The Political Economy of Conflict in Eurasia

THE POLITICAL ECONOMY OF CONFLICT IN EURASIA

Organized Crime and Armed Conflict in the Postcommunist World

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Chapter 1

The Nexus of Crime and Conflict

Svante E. Cornell and Michael Jonsson

Over the past decade, the political economy of armed conflict and terrorism has been accorded increasing attention by both academic and policy circles. Indeed, following the end of the bipolar world order, a symbiosis has appeared to develop between organized crime, on the one hand, and nonstate violent actors, on the other. Conflict diamonds in Africa, narco-guerrillas in Colombia, and narco-terrorists in Afghanistan have all entered the vocabulary of the international media.

Indeed, the end of the Cold War led to a dramatic decrease in state support for insurgency and terrorism. The "East" lost its financial ability to support insurgent groups abroad; the "West" lost its interest in doing so.[1] Insurgent groups have therefore to a larger degree been on their own, forced to fend for themselves and raise the money for their insurgencies from other sources than foreign funding. Many have done so through donations from diaspora groups; others have turned to self-financing, looting natural resources or engaging in illicit forms of commerce.[2]

In a globalized world where organized crime can move across national boundaries with increasing ease, the weakness of law enforcement in conflict zones provides suitable conditions for such crime. But crime and conflict do not only coexist in a geographic space. Indeed, there is a mounting body of evidence suggesting the systematic involvement of conflicting parties in

organized criminal activity. Examples of the involvement of terrorist groups and belligerent parties in civil wars, especially in the developing world, in organized criminal activity have mounted over the past decade.

While this issue has attracted substantial levels of media attention, the scholarly community in the social sciences did not accord it much attention until a decade after the end of the Cold War. Indeed, scholars have for a variety of reasons found it conceptually difficult to grapple with the political economy of armed conflict. For example, the theoretical and methodological traditions in the social sciences find themselves ill suited to deal with murky, secretive milieus such as those involving both organized crime and armed conflict. The discipline of peace and conflict studies is relatively new, while organized crime is traditionally studied not by political scientists but by criminologists, trained in a combination of sociological and psychological methods. As a result, the structure of the academic community was ill prepared for identifying and studying the problems occurring in the interface of armed conflict and the illicit economy. These problems have been compounded by the lack of reliable systematic data on countries in civil war in general, and organized crime in countries with weak or corrupt law enforcement agencies in particular. An enduring challenge is how to estimate the size of organized crime in the absence of convictions because such patterns are equally consistent with low levels of organized crime, very weak law enforcement, or corrupt judicial systems.

By the end of the 1990s, the World Bank had put together a group of scholars to study the political economy of armed conflict; in the first decade of the twenty-first century, the academic literature has only gradually begun to direct attention seriously on this issue. As it did so, the discourse initially centered on the role of natural resources in the onset and duration of conflict, with African "conflict diamonds" perhaps the most widely publicized example.[3] Much of the research undertaken has tended to focus on the narcotics trade. This is natural for several reasons. First, the interaction between protracted civil war and the cultivation and trafficking of narcotics is increasingly observable around the world. This is particularly the case regarding coca and opium, the crops from which the most potent and profit-bringing psychotropic substances, cocaine and heroin, are produced. Today, the bulk of the global cultivation of opium and coca is taking place in conflict zones, while the trafficking of their derivatives has come to heavily involve insurgent and terrorist groups operating between the source and destination areas of illicit drugs. This was not always the case: in the 1960s, countries such as

Turkey, Iran, and Bolivia produced much of the world's opium and coca without experiencing armed conflict. But presently the production of these drugs is concentrated in Afghanistan, Burma, Colombia, and Peru—four countries that have been ravaged by some of the world's longest-lasting civil wars.[4] This trend raises important questions as to the reasons behind this phenomenon and its implications.

Second, while the cultivation of drugs is particularly well suited to the conditions of armed conflict, the drug trade stands out by the extremely high profits to be made, and the boost in military capacity a party to a conflict stands to benefit from being involved in the drug trade. Hence, the drug trade—rivaled only by the looting of gems and other valuable natural resources—often forms a kind of "plow" whose value spurs various groups to open up trafficking routes, which can later be used for smuggling many other commodities and persons.[5]

In the instances where the academic debate has touched on this issue, drugs have been accorded interest as a limited part of a broader discussion on the economic explanations of civil wars and the relationship between natural resources and armed conflict. In particular, drugs have been included in subcategories such as "lootable resources" together with, for example, diamonds. The results of such research have tended to show that lootable resources, including drugs, have no link to conflict initiation, but that they are positively correlated with conflict duration.[6] The number of countries involved in large-scale production of opium and coca is nevertheless low, and obtaining reliable data on drug cultivation and production across time and space presents considerable difficulty. Consequently, these results remain tentative.[7] But the suggested link raises a number of important questions regarding the dynamics whereby narcotics and conflict interact, which are presently not well understood—and thereby also on the dynamics of the broader interaction of armed conflict and organized crime. Research has contributed significantly to our understanding by showing that lootable resources such as narcotics do not cause but do lengthen conflict, but the specific mechanisms whereby this takes place remain to be explained; equally important, the implications of this linkage for conflict resolution and postconflict stabilization remains to be studied.

The assumption in the literature is that lootable natural resources extend conflict by strengthening the weaker party, normally the insurgent force, enabling it to escape defeat.[8] But does the interaction between organized crime and conflict alter the capabilities, cohesion, and motivations of the parties to

a conflict?[9] And what happens during the postconflict period in cases where insurgent groups funded by organized crime transform into powerful political parties? Recent research has suggested that insurgent groups that offer economic incentives to recruits attract opportunistic joiners and thereby over time lose control over its cadres. But these findings are tentative and the argument remains controversial.[10] A better understanding of the specific mechanisms of interaction between the drug industry and armed conflict would provide important implications for the prospects of conflict management and resolution. Therefore, this volume applies the political economy literature to the conflicts in postcommunist Eurasia. In contrast to previous research, the case studies focus not solely on the armed conflict, but extend the analysis to cover the postconflict period, tracking how organized crime evolved, particularly in cases where former insurgents transformed into political actors.

Natural Resources, Civil War, and the Crime-Conflict Nexus

Traditional conflict theory has tended to focus on a "grievance" approach, seeing intrastate conflict as emanating from movements seeking the redress of injustice, or from collective fear.[11] Indeed, war has tended to be portrayed as a result of "information failure": the underlying assumption being that war benefits no one, it must therefore be an outcome that actors seek to avoid, hence an irrational decision. By contrast, a number of emerging studies have focused on economic incentives as the driving force in intrastate conflict.[12]

From Greed or Grievance to the "Feasibility of Conflict"?

Paul Collier and his colleagues argued that civil wars are caused by economic rather than sociopolitical factors, and by loot-seeking rather than by justice-seeking.[13] As Collier and Hoeffler note, this economic approach to understanding civil war differs from political science approaches by focusing on a different motivation for violence—greed, not grievance—and a different explanation for the outbreak of war, atypical opportunities and not atypical grievances.[14] The economic approach focuses on the opportunities that arise to belligerents, especially insurgents, during times of civil war. While war leads to great material losses on a societal basis, this does not mean that "war is a disaster for almost everyone concerned." As David Keen argues, war is not simply the breakdown of order, economy, and social organization, but "the emergence of an alternative system of profit, power, and even protection."[15]

To put it simply, war has functions for some actors. The insecurity and unpredictability of war, coupled with the breakdown or weakening of law and order, implies a turn to a more opportunistic society; an increase in criminality; the disruption of markets; and opportunities for what Collier calls "rent-seeking predation."[16] These consequences are immensely detrimental for society at large, but provide specific opportunities for armed groups to reap significant economic benefits: some people manage to do well out of war.[17]

This so-called "greed theory" of civil conflict has nevertheless been criticized as simplistic and not holding up to closer scrutiny, especially as regards the onset of conflict.[18] Empirical research has argued that few if any conflicts have been initiated only or mainly as a result of economic incentives. An influential study argued that "combatants' incentives for self-enrichment and/or opportunities for insurgent mobilization created by access to natural and financial resources were neither the primary nor the sole cause of the separatist and non-separatist conflicts analyzed."[19] Likewise, in a summary of the findings of fourteen cross-national econometric studies of resources and conflict, Michael Ross concludes that "there appears to be little agreement on the validity of the resources-civil war correlation."[20] Indeed, there is strong disagreement on whether natural resources at all increase the risk of war. As Ross argues, these inconclusive results are likely the result of differing methodologies and differing data.[21] Critics have also argued that "greed" theory is too reductionist to be applied to a complex phenomena as civil war, and particularly the motive of insurgents, since it is based on the idea of Homo Economicus, representing an abstraction of merely one dimension of human behavior.[22] Methodologically, these quantitative studies only identify under what economic circumstances conflict onset occurs, or what economic indicators are correlated with longer-duration conflicts. To move from such correlations to causation and discussing motives, one needs additional data, most suitably collected through case studies. For these reasons, Collier et al. have also shifted attention, moving from a discussion on motives (greed or grievance) to feasibility, that is, under what economic conditions civil wars can viably be financed.[23]

Differentiating Resources

Lumping together all kinds of natural resources does not appear to be meaningful. Moreover, the focus on natural resources also omits the possibility that actors in armed conflicts reap benefits from unrelated economic activity, such as smuggling goods and human beings. There are also types of funding

sources for insurgent groups that are not necessarily demand-driven or market-based. These include diaspora funding (which often entails some level of force or extortion), extortion or taxation of local businesses, robberies and kidnappings, diversion or taxation of development aid, and sometimes low-level forgeries or white-collar crimes.[24]

As far as natural resources are concerned, the division of resources into smaller categories, especially between lootable and nonlootable resources, generates more interesting results.[25] Ross concludes from a study of fifteen cases that alluvial diamonds and drugs are the resources most strongly associated with civil wars occurring between 1990 and 2000.[26] He argues that the level to which a commodity is linked to conflict depends on its lootability, obstructability, and legality. Drugs, like alluvial diamonds, are easy to appropriate by a limited number of individuals, as compared to oil, gas, timber, or minerals, and are hence lootable. Given their high value to size ratio, they are not easily obstructable—unlike oil, minerals, and timber, which require much more time and complicated enterprises to be looted. The illegality of drugs also makes them benefit insurgents disproportionally, since they are less susceptible to influence by international prohibition regimes, unless governments (such as the Taliban in Afghanistan during 1996–2000) are willing to endure international sanctions and isolation. Moreover, this argument extends to nonnatural economic resources as well, notably the smuggling of goods and people that involve an element of illegality. Indeed, the more illegal an economic activity is, the more suitable it becomes for nonstate violent actors, which do not operate under international law. Human trafficking is a case in point, as is the smuggling of controlled commodities such as cigarettes.[27]

The research record so far only indicates a link between lootable resources and the duration of conflict, not the onset of conflict. Humphreys, for example, found no statistical link between diamonds and the initiation of war.[28] Noting a link between "valuable contraband" and conflict duration, Fearon found that rebels relied extensively on contraband financing in 17 of 128 cases of conflict. These cases had median and mean conflict durations of 28.1 and 48.2 years, respectively, while the remaining 111 conflicts had 6.0 and 8.8.[29] Indeed, as Ross sums up the field, most evidence suggests that gemstones and narcotics are linked to the duration of conflict, but not to the initiation of conflict.[30] Previous research by Svante Cornell of nine narcotics-producing states, of which seven experienced armed conflict, has indicated that the same holds true for the production of narcotics. Rather than generating or being generated by drug cultivation, the study found that armed

conflict qualitatively and quantitatively transforms existing drug cultivation. Importantly, the study found that armed conflict is itself deeply affected by the narcotics industry, which tends to strengthen the capacity of insurgent movements while weakening that of the state.[31]

The Crime-Conflict Nexus

These studies suggest a causal link between narcotics, a form of organized crime, and enduring conflict. They do not, however, explain convincingly why this should be the case. The basic inference is that the presence of narcotics increases the capabilities of insurgents. But is this the entire story? Increased capabilities could be conceived to imply a greater possibility for a negotiated solution in protracted conflict, once both parties realize that there is little possibility of victory—William Zartman's "hurting stalemate."[32] Why, then, should conflicts involving narcotics be so intractable? Recently emerging theory from the field of organized crime is helpful in suggesting an answer to this missing dimension.

Studies in the late 1990s observed a globally increasing linkage between organized crime and violent nonstate actors, in particular terrorist groups.[33] This relationship, termed the crime-terror nexus, was initially coined by Tamara Makarenko for the study of terrorist organizations, but is equally applicable to regular insurgencies.[34] For the purposes of this study, the term "crime-conflict nexus" is therefore more appropriate. The crime-conflict nexus refers to an increasing confluence of groups originally espousing either political or criminal motivations. Ideologically and criminally motivated groups have traditionally been seen as forming opposing ideal types of armed groupings.[35] The ideal type of groups that challenge state authority with violent means in the pursuit of a political goal is one of striving for a self-defined higher cause. Such groups are therefore traditionally understood as being disinterested in—or even principally opposed to—the pursuit of profit through organized crime, including drug trafficking.[36] Transnational criminal networks, on the other hand, are motivated simply by pursuit of monetary profit and status. Clearly, their interests may be more than simple economics, since money is not necessarily an end in itself but a means to achieve status, influence, security, and even territorial control. Earlier research by Phil Williams has argued that they are "economic rather than political organizations, [and therefore] do not pose the same kind of overt or obvious challenge to states

that terrorist groups do."[37] Their primary aim, unlike terrorist or insurgent movements, is not to directly challenge the state. Bruce Hoffman eloquently notes the dividing line between these two opposing ideal types: "the terrorist is fundamentally an altruist: he believes he is serving a 'good' cause designed to achieve a greater good for a wider constituency [whereas] the criminal serves no cause at all, just his own personal aggrandizement and material satiation."[38]

This traditional division into mutually exclusive ideological and criminal ideal types lies at the basis of the academic division between political science and criminology, as well as bureaucratic divisions between law enforcement and national security. As Williams notes, the perception is that "crime is a domestic problem; and law enforcement and national security are based on very different philosophies, organizational structures and legal frameworks."[39] As a result, transnational organized crime has not been viewed as a national, let alone international, security issue. This view has nevertheless become increasingly misleading, as the observable situation has changed. For example, Williams's argument would not be able to explain the challenge that essentially economically motivated criminal entities have posed to the Mexican state. More recently, Williams has also partly changed his view, agreeing that there are "hybrid forms of organizations," pointing to the Revolutionary Armed Forces of Colombia (FARC) in Colombia and D-Company in India as an insurgency and an organized crime entity, respectively, that exhibit mixed motives.[40] As Thachuk observes, organized crime groups traditionally "rarely co-operated with terrorist groups, or engaged in their activities, as their goals were most often at odds . . . many of today's terrorist groups have not only lost some of their more comprehensible ideals, but are increasingly turning to smuggling and other criminal activities to fund their operations."[41] Likewise, organizations such as the World Bank have begun highlighting how organized crime and other nonpolitical armed actors have expanded in the vacuum left by weak or failing postconflict states to a level where they now pose a serious threat to human security and state stability in many postconflict societies.[42]

Two separate phenomena have contributed to this: the decline in state funding for insurgency and the global expansion of transnational organized crime. The end of the Cold War drastically reduced the availability of state financing for terrorist and insurgent movements.[43] Without the bipolar confrontation, simply being in opposition to a communist or noncommunist regime no longer translated into financial support from a superpower or its

proxies.[44] Insurgent groups hence needed to find other sources of funding to survive. Organized crime appeared an attractive and lucrative way of obtaining necessary funds. International efforts to root out terrorism financing after September 11, 2001, caused a further decline of state financing, pushing nonstate violent actors further toward organized criminal financing.[45] Meanwhile, the rapidly developing processes of globalization, which have made transportation and communications easier, have enabled the gradual expansion of transnational organized crime globally.[46] From having been more geographically circumscribed and specialized, transnational criminal networks now operate across continents, in alliances with similar groups elsewhere, and engage in any form of criminal activity that combines high profit and acceptable risk.[47] The criminal opportunities arising to insurgent groupings therefore increased over the 1990s, and globalization opened markets to crime in the most distant conflict zones. Specifically, globalization has facilitated the expansion of organized crime through several different mechanisms. The increased levels of global trade allow organized crime groups to hide their merchandise in licit shipments; improved communication technologies make it easier to coordinate not only licit but also illicit trade across great distances; increases in financial flows make it harder to spot money laundering operations; and decreased border controls and cheaper transportations of goods and persons further facilitate transnational organized crime. Whereas there are multiple initiatives to improve international policing, political issues, and the inherent challenges of intelligence sharing and acting on Interpol Red Notices all contribute to a situation where organized crime groups are gradually becoming transnational while law enforcement agencies continue to be overwhelmingly based on nation-states and limited to their jurisdictions. Furthermore, as Naím points out, demand-driven organized crime pits international networks against national bureaucracies.[48]

The interaction between criminal and political groups is therefore presently best conceptualized as a continuum rather than separate phenomena. In this respect, Makarenko's analytical construct of a security continuum that places pure organized crime at one end of the spectrum and pure ideological groups at the other is helpful.[49] It shows the wide variety of possible interactions between criminal and political groups. Between the two ideal types, the continuum allows for a "gray area" where different variations and combinations of the two exist. Interactions between organized crime and ideological struggle can take place either through cooperation between criminal and ideological groups; or through the involvement of an ideological group in

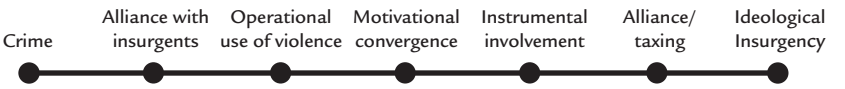

Figure 1. The crime-conflict continuum.

crime or vice versa, as suggested in the crime-conflict continuum depicted in Figure 1.[50]

Research has suggested that the practice of cooperation between groups at opposing ends of the spectrum tends to give way to self-involvement—mainly due to the lack of trust between groups and the greater profitability of self-involvement.[51] It should be noted, however, that the continuum mainly describes observed behavior rather than motivation, which is notoriously difficult to pin down. In essence, the continuum assumes that growing involvement in organized crime on the part of an ideologically motivated organization leads to modifications of the organization's motivations.

Thus, the logic of the continuum is that the need for sources of finance forms the first impetus for the involvement of politically motivated groups with organized crime; and that such involvement also tends to affect the groups' motivational structures. Once involved in crime, groups may continue to further their original interests—but crime can also become an end in itself, rather than just a method of financing.[52] Particularly in protracted conflicts, the continuum expects entire groups or parts of groups to shift their focus increasingly toward the objective of profit. That is, the organization or movement either gradually shifts its nature to a predominantly criminal one, or acquires a criminal nature at the side of its ideological nature. Thus, some groups are found in a situation where "organized crime and terrorism are indistinguishable from one another."[53] Profit through crime, often specifically the drug trade, becomes a motivation in its own right for the existence and cohesion of the movement.[54]

An added value of the continuum model is that it allows for the movement of groups across this continuum over time, enabling the tracking of the evolution of a group's involvement in crime as well as of its motivational structures. Clearly, this issue is relevant not only for drug production or transit states but for insurgent/terrorist groups in the developed world as well—the Ulster Defense Association and Ulster Volunteer Force being only two examples of movements that continued their involvement in organized crime long after a formal peace agreement had been signed.[55] However, the continuum is

incapable of explaining why some groups appear to rapidly witness a change in motivational structures, while others appear to sustain long-term involvement in organized crime without an observable impact to the organization's primary motives. In other words, the question why some insurgent groups are "corrupted" by money while others are not remains unanswered.

Indeed, not all armed groups are equally "criminalized" by their involvement in organized crime. For example, armed groups such as the Kurdistan Workers' Party (PKK) in Turkey and FARC in Colombia have been heavily involved in cocaine and heroin trafficking, respectively. In spite of this, neither group has shown significant shifts in their basic motivations—neither pays wages to combatants, their leaders typically live under modest circumstances (with the exception of PKK leader Abdullah Öcalan during his exile in Syria in the 1990s) and both groups continue to pursue their original political aspirations in a way that is inconsistent with any wholesale "criminalization" of their leadership.[56] This relative discipline is largely explained by the nature of these organizations. Both are left-wing insurgencies that have put a strong emphasis on personal sacrifice by their combatants, and both are largely hierarchical organizations that closely monitor both their members and the income generated by drug trafficking, routinely pursuing and executing individuals suspected of stealing from the organization. By contrast, the paramilitary umbrella organization United Self-Defense Forces of Colombia (Autodefensas Unidas de Colombia; AUC) in Colombia was always loosely organized, motivated more by its involvement in drug trafficking than its nominal counterinsurgency mission, paying wages to members and seeing extensive intra-organizational strife and murders as midlevel commanders sought to expand their turf and maximize their incomes.[57] Furthermore, the criminalization of armed groups is not a one-way street—for example, the Provisional IRA even withdrew from drug trafficking to Northern Ireland after this trade made it profoundly unpopular with its core constituency.[58] By contrast, certain units inside armed groups may be specifically vulnerable to motivational changes. Individuals working with financing inside armed groups tend to be better educated, exposed to less risk of combat, and given more opportunities to engage in graft inside the armed group as they manage large sums of money under circumstances where it is very difficult for the senior leadership to monitor their actions. Hence, finance officers in armed groups are exposed to significant principal-agent problems.[59] This aspect can also impact entire units inside armed groups that work specifically with financing through organized crime, such as Sendero Luminoso's

local committee in the Upper Huallaga Valley.[60] Last, whereas much research has focused on drug cultivation and other lootable commodities, as Picarelli and Shelley point out, there is a wide array of types of organized crime that nonstate violent actors can engage in to obtain funding. These range from market-based crimes (trafficking in narcotics, valuable commodities, goods, and humans), to violent crimes (extortion, kidnapping, robberies) and simpler forms of white-collar crime (fraud, intellectual property theft, aid diversion, and counterfeiting). Each of these types of crimes has advantages and drawbacks from the point of view of the organization, including technical expertise required, risk of detection, availability, competition, and potential pay-off.[61] Surveying the financing methods of a wide array of terrorist groups, Picarelli and Shelley also argue that "while still important, narcotics can no longer be seen as the predominant source of funding terrorism."[62]

Implications

Involvement in crime can be seen as fundamentally changing the equation of an armed group's relationship to state and society. Whether or not its motivations are affected, crime enriches the group and its leaders, enabling the acquisition of more sophisticated weapons, the employment of more fighters, the corruption of state officials, and the better propagation of group ideology to the population. Hence crime and its proceeds makes the group a more dangerous adversary to the government, and often results in a further weakening of the state—particularly if it enables insurgents to assert territorial control over parts of the state's territory that is usable for criminal activities. In this sense, crime and drugs are instrumental in enabling a group to threaten the security of the state at its very foundation—the monopoly of the use of force and control over territory.[63] As laid out in this chapter, insurgency financing through organized crime can also impact the internal dynamics of insurgencies, potentially affecting discipline in relation to civilians, creating principal-agent problems with specialized financing units, changes in tactics, target selection, or modus operandi or even wholesale motivational change inside the group.

The existing debate on natural resources and armed conflict does not significantly address the possibility of motivational change in insurgent groups. In fact, much of the literature generally takes a "snapshot" of a group, considering it at best either motivated by greed or by grievance, but does not consider the possibility of motivations changing over time. Indeed, the crime-conflict nexus offers the possibility that insurgents may initially be

motivated by grievance, but that the opportunity of economic profit in the course of conflict can change both the group's financial condition as well as its motivational structure. This in turn affects the evolution of the conflict, the development of the group itself, and the prospects of various measures of conflict resolution. Indeed, asserting whether an insurgent group has gone through significant changes in motivation will have important implications for ways to handle the group. Simply put, offering redress to the stated grievances of an insurgent group will do little to end the conflict in case the group has changed its primary motivation to the criminal. Indeed, in such cases, the very proposition of political compromises, including offers of power-sharing or regional autonomy, could be misplaced as the insurgent groups have developed an interest in the continuation of conflict. A traditional, grievance-based understanding of the conflict would hence be likely to lead negotiators in the wrong direction. Likewise, much of the existing literature focuses on the onset and duration of the conflict, and relatively little on the postconflict period. Thus, with the exception of Colombia and Afghanistan, little attention has been allotted to what becomes of the leadership and combatants of crime-funded insurgencies in the aftermath of armed conflict. If the argument that motives change due to involvement in organized crime is taken at face value, this would suggest potentially serious consequences, particularly in countries where former insurgents become the new political leaders—as happened in many of the conflicts covered in this book

Conditions for the Crime-Conflict Nexus

The crime-conflict nexus can and does operate with any form of organized crime, but the specific case of the cultivation of illicit drugs stands out for a number of reasons: they are immensely profitable, especially in processed form; they are renewable as they can be continuously cultivated year after year; and they are by nature illegal, given the existence of a strong international legal regime that outlaws the large-scale cultivation of drugs with very specific and controlled exceptions. Thus, the drug industry requires territories outside state control for cultivation, a fact that is true also for the looting of natural resources such as timber or gemstones. However, the trafficking of drugs, gemstones, or humans, and most other forms of crime, do not similarly require control over territory.

Thus, the different manifestations of the crime-conflict nexus are likely to

occur only under certain conditions. Armed conflict and its consequences, such as the collapse of law enforcement and the loss of state control over territory, create an impetus for the rise of all forms of organized crime. But the option of drug cultivation or the looting of natural resources may not be present in all conflict areas. All are dependent on the availability of the resources in question; if there are no lootable resources, insurgents will not be able to exploit them. Similarly, drug cultivation is a relatively complicated process. While not technologically advanced, it does require certain skills. Opium cultivation, for example, is a complex, labor-intensive occupation, with many natural hazards.[64] This makes it likely to take place only where a previous tradition of cultivation of narcotic plants exists. In the absence of cultivation tradition, suitable climatic conditions, and market outlets, armed conflict is likely to make other forms of organized crime more attractive.

Insurgent groups seeking sources of finances are likely to turn to organized crime only if that option is preferable to alternative modes of financing, which could include external support from states or diasporas, the extortion of civilians, or the abuse of development assistance.[65] Thus, it is opportunity that makes insurgent groups turn to organized crime. That being said, insurgent groups seldom if ever rely on a single revenue stream. In fact, most armed groups that engage in drug trafficking typically have other sources of funding. The PKK engages in heroin trafficking, but also receives extensive funding from the Kurdish diaspora in Europe; FARC is involved in cocaine trafficking, but also used to receive substantial income from kidnappings and extortion, and possibly financing from Venezuela; and various groups in Afghanistan and Pakistan receive training and financing from the Pakistani Inter-Services Intelligence (ISI) and Iran, as well as robberies, extortion, and other types of organized crime.[66]

The link between organized crime and conflict is plausible in both conflicts over territory and conflicts over government, but is likely to have different dynamics. In separatist wars, insurgents are tied to a specific territory, and hence have little choice of terrain or theater of operations. They can protect local drug production to bolster legitimacy; and in a protracted conflict with control over territory, encourage drug production. If their territory is located at a crucial crossroads of trade, they may attract trafficking flows across territory under their control. In a conflict over government, however, insurgents have a greater potential to choose their theater of operations across the country, and a choice whether to press for territorial control over specific areas. This provides greater flexibility in selecting areas of operation. As far as drug trafficking is

concerned, protecting drug cultivation could in these situations play a bigger role for building popular legitimacy, as rebels may have less inherent popular support than insurgents struggling for ethnic rights.[67] Conflicts over government, where insurgents may not have a secure home territory, could also be more likely to generate a focus on acquiring income through trafficking of a variety of commodities. Hence if an insurgent movement does not have stable control over a fixed territory, it would be more likely to seek to involve in a form of organized crime that itself is flexible and requires the right networks and connections, but is not linked to a specific territory.

Combining the findings of research on the natural resources and armed conflict, and the crime-conflict nexus, a number of propositions for the relationship between organized crime and conflict can be inferred.

- The origins of conflict are based on grievance and not greed. Even large-scale organized crime, whether drug production or various forms of smuggling, is unlikely to cause a conflict.
- The conditions of armed conflict provide an impetus for organized criminal activity. Where a tradition of drug cultivation exists, conflict will tend to generate an increase in the production of drugs; where no such tradition exists, the growth of smuggling operations of various forms should be expected, especially if a conflict zone is located between the origin and destination areas of major smuggling flows of drugs, human beings, or various commodities including weapons.
- The growth of organized criminal activity, at first a spillover effect of conflict given the decrease of state control, forms a strong incentive for insurgent groups to involve in organized crime to reap profits. This involvement tends to go from alliance with or taxing of organized criminal activity to direct involvement.
- Once involved in the drug trade, insurgent groups are likely to see their motivational structures affected to some extent , with elements of the group acquiring an economic motivation that compounds or supplants the ideological one.
- In postconflict situations where the armed group has been involved in organized crime, there is a much higher risk of transitions from political to criminal violence and the emergence of weak or failing states. If the armed group emerges victorious from the conflict, there is an even higher risk of the state itself becoming criminalized and consequently of subsequent state failure.

Postcommunist Eurasia

The linkage between organized crime and conflict is a global phenomenon with a series of focal areas around the world. The northern cone of Latin America is perhaps the best-researched area, where the interaction between narcotics and conflict in Colombia and Peru has long been known. Western and Central Africa is another area strongly affected, where looting of diamonds, timber, and other natural resources in conflict zones has been widely observed. A third area is the "golden crescent" of Southeast Asia, with the Burma-Laos-Thailand border area until recently exhibiting strong elements of both organized crime and armed conflict, something that has nevertheless normalized to some degree.

Postcommunist Eurasia is the newest, geographically largest, and most strategically located area of overlap between organized crime and armed conflict. Indeed, the specific circumstances of the breakup of the communist bloc in Eurasia contributed to the emergence of a series of protracted armed conflicts; to the rapid growth of transnational organized crime across the width of the postcommunist area; and inevitably to the interaction of armed conflict and organized crime in these conflict zones, with important implications for the processes of conflict resolution as well as political and economic development in Eurasia as a whole.

The conflict zones of Eurasia are located along some of the most important smuggling routes of the present day. Indeed, they link the areas of origin and destination of a number of smuggling operations. The postcommunist area links the world's largest source of opiates, Afghanistan, with its main destination market Europe, with Russia in particular developing into a destination. It links the source areas for human smuggling from Asia and the Middle East to Europe, while increasingly becoming a source area for human trafficking. Meanwhile, it also links the most significant source area of WMD trafficking, Russia, to its major destination, the Middle East. Finally, it links the source of much of the world weaponry—Europe and the northern postcommunist states—with destination markets farther south.

The Collapse of Communism, the Building of Statehood, and Organized Crime

As the Italian experience until the 1990s has shown, organized crime can pose a substantial threat even to industrialized, developed states. In this context, it should come as no surprise that organized criminal networks are able to

pose a much more significant threat to weak and developing states. While this is the case, the states of postcommunist Eurasia have a common experience of the political and economic transitions from communist rule, as well as the processes of state formation that resulted from the disintegration of the communist federations that the Soviet Union and Yugoslavia constituted. This transition, involving the collapse of existing state institutions and the requirement of building entirely new ones, was an auspicious moment for organized criminal networks, whose roots in the Soviet period enabled them to strongly benefit from the instability of the transition period.

Indeed, organized crime and corruption were constant features of the Soviet Union.[68] A criminal elite had formed in the Soviet labor camps already in the 1920s and 1930s, something that was boosted by the 1921 penal code, which identified political opponents and not regular criminals as the main threat to the state.[69] This raised the position of criminal groups in society. Informal criminal groupings known as thieves in law, *vory v zakone*, were formed. The origin of these groups in the labor camps is also a reason for the very violence-prone nature of post-Soviet organized crime. The background in this most brutal part of the Soviet system made the subculture around the criminal groups hardened and resilient to a level not experienced in the Western context.

Criminal elites, moreover, developed a symbiotic relationship to parts of the communist elite. The latter had power, but the policies of communism limited the opportunities for politicians to personal enrichment. The criminal forces therefore shared their wealth with political figures in exchange for political protection. The political elite needed the criminal groups, and vice versa.[70]

When the Soviet system collapsed in 1991, the competition over control of resources that developed lacked a clear definition of legality and illegality. Indeed, during the Soviet period, capitalism per se was illegal. With the collapse of the discredited ideology of Communism, capitalism not only was legalized but turned into the societal norm. Hence, most business activity that had been classified as illegal, as "speculation," during the Soviet period was legalized overnight; yet some forms of business activity remained illegal. The borderline between legality and illegality was moved, but societal understanding, as well as respect, for this border was largely absent. As a U.S. Justice Department report observes:

> Organized crime in the Soviet era consisted of illegal enterprises with both legal and black-market connections that were based on the

> misuse of state property and funds. It is most important to recognize that the blurring of the distinction between the licit and the illicit is also a trademark of post-Soviet organized crime that shows its ancestry with the old Soviet state and its command-economy system. This, in turn, has direct political implications. The historical symbiosis with the state makes Russian organized crime virtually an inalienable part of the state. As this has continued into the present, some would say it has become an engine of the state that works at all levels of the Russian government.[71]

The collapse of communism allowed the entrepreneurs from the shadows to emerge into the limelight. It should be noted that the shadow economy had some prestige in the communist period, particularly in ethnic minority areas, because it openly ignored political repression and challenged the political regime by its very existence. The criminal world was associated with wealth, as well as resilience in the face of repression and Russian rule.

Moreover, when Soviet president Mikhail Gorbachev's reforms in the late 1980s allowed for some elements of private enterprise, the criminal groups were the main elements in Soviet society that had a thorough understanding of the thinking underpinning a market economy. This, and their readiness to resort to force, put them in a favorable position to benefit from privatization processes. Meanwhile, the decline of security services across the former communist space led to the firing of tens of thousands of former security officers, whose expertise and networks were strongly in demand among criminal circles. Hence the salience of organized criminal figures in the economy and politics of postcommunist states in the 1990s, a process affecting most if not all postcommunist states, which was nevertheless gradually overcome in the more developed countries to the west, which also enjoyed substantial support from European institutions, including the prospect of integration into the EU and NATO. But in the states of the former Yugoslavia and Soviet Union, the problem instead became entrenched. Crime came to permeate society and politics. When Otari Kvantrishvili, a former wrestler and one of the largest figures of Russian organized crime in the early 1990s, was murdered in 1994, his funeral was broadcast on live television. To music from the *Godfather* movie, high political figures marched silently in the funeral procession, illustrating the acceptance and glorification of organized crime in society. Russian president Boris Yeltsin stopped at offering written condolences.[72] Of course,

crime has since then grown more discreet and less overt, but by no means less dangerous to the political system.

If Afghanistan, by the time of the collapse of the USSR, was already in the process of full state collapse, the southern republics of the Soviet Union and Yugoslavia were also in a particularly vulnerable position. To begin with, they were economically weak, with much of their budgets having been subsidized by the richer republics of the respective federation. They were also located on the outskirts of the federations, whereas their economies were disconnected from their neighboring, noncommunist states. Finally, they lacked most institutions normally associated with statehood, having to build key institutions such as tax codes, border guards, and police authorities themselves or inheriting nonfunctioning institutions from the communist period. This exacerbated the collapse of their economies, and accentuated their vulnerability to organized crime. To further complicate the process, the ethnic and regional tensions that emerged and led to the wars across the regions completed the picture. In this situation, in the former republics of the Soviet Union and Yugoslavia where conflict erupted, there was often an acute lack of, or weakness in, local institutions with the resources to organize large-scale collective violence. Hence, organized criminal networks, with their access to weapons, links of violent members, and preexisting organizational structures, were often relied on to defend their ethnic brethren while benefiting financially from the resulting power vacuum.

The Conflict Zones of Eurasia

The conflict zones of Eurasia have both similarities and differences. Most have an origin in the late Soviet period, but break down in terms of the point of contention of the conflict, some being over territory, others over government, and the identity being politicized, ethnicity and religion. They break into two clusters. The eastern cluster of conflicts is motivated mainly by the politicization of religion, involving the civil wars in Afghanistan and Tajikistan, joined by the insurgency of the Islamic Movement of Uzbekistan (IMU). The western cluster involves ethnopolitical wars in the South Caucasus, Moldova, and former Yugoslavia.

- Afghanistan is included in this study because its conflict was a direct result of the communist government and Soviet occupation, but also because of the crucial role its opiate industry plays in Eurasian

organized crime. In Afghanistan, a complex civil war over government dates back to the withdrawal of Soviet troops in 1989, politicized mainly around religious identity, but with a substantial ethnic aspect. This conflict has gone through numerous phases, involving substantial Western involvement since 2001, but is mainly characterized by the collapse of central governmental authority that is yet to be meaningfully rebuilt.

- Tajikistan, to Afghanistan's north, experienced a state collapse not unlike that of Afghanistan, with a civil war over government waged between 1992 and 1997. This conflict, fought mainly along regional and ideological lines, ended with a power-sharing agreement that saw the temporary integration of the opposition into governing structures, but also their subsequent marginalization.
- The insurgency of the IMU on the territories of Kyrgyzstan and Uzbekistan has been closely linked with both the Afghan and Tajik conflicts. Nevertheless, in spite of close linkages, the insurgency is clearly dissociated from those two conflicts given the specific goals of the movement. While a much less serious conflict in terms of intensity and duration, the IMU is included in this study mainly on account of the significant depth of its linkages to organized crime. The IMU was decimated by Operation Enduring Freedom in Afghanistan in 2001, after which its remnants moved to northwestern Pakistan's tribal areas; it has transformed into a purely terrorist movement with little capacity to conduct ground operations in Central Asia.
- The Chechen wars were initiated as a dispute over territory, but motives and identities transformed during the conflict. After the Chechen side won the initial conflict (1994–1996), during the Second Chechen War and its aftermath religion has become increasingly central to the conflict. Even though high-intensity fighting has ended, there is still a simmering low-intensity insurgency based largely around an Islamist agenda that has spread to neighboring regions, particularly Dagestan.
- The war in Bosnia-Herzegovina occupies a middle ground between these two clusters, a tripartite conflict over territory where religion was also strongly politicized. This was particularly true for the Bosniak side, which received a significant influx of Islamist fighters and funding from Islamic charities. With an estimated 250,000 casualties, this was together with the war in Afghanistan and

Chechnya the most high-intensity and atrocious of the wars analyzed in this book. Like Kosovo, the conflict ended following a decisive Western military intervention and the region has since hosted a substantial international peacekeeping force and received a steady flow of development assistance.

- In Georgia, two conflicts over territory, between the Georgian government and the autonomous areas of Abkhazia and South Ossetia, erupted during the collapse of the Soviet Union. These conflicts have remained unresolved along cease-fire lines since that time, and further exacerbated by Russia's invasion of Georgia in 2008, after which Russia recognized the independence of the two territories and for all practical purposes occupied them.
- Moldova has been affected by a conflict very similar to those in Georgia, with the eastern region of Transnistria seeking to secede from Moldova. As in Georgia, the conflict remains unresolved. While Western powers have sought to move toward a resolution, Russia's close links to Transnistria have effectively precluded an agreement.
- Kosovo has some similarities with the conflicts in Moldova and Georgia, being a conflict over territory involving the quest for separate statehood on the part of a formerly autonomous minority population. The main difference, however, is the international involvement in Kosovo and the support for conditional independence that it has gained from the international community.

Methodology and Case-Study Design

The main aim of this book is to study the crime-insurgency nexus in the Eurasian civil wars, analyzing both how this connection affected the insurgent groups and the conflict dynamic, and also what legacies it has had during the postconflict period. Each case study will do so by briefly providing a background to the individual conflict itself, as well as to the particular forms of organized crime involved. Moving from there, the case studies will seek to investigate the form of interaction between parties to conflicts and organized crime, seeking to gain a better understanding of the effects this interaction has had on the conflicts, and its implications for the conflict zones and countries during the postconflict period. Hence, the book is organized as a structured comparative case study, facilitating comparisons across the region

while presenting detailed analysis of events on the ground, drawing on primary sources from all the conflicted-affected regions.

This approach has both clear advantages and certain limitations. Drawing on in-depth regional expertise, the book offers a wealth of empirical data and insight difficult to acquire for any single researcher, or using purely quantitative indicators. As such, it can unearth similarities in causal patterns and mechanisms across countries that would be very difficult to identify using single-case studies or purely quantitative methods. The downside is that many established analytical approaches become inapplicable and findings may be diverse and difficult to present parsimoniously. However, limiting the study to the Eurasian region with its collective experience of communism and focusing on the immediate aftermath of the break-up of the Soviet Union and Yugoslavia yields a sample of cases to which this method can be usefully applied. The book concludes with a chapter analyzing the implications of these cases both for crime-insurgency literature and for policy, especially the planning of future peacekeeping and postconflict reconstruction missions.