

case of Albania and Romania) at the same time removed many obstacles which hitherto prevented people from engaging in the shadow economy. In the first years of transition, smuggling was a nation-wide phenomenon tolerated by the authorities to avoid the social upheaval among the pauperized population, which had little choice apart from engaging in small-scale oil smuggling to the rump Yugoslavia and in the "suitcase trade." The involvement of numerous high-ranking government officials in the large-scale smuggling operations is another, even more significant reason why in the first years of the 1990s, virtually no attempts to counter smuggling were made.

1. 4. BACK TO NORMALCY: PRIVATIZATION OF STATE-SPONSORED SMUGGLING CHANNELS IN THE WESTERN BALKANS

The smuggling channels, set up semi-officially with the knowledge, if not even active participation of the highest state officials, were soon "privatized" by certain well-placed individuals and groups within or closely connected to the ruling elites. Personal enrichment completely overshadowed any potential benefit to the state and to majority of people, whose trust and support were quickly eroded. The most obvious cases were the Serbian-held territories in Croatia and parts of Bosnia-Herzegovina. A series of military defeats they suffered in 1995 was a direct consequence of a total demoralization of their defenders, caused by the rampant corruption of the ruling circles.

The situation was not much different in other regional countries. Smuggling and illicit trade started to seriously undermine the normal functioning of the state. In countries, which were not involved in the war or were not under sanctions, and where government change was at least theoretically possible (Macedonia, Albania, Romania, Bulgaria), some measures to stem proliferation of smuggling were taken. Unfortunately, in most cases these measures were ineffective, and (if government has in fact changed) led only to the change of people involved in the smuggling. In Croatia, Bosnia-Herzegovina, Montenegro and Serbia, where due to the specific circumstances (involvement in the war being the most important one) the same regimes remained in power for almost the whole decade, all the attempts to check the flow of smuggled goods were mostly cosmetic.

The process of "privatization" of the smuggling channels was well underway by 1992 in all the regional countries and largely concluded by 1995. The only exception was Kosovo where the process started with the 1997 appearance of the KLA as an important regional player and was concluded in the aftermath of the 1999 NATO campaign. During the same period, the channels initially established for smuggling predominantly of weapons and oil were expanded to include other goods, such as drugs, stolen vehicles, cigarettes, alcohol and other commodities. The origins of the constantly growing Balkan "trade in human beings" can also be traced to the 1992-1995 periods and to the lucrative business of "assisting" refugees to escape from the war zones to safety.

CROATIA

Soon after their establishment, the smuggling operations in Croatia were taken over by a relatively small circle of people from within the Defense Ministry and the

highest ranks of the Croatian Army. The core of this group was formed by the former members of the French Foreign Legion and other mercenary armies from around the globe, who returned to Croatia in 1990. Croatia lacked trained and experienced military cadres (especially the highest ranking officers), and the former mercenaries filled the gap. Some of them acquired the highest army ranks within months, and soon completely took over the illegal Croatian trade with weapons.³⁹ Personal enrichment completely overshadowed the alleged war effort and the declared goal of liberating Croatia. This became evident through the extensive trade with the official enemies:⁴⁰

- During the war in Bosnia-Herzegovina, the Croatian Army bought a significant amount of weapons from the Serbs.
- In exchange, Croats were selling oil to their "enemies." One of the Bosnian Serb generals stated that for the bigger part of 1993 and 1994, Bosnian Serb troops stationed in western Bosnia run exclusively on the fuel supplied by Croats.
- According to some analysts, the war which erupted in 1993 between the erstwhile allies, Bosnian Croats and Bosnian Muslims, was caused by a clash over the monopoly on a fuel trade in central Bosnia, in which Croat and Muslim paramilitaries-cum-mafias were engaged.

Already during the war, the smuggling channels were expanded to include heroin and other drugs. **Part of the profits from the drug trade was used for buying**

weapons, but the bigger part ended on private accounts of the people involved. Often, drugs were paid for by stolen cars. Convoys of stolen luxury cars, organized by high army officers and secret service agents, traveled through Herzegovina to Montenegro and Serbia, while the heroin traveled in the opposite direction.⁴¹

The Croatian authorities justified the proliferation of smuggling and their virtually complete inability (or unwillingness) to put an end to it with the fact that

Croatia was still engaged in the armed conflict and that more than a third of the Croatian territory was not under their control. The liberation of these territories was declared an absolute priority and all other issues, including the fight against organized crime and illegal trade, were conveniently put off to some unspecified future. Apart from this, many of the high ranking individuals engaged in smuggling enjoyed complete immunity from prosecution, due to their "defenders of the homeland" status.

Generals and drugs

A number of Croatian generals were among the leading figures in the smuggling of drugs. They used the military base Sepurine near Zadar where Croatian Special Forces were trained. Cocaine from South America (mostly from Bolivia, where few prominent Croatian émigrés lived prior to their return to Croatia in 1990) and heroin from Turkey (traveling through Serbia and Bosnia) were delivered to the base and then distributed with the vehicles of the Military Police to various locations from which the "markets" in Dalmatia and Herzegovina were supplied. One of the involved generals was arrested in 2000 and charged with participation in smuggling of 665 kilograms of cocaine, seized in the Croatian port of Rijeka in December 1999.⁴²

³⁹ Ivica Djikic. "Legija stranaca d.d." *Feral Tribune* no. 803. 30 June 2001. < <http://search.feral.hr/arhiva/2001/803/ratnici.html> > .

⁴⁰ Judah. *The Serbs*, pp. 248-251. Silber and Little. *Yugoslavia*, pp. 293-294.

⁴¹ Djikic. "Legija stranaca d.d." "Nacional otkriva tko je glavni narkoboss u Hrvatskoj." *Nacional* no. 258. 26 October 2000. < <http://www.nacional.hr/hm/258003.hr.htm> > .

⁴² Jasna Babic. "Details Behind the Andabak Arrest and the Leutar Murder." *Nacional* no. 254. 28 September 2000. < <http://www.nacional.hr/hm/254040.en.htm> > .

BOSNIA-HERZEGOVINA

The leading figures on all three warring sides in Bosnia-Herzegovina also fully exploited the numerous possibilities for enrichment, offered by smuggling in the war-zone. Throughout the war, numerous places within the republic were declared "business areas" and as such, they were largely spared the horrors of war. In such areas, for example in Cazinska Krajina, Tuzla and Vares, **criminal groups from all three sides met to do business with each other and to sell or buy the smuggled goods**, including arms, fuel, cigarettes and food products like salt, sugar, flour and cooking oil. Most often, Serbs were selling weapons, while Bosnian Muslim and Croat gangs traded with oil.⁴³ In 1993 alone, Bosnian Croats paid roughly five million DEM for weapons "imported" from Serbia. The Bosnian oil business was controlled by individuals from the very top of the political establishment:⁴⁴

- Several people very close to SDA and HDZ leaderships were in charge of fuel deliveries to the Bosnian Serbs.
- On the Bosnian Serbian side, the person in charge of oil "imports" into Republika Srpska was the brother of the speaker of the Bosnian Serb parliament.
- Among the most high-ranking oil smugglers was also the leader of the self-proclaimed "Autonomous Province of Western Bosnia."

The black market in besieged cities like Sarajevo and Srebrenica was controlled by the Bosnian Muslim "defenders" who were being supplied by the besiegers. In Sarajevo, Muslim mafia throughout the war operated a cartel system which kept the prices astronomical. Food items were sold for as much as 15 times the

price for which they were bought from the Serb smugglers. In Srebrenica, the black market was run by the commander of the Bosnian Muslim army in the city, and supplied exclusively by the Serbian goods and the confiscated humanitarian aid.⁴⁵

The Autonomous Province of Western Bosnia

The predominantly Muslim province, located in western Bosnia, known as Cazinska Krajina and after the proclamation of its "secession" from Bosnia-Herzegovina as an "Autonomous Province of Western Bosnia," was not subject to the oil embargo. This being the case, fuel could be legally imported from Croatia with the knowledge of the UN officials. However, the imported quantities many times exceeded the needs of the province. The remainder was smuggled to Serbian-held parts of Bosnia-Herzegovina and even to Serbia proper (see chart 1).⁴⁶

The origins of the now-flourishing Bosnian trade with human beings can be traced back to war. Extortion and

racketeering of refugees was one of the most profitable "businesses" in Bosnia-Herzegovina. Examples are abundant:

- Numerous phony travel agencies were charging between 500 and 1000 DEM for one-way trips from Bosnia to the Serbian-Hungarian border.⁴⁷

⁴³ UN Commission of Experts. "Annex III. The Military Structure, Strategy and Tactics of the Warring Factions, Part II: Summary and Conclusions." *Final Report of the United Nations Commission of Experts*

⁴⁴ Ibid.

⁴⁵ Silber and Little. *Yugoslavia*, pp. 295-296.

Chuch Sudetic. *Blood and Vengeance: One Family's Story of a War in Bosnia*. New York: Penguin Books, 1999, pp. 243-244.

Vildana Selimbegovic. "Zlatni ljljan mafije." *Dani* no. 146. 17 March 2000.

< <http://www.bhdani.com/arhiv/2000/146/t1461.htm> > .

⁴⁶ Judah. *The Serbs*, pp. 245-249.

Udovicki and Ridgeway, editors. *Burn This House*, pp. 191-192.

⁴⁷ UN Commission of Experts. "Annex III. A: Special forces, Part IV: Analysis of Reported Paramilitary Activity by Geographic Location, Section A: Bosnia-Herzegovina (Bijelina county)." *Final Report of the United Nations Commission of Experts*.

- Boats carrying refugees across the river Sava into Croatia and across the river Drina into Serbia were charging similar fares, while the "fees" for crossing bridges were marginally cheaper.⁴⁸
- Brothels where women and girls were kept as sex slaves, subject to indescribably inhuman treatment and often sold by one brothel owner to another, also appeared during the war and have been flourishing in Bosnia-Herzegovina ever since.⁴⁹

Before the Dayton agreement, which ended the war in Bosnia-Herzegovina, any attempt to put an end to illegal trade was unthinkable. No legislation, no police force, no customs services, and even no clearly defined and recognized borders existed. Above all, there was absolutely no willingness on the side of authorities to tackle the problem. Smuggling and war formed a closed circle in which the war generated the need for smuggling and the profits, which smuggling was bringing to those involved, generated the need to prolong the war for as long as possible.

SERBIA

The Serb State Security Service (SDB), which originally developed the smuggling channels to help Serbia cope with the international sanctions, and especially to keep the Serbian war machine going, gradually transformed into a mafia-like organization. Under direct Milosevic's orders, it started to control the economic, political and criminal life in Serbia. The republic's illicit trade was to a large extent controlled by Milosevic's right-hand man Mihalj Kertes, first the deputy chief of SDB and then director of the Customs Bureau under Milosevic. He was in charge of "exporting" weapons to Croatia and Bosnia-Herzegovina, and "importing" oil and drugs. As 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 the 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 Backa Palanka. Kertes is allegedly responsible for misappropriation of significant amount of funds, collected by the customs and diverted to various private accounts.⁵⁰

Serbian secret service was heavily involved in the drug trade. Some of the most prominent gangsters, linked to drug smuggling, like Zeljko Raznjatovic – Arkan and Darko Asanin, were secret service employees. Drug money usually ended on bank accounts in Macedonia and Cyprus, which has been used already by the Socialist Yugoslavia's secret service for money laundering, earned through illegal arms trade. Secret service assassins killed a number of criminals, who tried to compete with SDB's drug trade and in the 1990s, Serbia became notorious for a series of mafia-style killings, the perpetrators of which were almost never found and arrested. Customs

⁴⁸ UN Commission of Experts. "Annex III. A: Special forces, Part IV: Analysis of Reported Paramilitary Activity by Geographic Location, Section A: Bosnia-Herzegovina (Bosanska Raca county)." *Final Report of the United Nations Commission of Experts*.

⁴⁹ UN Commission of Experts. "Annex III. A: Special forces, Part IV: Analysis of Reported Paramilitary Activity by Geographic Location, Section A: Bosnia-Herzegovina (Sarajevo county)." *Final Report of the United Nations Commission of Experts*.

⁵⁰ Ikonc. "Serif iz Hajducke sume."

Dejan Anastasijevic. "Noc dugih pendreka." *AIM Press*. 27 October 1996.

< <http://www.aimpress.org/dyn/trae/archive/data/199610/61027-002-pubs-beo.htm> > .

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

< <http://www.balkantimes.com/html/english/12732.htm> > .

officers often seized narcotics from smugglers (especially on the Bulgarian – Serbian border), but instead of destroying them handed them over to 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 Milosevic's regime in the safe deposit box, rented by SDB in one of the Belgrade banks.⁵¹

Milosevic's Gold

One of the most important revenues of Milosevic's regime was the gold mine Bor, once one of the largest companies and one of the largest sources of hard currency in the former Yugoslavia. After 1991, the money made through the sales of gold from Bor traveled to various bank accounts (mostly in Switzerland and on Cyprus, but also in some other countries) instead of to the state budget, where it should go according to the law. Swissair transported \$6.8 million worth of gold from Belgrade to Switzerland between 1998 and 2000 alone. The shipments were officially declared to contain copper. After the gold was sold, the money was transferred to the account of the small Cyprus company *MCC Overseas Trade Ltd.*⁵²

In the case of Serbia, the international sanctions offered the same excuse the war offered to the elites engaged in the illicit trade in Croatia and Bosnia-Herzegovina. Smuggling was "necessary" to help Serbia survive under the "unfairly" imposed sanctions. The excuse was widely perceived as justified by the general public, the civil society and the

majority of opposition parties. Before 1995 hardly any requests for fighting against the illegal trade were made, despite the fact that it was already clear that the only survival smuggling made possible was that of Milosevic's regime.

MONTENEGRO

For some time, **the Montenegrin oil and cigarette businesses were an important source of revenue for supporting Serbian military operations in Bosnia-Herzegovina.** However, the enormous revenues it was bringing relatively soon motivated the people running it to divert virtually all of the profits to their own bank accounts in Cyprus and Switzerland. A quarrel over the splitting of revenues might also be behind Djukanovic's growing discontent with the regime in Belgrade. Some analysts believe Djukanovic's sudden transformation into a "democrat" and into a Montenegrin "state-builder" has a lot in common with his determination to keep Montenegrin illicit trade firmly under his control.⁵³

The cigarette business soon became the most profitable economic activity in the republic. According to Italian investigators, cigarette smuggling generates **almost 50 percent of Montenegrin GDP.** Apart from "importing" more than enough to supply the domestic market (which included, apart from Montenegro, also parts of Serbia, Kosovo and Bosnia-Herzegovina), Montenegrin smugglers started to "export" cigarettes to Italy. A small fleet of speedboats would make nightly journeys from Bar to the Italian coast, each carrying between 350 and 550 boxes of cigarettes, each box

⁵¹ Ian Traynor. "Milosevic Ally Linked to Heroin Stash." *Guardian*. 16 March 2001.

< <http://www.guardian.co.uk/Archive/Article/0,4273,4153135,00.html> > .

Philip Schwarm. "A Pistol, a Badge and Heroin." *AIM Press*. 12 March 2001. < <http://www.aim-press.org/dyn/trae/archive/data/200103/10322-011-trae-beo.htm> > .

Observatoire Geopolitique des Drogues. "Yugoslavia." *Observatoire Geopolitique des Drogues Annual Report*. 1997. < http://www.ogd.org/rapport/gb/RP06_2_YOUGOSLAVIE.html > .

⁵² "Zlate Slobove jame." *Dnevnik*. 13 March 2001.

< <http://www.dnevnik.si/cgi/view.exe?w=dn.13.3.2001.a17hj> > .

"Златното момче Милошевич." *Форум по*. 79. 16 March 2001.

< <http://www.forum.com.mk/Arhiva/Forum79/panorama/panorama.htm> > .

⁵³ Nicholas Foster and Sead Husic. "Probe into Montenegro's Role at Illegal Cigarette Trade." *Financial Times*. 9 August 2001.

worth \$100. In Italy, the cigarettes were received by members of the *Sacra Corona Unita* mafia clan, which controls the Puglian coast. According to the testimonies of former smugglers, a "tax" of \$10 was paid for each box of cigarettes which arrived to or left Montenegro. **Montenegrin government was believed to be making up to \$700 million a year from the cigarette trade.**⁵⁴

The boats smuggling cigarettes across the Adriatic often transported drugs as well. There are sufficient indications to assume that the drug trade in Montenegro was developed and to a considerable degree controlled by the Italian organized crime – specifically the *Sacra Corona Unita* and the *Camorra* clan, based in Naples. Both clans completely control the trade across the Adriatic Sea. Turkish-made heroin (along with the cigarettes) is shipped to Bari and various smaller Italian ports, and arms, cocaine and synthetic drugs travel in the opposite direction to be distributed by their Montenegrin partners across the Balkan peninsula.⁵⁵

Montenegrin criminal groups, involved in smuggling, have allegedly close connections within the Defense and Interior Ministries. Transportation of heroin from Montenegro across the Adriatic to Italy is the final part of the new drug-smuggling route, leading from Turkey through Bulgaria and Macedonia to Kosovo and from there to Albania and/or Montenegro. This route was set up as one of the alternatives almost immediately after the traditional "Balkan route," leading through Belgrade and Zagreb, was cut off due to the fighting. In late 1995, the "Balkan route" was revived and the conflict of interests between the high-positioned drug-smuggling circles based in Belgrade and Podgorica offers additional explanations for the worsening relations between Serbia and Montenegro.⁵⁶

KOSOVO

By early 1997, the Kosovo Liberation Army (KLA) was already a strong and well-armed guerilla army. **It completely controlled the expanding heroin trade, passing through Kosovo.** The heroin smuggling was believed to be controlled by the so-called "15 Families," the territorially divided clans, whose heads were either directly responsible to the very top of the KLA leadership, or were even part of it. The private armies of the "15 Families" constituted the backbone of the KLA and through it, these clans seized the effective power in Kosovo after the NATO intervention. Many of the "15 Families" members were well-known to the Western European law-enforcement agencies and some have already been imprisoned in Western Europe for drug smuggling.

⁵⁴ Djuranovic. "Prekid sverca cigaretama na relaciji Crna gora - Italija."
Zeljko Ivanovic. "Speedboats, Cigarettes, Mafia and Montenegrin Democracy." *Institute for War & Peace Reporting Balkan Crisis Report* no. 83. 12 October 1999.
< http://www.iwpr.net/index.pl?archive/bcr/bcr_19991012_3_eng.txt > .

⁵⁵ Observatoire Geopolitique des Drogues. "Yugoslavia."

⁵⁶ Ibid.

Weapons and Drugs

One of the main KLA weapon suppliers was arrested in February 1999 in Prague and extradited to Norway, after it was discovered that he escaped from prison there after being sentenced to 14 years for heroin trafficking. Another trafficker, who was buying weapons for the KLA, was arrested in the Italian port of Brindisi in early 1999. In 1998, the German Federal Police froze two bank accounts in a Düsseldorf bank after discovering that they were used for laundering the drug money. The accounts belonged to the "United Kosovo" organization and were allegedly controlled by the then-prime minister of the so-called Kosovo government in exile.⁵⁸

In its 1998 report, the **US Drug Enforcement Agency described the Kosovo Albanian drug smugglers as second only to the Turkish gangs in supplying the Western European heroin market.**⁵⁷

■ In Germany, Austria, Switzerland and the Czech Republic they were responsible for over 70 percent of the heroin sold in these countries.

- German drug agents have estimated that Kosovo Albanians made up to \$1.5 billion from the heroin trade in Germany and that they launder this money in as many as 200 bank accounts and currency-exchange offices.
- Hungarian police estimates that the Kosovo Albanian share on Hungarian heroin market is even higher and reaches 80 percent.
- Scandinavian countries likewise claim that Kosovo Albanians control over 80 percent of the heroin market there.
- In 1997, Interpol reported that 14 percent of those arrested for heroin smuggling were Albanian-speakers, and that on average, 120 grams of heroin was found in their possession, as compared to two grams the average non-Albanian trafficker was apprehended with.

During the 1999 Kosovo conflict, the same KLA-related drug smuggling networks, working in cooperation with Albanian smugglers and the Italian mafia, transported tens of thousands of refugees illegally to Italy and from there to other European countries. The usual fee reached \$1,000 per person. There were also reports of girls being abducted from the refugee camps and then trafficked to Italy or Greece and forced into prostitution. In Vlore (Albania) one 16 year old Kosovo Albanian girl was killed during the failed attempt to kidnap her from the refugee camp. Cases of family members selling their daughters, sisters or wives to the traffickers were also reported.⁵⁹

The KLA's armed insurrection and the consequent clashes between the KLA and the Yugoslav security forces destroyed even the last vestiges of law and order in the province, giving the drug smugglers an almost completely free reign. The alleged goal behind the drug trade continued to be the "liberation" of Kosovo from the Serbian "occupation" while in fact it served primarily for personal enrichment of the "15 Families" members and for preparing their take-over of Kosovo after the "liberation." This was not lost on the majority of the Kosovo Albanians voters, who in the last year's, as well as in recent elections gave their support to Ibrahim Rugova's

⁵⁷ Balkan – Albania – Kosovo – Heroin – Jihad." *The Centre for Peace in the Balkans Analysis*. May 2000. < <http://www.balkanpeace.org/our/our03.shtml> > .

"The KLA and the Heroin Craze of the 90s." *Montreal Gazette*.

Alex Roslin. "After Kosovo: A Marriage of Heroin and War in the New Millenium." *Canadian Dimension* vol. 34, issue 2. March/April 2000.

Brian Whitmore. "A New Drug Route Is Traced to the Old Balkans Anarchy." *Boston Globe*. 3 June 2001. < <http://www.earlham.edu/archive/opf-l/June-2001/msg00014.html> > .

⁵⁸ Peter Klebnikov. "Heroin Heroes." *Mother Jones*. January/February 2000. > <http://www.balkanpeace.org/cib/kam/kosd/kosd02.shtml> > .

⁵⁹ Janine Di Giovanni. "Refugees Face a New Terror." *The Times*. 4 May 1999.

U. S. Department of State. "1999 Country Report on Human Rights Practices – Albania." *US Department of State Bureau of Democracy, Human Rights, and Labor*. 25 February 2000. < http://www.state.gov/www/global/human_rights/1999_hrp_report/albania.html > .

Democratic League of Kosovo (LDK), rather than to the KLA-related Democratic Party of Kosovo (PDK). Since effectively no authority existed which could possibly try to curb the drug traffic, there is little sense in discussing the (non-existent) measures against the illicit trade prior to the UN Mission in Kosovo (UNMIK) taking over the administration of the province in 1999.

MACEDONIA

The drug trade very soon became a vital element of the Macedonian smuggling networks. The temporary closure of the "Balkan Route" redirected the bulk of heroin shipments from Turkey to Western Europe through Macedonia. Apart from being the mere transit route, Macedonia turned into an important drug producing country as well.⁶⁰

- Macedonian chemical industry, brought to the verge of bankruptcy after losing virtually all of its former markets, reoriented towards production of precursor chemicals, which were then smuggled to Turkey and used in heroin production.
- Macedonia's huge poppy cultivation, previously strictly regulated by the very precise Yugoslav laws and sold exclusively to the Skopje-based Alkaloid pharmaceutical plant, was left without any serious control. Most of it was processed into opium, sold on the growing domestic market and smuggled into other regional countries.

Despite the biased reporting of the Macedonian media, which tends to maximize the involvement of Macedonian Albanians in drug smuggling and to minimize the involvement of ethnic Macedonians, there is enough evidence to claim that the heroin trade in Macedonia is almost entirely controlled by its citizens of Albanian origin. This is an almost inevitable and unfortunate result of the virtual exclusion of ethnic Albanians from the lawful and shrinking work market in Macedonia. Having little alternative apart from subsistence agriculture or retail, many Albanians turned to black economy and illegal trade.

The dire economic situation in the republic has forced also a significant number of ethnic Macedonians to do likewise, but there seems to be a significant "division of labor" between smugglers of Macedonian and Albanian origin. Macedonian Slavs are predominantly engaged in the "suitcase trade," which involves items like alcohol, food products, clothes and other consumer goods, bought in Bulgaria or Turkey and smuggled (usually, a bribe is paid to the customs officers) into Macedonia, where they are sold on the black market. This type of illegal trade is viewed as "moral" and thus permissible by the majority of citizens.

Macedonian Albanians, on the other hand, are associated with drugs and arms smuggling, and with trafficking of women for forced prostitution. Clear indications also exist that the heroin smugglers have close connections to the Macedonian

⁶⁰ Observatoire Geopolitique des Drogues. "Macedonia." *Observatoire Geopolitique des Drogues Annual Report*. 1997. <http://www.ogd.org/rapport/gb/RP06_4_MACEDOINE.html> .

U. S. Department of State. "1997 International Narcotics Control Strategy Report." *U.S. Department of State - Bureau for International Narcotics and Law Enforcement Affairs*. Washington, DC. March 1998.

<http://www.state.gov/www/global/narcotics_law/1997_narc_report/europ97.html> .

Albanian political circles. The profits from the drug trade seem to represent an important part of the funding of the Macedonian Albanian political parties.⁶¹

In the 1998 parliamentary elections, a new coalition (consisting of VMRO-DPMNE, the Internal Macedonian Revolutionary Organization, DA, the Democratic Alternative, and DPA, the Democratic Party of Albanians) came to power on promises to fight and curb corruption. Instead, under their rule the corruption and smuggling reached alarming proportions. **The most popular customs fraud schemes involve:**⁶²

- Declaring that goods are only transiting through Macedonia, while in fact they remain in the republic and are sold there without taxes and duties being paid.
- Exporting goods abroad (most often to Kosovo or Serbia) and then smuggling them back to Macedonia. This scheme is usually used for cigarette smuggling. Macedonian-produced cigarettes are exported duty-free to Serbia, and then smuggled back to Macedonia and sold on the black market.
- The value, quantity, quality, type and/or origin of the goods are falsified in order to decrease the payment of taxes and duties.
- Bribing customs officials to let the goods pass the border unchecked.

The 1998 Macedonian elections were a clear example of a pattern seen also in some other countries in the region. The electoral campaign, in which promises to fight corruption and smuggling play an exceptionally important role, in fact intensifies the smuggling. This paradoxical situation is a consequence of the fact that those involved increase their activities both to build up "reserves" for the "uncertain" future and to take advantage of the ensuing power vacuum between the elections and the inauguration of the new government. When the latter takes place, some swift and highly publicized steps are taken – some contraband channels are broken, some of the involved (most often including some customs officers) might be arrested or sacked from their positions. But smuggling itself is not significantly affected. Rather, new people, close to the new authorities, take over the smuggling networks, as was the case with Macedonia in 1998.

ALBANIA

The organized crime groups in Albania, similarly to the two main political parties, to whom they are closely connected, are geographically and ethnically divided. Northern Albania, populated by the Ghegs, is a stronghold of the Democratic Party and of the criminal clans, or *fares*, who control the oil smuggling business, arms trade with the Kosovo Albanians (also Ghegs) and the shipments of heroin to Western Europe (especially to Austria, Germany and Switzerland). According to the US Department of State, two of the Democratic Party's ministers were personally

⁶¹ Observatoire Geopolitique des Drogues. "Macedonia." Zeljko Bajic. "Crime and Politics in Macedonia." *Institute for War and Peace Reporting Balkan Crisis Report* no. 107. 14 January 2000. < http://www.iwpr.net/index.pl?balkans_200001.html > . Saso Klekovski. "Blame the Economy in Macedonia." *OK.MK*. 5 September 2001. < <http://www.ok.mk/news/story.asp?id=919> > .

⁶² "Организирани криминални групи го превземат шверцот со акцизни стоки." *Дневник*. 5 February 2001. Branka Nanevska. "In the Quicksand of Corruption." *AIM Dossiers: Corruption in the Countries of South-Eastern Europe*. October 2001. < <http://www.aimpress.ch/dyn/dos/archive/data/2001/11029-dose-01-11.htm> > .

involved in smuggling of oil, drugs, weapons and cigarettes. One of them, the Interior Minister, was forced to resign under US pressure soon after the 1996 elections. In the south, populated by Tosks and dominated by the Socialist Party, the *fares* control the trafficking of illegal immigrants and women for sex industry to Italy (in cooperation with Italian mafia) and to Greece, as well as smuggling of heroin and cannabis to these two countries.⁶³

The most important drug smuggling routes through Albania are:⁶⁴

- Across the lake Skadar/Shkodra from Albania to Montenegro (following the oil smuggling route from the period of sanctions on Yugoslavia), and from there through Croatia and Slovenia to EU countries.
- Across the Adriatic Sea from the northern port of Durrës and the southern port of Vlorë to Italy.
- The majority of marihuana is smuggled to Greece. The Albanian south is the major cannabis producing area. According to official data, in 1992 there were 15 lots, planted with cannabis in the region. By 1993, there were more than 50, and by 1994 there were hundreds. By 1997, over 25 tons of marihuana were smuggled from Albania to Greece.
- Albania has also become one of the most important distributors of South American cocaine on the European markets. The cocaine is arriving either directly to Vlorë, or to the Greek port of Patras, where a sizable Albanian immigrant community lives. From Patras, cocaine is carried to Albania and then transported to Western Europe. In 1996, two shipments of several hundred kilograms of cocaine, destined for Albania, were seized in Patras.

The proliferation of drug smuggling has already taken its toll on the local population. According to the official data, Albania had more than 10,000 drug addicts by 1998. The real figure is most likely much higher.⁶⁵

The trafficking of people developed alongside with drug smuggling to Greece and especially to Italy. Here, the role of the Italian organized crime was even greater than in the case of drug smuggling. Initially, most of the people illegally transported to Italy were Albanians, but they were soon joined by Kurds, Chinese, Iranians, Pakistanis, Bosnian Muslims, Macedonians and other nationals. The EU officials estimate that Italian and Albanian traffickers earned between \$3 and 4 billion from this illegal business by 1998. The profits made through this fast growing "industry" became visible when the original rusty ships, which were hardly managing to stay afloat, were substituted by a flotilla of state-of-the-art speedboats the Italian coastal guard is having difficulties to match.⁶⁶

⁶³ Observatoire Geopolitique des Drogues. "Albania."

⁶⁴ Observatoire Geopolitique des Drogues. "Albania."
Ilir Paco. "Drug Scare or the Columbian Danger." *AIM Press*. 22 January 1998.
< <http://www.aimpress.org/dyn/trae/archive/data/199801/80122-023-trae-pri.htm> > .
U. S. Department of State. "1997 *International Narcotics Control Strategy Report*."

⁶⁵ Observatoire Geopolitique des Drogues. "Albania."
Paco. "Drug Scare or the Columbian Danger."

⁶⁶ Cillufo and Salmoiraghi. "And the Winner Is... The Albanian Mafia."
Randall. "Italy and Its Immigrants."

The Pyramids and the 1997 Crisis

The pyramids were closely connected with the then-ruling Democratic Party and with the President Sali Berisha. Indications exist that the profits from the pyramids were used to finance the Democratic Party's electoral campaign in 1996. In exchange, the pyramids were advertised on the national TV and guarded by the on-duty police officers. With the partial lifting of the embargo imposed on Yugoslavia and with the improved efficiency of Greek and Italian customs and border police officials, the pyramid era came to an end. The Italian and the Albanian criminal organizations quickly emptied the pyramid bank accounts, bringing about their collapse which pushed Albania into the 1997 chaos. **It is estimated that more than \$1.5 billion passed through the accounts of pyramids between 1992 and 1996.** Thousands of Albanians who lost their life savings rose in revolt, raiding arms depots and pushing the country into chaos.⁶⁷

An inseparable part of the Albanian smuggling operations was the establishment of several pyramid saving schemes. Unlike similar schemes in other countries, the Albanian pyramids enjoyed an exceptionally long life due to a constant influx of money, made through arms sales, drug smuggling and sanction-breaking (predominantly oil). The pyramids were also used by the Italian mafia as perfect money-laundering devices.

The weak government, the inadequate and non-enforced legislation, corrupt and ill-equipped security forces and the dire economic situation in Albania all contributed to the creation of a perfect environment for proliferation of organized crime. The involvement of few highest representatives of the governing Democratic Party in smuggling and other criminal activities prevented any serious action against the illicit trade before the 1997 collapse and the subsequent change of the government. The 1997 events exacerbated the problem to such an extent that the new Socialist government was completely powerless to do anything on its own and the international community had to step in. The most important development was the establishment of European Commission's Customs Assistance Mission in Albania, deployed in June 1997 on request from the new Albanian government.

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In the second stage in the development of the smuggling operations in the Balkans, which lasted roughly from 1992 to 1995/6 (with the exception of the Yugoslav province of Kosovo, where the process was delayed for a few years), a relatively small circle of well-placed individuals and groups completely monopolized the illegal trade. The symbiotic relationship between political elites and the criminal groups created a closed circle of mutual interdependence in which criminal groups depended on the political protection of the elites, while elites depended on bribes, paid by the criminals.

In Croatia, Bosnia-Herzegovina and the Federal Republic of Yugoslavia it was impossible to even attempt to break this circle due to the involvement of these countries in the war. Despite elections being held, it could be argued that the political environment in these countries between 1991 and 1995 was by far more authoritarian than in the communist Yugoslavia, with every attempt to criticize the ruling class (including its cooperation with the organized crime) being regarded as an attack against the national interests or even as an outright treason. The tightly controlled media (few independent newspapers were kept in check through numerous libel suits, while the staff in the state-owned media was thoroughly purged), the underdeveloped civil society and the marginalized opposition parties were incapable of voic-

⁶⁷ Marshal. "CIA and the Balkans."

Observatoire Geopolitique des Drogues. "Albania."

Joshua Hammer and L Lazar Semini. "The Gangster's Paradise." *Newsweek (Atlantic edition)* vol. 137, no. 13. 26 March 2001.

ing any protest against such "trivialities" like the state-sponsored smuggling operations, for as long as "survival of the nation" was at stake.

Yet, the situation in countries like Macedonia and Albania was not much different. They lacked both the outside incentive (especially in the case of Macedonia and Albania, not even the remote possibility for integration in the Euro-Atlantic structures in any foreseeable future) and the grass-root pressure (due to widespread possibilities for enrichment the profitable sanction-breaking was offering) to break the circle. As a result, the ruling elites continued to support or at least tolerate the proliferation of smuggling throughout the period.