

# **PARTNERS IN CRIME**

THE RISKS OF SYMBIOSIS BETWEEN  
THE SECURITY SECTOR AND  
ORGANIZED CRIME IN SOUTHEAST EUROPE

CENTER FOR THE STUDY OF DEMOCRACY  
2004

## **CSD REPORTS:**

1. Bulgaria's Participation in EU Structural Funds, Sofia, 1999.  
ISBN 954-477-050-8
2. Social Policy Aspects of Bulgaria's EU Accession, Sofia, 1999.  
ISBN 954-477-053-4
3. Preparing for EU Accession Negotiations, Sofia, 1999.  
ISBN 954-477-055-7
4. The Role of Political Parties in Accession to the EU, Sofia, 1999.  
ISBN 954-477-055-0
5. Bulgaria's Capital Markets in the Context of EU Accession: A Status Report, Sofia, 1999.  
ISBN 954-477-059-3
6. Corruption and Trafficking: Monitoring and Prevention, Sofia, 2000.  
ISBN 954-477-078-X
7. Establishing Corporate Governance in an Emerging Market: Bulgaria, Sofia, 2000.  
ISBN 954-477-084-4
9. Corruption and Illegal Trafficking: Monitoring and Prevention, Second, revised and amended edition, Sofia, 2000.  
ISBN 954-477-087-9
10. Smuggling in Southeast Europe, Sofia, 2002.  
ISBN 954-477-099-2
11. Corruption, Trafficking and Institutional Reform, Sofia, 2002.  
ISBN 954-477-101-8
12. The Drug Market in Bulgaria, Sofia, 2003.  
ISBN 954-477-112-3
- 13. Partners in Crime: The Risks of Symbiosis between the Security Sector and Organized Crime in Southeast Europe, Sofia, 2004.  
ISBN 954-477-115-8**

### **Editorial Board:**

Ognian Shentov  
Boyko Todorov  
Alexander Stoyanov

ISBN 954-477-115-8

© **Center for the Study of Democracy**  
**All rights reserved.**

5 Alexander Zhendov Str., 1113 Sofia  
phone: (+359 2) 971 3000, fax: (+359 2) 971 2233  
www.csd.bg, csd@online.bg

# CONTENTS

<b>FOREWORD</b> .....	5
<b>1. THE SECURITY SECTOR AND ORGANIZED CRIME IN POST-COMMUNIST STATES</b> .....	7
1.1. THE COMMUNIST HERITAGE.....	7
1.2. THE SECURITY SECTOR IN THE TRANSITION PERIOD.....	9
1.3. THE SECURITY SECTOR AND THE CONFLICTS IN THE WESTERN BALKANS.....	12
<b>2. THE RISK OF SYMBIOSIS BETWEEN THE SECURITY SECTOR AND ORGANIZED CRIME IN BULGARIA</b> .....	13
2.1. THE TRANSFORMATION OF THE SECURITY SECTOR IN THE PERIOD OF TRANSITION.....	13
2.2. THE INVOLVEMENT OF THE SECURITY SECTOR IN THE GREY AND BLACK ECONOMIES.....	15
2.3. THE SECURITY SECTOR AND TRANS-BORDER CRIME.....	25
2.4. THE INVOLVEMENT OF THE SECURITY SECTOR IN SMEAR CAMPAIGNS.....	30
2.5. THE RISKS RESULTING FROM INCOMPLETE SECURITY SECTOR REFORM.....	34
2.6. CORRUPTION IN THE SECURITY SECTOR.....	39
2.7. THE ABSENCE OF DEMOCRATIC CONTROL ON SECURITY SECTOR ACTIVITIES.....	40
<b>3. THE SECURITY SECTOR AND ORGANIZED CRIME IN THE WESTERN BALKANS</b> .....	41
3.1. SERBIA.....	41
3.2. CROATIA.....	69
3.3. BOSNIA AND HERZEGOVINA.....	76
3.4. MACEDONIA.....	81
3.5. ALBANIA.....	87
<b>CONCLUSIONS</b> .....	95

## ACKNOWLEDGEMENTS

The Center for the Study of Democracy would like to thank the following persons for their valuable comments and suggestions:

**Bogomil Bonev**, Minister of Interior (1997-1999)

**Boyko Slavchev**, Advisor, Cabinet of the Minister of Interior

**Bozhidar Popov**, General Secretary of Mol (1997-1999)

**Chavdar Chervenkov**, Minister of Interior (1994)

**Dr. Chavdar Hristov**, professor at Sofia University

**Krassimir Dobrev**, Journalist at *Sega* daily

**Mladen Chervenjakov**, Minister of Justice (1995-1997), MP at the 39<sup>th</sup> National Assembly

**Slavcho Bossilkov**, General Secretary of Minister of Interior (1999-2001)

**Slavcho Mihalkov**, Expert, Minister of Interior Inspectorate

**Stefan Stefanov**, Director of the Central Service for Combating Organized Crime (1990)

**Tatyana Doncheva**, MP, member of the Internal Security and Public Order Parliamentary Committee

**Zhanet Papazova**, Head of Information and Analyses Section, National Service for Combating Organized Crime

**Yovo Nikolov**, Special correspondent of *Capital* weekly

# FOREWORD

The penetration of organized crime into the security sectors of countries in transition is one of the darkest aspects of the post-communist transformations of states. During the past 15 years the growing impact and influence of organized criminal groups was felt not only in the countries in transition but also in the European Union (EU). This process was facilitated by the increasingly free movement of people, goods, and finances around Europe.<sup>1</sup>

In the countries in transition, it is still impossible to give a comprehensive account of the multiple interests of corrupt state and security sector officials, on the one hand, and criminal bosses on the other hand, and the overlap of these interests. The characteristics of such criminal partnership correspond to certain trends in the overall political development of the states of Southeast Europe. Whereas Bulgaria underwent a peaceful political transition, post-communist reforms in the Western Balkans coincided with the disintegration of the former Yugoslav Federation, in whose place several independent states were established and, as a result, this conflict-ridden region lagged behind. Despite such divergent developments, the idea of “partnerships in crime” in both Bulgaria and the Western Balkans can be considered in a single report, due to numerous similarities between the corruption patterns and the formation of larger—regional and international—criminal networks involved in the smuggling of consumer goods and the trafficking of people, drugs, and arms throughout the 1990s.

Undoubtedly, the issues analyzed in this report are open to more than one interpretation, especially where the role of communist security services is explored. For instance, in Chapter 2, which focuses on Bulgaria, a task force from the Center for the Study of Democracy has considered a number of diverse, and often conflicting, views and recommendations of Bulgarian decision makers, former and current security officers, reporters, and security experts. The task force has not incorporated the most extreme viewpoints which either demonize the communist-time security services or, conversely, consider any security sector reforms to be incapacitating to the services. The authors of this report do not claim to be the final authority on these matters. The report is a necessary contribution to heightening public awareness of the considerable risks arising from criminal partnership within the security sector and the need for measures to counteract and prevent it.

---

<sup>1</sup> “2003 European Union organised crime report”, Europol, 2003, p.8.

Chapter 3 of the report, dedicated to similar security sector problems in the Western Balkans, is a contribution of Marko Hajdinjak, a Slovenian researcher who lives and works in Bulgaria.

# 1. THE SECURITY SECTOR AND ORGANIZED CRIME IN POST-COMMUNIST STATES

## 1.1. THE COMMUNIST HERITAGE

Security sector reform is a crucial undertaking if the transition of Eastern Europe from communist to democratic rule is to be successful.<sup>2</sup> The term “security sector” is used to describe a variety of institutions that are vested with authority to guarantee the security of a democratic state as well as the personal security and protection of its citizens. In recent years, the idea of a “security sector” has been heavily probed and disputed in Bulgaria and in Eastern Europe as a whole. The advantage of this term over terms like “secret services”, “homeland security”, “national defense”, “law-enforcement institutions”, etc., lies in its quality of integrating the relevant bodies and departments according to their essential function, not according to any institutional framework.

A number of factors and interrelated causes have determined the complementarity and overlapping of functions of the multiple institutions that belong to the security sector. The relationship between the police forces and the higher-ranking secret services in Eastern Europe were rather complicated and at times quite strained. Western security services have also had similar inter-institutional tensions, but in communist states such problems were more than merely structural. The communist elites of East European states placed the building and maintenance of a police state at the core of their policy. The most significant tools in this endeavor were the special intelligence agencies (such as the KGB in the USSR or Stasi in East Germany) whose power equaled that of ministries and whose status was much higher than that of the police forces that were part of the Ministry of Interior. Institutionalized repressive apparatuses, such as Stasi or the KGB, encompassed a range of structures from the regular police to intelligence and counter-intelligence services, to the typical political police (such as the infamous Sixth Main Directorate of Bulgaria’s secret police known as the “Committee for State Security”, henceforth referred to simply as “State Security”). The only secret service that remained beyond this mega-structure’s authority was the Military Intelligence Service, accountable to the Bulgarian Ministry of Defense.

Unsurprisingly, a repressive apparatus that dictates a system’s protection and continuity at the expense of its citizen’s rights will keep its functions off the record, i.e. officially unregulated by law. This explains why the secret

---

<sup>2</sup> This study does not aim to analyze the risks of symbiosis between organized crime and Ministry of Defense officials. Such a focus would require a separate investigation.

service's status and its organizational rules were determined through classified decrees, decisions, and regulations of the governing party or state bodies. This was part of the pervasive manipulation by the communist powers of the law and the legal system. As Polish philosopher Leszek Kolakowski maintains, the ultimate cause for the supremacy of Stalinist totalitarianism was the complete lack of respect for the rule of law.<sup>3</sup>

In addition to the classification of files on individuals under investigation and of information gathered by the communist security sector, the sector's status and functions remained off the record. This secrecy helped it to become imbedded into society, not least through its network of collaborators, agents and informers. This pervasive spy network was an embodiment of the government principle of communism.<sup>4</sup> The network of non-payroll collaborators was, in sociological terms, the "soft periphery" of the "hard core" of payroll agents and police officers. Thus, under communism, a large portion of society was integral to the surveillance system within which the law had no authority and the discretionary power of the security sector staff was unchecked. In this grey zone of the spy state, the border between law enforcement and crime was hard to distinguish.

In the transition to democracy after the downfall of communism in 1989, the security sector's specific techniques of control, domination and pressure over its network of agents transformed in order to adapt to the new conditions. The sector used their traditional approach, but now it was employed in smear campaigns and corruption schemes through which ex-secret servicemen penetrated and influenced the authorities and the mass media.

Another potentially criminal trend dating back from communist times is the involvement of security staff in the economy. Apart from conventional intelligence and counter-intelligence motives, it was justified by the drive to gather scientific and technological information by circumventing the restrictions of Coordinating Committee for Multilateral Export Controls (COCOM)<sup>5</sup> through appropriate business contacts. One of the founding elements of the early transition economy of crime was the participation of security agents in illicit financial and business operations and the setting up of companies abroad, later appropriated by the same secret service staff.

---

<sup>3</sup> "The rule of law did indeed remain as a system of procedural rules that applied to public law. But it was altogether abolished (and never reinstated) as a system of rules that could curtail, at any point, the unlimited power of the state over the individual. This law had to be such as never to break the principle according to which citizens were treated as property of the state. In matters of utmost importance totalitarian law has to be vague and ambiguous, so that its actual application will depend on the arbitrary, shifting decisions of the executive and each citizen may at any moment be pronounced a criminal ... Law, as an instrument of mediation between the state and the people, was abolished to be transformed into a flexible tool solely at the service of the state".

Kolakowski, Leszek, "Politics and the Devil", *Politics and the Devil and Other Essays* (Sofia, Bulgaria: Panorama, 1994), pp.250-251.

<sup>4</sup> *Ibid.*, p.252.

<sup>5</sup> The Coordinating Committee for Multilateral Export Controls (COCOM) was founded by NATO in 1949 to maintain export controls on arms and dual-use technologies in Warsaw Pact countries.



The “culture of cynicism”<sup>6</sup> inherited from the communist era has also contributed to the general climate of corruption. The attitude incorporates contempt toward ordinary citizens, uncontrolled discretionary power of security service employees, and the latter’s sense of belonging to a secret elite at the helm of the state. This cynical abuse of information and public status adopted new guises during the transition period, informally reproducing the schemes of dependence and pressure. Due in part to these attitudes, the former State Security principles that had prioritized the party-state’s interests could not be expected to be outgrown and replaced by the more humane priorities of human security.

## 1.2. THE SECURITY SECTOR IN THE TRANSITION PERIOD

After the collapse of communism, the security sector had to radically refocus its functions, objectives and tasks. At that time, security services primarily protected the party-state’s power and the interests of the nearly irremovable incumbents. Their function was essentially political, thus the high status of the political police.

Liberal democracy on the other hand, assigns to the security sector the task of safeguarding the security, rights and interests of citizens. The security sector (which underwent changes after the Cold War even in developed democracies) is a separate democratic institution that should, in its own right, stand for the modern principles of government and the values of democracy. So, security sector reform (SSR) should principally aim at transparency, efficiency and effectiveness.<sup>7</sup> That is, this zone of confidential issues and state secrets should be no exception to principles of good government.<sup>8</sup> In addition, the sector’s new function had to be defined in light of the security threats to Bulgaria and its citizens during the transition, as well as the state’s international security commitments.

First of all, security services and the related institutions had to eliminate excessive secrecy, gain full legitimacy, and become integrated into public democratic institutions. This involved a redefinition of the sector’s position in the new hierarchy of power.

During the 1990s, in most East European countries, the politicians reached a consensus as to the functions of the security sector. The basic priorities were to:

---

<sup>6</sup> Kiernan Williams and Dennis Deletant, *Security Intelligence Services in New Democracies: The Czech Republic, Slovakia and Romania*. (London: Palgrave Macmillan, 2001), p.20.

<sup>7</sup> Alex Morrison, President, the Pearson Peacekeeping Center, Opening Statement to the *Security Sector Reform Conference*, Cornwallis, Nova Scotia, Canada, 29.11-01.12.2002.

<sup>8</sup> *Ibid.*

- depoliticize the security sector through partial or thorough lustration.
- abolish the political police and focus on anti-crime efforts within the country and worldwide.
- dissociate the security sector from Soviet and Russian security services and maintain regular professional relations with counterpart services in democratic states.
- guarantee the legitimacy of security forces by adopting primary and secondary legislation regulating their activity and their re-integration into the public system of government.
- achieve transparency and accountability through democratic control and oversight on the part of the legislature, the judiciary and civil society and eliminate unnecessary secrecy.
- integrate the security sector into the NATO and EU security systems.

### *The Transformation of Securitate*

After Romania's secret police Securitate was dismantled, nine new services were set up, the foremost of them being:

- the Romanian Intelligence Service (SRI), the most important among the newly established Romanian intelligence services. It is staffed with employees of the former Domestic Security Directorate. SRI's major task is to collect the information necessary to prevent and counter actions which might constitute threats to the national security of Romania. Its competencies include anti-terrorist protection, in which this service joins forces with the Service for Protection and Guard. The total number of officers at the SRI is between 10,000 and 12,000.
- the Service for Protection and Guard (SPP). This is the transformed Fourth Directorate (the former guards of Nicolae Ceaușescu). At present, the service is responsible for the safety of the Romanian president and party leaders as well as of foreign dignitaries during their stays in Romania. It has recruited its personnel of 1,500 officers mainly from the army. Its three areas of activity are: the protection of official buildings and residences, VIP safety, and general surveillance.
- the Foreign Intelligence Service (SIE). After its establishment in 1990, it took over the functions of the CIE (the Securitate Department for Foreign Intelligence).
- the Investigation and Security Service with the Ministry of Interior (UM 0215). This was built upon the Bucharest branch of the Securitate. It recreated certain Securitate practices including collecting information about Romanian nationals abroad, about the staff of foreign companies operating in Romania and about foreign nationals residing in the country. UM 0215 made observations on politicians, journalists and trade union leaders and was obliged to contribute relevant data to the SRI information system. In March 1994 a department for surveillance and reconnaissance was set up at the ministry to focus on trans-border crime and to contain the influence of UM 0215. In May 1998, prodded by media and foreign consultants, the service was reformed due to growing concerns of lax parliamentary control over it. Its staff was reduced from 1440 to 150 people, but the service continued to function, albeit under a new name—the General Department of Intelligence and Internal Protection. The “reformed” department implemented internal anti-corruption measures and gathered intelligence on external threats targeting the Ministry of Interior.

Source: Kiernan Williams and Dennis Deletant, *ibid.*, pp. 218-219.

Depoliticization of the security sector was one of the primary goals for all Eastern European states in the post-communist period. Depoliticization consisted of four basic stages:

1. Implementation of a law specifically prohibiting political party membership for security officers.
2. Lustration, or dismissal from high- or medium-rank positions of persons who have participated in communist governance.
3. Cutbacks in the network of the political-police's intelligence agents and dissolution of the politically-motivated informer network.
4. Withdrawal of political functions from the security sector and resignation from political party membership of its staff.

The first task was easily accomplished. The political police force, which was the embodiment of communist abuse of secret services, was dismantled. Lustration of communist staff members was fully accomplished at the highest level, but in some countries in Southeast Europe, such resignations did not reach medium government levels. All of the states, however, managed to replace most security personnel, which opened the door for modernization of the security forces. This was also a step forward in changing the intelligence and police structures and the type of activities they performed.

The accomplishment of lustrations in Southeast Europe contrasts with the lack of such steps in states of the former Soviet Union. Louise Shelley points to the lack of lustration as one of the main factors that allows the political-criminal nexus to endure in states like Russia and Ukraine.<sup>9</sup>

This report will track the interrelation between post-communist security sector transformation and the expansion of organized crime in Bulgaria. In particular, it will aim to prove that incomplete security sector reform poses the danger of the continuation of a partnership between the security sector and organized crime that began at the start of the transitions to democracy. This study will argue that delaying the adoption of good governance principles and the lack of proper evaluation and control over such an important government sector unleash corruption among individual officials (or even whole units) who then substitute public benefit concerns with private or group interests. The concluding chapter of this report offers recommendations to stepping up reforms, which take into consideration the security threats to both the post-communist security sectors themselves and the security of reforming Eastern European societies in general.

---

<sup>9</sup> Shelley, Louise, "Russia and Ukraine: Transition or Tragedy?", in *Menace to Society: Political-Criminal Collaboration Around the World*, ed. Roy Godson, New Brunswick, USA and London (UK) Transaction Publishers, 2003.

The communist heritage remains present in modern-day multi-party democracies, as is evident in the continuing practice of manipulation of official information and in the abundant smear campaigns commonly seen in the media and intended to misinform the public. Corrupt security sector employees often abuse their unrestricted access to classified information, thus placing intelligence apparatus at the center of informal political networks. The risk that any falsified information may become official is also a continued threat.

### 1.3. THE SECURITY SECTOR AND THE CONFLICTS IN THE WESTERN BALKANS

Questionable relationships between the security sector and the major players in trans-border crime have also taken on new dimensions (to be presented in Chapter 2 of this report). In the 1990s, Southeast Europe became a firm link in international trafficking of drugs, people and arms, while the Balkan route became synonymous with the idea of the import of crime into Western Europe. In addition to the heightened traffic from Asia—prompted by liberalized border-crossing procedures all over the Balkans—the international embargo of Yugoslavia also led to a boom in illegal smuggling of fuel, food and other commodities. The involvement of security sector officers from adjacent countries in large-scale contraband was the main factor in the emergence of corruption networks that sustained stable smuggling channels.

The symbiosis between the security sector and organized crime in the Western Balkans became particularly alarming after the armed conflicts following the unraveling of Marshal Tito's federation and the formation of independent post-Yugoslav states. The very origin of the security sector in these new states was criminal. Arms smuggling, having been facilitated by the security services, officers and army units in the former republics, had been regarded as a patriotic activity bringing benefit to society during national independence wars. The armed conflicts and the embargo regime also made Albania an integral part of the trafficking and smuggling schemes in which its secret services, notably the *Sigurimi*, were thoroughly enmeshed.

In Yugoslavia (now Serbia and Montenegro), Milosevic utilized precisely that symbiosis to build his one-man regime. He also portrayed the state-run contraband operation as a genuine patriotic effort for national survival under an embargo regime. The assassination of democratically-elected Prime Minister Djindjić by mob leaders who were former members of elite security units was an act that further verified the link between organized crime and the security services in the emerging post-Yugoslav state.

In spite of all of the peculiar circumstances of each state in the Western Balkans, the pattern of communist security sector reform is quite uniform. Reform measures will gain clarity and focus as fledgling states resume normal relations and stability is established in the region. Such improvements will facilitate cooperation in combating trans-border crime between national security bodies in the separate countries.

## 2. THE RISK OF SYMBIOSIS BETWEEN THE SECURITY SECTOR AND ORGANIZED CRIME IN BULGARIA

### 2.1. THE TRANSFORMATION OF THE SECURITY SECTOR IN THE PERIOD OF TRANSITION

Bulgaria's political reform of November 10, 1989 was immediately followed by a transformation of the communist era Committee for State Security. The committee was dismantled within months (from January to May 1990). A serious structural makeover was undertaken after a series of decrees and decisions by the State Council and the Council of Ministers aiming to abolish the political police and decentralize the remainder of the security forces. A noteworthy fact, however, is that such pieces of secondary legislation were, again, not made public.

Detractors of the socialist government of Andrei Lukanov claimed, among other things, that the hastened reforms were aimed at pinning the crimes of the Bulgarian communist party solely to the State Security force.

#### *The transformation of the Committee for State Security*

- The political police (Main Directorate 6 of the Committee for State Security) was dismantled.<sup>10</sup>
- The intelligence service (Main Directorate 1) was placed under presidential command. It was renamed the National Intelligence Service (NIS).<sup>11</sup>
- Main Directorates 2 and 4 were transformed so as to preserve existing counterintelligence units and establish the National Service for Protection of the Constitution (NSPC). In July 1991, the latter was renamed the National Security Service (NSS).<sup>12</sup>
- Main Directorate 3 (i.e., military counterintelligence) was made part of the Ministry of Defense (MoD).

---

<sup>10</sup> The Law on the Ministry of Interior of July 16, 1991 repealed Decree 1670 on the Committee for State Security of 1974 and the unpublished Decree 1474 on State Security Activities of 1974.

<sup>11</sup> State Council Decree 152 of 1990 and Presidential Decree 17 of 1990. Council of Ministers Decree 216 of November 4, 1991 regulates the position of NIS in the system of state institutions of the Republic of Bulgaria. In 1996 NIS was included in the Law on Defense and the Armed Forces; already in 2002 it was no longer part of the army, but remains in the transitional provisions of the Defense Law until a specific NIS law is elaborated.

<sup>12</sup> The Law on the Ministry of Interior of July 16, 1991, repealed with the Law on the Ministry of Interior of 1997. Main Directorate 2 was renamed National Service for the Protection of the Constitution, but already in 1991 the name National Security Service was in circulation.

- After internal restructuring, the State Security's Main Investigation Directorate (MID) became the National Investigation Service.<sup>13</sup>
- Main Directorate 5 (called the Directorate for Safety and Protection) was placed under presidential authority. Later on, it was renamed the National Bodyguard Service (NBS).<sup>14</sup>
- A new security service was established in July 1991—the Central Service for Combating Organized Crime (CSCOC), later renamed the National Service for Combating Organized Crime (NSCOC). The new service has mostly police functions.
- Two new services were formed in accordance with orders from the Minister of Interior: the Bureau for Outdoor Surveillance (BOS) and the Operational and Technical Information Service (ATIS).

Apart from structural reforms, substantial personnel cutbacks were made on all levels of the former State Security agency, from the managerial top to the operational bottom. Between 1989 and 1991, over half of its officers were made redundant, the bulk of them from the political police, (known as the Sixth Main Directorate) and the Technological and Scientific Intelligence (TSI). From the top or intermediate management level of the TSI, most officers with up to five years or over 20 years of service were dismissed. The government of Prime Minister Philip Dimitrov dismissed an equal number of State Security officers in the period of 1991-1992. According to Deputy Prime Minister Dimitar Ludzhev, a member of Dimitrov's cabinet, as a result of the two personnel reduction stages, between 12,000 and 14,000 people were made redundant.<sup>15</sup>

The services that were set up after structural and personnel transformations and the dissolution of State Security were placed under the authority of either the Ministry of Interior (Mol), the Ministry of Defense, or the President. In this way, a certain distribution of competencies was achieved, but coordination between them diminished. A reproduction of any totalitarian type of structure was no longer possible due to decentralization and staff cuts. At the same time, regular enforcement functions were nearly paralyzed by this institutional collapse.

<sup>13</sup> MID was established with Decree № 1138 of 1979. The National Investigation Service was established with the Law on the Supreme Judicial Council of 1991.

<sup>14</sup> Council of Ministers Decree No. 101 of 1991 and Council of Ministers Decree № 151 of August, 1992. The latter adopts Rules on the Organization and Activities of NBS.

<sup>15</sup> *Trud*, October 18, 1995. Gen. Atanas Semedzhiev, the first post-1989 Minister of Interior, commented on the principles on which the reforms underway at that time lay: "...We pinpointed strict criteria, according to which the officers subject to dismissal were those of retirement age, and sometimes officers who, even though younger, were entitled to retirement, as well as officers who had been recruited only recently...We were perfectly aware that the dismissal of professionals would disable the security services. It would also be unreasonable financially-wise, since the training costs for each officer had been indeed sizeable. ...Those between the ages of 45 and 55 suffered most from the cuts, though it was they who were most professional and experienced. Often, it was the better equipped instead of the more incompetent ones that were released under orders of biased superiors. The measure of most negative consequences was the instruction to satisfy the resignation of each officer who had submitted one. It was actually the best officers who resigned, which was a serious loss for the security forces." (see *Trud*, November 1, 1994).

Some of the officers made redundant were re-recruited by the police departments at the newly instituted Ministry of Interior, in particular by the National Service for Combating Organized Crime (NSCOC). Apart from the National Police Service and its 27 regional directorates, a National Border Police Service<sup>16</sup> was formed for protecting and keeping control of the state border<sup>17</sup>, as well as a National Gendarmerie Service.

In the early years of transition the police were not spared massive lay-offs, harsh rebukes by the media and the public, and political influence on recruitment policy. Thus, a large portion of laid-off or dissatisfied police officers joined the ranks of shadow economy structures.

## **2.2. THE INVOLVEMENT OF THE SECURITY SECTOR IN THE GREY AND BLACK ECONOMIES**

Corrupt officers in the security sector and former officers of the People's Militia (the Police equivalent in the Communist era) were among the key culprits in the crime-infested transition years. A distinction should be made, however, between the participation in criminal activities of the former militia officers and that of the State Security units. The People's Militia was responsible for curbing domestic crime and maintaining public order. Therefore, its officers and informers had a background in this particular field and were involved chiefly in low-level criminal schemes.

The primary transition goal of eliminating the repressive communist state apparatus and laying the groundwork for civil control of the police and security services was accomplished through heavy staff cuts. The adverse effect of these processes, however, was the increase in national security breaches and in violations of human rights in a number of East European states, not least in Bulgaria. The bond between present and former security officers and the criminal and quasi-criminal groups proliferating amid legal and institutional chaos (most pronounced at the start of the transition) has been one of the most ominous developments in post-1989 Bulgaria. This partnership was engendered by a number of circumstances, two of them of crucial importance:

- the involvement of security forces into the grey and black economy; and
- their role in the formation of a corruption-breeding public sector.

These two circumstances aided the formation of informal crime networks where political and economic interests intersect, and which, furthered by corruption, provide a political umbrella for the activities of criminal formations in post-communist states.

---

<sup>16</sup> In the early 1990s border protection was still executed by the Border Troops.

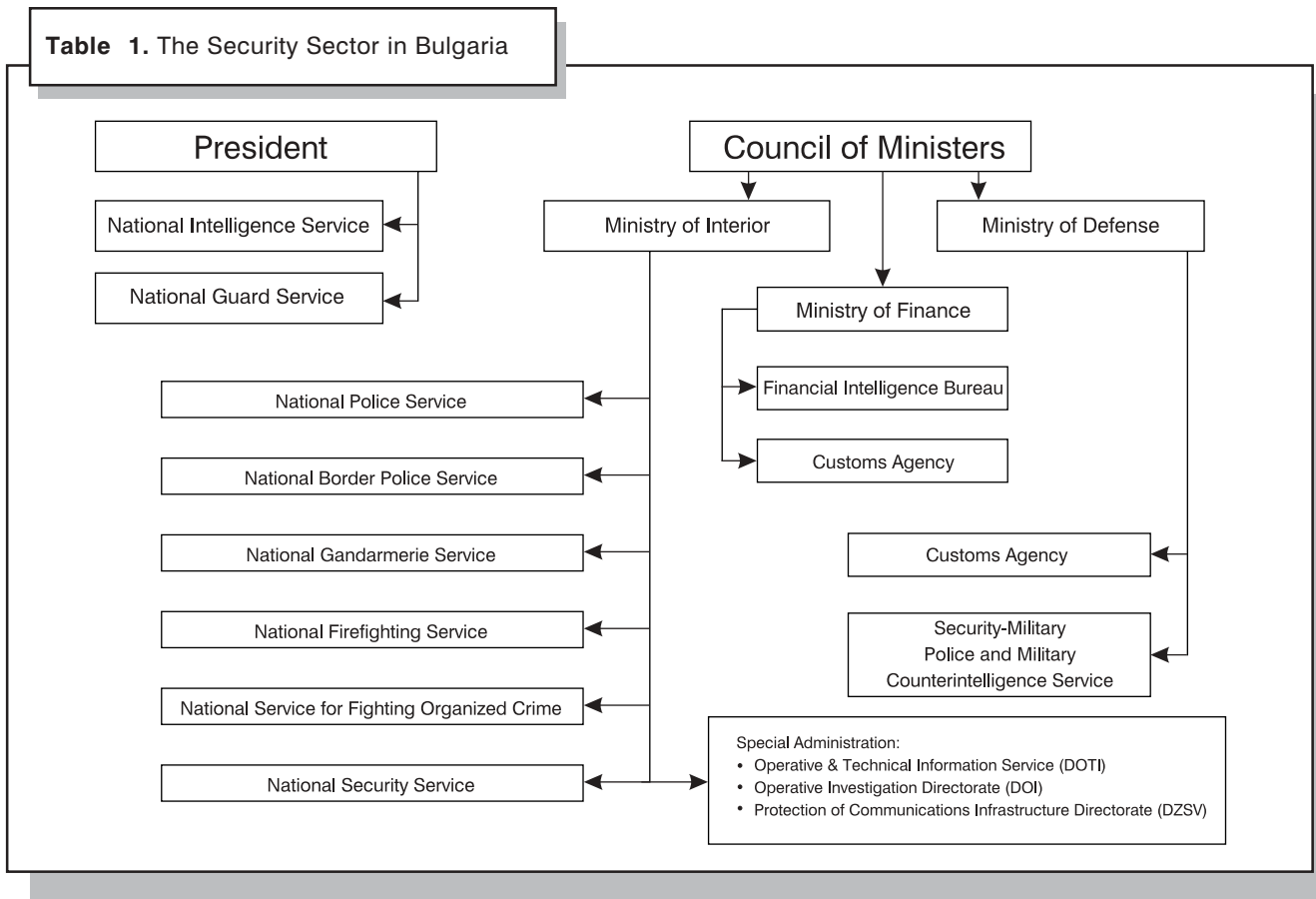
<sup>17</sup> According to the Law on the Ministry of Interior, the Border Police Service performs its functions in the border zone, border check point zones, international airports and sea-ports, internal seas, the territorial sea and its area, the continental shelf, the Bulgarian part of the Danube, and other border rivers and water basins. (See <http://www.mvr.bg/>).

**2.2.1. State Security and Economic Crime**

As evident from the example of Bulgaria, the course of the secret services' participation in the country's economy was predetermined even under communist rule. The Technological and Scientific Intelligence (TSI) agency was a principal means to this end.<sup>18</sup>

The two most well-known operations of the technological intelligence at that time were the Neva and Mont Blanc projects, designed for the illicit transfer of embargoed advanced technology. Later on, TSI was at the core of trade enterprises established abroad by State Security.

**Table 1. The Security Sector in Bulgaria**



<sup>18</sup> The Technological and Scientific Intelligence agency was set up in 1980 as the second division of State Security Main Directorate 1. In 1986, an economic division was formed within the counterintelligence Main Directorate 2 to tackle national economy matters. Apart from these two departments, an Economic Police unit was operating under the Ministry of Interior. Between 1975 and 1982, four economically-orientated departments were operating, namely the trade, economic, transport and state secret departments. Ministry of Interior Order K-2038 of April 13, 1982 instituted Department E as part of State Security Main Directorate 2 which was comprised of five units: one trade, two economic, a transport and a state secret unit. Order T-32 of March 23, 1986 established as a separate unit Main Directorate 4 made up of several departments: 2 economic, a trade, transport, state secret, information and analysis, active measures and military counterintelligence unit within the railway troops.



### *The Neva Project*

The secretive Neva Project (1984) aimed to supply Bulgaria and the Soviet Union with advanced technologies over which COCOM had imposed an embargo. The Mont Blanc Project (1986) supplemented the basic project by setting up clandestine companies abroad whose revenues were deposited into foreign bank accounts. The funds earned through technology acquisition are estimated at \$1 billion. The Technological and Scientific Intelligence agency was in charge of the projects' practical implementation, while State Security's First Main Directorate was responsible for managing the revenues. A practical outcome of these efforts was the building of Memory Disks Equipment company (known as DZU) of Stara Zagora (then a military computer research center). The Insist company was established as its outpost abroad and, later on, the company Inco joined in its business.

"... According to our clients' estimates, between 1981 and 1986, the annual profit of technological and scientific intelligence activities was \$580 million, i.e., this would have been the price of technologies had we bought them... Similar estimates may be made for the period 1986-1989, when the value of technologies reached \$350 million."<sup>19</sup>

The double-dealing economic activities of the State Security services included control over the contraband channels for arms, excise goods, and prohibited medication. At the end of the 1970s a special directorate, popularly known as the "hidden transit" directorate, was set up within Kintex, the state-owned trading firm which was Bulgaria's only authorized weapons export company during the communist period. One of its main tasks was to smuggle arms into third countries. The operational management was entrusted to a group of officers from counterintelligence Main Directorate 2. Besides arms, the channels were used for illegal trafficking in people, mainly persons prosecuted in their own countries for communist or terrorist activities. The channels were even used for trafficking in objects of historical value.<sup>20</sup>

The exact number of State Security officers involved in this quasi-legal business is not known, but by 1989 a sizeable group of security officers had become part of legally-established businesses that, back in the communist era as well as under the present democratic government, conducted what could be categorized as trans-border criminal activity. Although at that time such enterprise was regarded as beneficial to society and was done by order of the state, this situation is now invariably interpreted as a major prerequisite for the nexus between security forces staff and organized crime, especially at the initial stage of transition.

---

<sup>19</sup> Interview with former technological and scientific intelligence chief, Gen. Georgi Manchev, *Anteni 26*.

<sup>20</sup> The *Danov Report* (named after former interior minister Christo Danov) issued in 1991, says that a representative office of the Liechtenstein company Ikomev was opened in Sofia at the foreign trade firm Intercommerce. In fact, Ikomev took over the business of Directorate 3 of Kintex except for the hidden arms transit. Kintex's subsidiaries Alltrade and Sokotrade joined Ikomev. Simultaneously, Ikomev was partner in the Bulgarian-Austrian company Lotos Ltd. whose business was banking operations. Kintex created a company called Inar for the sale of surplus arms inventory worth \$20 million. The top executive positions of all of these companies were held by acting or former State Security servants that had dealt in similar foreign trade activities in the communist period.

### 2.2.2. *The Security Sector and Organized Crime*

Three processes directly impacting the links between the security services and organized crime were underway in the early 1990s, namely: the post-communist transformation of the Committee for State Security, the establishment of a private sector in Bulgaria (it was during this period that the first private companies were registered and commenced their business), and blossoming criminal activity (including the formation of the first organized crime groups).

There is an obvious interdependence between these three developments. With the dissolution of the police state, the public sector's powers of repression and control significantly deteriorated; on the other hand, the freedom given to private initiatives pushed many enterprising citizens into activities that skirted the border between business and crime. "Dirty" business opportunities also attracted a number of criminals who had been incarcerated under socialism, and then granted amnesty after the transition. However, the largest bank out of which organized crime drew its recruits were strength athletes, in particular wrestlers from clubs and schools all over the country. As the state withdrew its support from the sports establishment, those athletes lost all prospects of social or career advancement. The go-getters among them easily fit into the security guard business niche that later expanded to include insurance. Wrestlers were mostly involved in racketeering, especially in the early 1990s, applying physical coercion to secure contracts for guarding retail trade outlets and, later on, to compel their owners to sign insurance contracts as well. Wrestlers and other groups of former professional athletes also entered the black economy, i.e., industries such as prostitution, gambling, smuggling and drug trafficking.

#### *The Emergence of Organized Crime in the Transition Period*

The number of crimes in Bulgaria recorded by the Mol in 1989 was 59,642, or 663 per 100,000 persons. By 1992, this figure had soared to 224,196, or 2646 crimes per 100,000, displaying a four-fold increase in comparison to 1989. Crime hit peak rates in 1997, the total number reaching 241,732, or 2898 criminal acts per 100,000. At the same time, a negligible portion of these crimes was actually penalized. In 1989, one of every three crimes was penalized, while between 1992 and 1994 a mere one twentieth of crimes were punished.<sup>21</sup> Another feature of the crime boom was the significant increase in crimes committed by groups of people. These developments led to the emergence of organized crime. This process was also influenced by the integration and globalization of international crime. Any definition of organized crime, however, is inherently incomplete or imprecise due to the versatility, constant transformation and ingenuity in the behavior of criminal groups and in the perpetration of crimes.

As a result of the democratic transformations, the communist-era security officers felt they had been abandoned by their own kind (i.e., the reformed communist party). In addition, they feared political repercussions and lacked qualifications for any other profession.<sup>22</sup> This spurred their participation in business, which allowed them to apply their expertise, contacts and network

<sup>21</sup> Source: Ministry of Interior.

<sup>22</sup> *Trud*, February 12, 2001.

of agents for the benefit of economic groups that were often quasi-criminal. In this, they engaged in partnership with former managers from the communist elite who were in the best position to set up business at the dawn of private enterprise in Bulgaria.

The officers released from the ranks of the State Security service possessed specific professional skills, many personal contacts at home and abroad, and their own information networks and databases on individuals, companies and organizations. To put all this into practice they needed the financial support of the newly-established private companies. This is how the first private networks for gathering information about individuals, companies and organizations appeared. The owners of some of these companies had been connected to State Security either directly or indirectly. Between 1990 and 1996, some of them employed hundreds of people in their information units, many of whom came from State Security. These private information units were of invaluable support to their companies' aggressive market tactics. Forcing their way into certain market segments, they essentially entered into conflict with the state (i.e., corporate interests clashed with state interests).

The private information networks were not used only by big Bulgarian companies. Often smaller firms purporting to provide security services also offered certain information services, including the use of special means of surveillance. The unofficial fees for phone tapping were announced in the press; as it turned out, a one-hour-long tape cost between \$75 and \$100.<sup>23</sup> The absence of any legal regulations on the activities of private information networks (essentially units of corporate espionage) or on their relations with security services made this issue even graver. At the same time, there was a flow of some former State Security cadres—who had worked in ill-reputed private firms—back into the security services. Some of them were believed to have misused their positions at law-enforcement bodies by continuing to work for private corporate interests.

The semi-legal privatization of the material assets of the former technological intelligence service was another link between former State Security officers and the underworld. Since the technological intelligence department was one the first to be fully dismantled, control over its assets remained in the hands of a few individuals who were not legitimate economic entities. This paved the way for illegal privatization of resources from the Neva and Mont Blanc projects, which had been terminated by 1990. But the Memory Disks Equipment company of Stara Zagora (known as DZU) and its spin-offs *Insist* and *Inco* were still in operation and it was their assets that became privatized between 1990 and 1993. According to information in the media, the eight overseas trade companies related to DZU were sold to nominal buyers with the purpose of covering the tracks of the embezzled money. The remainder of the resources was deposited into the accounts of the rightful claimants.<sup>24</sup>

Thus, a number of former police officers took advantage of the hazy status

---

<sup>23</sup> *Trud*, October 11, 2000.

<sup>24</sup> *Democracia*, December 6, 1994

of those companies (formerly controlled by State Security's First and Second Main Directorates) to circumvent the neo-COCOM<sup>25</sup> embargo restrictions, and, after the closure of the communist Ministry of Foreign Trade Relations, to clandestinely privatize all trade enterprises abroad.

The illicit privatization of technological intelligence assets also took an alternative route. As mentioned above, dozens of home- and overseas-based companies formed by State Security sprouted up between 1990 and 1991. Initially state-owned, they were later transformed into private companies. The media reported that there were at most 15 such firms in the country, yet it is believed that their number was much greater.<sup>26</sup> Alongside this, many channels and sections of the network of State Security and the People's Militia agents were privatized.

### **2.2.3. Participation in Security Companies**

Former State Security officers used two basic mechanisms of illegal privatization: cash loans to establish private companies, and the illicit makeover of SOEs (state-owned enterprises) into privately-owned firms. At the start of the 1990s a third privatization mechanism appeared—the establishment of private security and protection companies by former servicemen, in particular, laid-off militia officers. The fact that these companies made inroads into fields already captured by criminal enterprises made it easy for them to “integrate” into organized criminal activities.

The breakdown of public order created by the state's abdication of certain key responsibilities was crucial for the expansion of the private security industry. With the advance of privatization and due to budget shortages, the MoI pulled out from guarding industrial facilities (warehouses, plants, retail stores). A distinction could be made between criminal formations labeling themselves “security companies” and the firms trying to create niches for their business and keep them legal. Apart from that, there were functional and territorial differences between the separate “security companies”.

---

<sup>25</sup> Neo-COCOM, or the New Forum was the temporary name that COCOM (see footnote 4) assumed before becoming the Wassenaar Arrangement. Its founders were the EU, Russia, and the Visegrad Group. Bulgaria joined later.

<sup>26</sup> An anonymous high official from State Security made the following statement to reporter Angelina Petrova: “ ... In 1989-1990, when the lay-offs started, we held several meetings. At the first three of them, all the senior staff, were invited since the broad issue of our survival as an agency was brought forth. Later on, those with greater experience convened and decided that we should set up firms and put them into operation. ... After the technological intelligence ceased to exist, these companies remained, so that that their employees could earn a living. But the intelligence service did by no means fund any of these companies. None, but three firms. According to the law on company registration they needed to deposit a BGL 10,000 registration fee. We decided to lend this sum as a loan, but the borrowers were obliged to restore it within three to six months. ...”. (See *24 Chasa*, August 13, 1994).

### *The Wrestlers and Other Similar Formation*

Initially, the enforcement industry was apportioned between three large criminal associations—wrestlers, martial arts practitioners, and boxers. Many of the current bosses of the underworld started their career in Central Europe, engaging in car thefts, currency frauds, pimping, and other quick-profit enterprises. The wrestlers created a strict hierarchy for securing large profits and ensuring a high level of control. At the top stood a boss entitled to a sizeable commission of the criminal gains, while at lower levels were the “brigadiers” who supervised grassroots brigade members, namely the ordinary fighters at the bottom of the ladder. Their main line of business was car theft and racketeering of fledgling private firms (i.e., selling protection services).

Schools for training athletes constituted a pool of potential recruits for such criminal activities. Apart from highway robberies, small cohesive groups of athletes took control of prostitution in hotels in Sofia.

The wrestlers strong-armed street gangs and taxed them for each crime they committed. They pocketed a portion of the loot in exchange for protection against police action or other criminal groups. This was achieved through buying off police officers and investigators, hiring lawyers, and securing political contacts.

After 1992, racketeering became a livelihood for boxers and other athletes, as well.

Whereas protection firms owned by athletes guarded entertainment establishments, tourist spots and smaller offices, ex-policemen procured contracts with large SOEs, private companies, and banks, as a result of their old bonds with the elite. The latter did not earn their money through small-scale rackets. This disparity was the cause of the first conflicts between the two types of security firms.

The companies that were formed by former security servants recruited their bodyguards from among retired or dismissed police or military officers. Until 1994 policemen often worked for both the state and a private employer. Thus, protection firms could rely both on guards who were much better trained than those in rival athletic firms, and, when necessary, on quick police intervention. Such patterns are still present nowadays, but on a much smaller scale. In pursuit of establishing a good reputation, former policemen employed officers from specialized police units trained to combat dangerous criminals. Among these were the berets from the anti-terrorist division, the special squads attached to each regional directorate of internal affairs, the riot police, and the marines in Varna. Many special combat officers left such MoI and MoD units to start their own security companies. Some such enforcement firms took precedence over the companies formed by athletes due to their cold-blooded and professional attitude in most situations, and because the criminals feared them. Later, as a result of their interaction with coercive protection firms and the rules which had been imposed by the firms, such companies also crossed the line into criminal activities. Some former rivals formed partnerships. The firms set up by officers from specialized security units mutated into insurance companies, as well. In 1993 there were several clashes between companies run by police and those run by former athletes. The conflicts were primarily rivalries over coastal resorts, with each side desiring power over hotel and entertainment site leaseholders, the supply of foodstuffs and alcohol, and the gambling and prostitution arenas.

After capturing the resort area, security firms started to lease hotels and night spots on a grand scale. In 1995, criminal groups started illegal construction all over the Black Sea coast. Thus, the 1993 clashes were the first signals of organized crime in the making. Although the seaside and mountain resorts are currently more or less firmly distributed among the athletes' groups and former security officers' firms, clashes for dominance tend to erupt at the eve of each new holiday season. The constant reshuffling of tourist sites' management, the disordered state of legislation, undetermined ownership, and belated privatization were factors that fostered corruption and symbiosis between crime groups, former security offices and the economic elite.

#### **2.2.4. Security Sector Participation in the Financial Sector and the Banking Crisis**

Former policemen were also tempted by the financial sector. Thus, the managing boards of many of the newly-sprung, rapidly-bankrupt banks accommodated a number of former payroll and off-payroll State Security servants, including employees of First and Second Main Directorates (the foreign political intelligence and the counterintelligence), Sixth Main Directorate and the Fifth Main Directorate known as "Safety and Protection Directorate". The private banks of that time had well-staffed professional information and security departments, usually headed by one-time State Security and Ministry of Interior officers.

The Law on Banks and Crediting, which came into force in 1992, prohibited the appointment of former security officers or collaborators (in addition to other members of the ruling communist elite) to State Security. The law was attacked by 49 Members of Parliament from the Bulgarian Socialist Party in the 36th National Assembly. Decision No.8 of July 27, 1992 ruled these provisions anti-constitutional.

Although no official information about the affiliation of certain bankrupt bank owners with State Security is available to the public, there are some "facts" that are widely—if unofficially—recognized in society. One such "fact" is that bank owners with no affiliation to communist-time security services are the exception, rather than the rule. Widespread bankruptcies and hyperinflation in 1996-97 helped solidify the economic standing of former State Security officers and confirmed the general impression that most of the banks were established with the sole purpose of becoming bankrupted afterwards.

Bankruptcies had been predicted by the National Investigation Service several years before they actually happened. Months before the bank loan schemes started to operate, the MoI described them in detail in a confidential report. It stated that public and private banks had exported 2811 kilograms of packages containing US dollars (one million dollars in 100-dollar notes weigh 8 kilograms) through Sofia Airport customs.<sup>27</sup> The banks' net losses

---

<sup>27</sup> The report was quoted at a press conference, delivered by Edvin Sugarev in 1996.

as of May 31, 1996 exceeded BGL 33,6 billion, an amount much greater than their capital, and some of them reported negative capital of over 50 percent.<sup>28</sup>

The following conclusions can be drawn from the situation described above:

- The intent of many of the banks that went bankrupt in 1996 was to accumulate resources, obtain refinancing and ultimately drain their assets.
- Many of the banks were established by related persons and in many cases loans were administered to these same related persons—a vicious cycle of crediting which resulted in the bankruptcy of the banks. Thus, by lodging their stocks as security, supervisory board members received, in person or through related firms, loans amounting to millions of US dollars that they never intended to pay back.
- Some of these banks were established through credits or securities from DSK Bank, which makes it perfectly clear that they were never meant to survive and had no actual financial resources in stock.
- Most of these banks have employees, including at managerial positions, who were experts at the former Ministry of Interior or State Security officials
- A large share of the bad loans was granted to companies related to crime-groups belonging to former wrestlers and to security sector officers.
- Often, more than one bank was founded with the same starting capital. Also some companies used the same collateral to obtain identical million-dollar loans from several banks.
- The executive, the legislature and the judiciary all demonstrated conscious or unconscious indifference to developments in the financial system throughout the period of 1991-1997—regulations on bankruptcies were delayed, no appropriate penal provisions were adopted, the laws on banking were generally imperfect, utterly incompetent individuals were allowed into the banking system, and the Mol and the intelligence agencies took no responsibility or action to curb violations.
- High inflation, which struck in 1996, abetted the so-called bad-loan millionaires in their criminal endeavors, as the drastic devaluation of the Bulgarian *lev* devalued their huge debts to the banking system as well.

### *The Bad-Loan Crisis of the Bulgarian Banks in the 1990s*

The bad-loan crisis of Bulgaria's banks was reviewed in a special report drawn up by the Committee for Combating Crime and Corruption at the 38th National Assembly, known as the Anti-Mafia Committee. According to that report, bankruptcies caused damages to:

- The state budget, in correspondence with the Bank Deposit Guarantee Law,

<sup>28</sup> Petya Shopova and Yordan Tsonev. "Report on the Causes of the Collapse of the Banking System". *Parliamentary Committee for Combating Crime and Corruption* (published in *Banker*. No.21. May 30, 1999).

amounting to BGL 108 billion or \$206 million.

- DSK Bank, amounting BGL 103.6 billion from the refinancing of commercial banks by DSK Bank (these data are only approximate since the refinancing was conducted during different periods and under varying BGL-USD ratios).

- The Bulgarian National Bank (BNB), amounting to BGL 143 billion just in principals. The report states that in the period of proliferation of private banks (1991-1994), there were no regulation-setting requirements for proof of the capital's origin before the bank was granted a license. The prohibition for founding banks with borrowed capital was only issued in 1994. There was no chance, therefore, for banks licensed after this restriction was enforced to avoid bankruptcy. The fact that they were created with borrowed capital is indicative of criminal purposes rather than of normal banking intentions. The consistent founding of such banks and the lax licensing on the part of BNB management lead to the conclusion that these were premeditated schemes designed by a few individuals. The parliamentary report mentioned that BNB had not exerted sufficient control, had permitted licensing of hollow structures and had been influenced by politicians in the granting of licenses. Other critiques regarded bank oversight and refinancing. The report estimated the amount of credits that had not been repaid at BGL 2.5 billion (Ä1.5 billion). After the law on credit millionaires was adopted, over 10,000 credit files with information about delinquent bank loans were made public. There were some attempts to incorporate a relevant penal text into the Criminal Code, but these were so delayed and inadequate that not a single credit millionaire of importance was actually punished. Finally, in 2002, the violation of "receiving bank credits without securities" was decriminalized and all hope of reimbursement of the stolen monies withered.<sup>29</sup>

### *The Credit Millionaires*

On October 21, 1997, the Law on Information about Nonperformance Loans was promulgated in the State Gazette. It revoked the bank secret on:

- Nonperformance loans granted by BNB and DSK Bank to commercial banks after July 1, 1991.

- nonperformance loans granted by commercial banks and DSK Bank to physical and juridical persons after January 1, 1987 of an amount bigger than the par value of DM 5000 corresponding to BNB fixing on the date of the granting of the loan.<sup>30</sup>

A list of 10,762 bad loans and about 3000 private individuals and companies who had received such loans was made public. The total amount due was BGL 2,745,578,451,000. It was also announced that, for fear of being put up on the bad-loan list, companies and individuals paid back a total of BGL 547 billion.<sup>31</sup>

There were three types of bad loans:

1. Implicit subsidies as soft credits to loss-making or bankrupt SOEs, where the primary purpose of party leadership was to prevent social tension.
2. Bad credits given out to friends or in exchange for bribes. Everyone was aware from the start that these loans would not be repaid. "Commissions" were set in tête-a-tête meetings between the creditor and the borrower. False credit projects, pledges and securities were made.
3. Loans made for actual bankruptcies. In actuality, there were very few of these type of loans. According to certain bankers much of the money from these loans was spent on luxury items.

<sup>29</sup> Shopova and Tsonev. "Report on the Causes of the Collapse of the Banking System". May 24-30, 1999.

<sup>30</sup> Art 1.1 and 1.2 of the Law on Information about Nonperformance Loans, SG 95/1997

<sup>31</sup> Shopova and Tsonev. "Report on the Causes of the Collapse of the Banking System". May 24-30, 1999.



Penal provisions against unscrupulous borrowers were adopted as late as 1996-7, yet the number of credit millionaires penalized so far is negligible.

Later, another problem surfaced which involved assignees in bankruptcy claims. Evidence that the bad loans crisis had begun anew came to light. Information was spread indicating that the same companies or individuals were simultaneously assignees and consultants to bankrupt banks. Large sums were paid to consultants while the assets of bankrupt banks were sold at a price considerably lower than their actual value. Some of the assignees reportedly admitted to covering up the traces of both bankers granting non-secured loans and of those who availed themselves to them, mainly by means of multiple transfers of the same loan.

The emphasis on the risks and trends in the symbiosis between former State Security staff and the old enforcement officers and the underworld does not mean that corruption has not infected the newly-employed security staff members. Indirect evidence of this is the fact that nearly half of all security officers penalized for corrupt practices were junior officers.<sup>32</sup>

### 2.3. THE SECURITY SECTOR AND TRANS-BORDER CRIME

In the transition years contraband became the chief source of dirty money in Bulgaria. Since the Bulgarian economy opened, up to 80 percent of the GDP has passed through state borders (via import or export). The soaring import of Asian and Turkish goods in the 1990s had a negative effect on Bulgarian industry and agriculture, while at the same time helping to build up the shadow economy in the country.

Both organized crime groups and corrupt security servants aspire to control the trans-border traffic of goods. One reason is that such goods smuggling channels run by local and foreign criminal groups are also used to illicitly transfer drugs, people, arms and so on. In other words, smuggling and corruption are threats to both the economy and the security of the country. The 1992-96 embargo of Yugoslavia gave a forward thrust to the mutually beneficial relationship between the security sector and criminal and quasi-criminal trafficking and smuggling groups. Regular, organized contraventions of the law led to a huge influx of dirty money allowing criminal groups to capture sizeable shares of the country's economy. Security reports from that time list numerous cases of embargo violations on the part of economic groups led by former police officers and nomenklatura members, who generated extravagant profits by exporting fuel, metals and military produce to the warring countries.

Criminal organizations had a strict division of labor: corrupt enterprise managers allocated fuel and other strategic raw materials; former policemen and agents secured contacts in the customs and border security administration; and contract enforcers acted as haulers and guards of embargoed freight. The latter grew to be key players in the business. At first, they were only employed by larger companies as escorts to their vehicles, but eventually the security companies themselves started transiting fuel and cigarettes along old and new channels into Serbia.

<sup>32</sup> Analysis of MoI corruption-related crimes in 2001.

In order to breach the embargo without problems, the border state officials had to be corrupt. This is how customs, security and police officers, and other state officials became engaged with the criminal world. Such alliances were easily made due to the fact that, in the mid-1990s, many such officers worked extra hours as private guards to businessmen. Thus, companies with illegal business were informally provided with information from the Ministry of Interior. In a sense, it was the Yugoslav embargo that catalyzed the formation of Bulgarian organized crime. In an analogy to the Prohibition that gave impetus to the US mafia in the 1930s, the embargo bred the triple liaison between criminals, ex-policemen and the economic elite.

### *The Albanian Arms Deal*

An arms deal during the embargo of Yugoslavia suggested that weapons may very well have been smuggled from Bulgaria into Yugoslavia. In the fall of 1993 six tractor-trailer trucks carrying 100 mortars, 1000 mines and 250 Dragunov snipers for a total price of \$670,000 crossed the Gyueshevo border crossing with Macedonia. According to the cargo documentation, the destination country was Albania. Later, the arms freight disappeared in Skopje and the six trucks returned to Bulgaria empty. Available documents indicate that there was a contract signed by the head of the Trade and Supplies Directorate of the Bulgarian Ministry of Defense and the Albanian counterpart ministry represented by the Meiko company. The parties executing the deal on the Bulgarian side were the MoD Directorate and the private hauler Videomax. In the incident's aftermath, it was revealed that "no one representative of the Albanian government was ever mandated to come to Bulgaria with the task of concluding contracts or making commitments in arms purchases" and that no arms ever reached Albania. Certain other facts slowly came to light: that the arms were unloaded at Petrovac Airport in Skopje, loaded onto a plane and carried in an unknown direction. Finally, it became clear that the plane had "broken" over Bosnian territory, where it unloaded its freight. All evidence indicates that it was definitely a Bulgarian-Serbian deal. Information and documents kept at the military prosecutor's office contain evidence of the Serbian secret services thanking their Bulgarian colleagues and urging them to collect their remuneration. The hauler remains in anonymity even today, and the money has not been heard of again. Several top Bulgarian military officers have been arrested in places like Kiev and Moscow. Meanwhile, it turned out that, while still on Bulgarian territory, the cargo was escorted by an MoI official and a National Security Service officer. An action has been brought against them and the case is before the court.<sup>33</sup>

In 1999 a commission set up by the Council of Ministers concluded in a report that the "MoI and Finance Ministry bodies have registered over 400 cases of large-scale illicit export of cigarettes and tobacco products, robbing the state of revenues that exceed \$250 million." The commission also announced that there were "hundreds of instances of large-scale contraband of petrol products worth hundreds of millions of US dollars, as well as contraband of sugar and confectionery, etc."<sup>34</sup> The report said that "cases of 'state contraband' presented a particular menace, i.e., the import and export of goods to Yugoslavia in violation of international agreements and domestic regulations and with not only the silent consent of state authorities

<sup>33</sup> *Corruption and Trafficking: Monitoring and Prevention* (Sofia: Center for the Study of Democracy, 2000), p.15.

<sup>34</sup> Announcement of the Government Information Service, May 13, 1999.

and services, but sometimes even with their outright complicity or following secret instructions by government bodies or high government officials.”<sup>35</sup> A characteristic example was “the transaction of Neftochim EAD in 1995 and 1996 where petrol products for Yugoslavia were bartered for grain, flour and forage. The deal was set off after a secretive decision by the then-government and instructions issued by the ministers of finance and agriculture.”<sup>36</sup>

The same report claimed that “despite the great number of unambiguous crimes of contraband, serious financial and tax frauds and evidence for grand corruption, the verification and curbing of crime schemes was done in a rather incoherent manner, thus barring the full access to and the blocking of smuggling mechanisms.”<sup>37</sup> Regrettably, no individual or company has been punished so far. This has given latitude to criminals, also providing them with time to launder their loot from the embargo period. The main consequences of these trans-border criminal activities were:

- The financial and organizational boosting of Bulgarian organized crime, including shadow business groups (it is hard, however, to make an estimate of revenues from the embargo regime, but they were certainly not below several hundred million dollars).
- the participation of former and acting security officers (from counterintelligence, the specialized service for combating organized crime, the police and customs services and the border troops) in criminal trans-border operations.
- that even after the embargo was lifted in 1996, the smuggling channels and the schemes for money laundering, racketeering, and illicit control over the consumer goods trade that had been formed by then continued to serve as a source of enrichment for legal or shadow economic groups and for the administration, both then and now.<sup>38</sup>

It was at the time of the Yugoslav embargo that the convergence of communist-time security services, banks, protection firms owned by athletes, and the state security-controlled smuggling channels (as the latter were described in Christo Danov’s report in 1991)<sup>39</sup> took place. The key role of security officers in the channels is sometimes explained by the fact that until 1997, border control was executed by the National Security Service (the successor to State Security Main Directorate 2). This changed with the adoption of the new Law on the Ministry of Interior in 1997. Passport control was transferred to the National Border Police Service. These institutional transformations also affected the operation of smuggling channels between 1997 and 2002.

---

<sup>35</sup> *Ibid.*

<sup>36</sup> *Ibid.*

<sup>37</sup> *Ibid.*

<sup>38</sup> *Corruption and Trafficking: Monitoring and Prevention*, p.11.

<sup>39</sup> Report of the Mol Central Group on State Security Activities, 1991.

### *The Khan Kubrat Case*

One of the notorious embargo breaches was an incident that took place on the night of March 3, 1994, when the ship Khan Kubrat crossed into Serbian territory tugging six barges loaded with 5000 tons of diesel and 1000 tons of machine oil. In order to transfer the fuel across the country's border an armed hijack of the vessel was staged before the very eyes of Western European Union patrols guarding the Danube. A day later, the fuel was unloaded in the Serbian port of Prahovo and the empty boat returned to Bulgaria. Roumen Stoykov, director of the Petrich company Rutoplast, was at the bottom of the affair. After numerous attempts on the part of Interpol to track him, he was detained in Sofia on September 24, 1997. His associate, Dimitar Shoutov, had been caught earlier, in May, 1995 in Petrich. For years, the case against them was transferred between different prosecution offices and courts. Finally, it was decided that the trial would be held in Vidin. Meanwhile, Khan Kubrat's captain Kostadin Stoyanov and his mates, Kercho Abrashev and Atanas Penchev, received probationary sentences.<sup>40</sup>

Despite the lifting of the embargo and the partial decline of smuggling along Bulgaria's western border, the networks of cooperation between criminal and shadow economic groups and security sector representatives went on in the late 1990s, as well. Although law enforcement bodies conducted some successful operations both before and after the year 2000, managing to spoil the functions and plans of criminal groups in control of illicit imports, some of the smuggling channels are still in operation. There are several facts supporting this:

- The division of labor between criminal players specializing either in illicit import or customs frauds has been kept.
- Despite some reshuffles, most of their accomplices in the customs and border police administration, as well as in other enforcement bodies, have kept their offices.
- The fixed "fees" for illicit import and customs frauds, which are a public secret, testify to an existing market for smuggling services.
- Market research shows that the actual amount of imported commodities considerably exceeds official figures on imports.

An analysis of contraband and corruption should take into consideration the fact that corrupt civil servants from the security sector take advantage of an intrinsically weak internal control, the technical overcomplexity of customs procedures, the deliberately delayed introduction of a unified customs information system, the high document turnover and a number of other factors allowing temporary concealment of violations and crimes. In addition, the excessive volume of customs legislation, as well as the contradictions between certain regulations, encourage individual customs officials to interpret them to the benefit of their private interests.

---

<sup>40</sup> News report of the *Bulgarian News Agency BTA* of April 28, 1999.

Customs officials take bribes when doing one-time “favors” or when involved in long-term cooperation with particular trade or other import-export operators. In some cases, customs officials commit violations under the influence of particular representatives of the central or local government, influential economic structures and criminal organizations.<sup>41</sup> When customs officials receive bribes, they are aware of the amount of money the persons involved in illegal activities have saved, so they can demand the corresponding commission. The amount depends on the level of risk involved, or on the need for a corrupt customs official to coordinate his or her actions with other officials from the customs administration. Usually, the bribe is around 30 percent of the unpaid customs duties and other fees. Apart from receiving money, some customs officials are allowed to buy certain goods at reduced prices, receive long-term loans or are offered free service in restaurants and similar places.<sup>42</sup>

The most wide-spread forms of contraband are:

- Abuse of the “time” factor (deliberate delay of customs clearance of perishable goods or promises to speed up the process).
- Falsification of the documents accompanying goods or replacement of the genuine set of documents with a different one.
- Abuse of certain customs regimes (the duty-free zones, in particular).
- Violations of the procedure for destruction of goods.
- Sale of goods prior to importation.

Criminal partnership between security officers and smugglers has a variety of manifestations and involves representatives of all border law-enforcement bodies. The customs administration is the body most entrenched in corruption, and officials on all levels are involved.<sup>43</sup>

The Center for the Study of Democracy has published a report on the typical corruption and smuggling schemes according to the scope of their destructive impact on the economy and security of Bulgaria.<sup>44</sup> (see Table 2)

Associations between corrupt security servants and organized crime have been detected by the MoI Inspectorate Unit. One of their reports states that the bulk of investigated violations are cases of abuse of office for personal gains in one of the following ways:

- Supporting criminal activities.
- Participation in illicit trafficking of people across the state borders.
- Participation in smuggling channels for goods or stolen cars through border crossing points.

---

<sup>41</sup> *Corruption, Trafficking and Institutional Reform*, p.13.

<sup>42</sup> *Ibid.*, p.16.

<sup>43</sup> *Ibid.*, pp.14-15.

<sup>44</sup> *Ibid.*, p.18.

- Extortion of citizens.
- Contacts with shadowy personalities.<sup>45</sup>

**Table 2.** Basic Schemes of Smuggling/Corruption

Mode	Corruption Scheme	Type of Violation	Amount of Bribes
1. Large organized crime group operating on a national level.	<ul style="list-style-type: none"> <li>• Importer(s). ↘</li> <li>• Border police/customs officials. ↘</li> <li>• Officials from Mol administration supervising the safe transit of goods to inland customs bureaus and the inspections there. ↘</li> <li>• Inland customs bureau. ↘</li> <li>• Political and administrative protection at the central level.</li> </ul>	Various document frauds, violation of customs regimes, etc.	From \$10,000 to 50,000 per organized group. <i>Losses to the state budget:</i> up to 50%, depending on the type of goods.
2. Small organized crime group operating in a particular region or in one or two regional customs directorates.	<ul style="list-style-type: none"> <li>• Importer + former or acting customs officer. ↘</li> <li>• A customs bureau chief + former or acting Mol official (keeps at bay potentially troublesome officers or forewarns about pending inspections). ↘</li> <li>• Operational inspector(s).</li> </ul>	Most forms of document frauds/offenses.	Up to \$5,000 monthly per group. <i>Losses to the state budget:</i> up to 30% of the overall value of goods.
3. Twosomes	Corrupt partnership between a customs official and any border checkpoint officer.	The so-called "outright smuggling" where goods pass through border customs without registration.	<i>Losses to the state budget:</i> Conditions are created to traffic controlled goods (drugs, arms, etc.).
4. Individual corruption.	Individual customs officers let their people in or feign a stricter-than-normal observation of procedures, bordering on extortion.	Abuse of the "time" factor.	Between BGL 100 and 200 per month or material "gifts".

## 2.4. THE INVOLVEMENT OF THE SECURITY SECTOR IN SMEAR CAMPAIGNS

Along with the influx of State Security cadres and material assets, a revival of the political involvement of the security services took place in the 1990s, chiefly through their participation in smear campaigns and corruption at the highest levels of government. The general perception at the start of the transition period was that the security services had been expelled from the political and party systems for good. In 1991, a decision on their

<sup>45</sup> Information as of July 16, 2002.

depoliticization was officially taken and political party membership was banned for security servants. Each individual security staff member was asked to sign a declaration that they would refrain from membership in any political party. Those that refused to sign the declaration were discharged. Thus, in compliance with regulations, depoliticization was accomplished. Yet in recent years several revival campaigns have pushed security services back into the realm of politics.

In Bulgaria, such relapses into the political realm involve clean-ups of the security sector of communist-time cadres. These purges, however, were often used to place new political appointees in their positions. A primary example is the office of the Secretary General of the Ministry of Interior. Over the course of 13 years, this senior position has been occupied by eight different persons, the tenure being shorter than two years per term of office. Apart from the attempts of successive ruling parties and coalitions to capture the security sector through politically-loyal staff, the reform was stalled on numerous occasions between 1990 and 2003 by the necessity to dislodge former State Security agents.

During communist rule, the State Security network of agents comprised over half a million Bulgarian citizens.<sup>46</sup> Shortly after the democratic changes of 1989, various solutions to the problem of old State Security agents and their personal files were proposed in the media, in parliament and at a national round table of all political parties and formations at the time. In early 1990, the task of record destruction was accomplished. Yet, the personal file purge was done selectively, to cover mainly the files of acting agents and individuals under investigation. A certain portion of the archived records were also pruned, depending, however, solely on the discretionary power of several commissions and security officers. A total of 144,235 files were completely destroyed, of which 130,978 were taken from the archives and only 13,357 came from operational records. Another 18,695 files were partially “cleansed” and portions of them were retained on microfilm.<sup>47</sup> Apparently, the bulk of the State Security records was privatized by certain security officers and was used to discredit political opponents or blackmail former State Security notables for personal gains. In the former case, State Security archives that were retained were exploited, while in the latter, the sections retained after the supposed destruction of the file were used.

The efforts of the alternating ruling majorities to finalize the issue of State Security records were contradictory and for a long time managed only to place security services at the center of political strife and make them an arena where diverse political interests clashed. All through the period between 1990 and 1997, a number of solutions were offered for dealing with State Security archives, from the partial opening of political police archives that had been preserved, through divulgence, to complete destruction. In 1991,

---

<sup>46</sup> Under communist rule, the “security complex” in Bulgaria comprised over 300,000 collaborators (informers and agents) and 100,000 payroll officers employed at the services. However, the latter’s family members should also be counted (at least two per officer) (see *Monitor*, September 14, 2001).

<sup>47</sup> Elena Encheva, “Who Did the Dossiers Sentence?”. *Sega*, April 13, 2002.

the Grand National Assembly decided that State Security archives should neither be taken out of secrecy nor destroyed. Meanwhile, a provision for civilian access to those archives was adopted.

Between 1990 and 1993, pieces of information revealing links between individual politicians and the former Committee for State Security were made public. This period was generally known as the “smear campaign” and it was this particular war that provoked amendments to the Criminal Code at the start of 1993, stipulating that the use of any information whatsoever connected to the operation of security and police services should be considered a crime. They also allowed persons possessing documents related to the former State Security to restore them without penalty. These measures were targeted at curbing abuse of State Security files.

In 1997, the Law on Access to the Documents of the Former State Security was adopted. It was the Bulgarian counterpart of lustration laws adopted in the rest of the East European countries. The law was designed to guarantee that no one involved with State Security would be allowed to hold a public office.

Constitutional Court Decision 10 of September 22, 1997, however, limited the scope of the lustration law by posing the requirement of undisputable evidence proving a person’s affiliation to State Security or its network of agents.<sup>48</sup> The limits that this law and the Constitutional Court decision imposed on the publication of information were based on considerations of national security, but they severed the act from its original intention of revealing to the public State Security collaborators as thoroughly as possible. This is why the first attempt at lustration was not successful.<sup>49</sup>

The law’s application has been of primary importance to society. One of the main consequences was that the participation of State Security servants in state governance after the fall of communism was made public by legal

---

<sup>48</sup> “... In principle, affiliation with former State Security does not blemish the good repute of the investigated persons. ...It is indisputable that many State Security collaborators have engaged in activities that can be defined as moral even nowadays...this is confirmed by the fact that the law protects those collaborators of the former State Security who continue to collaborate with contemporary security services. ...Irrespective of this, the public considers some forms of such activity as contravening the social norms and morality as disgraceful. ...The public transfers its negative attitude to the former State Security onto all its collaborators, irrespective of the particular activity they have performed. ...For the above reasons, the Court considers that a person may be defined as a ‘collaborator’ with the former State Security solely on the grounds of irrefutable evidence of conscious provision of information to former State Security departments.” Constitutional Court, Decision No.10 of September 22, 1997.

<sup>49</sup> Between 1997 and 2002, the law was amended and supplemented several times in view of enlarging its scope. Major amendments were made in 2001, when access to the archives of the Intelligence Directorate of the General Staff (IDGS) was permitted. Another important measure was to broaden the scope of public offices and positions the tenure of which should be prohibited to former State Security servants. These now include a number of top executive positions, posts in party leaderships, the judiciary, the national media, science and education, particular trade activities, etc. After 2001, the law’s application was supervised by the Andreev Commission.



means. The law was also used as an instrument to exclude individuals from future state governance (in particular, during the selection of candidates for presidential and parliamentary elections in 2001). It is often cited to justify staff purges on the grounds of affiliation to State Security or abuse of information for political reasons. The law was repealed in 2002, after the adoption of the Law on Protection of Classified Information.

The attempt to make public the names of politicians connected to State Security could not have succeeded since their participation is impossible to entirely prove. Furthermore, allegations of collaboration can not be supported by relevant documents because of the deliberate destruction of some State Security records and archives at the start of transition. What's more, since the issue of who should be in charge of former State Security archives was not resolved, their use in smear campaigns was unmitigated. Most of today's security services (e.g., the National Intelligence Service [NIS], the National Security Service [NSS], the Operational and Technical Information Directorate [OTID], and the Bureau for Outdoor Surveillance [BOS]), too, have been involved in leaking information that discredits political opponents or business competitors and, in some cases, even violates their human rights. The discrediting of particular high-level security officials by means of smear materials reflects an ambition to gain political control over the security forces. All in all, they target the security services themselves by projecting them as a source of smear material.

Security service staff itself, provoked by professional, personal, economic or political controversies, participated in this process. Contentions often turned into initiatives to publicize or provide political parties with discrediting information. Such discrediting material usually misrepresented the facts and publicized them as coming from anonymous sources. Alternatively, information was made public outright without any consideration of the possible legal consequences. The most widespread incriminations were those of political bias, espionage for foreign states, corruption, homosexual orientation, and ties to organized crime. Smear material usually targeted particular individuals who had either held, were holding, or were likely to hold high-ranking positions. The use of discrediting information was turning into a style of governance.

But whatever the political objective, it was security services that bore the brunt of the abuse of classified information: frequent personnel reshuffling, negative attitudes on the part of the public, operational bottlenecks and overall incapacitation. Incidents bespeaking politically-biased security services recurred throughout the transition period. The ones that gained notoriety were "That List" (1991), "The Macedonian Deal" (1992), "Assistants" (2001), and "Gnome" (2002).

### *"That List"*

The phrase "that list" is now commonly used to refer to a 1991-1992 affair in which in a well calculated leakage of information: the names of former nomenklatura and intelligence officers working undercover in the Ministry of Foreign Affairs. Another reason for publishing that list of names was to misinform foreign intelligence services.

As became known through a leakage, the list was delivered to the Turkish Embassy in Bulgaria. As a result, the leader of the Movement for Rights and Freedoms (MRF) was accused of high treason. By the end of November, the final list was ready for use in the imminent layoffs at the Ministry of Interior.<sup>50</sup>

## 2.5. THE RISKS RESULTING FROM INCOMPLETE SECURITY SECTOR REFORM

The dismantling of the repressive State Security apparatus was successfully accomplished. As part of the first stage of public sector reform, the transformation of old communist security forces was much like reforms in the counterpart structures in Central and East European countries.<sup>51</sup> But, in contrast to some formerly communist states such as the Czech Republic, Bulgaria did not open the State Security files at all; likewise, the partial lustration did not hamper formerly eminent security servants from participating in political life. Such a radical transformation of the security sector and its individual services was necessitated by certain new risks arising from a variety of factors. Among them were the radical change of functions, a lowered social reputation, a severely restricted budget in a time of economic crisis, the disruption of the decades-old system of internal and civilian oversight. Additionally, old staff members had been replaced by politically unbiased, but inexperienced, officers. Finally, recruitment problems hindered the complete staffing of some of the services.<sup>52</sup>

**The first group of new risks** has to do with **the predicament of the security sector recruitment policy**, which has resulted in the following trends:

- Shortly after the 1989 events, both security services and their staff became targets of public criticism and lustration measures. As a result, many security officers became engaged in corrupt practices, threatening national security. Yet no action whatsoever was taken to prevent the inclusion of former security servants in criminal networks.
- The public's perception that collaboration with specialized services was equal to slander has become firmer than ever. Therefore, the population is ever more unwilling to assist the security services. Negative attitudes and the lack of understanding about the role of security agents in national security have facilitated the privatization of security information and the formation of corruption schemes involving former agents. As a result, there is a paradoxical situation in which excessive secrecy of security

<sup>50</sup> Georgi Milkov. "Secrets and Poison—the Brigadier Years of Bulgarian Intelligence." *24 Chasa*, August 22, 2001.

<sup>51</sup> Evidence of this success is the fact that by 2003 a mere 19% of security officials were ex-state security servants, and none of them held any high positions. (From an interview with Interior Minister Georgi Petkanov for bTV's *Seizmograf* show, October 12, 2003).

<sup>52</sup> According to former justice minister Mladen Chervenjakov, in 2003 only 40% of positions at the National Intelligence Service were occupied; thus, half of the necessary staff is yet to be recruited. *bTV, Seizmograf*, October 12, 2003.

force activities and fairly easy access to information of vital importance through corrupt officials combines.

### *Main Proposals for Security Sector Reform in Bulgaria*

#### **The NSIS Proposals**

This proposal was the first one to suggest, in 1992, the merger of the National Intelligence Service and the National Security Service into a single National Service for Information and Security (NSIS) that would report to the Prime Minister. A draft Law was elaborated, envisaging that the NSIS will be directly accountable to the premier and will furnish information to him or her and to the government about strategic domestic and foreign policy priorities. The new service was proposed to consist of three operational directorates: intelligence, counterintelligence and information. This concentration of functions is quite similar to the old communist State Security Agency. The authority assigned control over the new service was to be the parliamentary National Security Committee.<sup>53</sup>

#### **The Ministry of Security Proposal**

This proposal suggested the merging into a Ministry of Security of the activities of a still greater number of security services, including the Information Service (presently National Intelligence Service), the National Security Service, the Military Information Service, the Military Security Service (presently Military Counterintelligence), the Security of Communications and Information Service (the present Protection of Communications Service at the Mol) and the National Guard Service. The ministry was to be part of the executive branch and its activities were to be regulated by a Law on Security and Public Order. The project advocated that security forces should be divided into two major institutions: a Ministry of Security (in charge of security services) and a Ministry of Public Order (police services). The project advised that the president transfer his or her authority over the National Intelligence Service and the National Guard Service to the prime minister.<sup>54</sup>

#### **The Atanassov Proposal**

The former national security service director, Atanassov, incorporated his proposal in a report entitled "Concept for a Reform in the Security Services of the Republic of Bulgaria". The report was presented at a conference organized by the Institute for Euro-Atlantic Security in March 12, 2003. It proposes the formation of two big security services from the currently existing ones. The first one was to conduct foreign intelligence activities, combining the tasks of the National Security Service and the Military Information Service. The second one was to deal with domestic intelligence, adopting the functions of the National Security Service and the Military Police and Military Counterintelligence Service, the National Guard Service and the National Service for Combating Organized Crime. They will be coordinated by the National Security Council.<sup>55</sup>

#### **The Tsvetkov Proposal**

This proposal was presented in the report "Some Problems Regarding the Improvement of State Policy on Special Services in the Republic of Bulgaria" from BSP national security expert and former Mol secretary Tsvyatko Tsvetkov. He suggested that the National Security Service and the military counterintelligence should be unified in a single counterintelligence agency. This agency should be in

<sup>53</sup> Harry Boev, "UDF Revives State Security", *Duma*, September 24, 1992.

<sup>54</sup> Pavlina Trifonova, "In Search of a Minister of Secret Services", *24 Chasa*, March 15, 2000.

<sup>55</sup> "Two Special Services Proposed", *24 Chasa*, March 13, 2003.

charge of domestic surveillance means but the MoI, the National Intelligence Service and the Military Intelligence Service were also to use its information. The head of this agency was to be a deputy prime minister or a state minister for security and public order. He or she should also be the second official after the premier at the top of CoM Security Council and a hypothetical Council of Secret Services Directors. The MoI was to be transformed into a Ministry of Public Order.<sup>56</sup>

#### **The Bossilkov Proposal**

This proposal suggested that the NSS should no longer be part of the MoI, while the NIS should be accountable to the president. The Military Counterintelligence and Military Police should be separated. The Military Information Service and Military Counterintelligence should be independent from the MoD. All these newly independent entities should be accountable to the prime minister. Their activities should be coordinated by a security coordinator. The National Guard Service should become part of the MoI. The Military Police should remain within the MoD. The Bureau for Outdoor Surveillance and the Operative and Technical Information Service should be separated and similar functions be transferred to future units of the MoI and MoD special services. All police services should be merged in a single structure. The Anti-Terrorist Squad should be reduced, restructured and become accountable to the MoI's secretary general rather than the minister of interior.

- Many of the newly-appointed officers did not have the respective professional and managerial skills. This was reflected in the ineffectiveness of most services and their staff's susceptibility to corruption.
- Frequent changes in management impeded the formation of a professional management elite. This further hampered contacts between them and the regular officers. It also created favorable conditions for corrupt medium-level officers surviving most staff reorganizations to maintain their own shady business dealings.
- Staff assessment procedures and modern human resource management techniques were not immediately introduced. On the contrary, their long delay demoralized security officers who would have testified to the corruption of their colleagues, had the risks not been so high, especially where the corrupt officials held senior positions.
- The formation of internal control and security departments was also retarded. This was made apparent by the fact that officials whose material status was well above their income continued to be employed at the security sector, even in senior positions, and by the enduring instances of relatives of former or acting security sector seniors being appointed to the border police, customs and road taxes and permits units.
- Last, but not least, curtailed budgets, low wages and insufficient motivation kept prospective officers away from the security services, while the officers working there became incapable of coping with the complex new operational circumstances (that is, orders to penetrate crime groups or to recruit or embed agents within them).

Perhaps the most disputed group of risks that emerged from the security sector reordering had to do with **the absence of an effective system for**

<sup>56</sup> Tsvyatko Tsvetkov, "How to Reform Special Services", *Monitor*, March 19, 2003.

**coordination and control** across related security institutions.

The concept of national security aims to balance the influence of the three focal points of power—government, parliament and president—in the security sector through the distribution of the separate services between the president (NIS and NBS), the Ministry of Interior (NSS, OTIS, BOS and CPS) and the Ministry of Defense (the Military Information Service and the Security-Military Information and Military Police Service). This is the feature that will also distinguish the contemporary security sector from the communist-time services centralized around an all-powerful Ministry of Interior.

- Thus far, security sector fracturing has also loosened the coordination between its structural units, destroyed the natural partnership between complementary services, and increased the overlapping of functions of different ministries or even of services within the same ministry (e.g., those of the National Police Service and the National Service for Combating Organized Crime). The governance of the sector is in crisis and it lacks a unified information system for effectively counteracting crime.
- As far as coordination of security sector reform is concerned, a balance between the roles of the presidency, the government and parliament has not been achieved either. There is no adequate interaction between the Consultative Council on National Security and the president or between the Security Council and the Council of Ministers. Therefore, frequent crises of confidence among the institutions impede effective coordination of the sector. Even the functions and the role of a key institution, such as the Security Council, are not clear.
- There are also a number of inefficiencies in the organization of the structure and work of the MoI that are often exploited by political opponents.

Another group of risks have to do with the **incomplete modernization of the legal and institutional framework regulating security sector activities**.

- No law has yet been elaborated on the National Intelligence Service and the National Bodyguard Service. This hampers control on the legitimacy of their actions. Moreover, as NIS and the Military Information Service are entitled by law to “possession of special means of surveillance within their respective competences”, (LSMS, Art. 20, Par.2) conditions are rife for infringement upon citizens’ rights.
- The separation of intelligence information functions from policing has not yet been accomplished. For instance, the MoD Security—Military Police and Military Counterintelligence Service—performs these two functions simultaneously. Similarly, some services of rather divergent competences are accountable to the same ministry: MoI services range from fire and emergency service to counterintelligence, from border police to gendarmerie, from police through service for combating organized crime and communications protection.

- The different services in the security sector are of varying status—some of them, like NIS, NBS and all MoD services are military agencies, while others like OTIS and BOS, are completely civilian.

**The risks arising from lack of awareness of priorities in countering new security threats** are also important. The main reason is the absence of a modern security concept to bring together all efforts for curbing both civilian and military threats to the security of the country and its citizens. No national security concept has been elaborated on which to base short- and mid-term priorities. Therefore, there is no adequate institutional policy on fighting security threats, the new soft security threats in particular.

Counteraction to trans-border crime and corruption is still played down. The Customs Agency, being part of the Ministry of Finance, is rather loosely linked to other security sector services, and, according to popular perception, is not even regarded as part of the sector. Nevertheless, customs' importance for the state is crucial, since over half of the revenues for the state budget are collected by customs bureaus and any trans-border commercial flow is inconceivable without them. Until very recently, however, control of the customs administration was feeble and corruption thrived. Stable smuggling channels were formed, operating at the expense of the state budget and legal importers and producers. The country was saturated with dirty money and has had to bear the consequences of its entry into domestic business and politics alike.

Another example of the downplay of the threats posed by organized crime and the corrupt relationship between state officials and criminal bosses is the isolation of the National Intelligence Service from the anti-crime efforts in the economy. Kircho Kirov, acting NIS Director, testifies that in 1997, the NIS Economic Security Directorate was closed down and its entire staff—over 20 officers—was dismissed. Since then, the NIS has not been authorized to perform any important economic tasks such as investigation of prospective investors, scrutiny of financial transactions, or examination of large incomes.<sup>57</sup>

Among other deficiencies is the mutual segregation of the Ministry of Interior and the Ministry of Defense, in particular the non-participation of the armed forces in the fight against trans-border crime. Most democratic states, however, have also lagged behind new security challenges and have not yet coped with similar institutional problems in the security sector.

In spite of all of the setbacks in the post-1989 restructuring of the security sector, the idea that preservation of certain elements inherited from the communist security sector might have reduced the risks to national security is unfounded. Where post-communist reforms were delayed, reproduction of the old repressive models was observed such as the so called “active measures”. Other trends resulting from delayed reforms were the ill-founded loyalty to the former communist party, nationalism disguised as patriotism which guided security servants' work in the wrong direction, and the persisting negative attitude toward NATO and Bulgaria's new allies, notably the USA.

---

<sup>57</sup> *Trud*, August 4, 2003.

## 2.6. CORRUPTION IN THE SECURITY SECTOR

Since the above-mentioned risks have not been adequately addressed, Bulgarian organized crime has expanded and has penetrated the security sector.

Various criminal groups have started to corrupt and privatize the security forces, tapping into the disorganized management and coordination, as well as control and oversight of the sector. The following methods for corruption have been used:

- Young professionals are placed in relevant security sector jobs or acting special service officers and volunteers are hired to provide early information for a fixed monthly remuneration.
- Security servants keep contacts with crime bosses for the supposed purpose of using them as informers. In reality, such relations (particularly with NSS and NSCOC officers) grant the criminals latitude to sustain their shady activities.
- Some security officials investigate sources and channels of leakage among corrupt inferiors linked with smugglers only to capture a share of the gains or prevent such officers from further revealing discrediting facts.
- Election-time fundraising from criminal sources in exchange for “immunity” against investigation is particularly common.
- Certain private companies provide information to special services, which, in exchange, help them monopolize the respective business.
- Leading security sector positions are occupied by inexperienced political and economic appointees. As a rule, reshuffling at highest levels is followed by staff and organizational restructuring involving expert officers and key unit directors. Often professionals of undisputed expertise are dismissed to prevent them from interfering in the threefold relationship between the security sector, political corruption and organized crime<sup>58</sup>.
- Unofficial privatization of official information has become a profitable business for individual security servants. Information leaks to the media, on the other hand, are a means to sustain smear campaigns directed by corrupt officials in certain parties or by corporate interests. The public is often unaware that abuse of such information by those who hold it turns into racketeering of political and other public figures.

---

<sup>58</sup> Several methods for eliminating potentially troublesome officers are used, such as promotion accompanied by transfer to a completely different department, coercive resignation of officers, and character assassination of officials aiming to remove them from their posts.

## 2.7. THE ABSENCE OF DEMOCRATIC CONTROL ON SECURITY SECTOR ACTIVITIES

Democratic oversight of the security sector is executed by the State Committee on the Security of Information (SCSI). Parliamentary control is exercised by parliament's Foreign Policy, Defense and Security Committee and the Internal Security and Public Order Committee. No legal act exists, however, regulating the rules and mechanisms of parliamentary control over security sector activities. Financial control is an integral part of this oversight, as is control over the appointment of senior officials.

SCSI holds executive control over the legitimacy of security service activities. The committee's chairman reports to the government; the report is further approved by the National Assembly. Copies of the report are also submitted to the chairman of parliament, the president and the prime minister. But the committee's efficiency is limited due to understaffing and its uncertain legal status. A decision of the Supreme Administrative Court, however, has interrupted the dismantling of SCSI's predecessor, the Dossiers Committee.<sup>59</sup> It was the latter's deputy head that had demanded the interruption of the dismantling procedure on the grounds that the Dossiers Committee archives had not been transferred to the Liquidation Committee, which in its turn was obliged to transfer all files to the new SCSI.<sup>60</sup>

But the absence of democratic oversight contributes to the pervasive obscurity of security sector activities and the gap in democratic standards of transparency and accountability cannot be bridged. Due to this gap, the media has managed to monopolize available information about the security sector.

The security services themselves, though, are to blame for the lack of transparency. In recent years, policy makers have always tried to suspend the creation of a controlling mechanism for the security sector. The reason for this is that, in addition to a lack of vision about such a mechanism, they feared that any ruling party may monopolize the services. In other words the root of the problem is the lack of political consensus on the issue of security service oversight.

The critique from NATO member states as part of partner control during Bulgaria's preparation for membership also targeted security sector control deficiencies, focusing on the incomplete re-staffing of high ranking personnel and the sector's poor coordination. The cue that spurred such critique was the announced intention of Prime Minister Simeon Saxe-Coburg to appoint former State Security top officer Gen. Brigo Asparukhov as his assistant responsible for the coordination of "secret services". The case caused a public scandal and the appointment was cancelled. The incumbents were compelled to align reform measures to NATO and EU requirements, in particular to their standards on access to classified information.<sup>61</sup>

<sup>59</sup> Announcement of the Supreme Administrative Court. January 17, 2003.

<sup>60</sup> "The Wrapping of Classified Information". *Sega*, January 21, 2003.

<sup>61</sup> "Brigo Would Have to Pass Through a Needle's Eye to Get to NATO Information". *Sega*, October 10, 2003.



### 3. THE SECURITY SECTOR AND ORGANIZED CRIME IN THE WESTERN BALKANS

#### 3.1. SERBIA

In a number of Southeast European countries, one often hears, even from ministers or other high officials, the popular saying: “Every country has a mafia, but only in ours does the mafia have a country.” This pessimistic statement is based on the fact that, unlike in western democracies or even in some other transition countries, organized crime in Southeast Europe developed through active (sometimes clandestine, sometimes open) collaboration with the security sector and law-enforcement institutions. In other words, 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 Milosevic’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. Somewhere between these two poles are the other Southeast European countries, where corruption and common economic interests created a link between the respective security sectors and organized crime. Thus far, none of the reform attempts undertaken by the governments have been able to break this link.

The preconditions for criminal cooperation between the security sector and organized crime in the period of transition in Southeast Europe were created before 1989. Mismanagement and other shortcomings of the command economy, controlled and underdeveloped international trade, and scarcity of available resources and goods forced the majority of companies and enterprises to rely at least partially on the black market. Black market trade grew extensively in most of the countries during the 1970s. The unavoidable side effect of this growth was expanding corruption, especially among those whose task was to curtail black market and other illegal activities, i.e. law-enforcement bodies. Despite their privileged position in society, numerous rank-and-file officers within the police, military, customs and even—the most privileged institution of all—the secret services, felt the consequences of economic recession and pauperization. The desperate situation gave them incentive to abuse their positions for personal enrichment. Abuses of privileges and access to resources and information

were much more severe among individuals in higher positions.

Members of the secret services were those most directly involved in criminal activities. Most of the smuggling channels in communist states were set up and controlled by secret services. These channels were used predominantly for smuggling arms to third countries, especially in cases when such exports represented a violation of international sanctions or other restrictions, or were in contradiction of the official policies of the country of export.<sup>62</sup> Smuggling channels, controlled by the secret services, were also used to smuggle cigarettes, drugs, objects of historic value or other commodities, generating hard currency needed for covert operations abroad. The channels were also used for illicit transfer of people, especially those who were prosecuted in their countries for having contacts with terrorist, extremist or communist groups. The secret services were also engaged in the “import” of equipment and technologies obtained illegally in the USA or the EU. Underworld figures were used by the secret services as assassins or as natural-born “operatives” in various smuggling and other criminal operations.

In Yugoslavia, cooperation between the secret service (SDB, *Služba Državne Bezbednosti*) and criminals had become standard practice by 1970s. According to one of the officials, over 150 criminals worked for the Federal Ministry of Interior during that time. Most of them were “employed” as assassins and allegedly murdered over 60 Yugoslav émigrés residing predominantly in Western Europe. In 1981, one of these assassins was caught in West Germany and convicted for murdering an émigré. A number of others were wanted by Interpol on similar charges, but, enjoying the protection of some of the top Yugoslav officials, the question of their extradition was never even raised. Željko Ražnatović Arkan, one of the most notorious criminals working for the SDB, was under the personal patronage of Stane Dolanc, Federal Minister of Interior and later member of the Federal Presidency. Dolanc allegedly said that “one Arkan is worth more than the whole of the SDB.” Not surprisingly, when Arkan was arrested in 1981 in Switzerland, SDB organized his escape from the Lugano prison.<sup>63</sup> Criminals also cooperated with the SDB in various smuggling and other criminal operations. SDB’s budget has always been top secret, and, although most of its funding came from the budget of the Ministry of Interior, secret contributions always represented an important source of income. The monies were raised through cigarette, tobacco, and arms smuggling.

In most of the former Yugoslavia, circumstances prevented even the theoretical possibility of security sector reform, and the sector remained almost intact in its structure and its main function (preservation of the ruling regime) during the larger part of the 1990s. Serbia represents the most drastic case of the post-Communist transformation of the security sector without

---

<sup>62</sup> For example, the Yugoslav army and its secret service were selling weapons to Israel in the 1970s, despite the fact that Yugoslavia was officially a staunch ally of the Arab states and had no diplomatic ties with Israel.

<sup>63</sup> “Stane Dolanc: Arkan vredniji od cijele službe.” *Medija klub*. January 19, 2000.

any democratization reforms being carried out in the process. The involvement in the war and international sanctions, introduced in May 1992, served as pretexts for the regime to basically suspend the rule of law and legal order in the country. Following the premise that the end justifies the means, Milosevic's government intentionally merged its law-enforcing institutions with organized crime to set up an extensive system of parallel gray and black economies to circumvent the sanctions. The purpose of these economies was twofold: first, to profit those involved; second, to serve as a safety valve, and thus prevent a popular uprising of the impoverished population, which became absolutely dependent on the black market and the shadow economy. This dependency also cemented the bond between the Serbian security apparatus and organized crime.<sup>64</sup>

In contrast to the other countries in transition, where personnel and structural reforms in the secret services were initiated, the Serbian State Security Service (SDB) was left almost intact through the 1990s. The main tasks of the SDB were not preservation of law and order and intelligence and counter-intelligence activities, as is the case with similar organizations around the world. The SDB's main responsibilities were linked with the preservation of Milosevic's rule, and as such included surveillance and repression of the opposition and independent journalists, organization of paramilitary formations, and setting up channels and networks for smuggling and money laundering. As such, the SDB remained in its essence a typical authoritarian secret service.<sup>65</sup>

The SDB was divided into departments for domestic problems (mainly dealing with opposition and anti-regime protesters), for extremists (mainly Kosovo Albanians), for analytical services, for technical services (bugging, filming and other forms of electronic surveillance), and a personnel department. The SDB's budget was top secret and was partially funded by the Ministry of Interior and partially by funds generated through smuggling and other illicit activities, as well as from the goods and cash confiscated by customs. As mentioned above, the SDB's main task was to protect the ruling regime. Following the March 1991 mass demonstrations against Milosevic, SDB agents infiltrated the university and other centers of opposition to the regime, gathering information and working to destroy the opposition from within through methods including provocation, dissemination of rumors and false information.<sup>66</sup>

The Serbian SDB built upon the long-established practice of the socialist Yugoslavia's SDB to employ criminals for various covert operations. When

---

<sup>64</sup> Nebojša Medojević. "Korupcija i reforme institucija." *Beta*, September 30, 2001.

Michael Džiedžić et al. "Lawless Rule Versus Rule of Law in the Balkans." *United States Institute of Peace Special Report*. No. 97, December 2002.

<sup>65</sup> Dejan Anastasijević. "Noć dugih pendreka." *AIM Press*. October 25, 1996.

<sup>66</sup> "State Security Service." *Federation of American Scientists Intelligence Resource Program*. October 2, 1998.

the war in the former Yugoslavia started, Milosevic's regime soon found that it could not rely on the Federal Yugoslav People's Army to realize the regime's goals. Less than half of the Serbian reservists appeared when they were ordered to report for duty. The troops' discipline and morale were low and the conscripts often staged mutinies, refusing to go to the front. Many of the soldiers that did go to the front took the first opportunity to abandon the missions and desert. As a consequence, paramilitary gangs composed of criminals and convicts, released from jails, were sent to Croatia and Bosnia to fight instead of the unwilling and ineffective regular soldiers.<sup>67</sup>

### *Criminals and Secret Agents*

The fact that most of the important Serbian criminals worked for the SDB is well known today, although direct evidence, which may be found in the SDB files, is not publicly available. That this was nevertheless true was confirmed by the Serbian Minister of Interior, Dušan Mihajlović, who stated that "not even a single important criminal or a leader of a criminal gang was left without the SDB identity card."<sup>68</sup>

The list of the well-known criminals known or believed to be working for the SDB is long. The most notorious name on the list is that of Željko Raznatović Arkan, the unofficial king of the Serbian underworld, who started his career as the SDB's assassin in the 1970s. Other well-known figures include Darko Ašanin, one of the most important figures involved in drug smuggling, Ljuba Zemunac, Djordje Božović Giška, Milan Djordjević, Slavko Mijović, Drago Popović, Zoran Uskoković and many others. Almost all of them were assassinated between 1995 and 2000; none of these murders were resolved. The involvement of the SDB in these killings is more than likely.<sup>69</sup>

After returning from the front, many of these criminals continued to "serve" as SDB employees, controlling and running numerous smuggling networks and the black market, as well as being engaged in numerous other criminal activities. All of these activities were conducted with the knowledge and support of the highest state officials and personally supervised by the most important figures of the SDB, like Jovica Stanišić, Radovan Stojičić and Rade Marković, the heads of the SDB in the 1990s. Rewards for SDB agents involved in this criminal partnership included promotions, apartments, and a share of the profits.

### *Jovica Stanišić*

Jovica Stanišić was believed to be the best-informed man in Serbia. The head of the SDB from 1991 to 1998 and the Presidential Advisor for National Security, he was also the most powerful man in the country after Milošević. Stanišić directly supervised and participated in planning all of the covert operations in Croatia and Bosnia-Herzegovina. Before the outbreak of the war, he traveled on numerous occasions to Serb-populated areas of these two republics, setting up paramilitary formations and arming them. He also organized criminal gangs, which stirred up ethnic tensions

<sup>67</sup> John Mueller. "The Banality of 'Ethnic War.'" *International Security*. Vol. 25, No. 1. Summer 2000.

<sup>68</sup> "Kriminal sa značkom." *Večernje novosti*. November 11, 2002.

<sup>69</sup> *Ibid.*

through provocative violent actions. Stanišić is also one of the main masterminds of the ethnic cleansing campaigns. He was listed among the 14 political, military and police leaders named in Milošević's indictment for crimes committed in Bosnia as accomplices in a "joint criminal enterprise." In June 2002, the SDB officers and the investigators of the international tribunal in The Hague raided Stanišić's apartment in search of documents containing evidence of the war crimes committed. The search warrant was executed after the tribunal tried for three months to convince Stanišić to turn over documents containing evidence against others. Among others, they have seized the document, signed by Slobodan Milošević in 1997, which placed the Serbian State Security Service under Milošević's own direct command. Stanišić claimed that the documentation he was keeping implicated a number of key officials, but proved he was not accountable for war crimes in Bosnia-Herzegovina and Kosovo. Stanišić allegedly played an important role in Milošević's ousting, specifically in obtaining the decision of police and army officials not to use force against civilians during the October 2000 unrest in the country. In return, the Prime Minister Djindjić reportedly gave him assurances that he would not be extradited to The Hague.<sup>70</sup>

A negative role was also played by the SDB's Unit for Special Operations, or Red Berets. The Red Berets were set up by Franko Simatović, head of the SDB's Intelligence Department. The unit was engaged in some of the most brutal ethnic cleansing campaigns in Croatia and Bosnia-Herzegovina, and consisted predominantly of criminals and convicts. Members of the Red Berets had authorization to arrest civilians, to enter apartments and other buildings, to carry and use weapons, and to confiscate other person's vehicles and means of communication. The "special tasks" in which the Red Berets were engaged included debt collection, robberies, smuggling, and assassinations. The Red Berets were financed in various ways, the state budget being the least significant contributor. The Belgrade weekly *Vreme* quoted a document prepared by the SDB which contained a list of the 170 most successful state and private companies in Serbia. The document stated that the directors of these companies "have to be convinced by hook or by crook to provide funds for financing Red Berets and their special operations."<sup>71</sup> Most of those who were involved in the assassination of Prime Minister Zoran Djindjić were members of the Red Berets.

After the fall of Milošević, the process of reform of the secret services was finally initiated. In July 2002, the Serbian Parliament abolished the SDB and established a new agency in its place, called the Security–Information Agency (*Bezbednosno-informativna agencija*, BIA).<sup>72</sup> The BIA was removed from the jurisdiction of the Ministry of Interior, and, as a special state agency, was placed under the control of the government. The BIA's tasks include both intelligence and counterintelligence activities. Most of its staff were

<sup>70</sup> "Council for Security." *Global Security*. July 15, 2002.

"Former Serbian Secret Service Chief's Home Searched." *Balkan Times*, June 17, 2002.

<sup>71</sup> Jovan Dulović, Filip Švarm. "Ekskluzivno – dokumenti o Jedinici za specijalne operacije: Vukovi i Zmije." *Vreme*. No. 638, March 27, 2003.

<sup>72</sup> The text of the Law on Security–Information Agency, which was adopted on July 18, 2002, can be seen on the web page of the Serbian Parliament:

employees of the former SDB, though not all of them were re-employed by the new agency. Combating organized crime was named as one of the priorities of the new agency, and in 2002 the BIA produced an extensive analysis of organized crime in Serbia. The declared goals of the agency were depoliticization, democratization and professionalization, in an attempt to make a clean break from its predecessor - one of the most important tools of repression of the previous regime. Critics of the new agency highlighted that the law, which established the BIA, only gave Parliament superficial jurisdiction over the agency. Parliamentary control is limited to two reports, presented to the Parliamentary Committee for Defense and Security every six months. Judiciary control over the agency is also very limited. Permission to use special means of surveillance is, according to the law, granted by the president of the Serbian High Court, and not by the High Court Council.<sup>73</sup>

The BIA, however, failed to confirm optimistic predictions, expressed by the officials of the Serbian government at its creation. After only six months in office, the head of the BIA, Andreja Savić, was dismissed by the Serbian government and replaced by Miša Miličević. The official explanation given was that Savić was placed in the position only temporarily and that his transfer to a different position had been agreed upon in advance. Unofficially, according to sources within the BIA and the government, Savić was replaced because he did not succeed in “cleaning up” the agency in which the old cadres, old practices and old mind-set continued to prevail. Prime Minister Djindjić’s dissatisfaction over the agency’s limited success in the fight against organized crime, and the criticism, expressed by the USA, over the question of indicted war criminals, who remain at large, also played a role.<sup>74</sup> Despite these changes at the top levels of the BIA, the agency remains largely unreformed and outside of genuine public scrutiny. Prominent BIA agents, who maintained close relations with the Zemun and Surčin clans and with the so-called “patriotic forces,” retained their positions. The BIA thus remains a serious potential obstacle to reforms and to the fight against organized crime.

Another important intelligence agency Serbia inherited from socialist Yugoslavia is the Counterintelligence Service (*Kontra-obaveštajna služba*, or KOS). The KOS was the intelligence agency of the Yugoslav People’s Army and, unlike the SDB, has not been even modestly reformed since its creation after the end of World War II. Its main task was military intelligence and counterintelligence work, but it also had an elaborate network of assassins, operating both within the country and abroad. The KOS played a decisive role in pre-war preparations as its agents were covertly shipping huge quantities of arms across Croatia and Bosnia-Herzegovina in 1991 and early 1992.

---

<sup>73</sup> Dragan Bujošević. “Nismo politička policija.” *Nin*. No. 2692, August 1, 2002.

M. Dapčević, M. Bjelovuk. “Kriminalci će da izbegavaju Srbiju.” *Glas javnosti*. July 18, 2002.

<sup>74</sup> A. A., L. B. “Savić smenjen jer nije očistio tajnu policiju.” *Blic*. January 25, 2003.

### *The KOS and the Bosnian Arms Trade*

The first weapons smuggling channels in Bosnia-Herzegovina were set up by the head of the KOS (Counter-Intelligence Service), Aleksandar Vasiljević. He made an agreement with the Bosnian Defense Minister not to interfere with the shipment of weapons sent from Serbia through Bosnia to Serbian-held territories in Croatia. In return, the secret service deflected some of the weapons to the Bosnian Muslim army-in-the-making. Occasionally, a police patrol that had not been instructed to let the transports through, intercepted trucks loaded with weapons (for example, on the night of April 9, 1992, three trucks, transporting 1119 automatic rifles were stopped), but as soon as word of such incidents got to the minister or his associates, the “misunderstanding” was cleared up and the shipments were allowed to pass through.<sup>75</sup>

However, unlike the SDB, the KOS was not Milošević’s tool, and its head, Major General Aleksandar Vasiljević, was dismissed from his position and accused of anti-state activity after refusing to participate in Milošević’s plans. Initially, Vasiljević did play an important role in the prelude to the war in Croatia. He was credited with the discovery and documentation of several Croatian channels for illegal import of arms and was involved in the organization of Serbian paramilitary units in Croatia. However, it seems that, although Serb by origin, Vasiljević was, above all, Yugoslav and a Communist, and as such he was prematurely retired in the spring of 1992.<sup>76</sup>

**The police force** in Milošević’s Serbia also became one of the most corrupt state institutions and actively participated in transforming Serbia into a virtually lawless society. The Serbian police was transformed after 1991 into an exceptionally centralized organization. According to Dr.

---

<sup>75</sup> Tim Judah. *The Serbs: History, Myth, and the Destruction of Yugoslavia*. New Haven: Yale University Press, 1997, pp. 193-194.

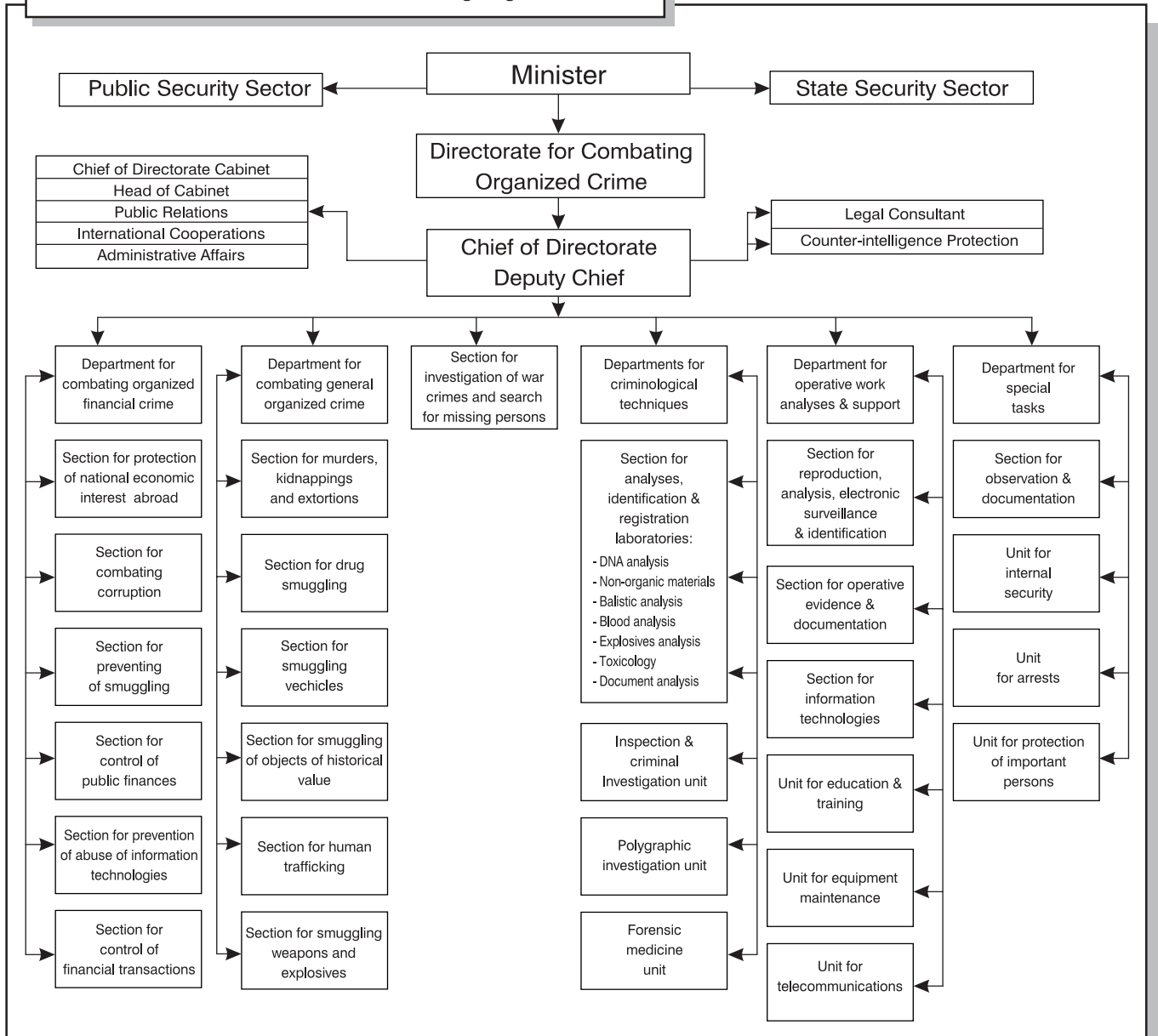
<sup>76</sup> Not content with his retirement, Vasiljević gave a series of interviews to the newspaper *Nin*, in which he revealed much of what he knew about operations in Croatia. He was soon arrested and charged with unspecified crimes. The staged trial of Vasiljević, however, failed because the Higher Military Court in Belgrade dismissed the case as unfounded. In March 1999, just days before the NATO attack on Yugoslavia, Vasiljević, the top military intelligence officer in the country, was recalled to service and made the Deputy Chief of the KOS. After the end of the NATO campaign, he was promoted the rank of Lieutenant General. Vasiljević was retired for the second time in early 2001 by the new Serbian government. Vasiljević was indicted by the International War Crimes Tribunal for the Former Yugoslavia in the Hague as one of the accomplices of Slobodan Milošević in the joint criminal enterprise, conducted between August 1991 and June 1992 in Croatia. Vasiljević appeared in the Hague as a witness of the prosecution against Milošević, confirming that Milošević personally controlled both the Serbian police and the Yugoslav army, as well as the paramilitary forces, which were included in their chain of command. As such, Milošević was, according to Vasiljević, personally responsible for all of the crimes committed.

Ljubodrag Stojadinović. “Tajne vojnog kadrovanja – povratak generala Aleksandra Vasiljevića.” *Glas javnosti*, February 7, 2000.

Stevan Živanović. “Insiders Confront Milošević.” *The Harvard Independent*. Vol. XXXIV, No. 5, March 6, 2003.

Dobrivoje Radovanović, Director of the Institute for Criminological Research, the whole system of the Serbian Ministry of Interior was based on corruption and functioned exclusively through corrupt practices. These practices ranged from petty corruption, involving traffic police, to cooperation with smugglers, car thieves, and protection racketeers, to major corruption, connected with oil, arms and excise goods smuggling, the drug trade, stolen vehicles trade, assassinations and financial manipulations. The police, as a rule, escorted and protected the transport of smuggled goods, and numerous high-ranking individuals within the Ministry of Interior were among the main organizers of such transports. Corrupt practices also included releasing detained suspects in exchange for bribes. Promotions, offices, and access to training and

**Table 3. Serbia's Directorate for Combating Organized Crime**





education were also available at a well-known price, except in cases when they were given as a reward for personal loyalty.<sup>77</sup>

Links between the police and organized crime were perhaps the most clearly visible in cases in which numerous well-known criminals were employed by the Ministry of Interior. According to Marko Nicović, the situation in Serbia became so grotesque that organized crime had more of its men within the police force, than the police had its agents and informers infiltrated among the criminals. Many disillusioned policemen quit their jobs in the face of the fact that numerous criminals became virtually untouchable by the law, and were sometimes even able to influence the personnel selection in the police force. They were largely replaced by insufficiently trained and inexperienced cadets, who, together with the endemic corruption, caused the rapid deterioration of the quality and proficiency of the police force in Serbia.<sup>78</sup>

At the same time, organized crime in Serbia operated almost unrestrained. Despite being one of the major transit routes for heroin, drug seizures and drug-related arrests were very rare in Serbia during the 1990s. Large drug dealers enjoyed the personal protection of the highest police officials, and only small drug dealers and the occasional independent drug trafficker got arrested.<sup>79</sup> Serbian customs officers often seized narcotics from smugglers (especially on the Bulgarian–Serbian border), but, instead of destroying them, handed them over to the SDB. Its agents either sold them on the domestic market or smuggled them out of Serbia. It is believed that such was the origin of over 600 kilograms of 93 percent pure heroin, found by the police soon after the fall of Milošević's regime in a safe deposit box, rented by the SDB in one of Belgrade's banks.<sup>80</sup>

Widespread corruption and involvement in criminal practices caused severe damage to the police force in Serbia. Periodic purges conducted by the regime and general demoralization of non-corrupted and honest officers caused the police force to lose a majority of its most experienced and trained

---

<sup>77</sup> Dobrivoje Radovanović. "Kako smo postali kriminalizovano društvo" in *Otvoreno o korupciji: Policija – Projekat okruglih stolova o korupciji u Srbiji*. Ed. Radojka Nikolić. Frederic Exert Stiffing Beggared, 2002, pp. 10-14.

Slobodan Antić. "Stanje demokratskog poretka u Srbiji." *Nova srpska politicka misao*. 2002.

<sup>78</sup> "Is Organized Crime Threatening the Foundations of Balkan States – A Telephone Roundtable hosted by Rade Radovanović." *Radio Free Europe – Radio Liberty South Slavic Report*. Vol. 4, No. 38, November 21. 2002.

"Intervju dana – gost: Marko Nicović, potpredsednik Svetske policijske asocijacije za droge." *Radio B 92*. January 5, 2000.

<sup>79</sup> Philip Schwarm. "A Pistol, a Badge and Heroin." *AIM Press*. March 12, 2001.

<sup>80</sup> Ian Traynor. "Milošević Ally Linked to Heroin Stash." *Guardian*. March 16, 2001.

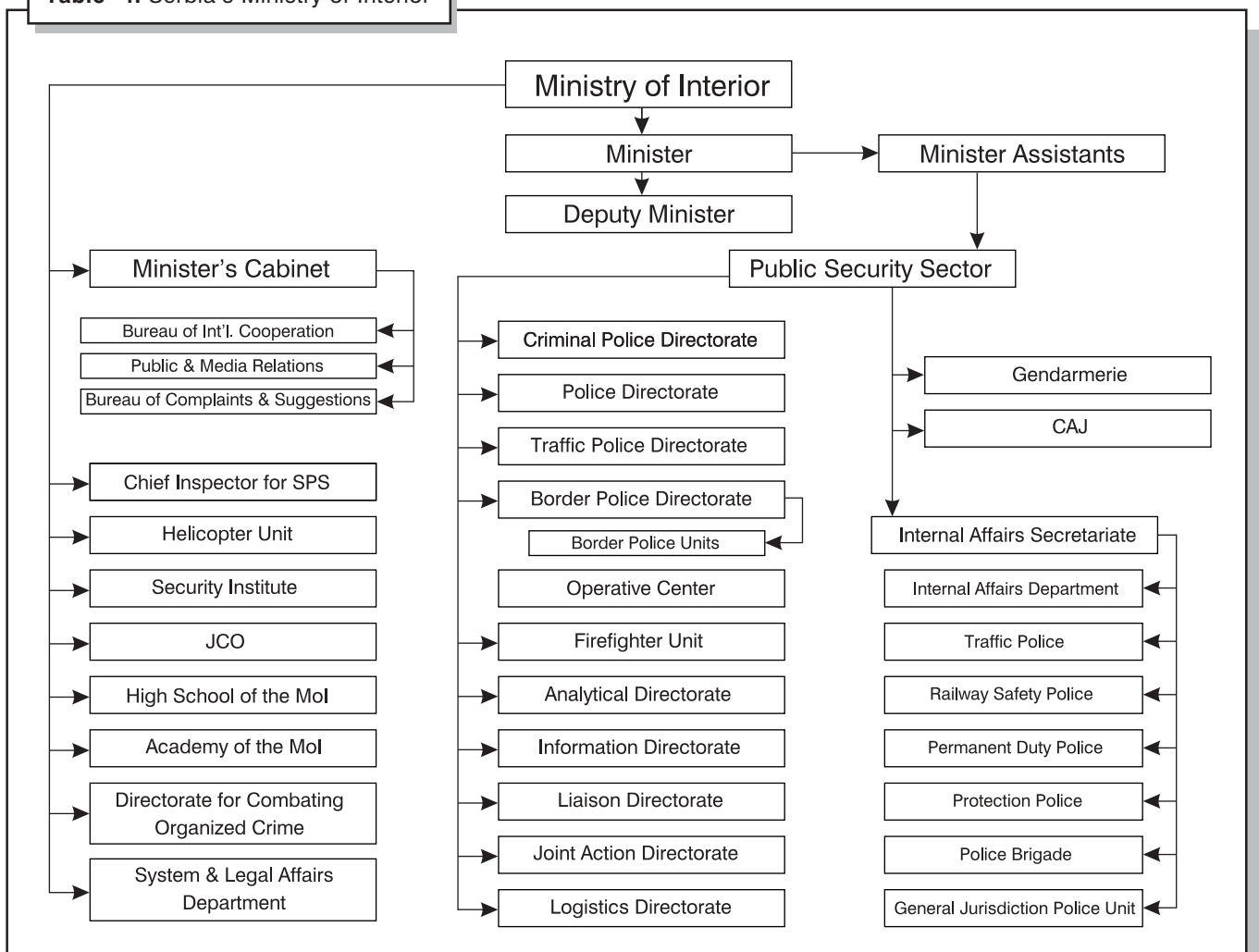
Schwarm. "A Pistol, a Badge and Heroin."

Observatoire Geopolitique des Drogues. "Yugoslavia." *Observatoire Geopolitique des Drogues Annual Report*. 1997.

cadres. Some of them found employment in the private sector, and some actually offered their services to organized crime. They were replaced mostly by inexperienced, ill-trained and unprofessional young officers, who often got their positions through bribery (hoping in turn to make money by requesting bribes) or through personal connections. The former head of the Belgrade Department of Criminal Police and the current Vice President of the International Narcotic Enforcement Officers Association, Marko Nicović, stated that the criminal police forces in Serbia, which had been built over decades, had been virtually demolished in a few years.<sup>81</sup>

The efficiency of the Serbian police was further decreased when Yugoslavia was excluded from Interpol, thereby losing links and possibilities for information exchange with police in other countries. Without international cooperation, any attempt to combat organized crime is futile. This partially explains why there was a significant drop in police efficiency and in the rate of crime disclosure in Serbia.

**Table 4.** Serbia's Ministry of Interior



<sup>81</sup> "Intervju dana – gost: Marko Nicović, potpredsednik Svetske policijske asocijacije za droge."

The new democratic authorities in Serbia, which took office in January 2001, have been dragging their feet over reforms in the police force, despite the urgent need for such reforms. The most often heard excuse has been the political uncertainty over the future constitutional status of the Federal Republic of Yugoslavia. The real reason lay in the almost chronic political instability and constant infighting within the post-Milošević government, caused by the rift between the late Serbian Prime Minister Djindjić and the former Federal President Koštunica. The new government inherited legislation carefully designed to safeguard the ruling regime and the police force, which was accustomed to operating without any democratic control. Instead of dismantling such an undemocratic system, the new Serbian leaders fell prey to the temptation to try to use it to their own advantage.

Huge resistance to reform also exists within the police force itself. An essentially non-democratic and repressive institution, which had a primary task of serving the regime and protecting the political system, was suddenly faced with the process of democratic transformation and demand for public control over its work. This created a sense of paranoia and resentment among large part of the employees, especially among those in higher positions. The security sector, including the police force, anywhere in the world is generally highly skeptical towards any changes in the status quo. In Serbia, this situation was exacerbated by the fact that most of the proposed reform goals were, until very recently, viewed as an act of subversion. The reforms, due most of all to the strong pressure of the international community, were nevertheless initiated and did achieve some results. The new Law on Police was drafted, including the Code of Ethics for the police, aimed at transforming the police from a public-repressing into a public-serving institution. The law also proposed a Parliamentary Commission for monitoring and control of police work.

Working Group of the Ministry of Interior has drafted the new Law on Police, which is one of the most important steps towards full democratization of this institution. The draft-law was examined by the experts of the Council of Europe, who gave their recommendations. A public debate on the draft law was held in November 2003 and resulted in a number of new recommendations and objections. The Law had not been approved by the Serbian Parliament before its term of office expired when the new parliamentary elections were called for December 28, 2003. Given the uncertainty about who will form the future Serbian government after the coming elections, the fate of the new Law on Police also remains uncertain.<sup>82</sup> A new police Code of Ethics and Conduct has been, however, adopted. The code was completed in May in accordance with the European Code of Police Ethics, and adopted at the urging of the European Council's Committee of Ministers. It went into effect in June 2003. The Code obliges the police to respect presumption of innocence, give more attention to the needs of minority groups, to have knowledge of the Universal Declaration of Human

---

<sup>82</sup> "Poštovanje obaveza Srbije i Crne Gore preuzetih prilikom prijema u Savet Evrope." *Fond za humanitarno pravo*. 10. decembar 2003.

Rights and similar materials, and to behave cordially and responsibly toward citizens. Police officers should inform arrested persons of the reasons for their arrest, attend to their basic needs, and identify themselves. They should not accept gifts or bribes. Police officers are also obliged to ignore any order that goes against public interests and is not in line with the law.<sup>83</sup> Despite some progress, however, the police force in Serbia remains too centralized and over-militarized in its structure, and as such is reluctant to submit to democratic control.<sup>84</sup>

### *OSCE Mission*

One of the most significant incentives to police reform in Serbia was given by the OSCE Mission to Serbia and Montenegro. Its law enforcement department actively supports the reform, aimed at transforming the Serbian police into a democratic institution. The Mission's Police Consultant carried out a comprehensive study of policing in the country and made recommendations on how to bring it in line with the international standards. Priority areas of reform were also identified. They include police education and development, accountability and internal control, fighting against organized crime, border policing and community policing. One of the most important developments was establishment of multi-ethnic police units in municipalities of Preševo, Medveđa and Bujanovac in southern Serbia, where the population is predominantly Albanian.<sup>85</sup>

**The Serbian army** was another component of the security sector that was highly resistant to any attempts at reform. There was no public control over the distribution and the spending of its huge budget, or over its extensive arms trading. During the 1991-1995 war, hundreds of deals, worth over \$250 million, were conducted with weapons being sold to all sides involved in the conflict. After the war, the army continued to sell weapons to various "traditional" Yugoslav clients, including the ones under international embargo. In October 2002 it became clear that several arms producing companies from Serbia and Republika Srpska were selling weapons to Iraq.<sup>86</sup>

The political crisis in post-Milošević Serbia and the uncertainty regarding the future status of the Federal Republic of Yugoslavia had an even more decisive effect on the pace of the army reform than was the case with police force. The reason is that unlike the police, which is under the jurisdiction of the republics, the army is controlled by the federal government, with President Koštunica being its supreme commander.

<sup>83</sup> Davor Konjikusic. "New Code of Ethics for the Serbian Police." *Southeast European Times*.

<sup>84</sup> Zoran Pajić. "Legal Aspects of Security Sector Reform in the Federal Republic of Yugoslavia." *Geneva Centre for the Democratic Control of Armed Forces Working Paper*. No. 18. April 2002, pp. 3-6.

<sup>85</sup> OSCE. "Law Enforcement." *OSCE Mission to Serbia and Montenegro*.

<sup>86</sup> Džiedzić et al. "Lawless Rule Versus Rule of Law in the Balkans."

Most of the active officers were carefully handpicked in the 1990s and were absolutely loyal to the previous regime. Furthermore, the Yugoslav army has been a very conservative, monolithic and authoritarian institution since its creation. As a consequence, it is almost incapable of engaging in a democratic dialogue and no awareness that the need for change exists among its staff. Transparency and a dialogue with civil society are viewed almost as a taboo. To make matters worse, federal authorities, especially former President Koštunica's circle, showed little political will to really reform the army and rather chose to exploit it in the political duel with Serbian Prime Minister Djindjić. The army's General Staff completely bypassed the Ministry of Defense and communicated directly with President Koštunica. Since even the Chief Inspectorate of the Army is under the jurisdiction of the General Staff, an absurd situation was created in which Ministry of Defense practically had no influence over the army.<sup>87</sup>

### *The Perišić Affair*

The Perišić affair produced the biggest challenge to date to the existence and future of the governing coalition in Serbia, and it also had serious international consequences. On March 14, 2002, military police arrested General Momčilo Perišić, Vice-President of the Serbian Government and president of the Movement for Democratic Serbia, one of the parties in the governing coalition. Together with Perišić, military police arrested the First Secretary of the US Embassy, John David Neighbor and two Yugoslav Army colonels. Perišić, who was the Chief of the General Staff of the Yugoslav Army between 1993 and 1998, was charged with revelation of military information and spying in the interests of the United States. Serbian Prime Minister Djindjić reacted to the arrest by claiming that Perišić had been under illegal surveillance for several months, which proved that the army and especially the military police operated without any civic and democratic control over their work. The arrest of the US diplomat understandably enraged the Americans. William Montgomery, the US Ambassador issued a sharp protest, and the State Department notified that it was outraged over the arrest. Neighbor was released after 16 hours during which he was denied contact with the Embassy. President Koštunica reacted by stating that the arrest was conducted according to the law, and demanded Perišić's resignation. Perišić was released after two days and resigned on March 19, explaining that he wanted to prove his innocence without relying on his immunity.<sup>88</sup>

**The customs** department was another Serbian law-enforcing institution, representing an important segment on the landscape of the economy of crime in the country. Institutionalized corruption in the customs agency enabled Milošević's regime to circumvent public finances and the state budget and thus to gain direct control over the cash, generated by the largest and most profitable Serbian "enterprise" – the state border. Customs in Serbia represents a rather unique case of a situation in which the authorities intentionally and actively encouraged the spread of corruption within the institution. The combined effect of carrot (access to their share of the spoils)

<sup>87</sup> Pajić. "Legal Aspects of Security Sector Reform in the Federal Republic of Yugoslavia." p.4.

<sup>88</sup> "Slučaj Perišić." *Free Serbia Vesti*, March 19, 2002.

and stick (corrupt employees were hostages of the regime, which could arrest and convict them any moment) ensured that the system operated without any obstacles.

Illicit trade was, to a large extent, controlled by Mihalj Kertes, one of the Milošević's closest associates and the director of the Customs Bureau. Kertes hand picked most of the Serbian customs officers to assure their personal loyalty and to make sure that customs operated basically as a private service of the regime. Approximately 800 out of 2,300 Serbian customs officers under Kertes were from his hometown of Bačka Palanka. Kertes liked to boast publicly that he was the person providing the Serbian people with food, drinks, cigarettes and clothes. In fact, Kertes often personally decided whether import of certain goods or by a particular importer was allowed or not, and what taxes and duties had to be paid.<sup>89</sup>

A variety of quasi-legal duties, collected on Serbian borders, enabled Kertes to collect several billion dollars in cash and in confiscated property. These "spoils" were distributed among Milošević's corrupt associates, as well as used for financing election campaigns, subsidizing state companies—especially the regime-controlled media—and for financing the ethnic cleansing campaigns in Croatia, Bosnia-Herzegovina and Kosovo. After the political changes in Serbia in October 2000, Milošević was arrested by the new authorities on charges of embezzlement, abuse of office and defrauding \$100 million. Milošević stated in his defense that the money supplied by Kertes and "generated" through the customs was not used for personal enrichment, but for financing Serb military forces in Croatia and Bosnia-Herzegovina. Serbian investigators believe that Kertes supplied Milošević with up to \$4 billion between 1994 and 2000.<sup>90</sup>

The situation in customs continued to be problematic even after the fall of Milošević. Fifty-six percent of the customs service's employees were hired between 1994 and 2000, when Mihalj Kertes was the head of the customs. Although this is not enough to justify the claim that all of these employees are corrupt, the fact remains that personnel selection policy in Kertes' time was not based on honesty and proficiency, but on personal loyalty. According to the survey, conducted among the customs officials, no essential personnel changes were conducted after the change of the government. Forty-six percent of those questioned answered that only a few employees from their unit were removed (transferred to a lower position or dismissed), and 27 percent said that none of their colleagues were removed. In the majority of cases, the same corrupt customs officials remained in their positions.<sup>91</sup>

<sup>89</sup> Slobodan Ikonić. "Šerif iz Hajdučke šume." *Nin*. No. 2439. September 25, 1997.

<sup>90</sup> Andrew Purvis, Dejan Anastasijević, Lauren Comiteau. "The Song of the Insider." *Time South Pacific*. No. 15. April 16, 2001, pp. 36-41.

"Milošević's Money Man was Model of Corruption." *Balkan Times*. 2001.

<sup>91</sup> Boris Begović and Boško Mijatović, eds. *Corruption at the Customs: Combating Corruption at the Customs Administration*. Belgrade: Center for Liberal-Democratic Studies, 2002, pp. 42-43

### *Corruption in the Serbian Customs Agency*

Corruption in the Serbian Customs Agency continues to exist for a number of reasons:<sup>92</sup>

- Corrupt structure: The corruption-permeated structure of the customs organization generates more corruption. Non-corrupt newcomers to the customs agency, joining the already corrupt team, are faced with strong pressure not to disclose the corrupt practices and inform on their corrupt colleagues to the relevant authorities. The pressure is particularly strong in case of corrupt superiors. The safest way to guarantee the compliance of newcomers is to include them in corrupt practices.
- Inadequate penal policy: Existing penal policy prevents only petty corruption, since the risk of punishment outweighs the potential benefits. It is, however, largely ineffective in cases of major corruption, in which huge sums of money are involved.
- Low salaries: Many customs officers supplement low wages through corruption. At the same time, the general perception of customs as one of the most corrupt institutions makes it practically impossible for the government to increase the salaries, since this would be negatively received by the public.
- Poor reputation of customs: The worse the reputation of the public institution, the lower the quality of people applying for positions within it. The corrupt customs agency is perceived as a place where it is possible to make quick profit in a dishonest way. As such, it attracts employees with improper motives and low moral standards.
- Other corruption-inciting factors include the insufficient capacity of the customs administration to perform customs services, complicated importing procedures, over-regulation, and excessive limitations to trade.

On the positive side, corruption in customs has decreased in the last two years, and the amount of collected customs duties increased by 10% in both 2001 and 2002.<sup>93</sup> A survey conducted among business people showed that, although corruption is still considerable, it has visibly diminished. The efficiency of the customs service has improved, according to the same survey. This is a result of new, simpler internal rules and regulations, which leave less room for arbitrary interpretation.<sup>94</sup> The new Customs Law and the Law on Customs Service came into force on January 1, 2003, contributing to the modernization of the customs service and to a decrease in corruption. The efficiency of customs has also improved with the purchase of modern new equipment, as well as with the development of a customs information system. Also of significant importance is increased cooperation with the EU customs experts and, especially, with the customs services of neighboring countries.<sup>95</sup>

Despite improvements, in the two years following the regime change, new patterns of corruption have emerged. The main motives for the system of institutionalized corruption no longer exist and the state border has ceased to be the most important state-owned enterprise. Reduced tolerance of corruption reduced the willingness of customs officials to participate in large

<sup>92</sup> *Ibid.*, pp. 14-28

<sup>93</sup> Darko Savanović. "Scant Salaries, Abundant Temptation." *Beta*, December 12, 2002.

<sup>94</sup> Begović and Mijatović, eds. *Corruption at the Customs*, pp. 78-79.

<sup>95</sup> "Borba protiv korupcije u carinskoj službi SRJ." *Web Site Vlade Republike Srbije*, August 13, 2002.

organized groups. Most corrupt officials now work independently or in small groups. The crude, straightforward and unconcealed corruption schemes had to be abandoned and were replaced by complex and inconspicuous ones. This means that currently it is predominantly older, higher-ranking and more experienced customs officials who are engaged in corrupt practices.<sup>96</sup>

\* \* \*

Unfinished reform of the security sector in Serbia enabled almost unchecked infiltration of organized crime into the economy and politics. By the mid-1990s, certain criminal circles had already accumulated enormous wealth as a result of war profiteering, sanction busting, black marketeering, plundering of state assets, and foreign currency dealings. Several large, well organized criminal clans emerged, the existence of which was a public secret.<sup>97</sup> By 1996, these clans permeated the government, the police force, the SDB, customs, the financial police and the judiciary, all of which functioned through clan networks, interest groups, and circles of relatives and friends, instead of through a legal framework. The very institutions whose task was to fight crime and corruption became actively involved in the organization of the Serbian economy of crime. State-owned property was plundered, smuggling networks and black market monopolized, and financial manipulation tolerated.<sup>98</sup>

The profits earned through the smuggling of drugs, arms, oil and excise goods, as well as through other illegal operations, were laundered and sent abroad through an elaborate network of foreign-based companies and bank accounts. The SDB had established numerous companies abroad during Yugoslavia's socialist period. These companies and accounts were used also to hide state funds and to enable Serbian state companies to continue conducting business in international markets after economic sanctions were imposed on Serbia. The network was also used for transferring personal funds, belonging to Milošević and his associates. Most of such companies and bank accounts were located in Cyprus and Greece, but numerous were also found in other countries around the world (including Switzerland, Germany, China, and the South African Republic). Seventy-five bank accounts in Greece, held by top Serbian officials, were blocked only in 1999, at the start of the Kosovo crisis. In Cyprus, as a result of its bid to enter the

<sup>96</sup> Begović and Mijatović, eds. *Corruption at the Customs*, pp. 100-101, 124-126.

<sup>97</sup> Bojana Oprijan Ilić. "Tikva sa korenom." *Ekonomist*. No. 134, January 29, 2003.

"Intervju dana – gost: Marko Nicović, potpredsednik Svetske policijske asocijacije za droge."

<sup>98</sup> Medojević. "Korupcija i reforme institucija."

Dragan Jocić. "Potrebne nacionalna strategija i politicka volja." *Beta novinska agencija*. July 27, 2002.



EU, several such accounts, held by the Serbian companies and suspected of being involved in money laundering, were closed in 1999.<sup>99</sup>

With the end of the war in Bosnia-Herzegovina and the partial lifting of sanctions, and with increased efforts of the international community and neighboring countries to cut some of the smuggling channels, the seemingly ceaseless sources of income started to dry out. This marked the beginning of the end of the security sector–organized crime partnership in Serbia. The regime now considered former partners from the underworld to be people who knew too much. In the second half of 1990s, dozens of them were assassinated by professional killers. None of these murders was ever resolved, nor were the perpetrators captured.<sup>100</sup> Organized crime, predictably, fought back. Defense Minister Pavle Bulatović, Deputy Minister of Interior and former head of SDB, Radovan Stojičić, the Minister of Interior, and Colonels Milorad Vlahović and Dragan Simić, were among the government officials assassinated in said period.

Other victims of this war were several independent journalists, who dared to expose the link between organized crime and the authorities. Slavko Čuruvija, the proprietor and editor-in-chief of the daily *Dnevni telegraf* and the fortnightly *Evropljanin*, who was named a “national traitor” by the state-controlled Belgrade daily *Politika ekspres*, was among the most well-known victims. His murder, like many others, remains unsolved, despite the fact that Čuruvija was under police surveillance when he was murdered.<sup>101</sup> Milan Pantić, journalist of the daily *Večernje novosti*, who was writing about corruption and ties with the organized crime of the judiciary and law-enforcement in the town of Jagodina, was similarly murdered by killers who were never caught.<sup>102</sup> Milovan Brkić, another journalist, was “arrested” by two people with SDB identification cards. After the “arrest”, Brkić was taken to the company Kotobanja, owned by Ljubiša Buha, the head of the Surčin clan, where he was tortured and severely beaten. He ended up in a hospital with several life-threatening injuries. His “crime” was an article, “Badža’s Cordons of Death”, in which he highlighted the links between Radovan Stojičić Badža, the Deputy Minister of Interior and the Surčin clan, the largest criminal clan in Serbia in Milošević’s time.<sup>103</sup>

---

<sup>99</sup> R. Jeffrey Smith. “Fall of Milošević Sparks Hunt for Riches.” *Washington Post*. March 11, 2001.

*Observatoire Geopolitique des Drogues*. “Yugoslavia.”

<sup>100</sup> Anastasijević. “Noć dugih pendreka.”

<sup>101</sup> “The Heralded Murder of Slavko Čuruvija.” *Free B92*, April 12, 1999.

<sup>102</sup> Zagorka Knežević – Uskoković. “Smrt na frontu istine.” *Večernje novosti*. August 8, 2002.

<sup>103</sup> Zoja Jovanov. “Čume – kandidat za zaštićenog svedoka.” *Reporter*. No. 249, January 28, 2003.

### *The Surčin Clan*

The Surčin clan began its “career” with the car theft business. In the beginning of the 1990s, they controlled virtually all of the trade in stolen vehicles in Serbia. Having good connections within the police and the SDB, as well as within the ruling party, the Surčin clan soon became one of the main actors in oil and cigarette smuggling, as well as in the heroin and cocaine trade. Zoran Šijan, the founder and leader of the gang, was assassinated in November 1999. He was succeeded by Ljubiša Buha - Čume. The decline of the Surčin clan continued and they were soon completely pushed out of the market by the rising criminal group, the Zemun clan. Buha, who survived an assassination attempt, fled the country.<sup>104</sup>

After the fall of Milošević’s regime, extensive reforms and effective steps to fight organized crime, corruption and, above all, the notorious security sector–organized crime cooperation were rightfully expected. However, little has happened. The opposition, leading the popular revolt against the regime, had to employ the services of numerous people from the underworld. This pact with the devil came at a heavy price. Many observers believe that the reason for the slow pace of the reform, especially in the law-enforcement sector, and for the obvious hesitation of the new authorities to engage in a serious fight against organized crime, was that the leading figures of the new government were indebted to the criminal structures. These observers believe that as such, the government was held hostage to the criminal interests. Criminal lords were well aware that if they did not change sides in time, they would be the first to fall after the popular overthrow of Milošević. Needing a new political patron to guarantee legalization of their illegally acquired capital and facilitate their contacts with foreign investors, they allegedly offered their services to the opposition and played a very important role in the October 2000 events.<sup>105</sup>

### *Serbian “Nouveaux Riches” and Their International Partners*

Former criminals and organized crime lords have become the top business class in post-Milošević Serbia. They own banks, newspapers and TV channels, import and export companies and supermarket chains, and are among the main financiers of political parties. The alleged head of the Surčin clan, Ljubiša Buha, founded a company, Difens Roud. The company bought modern German machines for covering roads with asphalt, which are the only of their kind in Serbia. The company thus became an unavoidable partner in all road construction and reconstruction works in the country. Most ironically, former crime lords have also become partners of the international community and act as intermediaries, negotiating deals between the Serbian government and foreign companies. Nebojša Medojević, director of the Center

<sup>104</sup> Jovanov. “Čume – kandidat za zaštićenog svedoka.”

Goran Tarlač. “Bil sem v Čumetovem zasebnem zaporu.” *Mladina*. No. 5, February 3, 2003.

<sup>105</sup> O. Zekić. “I mafija u tranziciji.” *Dnevne novine*.

“Sprega tajkuna i vlasti: Balkanska federacija organizovanog kriminala.” *Radio Slobodna Evropa*. October 7, 2001.

for Transition, believes that this is so because international companies, seeking to protect their investments in countries where state apparatus is too weak or too corrupt to offer such guarantees, intentionally rely on informal power structures.<sup>106</sup>

Another point, critics of the new Serbian government have often raised, is the fact that several months after the political changes in the country, most of the leading figures in the Ministry of Interior, the SDB and the customs (with the exception of Mihalj Kertes, who was arrested on December 15, 2000, on charges of embezzlement and fraud) kept their positions. This gave them plenty of time to conceal and destroy numerous documents and other pieces of evidence about misdoings and crimes committed under Milošević.<sup>107</sup>

The fact that little has changed was not lost on organized crime figures. After a short period of “wait and see,” criminal gangs realized that as far as their relation with the Ministry of Interior was concerned, it was business as usual. Most of those with whom organized crime cooperated during the past decade remained in their positions, and the police continued to be headed by six generals appointed by Milošević and completely unwilling to rock the boat with their pension only a few years away.<sup>108</sup>

Understandably, the government of the late Prime Minister Djindjić put the fight against corruption and organized crime high on its political agenda and did launch a high-profile anti-corruption campaign. Yet its effectiveness, and even its sincerity, could be questioned. The government has established 26 anti-corruption teams, dispatched to cities and towns all over the republic. An anti-corruption council, involving several prominent public figures, was also established. But the problem with the anti-corruption teams began with their composition. They consist of a police officer, a person from the public prosecutor’s office, and an SDB agent. *Otpor*, the largest Serbian NGO, which has organized its own anti-corruption campaign, criticized the government’s anti-corruption teams. The SDB was the main organizer of criminal activities, especially smuggling, and a hotbed of corruption, and it was left virtually intact after the fall of Milosevic. The SDB agents were the personification of corruption in Serbia and the fact that they were now put in charge of fighting corruption indeed raises questions about the trustworthiness of the anti-corruption teams.<sup>109</sup>

---

<sup>106</sup> “Sprega tajkuna i vlasti.” Tarlać. “Bil sem v Čumetovem zasebnem zaporu.” Nikola Vrzić. “Povratak u devedesete.” *Nin*. No. 2693, August 8, 2002.

<sup>107</sup> Oprijan Ilić. “Tikva sa korenom.” B. Ristić. “Čija ruka upravlja Srbijom?” *Glas javnosti*. November 3, 2002.

<sup>108</sup> Ljubiša Obradović. “Mafija odlazi s režimom?” *Nezavisna svetlost*. Vol. 5. No. 274. December 30, 2000.

<sup>109</sup> Alexandra Poolos. “Serbia Launches High-Profile Anti-Corruption Campaign, But at What Cost?” *Global Policy Forum*, March 11, 2002.

The security sector itself also proved to be very reluctant to reform. All law-enforcing institutions in Serbia are very conservative by nature and highly skeptical towards the process of democratic transformation. Especially within the army and the police force, there is no widespread awareness that a break with past practices is necessary or in any way beneficial. There is no serious and informed dialogue on why reform is essential. The idea of external, civilian control over the security sector is viewed with skepticism and mistrust, and, together with other reforms, causes insecurity and alienation among both the officers and the rank-and-file. The problem with reform in the army is further exacerbated by the fact that the army is under the control of the federal authorities, and the long period of uncertainty about the future status of the Federation also had a negative impact.<sup>110</sup>

Accusations that the government has ties with the financial elite, which generated its wealth through illegal means in the period of lawlessness under Milošević, were also made by a group of reformist economists from G17 Plus, formerly an NGO and now a political party. They believe that these ties explain why, in two and a half years, almost none of the well-known criminals was accused of illegally accumulating wealth during the 1990s. They also help to explain why only around 50 million Euro, instead of the expected 350 to 500 million Euro, were collected through the newly-introduced excess profit tax which was levied on companies that had been privileged during Milošević era.<sup>111</sup>

### *The Gavrilović Case*

One of the affairs which shook post-Milošević Serbia most strongly was the murder of Colonel Momir Gavrilović. Gavrilović had been working for the SDB for more than 15 years until he retired for personal reasons in September 1999. On August 3, 2001, Gavrilović visited the office of the Yugoslav president Vojislav Koštunica and allegedly presented to the president's associates documents pointing out collaboration of members of the Serbian government and Serbian police with top organized crime figures. The Belgrade daily *Politika*, citing sources close to Gavrilović's family, reported that Gavrilović possessed documents revealing a number of illegal transactions and frauds committed after October 2000. A few hours after his visit to the President's office, Gavrilović was killed by unknown assassins, who, as has been the case with most such murders in Serbia, were never caught. The Serbian government reacted, accusing President Koštunica of trying to manipulate the circumstances linked to a "suspicious" murder, and to discredit his political opponents. The Ministry of Interior downplayed the importance of Gavrilović's documents, portraying him as a highly problematic figure with numerous links with the criminal underworld.<sup>112</sup>

<sup>110</sup> Pajić. "Legal Aspects of Security Sector Reform in the Federal Republic of Yugoslavia." pp.1-3.

<sup>111</sup> Željko Cvijanović. "Serbia: Djindjic versus Dinkic." *Institute for War and Peace Reporting Balkan Crisis Report*, No. 398, January 16, 2003.

<sup>112</sup> "Gavrilović Dossier." *Serbia Info*, August 10, 2001. Antonić. "Stanje demokratskog poretka u Srbiji."

Serbian authorities understandably offer an alternative explanation as to why reforms have been slow. Mihajlović, the minister of interior, notes the disarray in the police force, caused by a decade of corruption, mismanagement and improper personnel selection. Lack of proper and modern equipment is also important, since organized crime groups are in many respects far better equipped than the police. Mihajlović also claims that organized crime is trying to compromise the new authorities by accusing them of being involved in unlawful deeds or being financed by dirty money. On the other hand, he admitted that the organized crime was indeed actively searching for new “godfathers” among the politicians. Police general Boško Buha, the deputy head of the Public Security Department of the Yugoslav Interior Ministry (assassinated in June 2002) also warned that mafia was attempting to buy politicians from the governing coalition, offering them money, services and dossiers, which could compromise their political opponents.<sup>113</sup>

### Ljubiša Buha

Ljubiša Buha - Čume, one of the most prominent figures in the Serbian underworld, decided to speak out about a number of murders, kidnappings, fraud, and other criminal acts. He appeared on the independent TV channel TV B92, directly accusing the Serbian government of involvement with organized crime. His decision was doubtless triggered by the police raid on Buha's stronghold, the company *Kotobanja*. A large quantity of weapons and three kilograms of heroin were confiscated in the raid. Several months before the raid, Buha's another company, *Difens Roud* was destroyed in an explosion, and Buha himself survived an assassination attempt. Prime Minister Djindjić welcomed Buha's proposal to testify, expressing at the same time his confidence that neither himself nor any of his ministers will appear in any of the cases Buha pledged to reveal.<sup>114</sup>

Like so many times in the last twelve years, the developments in Serbia again took an unexpected turn and went to the extreme. On March 12, 2003, Serbian Prime Minister Zoran Djindjić was assassinated. As the subsequent investigation revealed, three professional assassins were waiting in an ambush in the unoccupied building (damaged in the NATO air strikes in 1999) opposite the building of the Serbian government. Two bullets hit Djindjić as he was getting out of his car, and despite being taken immediately to the central Belgrade hospital, where two teams of surgeons tried to save his life, he died less than an hour later. In the aftermath of the prime minister's murder, the Serbian government undertook the largest and fiercest campaign against organized crime witnessed so far in any post-socialist country. Following the proposition of the government, Nataša Mičić, the acting president of Serbia declared a state of emergency in the country. This measure entitled the Ministry of Interior to arrest persons jeopardizing the Republic's sovereignty, constitutional order and security, or the safety of

<sup>113</sup> Milan Janković. “To je pitanje: mi li oni?” *Ilustrovana politika* No. 2211, June 2, 2001.

<sup>114</sup> Jovanov. “Čume – kandidat za zaštićenog svedoka.”

other citizens, and to retain them in custody for up to 30 days without the right to an attorney or to visits by relatives. Dissemination of any information related to the state of emergency except the official releases by competent state bodies was banned.<sup>115</sup> The Ministry of Interior announced the beginning of a large-scale operation called “Action Saber,” the goal of which was to find and arrest those responsible for Djindjić’s assassination, and to deal a decisive strike to the organized crime in Serbia.

### “Action Saber”

During “Action Saber,” more than 10,000 suspects were arrested and over 4500 were detained in custody. Serbian police brought 3919 criminal charges against 3400 persons, suspected of committing 5812 criminal offenses. During the operation, 28 murder cases, 23 murder attempts, 45 cases of extortion, 15 kidnappings, and 208 cases related to production, possession and distribution of drugs were solved. Police confiscated 1325 weapons, 357 hand grenades, 110,097 rounds of ammunition, and 74,830 grams of illicit drugs. Forty-five persons were charged with involvement in the assassination of Prime Minister Djindjić and with terrorist activity, with fifteen of them being directly charged with murdering Djindjić.<sup>116</sup> Apart from numerous well-known criminals, many people who played a prominent role in Milošević’s security apparatus were also arrested. They include Jovica Stanišić, former head of the SDB, Franko Simatović, founder of the Red Berets special police unit, General Nebojša Pavković, former Chief of Staff of Yugoslav Army, three other army generals, Živanović, Nikolić and Fezer, and colonel Jovanović. Three assassins, who murdered Prime Minister Djindjić, were also arrested – they were all officers of the Red Berets.<sup>117</sup>

The investigation revealed that the masterminds of the assassination were Milorad “Legija” Luković and Dušan Spasojević – Šiptar, leaders of the Zemun clan, the largest organized criminal gang in post-Milošević Serbia. Legija and Šiptar, both war criminals, threatened with extradition to The Hague War Crimes Tribunal, called their plan for the assassination of the prime minister “Stop The Hague.” Both Šiptar and Legija were former agents of Milošević’s State Security Service (SDB). Legija was also the commander of the SDB’s Unit for Special Operations, also known as the “Red Berets”. Legija, who is believed to possess also a Bosnian passport with a false name, remains at large at the time of writing of this report, while Šiptar was killed, together with his right-hand man Mile Luković–Kim, in a gun fight with police during an attempt to arrest them.<sup>118</sup>

<sup>115</sup> “The Premier Zoran Djindjić Assassination and Impact of the State of Emergency.” *Helsinki Committee for Human Rights in Serbia*, May 2003, p. 7.

<sup>116</sup> “Akcija ‘Sablja’.” *Web Site Vlade Republike Srbije*. April 29, 2003.

<sup>117</sup> Daniel Sunter. “Serbia: Mafia’s Days Numbered?” *Institute for War and Peace Reporting Balkan Crisis Report*. No. 415, March 18, 2003.

Branimir Gajić. “Pavković Arrest Puts Army Under Spotlight.” *Institute for War and Peace Reporting Balkan Crisis Report*, No. 421, April 8, 2003.

<sup>118</sup> Miloš Vasić. “Operacija Sablja: Na krvavom tragu.” *Vreme*. No. 639, April 3, 2003.

## Legija

Milorad “Legija” Luković, born in 1968, was an already well-known criminal in the 1980s. He was wanted for several armed robberies, but he escaped to France, where he continued his criminal activities. After committing a murder, he joined the French Foreign Legion (hence his nickname—Legija means “the legion” in Serbian). When the war started in the former Yugoslavia, Legija deserted and returned to Serbia, where he joined the Serbian Volunteer Guard, the notorious paramilitary unit led by Legija’s friend, Željko Ražnatović Arkan. When the Serbian SDB formed the Red Berets, Legija joined them and became an officer. When clashes started in Kosovo in 1998, Legija attained the rank of colonel and became the commander of the Red Berets. Simultaneously, he remained active in the Serbian underworld. Together with Dušan Spasojević, he turned the Zemun clan into the largest criminal gang in the country. The Zemun clan has made its fortune predominantly through the drug trade, kidnappings of wealthy Serbian businessmen, vehicle theft, extortion, and armed robberies. After being involved in a series of violent incidents, Legija was dismissed as the Red Berets’ commander in May 2001, but he nevertheless maintained a huge influence in the unit.<sup>119</sup>

According to numerous media reports, Prime Minister Djindjić met with Legija prior to the events of October 5, 2000, when Milošević was ousted during the popular uprising. Allegedly, Legija promised that the SDB and the Red Berets would not take any action against the protesters. In exchange, Djindjić supposedly offered to guarantee that Legija and his men would not be extradited to The Hague. In one interview, Djindjić confirmed that he had met Legija before October 5, but downplayed the importance of the meeting, claiming that no member of Milošević’s secret services participated in the preparations of the protests, and that consequently no promises of immunity had ever been made.<sup>120</sup>

Yet, the fact remains that Legija and his associates continued to behave as if they were untouchable after the political changes in the country. After being involved in several violent incidents, Legija was finally dismissed as commander of the Red Berets in May 2001, but no criminal charges were brought against him. His influence in the unit, however, remained enormous. In October 2001, authorities arrested two members of Red Berets on charges of war crimes. Legija immediately organized a revolt of the unit and the Red Berets blocked a number of main roads in Serbia in protest against the arrests. The Red Berets calmed down after the government agreed to give Milorad Bračanović, Legija’s close associate, a high position in the Security–Information Agency. In this way, Legija continued to have huge influence within the Serbian secret service. Bračanović was dismissed in January 2003. At the same time, the Serbian government began to demonstrate genuine

<sup>119</sup> Stevan Živanović. “Serbs Blame Gang for PM’s Killing.” *United Press International*, March 13, 2003.

“Legija odpadnik.” *Dnevnik*, March 14, 2003.  
“Akcija ‘Sablja’”.

<sup>120</sup> “Ubistvo premijera Zorana Djindjića.” *Vreme*, No. 636, March 13, 2003.

resolve to finally deal with organized crime in the country and to fully respect its obligations to the War Crimes Tribunal in The Hague.<sup>121</sup>

Hoping to arrest such a course of development, the alliance of organized crime and the so-called “patriotic forces,” entrenched in the unreformed Milošević-era security apparatus, decided to strike first by killing their main opponent – Prime Minister Djindjić. The police investigation revealed that they were also planning to assassinate the minister of foreign affairs, Goran Svilanović, the vice-prime minister, Čedomir Jovanović, and the head of the government’s Communication Bureau, Vladimir Popović.<sup>122</sup>

### *The Assassination*

The assassination of Prime Minister Djindjić was planned by Milorad “Legija” Luković. Fifteen people were directly involved in the conspiracy. Legija coordinated the operation from a rented apartment near the scene of the crime. Dušan Spasojević – Šiptar and Sašo Popović supervised the operation from a car cruising in the vicinity. The actual assassins were three – Zvezdan Jovanović, deputy commander of Red Berets, who hit Djindjić with two shots from his sniper rifle, and Aleksandar Simović and Ninoslav Konstantinović, his two assistants and also Red Beret members. Two other people were tasked with driving them to the scene of the crime and helping them to escape after the assassination. Five people, including two active agents of the Security–Information Agency, were providing the assassins with minute-by-minute reports on the movement of Djindjić’s car. The last two people involved (one of them was Mile Luković, Šiptar’s right-hand man), armed with automatic rifles, were standing by to cover the assassins’ escape if needed. After the assassination, members of the gang hid in various rented apartments in Belgrade. The rifle used to kill Djindjić was buried in a construction site near the Palace of the Federation, while the car in which the assassins were traveling, was abandoned and set on fire.<sup>123</sup>

The fact that the subsequent investigation revealed that the assassination of the prime minister was planned and executed by former and present leading figures of the Red Berets gave the Serbian government little choice but to finally deal with this remnant of Milošević’s regime, which was practically operating as a state within the state. On March 25, the government disbanded the unit, and the Gendarmerie, a special police unit, stormed the Red Berets’ headquarters in the town of Kula (in Vojvodina). The Red Berets surrendered their military equipment without incident and left their base in civilian clothes. Most of the former Red Berets, who were not involved with criminal organizations or did not commit other criminal acts, were offered positions in other police units.<sup>124</sup>

<sup>121</sup> Batić Bacević, Slobodan Ikonjić, Nikola Vrzić. “Hronika nenajavljene smrti.” *Nin*, No. 2724, March 13, 2003.

<sup>122</sup> “Akcija ‘Sablja’”.

<sup>123</sup> *Ibid.*

<sup>124</sup> Bojan Dimitrijević. “Serbia: Red Berets Disbanded.” *Institute for War and Peace Reporting Balkan Crisis Report*, No. 418, March 27, 2003.

Miloš Vasić. “Zmija u nedrima vlasti: Jedinica za specijalna ubistva.” *Vreme*, No. 638, March 27, 2003.



The Serbian government has used the unprecedented international and domestic support to launch the long overdue reform of the most conservative fortress of the Serbian security sector – the Army. This task was eased by the new constitutional arrangement, by which the Federal Republic of Yugoslavia was transformed into a looser union of Serbia and Montenegro. This change left Yugoslav President Koštunica, who was previously using his position and influence to slow down or prevent the reform of the army, without an office.<sup>125</sup> The Supreme Defense Council, comprised of the acting Presidents of Serbia and Montenegro, Nataša Mičić and Filip Vujanović, the new Defense Minister of Serbia and Montenegro, Boris Tadić, and the new President of Serbia and Montenegro, Svetozar Marović, fired General Aco Tomić, a hard-line military security chief. On March 31, former Army Chief of Staff Nebojša Pavković was arrested on suspicion that he was involved in several political murders and assassination attempts in Milošević's time. Several other high officers were also arrested on suspicion of manipulating the army housing fund and the military real estate. Defense Minister Tadić and President Marović announced a thorough reform of the army, stating that army's highest priorities would be quick integration into the Partnership for Peace program and full cooperation with the Hague Tribunal.<sup>126</sup>

The Army's General Staff, previously virtually autonomous, was placed under the responsibility of the Ministry of Defense. The military intelligence service, KOS, was removed from General Staff control and also placed under the Ministry of Defense, a move which should lessen the political role KOS played in the past.<sup>127</sup> The Government has also launched an investigation into the participation of some senior officers in illegal activities. In an effort to overcome the long isolation of Serbian (Yugoslav) army from the regional and global security forces, numerous bilateral and multilateral contacts with armed forces of other countries were made. An exhaustive assessment of the army was conducted, the results of which were shared with the NATO delegation, which visited the country. Finally, a special department was set up, with the task of preparing for accession to the Partnership for Peace program.<sup>128</sup>

---

<sup>125</sup> Koštunica tried twice to run for the office of Serbian president, but despite winning the majority of votes on both occasions, the results of the elections were not recognized because the voter turnout failed to reach the needed 50 percent.

<sup>126</sup> Gajić, "Pavković Arrest Puts Army Under Spotlight." "Axe to Fall on Yugoslav Army Old Guard?" *Institute for War and Peace Reporting Balkan Crisis Report*, No. 417, March 25, 2003.  
Aleksandar Radić. "Serbia: Milošević Era Generals Purged." *Institute for War and Peace Reporting Balkan Crisis Report*, No. 423, April 15, 2003.

<sup>127</sup> "Serbian Reform Stalls Again." *International Crisis Group Balkans Report*, No.145. July 17, 2003, p.6.

<sup>128</sup> Bojan Dimitrijević. "All Change for Serbia-Montenegro Military." *Institute for War and Peace Reporting Balkan Crisis Report*, No. 430. May 16, 2003.

The Serbian government has also used the state of emergency to clean up the judicial system in the country, perceived by a large segment of the public as highly corrupt and linked with organized crime. Similar to the army, the judiciary (most of the judges were appointed on political or personal, not professional, criteria in Milošević's time) strongly resisted the attempts of the government to reform and modernize it. In November 2001, the new Law on Judges was adopted, but was received very negatively by the judicial community. Numerous appeals for the assessment of constitutionality were submitted to the Constitutional Court. On March 19, 2003, the Serbian Parliament passed the Law on Amendments and Supplements to the Law on Judges. Several of the amendments facilitated faster and easier deposition of judges. At the same time as the Law on Amendments was passed, the Serbian Parliament retired 35 judges, including seven Supreme Court judges. The following day, March 20, the president of the Supreme Court, Lepasava Karamarković, was pressured into resignation and an acting president of the Supreme Court was appointed (confirmed by the parliament as the new the president of the Supreme Court on April 22). The president of the Belgrade District Court was also dismissed and replaced, while the public prosecutor of the Belgrade District Prosecution resigned. The president of the Criminal Extrajudicial Chamber of the Belgrade District Court was arrested on suspicion that he was connected with organized crime. Similarly, the deputy state prosecutor Miloš Sarajić was arrested on suspicion that he was on the payroll of the Zemun clan. The state prosecutor, Sinisa Simić, was suspended and replaced by the acting state prosecutor. During April, 15 more judges were retired, and a number of presidents of district courts in various Serbian towns were replaced.<sup>129</sup>

Critics of this judicial purge point out that the government has abused the state of emergency to get rid not only of corrupt judges, but also those who were the staunchest supporters of the newly-acquired judicial independence. Numerous judges and prosecutors were fired without completing the necessary processes or were removed in violation of the existing law, since the Personnel Council of the Supreme Court, which is responsible for appointing and removing judges, was at the time disbanded. Serious political pressure was put on judges to put "state and public interest" above the laws. For example, when Mirjana Rašić, the Serbian Constitutional Court judge, wrote an opinion that the new Law on the Battle against Organized Crime was unconstitutional in some of its provisions, she was put under strong pressure to change her opinion. Judges and prosecutors also came under severe criticism of government members and police officials for failing to press charges against various suspected criminals arrested during Operation Saber. This generated a public perception that the judiciary was trying to protect the mafia. However, courts can act only if credible evidence, which has to be collected by the police, is presented to them.

---

<sup>129</sup> "Serbia: Purging the Judiciary." *Institute for War and Peace Reporting Balkan Crisis Report*, No. 418, March 27, 2003.

"The Premier Zoran Djindjić Assassination and Impact of the State of Emergency." pp.5-9.

Attacks on the judiciary were thus primarily used for covering up police failures and to weaken the authority of the judiciary, and, consequently, to decrease its independence.<sup>130</sup>

Tragic and unfortunate as it was, the murder of the Prime Minister Zoran Djindjić nevertheless seems to have triggered a series of positive developments for Serbia. The government, which was becoming ever more unpopular due to its failure to improve the bad economic situation, the obvious hesitation to start a genuine reform process, and the constant infighting and rivalry within the governing coalition, was given unprecedented domestic and international support to use all the necessary means to clean Serbia of “Fools, Deceits and Rats”<sup>131</sup>. Both the domestic public and the international community approved of the state of emergency, and a number of world leaders and international institutions pledged their full support for the reform effort of the Serbian government. The most obvious sign of unquestionable international support was that Serbia and Montenegro were speedily admitted to the Council of Europe on April 3. This happened despite the fact that the main obstacle blocking the admission—insufficient cooperation with the Hague Tribunal—remained unresolved and despite the fact that the state of emergency was still active in the country. Serbian authorities reacted to the admission to the Council of Europe by adopting a new law, facilitating full and unconditional cooperation with The Hague. The state of emergency was revoked on April 22 by the order of Nataša Mičić, the acting president of Serbia.<sup>132</sup>

The assassination of Prime Minister Djindjić and the “Action Saber” which followed it revealed the depth and diversity of the links between organized crime and the security sector in Serbia even two and a half years after the fall of Milošević’s regime. The police, secret services, army and judiciary were all infiltrated by organized crime, and a large network of corrupt state officials and mafia informers were sentencing to failure any attempt to fight organized crime. Two Red Beret commanders and their two deputies, two heads of the Security–Information Agency departments, one Security–Information Agency assistant director and several lower-ranking officers, a head of the Army Security Department, a national security adviser, a deputy state prosecutor, two advisers of the former Yugoslav president Koštunica, and several top army officers, were all arrested. Amazingly, this list represents only the tip of the iceberg. On March 12, 2003, this iceberg almost sunk the Serbian ship. The swift action against organized crime, undertaken by the Serbian government, gave the impression that Serbia was firmly set on its course towards genuine reform and democratization, increasing its speed and determination not to be left behind in the process of Euro-Atlantic

---

<sup>130</sup> “Serbian Reform Stalls Again,” pp. 12-13.

<sup>131</sup> Budala (Fool), Prevara (Deceit) and Pacov (Rat) are the nicknames of three gangsters, members of the Zemun clan, who were arrested and accused of involvement in Djindjić’s assassination. Zoran Živković, the new Serbian Prime Minister, in his speech at Djindjić’s funeral made a promise that the Serbian government would achieve what Djindjić had dreamt about – Serbia without Fools, Deceits and Rats.

<sup>132</sup> “The Premier Zoran Djindjić Assassination and Impact of the State of Emergency.” pp. 10-13.

integration. While this gives justification to some cautious optimism, it should be kept in mind that the Saber has cut only the head of the parasite, destroying Serbia from the inside, and that most of the work needed to clean away the dirt beneath the surface still lies ahead.

For example, the operation of the political parties remains unregulated. Despite being announced on several occasions, a law on financing of political parties has still not been passed. Numerous shadow financiers and donors, who enriched themselves illegally during Milošević's rule, still influence the personnel and political decisions of parties both in the government and in the opposition, and could thus have a considerable influence over the continuation of the fight against organized crime and corruption. The judiciary is further proof that old habits die hard. Persisting corruption and continuous domination of the "old cadres" paralyze the judiciary, and a large question mark hangs over the ability of Serbian courts to bring about a satisfactory finale to the anti-criminal drive, initiated after Djindjić's assassination.<sup>133</sup> The police and the security services, which were cooperating with, rather than fighting, organized crime for over a decade, are still staffed with the same staff members/officers, which made this cooperation possible. The speed and efficiency with which the police crushed the Zemun and Surčin clans and resolved an impressive number of unresolved crimes show that it had extensive knowledge about the crimes of the most prominent Serbian criminals, yet it did nothing to combat them.<sup>134</sup>

Most worryingly, it seems that the strong push against organized crime and corruption is rapidly losing steam. The government seems to believe that the officially proclaimed defeat of the Zemun and Surčin clans is enough and the remainder of the Serbian underworld is beginning to feel that the "war on organized crime" has already ended. For example, the prices of drugs on Serbian streets, which increased during Operation Saber, returned to the pre-assassination levels. Djindjić's death temporarily consolidated the ruling coalition, but now the old rivalries and quarrels are re-emerging, blocking further reform efforts and hindering the fight against organized crime.<sup>135</sup> Members of the ruling coalition are publicly stating that some of their colleagues had ties with the organized crime or with business-people who acquired their wealth in a suspicious manner. For example, Deputy Prime Minister Nebojša Čović stated that some individuals in the government were cooperating with the Zemun clan. His fellow deputy prime minister, Čedomir Jovanović, who recognized himself in Čović's accusations, denied such a possibility.<sup>136</sup>

---

<sup>133</sup> Philip Schwarm. "Serbia: The Heart of Darkness." *AIM Dossiers: Corruption and Organized Crime*, July 2003.

<sup>134</sup> "Serbian Reform Stalls Again," p. 2.

<sup>135</sup> *Ibid.*, p.17.

<sup>136</sup> Boris Drenča. "Further Action Against Mafia Demanded." *Institute for War and Peace Reporting Balkan Crisis Report*, No. 432. May 23, 2003.

## 3.2. CROATIA

Symbiosis between the security sector and organized crime also was characteristic in Croatia under the rule of Franjo Tudjman and the Croatian democratic Community (*Hrvatska demokratska zajednica*, HDZ). If Milošević transformed Serbia into a police state, one can argue that under Tudjman and the HDZ, in certain aspects Croatia resembled a country under a military regime. Due to its role in the creation of the Croatian state, the army enjoyed enormous privileges and functioned as a virtual state within the state.

When the war started in Croatia, large numbers of Croatian émigrés returned to the republic. Apart from those who came to enlist in the newly created army and other military formations to defend the proclamation of Croatian independence, members of the well-organized Croatian mafia, operating abroad, rushed to their homeland, where war and lack of the rule of law offered perfect conditions for the growth of criminal activities. Very often, both reasons were combined. Large number of Croats, who were members of the French Foreign Legion or other mercenary armies around the world, took advantage of and abused the privileges that came with the Croatian Army uniform to get involved in a variety of criminal activities. Organized crime quickly took root and spread, above all in the two largest cities, Zagreb and Split. As in Serbia, growth of organized crime in Croatia was accompanied by a growing number of unresolved murders and assassinations, both of persons suspected of being important figures in the criminal underworld and of government and law-enforcement officials who tried to fight them.

Similarly to the situation in Serbia, numerous Croatian military formations (especially paramilitary, but also some of the regular formations) were recruiting people with a criminal background. Therefore it comes as no surprise that the republic's Ministry of Defense and its armed forces had close links to the criminal underworld and became a hotbed of corruption in the country.

### *The General's Hit-Man*

One of the most obvious cases of a connection between top army officers and a criminal was the link between the general Ante Roso and James Marty Cappiau, a Belgian with a Croatian passport. Roso and Cappiau were presumably former colleagues from the French Foreign Legion. As a member of the General Staff, Roso personally intervened with Miroslav Tudjman, the president's son and then-head of the Croatian Intelligence Service, and with Gojko Šušak, then the defense minister, to put Cappiau in charge of various covert operations in Croatia and Bosnia-Herzegovina (mostly linked with arms smuggling). Cappiau allegedly often traveled to the Republic of Congo, where he was negotiating Croatian arms exports to the African country. A document exists which shows that Cappiau was also on the payroll of the government of Congo as an advisor to the Ministry of Security. Cappiau was suspected of several assassinations in Croatia, and was in one case even accused of murder, but, due to the protection he enjoyed, the four-years trial did not go further than hearing the single testimony of a ballistic expert. In March 2001, Cappiau assassinated Vjeko Sliško, the man considered to be the head of the Zagreb underworld, but was gunned down and killed almost immediately afterwards.

Indications show that Cappiau served also as a professional hit-man, working for certain circles within the Croatian political and military establishment.<sup>137</sup>

Top Croatian army officers were involved in arms smuggling, the illicit drug trade, financial frauds and assassinations. The most well-known case is that of General Ivan Andabak. After the electoral defeat of the HDZ, Andabak, who was wanted by Interpol, was arrested for involvement in the smuggling of 665 kilograms of cocaine. The cocaine shipment, sent from Ecuador, was seized in the port of Rijeka in December 1999, following a report from the Vienna office of the US Drug Enforcement Agency (DEA). Andabak is also suspected of being involved in the murder of Jozo Leutar, a Bosnian deputy minister of the interior, who was trying to wage a genuine battle against drug smuggling in the Croat-populated Herzegovina.<sup>138</sup>

A number of other top officers were allegedly also involved in the drug trade. Some of them (like Colonel Bruno Zorica) have already been arrested, others are being investigated. The investigations, however, are proceeding at a snail's pace, partly due to the notoriously slow and overburdened Croatian judiciary, and partly due to the proverbial cautiousness of Ivica Račan's government. Being afraid of losing political points by going against the "heroes of the homeland war", Račan's government has been dragging its feet over reform of the army, making it more difficult for the truth about the army's ties with organized crime to come to light.

### *The Narco-Generals*

Retired army general Ante Roso is believed to have been at the top of the drug cartel which operated within the Croatian armed forces. Roso is another former member of the French Foreign Legion who came to Croatia in 1991 and made a rapid military career, becoming general and helping to create the elite military unit, the First Croatian Guard, which served as Tudjman's Praetorian Guard. The center of the drug trade, run by top army officers, Generals Roso, Ivan Skender, Ivan Andabak and several others, was the military base Sepurine, near Zadar, where Special Forces were trained. Heroin and cocaine were shipped to the base with small *Cessna* aircrafts, and from there they were distributed all over Dalmatia and Herzegovina in vehicles belonging to the military police. Since some of the profits made through drug trade were also used for the purchase of illegally imported weapons, many of the highest state officials—including former defense minister Gojko Šušak and former interior minister Ivan Jarnjak—were aware of the Croatian army's involvement in the drug trade.<sup>139</sup>

<sup>137</sup> Drago Hedl. "Links between Organized Crime and Croatia's Top Brass." *AIM Press*, April 16, 2001.

<sup>138</sup> Jasna Babić. "Details Behind the Andabak Arrest and the Leutar Murder." *Nacional*, No. 254. September 28, 2000.

<sup>139</sup> Ivica Djikić. "Legija stranaca d.d." *Feral Tribune*, No. 803. June 30, 2001.

"Nacional otkriva tko je glavni narkoboss u Hrvatskoj." *Nacional*, No. 258. October 26, 2000.

Top army officers were also involved in a number of other criminal and corrupt practices. General Matko Kakarigija is currently being investigated for a number of frauds and abuses of official position, linked with the distribution of real estate owned by the Ministry of Defense. Numerous apartments and houses in the most prestigious locations were rented or sold to “appropriate” persons for symbolic sums. General Česić is suspected of the following specific fraud: his company, Monitor, was given the concession for road building and was receiving money for expenses, including wages, from the state budget. Over a period of four years, the general failed to pay social security and health insurance for his workers, instead pocketing the difference between the money received from the budget, and the money disbursed for wages. All of the company’s machinery was also paid for by the state, and today most of it is located on the general’s property in Herzegovina.<sup>140</sup>

The case of General Vladimir Zagorec and the company RH Alan is also very symptomatic of the widespread corruption among army officers. Gen. Zagorec headed the company for several years. RH Alan was registered as a “company for production of means for special purposes”, and was the producer of RH Alan EMO, a Croatian copy of the Micro-UZI sub-machine gun. Tudjman’s government has issued a decree proclaiming the activities of the company to be a state secret. This secrecy was used to cover a number of other activities, for which it was not registered and which were not noted in the company’s bookkeeping. Consequently, RH Alan, over the course of several years, failed to pay the necessary taxes and dues. These activities included road building, the purchase of a Challenger airplane for President Tudjman, the import of a large quantity of old and unusable spare parts for MIG aircraft, and the payment of defense expenses for several Croats on trial in The Hague, including General Tihomir Blaškić. According to the findings of the State Audit Office, which inspected RH Alan in December 2000, the company and its head, General Zagorec, caused over \$26.6 million losses to the state.<sup>141</sup>

Croatia developed an extensive intelligence organization, the structure of which was based upon the secret service of the former Yugoslavia. It was divided into 11 security and intelligence agencies.<sup>142</sup>

- The most important of these is the **Service for the Protection of Constitutional Order** (*Služba za zaštitu ustavnog poretka*), which was placed within the Ministry of the Interior, but in practice answered directly to the office of President Franjo Tudjman. The first tasks of this agency included the purge of the Serbs and “unpatriotic” Croats (“inherited” from

---

<sup>140</sup> Djikić. “Legija stranaca d.d.”

<sup>141</sup> “Izvješće Državnog ureda za reviziju o reviziji obavljenoj u poduzeću RH Alan.” *Vijesti Hrvatske radiotelevizije*, May 9, 2000.

Djikić. “Legija stranaca d.d.”

<sup>142</sup> John Hatzadony. “The Croatian Intelligence Community.” *Federation of American Scientists: Intelligence Resource Program*, December 20, 2001.

the agency's predecessor, the Croatian SDB), and recruitment of officers loyal to Tudjman and the ruling HDZ party. These loyalists were recruited above all from the Croatian diaspora. The highly politicized nature of this agency was evident from the names of its departments, such as the Department for Serbs and the Department for Muslims and Arabs. Other departments are the National Security Department, the Operations Department, and the Department of Political Violence.

- The **Security Intelligence Service** (*Obaveštajna bezbednostna služba*) operated within the Ministry of Foreign Affairs. Its main task was intelligence activity against Serbia, but it was responsible also for surveillance and propaganda towards the Croatian diaspora.
- The **Croatian Intelligence Service** (*Hrvatska izveštajna služba*), established in 1993, is the only Croatian secret service with license to operate abroad and is thus responsible for gathering and analyzing intelligence dealing with foreign countries. In one of the most blatant cases of nepotism in post-1991 Croatia, President Tudjman made his son Miroslav the head of this agency.
- The **Control and Supervision Service** (*Nadzorna služba*) is responsible for internal security.
- The **Security Headquarters** (*Stožer osiguranja*) is responsible for counterintelligence and the personal security of the highest state officials.
- The **National Service for Electronic Monitoring** (*Nacionalna središnjica elektroničkog izvičanja*) coordinated and managed external and internal electronic monitoring.
- The **Intelligence Academy** (*Obaveštajna akademija*) is responsible for training, at the introductory and advanced levels, personnel from all of the services, as well as the civilian Customs Police.
- The **Security Information Service** (*Sigurnosno izveštajna služba*) is part of the Ministry of Defense, and is responsible for the political control of the armed forces and for covert weapons trade.
- The **Intelligence Service of the Croatian Army** (*Obaveštajna služba Hrvatske Vojske*) dealt with military intelligence and counterintelligence.
- The **Joint National Security Committee** (*Stožerni odbor za nacionalnu sigurnost*) identified the needs of the various arms of the Croatian government.
- The **Intelligence Community Coordination Committee** (*Koordinacijski odbor obavještajne zajednice*) prepares annual plans, approves joint actions among two or more agencies, performs analyses of the more important operations, ensures agency compliance with regulations, and monitors the internal efficiency of the various intelligence agencies

The budget of all of the intelligence agencies was kept top secret during the Tudjman/HDZ period. It is also difficult to estimate the overall number of employees. It is believed that the Service for the Protection of Constitutional



Order alone had up to 5000 employees.

The Croatian intelligence community was also not immune to corruption and to shadow deals. According to the investigation which followed the change of the government, the leaders of the Croatian Intelligence Service were involved in the illegal purchase, rent and sale of expensive personal vehicles, documented as “vehicles for special purposes”, for which no customs duties and fees were paid. Secret service employees were allegedly also involved in the arms and drug smuggling operations, in which they often cooperated with army officers.<sup>143</sup>

Customs in Croatia is perceived as one of the most corrupt institutions in the state (second only to the privatization agency).<sup>144</sup> As such, customs was more active in the *creation* of a huge black market and of smuggling networks, which supply its own officers than in trying to suppress such illegal trade avenues. One of the main tasks of the Croatian customs service after its establishment was to facilitate the illegal weapons imports before and during the 1991-95 war, which was without a doubt crucial for securing Croatia’s independence.

However, the “state-building” role of the smuggling networks soon transformed into criminal cooperation between organized crime and corrupt state institutions. With the coming to power of the Social Democratic Party and its five coalition partners (the Croatian Peasant Party, the Croatian People’s Party, the Croatian Social Liberal Party, the Liberal Party, and the Istrian Democratic Assembly, which withdrew from the government in June 2001) When the new governing coalition took power in January 2000, the first thorough inspection of the Croatian customs service since its creation was conducted. The inspection revealed that Croatia had over 200 official border crossings. On fifty of them, no customs service whatsoever operated. They were manned only by police officers, who checked the identity of passengers, but not the cargo they were transporting. Of the remaining border crossings, only 20 fulfilled the necessary technical requirements for satisfactory control of goods and people. In addition, 400 unofficial points of entry, used by smugglers, were also identified. An investigation revealed that a number of Croatian companies, owned by tycoons close to HDZ and Tudjman, had been importing goods for years without paying the necessary customs duties and taxes. Such companies included the car-importing companies Zadarkomerc and MPower, the tobacco company Tvornica duhana Zadar, and the newspaper company Slobodna Dalmacija.<sup>145</sup>

---

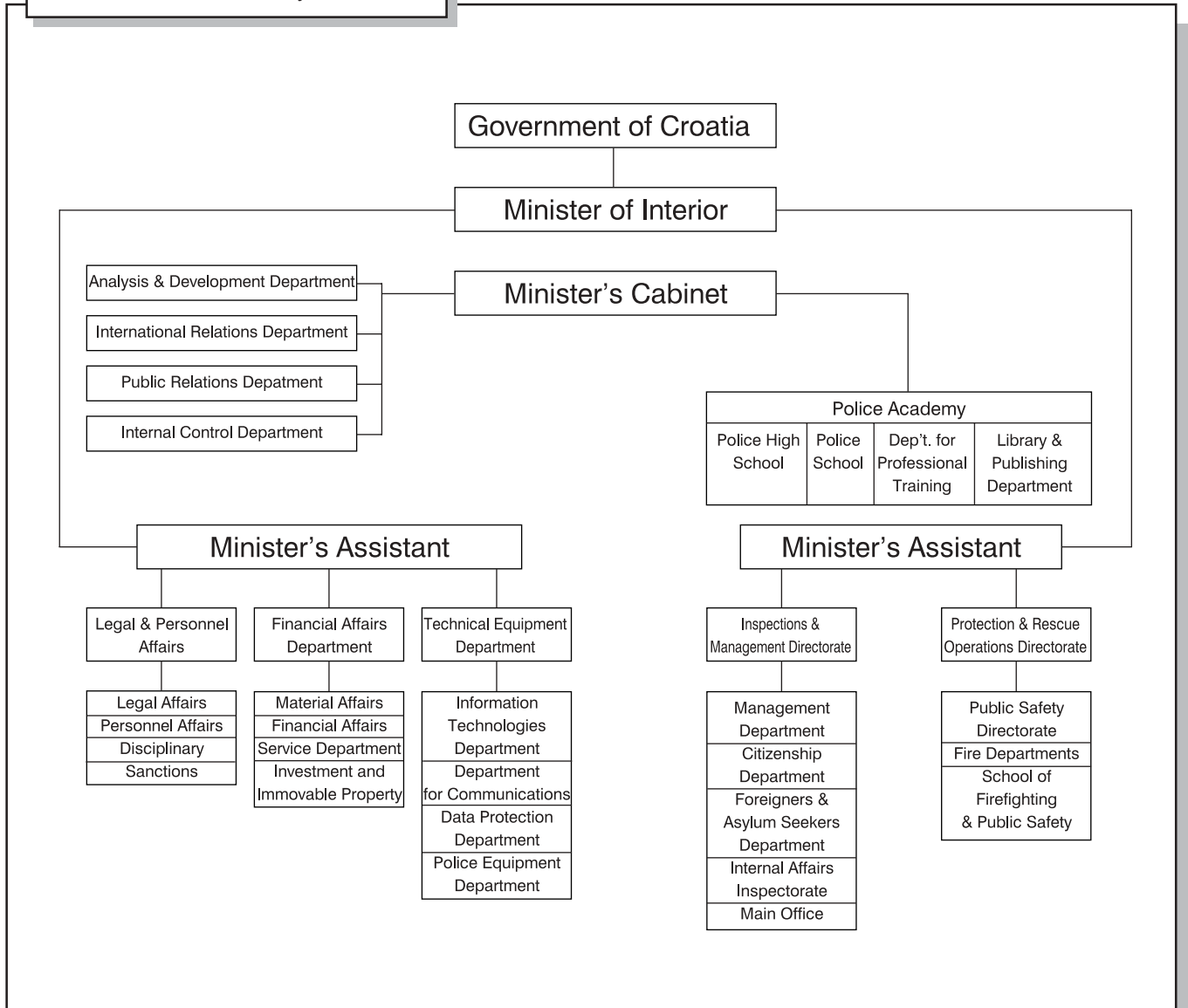
<sup>143</sup> “Nacional otkriva tko je glavni narkoboss u Hrvatskoj.”

Željko Rogošić. “Šverc jeepova u koji je umiješan Miroslav Tudjman.” *Nacional*, No. 265, December 14, 2000.

<sup>144</sup> See Southeast European Legal Development Initiative. *Anti-Corruption in Southeast Europe: First Steps and Policies*. Sofia: Center for the Study of Democracy, 2002, p. 54.

<sup>145</sup> Željko Rogošić. “Hrvatska – država organiziranog sverca.” *Nacional*, No. 271. January 25, 2001.

**Table 5.** Croatia's Ministry of Interior



Many of the wrongdoings conducted under the rule of Tudjman and HDZ have been already investigated and revealed. Nevertheless the government of Prime Minister Račan has been rightfully criticized over its slowness and apparent unease about bringing to court numerous war profiteers and tycoons who became wealthy due to illegal and unjust privileges. Josip Kregar, president of the Croatian office of Transparency International gives three reasons for this:

- The law-enforcement institutions, especially the police and judiciary, still have the same personnel, same habits, and the same mind-set as under the previous government.
- The instability of the coalition government makes implementation of reforms practically impossible, since coalition members often try to score

political points by blocking reform efforts in the name of the protection of “national interests.”

- With the passage of time, emotional and political support for a swift and thorough political reform, which was very strong in the aftermath of the January 2000 elections, has been becoming increasingly weak.

The fact that numerous individuals who acquired enormous wealth under the previous government seek to protect and preserve it, and have thus far found political cover under influential political figures from the governing coalition, is also of significant importance. Furthermore, like in Serbia, Kregar believes, Croatian organized crime, which has transformed into the new business class, is increasingly playing the role of mediator between corrupt government officials and foreign companies.<sup>146</sup>

In spite of several announcements about the introduction of new legal infrastructure, which would enable a more efficient fight against corruption and organized crime, it has still not been established. The Law on the Conflict of Interests has not been passed despite the fact that it was drafted soon after Ivica Račan’s government took office. The Law on Political Parties, which was supposed to regulate, among other things, party financing, met a similar fate. Reform of the judiciary has also been proceeding at a snail’s pace. Furthermore, like other state institutions, the Croatian judicial system is also permeated with corruption. The case of the Zagreb district attorney, who was suspended after being suspected of accepting a bribe in order to mitigate the charges against a group of large coffee smugglers, is by far not the only of its kind.<sup>147</sup>

As part of its effort to fight organized crime, the government established a special Office for the Prevention of Corruption and Organized Crime (Ured za suzbijanje korupcije i organiziranog kriminaliteta, or USKOK). USKOK is divided into the following departments: the Department for Investigation and Documentation (which collects evidence about corruption and organized crime and analyzes data and documents), the Department for Prevention of Corruption and for Public Relations (which executes the tasks, listed in the National Program for Fighting Corruption, and coordinates the work of state institutions with the efforts of non-governmental organizations and media), the Prosecution Department (which directs the work of police and other law-enforcing units, proposes cases for investigation, and participates in evidence collection), the Secretary (responsible for personnel selection and international cooperation), and various auxiliary services.<sup>148</sup> However, the results of its work have so far been quite limited, and have resulted only in a handful of convictions.

---

<sup>146</sup> “Spreja tajkuna i vlasti: Balkanska federacija organizovanog kriminala.”

<sup>147</sup> Zoran Daskalović. “Croatia: Crime and Corruption Continue.” *AIM Dossiers: Corruption and Organized Crime*, July 2003.

<sup>148</sup> “Pravosuđe i unutarnji poslovi.” *Poslovni forum*.

### 3.3. BOSNIA AND HERZEGOVINA

Bosnia's nationalistic parties, which came to power after the first free elections, pushed the country into war and used the war to divide Bosnia into their private domains over which they exercised absolute power. Paramilitary and criminal gangs, serving the nationalistic parties, accumulated enormous wealth through plunder, war profiteering, arms and oil trade, the black market, extortion from refugees, and other criminal acts, conducted during the 1992-95 war in Bosnia. The Dayton Agreement, which ended the war, cemented this criminal division of Bosnia, establishing two entities: the Croat-Bosniak Federation and the Republika Srpska, each with its own government, parliament, army, law-enforcement, and other institutions.

Bearing in mind the state in which Bosnia-Herzegovina emerged from the 1992-1995 war (a destroyed economy, over two million refugees and displaced persons, ethnic and administrative division, and highly corrupt and inefficient law enforcement), it was not surprising that Bosnia became one of the most corrupt and criminalized countries in the region. It also became one of the centers for regional smuggling networks. Bosnia became especially notorious for its role in human trafficking.

**The police force** in Bosnia continues to be, similarly, a tool of the ruling nationalistic political parties, rather than a public agency in service of the population. In numerous parts of the country, local police units are under the direct command of the local party officials and work predominantly to protect their business interests, which are often of a semi-legal or even criminal nature. In direct violation of numerous laws and treaties (including the Dayton Agreement), the police often work to prevent the return of refugees, rather than facilitate it.<sup>149</sup>

Furthermore, law-enforcement institutions, especially police and customs, are often involved in conducting criminal acts. The police in Republika Srpska were active in cigarette smuggling – police vehicles as a rule accompanied trucks, smuggling cigarettes from the border (usually with Montenegro) to their destinations. In 1997, involvement of the police in cigarette smuggling became so evident that the then-president of Republika Srpska, Biljana Plavšić, had no choice but to launch an investigation into the case.<sup>150</sup> According to some estimates, up to two thirds of the cigarettes sold in the country, were imported illegally. The investigation, ordered by Plavšić, revealed that the then-interior minister of Republika Srpska, Dragan Kijac, together with some other high-ranking officials of the Ministry of Interior and secret services, was involved in cigarette smuggling.<sup>151</sup>

<sup>149</sup> Harold J. Johnson. "Bosnia: Crime and Corruption Threaten Successful Implementation of the Dayton Peace Agreement – Testimony before the Committee on international Relations, House of Representatives." *United States General Accounting Office*. July 19, 2000.

<sup>150</sup> Biljana Plavšić. "Šverc kao nacionalna politika." *Nin*, No. 2427, July 4, 1997.

<sup>151</sup> Dženana Karup – Druško, "Reket za Dodika, Bicakčića i Čovića," *Dani*, No. 176, October 13, 2000.

In 2001, a Bosnian arms smuggling ring was exposed after the KFOR peacekeepers checked a truck carrying timber from Bosnia to Kosovo, and discovered over 300 automatic rifles and over 1500 grenades hidden under the wood. The investigation which followed resulted in the arrests of six people in Bosnia, including two senior police officers and a member of the Bosnian intelligence agency, the Agency for Investigation and Documentation. It is believed that the shipment that was discovered was only the tip of the iceberg.<sup>152</sup>

According to the research of *Transparency International*, in 2001 every fourth inhabitant of Bosnia-Herzegovina bribed at least one police officer. The complicated administrative division of the country makes the fight against crime and corruption even more difficult, with authorities of 10 cantons, which make up the Croat-Bosniak Federation, authorities of both entities, and authorities of Bosnia-Herzegovina all transferring the responsibility and the blame onto the others.<sup>153</sup>

The police forces in both entities have been resisting most efforts by the international community for reform. By the end of 2002, the agreed-upon obligations for minority representation in police, professionalization, and basic cooperation between police from both parts of the country were still far from the standard they were supposed to have reached. As a consequence, in recent years, the danger that Bosnia-Herzegovina as a state could be taken over by organized crime was much more imminent than the possibility of slipping back into the chaos of ethnic war.<sup>154</sup>

**The customs system** in Bosnia-Herzegovina was flawed from its inception. The Dayton Agreement, and the legislation based on it, created two completely separated customs agencies. Customs legislation and customs procedures were therefore an entity-level<sup>155</sup> responsibility and, as a consequence, there were significant differences in the way international trade and cross-border traffic were handled in the two entities. This internal border further exacerbated the problems the ill-equipped and underdeveloped customs service already faced in trying to control the extensive external borders. According to some estimates, Bosnia loses hundreds of millions of dollars to customs fraud and tax evasion.<sup>156</sup> Furthermore, part of the country's

---

<sup>152</sup> Antonio Prlenda. "Bosnian Gun Smuggling Ring Exposed". *Institute for War and Peace Reporting Balkan Crisis Report*, No. 288, October 16, 2001.

"Senior BIH Police Officials Arrested for Weapons Smuggling." *Balkan Times*, September 28, 2001.

<sup>153</sup> "Small Corruption in the Police and Health Care System." *Beta*, November 5, 2002.

<sup>154</sup> "Balkans 2010: Report of an Independent Task Force Sponsored by the Council on Foreign Relations." *Council on Foreign Relations*, 2002, pp.61-63.

<sup>155</sup> The 1995 Dayton Agreement determined that Bosnia and Herzegovina will be split into two Entities—a Croat-Bosniak Federation and Republika Srpska.

<sup>156</sup> Johnson. "Bosnia: Crime and Corruption Threaten Successful Implementation of the Dayton Peace Agreement."

border was deliberately kept porous for political reasons (the border between Croatia and Croat-populated parts of the Federation, and the border between Serbia and Republika Srpska).

The black market in Bosnia is exceptionally large even by regional standards. The United States Agency for International Development (USAID) estimates that about 50 percent of Bosnia's GDP is based on the black market, where everything from illegal goods such as arms and drugs, to basic food products, are sold. Identity cards, passports, registration plates, and driver's licenses can be also bought. The black market in Bosnia is almost a necessity, given the state's inability to provide basic goods and services to the population. As such, it is viewed by many in almost a positive light. Furthermore, it is often credited for its contribution to the development of inter-ethnic cooperation and the rebuilding of trust between different ethnic communities. Such views need to be strongly opposed. What the black market did achieve in Bosnia was, above all, the creation of a wealthy criminal class, which has an enormous political influence and which robs Bosnia of hundreds of millions of dollars every year, causing further instability and delaying its economic and political recovery.<sup>157</sup>

The international community tried to remedy the problematic situation in the Bosnian customs through the Customs and Fiscal Assistance Office (CAFAO), established and funded by the European Commission. CAFAO was deployed in 1996 to assist the Bosnian State and Entity authorities to set up a proper customs and taxation service. CAFAO did have some measure of success. A customs service was built from scratch, customs officers were trained, and some modern equipment was provided. Proper customs legislation was prepared and adopted by authorities of both entities. Most importantly, in May 1998 both entities finally agreed to unify their customs tariff laws, making Bosnia a single and uniform customs territory for the first time. Preferential treatment of the goods, coming from Croatia or Serbia to, respectively, the Federation or Republika Srpska, was also terminated. Customs officers from both entities also started to cooperate with each other and to exchange information. On the practical side, mobile Anti-Smuggling Units, making unannounced visits to border crossings or internal customs bureaus, and intercepting vehicles suspected of being involved in customs violations, were established.<sup>158</sup>

The situation, however, remains far from perfect. A CAFAO report, published in 2002, listed a number of irregularities, especially in the customs agency of Republika Srpska. The report stated that a "cartel" operated within

---

<sup>157</sup> Robin S. Skulrak. "Crime, Corruption and Endangerment of Bosnia's Statehood." *Kokkalis Program on Southeastern and East-Central Europe*. February 9, 2001.

<sup>158</sup> European Union. "Customs, Fight against Corruption and Organized Crime." *The EU's Relations with South Eastern Europe*.

Economic Reconstruction and Development in Southeast Europe. "Customs: BiH is now a Single and Uniform Customs Territory." *Economic Reconstruction and Development in Southeast Europe Donor Programs*. 1999.

the agency, which had collected up to \$2.5 million in bribes during the year. The report claimed that the budget of Republika Srpska lost about \$15 million just from the illegal import of clothes from Hungary, Turkey and Bulgaria. The report resulted in the resignation of Republika Srpska Finance Minister Milenko Vračar and the customs agency director, Goran Popović. Paddy Ashdown, the High Representative for Bosnia-Herzegovina, demanded their resignation.<sup>159</sup> Cigarette smuggling and human trafficking continue to represent the greatest problems in Bosnia. A report, issued by the former Special Representative of the Secretary-General and the Coordinator of UN Operations in Bosnia, Jacques Klein, put the losses caused by the illegal trade of cigarettes at roughly \$200 million annually.<sup>160</sup> Human trafficking in Bosnia is believed to be worth over \$130 million annually. International organizations estimate that 10 percent of all illegal immigrants to Western Europe have passed through Bosnia. According to UN data, 50,000 immigrants pass through the county every year.<sup>161</sup>

Branko Todorović, the head of the Helsinki Committee of Republika Srpska, cites corruption among the police, the Bosnian State Border Service and other state institutions as the most important reason why smuggling and other forms of crime still thrive in the country. The Bosnian State Border Service has fired 17 officials for corruption, illegal activities and abuse of an official position in 2002, which is less than symbolic for a country in which such offenses are so commonplace. Some policemen and the State Border Service officials, speaking on condition of anonymity, claimed that their senior officers were pressuring them, or even attempting to bribe them, into overlooking smuggling and other criminal offenses happening on the Bosnian borders.<sup>162</sup>

Despite the strong presence of the international community in post-war Bosnia, the three unreformed and authoritarian parties enjoyed practically absolute authority in the country, since they controlled the social, political, judicial and economic institutions. This allowed them to transform wartime underground networks into semi-official political-criminal alliances.

Mafia-permeated political parties control transport and trade of all major commodities, housing policy (of exceptional importance in a country with over two million refugees and displaced persons), and banks. All important

---

<sup>159</sup> Ljiljana Kovačević. "Where Are Millions in Customs Revenues?" *Beta*, July 5, 2002.

<sup>160</sup> "First Anniversary of the Bosnia and Herzegovina State Border Service - Statement by Special Representative of the Secretary-General and Coordinator of the United Nations Operations in Bosnia and Herzegovina Jacques Paul Klein." *United Nations Mission in Bosnia and Herzegovina*. June 6, 2001.

<sup>161</sup> Ibro Kovačević. "Krijumčarenje Kurda iz Turske na zapad." *AIM Press*, March 18, 1997. Peter Beaumont. "People Trade Makes Bosnia Rich." *The Observer*, January 28, 2001.

<sup>162</sup> Srdjan Papić. "Smugglers Find Way Round Border Clampdown." *Institute for War and Peace Reporting Balkan Crisis Report*, No. 425, April 24, 2003.

appointments and promotions in the economy, judiciary and law-enforcement institutions are in the hands of the ruling parties. The consequence of this communist-style nepotistic system is that all law-enforcement institutions were staffed with party members, making these institutions subordinate to the parties. As a result, law enforcement in the country is exceptionally reluctant to investigate and prosecute corruption and criminal cases involving persons linked to the ruling parties.<sup>163</sup>

The assassination of the Serbian Prime Minister Djindjić along with Action Saber, have sent shock waves through Bosnia-Herzegovina, especially through Republika Srpska. The so-called “Patriotic Forces” from Serbia, which were behind the Djindjić assassination, had strong ties with extreme nationalists in Republika Srpska. The prime suspect in the assassination, Milorad Luković Legija, is believed to possess a Bosnian passport and a Croatian passport, issued by the Croatian consulate in Mostar, and the possibility that he had escaped to Bosnia after the assassination was seriously considered by the authorities.

The Serbian government demanded and received extensive support from the Republika Srpska authorities for their action against organized crime. Security along the border was tightened and numerous suspects in Republika Srpska were arrested. Among them was Momčilo Mandić, one of the nationalist hard-liners and a war-time minister of justice of Republika Srpska, believed to have acquired his huge wealth in a fraudulent way. Mandić will most likely soon be extradited to The Hague on charges of war crimes. The Banja Luka police checked all persons suspected of having ties with the Zemun clan and increased inspections and surveillance of hotels, restaurants and other places believed to be serving as meeting places of criminals. Simultaneously, representatives of the international community in Bosnia-Herzegovina stepped up their campaign against organized crime. Two ultra-nationalistic newspapers, *National* and *Identitet*, believed to be used for laundering dirty money, were banned. Dragan Cavić, the President of Republika Srpska was forced to disband the 410<sup>th</sup> Intelligence Center of the Army Intelligence Department of Republika Srpska, which was eavesdropping on NATO forces, the SFOR, politicians and other figures in the country to facilitate the anti-Dayton activities of Serbian hard-liners. The Serbian Ministry of Interior announced an agreement on cooperation with the Ministry of Interior of Republika Srpska. This agreement was expected to lead to an increase in cooperation in combating crime and corruption.<sup>164</sup>

Having said that, the situation in Bosnia-Herzegovina remains cause for considerable concern. Criminal organizations have numerous informers within the police ranks and in the Ministry of Interior. These informers regularly warn them in advance of police raids. One of the more recent examples was police raid on the Bosna hotel in Banja Luka, where, according to credible

---

<sup>163</sup> Skulrak. “Crime, Corruption and Endangerment of Bosnia’s Statehood.”

<sup>164</sup> “The Premier Zoran Djindjić Assassination and Impact of the State of Emergency.” pp. 13-14.



information, two prominent Zemun clan members were hiding. By the time the police raided the hotel, the suspected criminals were already long gone.<sup>165</sup>

Despite the efforts of Paddy Ashdown, who pushed through the merger of intelligence services at the state level, intelligence agencies continue to serve the (often combined) party and criminal interests, rather than the law. Progress in reforming the judiciary has been also limited, despite the adoption of the new Criminal Law and the Law on Criminal Proceedings, both of which increased the power of public prosecutors and investigative judges. However, people like lawyer Krstan Simic, an official from the League of Independent Social Democrats, and James Lion, former director of the International Crisis Group for Bosnia-Herzegovina, believe that adoption of the laws will not change anything, because no political will for implementing them exists in the country.<sup>166</sup>

The Bosnian intelligence services remain the tool of the ruling parties and continue to serve various shadow political and economic interest. The latest scandal, involving the Federation Intelligence Security Service (Federalna obavještajno-sigurnosnu služba, FOSS), resulted in the resignation of the director of the Service, Ivan Vukšić. FOSS relayed fabricated accusations against Zlatko Lagumdžija, chairman of the leading opposition party, the Social Democratic Party, to the media. Vukšić was in office for less than a year. He replaced the previous FOSS director, Munir Alibabić, who was fired by Paddy Ashdown because too much FOSS intelligence was being leaked to the media.<sup>167</sup>

### 3.4. MACEDONIA

Unlike Serbia, where the exceptional growth of crime and corruption was a direct consequence of the policies of Milošević's regime, one could argue that similar developments in Macedonia came largely as a result of external circumstances. After 1991, Macedonia was almost completely cut off from all of its traditional trading partners. Croatia and Bosnia-Herzegovina were at war, UN sanctions were imposed on Serbia and the Council of Mutual Economic Cooperation, where Macedonia used to export 30 percent of its production, collapsed. In February 1994, Greece introduced a unilateral trade embargo in response to the dispute regarding the name of Macedonia, cutting off access to the Thessalonica port, on which Macedonia depended. Macedonia had to redirect its trade through Albania and Bulgaria. This rerouting increased the expenses of imports and exports, since, for political reasons, the trade infrastructure necessary to facilitate economic and other relations between Macedonia and its western and eastern neighbor was

---

<sup>165</sup> Milkica Milojević. "Organized Crime and Corruption in B&H." *AIM Dossiers: Corruption and Organized Crime*, July 2003.

<sup>166</sup> *Ibid.*

<sup>167</sup> Nerma Jelačić. "Explosive Leaks." *Institute for War and Peace Reporting Balkan Crisis Report*, No. 458, September 05, 2003.

neglected and underdeveloped. In such a situation, Macedonia was virtually pushed into dependence on smuggling and the black market, which in their turn increased corruption and facilitated the growth of organized crime in the country. Yet the unfavorable external circumstances were in fact only a catalyst, which helped corrupt political elites, unreformed security apparatus and the new “business” class to build and spread their corrupt and criminal networks. Illegal arms trade, sanction-busting (especially export of petrol and cigarettes to Serbia and Montenegro), and the growing trade in illicit drugs (Macedonia became one of the main alternatives for the classical “Balkan Route” through Serbia, Bosnia, Croatia and Slovenia, temporarily closed because of the war) helped corrupt state officials and organized criminal gangs to accumulate enormous profits.

By the second half of the 1990s, nearly all of Macedonia’s economy was hostage to the black-market and smuggled goods. Black and gray competition was destroying domestic agricultural and industrial production, forcing an increasing share of the population to shift from the legal market to the black market. At the same time, state services, including law-enforcement, became entrenched in corruption schemes, where bribes and involvement in criminal activities became the rule, rather than the exception. As a result, corruption became an almost inevitable ingredient of communication with police officer, customs official or other state official.<sup>168</sup> In his parliamentary speech on October 31, 2002, the newly-elected Prime Minister Branko Crvenkovski stated that Macedonia was a criminal and corrupt state.<sup>169</sup> At some point, the system of corruption within the Macedonia security sector solidified to such an extent that, for institutions like the Ministry of Interior or customs, the “problematic factor” became the individuals who were trying to fight corrupt practices, and not those who were involved in such. For example, when the Ministry of Interior under Pavle Trajanov prepared criminal charges against some of the main organizers of smuggling in the country, including some top officials from the customs service, Trajanov was removed from his position and the charges were blocked.<sup>170</sup>

Trajanov, as well as some newspapers and magazines, named the customs director Dragan Daravelski as the most important link in Macedonian cigarette smuggling. Tutunski Kombinat, a cigarette factory located in Daravelski’s hometown of Kumanovo, is allegedly a place where counterfeit cigarettes like Assos and Monte Carlo (no Macedonian company has a license to produce these brands) are made. The ease with which enormous quantities of smuggled cigarettes move across the Macedonian borders

---

<sup>168</sup> Branka Nanevska, “In the Quicksand of Corruption,” *AIM Dossiers: Corruption in the Countries of South-Eastern Europe*, October 2001.

<sup>169</sup> Željko Bajić. “Scarecrow.” *AIM Dossiers: Corruption and Organized Crime*, July 2003.

<sup>170</sup> “Шверцот транзитира низ Македонија со амин на власта и на некои меѓународни организации.” *Дневник*, September 22, 2000.

with Albania, Kosovo and Serbia indicate that the involvement of customs and government officials is indeed very likely.<sup>171</sup>

After the last election, the new government formed by the Social Democratic Union of Macedonia–Liberal Democratic Party (SDSM-LDP) coalition and the Democratic Union for Integration (DUI) put the new customs management in office, headed by Ljubomir Mihajlovski. Declaring the start of a genuine fight against corruption in customs, the new management fired or disciplined 35 customs officers between December 2002 and March 2003. An audit of the customs agency was made, which showed that the state lost millions of Euros in 2001 and 2002 due to customs fraud and unpaid customs and excise duties and taxes. The audit also showed that customs were heavily in debt due to unpaid telephone, electricity, heating and vehicle repair bills. At the same time, customs bought 75 Skoda Felicia vehicles in 2001, 27 of which were presented as “gifts” to individuals not employed in the service. Daravelski, the former customs director, in an interview given to the Skopje magazine *Kapital*, claimed that there was no corruption in customs. He left the country after the electoral defeat of his party, VMRO-DPMNE, and his whereabouts are currently unknown.<sup>172</sup>

However, according to the investigation conducted by the weekly magazine *Kapital*, the level of crime and corruption in the Macedonian customs service has hardly changed at all, despite the new government and the new management of customs. “The rules of the game” remain unchanged, and every person whose business is linked to the transfer of goods across the border (from small “suitcase” traders to large companies) knows what the bribery rates are. The businesspeople that journalists from *Kapital* spoke with claimed that, if one does not want to pay bribes, there will be no business. Several customs officers, who were also interviewed, confirmed the accusations of the business-people, and one of them added that currently, the customs service in Macedonia has reached an all time low in terms of honesty and quality of work. The most “profitable” border is the one with Kosovo. Everything from petrol to food products, building material to clothes, is “imported” to the province. According to the few customs officers willing to speak on the subject, the standard rate their colleagues get is 100 Euros per truck, and, in one month, profits from bribes can reach up to 2,000 Euros. Working on the Macedonia-Kosovo border is therefore a very profitable privilege, and all customs officers working there allegedly have to pay 250-350 Euros monthly to their superiors.<sup>173</sup>

The situation is equally alarming in the police – corruption and involvement in criminal activities begins at the level of ordinary police officers and reaches

---

<sup>171</sup> “Macedonia’s Public Secret: How Corruption Drags the Country Down.” *International Crisis Group Balkan Report*, No.133. August 14, 2002, pp. 21-22.

<sup>172</sup> Spasijka Jovanova. “Customs Corruption Cleanout.” *Institute for War and Peace Reporting Balkan Crisis Report*, No. 415, March 18, 2003.

<sup>173</sup> Verica Milanova et al. “Истражување на Капитал: Корупција во царината (1).” *Капитал*, No. 162, December 5, 2002.

the highest levels of the Ministry of Interior. According to the testimonies of the victims and according to data of various international and non-governmental organizations involved in human trafficking, police officers receive bribes for not interfering with the work of night clubs and other establishments—where women are forced into prostitution against their will—or for informing the night club owners in cases of raids.<sup>174</sup>

The situation is also far from perfect in the judiciary. After the election in the autumn of 2002, several high-profile state officials suspected of corruption and abuse of official position were arrested. Among others, they include former secretary-general of the VMRO and a former Health fund director Vojo Mihajlovski; the director of the Cadastre Directorate, Tatjana Mitrovska; the director of the state Electricity Supply Service, Lambe Arnaudov and his assistant Pandilov; the former Minister of Economy, Besnik Fetaj; the ex-director of a privatization agency, Duško Avramski; and the former Minister of Defense, Ljuben Paunovski. However, by the summer of 2003, only one of these corruption cases had been brought to court. Macedonian judges blame inadequate legislature, especially the law on criminal proceedings, for the delays. In recent years, numerous changes were made to the legal system, but due to the almost complete lack of independent expert assessment, these changes were uncoordinated and often contradictory. Edward Joseph, the director of the International Crisis Group for Macedonia, however, disagrees. Although he, too, believes that the law on criminal proceedings needs to be reformed, he sees the main obstacle to a more efficient legal system to be the lack of will and competence among judges and prosecutors.<sup>175</sup>

Yet corruption is not the only reason for a very low state of law enforcement and security in Macedonia. A large part of western Macedonia, populated predominantly by ethnic Albanians, is virtually a no-go area for Macedonian police. One reason is that a number of incidents have occurred in which the police patrol came under fire from Albanian guerrillas or criminal gangs, resulting in several Macedonian policemen getting killed. The other reason is that the Albanian population often perceives the arrests of Albanian criminals as being the result of ethnic bias and discrimination. Fearful of provoking another round of ethnic clashes, police view the virtual rule of armed Albanian gangs over western Macedonia as a somewhat lesser evil.<sup>176</sup>

After the signing of the 2001 Framework Agreement in Ohrid and after the 2002 parliamentary elections, which resulted in the change of the government,

---

<sup>174</sup> Veton Latifi. "Organized Prostitution in Macedonia." *Institute for War and Peace Reporting Balkan Crisis Report*, No. 166. August 22, 2000.

<sup>175</sup> Sase Dimovski. "Macedonian Courts in Crisis." *Institute for War and Peace Reporting Balkan Crisis Report*, No. 437. June 13, 2003.

<sup>176</sup> Preston Mendenhall. "Corruption Stalls Balkan Recovery." *MSNBC News*. January 2, 2003. "Moving Macedonia towards Self-sufficiency: A New Security Approach for NATO and the EU." *International Crisis Group Balkan Report*, No.135. 15 November 2002, pp. 3-5.

a police redeployment process has started with OSCE assistance. In practice, however, “redeployment” meant little more than brief police visits to villages that were previously completely inaccessible to Macedonian law enforcement officials. The police remain very limited both in the time they are able to spend in the troubled areas, and in the activities they can perform while patrolling them. In many places, because they are perceived as intruders, their safety is at risk. As a result, large parts of western Macedonia continue to be ruled by gangs, rather than by the law.<sup>177</sup>

### *Law Enforcement and Ethnic Tensions*

A typical example of the difficulties Macedonian law-enforcing institutions face in dealing with ethnic Albanian criminals is the case of Nexhbedin Demiri. On June 12, 2003, police attempted to arrest Demiri, a wanted criminal sentenced to two and a half years in prison for robbery and violence, and wanted for armed assaults on policemen. Demiri pulled out his gun and one of the policemen shot him dead in self-defense. Almost immediately, violent protests erupted in Demiri’s home village of Aračinovo, the scene of heavy fighting in 2001. A group of armed civilians with automatic weapons, protesting against Demiri’s killing, stormed the police station, taking 12 police officers as hostages. Reporters, including the crew of the national television station, who came to the village, were attacked, and 4 of them were injured. The situation calmed down after Deputy Interior Minister Dehari, a member of the Democratic Union for Integration (the Albanian party in the coalition government) came to negotiate with the armed group, and managed to convince them that Demiri died in a properly-conducted police action.<sup>178</sup>

The new Interior Minister, Hari Kostov, had to deal also with the notorious special police unit, the Lions (the Macedonian equivalent to the Serbian Red Berets). The aggressive and poorly-disciplined unit included around 1,600 members, many of whom had criminal backgrounds. In January 2003, the Lions were disbanded without any major incidents, although several hundred of them staged several protests in front of the Ministry of Interior, demanding jobs. Numerous other political appointees were also removed from the Ministry of Interior, although the professionalism and political impartiality of those who substituted them remains to be determined.<sup>179</sup>

Numerous irregularities have also occurred in the Ministry of Defense. For example, Defense Minister Ljuben Paunovski chose the companies owned by his father-in-law and his brother-in-law for military equipment

<sup>177</sup> *Ibid*, p.5.

<sup>178</sup> Ana Petrusheva. “Gangsters Exploit Ethnic Tensions.” *Institute for War and Peace Reporting Balkan Crisis Report*, No. 438. June 17, 2003.

<sup>179</sup> “Moving Macedonia towards Self-sufficiency: A New Security Approach for NATO and the EU.” p.6.

Jolyon Naegele. “Djindjic Killing, Investigation Have Little Impact Thus Far.” *Radio Free Europe – Radio Liberty*. April 8, 2003.

procurement and filled their bank accounts with around \$5 million from the budget of the Ministry.<sup>180</sup>

On the positive side, several steps aimed at reforming and improving the effectiveness of law enforcement in Macedonia have been taken. The State Commission for the Prevention of Corruption has been formed, consisting of seven legal and economic experts. Its task is to observe and assess the situation in the country and to make recommendations for solving concrete corruption cases.<sup>181</sup> The government has prepared a set of anti-corruption measures, called the “National Program.” Proposals for constitutional amendments, which would make it possible to revoke the immunity of state officials suspected of corrupt behavior, were also proposed, although at this point their adoption seems unlikely. Another proposed measure is the establishment of an anti-corruption network, which would involve the police, prosecutors and investigative judges.<sup>182</sup>

The OSCE Office for Democratic Institutions, in collaboration with the Open Society Institute, is helping the Macedonian government with police reform aimed at the development of modern education and training, decentralization and reform of the present police structure, and the development of strategies for the democratization of the police. The Macedonian police have also begun to develop and improve bilateral cooperation with neighboring and western-European countries.<sup>183</sup>

As for the customs agency, the idea of whether a foreign company should be engaged in customs reform was widely discussed under the previous government. At the end of 2001, the British company Crown Agents offered its services to the Macedonia government. Despite the support of the Finance Minister Nikola Gruevski, resistance from the customs management prevailed, and the idea of engaging Crown Agents was “put on hold” with the explanation that first the assessment of the results of Crown Agents’ work in Bulgaria needs to be made.<sup>184</sup>

---

<sup>180</sup> Sase Dimovski. “Macedonian Courts in Crisis.” *Institute for War and Peace Reporting Balkan Crisis Report*, No. 437. June 13, 2003.

<sup>181</sup> Verica Milanova et al. “Истражување на Капитал: Корупција во царината (6).” *Капитал*, No. 169, January 23, 2003.

<sup>182</sup> Bajić. “Scarecrow.”

<sup>183</sup> “Building a Regional Model – Police Reform in FYR Macedonia.” *Soros Foundation Network*.

<sup>184</sup> Verica Milanova et al. “Истражување на Капитал: Корупција во царината (4).” *Капитал*, No. 165, December 26, 2002.

### 3.5. ALBANIA

Relatively little is known about cooperation between the security sector and organized crime in communist Albania. The Albanian leader Enver Hoxha has created the most extreme totalitarian system in Eastern Europe, and, after the consecutive breaks from its patron states, Yugoslavia, the Soviet Union and China, Albania became one of the most closed countries in the world. Since organized crime is inseparable from cross-border illegal operations, the almost hermetical sealing off of Albania from the rest of the world prevented any significant role for communist Albania on the international criminal stage.<sup>185</sup>

To a great extent, Hoxha's regime rested upon the Sigurimi, the notorious and much feared Albanian secret police. Given the estimate that every third Albanian was interrogated or even imprisoned by the Sigurimi, it is not difficult to imagine how complete the control was that the secret police had over society. The Sigurimi had an estimated 10,000 officers and an unknown number of contract associates and informers (in a country of 3.5 million people). It may be considered inevitable that numerous criminals could be found among the ranks, but, given the scarcity of available information on the Sigurimi, it is difficult to reach precise conclusions.<sup>186</sup>

After the fall of the communist regime, the sudden and extensive relaxation of the coercive power of the state security apparatus resulted in a sharp increase in the crime rate in the country. The number of homicides doubled and armed robberies tripled between 1990 and 1991. The general breakdown of law enforcement in Albania resulted in numerous police stations and army barracks being attacked and their weapons depots plundered. Instances of illegal possession and use of firearms were countless.<sup>187</sup>

It can be argued that by the March 1992 elections, which were won by the Democratic Party and its leader Sali Berisha, who became the new president, Albania was already under the control of numerous armed gangs, which were acting in an increasingly organized manner. Extortion and racketeering, prostitution, drug trafficking, looting and robberies enabled the accumulation of substantial capital and facilitated the transformation of anarchic criminal gangs into highly organized and clearly hierarchical criminal clans, known as *fares*, resembling the Sicilian Mafia.

#### *Fares—the Albanian Criminal Clans*

*Fares* were organized on the traditional Albanian clan principles, the origins of which can be traced back to pre-Ottoman times. The three pillars of the Albanian clan system are respect, family and loyalty, and the *fares* adopted these principles to ensure the

<sup>185</sup> James O'Donnell. "Albania's *Sigurimi*: The Ultimate Agents of Social Control." *Problems of Post-Communism*. Vol. 6, No. 6, November/December 1995.

<sup>186</sup> US Library of Congress. "Albania: A Country Study - Directorate of State Security." *The Library of Congress Country Studies*, April 1992.

<sup>187</sup> US Library of Congress. "Albania: A Country Study - Security Forces."

allegiance of their members. The core of each *fare* is the extended family. Every new member of the *fare* is obliged to take an oath of allegiance and secrecy, and must accept the unquestioned authority of those who are hierarchically above him. The tightly knit structure of the *fares* makes it practically impossible for law enforcement to infiltrate the clans. Many Albanian criminals, who used to work for the Italian mafia in the 1980s, believe that Italian law enforcement managed to penetrate the Italian mafia and cause significant damage to it because younger bosses started to abandon principles of family, loyalty and honor.<sup>188</sup>

The 1990-91 relaxation of the Albanian border control also had an enormous impact on the sharp rise of crime levels in the country. Elements from the Albanian diaspora, especially the Kosovar Albanians, who had been playing one of the leading roles in the European heroin trade for decades, entered Albania, buying hundreds of state-run businesses at cheap prices. These businesses were then used as storage space for drugs and weapons, and for money laundering.<sup>189</sup> The next group to take advantage of the opening of Albania was Italian organized crime. The *Sacra Corona Unita*, the clan controlling the Puglian coast, quickly established contacts with the emerging Albanian organized crime networks. Initial joint projects included the Italian mafia's purchases of weapons and explosives from their Albanian partners, who had easy access to Albanian arms depots due to their close ties with the former Sigurimi. The cooperation soon extended to include transportation of drugs and illegal immigrants across the Adriatic Sea to Italy.<sup>190</sup> In the last phase of organized crime development in Albania, it could be argued that the *fares*, controlled nearly the entire country. Rampant corruption and involvement of the highest state officials in criminal activities and extremely weak law enforcement contributed to this development.

The dire situation in Albania sharply deteriorated further in 1997. During the years of conflict in the former Yugoslavia, Albanian organized crime made enormous profits from sanction-violating oil and arms smuggling to neighboring Serbia, Montenegro and Kosovo, as well as from the ever-expanding drug trade and human trafficking businesses. These profits were laundered through numerous pyramid saving schemes. The constant influx of dirty money kept these pyramids operational for an unusually long period of time, and as a result, a huge majority of Albanians invested their life savings in them. The pyramids were advertised on state TV, where a point was made that they were guarded by on-duty police officers. This further strengthened the public's belief in their seeming legitimacy. In late 1996 the inevitable happened. The sources of dirty money dried up, organized crime quickly withdrew its money from the pyramids and transferred it to Italy, and the

<sup>188</sup> Xhudo Gus, "Men of Purpose: The Growth of Albanian Criminal Activity." *Transnational Organized Crime*, Vol. 2, No. 1, Spring 1996.

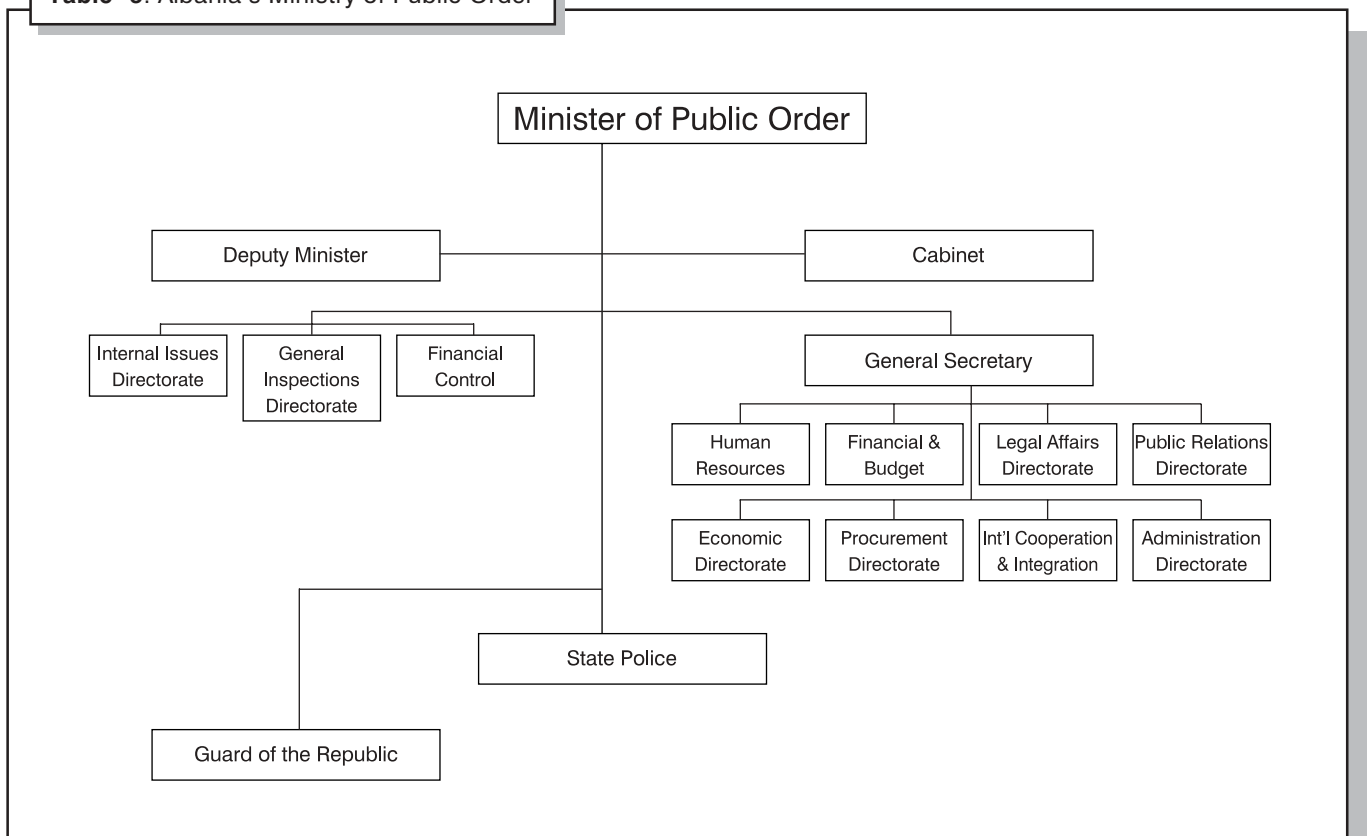
<sup>190</sup> Cillufo Frank and George Salmoiraghi. "And the Winner Is.... The Albanian Mafia." *Washington Quarterly*, Vol. 22, No. 4, Autumn 1999.

Observatoire Geopolitique des Drogues. "Albania." *Observatoire Geopolitique des Drogues Annual Report*, 1997.



pyramids started to collapse one after another. People who lost their money rose in revolt, blaming the government, since some of the highest Democratic Party officials, including President Berisha, had, in the past years, openly associated themselves with the pyramids. The revolt soon engulfed the whole country. In the ensuing turmoil, to which the government responded with repression and force, over 2,000 people lost their lives. The crisis concluded with the resignation of Berisha and the Democratic Party government, and early elections were held in June 1997. Elections brought the Socialist Party back to power with a landslide victory.<sup>191</sup>

**Table 6.** Albania's Ministry of Public Order



Despite some positive developments in the aftermath of the elections, the Albanian state remained extremely weak, and effective rule of law could not be established in many parts of the country for several years. Low salaries, inadequate training, out-dated and ill-maintained equipment, and continuous public distrust continued to plague the police force, severely curtailing its ability to fight organized crime.<sup>192</sup>

<sup>191</sup> Observatoire Geopolitique des Drogues. "Albania." [Human Rights Watch](#). "Albania: Human Rights Developments." *Human Rights Watch World Report 1998*.

<sup>192</sup> Aage Borchgrevink. "Albania's Second Transition." *The Netherlands Helsinki Committee – Helsinki Monitor*. No. 4. 1998.

International Crisis Group. "Albania: State of the Nation." *International Crisis Group Balkans Report*, No. 111, May 25, 2001.

The transformation of Albania's Sigurimi was initiated by the state and communist party leader Ramiz Alia in 1990 amid massive anti-regime demonstrations. The powers of the Sigurimi were curtailed in an attempt to appease rising popular discontent. In April 1991, shortly after the first free elections, the Ministry of Internal Affairs, to which the Sigurimi was responsible, was abolished and replaced with the Ministry of Public Order. The Sigurimi was put under the authority of the newly established National Security Committee. However, it is important to note that both the new Ministry and the Committee were headed by the same officials who headed the abolished Ministry of Internal Affairs. In this way, the structure and the role of the old Ministry were preserved practically intact, while at the same time giving the appearance both to the domestic and international public that this repressive institution was truly reforming and democratizing. In July 1991, the Sigurimi was abolished and replaced by the National Intelligence Service (SHIK). Most of the Sigurimi's officers were employed by the new service, with only a few of Sigurimi's leaders being excluded. The opposition demanded that SHIK be staffed by new, untainted employees, but their demand was rejected by the Socialist Party majority with the explanation that the service needed experienced investigators.<sup>193</sup>

Simultaneously, a large number of former Sigurimi agents, together with former police officers, left the country as illegal immigrants to Western Europe. There is evidence enough to believe that a significant number of them entered the organized crime structures in EU countries. At that time, such structures were already operating, set up by the Kosovo Albanian immigrants who settled in the EU as part of the guest-workers flow from the former Yugoslavia, which was particularly sizable in 1970s and 1980s. The large Albanian diaspora, present in Italy, Turkey, Greece and other European countries, the USA and Canada, and which is significantly larger in number than the population of Albania itself, has been inseparably connected with the creation and maintenance of the Albanian criminal network.

Similarly to the Serbian SDB, the main task of the SHIK appeared to be service of the ruling party and preservation of its hold on power. This became especially evident after the 1992 elections. The majority of the SHIK's agents and investigators were dismissed and replaced mainly by people from President Berisha's native northeastern part of Albania.<sup>194</sup> According to

---

<sup>193</sup> US Library of Congress. "Albania: A Country Study - Security Forces." *The Library of Congress Country Studies*. April 1992.

<sup>194</sup> Albanians are divided into two major subgroups: the Glegs, who live in northern Albania, Kosovo and western Macedonia, and the Tosks, most of whom live in southern Albania. The Glegs account for slightly more than half of the resident Albanian population. The Glegs and Tosks use distinct dialects. Traditional Geg society was based on tribal groups, each one led by a clan chieftain, or bajraktar. The communist regime tried to root out this clan system, but was only partially successful. The communist movement drew most of its initial support from Tosks in the south, and southern Albania continues to be a stronghold of the Socialist Party. Most of the supporters of the Democratic Party are Glegs of the northern Albania.

sources from within the SHIK, after 1992 80 percent of SHIK officers represented the new members, loyal to Berisha.<sup>195</sup>

According to estimates, between 7000 and 8000 security service agents were dismissed by the Berisha government in 1992. Many of them offered their services to organized crime. Military-style operations, conducted by Albanian organized crime groups both within the country and abroad (in Western Europe and the USA) show that these groups were most likely trained and advised by former security service agents. It is impossible to believe that these ties with organized crime were broken once many of the agents were again employed by the service after the 1997 election victory of the Socialist Party.<sup>196</sup> Furthermore, even active SHIK agents in the Berisha period cooperated with organized crime to set up oil, arms and cigarette smuggling channels during the embargo imposed on the Federal Republic of Yugoslavia.

The period of 1992-97 was marked by numerous incidents in which SHIK agents harassed, arrested, and ill-treated representatives of the opposition and critical journalists. Western governments, journalists and human rights groups have criticized President Berisha on numerous occasions for politicizing the SHIK and using it to preserve his rule. During the state of emergency, declared on March 2, 1997, in response to the revolt which erupted after the crumbling of the pyramid schemes, the SHIK was merged with the police under a joint commander who was accountable only to Berisha himself. SHIK agents arrested a large number of opposition figures, journalists and other government critics, many of whom were taken away in the middle of the night without arrest warrants, and were severely beaten and tortured. SHIK also organized groups of thugs, consisting predominantly of criminals and prison inmates, whose task was, in the words of one democratic party official, "to protect people from these illegal demonstrations". These groups attacked demonstrators with sticks and iron bars, beating them and consequently dispersing the protesting crowds. On numerous occasions, the police were reported to stand by without making any attempts to intervene during these attacks. The attacking groups were reportedly sometimes equipped with shields, helmets and other equipment belonging to the riot police. Such gangs also set fire to the offices of the independent newspaper *Koka Jone* and shot at the office of another newspaper.<sup>197</sup>

On March 9, 1997, Berisha agreed to form the Government of National Reconciliation with representatives of all political parties. The SHIK was suspended and its funds blocked. The Service was revived after the July

---

<sup>195</sup> British Helsinki Human Rights Group. "Albania 1997: Politics and Purges." *British Helsinki Human Rights Group Country Reports*, July 16, 1997.

<sup>196</sup> Xhudo. "Men of Purpose."

<sup>197</sup> Amnesty International. "Albania: Briefing on Recent Developments – Reform of Policing an Absolute Priority." *Amnesty International On-line*. March 13, 1997.

Human Rights Watch. "Albania: Human Rights Developments." *Human Rights Watch World Report 1998, 1998*.

elections. A socialist party appointee became its chief. A purge, similar to the one in 1992, followed. Most of Berisha's appointees were dismissed and numerous high- and low-ranking officers from communist times returned, including the 1990-91 Sigurimi chairman, who had been sentenced to six years in prison for destroying Sigurimi documents. In August 1998, Parliament adopted a new law for the secret services, which placed the SHIK under the almost sovereign control of the prime minister.<sup>198</sup>

Considering the purge the socialist party conducted within the SHIK after coming to power, it comes as no surprise that socialists abused the agency in the same way as their predecessors. SHIK agents monitored the leading opposition figures and tapped their telephones.<sup>199</sup>

Agents of the Albanian secret services are tightly connected with mafia structures active in Albanian communities in the neighboring countries. It is estimated that the mafia "army" in Albania, Kosovo and Macedonia is around 10,000 strong. To this number we can add about 20-30,000 former members of the Kosovo Liberation Army, who now provide security for party leaders and mafia bosses, and are active in smuggling and other criminal activities. The Albanian mafia and the paramilitary formations in Kosovo also have their own "internal" intelligence units, which obtain information about the transfer of illicit drugs and other information from corrupt officials of police structures in Albania and other Balkan states. Owing to this intelligence activity, the Albanian mafia occupies the dominant position in the smuggling of drugs and weapons, and in trans-border prostitution rings. This cooperation of the Albanian secret services with criminal groups and paramilitary formations in Kosovo and Macedonia is exceptionally dangerous, because it makes the fight against organized crime in the whole region much more difficult.

In the beginning of the transition period, the Albanian police force was viewed by the majority of people as a tool of repression for the regime, and it enjoyed little or no respect and support among the general population. This generated low morale within the police and, coupled with the growing frustration over the inability to successfully fight better-equipped and armed criminal gangs, created a favorable climate for the spread of corruption. Numerous policemen found it much easier and beneficial to profit from the widespread chaos than to try to stem it.<sup>200</sup> Data collected by the International Organization for Migration, for example, show that police often actively cooperated with human traffickers, or at least turned a blind eye to their business in exchange for bribes. According to testimonies of women trafficked to Italy from Albania, Albanian policemen were directly involved in

---

<sup>198</sup> British Helsinki Human Rights Group. "Albania 1997: Politics and Purges." Borchgrevink. "Albania's Second Transition."

<sup>199</sup> British Helsinki Human Rights Group. "Albania 1997: Politics and Purges."

<sup>200</sup> Xhudo. "Men of Purpose."

trafficking in at least 10 percent of the cases.<sup>201</sup> The involvement of police officials in human trafficking was noted also by the US Department of State.<sup>202</sup>

After the 1992 election victory of the Democratic Party, most of the higher officials within the Ministry of Public Order and the police force were substituted with new people loyal to the new government, and these institutions thus continued to serve the authorities, rather than the citizens. In the following years, and especially with the approach of the 1996 elections, the police became increasingly engaged in the arrests, ill treatment, and violent attacks on opposition leaders and journalists critical of President Berisha and the Democratic Party. Amnesty International recorded numerous cases when journalists and opposition figures were arrested, taken to police stations, and severely beaten. This further diminished the already low level of public trust and respect for law and order in the country.<sup>203</sup>

### *Sokol Kociu*

A typical example of the problems Albanian law enforcement is facing in its fight against the organized crime is the case of Sokol Kociu. In 1998, Kociu, who had a reputation as an incorruptible and determined policeman, was named police chief in Vlore, the center of Albanian drug smuggling and human trafficking across the Adriatic Sea to Italy. Three months after his arrival to Vlore, Kociu's team went into action, confiscating six powerful speedboats belonging to the mafia. Almost instantly, Kociu was kidnapped and told that he should return the boats if he cared to live any longer. The boats were immediately returned to their owners. A few months later, Kociu was hired by the prosecutor general as Albania's top judicial investigator in charge of the government's fight against corruption. In 2000, Kociu was arrested after the Italian investigators supplied Albanian authorities with results of their investigation, which revealed that Kociu was among the organizers of the ring smuggling Colombian cocaine through Albania to Italy.<sup>204</sup>

Nevertheless, law enforcement in Albania has improved in recent years, due above all to the help of the international community. In 1997, a unit of Italian police was deployed to help restore order and curtail smuggling and trafficking across the Adriatic. A 100-member international advisory police mission, named the Multinational Advisory Police Element, was also deployed in Tirana to advise and train the Albanian police.<sup>205</sup>

According to the corruption monitoring studies conducted by Vitosha Research, customs are the most corrupt institution in Albania (with 89.9 percent of respondents believing that corruption was widely spread among the customs officers and with 54.9 percent stating that they were asked by

<sup>201</sup> International Crisis Group. "Albania: State of the Nation."

<sup>202</sup> U. S. Department of State. "1999 Country Reports on Human Rights Practices - Albania." *US Department of State Bureau of Democracy, Human Rights, and Labor*. February 25, 2000.

<sup>203</sup> Amnesty International. "Albania: Briefing on Recent Developments."

<sup>204</sup> Joshua Hammer and L Lazar Semini. "The Gangster's Paradise." *Newsweek (Atlantic edition)*, Vol. 137. No. 13. March 26, 2001.

<sup>205</sup> Borchgrevink. "Albania's Second Transition."

customs officers to pay a bribe in 2002).<sup>206</sup> More than half of customs inspectors are believed to have acquired their positions through bribing their superiors.<sup>207</sup> Numerous customs officers are believed to be actively involved in various smuggling schemes across Albanian borders. In 1998, even the director general of customs was being investigated for his involvement in smuggling.<sup>208</sup>

The work of the Albanian customs service begun to improve after the 1997 change of government, when the Italian Guardia di Finanza team first arrived to assist in the reorganization of customs, and later with the arrival of the European Commission's Customs Assistance Mission in Albania (CAM-A). CAM-A helped the Albanian customs service to restore control over border crossings, to regulate the customs revenue collection, and to combat smuggling and corruption.<sup>209</sup>

Despite some improvements, the situation remains worrisome. The results from the loudly-announced measures against organized crime and corruption are hardly visible, to say the least. Political parties are financed from unknown and unsupervised sources, since no regulation for controlling party financing exists. The judiciary is considered one of the most corrupt bodies. Its independence is often put in doubt as political parties often try to manipulate it. Numerous police officers "supplement their wages" by cooperating with those they should be arresting. Over the last few years, more than 200 police officers were dismissed because they were involved in smuggling, but almost everyone in Albania is convinced that this was done mainly to create an impression that something was being done. Citizens remain extremely pessimistic about the genuineness of the struggle against corruption and about the prospects for its success. Even the increased assistance of the Western experts is not a cause for optimism. Numerous programs for professional training of Albanian law enforcement units are hindered by the fact that those selected for participation in such programs are almost exclusively party-loyalists deeply involved in various corruption schemes. The International Center for the Struggle against Smuggling, established in 2001 in the unofficial European smuggling capital Vlore, never started working.<sup>210</sup>

---

<sup>206</sup> Vitosha Research. "Corruption Indexes: Regional Corruption Monitoring in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Macedonia, Romania, and Yugoslavia. *Vitosha Research - International Research*. April 2002.

See also *Anti-Corruption in Southeast Europe: First Steps and Policies*, p. 52.

<sup>207</sup> International Crisis Group. "Albania: State of the Nation."

<sup>208</sup> "Constitutional Watch – Albania." *East European Constitutional Review*, Vol. 7. No. 3. Summer 1998.

<sup>209</sup> The European Union. "Customs, Fight against Corruption and Organized Crime." *The EU's Relations with South Eastern Europe*.

<sup>210</sup> Faruk Myrtaj. "Temporary and Permanent Organized Crime." *AIM Dossiers: Corruption and Organized Crime*, July 2003.

# CONCLUSIONS

Corrupt interdependencies between the economy of crime and the security sector in Southeast European countries result from the unfinished transition to democracy and the delayed reforms in former secret services. Alongside trends similar to all post-communist states, the countries in the Western Balkans have had to bear the specific consequences of the collapse of the Yugoslav Federation, the ensuing regional conflicts and the boom of organized and trans-border crime.

The delay of security sector integration is evident at all levels, specifically:

- individual security services, where the transformation of old communist secret services has not been completed
- coordination between the security services
- institutional (democratic) control and oversight of security services.

The problematic definition of overall security priorities, and, therefore, of the functions, objectives and tasks of security institutions, posed the risk of “transformation without reform”. The Bulgarian example shows that, although the fight against organized crime was defined as a priority at the earliest stages of transition, strategic security views have continued to focus on traditional threats, while the newly-established institutions have replicated the old models. This is especially relevant to the dominant attitude toward systemic corruption, which has not been perceived as integral to organized crime, let alone a threat to national security, until very recently.

Radical reform should be based on an objective assessment of the new threats to democratic rule, especially in transition countries, where liberalization, disorder and corruption multiply the destructive effect of crime. A new perspective should be used to define distinctive ways of countering military and civilian, domestic and external security threats. Diminishing military risks and soaring trans-border crime should be met with corresponding laws and institutions. The enemy is no longer a neighboring country. It is rather non-state formations and crime groups. To combat these, different types of organizations and functions should be established. Commendable relevant reforms would be the integration of foreign intelligence and anti-trans-border-crime efforts, as well as the involvement of counterintelligence in tackling organized crime. However vital to the national security anti-terrorist endeavors might be, organized crime and corruption should not be allowed to continue without response.

The necessary steps to a satisfactory security sector management and coordination are: a working operational information exchange system, abolition of rivalry between security institutions, and a coordination mechanism for joint anti-crime efforts. The divide between the interior and defense ministries is another challenge; the functions of relevant military structures should be transformed so that they contribute to curbing trans-border crime.

The following conclusions may be drawn from the debate on security sector restructuring in Bulgaria so far:<sup>211</sup>

- All reform proposals, in varying degrees, envisage a basic structural division of security forces into security services and public order services (police).
- Most proposals argue that security forces should be governed by the executive (the prime minister) and coordinated by a special body attached to the government, namely a security council. Many experts agree, however, that the current situation, in which the National Intelligence Service and the National Guard Service are accountable to the president, would not hamper improvement of the overall coordination.
- All proposals stress the necessity of parliamentary control on security services, also exercised by specialized committees with the National Assembly.
- Security service activities should be regulated in special laws.

There exists a consensus on the main standards of security sector institutional development. This conclusion is all the more valid as the authors of security sector reform proposals, apart from being security experts, are supporters of different political parties, yet they agree on this point.

Both in management and control, clear and transparent criteria for security sector assessment should be introduced, including a financial efficiency criterion. Up to now, assessment has been based on abstract internal or statistical criteria and the sector has been evaluated in a positive light despite the fact that only few of the large-scale smugglers or drug bosses in Bulgaria, for instance, have been sentenced.

The implementation of civilian oversight after the model of democratic states will be a crucial measure for security sector reform success or failure. Certain security sector activities should no longer be secretive, but should be made transparent enough to allow objective assessment, at the same time keeping the public interest unharmed. This will also curb abuse of discretionary power by corrupt officials.

The aim, however, should not be an all-powerful system of civilian control penetrating the specific activities of the security sector. It should be

---

<sup>211</sup> See main proposals in on p.35 of this paper.



considered that society still is not interested in what exactly happens behind the scenes or in the exact figures in security service budgets, but it must be informed whether this budget is spent in compliance with the law and if it can guarantee the peace and security citizens have paid for.

It is advisable to draft a law on the control of security services, authorizing parliament to appoint two expert commissions competent to investigate problematic issues – classified or unclassified, respectively. The commission inquiring into unclassified matters should make public all its disclosures, while the one dealing with secretive material should report to parliament at closed-door sittings.

First and foremost, the main political parties should declare their consent on the basic principles of interaction with security forces; that is: non-interference into their work, prohibition over party-membership of security servants, and control, through budget assessment, that should be exercised by independent expert bodies.

Last but not least, the security sector must be integrated in the new international security system. Bulgaria and Romania's accession to NATO and the EU will, without a doubt, further the reform of their security institutions. The prospect for the states in the Western Balkans to follow in their footsteps will be a definitive factor for stability in Southeast Europe.

