy comes to an end, the result is dramatic increase in the number of property owners and in transactions among individuals with property rights" (Varese, 2001: 1). According to the study conducted by Varese (2001), the introduction of private property rights resulting out of the transition from planned to market economy that emerged in Russia in the beginning of the 1990s and the subsequent inability and/or unwillingness of the state to protect it was a major cause for the Russian organized crime and mafia formation. "The fear of losing property and of being cheated arises as a result of transition to the market. The increase in property and economic transactions leads to more opportunities to engage in criminal activities" (Varese, 2001: 1). Indeed, privatization without the rule of law does not contribute at all to the overall transition efforts directed toward the establishment of functioning capitalist economy, since the private property owners do not perceive this property to be rightfully protected (Grgurević, 2004). Private property without the rule of law and protection on behalf of the state can therefore result in the formation of "wild", "patrimonial" and/or "crony"²⁷ capitalism, as the state officials are

²⁷ All three terms are widely used to describe capitalist systems developed in various transitional and post-communist countries. "Crony" capitalism is manifested by strong collusion between big business and the state, which engendered corrupt relationships, enabled cartelization, and restricted free market competition. "Patrimonial" capitalism is a phrase most likely to be associated with developing economies or failing states: the clientelistic networks associated with crony capitalism are evident, but such networks are dependent on competing political elites, each anxious for 'state capture' to consolidate their position. "Wild" capitalism on the other hand possesses the features of both "crony" and "patrimonial" capitalism but it also refers to downscaling of safety nets in labor market and employment relations typical for former Communist regimes (Upchurch and Marinković, 2011).

increasingly prone to take advantage of their opportunity to profit from the transition. These forms of capitalism are characterized by cartelization, insider dealings, corrupt and favored relationship between business and the state, monopolies formation, unregulated informal labor markets and the black economy development (Upchurch and Marinković, 2011). Relying on Gambetta's conclusions in his study on the Sicilian mafia, Varese argues that "the history of Sicily alerts us to the fact that, at the time of transition to the market, property rights may be badly defined by the state and that protection may not undergo centralization and end up in the hands of the state. Other forms of protection may emerge, especially in the face of an inefficient state and in the presence of people trained in the use of violence who have, as a result of transition, found themselves without employment" (Varese, 2001: 3-4).

However, the Serbian experience gives a slightly different perspective on the mafia and organized crime formation in the light of newly introduced private property rights: institution of private property and private property rights in Serbia was definitely a contributing factor, however we cannot argue with full certainty that it was also a decisive one, especially having in mind that private property has never been entirely abolished in the former Yugoslavia and that privatization process commenced in 1989 was in fact blocked in the beginning of 1994. Although the introduction of private property on a large scale had created suitable conditions for the organized crime and mafia to appear and flourish, since it provided larger number of commodities in need for protection, it was not as dramatic as in the case of Russia, nor it was a direct cause for the emergence of various "violent entrepreneurs" in the words of Volkov. Even though the system in SFRY had general features of a socialist type of society (command economy, monistic political order, ideological monopoly), "Yugoslavian version of socialism" was characterized by some other peculiarities that produced significant structural consequences: economy was highly decentralized, enterprises were enjoying greater autonomy from the central command apparatus, the principle of self-management, had had some real "material" consequences - general managers had higher "property" rights, thus the workers were responsible not only to the state but to them as well. Hence, the change in economy (on everyday, individual, not system level), including the change of ownership and the emergence of newly founded private firms was not as shocking as it might have been in Russia and the formation of various protection business not to that extend "privatization-dependent".

As mentioned earlier, private property was never completely banned, nor it had entirely vanished in Serbia/Yugoslavia: on the contrary it was dominant in agriculture and service sector and in limited extend was present in industrial production, namely crafts (Lazić, 2002). Therefore, the usual mafia targets such as restaurants, shops and bars were to a large extend owned by private individuals even in the time of Yugoslavia. Yet, the mafia only appeared later, in the time when the state started to fail in its function to provide protection to these businesses.

Most importantly, as the state was still holding and relying on to its security apparatus quite strongly, there were almost no criminal organizations and protection businesses founded independently of the state, nor criminal or paramilitary actors who acted without its blessing. Although the state was increasingly collapsing on various other fronts, its security apparatus remained vital and under regime's firm control for almost a decade (before the changes in 2000th it was mainly under direct Milošević's control, especially certain units such as JSO). Serbian secret service (SDB) assumed the function of its Yugoslav predecessor and with it, all the connections to the Serbian criminal underground that was scattered across Europe. A number of criminals who were used to carry out different targeted assassinations of "state enemies" during the Yugoslav time, were now summoned back to Serbia and organized in different paramilitary and state-led units that were to sow fear, incite and encourage rebellion, smuggle and trade weapons and provoke incidents in the territories of newly founded states, namely Croatia and Bosnia and Herzegovina. I will return to this argument once more in the next chapter and present the process in detail, but what is important for this particular chapter is to stress that in Serbia, unlike in Russia and definitely unlike in Sicily, there were no independent actors, "grass-root" organizations, powerful individuals invisible or untouchable to the state - all of the Serbian "bosses" were once either recruited, supported, nurtured, trained or even directly employed by the state security apparatus. This state-crime interconnection came to the breaking point only when the state became too weak to control the overflowing self-confidence of certain criminals and their effort to take over the state itself which happend in the aftermath of the 5th October events.

Moreover, after the initial privatization success in the first years of the 1990s, the process was entirely blocked in 1994: Milošević had at first supported privatization

and private property introduction²⁸, but as he was growing more dependent on public companies and especially state and publicly owned banks, he entirely blocked the privatization process, even commencing a broad and extensive etatization²⁹. This is precisely the reason why we cannot take the introduction of private property as a starting point and the decisive factor in the making of Serbian organized crime and mafia. Surely, the large-scale introduction of private property had changed the overall conditions making them more favorable for organized crime to develop and gain immense power, but having in mind that, on one hand, private property has always existed to a certain extent, and that "blocked" privatization process had left its mark on the total amount of private property in the country on the other, it cannot be said that it had as huge impact as in Russia. Rather than private property, the origins of Serbian organized crime and mafia structures should be looked for in the rudimentary forms of organized criminal networks, and especially their relation to the Yugoslav and Serbian secret service that had been created much earlier, as early as in 1970s and 1980s. Moreover, and as mentioned before, criminal state-led networks, which later evolved in various independent and "institutionalized" organized crime, mafia-like structures, had been primarily concerned and focused on the war and its supporting mechanisms (smuggling, robbing, looting) as a source of profit in the first half of the 1990s³⁰. Only later, when the war was over and Dayton Accords signed (November 1995) did the criminal underground realize it was left without a solid source of profit and turned to the various other lucrative activities - from large scale drug smuggling to private protection.

²⁸ The privatization process was initiated in 1989 with the adoption of the Law on social capital and widened in 1991 with the Law on conditions and procedures for transformation of public property into other forms of ownership. In the end of January 1994, 44% of total capital was privatized, 42% had been transformed into state property, and 14% has left for further privatization (Kovačević 2004; Šuković, 2004).

²⁹ In 1994 the law in force was radically altered as it retroactively changed the conditions under which the privatization of state capital had been conducted. This meant that large number of privatization processes were halted and annulled. Until 1997 and the introduction of a new Law on ownership transformation, there were no new privatizations (Kovačević 2004; Beslač 2004)

³⁰ This is not to say that various types of mafia-like activities, namely racketeering and loan-sharking were "unknown" to Serbia by the mid-1990s. Numerous thugs, thieves, hooligans, burglars and small criminals were active throughout the country. However they all lacked organization and were more or less acting on their own, with the support of certain corrupted policemen. Only after 1995 these types of activity became a central occupation of main criminal "bosses" of the 1990s.

Hence, private property had influenced the formation of organized crime and somewhat mafia mainly in the sense that it enabled certain individuals (various businessmen, political elite, criminals) to gain enormous private profits and then worry about its protection. Certainly, it also enabled various mafia-like activities such as racketeering and to a certain extent loan-sharking, but having in mind that different private firms, especially those in the service sector which should be mostly affected by extortion, existed much before the breakdown of Yugoslavia, it is rather that these activities were enabled within the framework of changed social and political landscape and failing legal and civil order than large-scale introduction of private property and its subsequent rights. It seems that the most important factor in this process was state failure, the continuous destruction of institutions and constitutional order, and "arbitrariness instead of constitutionalism" (Dimitrijević, 2003): maybe most significant was the role of the police that had stopped performing its main function - providing security to all citizens - as it was becoming the most important tool of Milošević's regime, practically parallel to military in its strength, men power and armament. As Milošević was losing confidence in the military³¹ and its leadership, he came to rely mainly on the police, not only in the domestic context, where the police had quickly become entrenched in corruption and cooperation with criminals, but also throughout Bosnia and Croatia in war occupied areas.

IV Prevailing conditions in the country and their criminalizing effects

As the downfall of Yugoslavia was approaching and new independent states were being proclaimed and recognized, Serbian leadership has already been preparing for the war, which they thought would be swiftly won³². On the other side, the newly formed FRY, and particularly Serbia was drowning in severe economic crisis, galloping inflation, increasing levels of unemployment, declining GDP, flourishing of

³¹JNA - Yugoslav Peoples Army.

³² "The highly successful clandestine arming effort bolstered Bosnian Serb confidence that they could win quickly and decisively (...) Bosnian Serb leader Nikola Koljević was reported to have claimed in April 1992 that the war would end within ten days and Bosnian Serb leader Radovan Karadžić apparently expected a victory in six days" (Andreas, 2004: 34).

grey and black markets, industry collapse, and as the war was intensifying, major refugee crisis, severe problems caused by internationally imposed sanctions, immense food shortages, vast deficiencies of otherwise normal services like electricity, running water, and public transportation, a flood of illegally imported weapons and ammunition, deficits of gasoline and natural gas, collapse of education and health care system, speculative behavior and numerous bank schemes, low income and sharp decline in living standards, which all widely influenced the general criminalization of the society. "In the beginning of the 1990s, precisely at the time of socio-economic transition, SFRY collapse and the following wars, Serbia went through significant and dramatic phenomenological changes related to homicidal violence, which in the meantime became its more or less permanent hallmark" (Simeunović-Patić, 2003: 34). This change is characterized by the absolute and relative increase in instrumental homicides³³; the appearance of professional murders which were conducted in public spaces in front of large number of people, in ways that dramatize the feelings of insecurity; growth in rates of expressive murders³⁴ by 50 per cent; escalation of firearm usage as a mean for execution; declining efficiency of the police in crime solving, increase in murder rates in larger cities; and tripled rate of manslaughter (Simeunović-Patić, 2003). Up until the last decade of the 20th century, the murders in Yugoslavia were never an extreme social problem: murder rates were relatively low compared to European and especially global levels, and the efficiency of police was quite high, over 90 per cent of cases were solved on average, while instrumental murders were almost non-existing. However, with the beginning of the 1990s this situation changed dramatically: most notably, in striking increase in the rate of murders in larger cities, especially Belgrade, in which the frequency of murders and attempt murders in the first years of 1990s had been tripled compared to mid-1980s. Alongside the general prevalence of violence, the efficiency of police in crime solving was also severely altered: the rate of unsolved murders has sharply increased, from under 5-10 per cent in the mid-1980s to spectacular 35 per cent in 1991.

³³ Instrumental murders are defined as violence used as a mean to achieve some other goal, mostly material gain.

³⁴ Expressive murders are defined as affective, reactive violence, where the primary motive is exhausted with a mere manifestation of violence and assault, or the destruction of other person.

Furthermore, as the living conditions were worsening, the solidarity bonds within the society became highly porous and the population "atomized", which prevented the emergence of a functioning responsible civil society and hindered public action. The conditions of extreme social disorganization and reduction of legitimate ways to secure existence coupled with firearms availability due to the war, constant exposure to violence and violent models of behavior, contributed largely to the increase in tolerance toward violence, even its approval and encouragement, making some, under normal circumstances frightening criminals a genuine pop stars³⁵. Somewhere along the way, "the system of social anti-values was turned into the system of recognized values. The permitted and prohibited were getting mutually progressively closer to each other, and the borderline eventually disappeared completely (...) Idolization and romanticization of criminals was partly relying on revival of myths of a 'potent' protector of the 'endangered group' and frustrated individuals. In 1990s Serbia, the protective function of the state was dramatically weakening. Under the pressure of security crisis, and in the absence of a 'legal state' and rule of law, tribal perceptions of justice were reanimated, and 'fighters for justice' and protectors from 'the others (peoples in the neighborhood, 'internal enemies' and oppressors) were imagined" (Pavićević and Simeunović, 2007: 57). In the media presentation, but also in real life, the impression that crime without punishment is governing, and that tough guys from the streets who were previously called thieves and criminals, became respected even reputable citizens, contributed to the overwhelming feelings of insecurity and distrust, and subsequently to the incentive to accept the practice of arbitrariness and act accordingly.

In the next three sections I analyze the reasons why and how this situation came about: I elaborate on the criminalizing consequences of wars in the territories of Croatia and Bosnia and Herzegovina, the criminalizing effects of internationally imposed sanction, as well as on criminalization induced by the ("blocked") capitalist transition. I also look at the role of irresponsible state elites forming under Milošević's regime, disentangling the relationship between the state, state security apparatus and

³⁵ One of the most illustrative examples of this tendency is the 1995 wedding of Željko Ražnatović Arkan, the founder and commander of a paramilitary unit - Serbian Voluntary Guard, and the alleged "boss" of the Serbian underground until 2000 when he was murdered, and popular folk singer Svetlana Veličković, later Ražnatović, also known as Ceca. The "wedding of the century" was broadcasted on television and distributed in videotape format throughout Serbia gaining tremendous popularity.

crime and giving detailed explanations on the process of organized crime and mafia formation and its results.

Criminalizing consequences of war

Often described as Europe's deadliest conflict since the World War II, the wars in Yugoslavia had become infamous for the crimes involved, including mass murder and genocide. According to some estimates around 130,000 people had lost their lives, while more than 4 million had been expelled from their homes thus becoming refugees or internally displaced persons. Although Serbia had never officially declared war to Croatia or Bosnia, nor was the war fought on its territory, its role in the bloody conflicts had certainly been disastrous. Without a doubt the wars fought on the territories of the former Yugoslav countries had left profound consequences not only on the states directly affected by the violent conflicts but also on the entire Serbian society.

The war had at least four robust criminalizing consequences for Serbia: first, it strengthened already functioning relation between Serbian state organs, namely its state security apparatus (SDB) and criminals, second, it urged international action and subsequently caused the imposition of sanctions toward Serbia, third, it facilitated the appearance of various "volunteers" who continued with their violent practices upon their return to Serbia, and fourth it provided large amounts of easily accessible weapons that freely circled the country. The role of Serbian state security apparatus was most prominent in the initial organization and "management" of the wars: joined with various criminal structures, SDB organized large-scale smuggling of weapons and ammunition to fragile Serb populated territories³⁶, trained volunteers with criminal background, and provoked incidents in multiethnic communities. Later on, when the war was intensified, this state-criminal cooperation evolved to include organizing and protecting state sponsored smuggling channels dealing mainly with gasoline, cars, and weapons. SDB also continued serving as a kind of headquarters, a command center for the majority of the paramilitaries. The connection between state

³⁶ For instance, Arkan was arrested in one of these campaigns in Croatia carrying a large amount of weapons (Ćirić, 2005).

security and criminal organizations rooted in the practices of SSUP³⁷ has evolved substantially during the wars³⁸: "from occasional associates in some delicate businesses, criminals quickly became equal partners and integral part of Milošević's security apparatus" (Vasić, 2005b: 161-162).

The intensification of war and the role of Serbian state in it was a direct cause for the introduction of international sanctions against Serbia (FRY) that further facilitated state failure, serving as an excuse for state-led development of grey and black economy and the evolution of regime's victimization strategy. "The importance of smuggling practices and criminal actors in many intrastate wars becomes even more apparent in the context of evading international economic sanctions and arms embargo imposed to discourage conflict. In this respect, external intervention contributes to the criminalization of a conflict, creating an economic opportunity structure for clandestine commerce and making the competing sides more reliant on cross-border smuggling channels" (Andreas, 2004: 30).

The war also raised and nurtured different kinds of volunteers: criminals, former and current prisoners, football fans, various street thugs and hooligans. Their role in the war was mainly to loot and rob the occupied territories harassing local population, especially if it was of different ethnic origin, religious or national background. With the end of the war and their return to Serbia, they were left jobless but still powerful and experienced enough to continue with their usual practices. Certainly, there were plenty more criminalizing consequences of war: the flood of refugees that additionally weaken the state, raising the unemployment levels and making the humanitarian crisis more alarming; the increasing failure of various state services (health care, education

³⁷ Yugoslavian Federal Secretariat for Internal Affairs.

³⁸ Arkan's career can serve here as an illustrative example. In the early 1980s, the SSUP carried out assassinations of nationalist organization members abroad. Arkan engaged in technical operations such as servicing agents and acting as a courier. He and Stane Dolanc, head of the SSUP at the time, are repeatedly mentioned in the connection with the 1983 murder of the former director of a Croatian oil company, who defected and began publishing books critical of Yugoslav Communist Government. When Arkan returned to Belgrade in the early 1980s, his ties to SSUP remained strong, despite his continued criminal activity. When Belgrade police would arrest Arkan, they allegedly counted minutes that went by until someone from the SSUP, often times Stane Dolanc, would intervene on his behalf. Before the war, Arkan was most known in Belgrade as the leader of the city's Red Star (Crvena Zvezda) football team fan club. On at least one occasion Arkan offered the services of the fan club to a Serbian police minister, to disperse a crowd demonstrating against Milošević in June of 1990. The offer was accepted (UN Experts, 1994: Annex III.A). As the war was approaching Arkan became one of the most trusted "cooperators" in the wars: he was the leader of one of the most prominent paramilitary units. He even found a party and became a member of the Parliament in 1992.

system, pension system, public transport, electricity and water supply) as the state budget was largely spent on war and the elite was sticking to its victimization strategy, blaming the international community and imposed sanctions for all the country's problems; the moral collapse of the population, substantial deterioration of values and social rules resulting in the romanticized picture of criminals and war lords who were perceived as national heroes, and so forth.

However, taking into account the focus of this study, I will examine only three closely related and particularly important factors that affected criminalization of the Serbian society: first, the cooperation between state security and criminals including the analysis of the Serbian state security role in the war, second, the criminalization component of the war-related smuggling when transferred into peaceful context, and third, the impact of war volunteers upon their return to Serbia. In the next section I will look at the criminalizing consequences of sanctions and later on at the criminalizing consequences of capitalist transition, private property introduction and the role of irresponsible state elites in the process.

The appearance in the wars of the paramilitaries was partly caused by the collapse of army morale and a challenging mobilization crisis that turned out to be one of the main problems of Milošević's regime in the wake of the wars - more than 50% of reservists have avoided mobilization³⁹, and the regime had to look for another option to replace the missing military ranks - one part of the solution involved arming the locals, particularly in Serb areas of Croatia and Bosnia, and the other was seen in the engagement of various criminal elements⁴⁰. Starting with the early 1991, state security service (RDB) began to recruit different kinds of volunteers, mainly criminals, local thieves and thugs, former prisoners, adventurers, mercenary opportunists, football hooligans, and so forth, train and organize them to become members of the notorious

³⁹ "Young men reacted mainly by determined draft-dodging. Some 150,000 or more quickly emigrated or went underground. In one city, only two of the 2,000-3,000 'volunteers' expected in a call-up showed up, and in several towns there were virtual mutinies against conscription. Overall, only 50 percent of Serbian reservists and only 15 percent in Belgrade obeyed orders to report for duty." (Mueller, 2000: 48).

⁴⁰ In the early 1980s and 1990s many Yugoslav criminals operating in Western Europe returned home in the face of intensifying police pressure and tighter immigration restrictions while the war was creating opportunities for low-risk robbery in patriotic costume. Many prisoners in Serbia were also released and sent across the border to join the fighting, enticed by the promise of loot and reduced sentences.

paramilitary units. "The members of these units were recruited in two manners: informally - through publicity (via the media, news paper ads), personal contact, friendship, family ties, or formally - through party membership, organized sport supporters clubs, or drafted under command - in the case of several professional soldiers who were charged to lead, entrain the groups or simply to 'lift up the professional level' of a unity" (Vivod, 2010: 6). The groups were constituted from men of different ages, social classes and professional backgrounds; they have originated either from the territories under the conflict or directly from Serbia. As Warren Zimmermann observes, "the dregs of society—embezzlers, thugs, even professional killers—rose from the slime to become freedom fighters and national heroes, exalted by their respective propaganda machines" (Zimmerman, 1999: 152).

In the same time, RDB was organizing different undercover war-agitating actions in the territories of Croatia, and later Bosnia, creating nationally charged incidents, spreading fear and confusion, and smuggling weapons to locals in Serb areas of Croatia and Bosnia. "The Bosnian Serbs had the overwhelming advantage of not only being backed by the Yugoslav people's army but also being covertly armed through trafficking networks from Belgrade. (...) The prewar covert arming of the Bosnian Serbs was substantially orchestrated by the Yugoslav State Security and the Ministry of Interior (MUP), and facilitated by the Serb political party in Bosnia, the SDS. (...) The plan that emerged in 1990 was called RAM ("frame") and the strategic objective as to use SDS local chapters for deployment of arms and ammunition" (Andreas, 2004: 34).

Access to clandestine arms flow and irregular paramilitary units provided the means for the initial success of Bosnian Serb war efforts. "The covert arming of Bosnian Serbs and subcontracting of irregular Yugoslav paramilitaries helped to obscure the complicity of Belgrade government, providing the convenient political cover of plausible deniability. Even as Belgrade announced that it had banned paramilitary incursions from Serbia into Bosnia and claimed that it was inhibiting such incursions, press accounts of Serbia-based paramilitary involvement in ethnic cleansing increased in late April 1992" (Andreas, 2004: 34/35). This was not at all surprising since the

first special unit JATD⁴¹, later transformed into notorious JSO, was formed in May 1991 under direct command of SDB, followed by a number of other units, established and organized with the knowledge of SDB, with their membership trained in SDB camps, and under its direct supervision. The most infamous of them were the Serbian Voluntary Guard (Srpska dobrovoljačka garda), popularly named the Tigers (Tigrovi), formed in October 1991 and led by Željko Ražnatović Arkan⁴², who himself was a SDB trainee and its "sub-contracted" officer; Chetniks (Četnici), formed in early 1991 and organized by Vojislav Šešelj⁴³; Scorpios (Škorpioni) formed in the late 1992; Knindjas (Knindže) led by another paramilitary leader who called himself Captain Dragan⁴⁴, and so forth (UN Experts, 1994: Annex III.A). However, the unit which received most attention, particularly after the changes in 2000, the JSO, also known as the "Red Berets" was officially formed only in 1996, although it was in fact composed out of disbanded JATD unit members and various other unit's previous members. As mentioned above, JSO was placed under direct jurisdiction of RDB and the Ministry of Interior, although, according to Vasić, its formation and existence was completely unconstitutional and basically illegal, especially considering their firepower: the Unit possessed its own artillery, armor unit, air force, river fleet, security and intelligence service, its own unit for propaganda action with the complete TV production and so forth (Vasić, 2005).

⁴¹ Unit for antiterrorist and anti-diversion action (JATD) was under direct command of SDB within the jurisdiction of the Ministry of Internal Affairs. However its formation was entirely unconstitutional (Vasić, 2005).

⁴² Željko Ražnatović Arkan, one of the "bosses" of the Serbian underground, moved from Yugoslavia in the early 1960s, and began his criminal career throughout Europe, where he committed crimes ranging from robbery to murder. Arkan was alleged to be working for the Yugoslav Federal Secretariat for Internal Affairs (SSUP) and later for the Serbian SDB. He made millions by selling looted goods in the Belgrade black market, running gasoline smuggling operations and private gas station. He also operated a protection racket in Belgrade and private prison used in kidnapping for ransom (UN Experts, 1994: Annex III.A). He was assassinated in the early 2000, and the case was never solved.

⁴³ Vojislav Šešelj, founder and leader of the Serbian Radical Party (SRS), and a self-proclaimed nationalistic leader, became prominent in 1984 when he was arrested and convicted of counterrevolutionary activities and sentenced to eight years in prison. After he was released (he spent 22 months in prison), he joined the leading Serb nationalists and began publishing nationalistic books. His party quickly became popular, even forming government in the coalition with Milošević that lasted until 1993. Later, SRS became the leading opposition party, but after Šešelj's departure to ICTY, the party split up, and the majority of party members joined Tomislav Nikolić in his Serbian Progressive Party (SNS). After the split up, SRS almost entirely lost its influence and Šešelj is still at the Hague.

⁴⁴ Captain Dragan Vasiljković aka Daniel Sneden, allegedly an Australian citizen who was military advisor in both Tanzania and Angola. He operated training camps for special forces units including JATD (JSO) and was participating in operation with other paramilitaries (UN Experts, 1994: Annex III.A).

Hence, "the state special units were formed from criminals attached to the OC underworld. Being engaged in state security forces, they were practically immune, no matter what they did. Furthermore, they were regarded as useful in the fight against 'state enemies'. (...) During Milošević's era the process of politicization and militarization of the police was present side by side with an increase in crime, rising and widespread corruption in the state administration, tolerance for criminal activities, legal anemia and total moral decay in society" (Stojarova, 2000: 99-100). The paramilitaries role was to intimidate, spread fear, hares, and occasionally serve as a sort of protectors of certain occupied areas⁴⁵ and smuggling routs⁴⁶. "Many fighters in Serbia were wooed to Bosnia by the prospect of looting and selling stolen goods in the black market" (Andreas, 2004: 35). Once the fighting stopped, and the area was occupied by the military, the looting began⁴⁷. The opportunity to plunder and make easy profit was so appealing that it even caused the appearance of numerous "weekend warriors" - men who joined the war from Serbia and elsewhere only intermittently to rob and pillage, enriching themselves in the process (Mueller, 2000: 50). "Recruited and encouraged by leading politicians, and operating under a general framework of order provided by the army, a group of well-armed thugs - or skinhead or redneck or soccer hooligan or Hell's Angels types - would emerge in an area where the former civil order had ceased to exist or where the police actually or effectively were in alliance with them. As the only group willing - indeed, sometimes eager - to use force, they would quickly take control. Members of other ethnic groups would be subject to violent intimidation at best, atrocities at worst, and they would leave the

⁴⁵ As Peter Andreas writes: "The Tigers would sometimes enter a town at the request of local Bosnian Serb political leaders. In Prijedor, a Bosnian Serb spokesperson explained that 'Arkan is very expensive, but also very efficient' (cited in the UN Experts, 1994: Annex III.A)" (Andreas, 2004: 35).

⁴⁶ For instance, from 1992 to 1995 JATD (JSO) was mainly charged with the safe-guarding of the communication and trade line between Serbs and Croats in so called Autonomous Province of Western Bosnia, held by another war lord Fikret Abdić, a muslim who declared "independence" from the central Bosnian government in Sarajevo and formed its own "sovereign" territory that served as a hub for various smuggling networks across Bosnia. Abdić was paying these services to soldiers form Serbia and Republic of Serbian Krajina (another unrecognized entity in Croatia seeking unification with Serbia) under determined rate until the summer of 1995 when his "state" was defeated by the Bosnian Army (Vasić, 2005).

⁴⁷ Jovan Dulović, who at the time worked as a war reporter for the Belgrade daily Politika observed that there was a hierarchy of looters, with the elite troops of Arkan's Tigers enjoying preferential access to the most valuable assets (such as cars, gold and money). Next in line were the Serbian Četnik Movement and the White Eagles. The leftovers went to local militias and smaller Serbia-based paramilitaries who "stripped the wires out of the walls and dismantled windows and doorframes" (Andreas, 2004: 35).

area in despair" (Mueller, 2000: 53). In return for their services they were awarded in all possible ways: from the permit to plunder and loot, rape, torture and simply act as they will, over the "license" to smuggle - gasoline, cigarettes, and various strategic goods, to the privileges in trade with foreign currency and other financial operations in the time of inflation. They were also awarded with tax and import exemptions and a "blind eye" in their increasingly illegal activities at home, including heroin and cocaine smuggling. With the help of state officials⁴⁸ who were highly involved in the process they were certain that the smuggled goods are going to cross the border and that the ordinary police will not interfere with their business.

As indicated earlier, the war strengthened already existing relationships between OC and the police, thus making the criminals an integral part of the Milošević's state security apparatus. After the war was over, and as the majority of involved criminals returned to Serbia, this relationship remained in place, making the country an oasis for crime without punishment. Since the police members were either involved in war themselves, or corrupted or simply helpless in the face of the powerful and omnipresent crime, Serbia had become a country where the only law was the law of the stronger. Moreover, as a large number of "fighters" was united in the (re)formed JSO, the involvement of the state in the criminalization of the society continued to be as decisive as during the war. Since they were all carrying RDB badges, JSO members remained a sort of untouchables, unthreatened by the ordinary police. On the other hand, those war "veterans" who were not recruited by the reformed JSO were seeking employment elsewhere: they organized their own criminal groups, joined the existing ones, or started their own private protection business. They provided protection not only to the state elite and big businesses, but also to various opposition leaders and foreign embassies⁴⁹.

⁴⁸ Most important were Mihalj Kertes, head of Federal Customs Bureau from 1993 to 2000, Rade Marković, high police official and head of RDB from 1998 and Radovan "Badža" Stojičić, head of Public Security and later acting Minister of Interior, who was assassinated in 1997. Other vocal names include Jovica Stanišić, head of RDB until 1998, and Franko Simatović (Frenki), the first commander of JATD, later JSO.

⁴⁹ Almost every political party had its own security company. For instance, the ruling party and its satellites were guarded by Komet team, which employed around 350 men in the mid-1990s. Komet team provided protection not only to party members but also Embassies of Denmark, Switzerland, and Netherlands and the residency of Norway (Petrović, 2011). It is also known that one of the most famous Belgrade criminals Aleksandar Knežević (Knele) provided protection to Vuk Drašković, the most influential opposition leader at the time.

Furthermore, the legacy of criminalized conflicts in Croatia and Bosnia has profoundly shaped the post-conflict reconstruction process: "the smuggling networks that proved so essential to the Bosnian war effort have at the same time contributed to the criminalization of the state and economy in the postwar period (...) Key players in the covert acquisition and distribution of supplies during wartime have emerged as a *nouveas riche* 'criminal elite' with close ties to the government and nationalist political parties" (Andreas, 2004: 44). In peaceful conditions, the extensive smuggling networks involving both the police and emerging OC networks, had only broadened the variety of commodities that are being smuggled - from gasoline, cars, robbed valuables, cigarettes and weapons to heroin and cocaine. As Peter Andreas writes: "In contrast to East Central Europe where the old *nomenklatura*/political elite converted political capital into economic (and sometimes criminal) capital, in the case of Bosnia, criminal capital accumulated during a criminalized war has been converted to political capital after the war" (Andreas, 2004: 44).

Criminalizing consequences of sanctions

In response to increasingly tense situation in collapsing SFRY an embargo on all deliveries of weapons and military equipment to Yugoslavia was imposed by the UN in September 1991⁵⁰. Since the situation was not showing any signs of improvement and Milošević regime was being accused of having an accomplice role in the wars in Croatia and Bosnia, Serbia was exposed to comprehensive sanctions imposed by the UN Security Council resolution 757 in May 1992. The sanctions covered trade, air travel, financial transaction, scientific and technical cooperation and even sports and cultural exchange. In November the same year the scope of sanction broadened to include the transshipment of goods and the maritime shipping on the Danube (Resolution 787), while from the April of 1993, the sanctions also encompassed the freezing of Yugoslav assets abroad, denying transit to Yugoslav vessels and further limitation of transshipment (Resolution 820). The objective of the sanctions was to ensure that Serbian (FRY) government would curtail its support to Serbs in Bosnia, which will then force Serbian leadership in Bosnia to negotiate the end of the war. In

⁵⁰ UN Security Council, Resolution 713.

long-term perspective, even though the sanctions might have had some success in this respect, they have also contributed to the extensive criminalization of the society both in political and economic way. At the political level, sanctions encouraged the regime to go into smuggling business, thus fostering the relationship between the state and organized crime. At the economic level, sanctions contributed to the development of grey and black markets, pushing the economic activity underground and dramatically inflating the profitability of illicit commerce. At the societal level, the most significant criminalizing consequence was the facilitation of the "uncivil society", reflected in a higher level of public tolerance for lawbreaking and an undermined respect for the rule of law (Andreas, 2005: 336/337). Moreover, the sanction provided Milošević and his regime with a credible excuse for the overall state failure, allowing him to reassert state controls, block market reforms and distract and discredit domestic criticism. The sanctions also served as fertile ground for the creation of regime's propaganda strategy, assuring the population that the country is just an innocent victim of the "global anti-Serb sentiment".

Nevertheless, the argument here is not that there was no criminalization of the state, economy and society before the sanctions were introduced (I had elaborated on this in the previous chapter and will further discuss it in the next section), nor that the criminalization would not have occurred in the absence of sanctions, but that sanctions were a significant contributor to the already existing tendency, facilitating social and economic transformation and extreme impoverishment of the Serbian society. Together with state disintegration and the impact of raging wars in Croatia and Bosnia, economic sanctions have put severe strains on the economy and caused thorough re-stratification of Serbian society, which resulted in pauperization of the huge majority of the population and enrichment of a small group (1-2%) at the very top (Sörensen, 2006: 321/322). "The gap between rich and poor thus increasingly widened; according to one survey conducted in 1993, the richest 10 per cent in Serbia had at their disposal 37 per cent of national income, while the poorest 10 per cent had only 1.6 per cent of it" (Nikolić 2002: 88, cited in Clark 2008: 32).

Formal economy was facing disaster as well: economic performance had dramatically declined, GDP and GDP per capita decreased, as did the industrial production and consumption per capita. Hyperinflation also took its toll, reaching unprecedented 313,000,000 per cent per month in the January 1994: indeed, salaries' and pensions'

value would melt within seconds and the usual worth of an average monthly pension was only sufficient for the purchase of one box of matches. In the mid 1990s it was estimated that 50 - 70 per cent of the population was living below the poverty line (Mrkšić, 1995). However, formal economic collapse did not result in the shortage of money. Quite the contrary, during the 1990s Serbia became a genuine 'cash economy'⁵¹. (Sørensen, 2006: 322). With foreign currency exchange rates embezzlement and pyramidal bank schemes, inflation turned out to be a perfect instrument to extract cash from the population, transferring it through the state-owned banks, to the government, and later to private pockets and foreign bank accounts of few loyal associates. While the economy was in the state of collapse, the country under sanctions, and inflation a gigantic machine for transferring and concentrating wealth in Serbia in the hands of few, other means of providing resources to the general population had to be found. Soon enough, shadow economy became a survival strategy for the majority of the population. Contrary to the argument that causes for the emergence of shadow economy are mainly found in the overbearing character of the "predatory" state, at least in the functioning societies (Schneider, 2002), the development of underground economy in Serbia was caused by the complete state failure. As the state was too weak (or disinterested) to stop or at least control the rapid deterioration of living standards, it willingly allowed and publicly encouraged the development of grey economy⁵². On the other hand, it was also providing means and conditions for the black economy development, especially as it has itself conducted illegal and unconstitutional activities.

Here we must first make a quick detour, distinguishing between formal, informal and criminal economy. "There appears to be growing consensus among researchers in the advanced world that the proper scope of the term informal sector encompasses 'those actions of economic agents that fail to adhere to the established institutional rules or

⁵¹ "It has been estimated that some 9 billion Deutschmarks were traded into Euros in Serbia alone, when the Euro was formally introduced in 2002" (Sørensen, 2006: 321/322).

⁵² Not only that it allowed and encouraged all sorts of smuggling practices, it was also silently accepting the common evasion of taxes and payment of bills for state-provided services. "An important factor in pacifying the population was that the authorities never insisted on payment of bills. Thus, for example, telephone bills, electricity, etc. could be delayed for several months without sanction. In the period of hyperinflation the actual cost of a bill paid after a few months delay had been severely reduced. In this manner people could keep using resources and escape payment. While for the government this was a deliberate strategy in order to avoid serious social unrest, the ordinary man would have a feeling of 'getting off the hook' or cheating the authorities" (Sørensen, 2006: 325).

are denied their protection" (Feige 1990: 990 in Portes and Haller, 2005: 405). Following from this, Castells and Portes (1989) make a useful taxonomy relying on the two basic features of the final product offered: its licit/illicit character and the manner in which it is produced and distributed. "The basic difference between formal and informal does not hinge on the character of the final product, but on the manner in which it is produced and exchanged. Thus, articles of clothing, restaurant food, or computer circuit boards - all perfectly licit goods - may have their origins in legally regulated production arrangements or those that bypass official rules" (Portes and Haller, 2005: 405). On the other hand criminal (black) economy is not only circumventing the state rules when it comes to production and distribution of the goods offered, but also concerning the type of final product, which is itself illegal (narcotics, gambling, prostitution). Comprehensive sanctions imposed by the international community thus facilitated both the large-scale development of grey economy and the emergence of dubious transactions in the black market: first, the informal markets were established and later, when the sanctions were lifted and the country was yet again opened to international trading, already consolidated criminal networks turned to illicit goods and the establishment of black market occurred.

As indicated above, the criminalizing effects of sanctions at the political level were reflected in the regime's incentive to go into business of organized crime, creating and fostering an alliance with OC groups for mutual gain: generating profit, securing supplies, and strengthening its hold on power. In the case of Serbia this was an important but not the sole reason: as explained in the previous chapter, besides generating revenue and securing supplies by circumventing the sanctions, the state had "employed" criminals for yet another service - to help bypassing the mobilization crisis it was facing and to disguise its own direct involvement in the conflict.

Partial success of paramilitaries in this regards, however, did not stop the regime to rely on them when sanctions were effectively introduced. In fact, this proved to be a pretty good strategy - soon enough a state-sponsored embargo-busting system became institutionalized. From 1994, when Milošević appointed Mihalj Kertes as the head of the Customs Bureau, the Customs Services became the heart of the regime's clandestine financial structure and central office for state-let organized crime. "Kertes was crucial to the organization of the embargo-busting trade, as his office provided import and export permits to those loyal to Milošević and those who proved most

adept circumventing UN monitors". (Andreas, 2005: 342). The importation of gasoline was especially significant in this regard. "The FRY's substantial military self-sufficiency meant that the UN's region-wide arms embargo had little impact; however, the country was financially vulnerable and highly dependent on imported oil. The initial effect of the imposition of comprehensive sanctions in May 1992 was to induce an oil shortage. Road traffic was reportedly halted during the summer as queues for petrol emerged across the country. However, later that year, Serbia secured new supplies, reducing the price of petrol. The new suppliers were black marketeers, importing Russian oil through the Montenegrin port of Bar, over the Bulgarian border at Kalotina, and via the Danube. At the low end of the petrol trade were small-scale local freelancers, engaged in gasoline smuggling using private cars customized to carry extra tanks" (Andreas, 2005: 341). As stressed in the previous chapter, the military services of mercenaries and their efforts in the initial phases of the war when they were smuggling weapons and ammunition from Serbia to Serb populated areas of Croatia and Bosnia were, among other methods, compensated with the exclusive permissions to smuggle oil and even run state-owned gas stations⁵³. The permit also covered such lucrative commodities as tobacco products and cars. This further strengthened the relationship between OC and the state, since the "war lords" were now running businesses not only in the conflict-affected areas but also within Serbia. Soon enough the state-sponsored "patriotic smuggling" (Antonić, 2002) developed into a genuine criminal economy⁵⁴. Therefore, the "sanctions were central to both the rapid growth of the underground economy and its state-directed restructuring toward organized smuggling and clandestine financial transactions. Milošević was able to command loyalty and collect sanctions rents by providing preferential access to the sanctions-busting trade, which in turn helped to prop up the regime. In short,

⁵³ The Milošević government has given Arkan control of several state-run gas stations because of his success in smuggling petroleum products (UN Experts, 1994: Annex III.A; Vasić, 2005; Andreas 2005; and Clark 2008).

⁵⁴ According to Vasić, OC groups with strong connections to SDB and Mihalj Kertes, the head of the customs service, namely JSO, were soon to be involved in the heroin smuggling business. Heroin confiscated on Serbian eastern borders (for instance Gradina border crossing point) was handed directly to SDB, although, according to the legislation, it should have been transferred to judiciary organs, which were to destroy it. One of the evidence that this was a common practice came after the changes in 2000, when the new Ministry of Interior was formed, and when 660 kilos of heroin was found in the SDB's safe deposit box in one of the state-owned banks (Komercijalna banka). It was later determined that the heroin was confiscated by custom services in 1997 and handed to Jovica Stanišić, the head of SDB at the time.

sanctions enhanced the criminalization of politics and the politicization of criminality" (Andreas, 2005: 341).

On the other hand, economic consequences of sanctions were mostly seen in the dramatic increase in grey and black economy, undermining the opportunities for businesses to survive within a framework of formal economy. Furthermore, as the society was becoming increasingly impoverished with drastically declining employment rates and the extremely devaluated average income due to inflation, the informal economy soon became the basis for individual and household survival. Indeed, as Dinkić has argued: "Everyone realized that it was far more profitable to smuggle or sell goods on the street. These activities at first served as an additional source of income but for many people soon became a full-time occupation" (Dinkić, 1995: 229).

Various estimates of the share of informal economy in the registered GDP confirm this observation: during the 1990s this share was certainly over 30 per cent, and in some instances reaching even over 50 per cent⁵⁵. According to a survey conducted at the time, nearly one half of the households (47,7%) was in one way or another involved in informal economy transaction, by which it made some supplementary income (Mrkšić, 1995: 47). Looking at the type of activities, the largest percent of citizens was engaged in agriculture (25,2% of households), followed by trade (16,7%), artisan (15,1%) and intellectual services (6,5%). A high share of those who cultivate their own land is not at all surprising in the perspective of existing food shortages and the rural character of the Serbian society. As a matter of fact, agriculture turned out to be an important survival strategy even for the population in urban areas, since one quarter of urban households was additionally engaged in agriculture, either working their own land or helping relatives to do so. As far as the trade is concerned, the dominant activity was the (re)sale of food products⁵⁶ (every second participant), followed by the resale of cigarettes, alcohol and gasoline (over a quarter of participants) and the resale of foreign currency (Mrkšić, 1995: 47-49). In this way, informal economy became "normal", that is, expected and accepted method

⁵⁵ Bolčić estimates that in 1991 grey economy had accounted for 31 per cent of registered GDP, in 1993 55 per cent and in 1999 50 per cent. (Bolčić, in Bolčić/Milić, 2002).

⁵⁶ Increased expenditure on food at the time of a plunge in real income, and difficulties in supply through the formal sector, resulted in accelerated expansion of this activity.

of trade and business functioning as the "distinction between licit and illicit commodities became increasingly academic" (Lewis 1998: 219, cited in Antonopoulos, 2008: 317). Since the stores were empty the trade had moved to the streets, where the majority of transactions was done in cash. The informal sector "employees" they were unreported and untaxed, and the main currency became the Deutschmark.

As I have previously indicated, although "the underground economy is conventionally viewed as operating outside of state controls, in the case of sanctions evasion in the FRY, it was to a substantial extent state directed and promoted as 'patriotic smuggling'" (Andreas, 2005: 341). Moreover, the informal economy was deliberately maintained as an area that is functional to mitigate discontent of the impoverished masses, but also to serve for the enormous enrichment of the elite. In this way, lawless environment was further strengthened and the level of public tolerance for lawbreaking had increased.

Indeed, this was the most important criminalizing effect of sanctions at the societal level. The expansion of grey and black economy and the general lawlessness "encouraged the complete collapse of moral standards. Honesty became a burden, while dishonesty was a virtue and a basic condition of survival. This inevitably led to an increase in corruption and crime, which assumed staggering proportions" (Dinkić, 1995: 229-30). As Garfield observes: "The large middle class of engineers, teachers, and government bureaucrats lost income, status and options throughout the 1990s. A new and much smaller class of people involved in smuggling and black market took their place. In this context, those engaged in criminal activities looked increasingly attractive as models of success." (Garfield, 2001: 63, cited in Andreas 2005: 344). Indeed, the streets were flooded with various types of criminals, from small-scale robbers and burglars to occasional racketeers and loan sharks. Young men, sometimes even teenagers, dressed in leather jacket and sweatshirts firmly tucked in their jeans, with short-trimmed hair styles and thick gold necklaces, quickly became a common feature of the Serbian urban scenery⁵⁷. However, these groups of "tough guys",

⁵⁷ In fact, they were representatives of a whole new subculture that evolved in the first years of the 1990s, quickly becoming a mainstream cultural phenomenon. They were referred as "dizel" or "dizelaši" which originated from the "Diesel" clothing brand. They were characterized by a rough image, propensity to violence and the particular style of dressing based on the expensive sportswear brands and "Diesel" jeans.

although gathered in small gangs⁵⁸, were not as organized as it might have appeared. Their main preoccupation was street level distribution of narcotics, theft and, if they had connections in the police, small-scale racketeering. Only later, when some of them would become firmly connected to RDB and JSO, would they evolve into genuine organized criminal groups. However, only few of them survived to see their business grow, while the majority lost their lives in the process. After 1995, when lucrative smuggling businesses in the war-affected areas had dried out, the Serbian black market alone became increasingly small for the large amount of rivaling competitors. New monopolies were being formed and only those who survived would become true organized crime "bosses". Among others, successful individuals included Arkan, who was already in the pick of its power, Ljubiša Buha aka Čume (Surčin gang) and Dušan Spasojević (Zemun gang).

Undoubtedly, sanctions have left profound criminalizing legacy with major economic, societal and political repercussions seen in the persistence of sanctions-busting networks after the war has ended and the sanctions were lifted, the emergence of a criminal nouveau riche elites and the formation of firm symbiosis between organized crime and the state. Criminal networks deployed during the sanctions period remained solid by simply turning their businesses to other commodities. As Naylor (1999: 363) explains the process: "Out of deals to link Serbian intelligence to professional smugglers emerged new networks dealing in stolen cars, cigarettes, arms, illegal aliens and heroin that were the scourge of Europe" (cited in Andreas, 2005: 348). Their influence remained strong even after the changes in 2000: according to the assessment of Serbian tax authorities from 2002, about half of the country's financial transactions were being made via illegal channels, whereas a group of Belgrade-based Western bankers estimated that in 2003 only 30-40 percent of trade in the country was legal (Andreas, 2005: 348). As stressed earlier, the upward social mobility of criminals and the subsequent formation of new criminal elite was largely facilitated with sanctions. Being awarded with exclusive rights to smuggle different commodities, criminals have soon become millionaires and successful

⁵⁸ In Belgrade, where they were particularly prominent, the gangs were commonly organized according to the city quarter they "ruled". In the first part of 1990s most influential (and violent) were the gangs from Voždovac, Novi Beograd and Zvezdara. Later, Surčin and Zemun will become the centers of crime in Belgrade.

entrepreneurs⁵⁹. Having in mind that Serbian SDB was mainly acting as the protector of these transactions, and that Milošević and his trusted collaborators were highly profiting from these business ventures, it comes as no surprise that the symbiosis between the state and organized crime has persisted and continued flourishing in the years to come. Intensive and hasty criminalization of the society, introduction of new (anti)values, general decline in rule obeying practices, the rise of new criminal elite, extreme pauperization and atomization of the society, breaking up of solidarity bonds and the reliance on individual subsistence strategies, all contributed to the formation of a society where trust became scarce and possibility of being cheated endogenous. After the sanctions were lifted, and even after, when the Milošević regime was ousted, these features will remain prominent and their repercussion and impact crucial for the further development of Serbian society.

Criminalizing Consequences of Capitalist Transition and the Role of State Elites

Similar to other communist countries which started to turn to capitalist forms of organization in the end of 1980s and beginning of the 1990s, SFRY and its command economic system were facing the ultimate "end of history" (Fukuyama, 1992) - the collapse of socialism seemed to be inevitable, and the changed international environment caused by the downfall of the Berlin wall and the consequent collapse of USSR has brought about the global frenzy celebrating capitalism and neoliberalism. Faced with the increasing pressure from IMF, SFRY had soon commenced the process of capitalist transition, namely privatization, which was initiated under the federal framework as early as in 1989 with the adoption of the Public Capital Act. Accompanying legislation was outlined the same year and implemented in the course of 1990 to 1991. It initiated a huge wave of privatization, on account of a very liberal, decentralized and stimulative concept, which favored workers in enterprises. The Act permitted workers to take over the enterprise, with an option to exchange acquired shares on the capital market. "As a result, there was a real privatization euphoria, which consequently produced a figure of 169 privatized companies by the end of

⁵⁹ For instance, Milošević government reportedly gave Vladimir Bokan an informal monopoly license for clandestine import of cigarettes into Montenegro. In October 2000 interview, Bokan confessed that he had earned as much as \$10,000 a day from embargo busting and smuggling (Andreas, 2005: 349).

1990, and even 1051 privatized companies for the first eight months of 1991. Approximately one third of enterprises were transformed, with insider privatization scheme comprising over 99 per cent of all cases of privatization" (Zec, 1996, in Babić 2000). However, after the federal framework has disintegrated, a new legislation has been adopted in Serbia: Act on Conditions and Proceedings for the Public Property Transformation into Alternative Ownership Forms. The new Act was considerably more restrictive than the federal one: it initiated control over previously realized privatizations, it forbidden the privatization of strategic sectors (energy, mining, infrastructure, land, roads, media), and all privatizations realized in the companies dealing with oil and petroleum products were annulled. In the same time, etatization of public companies was initiated: Serbian Petroleum Company (NIS), Yugoslav Airlines (JAT) and Serbian electrical industry (EPS) were all put under government's direct control. Nevertheless, a number of enterprises succeeded in initiating and completing the transformation process. However, in summer 1994, the Parliament amended the existing Act by introducing retroactive audit and revaluation proceedings. In this way the privatization process was practically blocked, attained level of privatized public capital almost annulled and the economy was put under harsh surveillance. From this point on, no new privatizations were commenced, until 1997 when the new law was passed, opening for the first time the path for foreign investors to purchase enterprises. However, by that time, a patrimonial form of capitalism was already consolidated.

The prescribed transition model and the consequent freezing of the privatization process had at least two major repercussions: first, they allowed the constitution of huge public (state) enterprises' sector that the authorities used extensively for keeping control over utmost number of employed and at some instances for perserving social peace (Babić, 2000), and second, they created conditions for non-institutional dissolution of public property⁶⁰ (Šever, 2004: 9), thus facilitating the formation of capitalism "from above" (King and Szelényi, 2005). According to King and Szelényi, the formation of capitalism "from above" is embedded into "a process where the state elites try to transform the old socialist redistributive economy into a market capitalist

⁶⁰ Among other methods it was achieved through the effort of companies' managers to deliberately run down the enterprises and create losses in order to buy them cheaply (Upchurch and Marinković, 2011: 10).

system by following neoliberal economist 'blueprint'. In this path the new capitalist class emerges 'from above' to the extent that neoliberal policy enables nomenklatura (and its clients) to transform itself into a grand bourgeoisie" (King and Szelényi, 2005: 206). Apart from capitalism "from above" King and Szelényi identify another two economic systems typically formed in the post-communist countries: capitalism "from bellow" and capitalism "from without". Capitalism "from bellow" is characterized with the creation of a entirely new market which integrates private and hybrid sectors and where a new capitalist class is composed out of actors emerged in the non-planned sector, as in China. On the other hand, capitalism "from without" is mainly created in the process of large-scale foreign-based privatizations, relying on the role of multinational companies and foreign-owned capital, as in the case of Hungary. Unlike capitalism "from above" where the existing state elite and its collaborators are allowed to privatize public companies, in capitalism "from without" this role is taken by foreign capital and multinational companies, often following the policy of direct foreign investments. As stressed earlier, unlike capitalism "from bellow" and capitalism "from without", capitalism "from above" results in the formation of patrimonial systems in which "the segment of the post-communist power elite allies with the elements of technocracy (firm managers) and to substantial degree uses its political office to convert public goods into its individual private ownership" (King and Szelényi, 2005: 208). Indeed, according to one research conducted in the end of 1990s, almost 70 per cent of economic elite at the time was made of managers and general managers of old state companies, politicians and people with close family ties to the previous ruling nomenklatura (Lazić, 2000: 42).

Going towards the end of the decade, and especially after the new law on privatization was passed in 1997 and the sanctions were partly lifted, private businesses were becoming increasingly successful, at least compared to the entirely inefficient state sector. However, the success of private sector was certainly not due to its economic efficiency, that is competitiveness and/or well-designed growth and development strategies, but mainly a consequence of flexible mechanisms developed to transcend negative consequences of inflation. These included: transmission of activities into the informal economy (relying on market prices, payments in cash and foreign currency, and monopolies on the import of raw materials), utilization of the direct interdependence between private and public sector resulting in the transfer of

goods and finally money from the public to private sector, tax evasion practices (Drašković, 2004: 247-248), and most importantly ripping off the benefits from the privileged transactions with the state.

Compared to patrimonial form of capitalism established in Russia (King and Szelényi, 2005) the formation of Serbian capitalism "from above" was influenced by at least two other case-dependent dimensions: besides the increasing number of private take overs of public property caused by the well-designed asset stripping, the formation of patrimonial capitalism was additionally strengthened with the influence of international sanctions and raging inflation. As explained in the previous sections, sanctions enabled the commence of state-led smuggling businesses which proved to be yet another source of profit for the political elite. Since the state was supporting these clandestine flows, allowing them to cross the border and flood the streets, it had not only strengthened its partnership with organized crime, but it also influenced the formation of patrimonial capitalism. The success of private enterprises was hence strongly dependent on their relationships with various state officials and public office holders. And this was not only valid for the smuggling businesses: besides the already mentioned asset stripping, common strategies included: the imposition of false monopolies, subcontracting private company owned by the general manager (or his family members and friends) to ran a part of state company's business, signing unfavorable contracts with private companies with commissions for general manager, system speculation and so forth (Antonić, 2002: 371-372).

For instance, two of the most successful Serbian businessmen today, Miroslav Mišković and Milan Beko, generated their wealth and capital under these conditions. In the context of parallel existence of shadow economy where the prices were formed freely, and the official economy with state controlled prices and fixed exchange rates of foreign currency, almost each commodity had at least two different prices - state price, which was significantly lower, and notably higher market price formed at the grey market. The commodities that were sold at a lower (state) price were scarce and usually impossible to find and buy. Beko (Minister for privatization from 1997) and Mišković (one of the privileged businessmen) utilized this situation by using their access to privileged purchases of wheat and foreign currency. They would first borrow the wheat from the State Reserves and sell it to private bakeries at much

higher (market) prices. Then, they would obtain the permission to import wheat⁶¹ and ask the National Bank to exchange their money into foreign currency (at the substantially lower exchange rate) so they could buy the wheat. After the wheat was bought, they would import it and return it to the state reserves (Antonić, 2002: 372). In this way, they speculated their path towards the fortune.

Another way of criminalizing society via capitalist transition was attained through formation of officially private, but in fact state sponsored "pyramidal"⁶² banks which quickly became the machines for extrating money from the population: by offering unrealistically high interest rates⁶³ they have lured the citizens into trusting them with their savings, right before they would proclaim bankruptcy (Dinkić, 1995). According to some estimates, Jugoskandik bank have illegally acquired around 217 million Deutschmark, while Dafiment owned its depositors around 2,4 billion German marks⁶⁴ in the time of its bankruptcy (Brkić, 2001). These notorious banks have also acquired resources through other means: monopolies they held in the foreign currency black market, which allowed them to dictate the exchange rates; money laundering (transferring the money from illegal to legal business, but also from state and public ownership to private pockets of political elite and loyal technocracy); and trade in monopoly products (gasoline, cigarettes and firearms) for which they were licensed by the state (Dinkić, 1995).

Indeed, "blocked" capitalist transition in Serbia, coupled with hyperinflation and the practices of deeply criminalized state had resulted in the formation of patrimonial

⁶¹ Since the state had the monopoly on wheat trade, licence to import and export wheat were only given to party (state) friends.

⁶² Pyramidal bank systems present illegal ways of enrichment and are strictly forbidden in most countries. Their foundation rests on the cash flow going from the base to the top where the organizers of the pyramid are situated. The functioning of such system is secured with the continuous recruitment of new investors and it collapses as soon as the investments dry out. Money is moving towards the top, and only those who close to it are in fact earning. As the pyramid expands, the possibility of loss becomes greater since the flow of money into the pyramid sooner or later runs dry.

⁶³ The money was supposed to be deposited to a period of at least 3 months, and monthly interest rates on savings in domestic currency (dinar) totaled up to 18%, and even 70% cumulatively (if paid off after 3 months or more) in the end of 1993 (Dinkić, 1995).

⁶⁴ There are numerous urban legends related to the destinies of people who invested their savings into these infamous banks. For instance, a retired couple sold their estate near Kraljevo (Central Serbia) for the fair amount of German marks, exchanged them to dinars and invested in Dafiment bank. The sum they have managed to extract after the bank had collapsed was sufficient to buy only one loaf of bread (Dinkić, 1995).

capitalism which secured tremendous revenues for some, while in the same time causing the extreme impoverishment of others i.e. the majority of the population. As the state itself had relayed on criminal elements to secure its "investments" it came as no surprise that the newly established capitalist elite had done the same. According to Božidar Spasić, former police official and owner of one detective agency, Jezdimir Vasiljević (the owner of Jugoskandik bank) and Dafina Milanović (the owner of Dafiment bank) initiated large-scale development of private protection business in Serbia. A number of his colleagues left government jobs, where they were earning between 100 to 300 German marks to work within private security sector for paychecks of 4 or 5 thousand DM (Petrović, 2011: 83). Supported by the rampant social crisis, the irresponsible state elite's practices and the emergence of the new "warrior elite", private protection sector soon bloomed to become the most criminalized sector of the society.

V Private Protection in Serbia

Similarly to the Russian experience where the development of private protection sector was fueled through the "privatization of power ministries" (Volkov, 2002), Serbian private protection companies, although rooted in special security subdivisions organized within public sector companies, genuinely evolved only with the introduction of capitalism, the development of extensive social and political crisis in the country, and the attrition of state and public security personnel. However, their initial formation and further development was somewhat different. Unlike in the case of Russia where private protection companies grew from, or in the opposition to already established mafia-like practices, private security companies in Serbia were criminalized only after their initial formation and practice under the law. Whereas in Russia the private protection companies grew from the 'roof' practices of the Russian mafia⁶⁵, the private sector in Serbia has sprung under the legal framework of the Law

⁶⁵ "Roof" is a descriptive (and slang) term for "enforcement partnership" (an analytical term). "Roofing" should therefore be distinguished from simple physical security. Physical security, which PPCs provide through private guards and security equipment on a contractual basis, is not the primary mission of these agencies. The actual practice of successful PPC, includes, first, the acquisition and analysis of information about prospective business partners, the supervision of business transactions,

on Civil Self-defense, introduced already in 1986, and was criminalized only later, over the course of 1990s in the conditions of an overall state collapse.

It is also important to stress that the factors influencing the process of security privatization are entirely different in consolidated democracies and in post-socialist states, Serbia in particular. Whereas the main incentive for security privatization in developed Western countries was the demand to increase the efficiency of the state institutions, the reason behind formation and development of private security sector in Serbia was derived from the complete inefficiency (failure) of the state to provide basic public goods including security, to its citizens. Although initiated in the late 1980s security sector privatization reached its pick only during the 1990s, while its criminalization was additionally strengthened with the state's decision to abolish the only legislative mechanism controlling the formation and practice of private security firms. "The privatisation of security during nineties was accelerated after the Serbian National Assembly in 1993 revoked the Law on Civil Self-Defense, along with a number of other laws" (Unijat et. al, 2008: 26).

In fact, the origins of private protection sector in Serbia can be traced way back to SFRY, and some public security firms formed as early as in 1969, such as "Vračar security" and "Varnost". The protection of industrial facilities and significant state enterprises in the first years after the WWII was entirely state-centered, firmly under the jurisdiction of industrial peoples militia. However, with the introduction of "Yugoslavian version of socialism" and its principle of self-management, the system of enterprise protection changed as well: in 1951 the Law on peoples militia was abolished, and large industrial facilities remained entirely unprotected almost over night. Left without any state protection, each company was encouraged to organize some sort of its own security service. Shortly after, the Act on Services for the Protection of Property, Economic Organizations and Institutions was introduced, following the state effort to create equal standards for all security services formed within public enterprises. According to the Act, supervision over the companies' security services was in the jurisdiction of the Ministry Interior. However, the Act was abolished in 1968 and the jurisdiction over the enterprises' security was once

and most importantly, the ability to engage in informal negotiations with other enterprises and their enforcement partners in case of physical damage, breach of contract, or failure to repay a debt" (Volkov, 2002: 140-141).

more transferred to the companies and their internal normative regulations, without any legal basis in the state law. This framework was active until 1973 when the new Law on the Basics of Public Self-defense was enacted, obligating the companies to form and hold security personell. The Law regulated organization, duties and responsibilities, authorization to use firearms and cooperation with other organs. In 1986, this law was replaced with the Law on Civil Self-defense which for the first time introduced the possibility to "outsource" the service and subcontract specialized agencies registrated under to law to perform the tasks of physical and technical protection of facilities. Subsequently, the first private protection firms emerged, at first specialized only for the provision of detective services and later on, developing into genuine private protection companies. The first private protection company in Serbia (Trag Security) was founded in 1989 and in 1991 one of the most prominent ones, Gordon Security. Moreover, the initial transition wave, commenced in 1989, also largely contributed to the transformation of existing security collectives within public companies into privately owned firms, as in the case of Vračar Security (Petrović, 2011: 75-80).

However, the "security sector privatization, although initiated in the late 1980s with the establishment of the first detective agencies, gained full momentum only in the mid-1990s, coinciding with a rampant overall society crisis" (Unijat et. al, 2008: 26). As the entire economic sector was rapidly sinking into the grey and black economic zone, the private security business was no exception. According to the owner of DMD company, about 80 percent of technical commodities in the private security sector at the time were smuggled, which destroyed the chances for fair competition development and jeopardized the firms which were trying to work legally (Petrović, 2011: 83). Moreover, in the context of the increasing pauperization of the society, with 40 per cent of people living bellow the poverty line in 1993 (Unijat et. al, 2008: 47), the extreme criminalization of the state and its security apparatus, the declining employment rates and the availability of weapons, war veterans, and unsatisfied state/public security personell, the private protection sector was simply blooming.

Indeed, rapid deterioration of state ability to control deviant behavior, and the erosion of the police, prosecution and judiciary efficiency, provided individuals and economic agents with a "valid" excuse when turning towards alternative and efficient solutions, i.e. to those who could collect their payments in more effective manner "Embryonic

private security companies in Serbia were predominantly informal groups of armed men who were engaged in provision of protection in addition to racketeering, money laundering and trafficking. In this way the so called 'racket' became an omnipresent social phenomenon in Serbia and the most important activity of private security firms. One particularly interesting factor was that compared to the total number of registered legal entities (companies and shops) at the time, the majority reported 'debt collection' as a supplementary activity, even though this type of services (so-called loan-sharking) is obviously incompatible with the service of physical and technical protection and protection of persons and facilities" (Petrović, 2011: 84-85).

As mentioned earlier, the situation was additionally worsened in 1993, when the National Assembly revoked the Law on Civil Self-defense. The abolition of the Law had left a gap in security sector that state failed to fill and which was instead compensated with the role of private companies. As these companies continued operating in the absence of any regulation and were influenced only by the (grey and black) market forces, the entire private security sector was left to flourish in rather wildly fashion.

Private Protection Companies and their Relation to Organized Crime

Embedded into context of extensive criminalization of state and society, private security business has shortly become a genuine grey (and black) economy sector. Faced with the disloyal competition development and the extremely inefficient and largely criminalized law enforcement apparatus, many of the companies had soon started to offer and practice mafia-like activities, including extortion, racketeering and loan-sharking. "Numerous economic subjects were forced to enlist the services of security 'firms' to guarantee that their businesses would not accidentally catch fire. Thus they 'fueled demands for their services by creating perceived threats of insecurity simply through their agency'. But due to the high competition in the private 'security market' only the strongest 'firms' could actually provide security to their clients" (Unijat et al, 2008: 49). One of them, "Tiger Security", owned by the infamous war lord and the alleged "boss" of the Serbian underground, Željko Ražnatović aka Arkan, had stickers on the shop-windows of many companies which repelled the large and aggressive competition of security procurers (Unijat et al, 2008:

49-50). More importantly, private protection companies started to be used as usual covers for the illegal/criminal activities of certain individuals and groups. The PPCs which were formed as a cover for various illegal activities, were in fact mostly engaged in the protection of their own criminal transaction. Similarly to the state itself, which used its intelligence service and various paralegal units to protect its own smuggling channels, organized crime formed private security companies to protect whatever illegal transactions it was involved in. The reasons behind this habit are simple: they were able to lawfully come into the possession of firearm, and were thus provided with the legal coverage of a range of illegal activities.

In fact, the biggest and most successful security companies were exactly those either formed, sponsored or privileged by the state and its security personell (as JSO, Arkan's Tigers) or those firmly connected or formed by the ruling party and its coalition partners. For instance, the success of Komet team, a security company with close ties to the ruling elite, was largely dependent on its connection to the ruling nomenklatura. The company was given the entire property of KPJ, including the headquarters of the former KPJ's Central Committee⁶⁶, along with the equipment, weapons, computers and cars that previously belonged to the countries territorial defense forces⁶⁷. By the mid-1990s Komet team employed around 350 men armed with automatic rifles who provided protection to party leaders, prominent individuals and even foreign embassies and residencies (Petrović, 2011: 91-92). On the other hand, JSO was the official unit of the Serbian MoI and was thus provided with the spectrum of possibilities to engage in typical mafia activities. Not surprisingly, the Unit extensively used this opportunity: after their official "legalization" in 1996, they have started practicing a quasi "protection racket", blackmailing big business owners with their "patriotic" merits. According to Vasić JSO received "presents" from various businessman, either in the form of "donations" or military and other equipment. As it was largely involved in the clandestine flows of various illegal goods together with

⁶⁶ Popularly known as the CK (Centralni Komitet), one of the most famous modern architecture projects in former Yugoslavia, the building is 134 meters high (the highest building in Belgrade). It was destroyed during the bombardment in 1999, and later renewed to become private office building.

⁶⁷ The Territorial Defense Forces were formed in 1969 as an integral part of the Yugoslav Total National Defense doctrine. The TO concept focused on small, lightly armed infantry units, consisted out of civilians, but it also harbored artillery and anti-aircraft guns and some armored vehicles.

different criminal organizations, by the end of 1990s, JSO became the "official" protector of the drug smuggling business of Zemun gang (Vasić, 2005).

However, this is not to say that all private protection firms were criminal organizations or involved in criminal activities. In fact, "the domination of those that were, helped to create the prevailing public perception of the entire security sector as deeply criminalized. The favorable market position of private security firms came about as a consequence of their links with the political, economic and security 'elite'" (Unijat et al, 2008: 49). Similarly to the Russian experience where the majority of firms formed around one client, the most successful Serbian protection companies at the time, were those created on behalf of organized crime "bosses", successful businessmen, state security apparatus and state/party leadership.

Today, the sector employes between 20 and 60 thousand workers⁶⁸ who have in their possession up to 47 thousands peaces of arms, even though the legislative situation has remained largely the same. As the new law regulating the private security sector has still not been adopted⁶⁹ the entire business remains almost entirely unsupervised and prone to misuse: "the procedure and conditions for PSC registration are the same as those required for registration of any other legal entity, although PSCs provide very specific services which also include the use of weapons. These companies are registered at the municipal level, while licenses for obtaining and holding arms are issued by the municipal branches of the Serbian MoI" (Unijat et al, 2011: 75). Importantly, there are no central records on PSCs kept in any state institution, not even in the MoI. Bearing in mind that the Ministry of Interior officially employs around 35 thousand policemen, while the Serbian Army holds around 28 thousand soldiers, "the apparent advantage of the private security sector arises doubts as to whether the Serbian state actually has the monopoly on power" (Unijat et al, 2008: 14). This concern is additionally emphasized in the light of the fact that some security companies are either founded and managed by individuals with close ties to the ruling elite, or are directly owned by them. Having in mind the highly lucrative nature of the

⁶⁸ The authors of the elaborative study on the private security sector in Serbia "Private Security Companies in Serbia - Friend or Foe", estimate that the number of workers employed in the sector is around 30 thousand (Unijat et al, 2011:00).

⁶⁹ Even though several legislation drafts were in the parliamentary procedure, as in 2002 and in 2010, non of them was ever adopted.

business, their owners are provided with "easy" money as the companies enjoy privileged market position⁷⁰. Moreover, private security sector remained a convenient cover for the practice of various illegal activities. A good illustration is the company Total Security System, with strong connections to Darko Šarić, the leader of one of the most influential criminal groups in the Balkans today⁷¹. These companies are widely used to provide security to numerous Belgrade's night clubs, with the main task to control the activity of rivaling groups at the site: the PPC engaged in the clubs automatically controls the club's entrance thus securing their monopoly and making sure that the rivaling narcotic sellers will not appear⁷² (Petrović, 2011: 124-125).

To conclude, over the course of 1990s the activities of PPCs in Serbia had evolved to include typical mafia practices, namely racketeering, extortion and loan sharing, although it is important to emphasize that various other groups and organization practiced these activities as well. Even though these tendencies had been largely suppressed after the democratic changes in 2000, the PPCs remain significantly criminalized, as they continue to be commonly used as cover businesses of various organized crime groups. Indeed, the question on the existence of the Serbian mafia is to a large extent answered with the above-elaborated practices of certain PPCs. Pointing out to Gambetta's argument that mafia can be defined according to its capability to protect itself against competition and cheats (Gambetta, 1988: 130), it can safely be asserted that we are right to speak about the existence of Serbian mafia. Additionally, it is important to stress once more that these forms of behavior are rooted in the practice of the state itself, which widely used state security apparatus and various criminal structures to protect its own illegal transactions. This is exactly

⁷⁰ Dragan Trivan, husband of Jelena Trivan, Parliament member and a Vice President of Democratic Party (the ruling party until the formation of new government in July 2012) is the owner of the PPC Protekta Group, which provided protections services to numerous state institutions. According to B92, the company earned as much as 33 million dinars (approximately 30-35 thousand Euros) in these jobs (B92, 23.07.2012). One of the most successful PPCs System FTO, founded by a DSS (Serbian Democratic Party) high official, reached its pick in 2005 and 2006 in the time when DSS was one of the ruling parties (Petrović, 2011: 113).

⁷¹ Special prosecution office has indicted Šarić for smuggling of 2.174 kilos of cocaine in 2010, while the later investigation has shown that Šarić's group has been preparing assassinations of several highest state officials. The company, officially founded by Šarić's brother, had provided protection to various property owned or related to Šarić family (Petrović, 2011: 124-125).

⁷² To illustrate, it is proven that Darko Šarić is the owner of several famous night clubs in Belgrade (H2O, Paskuci and Magacin). The security of these clubs was provided by PPC Total Security System, the company closely affiliated with Šarić, thus making sure that narcotics sold in the club is that of Šarić's group.

the reason why I have chosen to present the assassination of Serbian Prime Minister Zoran Đinđić as the example of the case famously attributed to the Serbian mafia. As I have elaborated throughout the study, the state itself (or rather its certain institutions) was the major actor in the formation and development of what we can now safely name the Serbian mafia. Indeed, the practices typically assigned to the mafia were in fact practiced by the state itself (namely its security apparatus), causing a lot of authors (Vasić, Švarn, Anastasijević) to start to refer to it as the "mafia state", thus emphasizing its increasingly "privatized" function. Indeed, the term "mafia state" can also be understood in the framework of the state failure concept: the state provided security (and other political and social goods) only to those that were highly affiliated with the ruling elite, thus creating conditions for the extreme enrichment of few on account of comprehensive impoverishment of others. Therefore, similarly to the mafia, it in fact provided only a limited amount of club goods. Nevertheless, this argument should be taken with caution: even in the pick of the crises, some of the public services provided by the state were still more or less functioning, although, one may add in a highly inefficient manner. Whatever the case, it is important to stress that over the course of the 1990s, the public started perceiving the state as an entirely private firm, a sort of mechanism that serves those in the power to achieve their own private agenda and goals.

VI Famous Cases Attributed to the Serbian Mafia

Given the nature of the mafia business, it would be safe to argue that 1990s Serbia nurtured numerous mafia-like groups, namely those that practiced racketeering, loan-sharking, and maybe most importantly, those that were capable of providing protection to whatever illegal transaction they were involved in. However, these groups were quite different in their origin, organization, hierarchical order, monopoly position, success and relation to the state. Some of them emerged out of organized clandestine networks formed within war affected areas and some out of state sponsored smuggling businesses that bypassed the UN imposed sanction. Others were directly formed by the state, as in the case of JSO and other paramilitary groups supported by SDB, and were only later partly (or entirely) able to break away from

the state control. Yet, others developed around infamous mercenaries and common criminals (as in the case of Arkan's Tigers), evolved out of existing private protection companies or were formed on behalf of various street thugs who seized the opportunity to make some money and break away from overwhelming poverty that surrounded them. As stressed previously, mercenaries were considered national heroes and were thus given the corresponding treatment - except from the licence to conduct lucrative businesses gaining monopolies over the clandestine imports of illicit goods, they quickly became genuine pop stars and true role models. As mentioned earlier, this tendency supported the emergence of numerous gangs from the "hood", often called "dizelaši", who cruised the streets, harassed and robbed the citizens (they were literally "taking off the shoes" from people), often racketeering the local shop owners and engaging in small-scale drug dealings. Recognizable by their short haircuts, intimidating physical look, thick golden necklaces and brand-name sportswear, these groups of violent youths were comprised out of various men - from war veterans and "kids from the hood", to experienced criminals who returned to Serbia after their successful carriers across Europe (Lopušina, 1998, 2001; Vasić, 2000a, 2000b). Soon enough, animosities and competitiveness among the gangs emerged, and the disputes were often solved violently. Numerous men died in these clashes, including some of the most famous Belgrade street thugs⁷³. The assassinations were usually done in public, in the middle of the day, with the rifle in the passing car or the bloodshed in a restaurant. Perpetrators were in most cases never found. Some of these gangs were successful enough to survive the initial years, grow in their power by connecting with law enforcement structures, and finally join the organized crime networks that were already operational across the Balkans.

On the other hand, the other type of criminals, those who were already highly successful in their business ventures in war affected areas, and firmly connected to Serbian state security structures, found themselves in a rather awkward position as the war was coming to its end. Accustomed to huge revenues, they struggled to stay in

⁷³ Aleksandar Knežević aka Knele, member of Voždovac gang, and one of the most famous Belgrade street thugs, was assassinated in the age of 21, in his room in hotel Hyatt after he had allegedly stole the precious "Rolex" watch and keys of the Jeep "Wrangler Chrysler" from one of the guests in the casino of hotel "Yugoslavia". He had took part in the war joining the Arkan's Tigers (Serbian Voluntary Guard) in 1991, and had participated in the opposition protests on March 9th 1991, after which he became the bodyguard of Vuk Drašković, the leader of opposition at the time (Lopušina, 2003: 138-140).

business now when the war was over, sanctions lifted and the underground market flooded with numerous bidders. Bearing this in mind, it is not at all surprising that the second half of the 1990s was marked with the processes of black market monopolies consolidation and opposition "clean up" (Vasić, 2005b: 163), causing the number of targeted professional assassinations to grow exponentially. According to Vasić, 19 influential politicians, police officers, military officials, people connected to the police in various ways, businessmen and highly successful criminals had been assassinated in Belgrade in the period between 1991 and 1998, and 11 in the period between 1998 and 2001, while the number exploded during 2001 and 2002, when as much as 15 people had been assassinated. Among others, Željko Ražnatović Arkan, the alleged boss of the underground at the time, Radovan Stojičić Badža, the acting Minister of Interior, Zoran Šijan, former European champion in kick-box and the leader of Surčin clan, Pavle Bulatović, FRY's Defense Minister, Žika Petrović general manager of JAT⁷⁴, were all assassinated after 2000. Non of these murders were ever solved, and the perpetrators caught. However, most of them have similar operational features: excellent intelligence and technical preparation, professional logistics, planning, and tactical security protection (Vasić, 2005b: 168-169). Nonetheless, the motivation for the killings were various: from clashes of rivaling organizations, monopoly divisions, and revenge, to simple mistakes and politically motivated deeds.

Whatever the case, as the result of these struggles by the beginning of 2000, the only larger groups left were JSO, Zemun clan, and Zvezdara clan⁷⁵. Zemun and Zvezdara clan were mainly involved in the drug smuggling business (heroin and cocaine), while JSO eventually grew to become a sort of protector of these transaction. Towards the end of 1990s, when the Milošević regime was growing increasingly weaker, JSO started acting less as Milošević's private army⁷⁶ and more as private army with its own goals and agenda and importantly without any state control: This tendency had

⁷⁴ Yugoslav Airlines

⁷⁵ Zemun and Zvezdara two Belgrade boroughs.

⁷⁶ Milošević used JSO (and generally SDB) extensively in order to "deal" with his (regimes) opponents: it is known that JSO members were responsible for the two assassination attempts on opposition leader Vuk Drašković in 1999 and 2000 and the assassination of Ivan Stambolić, former Serbian president who was kidnapped nearby his house and taken to Fruška Gora where he was assassinated and buried in late 2000. They are also suspected to have murdered Slavko Ćuruvija, Milan Pantić and Dada Vujasinović, journalists who publicly criticized Milošević regime and wrote about organized crime involvement in the wars and later its role within Serbia.

continued after the democratic changes in 2000 when the crime was "left without the state": JSO quickly became an entirely independent organization, over which the state had little or no control. With the enormous firepower and the official police badges in their pockets they soon became the central figures of OC business, and after their firm affiliation to Zemun clan, a genuine mafia.

The Assassination of Prime Minister Zoran Đinđić in 2003

At first glance, it can seem that the assassination of Prime Minister Zoran Đinđić in 2003 is not entirely covered with this study topic, indeed, it exceeds the given timeframe of the 1990s and circumvents the elaborated criminalizing features of the period: the war is over and the sanctions long lifted, new government in place and Serbia yet again internationally recognized and committed to the EU accession, the Milošević regime was overthrown and Milošević himself in the Hague, where he had been prosecuted for war crimes at the ICTY⁷⁷. Even the police is reformed to a certain extent - the new Minister of Interior is appointed, SDB dismantled and a new state security agency (BIA)⁷⁸ founded in 2002, with new commanding structure. However, formally introduced changes were not as effective in the reality, and the transformation to a more democratic and transparent society was not truly taking place, at least not at the desired pace - the law enforcement structures were still struggling with high levels of corruption, a more decisive lustration of the criminalized structures was postponed, the connection between organized crime and the state security apparatus was not broken (since the majority of SDB employees was simply transferred to BIA), the drug business was blooming⁷⁹, and the notorious JSO still formally a part of state security apparatus and the official unit of the Ministry Interior. Moreover, the series of unsolved assassinations and professional killings continued: as mentioned earlier, only in 2001 and 2002, around 15 people had been

⁷⁷ The International Tribunal for the Prosecution of Persons Responsible for Serious Violations of International Humanitarian Law Committed in the Territory of the Former Yugoslavia since 1991, more commonly referred to as the International Criminal Tribunal for the former Yugoslavia, is a body of the United Nations established to prosecute serious crimes committed during the wars in the former Yugoslavia, and to try their perpetrators.

⁷⁸ Security-Information Agency (Bezbednosno-informativna agencija).

⁷⁹ According to Vasić this can be derived from the street price of heroin, which remained the same after the "revolution" in 2000 (Vasić, 2005a).

killed in professional manner including Boško Buha, a police general, former Chief of Belgrade police and the Assistant Chief of Public Security of the Serbian MoI; Zoran Ristović, JSO member; Miomir Gavrilović, JSO member; Sredoje Šljukić, Zvezdara clan member; Milan Đorđević, Arkan's close friend and so forth.

This tendency will ultimately end up in the assassination of the Prime Minister Đinđić who was killed on March 12th 2003 while he was entering the Government building in downtown Belgrade. It will later be determined that he was shot with the automatic rifle, fired by Zvezdan Jovanović, an active member of the notorious JSO. The investigation will also show that the assassination was planned and designed by Milorad Ulemek Luković aka Legija, former member of French Foreign Legion, member of Arkan's SDG (Tigers) during the war, and the the head of JSO until 2001, and Dušan Spasojević, the leader of Zemun clan.

However, this crime is by large grounded in the character of the criminalized state that was formed during the 1990s and its strong affiliation with organized crime. According to Vasić the "para-state cartel that ruled Serbia" (Dimitrijević, 2003) started showing signs of weakness already in 1998, when the head of SDB Jovica Stanišić was removed from the office, due to his opposition to Milošević's plan to commence the war in Kosovo and ethnically cleans it from the Albanian population. Nonetheless, he was quickly replaced with Rade Marković and the silent war in Kosovo has began. However, with the NATO bombardment of Serbia lasting from March to June 1999 Milošević regime grew increasingly weaker, its war plans had yet again failed, and the domestic opposition was getting stronger by the day. The election fraud in 2000 marked the end of the infamous regime, resulting in peoples unrest, riots, demonstrations and finally a sort of revolution. In this time, the solid bond between Serbian organized crime and the regime was starting to rupture, as the crime "bosses" realized that the change of government is inevitable: certain individuals, like Sredoje Šljukić⁸⁰, the head of Zvezdara gang, Ljubiša Buha aka Čume, the head of Surčin clan and later witness collaborator in the operations

⁸⁰ Sredoje Šljukić, a small-scale criminal in the 1990s who was mainly in the business of racketeering thanks to his strong connections in the police. He would appear in local cafes and restaurants, asking for the protection racket and if that was not sufficient intimidating owners with various acts of violence. Due to his connections in the police, the law enforcement on site would recommend the owners to pay the racket justifying it with his alleged war merits and bond with the Serbian intelligence. He was assassinated in 2002 during the process of crime monopolies consolidation (Vasić, 2005: 9).

"Witness" and "Saber"⁸¹, Nenad Opačić, a gangster from Novi Sad, and various other gangsters affiliated with Surčin and Zemun clan, active and reserve members of JSO, started appearing in opposition rallies and offering "pro bono" protection to opposition leaders (Vasić, 2005: 11). This protection was in a way welcomed on behalf of the opposition since they were familiar with the regime's connections to the underground and maybe more importantly the role of JSO and its enormous firepower. As the situation in the country was escalating, the police and military soon declared its alignment with DOS⁸², and the only undecided militant factor in the country left was the JSO. According to Vasić, Đinđić, one of DOS leaders at the time, secretly met with Milorad Ulemek, the head of JSO on October 4th when they agreed that JSO will not intervene in the huge demonstrations that were scheduled for tomorrow (Vasić, 2005: 12). However, following the happenings on October 5th, when several hundred thousand people gathered in Belgrade's city center occupying the Parliament building and the headquarters of the Serbian National Television (RTS), JSO appeared with dozen armored vehicles, at first indecisive about its affiliation⁸³, and later on, declaring their support in the riots. As Vasić explains: "It was important for Legija to show his flag on the side of the winning party. This was a political move with long-term purpose, and the purpose was to protect the Unit (i.e. JSO) and Legija's current and future investments in organized crime from the possible radical repercussions of the upheaval. That was the biggest brick ever sold⁸⁴ in Belgrade and at the greatest price" (Vasić, 2005: 13).

After the new president was installed and even later, after the elections and formation of new government in the spring 2001 took place, JSO managed to stay infiltrated in the state security structures and continue its operations with organized crime. "The

⁸¹ "Svedok" and "Sablja"

⁸² Vasić supposes that this was the case, and that the military, public and state security had already agreed with the opposition to refrain from the intervention (Vasić, 2005: 13-14).

⁸³ According to Zoran Vukojević aka Vuk, former police officer, and later bodyguard for the Zemun clan, Legija and Dušan Spasojević had contacts with DOS before the October 5th. "Milošević had ordered Legija to kill everybody from the opposition, but DOS reached to an agreement with Legija that JSO will not intervene. Legija then told them that the peoples' unrest might succeed but they will be killed, so their struggle was practically useless. Later they changed their minds and decided not to kill them" (Investigation statement, cited in Vasić, 2005: 15).

⁸⁴ In Belgrade criminal slang, "to sell a brick" refers to selling and buying (accepting) the protection racket (Vasić, 2005: 8).

main outcome of this Legija's hoax was the beginning of public 'glamorization' of JSO, which will last until March 12 2003" (Vasić, 2005: 15). JSO members, who started providing protection to some of the opposition leaders (as bodyguards) over the course of opposition election campaign, remained in their position, as the DOS leaders had little confidence in the law enforcement officers and especially secret services apparatus. To solve the problem, some of them were even directly employed by the police, so they continued guarding certain individuals long after the new government was in place. Besides protection of certain politicians, JSO was also drafted for service in the South of Serbia⁸⁵. The fact that they were engaged in the protection of public office holders and in the public security apparatus in the South made the state security transformation even more difficult and eventually caused a compromise when SDB was dismantled and BIA formed in 2002: one of the JSO members, Milorad Bračanović, was placed as the chief of the seventh (technical) unit of SDB, despite the resistance on behalf of new SDB leadership (Report of the Commission for the investigation on the Prime Minister Dr. Zoran Đinđić security system, cited in Vasić, 2005: 16).

According to Vasić, several significant events had additionally influenced the happenings that will finally result in the brutal assassination of Serbian Prime Minister: the formation of new government in spring 2001; the development of firm cooperation between Zemun clan and JSO which started to serve as gang's private protection company; the resignation of JSO leader Milorad Ulemek Legija in June 2001; the extradition of Slobodan Milošević to the Hague, and the increased pressure from the international community to extradite other suspected war criminals, which will serve as an excuse for the arm mutiny of JSO in November 2001; increased effort of Serbian MUP to get to grips with organized crime; the consolidation of underground monopolies and the conflict between Zemun and Surčin gang, which will mark the beginning of the operation "Witness".

Following the happening in spring and summer 2001 (black market monopoly consolidation and the numerous assassinations) the power of Zemun clan and JSO in underground circles grew to a substantial degree. However, they were losing support

⁸⁵ After the bombardment of Serbia was over and Kosovo put under international community control, a series of incidents took place in Albanian populated municipalities of Preševo, Bujanovac and Medveđa in the South Serbia.

and control over the police and state security apparatus as the state was becoming increasingly vocal in its fight against organized crime. After the formation of new government and Milošević's almost immediate extradition to the Hague, the criminalized structures were getting increasingly concerned with their own future prospects. Bearing in mind their role in the war crimes, and later numerous murders and murder attempts within Serbia, they were looking for a way to secure their businesses. The arrest of Dušan Spasojević, the head of Zemun clan, in spring 2001, on the charge of kidnapping of prominent Serbian businessman Miroslav Mišković⁸⁶, resulted in the series of incidents involving the head of JSO, Milorad Luković Legija, who was consequently forced to early retirement⁸⁷. However, Spasojević and his close collaborators were released after several months due to lack of evidence, witness intimidation and pressure from the state security apparatus and police officers who were affiliated with Zemun gang.

Nonetheless, their position was weakening: as the new state elite was distancing itself from the criminalized legacy of Milošević regime, their "special" services were no longer needed and the Unit's sponsors, who were supporting it out of "patriotic" reasons, or because they were forced to do so, considered not paying the protection racket anymore. Moreover, following the arrest and deportation of Milošević, JSO members were faced with their own possible deportations, as well as investigations and trials on unsolved murder and attempt murder cases in Serbia. The confusion and fear created over the course of 2001, finally resulted in the mutiny of JSO in November 2001, when they refused to arrest two individuals wanted by the Hague, and declared their disobedience to SDB and the state: the majority of active and reserve members of JSO left their working positions as bodyguards and security workers in government buildings, and within several days blocked the highway near

⁸⁶ In 2001, the kidnappings became an important aspect of Zemun clan activity. They kidnapped several wealthy businessmen, and got away with millions of ransom money. Legija and JSO provided intelligence and technical support, but they also obstructed investigations by intimidating prominent police members and providing the kidnappers with data out of crucial importance. It can be suspected that they were kidnapped because they refused to pay the protection racket imposed by the gang and JSO (Vasić, 2005: 23).

⁸⁷ According to Vasić, Legija had demolished a night club in Kula (a small town in North of Serbia, where the command center of JSO was placed) after he heard the Minister of Interior's statement that the police had arrested Spasojević. In another incident, after the birthday celebration of Arkan's widow Svetlana Ražnatović, he pulled a gun on police patrol and threatened to kill them. The deputy chief of SDB came personally to resolve the situation and soon after Legija had filed the request for the termination of his contract with MUP (Vasić, 2005: 39-40).

downtown Belgrade. Among other things they demanded removal of new appointed SDB leaders and threatened that the Unit will intervene if Legija should be arrested. The mutiny was finally halted after four days when the Government gave in to their demands and relieved the director and deputy director of SDB. According to the Report of the Commission for the investigation on the Prime Minister Dr. Zoran Đinđić security system, "the kidnapping of Miroslav Mišković was the first indication that some of the JSO members and its entire command structure were directly engaged in criminal activities. The mutiny of JSO in November 2001 was a direct consequence of their feeling that the Serbian MUP has started working on the disclosure of the relationship between JSO and organized crime. In that sense, the rebellion of JSO, inspired by its leadership, was an attempt to defend criminal business of Zemun clan" (Report of the Commission for the investigation on the Prime Minister Dr. Zoran Đinđić security system, cited in Vasić, 2005: 37-38).

On the other side, the number of professional assassinations continued growing, as the Zemun clan was consolidating its underground monopoly, reaching approximately 20 by the end of 2002. The pick of this struggle was seen in the conflict between Surčin and Zemun gang: the head of Surčan clan, Ljubiša Buha aka Čume survived two assassination attempts and several attacks on his legalized business. These happenings influenced his decision to contact the police in the summer of 2002, which marked the beginning of operation "Witness", later renamed "Saber". The state effort to fight organized crime and criminalized elements within state security apparatus grew more decisive in the end of 2002 and beginning 2003: Ljubiša Buha was included in witness protection program and transferred to Slovakia, Milorad Bračanović, JSO member with high position in SDB now BIA, was removed from office, as well as Andrija Savić, newly appointed BIA director affiliated with JSO, Special Prosecutor's Office and Special Court for Organized Crime were established in the January 2003, and BIA and UPBOK⁸⁸ (MUP) had formed the formal working group within the framework of the "Witness" operation.

However, these developments only encouraged the underground leaders to take action: after surviving two assassination attempts in January and February, Serbian Prime Minister lost his life on March 12 2003 in the action that was organized and

⁸⁸ Service for the fight against organized crime (Uprava za borbu protiv organizovanog kriminala)

coordinated by JSO and Zemun clan. The long-planned operation "Witness" will almost immediately become operation "Saber", resulting in the state of emergency that lasted for one and a half months. During this time more than 10 thousand people were arrested including some of the main conspirators in the assassination. Dušan Spasojević and his close collaborator were killed resisting the arrest, and Legija was apprehended in 2004. The investigation will later show that Spasojević and Legija acted out of fear that they will soon be arrested, which was according to Vasić scheduled for March 13th. As Zoran Vukojević aka Vuk explained during the investigation: "They considered themselves bosses. Thus, in that time (after the changes in 2000) they needed no one, they simply decided that they are better off in this way, at that moment - to take down the government, that for them this is the better way. Therefore, they were under no ones command after the October 5th. They were themselves the creators of destiny" (Investigation statement, cited in Vasić, 2005: 74-75).

VII Concluding Remarks

Almost twelve years after the rule of Milošević and his regime has ended and the violent conflicts in Yugoslavia had been stopped, it can be safely asserted that the potential for large scale armed conflicts in the Western Balkans is, by large, diminished. However, the states which emerged from Yugoslavia's ruins are still suffering from chronic political instability, widespread corruption, unresolved ethnic issues, high unemployment rate, weak institutions, and the lack of rule of law. That, along with the reluctance of law enforcement structures to accept the reforms and get accustomed to a democratic environment represents a great potential for organized crime to remain influential.

It should also be emphasized that "in Serbia and Montenegro, the regime of Slobodan Milošević was not only corrupted, autocratic and criminalized: it was a criminal regime, whose whole security sector was deeply involved not just in war crimes, but also in classic forms of organized crime: drugs and weapons trafficking, extortion, kidnappings, and targeted assassinations" (Anastasijević, 2006: 2). As I have argued,

OC and other mafia-like structures were developed as a political tool of Milošević's government and the state itself was largely responsible for the initial emergence of later "independent" violence-managing agencies in the language of Volkov. This is an important distinction from the formation path of other mafias - while Sicilian and Russian mafia formed in the absence of the state, the emergence of Serbian mafia was a result of direct state action. Different additional triggers facilitated further development of these structures including wars, international sanctions, severe economic crisis and inflation, further state failure in various fields, emergence of patrimonial capitalism and so forth, contributing to their formation as private protection companies that circumvent the state and act independently challenging the state in its monopoly over the legitimate use of violence. However, whereas in Italy and Russia, the introduction of private property made a decisive contribution to the emergence of mafia-like organizations, in Serbia, its influence, although important remained secondary. As I elaborated detailly in the fourth chapter, this was due to the fact that former SFRY, unlike Russia (USSR) allowed private ownership and that Serbian transition to capitalism was blocked in 1994 through severe etatization.

Returning once more to the theoretical debate, we can safely ascertain both Gambetta's and Schelling's definition when applied to the Serbian case - while they practice protection (of market transactions in particular), their methods also include extortion, racketeering, and loan sharing often in the form of legal private protection services. However, their relation to the legal private protection business is not so straightforward as in the case of their Eastern counterparts: in contrast to Russia where the legalization of private protection companies followed the emergence of criminal protection business, in Serbia the legislation for this business was well-established before the collapse of SFRY, while the sector was criminilized only over the course of 1990s, with the emergence of disloyal competition and the development of grey and black markets. However, they lacked reliance on family ties (Arlacchi 1983) and strict hierarchical order and discipline (Anderson, 1979)⁸⁹ which is another "deviation" from the original Sicialian case.

⁸⁹ Except in the case of JSO where hierarchical order and discipline were of military nature. It is even plausible to argue that this was exactly the reason why JSO emerged as one of the few surviving organization from the "mafia wars" that intensified in the second half of the 1990.

Moreover, one could also argue that they cannot be considered mafia, or even organized crime (at least in domestic context) since they were largely acting according to the state command, and were thus a part of the criminalized state and not an independent actor. However, the fact that they survived the change of government and the shift from being an integral part of the state (security) apparatus to becoming an entirely underground actor who survives by corrupting state officials, makes them genuine mafia organizations. As I have elaborated earlier, when faced with the new conditions some of them decided to approach the state (as in the case of Ljubiša Buha Čume, the head of Surčin gang who became witness-cooperator) or legalize their business (as many of the once famous gangsters did), while others (JSO, Zemun clan) decided to fight the state thus trying to remain themselves "the creators of destiny" (Investigation statement, cited in Vasić, 2005: 74-75). Consequently, they tried to behead the state by which they were perserving their position, businesses, and profits⁹⁰. However, they were not successful in their attempt, as the state managed to face this challenge and hold on in its prerogatives. We can additionally support this claim by looking at features Schelling describes: there was a public demand for their services (not only referring to the goods they were trafficking but also when thinking about the provision of protection), they corrupted public officials and had linkages to the politics, administration and security apparatus, they had monopolistic tendencies and character, they were a kind of society that aspires to become exclusive governing authority in one territory or type of business. Moreover, the fights for taking over the control in the market with an intention to suppress rivaling services were quite common.

Today, the legacy of the 1990s still produces numerous consequences: chronic political instability, widespread corruption, unresolved ethnic issues, high unemployment rates, weak institutions, the lack of rule of law and so forth. Without a doubt all of these conditions make a fertile ground for further development of organized crime and mafia and their successful business ventures. Indeed, these organizations remain largely influential and noticeable in day-to-day happenings and reports in the media: for instance, as much as two OC-related assassinations took

⁹⁰ According to Vasić, Legija (JSO) and Spasojević (Zemun clan) were probably hoping that the government would fall after Đinđić was assassinated and that chaos would affect the whole country (Vasić 2005).

place in Belgrade in the last two months (July and August 2012) - the victims were Boško Raičević, relative and associate of Andrija Drašković (member of Montenegrin OC stream, convicted for the killing of Surčin clan member) and Radojica Joksović the key witness in the case against Darko Šarić. However, what may be inspiring confidence is that unlike in the 1990s, when the state was entirely intertwined with various OC structures, today it stands in its direct opposition, both formally, in the sense of legislation adopted, treaties signed, international police cooperation launched, and substantially, when referring to the image of criminal in the public discourse that the state is inspiring. Surely, these changes are not as straightforward as they might appear, but they can definitely be considered a step in a good direction.

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