Unstoppable? Organized Crime and the Financial Crisis

Renowned former journalist and author of several books on Eastern Europe and the Balkans, Misha Glenny gave a talk at the Harriman Institute, on the subject of his widely acclaimed recent book, *McMafia: A Journey Through the Global Criminal Underworld*.

Inspiration to work on the book came to Glenny in December 2002, when his close friend and former Serbian Prime Minister Zoran Djindjic passed the first-ever witness protection act in Eastern Europe and was subsequently able to persuade the leader of one of the largest criminal syndicates in Belgrade to come out from hiding in Vienna to testify against his chief rival. Although Glenny regards Djindjic as having been a “nice guy,” he “would be the first to admit” that he was also a “gangster.” After all, according to Glenny, there was no other way to enter the “very expensive business of politics” back when Yugoslavia collapsed, other than through organized crime. Following Djindjic’s assassination, Glenny began to investigate the relationship between politics and organized crime in South-Eastern Europe and the former Communist bloc. Soon, his research took him to all five continents.

The rise of criminal groups in former Yugoslavia and Warsaw Pact countries began shortly after communism collapsed in 1989, in the absence of a functioning judicial system, police force, and the “rapid introduction of capitalist economics.” For Glenny, Bulgaria was particularly emblematic of the trend: wrestlers and other athletes were one of the groups who led privileged lives under communism, owning apartments in the center of Sofia, driving Soviet-made Ladas, and travel abroad – all of them trappings of “luxury” unknown to most of their compatriots. Having lost their privileged position following the collapse of the communist bloc, these athletes decided to “take matters into their own hands”; and so did close to 14,000 security services operatives who had been sacked. Soon, the latter—whose profession it had been to “build underground networks, to smuggle and to kill”—were out on the market. They went to directors of major enterprises and
simply forced them to sign over their assets. The same was happening all over Eastern Europe, and especially in the “belly of the beast,” Moscow.

Soon enough, a system emerged where business disputes would be resolved peacefully among competing groups, until “that 10th time” when they were not, resulting in shoot-outs and the winning side taking over the whole business. Yet, both in Russia and elsewhere in Eastern Europe, these criminal groups were the “midwives of capitalism.”

The Balkans came to occupy a “very specific role” in the global shadow economy, as a major transiting zone to reach the most lucrative consumer markets of the European Union with its 400 million people, supplying them with prostitutes, illegal labor migrants and drugs. At Washington’s behest, in 1992 the UN imposed sanctions on Serbia and Montenegro. As a result, a veritable pan-Balkan mafia sprung up, supplying Serbia with illegal shipments of oil, among other commodities. A strange situation occurred when, by day, these criminal syndicates were “telling their soldiers to go out and kill civilians,” and by night, they would “sit down with their adversaries to work out oil deals.” Thus, the primary motivation of the nationalist wars in the Balkans, in Glenny’s opinion, was the “commercial interests of a narrow elite.”

Meanwhile, elsewhere around the world, the force of globalization was propelling intracontinental criminal trade on an unprecedented scale and audacity. Pablo Escobar, of the Medellin Cartel fame, was scheming to transport cocaine through Aruba to the Balkans. This was being paralleled by developments elsewhere, including India, which was in the middle of dismantling its protectionist system, and South Africa. In the latter, which had been under “severe pressure” starting with the demise of Apartheid and the coming of the new government in 1994, the state had been weakened due to the dearth of tax revenues, thus paving the way to all sorts of criminal activity in a country still in possession of “first-class infrastructure,” including its numerous airports. Among other activities, South Africa became a “pivotal point” for the transport of weapons from Russia and Ukraine to the war-torn eastern part of the Democratic Republic of Congo.

Criminal activities, including drug trade, were not limited to impoverished third-world countries. By 2000, in a peaceful and prosperous Canada, there were 15,000 illegal marijuana operations in residential areas in the greater Vancouver area alone. The consumer market (read: desire) for narcotics has “skyrocketed” beginning in the early 1990s, mainly due to globalization, as Glenny observed. Yet, we have not witnessed a “concomitant rise in the capabilities of law-enforcement,” making the “War on Drugs” even more of a “dubious proposition.” Not only does this “war” not work, Glenny is convinced, but it also has detrimental implications for security around the world, with Mexico’s example as an obvious case in point. The re-emergence of Taliban, likewise, is due to the record crops of poppy in Afghanistan and consequently the prospering heroin trade, which was allowed to happen when, in 2003, the U.S. got “distracted” by deciding
to invade Iraq: the Taliban took advantage of the situation to “regroup and rearm” itself using proceeds from the opium trade. To make matters worse, the Karzai government is “riddled with corruption” from the opium trade from “top to bottom,” driven by consumer demand from the West.

Since the Obama administration came in, Glenny has observed an interesting and potentially significant shift in emphasis with respect to the “War on Drugs”: this very moniker seems to have been scrapped. When Hillary Clinton was on a visit to Mexico, she talked about the “demand for drugs in the U.S.,” – a “dramatic turnaround” from the previous rhetoric and policy. The EU and Canada, Glenny believes, are now waiting for a similar signal from Washington.

In addition to its wide acclaim, Glenny’s book has also attracted its share of controversy: “McMafia” has just been banned in Dubai, where it was considered “rude and disrespectful to the ruling family.” Also, shortly after the book was published, it was angrily denounced by Montenegro’s Prime Minister Milo Djukanovic, whom Glenny accuses in the book of “turning his country into a virtual criminal playground - a playground for the [Russian] oligarchs.” By contrast, Glenny found his Brazilian interviewees “very cooperative,” as in the case of an official readily providing him with detailed files on Berezovsky’s efforts to buy up assets in Brazil. In Japan, a senior Yakuza operative was complaining to Glenny about the difficulty of recruiting people who “understood and appreciated” Yakuza’s “system of value and honor.”

The book’s rather straightforward conclusion, summed up Glenny in finishing his presentation, is that “organized crime flourishes when the state is weak.” The researcher’s next project will be a book on cyber-crime and cyber-warfare.

- Peter Zalmayev