

SMUGGLING IN SOUTHEAST EUROPE

**The Yugoslav Wars
and the Development of
Regional Criminal Networks in the Balkans**

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INTRODUCTION

After the end of the Cold War, the trans-border crime in Southeast Europe rose to an unprecedented in the past extent. This has not been the case in the other East European post-Communist states. The Central European and Baltic states managed to establish effective control over their borders in a relatively short period. This was in part due to their proximity to the Western Europe and in part due to the smooth and accelerated reform process in the political and economic sphere. The most important distinction in the way the transition process was initiated in Central European and Baltic states on one hand, and Southeast European ones on the other, was that in the former, transition was peaceful, while in the latter, **the post-Communist transformation was marked by the conflicts in the Western Balkans**. The dissolution of Tito's Yugoslavia not only led to a succession of armed conflicts and ethnic cleansing campaigns, but also to the creation of quasi-states (Kosovo is the most obvious example of such an entity) and to the weakening of the existing states, virtually unable to control their borders.

The primary goal of this monograph is to analyze and review **the connection between the conflicts in the former Yugoslavia and the growth of the trans-border crime in the region**, and look at the related issue of corruption. In this sense, the paper also contributes to the study of conflicts in the Western Balkans. The majority of existing interpretations of causes, course and consequences of the Yugoslav wars try to provide the answers through ethno-political explanations. In our opinion, they unjustly ignore the importance that interweaving of interests of political elites, the organized crime groups, which appeared in this period, and the "mediating class" of corrupt state officials had in this process.

Due to the character of the appearance of post-Yugoslav states and establishment of their national-state sovereignty, there was a high probability that an armed conflict between the central government in Belgrade and the authorities in the seceding republics could erupt. In the name of the higher goals like protection of national independence and sovereignty, the leaderships of the seceding republics had to set up and arm the newly created republican armies in the only way possible – illegally, by using existing as well as newly established smuggling channels. The party leaders and the high-ranking officers in the Yugoslav army and the secret service largely tolerated these activities and in their turn contributed to the development of a stable smuggling system. This system was built both vertically (from political leaders to smugglers) and horizontally (including the entire chain of smuggling channels, passing through the new state borders and unifying by means of a common interests the political elites in all post-Yugoslav republics).

This paper analyses **the schemes the elites in the Yugoslav republics used to develop and stimulate smuggling operations**, and to protect and assist those who were directly involved in their realization. This prosperous "business" was controlled in **close cooperation of politicians, their security forces lobbies and organized**

crime structures. The Yugoslav experience shows that the temporary symbiosis between authorities and organized crime during the process of creation of new states leads to a permanent transformation of state/national interests into private ones and fosters the development of corrupt, non-transparent and crime-permeated societies.

The virtually unchecked growth of organized crime in the war-ridden Western Balkans had its impact also on other countries in the peninsula. The connection between events in the former Yugoslavia and trans-border crime in the Balkans was most clearly visible during the trade and arms embargos, imposed by the UN on post-Yugoslav states. The **embargo-violating trade** in states like Croatia and Bosnia-Herzegovina was to a great extent directed towards illegal import of weapons, while for Belgrade, the crucial illegal import was oil. In both cases, these needs have fostered the development of the regional net of smuggling channels, with the organized crime structures in countries like Bulgaria, Romania and Albania playing a crucial role in the process.¹ Furthermore, smuggling of goods under the embargo to post-Yugoslav countries became an important source of income for people of all social groups, ranging from political leaders to ordinary citizens, living in the border areas.

Understandably, the Yugoslav conflicts and the interconnectedness of political-ethnic and criminal interests in the Western Balkans are not the only reasons for the creation and growth of regional criminal infrastructures, appearing as a result of the smuggling channels. There are at least two more important factors, which contributed to the criminalization of trans-border traffic.

The first one is the **liberalization of movement of goods and people** and the lifting of visa and other restrictions in the regional post-Communist countries. Combined with the weakening of the state control, this has created favorable conditions for trans-border crime. In particular, the withdrawal of the state from strict control over the movement of people and goods across borders encouraged the processes of privatization of both old and newly-created smuggling channels. These channels were thus taken over by the criminal and semi-criminal groups in close cooperation with former agents of security services. State administrators, employed in key institutions like customs, police and other border control services, were also part of the schemes. To a great extent, **the border control in the observed period became an unlawfully acquired private domain of illegitimate actors.**

The second factor contributing to the dynamic development of trans-border crime during the last 12 years was the impact of one of the main features of Balkan economies: the fact that the **national borders in this period became the largest redistributing mechanism of national wealth.** Due to the small capacity of regional economies, the value of goods transported to and from the Balkan countries in some cases reached up to 85% of GDP. If we calculate the losses the countries have suffered due to illegal import and export over the last 12 years, they will most likely exceed the value of revenues from privatization, including the countries where privatization is almost completed (Bulgaria and Croatia).

The illegal transactions, however, are not limited only to trans-border business (import and export). Their destructive impact is also felt in the deformed structure of national economies, since the enormous revenues from the illicit import and export

¹ One of the factors, which have contributed to the rapid expansion of organized crime in Bulgaria and which could be observed in the first half of the 1990s, was the active involvement of the protection racket groups in illegal export of raw materials and goods to Western Balkans.

can be possible only if the large enough "gray sector" exists. After the collapse of the total state control over the economy, the illegal transactions performed in **the gray sector constituted between 30 and 50 percent of the Balkan national economies.** A common practice is that those who are actively involved in trans-border crime are also directly or indirectly involved in trade operations within unofficial economy.

Although the economic consequences of trans-border crime exceed the scope of problems, analyzed in this research, they represent the final link in the long chain of illegal activities, which constitute the regional dimensions of organized crime. In order to effectively deal with this crucial issue, a different approach is required. Now, the regional approach in counteracting trans-border crime and corruption is still overshadowed by individual national efforts. These are further fragmented by the artificial division on challenges to internal security on one side, and external security of a particular country on the other. The proposed analysis offers an argument in support of regional and trans-national programs and efforts, which would realistically approach the trans-national challenges, facing both Southeast Europe and the European Union.

1. POLITICALLY CORRECT CONTRABAND: THE EMERGENCE OF BALKAN SMUGGLING CHANNELS IN THE CONTEXT OF YUGOSLAV WARS AND INTERNATIONAL SANCTIONS

1.1. SMUGGLING AND STATE-BUILDING IN CROATIA, BOSNIA-HERZEGOVINA AND KOSOVO

The development of the smuggling channels in Croatia, Bosnia-Herzegovina and Kosovo was influenced by specific circumstances, non-existent in the other former Yugoslav republics and even less so in other transitional countries. The war in which the Croatian, Bosnian Muslim and Kosovo Albanian armies were fighting against a militarily superior and better armed adversary contributed to the creation of a socio-political environment where smuggling (especially of weapons) was not perceived as harmful to the interests of Croatia, Bosnia-Herzegovina, and Kosovo. On the contrary, **smuggling came to be regarded as essential for their survival.**

CROATIA

In May 1990 the first multi-party elections were held in Croatia, bringing the anti-Communist Croatian Democratic Community (HDZ) to power. Securing independence for Croatia was the HDZ's most important political goal. Almost instantly, an armed uprising occurred in the Serb-populated areas of Croatia, where the majority of the population refused to recognize the new Croatian government. This uprising was a clear sign that Yugoslavia would not dissolve peacefully and that the military force would play a crucial role in the imposition of the national interests of the new states.

According to the Socialist Yugoslavia's "Total People's Defense" military doctrine, apart from the Federal Yugoslav People's Army (YPA), each Yugoslav republic had its own Territorial Defense Force (TDF). These units had a separate command structure, were staffed only with soldiers who resided in a given republic and operated only on its territory. Shortly after the elections, the Croatian authorities started the process of transforming the local TDF into a regular Croatian army.² The federal authorities reacted immediately and the units of the YPA moved in to disarm the Croatian TDF. Almost all of the arms, belonging to its units, were confiscated and moved to the

² United Nations Commission of Experts, "Part III: General Studies, Section A: The Military Structure of the Warring Factions and the Strategies and Tactics Employed." *Final Report of the United Nations Commission of Experts Established Pursuant to Security Council Resolution 780 (1992)*. 27 May 1994. <http://www.ess.uwe.ac.uk/comexpert/REPORT_TOC.HTM>.

YPA's warehouses. **Setting up channels for illegal import of weapons to arm the newly created Croatian army was thus conceived as a necessary step**, assuming that Croatian authorities wanted to implement their plans for secession of Croatia. This is the reason why these steps came to be regarded in Croatia as a state-building, rather than as a criminal act. The spread of arms in Croatia, despite being a clear violation of a number of UN Security Council resolutions, which imposed arms embargo on all former Yugoslav republics, is still generally perceived in Croatia as a legitimate step, needed to secure the republic's independence.

There were two main channels for smuggling weapons into Croatia in the discussed period:

- The majority of infantry weapons smuggled into Croatia were Soviet-designed "imports" from Hungary, Romania, and other former Eastern Bloc countries. Most of these entered Croatia through Slovenia and especially through Hungary. These channels were developed and controlled by numerous former members of YPA and the Yugoslav secret services, who were of Croat origin and who decided to side with Croatia when it took the pro-independence course. The most prominent among them was Martin Spegelj, the new Croatian Defense Minister and until his retirement one of the highest ranking YPA generals.³

The Argentinean Connection

The official investigation in Argentina showed that the then-President Menem was involved in the sale of weapons to Croatia. In late 1991 (when the UN Security Council Resolution 713, dated 25 September 1991, imposing international arms embargo against all republics of the former Yugoslavia was already in force), Menem signed two secret presidential decrees, authorizing the sale of 6,500 tons of weapons to Panama. In fact, the weapons were transported to Croatia by vessels of the Croatian state-owned company *Croatia Line*. In 1992, another secret presidential decree authorized the Argentinean state-owned *Fabricaciones Militares* company to sell \$51 million worth of weapons to Bolivia. This shipment, which included 8,000 automatic rifles, 18 155-mm cannons, 2,000 automatic pistols, 211,000 hand grenades, 3,000 Pampero rockets, 30,000 rifle grenades, 3,000 mines, 60 mortars and several million rounds of ammunition, was also diverted to Croatia. In 1996, when the case was investigated, Bolivian government requested an official statement from the Argentinean authorities that Bolivia did not purchase these weapons.⁵

- Another important channel involved illegal imports from South America. A vital role here was played by members of the Croatian diaspora, which was the largest and best organized of all Yugoslav nations. Croatian émigrés contributed the lion's share of funds for purchase of weapons, and in most cases also organized the purchase and shipment of weapons, especially from Argentina, where the Croatian community was the most numerous.⁴

When the Croatian Security Information Service, the secret service of the Croatian Ministry of Defence was established in April 1991, its agents took over the weapons smuggling operations and controlled them throughout the war.⁶ It is impossible to estimate the full quantity and value of weapons smuggled into Croatia while the republic was subject to international arms embargo. No data is available for 1991 and 1992, when most of the weapons were smuggled into Croatia. **In the period 1993 – 1995 alone, Croatia**

³ Laura Silber and Allan Little. *Yugoslavia: Death of a Nation*. New York: Penguin Books, 1997, pp. 116-117.

⁴ Sean Gervasi. "Germany, US, and the Yugoslav Crisis." *Covert Action Quarterly*, no. 43. Winter 1992-93. <<http://www.covertaction.org/yugo4.htm>>; "Croatia Trying to Trace Missing Wartime Donations." *Balkan Peace*. 2 September 2002. <<http://www.balkantimes.com/html2/english/020805-SVETLA-002.htm>>.

⁵ Brian Wood and Johan Peleman. "Chapter 6: Mysterious Ships." *The Arms Fixers: Controlling the Brokers and Shipping Agents*. 25 November 1999. <<http://www.nisat.org/publications/armsfixers/Chapter6.html>>.

⁶ John Hatzadony. "The Croatian Intelligence Community." *Federation of American Scientists: Intelligence Resource Program*. 20 December 2001. <<http://www.fas.org/irp/world/croatia/hatzadony.html>>.

imported \$308 million worth of weapons.⁷ Spegelj, the man who designed the weapons smuggling schemes in Croatia was forced to resign as Defence Minister in July 1991 when the war in Croatia started, and was excluded from the smuggling operations. These soon diverted from their original "state-building" purpose and turned into a business transaction which offered numerous opportunities for personal enrichment to the new Defence Minister Gojko Susak and other Croats from Herzegovina, who came to dominate both the Croatian government and the smuggling operations.

Multi-Ethnic Arms Trade in Bosnia

The first weapons smuggling channels in Bosnia-Herzegovina were set up by the head of the KOS (Counter – Intelligence Service). He made an agreement with the Bosnian Defense Minister (a Muslim by origin) 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 Bosnian Muslim army-in-the-making. Occasionally, a police patrol not instructed to let the transports through intercepted trucks loaded with weapons (for example, on the night of 9 April 1992 three trucks, transporting 1,119 automatic rifles were stopped), but as soon as the word got to the Minister or his associates, the "misunderstanding" was cleared up.⁸

BOSNIA-HERZEGOVINA

The development of the smuggling channels in Bosnia-Herzegovina followed a similar pattern as in Croatia. The first multi-party elections were won by three ultra-nationalistic parties: the Party for Democratic Action (SDA – the Bosnian Muslim party), the Serbian Democratic Party (SDS) and the Croatian Democratic Community (HDZ). They formed a temporary government coalition, but the sharp disagreement over the future status of Bosnia-Herzegovina soon pitted SDS (and with it the Bosnian Serb community) against SDA and HDZ (and Bosnian Muslim and Bosnian Croat communities). The increasing uncertainty and insecurity, and **the prospect of Yugoslavia's disintegration created a fertile ground for profitable arms trade.**

When the war in Bosnia-Herzegovina started, Bosnian Muslims were by far the most poorly armed side in the conflict and were badly dependent on illicit imports. **The crucial role in the smuggling of arms to Bosnia-Herzegovina was played by the Third World Relief Agency (TWRA):⁹**

- TWRA was founded in 1987 in Vienna as a humanitarian agency for Muslims. In 1992, it opened an office in Sarajevo and started to cooperate with the Bosnian government. It became the main financier of and mediator in the smuggling of weapons for the Bosnian Muslim army. TWRA's head, a Sudanese citizen Elfatih Hassanein was named by the then-Bosnian Minister of Foreign Affairs as "financial representative of the Bosnian government" and as such he opened an account at *Die Erste Osterreich Bank* in Vienna.
- **Between 1992 and 1995, around \$350 million were deposited on this account, donated by Saudi Arabia, Iran, Sudan, Turkey, Brunei, Malaysia and Pakistan.**

⁷ "Arms Transfer Deliveries and Total Trade, 1985-1995, by Region, Organization, and Country." *US Arms Control and Disarmament Agency: World Military Expenditures and Arms Transfers*. 1996. <http://www.state.gov/www/global/arms/wmeat96/100_150.pdf> .

⁸ Tim Judah. *The Serbs: History, Myth, and the Destruction of Yugoslavia*. New Haven: Yale University Press, 1997, pp. 193-194

⁹ John Pomfret. "How Bosnian Muslims Dodged Arms Embargo." *The Washington Post*. 22 September 1999.

Nijaz Dzafic. "Sta sve veze SDA i agenciju za pranje opljackanog novca." *Dani* no. 122. 1 October 1999. <<http://www.bhdani.com/arhiv/1999/122/t223a.htm>> .

- Most of the weapons supplied through TWRA were Soviet-made and bought in various Eastern European countries. Initially, weapons were delivered to the Maribor airport in Slovenia, and from there transported overland through Croatia. In August and September 1992 more than 120 tons of weapons arrived to Maribor. At the end of September, Croatia closed down this channel.
- The cut-off Croatian route was temporarily substituted by the far more risky helicopter deliveries directly to Muslim-held Tuzla and Zenica airports in Bosnia-Herzegovina.
- In 1993, the German police arrested 30 Bosnian Muslim and Turkish arms dealers. Bosnians were trying to negotiate the purchase of \$15 million worth of light arms. The investigation showed that TWRA was implicated as the financial broker of the deal.
- TWRA started to abandon its activities in Bosnia in 1994, as can be seen from the amount of money arriving to its *Die Erste Osterreich Bank* account. In 1993, \$231 million were deposited, while both in 1994 and 1995, the amount was only \$39 million.
- The Austrian anti-terrorist police unit raided the TWRA headquarters in September 1995 and confiscated enormous amounts of documents, related to arms smuggling and other illegal activities of the agency. Hassanein moved to Istanbul, but remained in the close contacts with the Bosnian Muslim authorities. According to the estimates, based on the Austrian investigation, more than half of the donated \$350 million were used for purchasing weapons for the Bosnian Muslims.

The Iranian Affair

The first Iranian Boeing 747 loaded with arms and other supplies landed in Zagreb, Croatia, in the spring of 1994. The Croatian government blocked the shipment and asked the US Ambassador to Croatia, Peter Galbraith, for instructions. Galbraith and the then-National Security Council chief Anthony Lake urged President Clinton not to block the Iranian arms delivery. Clinton thus directed Galbraith to inform the Croatian government that he had "no instructions" for them, which in practice gave the green light to illegal deliveries of Iranian weapons to Bosnia. In 1996, the US Senate Intelligence Committee and the House Select Subcommittee to Investigate the United States Role in Iranian Arms Transfers to Croatia and Bosnia launched an investigation into the affair. As a result, the House of Representatives referred criminal charges against Lake and Galbraith to the Justice Department.¹¹

After the TWRA's retreat, Iran took over as the most important supplier of weapons to Bosnia-Herzegovina. The investigation showed that **the value of weapons smuggled into Bosnia in 1994 and 1995 reached between \$500 and 800 million.**¹⁰

Bosnian government was buying weapons also from European suppliers. In May 1998 a Belgian citizen of Hungarian origin, Geza Mezosy, was convicted to two years' imprisonment for selling and smuggling weapons to Bosnia-Herzegovina. One of the largest European arms traders who is suspected also of selling weapons to a number of African countries, including Uganda, Ethiopia, Sudan and the Democratic Republic of Congo, stated on the trial that he was selling weapons to Bosnian government from "humanitarian reasons."¹²

¹⁰ United States Congress. "Clinton-Approved Iranian Arms Transfers Help Turn Bosnia into Militant Islamic Base." *Congressional Press Release*. 16 January 1997. < <http://globalresearch.ca/articles/DCH109A.html> > .

¹¹ Ibid.

¹² Wood and Peleman. "Chapter 4: Shopping in the Shadows." *The Arms Fixers*. < <http://www.nisat.org/publications/armsfixers/Chapter4.html> > .

KOSOVO

The gradual disintegration of Yugoslavia which started in the late 1980s and led to the break-up of the country and to the war in 1991 was a hard blow for Kosovo. By far the most underdeveloped part of the former country, with very little industry, Kosovo depended heavily on "funds for underdeveloped regions," contributed by the wealthier Yugoslav republics. With the disintegration of Yugoslavia in 1991, the Kosovo Albanians were left practically on their own. All the outside financial help was cut off. Kosovo's industry, mismanaged for decades and by 1991 completely deprived of investment, was brought virtually to a halt. Subsistence agriculture, the remittances from the members of the large and well-organized diaspora, living and working in Western Europe, and the gray economy were the only sources of revenue available to Kosovo Albanians in the 1990s.

Kosovo Albanians have been associated with the European drug trade for decades. Their presence has been felt especially on the heroin markets in Germany, Austria and Switzerland. Being able to freely travel between Istanbul and Western Europe, they developed elaborate drug smuggling channels. Apart from remittances from abroad, the drug money was the most important pillar the Kosovo Albanian-organized social and health care and education were based on after 1991. By 1994, and especially after the Dayton Agreement (November 1995), which completely ignored the Kosovo issue, the majority of Kosovo Albanians became disillusioned by the peaceful resistance policy, led by Ibrahim Rugova, Kosovo's unofficial

"president," and started to turn towards the armed resistance. Again, remittances from the Kosovo Albanians working abroad (they supplied roughly one third of the funding, setting aside 3 percent of their monthly income for the purpose) and the drug money were the primary sources for funding the arming of the newly-created Kosovo Liberation Army (KLA).¹³

The *Observatoire Geopolitique des Drogues*, a Paris-based institute, noted already in 1994 that heroin shipments

from Kosovo were used for financing large purchases of weapons and that the US priorities in the Balkans "dictated turning a blind eye to a drug trade that financed the arming of the KLA."¹⁵

The Crisis in Albania and the KLA

The 1997 crisis in Albania gave an enormous boost to KLA's heroin-for-weapons trade. Numerous arms depots in Albania were raided. According to reports, more than 200,000 AK-47 rifles, 350,000 M44/SKS rifles, 40,000 automatic pistols, 2,500 grenade launchers and 700 mortars, 1.5 million rounds of ammunition, tens of thousands of hand grenades and hundreds of thousands of mines were stolen. Less than 25 percent were recovered. The majority was sold to the KLA. A report described the arms market in Tropoje, an Albanian town one kilometer away from the Kosovo border, where in June 1998 a Kalashnikov could be bought for as little as 150 DEM. At the time, the town was full of the KLA fighters, whose training camps were nearby and who would come to town to buy weapons for the ever rising number of volunteers joining the KLA.¹⁴

¹³ Jasmina Udovicki and James Ridgeway, editors. *Burn This House: The Making and Unmaking of Yugoslavia*. London: Duke University Press, 2000, pp. 329-330

¹⁴ Alan Marshal. "CIA and the Balkans." *Intel Briefing*.
< <http://www.intelbriefing.com/afi/afi010729.htm> > .

Jerry Seper. "KLA Finances War with Heroin Sales." *The Washington Times*. 3 May 1999,
< <http://nationalism.org/sf/Articles/a74.html> > .

Judah. *The Serbs*, p. 321

¹⁵ "The KLA and the Heroin Craze of the 90s." *Montreal Gazette*. 15 December 1999.
< <http://www.balkanpeace.com/cib/kam/kosd/kosd01.shtml> > .

* * *

The smuggling channels, developed in Croatia and Bosnia-Herzegovina in 1990 – 1991, and in Kosovo between 1994 and 1998 had an enormous impact on the process of Yugoslavia's disintegration. Enabling Croats, Bosnian Muslims and Kosovo Albanians to at least narrow the gap in the military strength between themselves and the Serbs, they played a crucial role in securing independence for Croatia and Bosnia-Herzegovina, and semi-independence for Kosovo. As such, they continue to be viewed by the majority of Croats, Bosnian Muslims and Kosovo Albanians not as criminal acts, but rather as legitimate, if not even legal, state-organized covert operations. This presumption needs to be seriously challenged, especially since soon afterwards, these "state-building" smuggling channels were turned by some of the very same people who developed them into clearly criminal routes for smuggling drugs, stolen vehicles, contraband goods, and human beings.

1. 2. SURVIVING UNDER SANCTIONS: SERBIA AND MONTENEGRO

Unlike the other republics of the former Yugoslavia, Serbia and Montenegro (which constituted the Federal Republic of Yugoslavia after 1991), had no need to import arms, since they "inherited" the lion's share of the YPA's arsenal. Because of their role in the war in Croatia and in Bosnia-Herzegovina, the UN Security Council imposed international sanctions on the two republics in the summer of 1992. The Serbian province of Vojvodina has always been known as "the bread basket" of Yugoslavia and even under the sanctions, Serbia and Montenegro had little problems in producing enough food to cover the domestic needs. Serbia was also (apart from Slovenia) the only former Yugoslav republic which was an energy exporter and as such had enough reserves to "survive" few years of sanctions.¹⁶ What Serbia and Montenegro lacked, above all, was oil. The Serbian war machine in Bosnia especially depended on smuggled fuel, without which it would have been brought to a standstill. Almost immediately after the sanctions were imposed, the Serbian State Security Service (SDB, *Sluzba drzavne bezbednosti*) organized smuggling channels for supplying the rump Yugoslavia with oil.

SERBIA

The Serbian SDB was a direct successor of the former Yugoslavia's SDB, inheriting most of its agents, assets and practices. Yugoslav SDB had a long established practice of cooperating with the criminal underworld. Numerous criminals, among whom Zeljko Raznjatovic Arkan is the most well-known, were recruited as its assassins and as natural-born operatives for SDB's drugs and cigarettes smuggling operations. These were used for raising funds for various covert operations. The Yugoslav SDB was funded also with money, coming from sales of goods (including drugs), seized by the customs. This is another practice copied by the Serbian SDB, and the link between SDB and the Customs Administration is evident by the fact that Mihajl Kertes, the former deputy-chief of the SDB became the head of Serbian Customs under Milosevic. Yugoslav SDB set up numerous companies abroad, which were used as cover for intelligence gathering and for money laundering. After the breakup of Yugoslavia,

¹⁶ Of course, a decade of mismanagement, war and sanctions turned Serbia from energy exporter to importer by 2001. US Energy Information Administration. "Enforcement of Serbian Sanctions and Embargo." *US Energy Information Administration*. 10 June 1999.
< <http://www.eia.doe.gov/cabs/serbsanc.html> > .

Chart 1: Oil smuggling routes to the Federal Republic of Yugoslavia



Serbian SDB widely used many of these companies to circumvent sanctions and the financial isolation of Serbia.¹⁷

Three main channels for smuggling oil into the rump Yugoslavia were opened soon after the imposition of sanctions (see chart 1):

- One smuggling channel (across the lake Skadar between Montenegro and Albania) was run by Montenegrin mafia in close cooperation with authorities in Podgorica (discussed in more detail below).

- The second channel was a result of the joint cooperation between SDB agents and a few selected criminal gangs, which were given "import licenses" by corrupt state officials. It involved "imports" of oil from Macedonia, Bulgaria and Romania, transported with boats across the Danube (in case of Romania) or with trucks, private cars, buses or tractors (from Bulgaria and Macedonia).¹⁸

- By far the biggest was the Serbian state-run channel, which involved a number of high officials, including one of Serbian Prime Ministers and one of Deputy Federal Prime Ministers from Milosevic's period. Huge quantities of Serbian grain were shipped to Russia, where they were bartered for oil. Both the grain and the oil were transported by ships over the Danube and the Black Sea.

Grain for Oil

The company *Progres Trade* occupied the central place in this smuggling scheme. *Progres Trade* exported grain to Russia through the *Progresgaz Trade*, a joint venture of *Progres Trade* and the Russian oil and gas producing giant, *Gazprom*. Serbian grain was always bartered directly for Russian oil. No hard currency transactions were involved to avoid the danger of funds being seized by the international financial watchdogs. According to the estimates, the regime bartered for **between \$100 and 250 million worth of grain for oil per year**. The profits were used for financing the army, police, secret service, state-run media and for subsidizing state-run companies, but significant part also went in pockets of those involved in the transaction.¹⁹

¹⁷ Federation of American Scientists. "State Security Service." *Federation of American Scientists: Intelligence Resource Program*. 2 October 1998. <<http://www.fas.org/irp/world/serbia/sdb.htm>>. Slobodan Ikonc. "Serif iz Hajducke sume." *Nin* no. 2439. 25 September 1997. <<http://www.nin.co.yu/arhiva/2439/3.html>>. Marko Lopusina. "Svi Dolancevi ljudi." *Ubij bliznjeg svog: Jugoslovenska tajna policija 1945-1997*, Beograd: Narodna knjiga, 1997. <http://www.suc.org/culture/library/Ubij_Bliznjeg_Svoga/sdb/sdb6.html>.

¹⁸ "Enforcement of Serbian Sanctions and Embargo." *US Energy Information Administration*. 10 June 1999. <<http://www.eia.doe.gov/cabs/serbsanc.html>>

¹⁹ "Serbia's Grain Trade: Milosevic's Hidden Cash Crop." *International Crisis Group Balkan Report* no. 93. 5 June 2000. <http://www.crisisweb.org/projects/balkans/serbia/reports/A400047_05062000.pdf>.

The Lake Skadar "Pipeline"

Up to 200 boats nightly would make a trip from Zeta in Montenegro to Vraka in Albania, bringing barrels of oil to the Montenegrin shore, where the fuel was quickly loaded on trucks and transported to other parts of the republic, to Serbia and to Serbian held parts of Croatia and Bosnia-Herzegovina. A 210-liter barrel was bought for 160 to 190 DEM in Albania and sold for 300 to 340 DEM in Montenegro (the price depended on the quality of fuel). According to the estimates, **the value of smuggled oil sometimes reached more than \$1 million per day.**²⁰

MONTENEGRO

As in Serbia, **the smuggling channels in Montenegro were set up to circumvent the international sanctions and used primarily for supplying oil** to Montenegro and Serbia. Montenegrin government controlled the oil imports by issuing special permits to chosen companies and individuals, without which it was impossible to transport or purchase oil. In the beginning, fuel was brought to Montenegro in small quantities by cars and trucks with double petrol tanks. This lasted only for a short period until the main channel of supply was opened across the lake Skadar (Shkodra in Albanian), shared by Albania and Montenegro.

Apart from oil, cigarettes were the most sought-after commodity and cigarette smuggling brought enormous profits to people involved in it. According to recent testimonies of few people who were engaged in cigarette smuggling in Montenegro, the government of the then-Prime Minister Milo Djukanovic was involved in the business from the very beginning. Cigarette smuggling schemes were developed by people from the top echelons of the Serbian SDB. Part of the profits was used for financing war effort in Bosnia-Herzegovina, but the rest went to private accounts of those involved, including some of the highest Montenegrin officials.²¹

* * *

The smuggling channels in Serbia and Montenegro were established to circumvent the international sanctions and as such gave the appearance of serving the interests of the state. This was especially true in the case of oil, the most important commodity the rump Yugoslavia lacked and without which its war effort in Bosnia-Herzegovina would be seriously hampered. The illusion that smuggling was in the "interest" of the state was strengthened by the fact that it was organized and controlled by high-ranking individuals from within the state institutions, including even some ministers. Smuggling did in fact generate revenues, which were used for financing a number of state services (from security forces to state-owned media) and state-run enterprises, but it might be more accurate to say that smuggling financed the ruling regime, rather than the state. Even this illusion was soon shattered, when smug-

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The Cigarette Smuggling

Cigarettes were sent to Montenegro from **Cyprus** by two off-shore companies *Dulwich* and *Wellesley*, owned by a high ranking SDB agent, and "imported" by two Montenegrin companies *Mia* and *Zetatrans*. Occasionally, up to four airplanes, loaded with 3000 boxes of **cigarettes worth roughly \$250,000** would land on Podgorica airport in a single night. Only a fraction of these cigarettes ended on the domestic market. Most were transported from Podgorica to Bar and Zelenika ports from which they were carried across the Adriatic in fast speedboats to Bari, Brindisi and other Italian ports.²²

²⁰ Dragan Djuric. "Da bog podrzi sankcije." *AIM Press*, 23 January 1994.

< <http://www.aimpress.ch/dyn/pubs/archive/data/199401/40123-006-pubs-pod.htm> > .
US Energy Information Administration. "Enforcement of Serbian Sanctions and Embargo."

²¹ Sam Vaknin, "The Balkans Between Omerta and Vendetta or: On the Criminality of Transition."
 < <http://samvak.tripod.com/pp23.html> > .

Drasko Djuranovic. "Prekid sverca cigaretama na relaciji Crna gora - Italija." *AIM Press*. 16 November 1996. < <http://www.aimpress.ch/dyn/pubs/archive/data/199611/61116-002-pubs-pod.htm> > .

²² Ivo Pukanic and Berislav Jelinic. "The Crown Witness Against the Tobacco Mafia – The Interview with Srecko Kestner." *Nacional* no. 289. 31 May 2001.

< <http://www.nacional.hr/hm/289050.en.htm> > .

Djuranovic. "Prekid sverca cigaretama na relaciji Crna gora - Italija."

gling channels were expanded to include other "commodities" like drugs, and when the increasing share of the profits was diverted to various private bank accounts abroad.

1. 3. THE OUTER RING: THE ROLE OF MACEDONIA, ALBANIA, ROMANIA AND BULGARIA

This group of states constituted the "outer ring" which, due to the specifics of the smuggling channels, could not remain isolated from the illegal trade on the territory of the former Yugoslavia. **These countries played the role of mediators in the trans-national system of smuggling and trafficking in violation of international sanctions.**

It should be noted, however, that these countries in their own turn became important centers of international smuggling schemes, stimulated both by the supranational processes of the globalization of organized crime, and by the national political and economic changes, occurring during the transition to democracy and market economy. **The main factor with direct impact on smuggling and trafficking in these countries was the liberalization of command economy.** In the sphere of foreign trade, this led to dismantling of the imposed Soviet model of state monopoly over the trans-border trade operations. Instead of the traditional specialized state-owned companies, which imported and exported the prescribed types of goods, after 1989 a large number of private trade companies appeared. Their import-export activities were boosted by the total liberalization of trade operations and by lifting of traveling restrictions. Apart from the positive impact of these processes, the related weakening of the state control functions and of the role, played by security forces in the fight against trans-border crime, contributed to the expansion of smuggling and trafficking across the borders of these states.

Due to the open character of Balkan states' economics,²³ **the state borders turned increasingly into leading mechanisms for redistribution (including in the illegal way) of national wealth in the conditions of transition.** According to national statistics, import and export represent between 65 and 80 percent of their national GDPs. Trans-border crime therefore became the most serious challenge to the consolidation of democratic institutions and market economy in this group of states.

Although Macedonia, Albania, Romania and Bulgaria have not been involved in the war nor were they subject to international sanctions, they were nevertheless strongly affected by both. The proximity to the war zone and the possibilities the sanction-busting offered to the well-placed individuals and groups led to the rapid development of smuggling and other illegal activities, and to the proliferation of organized crime in Macedonia, Albania, Romania and Bulgaria. Yet, due to the fact that smuggling and especially sanction-busting represented what was in some cases the only available source of revenue to impoverished population of these four countries, they came to be regarded as generally acceptable. In Macedonia, Albania, Romania and Bulgaria, smuggling was, at least initially, also perceived as something positive.

²³ With the exception of Albania, where until 1991, the economy was hermetically sealed off from the rest of the world by its communist leadership.

MACEDONIA

After 1991, Macedonia found itself almost completely cut off from all of its traditional trading partners. The war in Croatia and Bosnia-Herzegovina effectively closed down the markets for Macedonian goods in these two republics. COMECON, where Macedonia used to export 30 percent of its production, collapsed, reducing Macedonian exports to ex-COMECON countries by half. In 1992, UN sanctions were imposed on Serbia, the most important Macedonian trading partner. And finally, in February 1994, Greece officially introduced a unilateral trade embargo (the blockade was actually in force without being officially declared since 1992), cutting off Macedonian access to the Thessalonica port on which Macedonia depended. The Greek blockade alone cost Macedonia \$60 million per month. For decades, the north-south axis, running from Belgrade through Skopje to Thessalonica, was Macedonia's lifeline. For political reasons, the Yugoslav authorities kept the relations with Bulgaria and Albania at a minimal level. Consequently, the development of infrastructure, which could facilitate economic and other relations between Macedonia and its western and eastern neighbor, was also neglected.

When Macedonia had to redirect its trade through Albania and Bulgaria after 1991, the decades' long disrepair, the lack of maintenance of roads, and insufficient transport and commerce infrastructure on the West-East route caused up to 400 percent increase in expenses of Macedonian import and export.²⁴ Numerous businesses had to close and many factories had to cut their production and to dismiss their workers, pushing one of the least developed parts of the former Yugoslavia into a truly dire economic situation. To many in Macedonia, smuggling thus seemed as a "legitimate" means of coping with the situation.

The Micei Fortend Scandal

An American citizen of Macedonian origin exported through his company *Fortend USA* a large quantity of ammunition, laser-gun sights, night-vision goggles, electroshock weapons, tear gas and helmets to Macedonia. In Macedonia, his partner was his own brother, owner of the company *Micei Fortend*, one of the main suppliers of Macedonian Ministries of Interior and Defense. In 1996, the owner of *Fortend USA* pleaded guilty in the District Court of California on charges of exporting military equipment without obtaining necessary export licenses. In 1999, he was sentenced to three years for violating the International Emergency Economic Powers Act (which regulates commercial and financial transactions with another country in order to deal with a threat to the national security, foreign policy, or economy of the United States) and the Export Administration Act (which restricts the export of military equipment to countries, which military build-up could affect the US national security and interests). Despite denials from the Macedonian government, sufficient indications exist to assume that the equipment imported by the *Micei Fortend* was resold to Serbia.²⁶

During the war in Bosnia-Herzegovina, when former Yugoslav republics were subjects to the embargo on import of weapons, **Macedonia was involved in the illegal arms trade.** According to media reports, three Macedonian ministers of defense, a Foreign Minister, the head of intelligence service and an MP were involved in the illegal weapons trade.²⁵ According to the estimates of the international organizations, **Macedonia was also among the most active violators of**

²⁴ Udovicki and Ridgeway, editors. *Burn This House*, pp. 298-299.

²⁵ Wood and Peleman. "Chapter 8: The USA: Getting Around the Toughest Law." *The Arms Fixers*. < <http://www.nisat.org/publications/armsfixers/Chapter8.html> > .

"Denials on Alleged Illegal Arms Export." *MILS News*. 9 December 1997.

< <http://www.soros.org.mk/mn/mils/en/97/12/09.html> > .

Slobodan Casule. "Makedonija – afera 'Oruzje'." *AIM Press*. 27 December 1997.

< <http://www.aimpress.ch/dyn/pubs/archive/data/199712/71227-007-pubs-sko.htm> > .

²⁶ Casule. "Makedonija – Afera 'Oruzje'."

sanctions imposed on the rump Yugoslavia. There were countless not-too-hidden convoys of tank trucks passing the Serbian-Macedonian border.²⁷

Numerous Macedonian "businessmen" participated in a popular scheme used by thousands of Serbian entrepreneurs for side-stepping the sanctions. The scheme involved the establishment of a phantom company in Skopje. The Serbian goods (which could not be legally exported) were smuggled across the porous Serbian-Macedonian border and then exported, branded with *Made in Macedonia* stamp. For few years, this scheme was one of Macedonia's main foreign currency earners.²⁸

ALBANIA

The majority of the Albanian smuggling channels were developed by former agents of the Albanian secret service *Sigurimi*. *Sigurimi* was abolished in July 1991 and replaced with the National Intelligence Service (NIS). As a result of this restructuring, many of the approximately 10,000 *Sigurimi* agents lost their positions and turned to organized crime.²⁹ They exploited all the opportunities offered by the sanctions imposed on the neighboring Yugoslavia, and **by the partnership with the Italian organized crime**, which has entered Albania almost immediately after the collapse of the country's Stalinist regime. **The smuggling of oil to the rump Yugoslavia (especially to Montenegro) became the most lucrative activity for numerous former security service agents**, who acquired monopoly on the large-scale smuggling operations in northern Albania (explained in more detail in the Montenegro section). Apart from them, many ordinary citizens also got involved in oil smuggling. They were transporting oil across the border by boats, private cars and even with donkeys.³⁰

The oil smuggling reached its height in 1994, when the largest channel was opened – transportation of oil by railway from Durres through Shkoder to Podgorica. The realization of this project would not be possible without participation or at least without the knowledge of authorities in Podgorica and Tirana. According to the source in the Albanian railway company, more than 1 million liters of oil were transported from Durres to Montenegro in September 1994 alone (see chart 1). The involvement of government officials and the former *Sigurimi* agents, who were appointed as the leading figures of the customs and tax authorities, was confirmed by Genc Ruli, the former Finance Minister in Sali Berisha's government.³¹

Channels for trafficking people to Greece and Italy were also set up almost immediately after the collapse of the communist regime. Like the oil smuggling, these channels were perceived by the majority of people as "beneficial." This view was shared by hundreds of thousands of desperate Albanians who rushed to flee their pauperized homeland (in the first half of the 1990s, the average salary was \$50, with

²⁷ Cvetko Stefanovski. "Macedonian Nouveaux-Riches." *AIM Press*. 6 October 1996. <http://www.aimpress.org/dyn/trae/archive/data/199510/51027-002-trae-sko.htm> > .

²⁸ Judah. *The Serbs*, pp. 272-273.

²⁹ The Library of Congress. "Albania – A Country Study." *The Library of Congress Country Studies*. April 1992. < <http://lcweb2.loc.gov/frd/cs/altoc.html> > .

³⁰ Djuric. "Da bog podrzi sankcije"

³¹ Fabian Schmidt. "Sleaze Spreads in Pauperized Albania." *Transitions Online*. 12 July 1999. < <http://www.ijt.cz/session/highlight?url....html&words=schmidt,+albania+%&color>> .

roughly 20 percent of Albanians earning less than \$20 per month) and by their mostly young compatriots, known as "skafisti" who make a living by operating speedboats between Albania and Italy.³² The trafficking of people to Italy was developed in cooperation with the Italian organized crime, especially with the *Sacra Corona Unita* clan. The first contacts between Albanian and Italian criminal organizations were related to 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 drugs and illegal immigrants.³³

ROMANIA

The severe authoritarianism of Ceausescu's regime in Romania, the pauperization and shortages, created by the mismanagement of the command economy and the drive to repay the foreign debt created a fertile ground for the proliferation of smuggling and illegal trade. Unable to buy raw materials and to sell their products on the free market, numerous large and small state-owned enterprise managers participated in development of a huge black market. Many agents of the Romanian Department of State Security, popularly known as *Securitate*, also played an exceptionally important role in its development and expansion to include money laundering and cigarette, drugs and arms smuggling schemes. Cigarette, drugs and arms smuggling was initiated in the 1970s with the goal of obtaining hard currency for *Securitate's* covert operations abroad. Yet, because the poor living conditions in Romania were so widespread, even the privileged *Securitate* agents were affected, which gave them a strong incentive to abuse their positions and to begin diverting the funds, generated through smuggling, to their personal bank accounts abroad (mainly in Switzerland).³⁴ The self-preservation motives of the *Securitate* agents were also behind their allegedly decisive role for the outcome of the bloody uprising against Ceausescu's regime.

After 1990, many operatives engaged in *Securitate's* smuggling and other illegal operations abroad returned to Romania to expand their "business." **When the war in the former Yugoslavia closed down the traditional "Balkan Route" for heroin, Romania became one of its alternatives.** The inadequate legislation, the collapse of public order, the economic recession and rampant corruption contributed to turning

³² Schmidt. "Sleaze Spreads in Pauperized Albania."

Frederika Randall. "Italy and Its Immigrants." *Nation* vol. 268, no. 20. 31 May 1999.

< <http://past.thenation.com/cgi-in/frames.cgi?url=http://past.thenation.com/1999/990531.shtml> > .

³³ Randall. "Italy and Its Immigrants."

Frank Cilluffo and George Salmoiraghi. "And the Winner Is... The Albanian Mafia." *Washington Quarterly* vol. 22, no. 4. Autumn 1999. < <http://www.twq.com/autumn99/224Cilluffo.pdf> > .

Observatoire Geopolitique des Drogues. "Albania." *Observatoire Geopolitique des Drogues Annual Report*. 1997. < http://www.ogd.org/rapport/gb/RP06_3_ALBANIE.html > .

³⁴ Federation of American Scientists. "Department of State Security."

Federation of American Scientists Intelligence Resource Program. 5 September 1998.

< <http://www.fas.org/irp/world/romania/securitate.htm> > .

Alina Mungiu – Pippidi. "Crime and Corruption after Communism: Breaking Free at Last – Tales of Corruption from the Post-communist Balkans." *East European Constitutional Review* vol. 6, no. 4.

Fall 1997. < <http://www.law.nyu.edu/eecr/vol6num4/feature/breakingfree.html> > .

George Baleanu. "Romania at a Historic Crossroads." *Conflict Studies Research Centre*.

< <http://www.ppc.pims.org/Projects/CSRC/g65.htm> > .

Romania into, as *Observatoire Geopolitique des Drogues* put it, "the biggest drug warehouse in Eastern Europe."³⁵

Of all the Southeast European countries, **foreign nationals have played perhaps the largest role in organizing the smuggling channels in Romania.** As one of the measures taken to raise funds for paying off the foreign debt, Ceausescu's regime invited thousands of students from developing countries (mostly the Arab world) to Romania. During the shortages in the 1980s, many of these students turned into "businessmen" and became the main suppliers of the expanding black market. In 1990, many Arabs were among the first to "legalize" their businesses, using them as a cover for the expanding smuggling networks. Arab presence was especially strong on the drug and cigarette smuggling scene. The biggest competitors to the Arab smugglers seem to be the Kurds from Turkey, who control the heroin shipments from Turkey through Romania to Western Europe. Indications exist that the profits from Kurdish-run heroin trade are used for financing the Kurdistan Workers' Party (PKK).³⁶

Like all other Serbian neighbors, **Romania also exploited the opportunities offered by the international sanctions imposed on rump Yugoslavia.** In the year 2000, the then-President Constantinescu accused his predecessor, the current President Iliescu and the former Foreign Minister Melescanu of being involved in the oil smuggling to Serbia (see chart 1). Such allegations are not uncommon in the Southeast European political infighting and should be treated with caution. Yet, it is hard to believe that the largest operation, involving around 1,000 railway wagons loaded with fuel and which, as subsequent investigation revealed, crossed from Romania into Serbia at the Jimbolia border crossing, could have been performed without the knowledge of some of the highest Romanian officials.³⁷

Romania was also among the largest exporters of arms to all warring sides in the former Yugoslavia during the arms embargo imposed on them. **The illegal arms exports were controlled by former Securitate and army employees.** Viktor Stanculescu, the former head of the quartering corps for Romanian army and a member of the tribunal which sentenced Ceausescu to death, became the owner of several leading arms exporting companies (all of which were selling weapons to Croatia and to Serbia) almost immediately after the revolution.³⁸

BULGARIA

The smuggling channels in Bulgaria were allegedly set up by the communist state and were controlled by the former State Security – the secret service of the communist regime. Regrettably, proof of this criminal activity no longer exists. Only accounts of anonymous participants in the smuggling channels and some indirect evidence are available today. The latter include the accusations by western states of smuggling of arms, drugs, medications, and excise goods.

³⁵ Observatoire Geopolitique des Drogues. "Romania." *Observatoire Geopolitique des Drogues Annual Report*. 1997. <http://www.ogd.org/rapport/gb/RP07_4_ROUMANIE.html> .

³⁶ Ibid.

³⁷ Marian Chiriac. "Romanian Smuggling Scandal Sparks Political Turmoil." *Institute for War and Peace Reporting Balkan Crisis Report* no. 156. 14 July 2000, <http://www.iwpr.net/index.pl?archive/bcr/bcr_20000714_4_eng.txt> .

³⁸ Roman Frydman, Kenneth Murphy and Andrzej Rapaczynski. *Capitalism with a Comrade's Face*. Budapest: Central European University Press, 1998, pp. 45-46.

In the late 1970s a special department was created within the state monopolistic arms export organization, which was designated as "covert transit." Its chief area of activity was the smuggling of arms to third countries and was managed by a group of officials from the then Second Chief Directorate of State Security in charge of counterintelligence. In addition to arms smuggling, the channels were used for the illicit transfer of people - mainly persons prosecuted in their countries of origin for communist or terrorist activity - and even for trafficking in objects of historical value.

The illicit trafficking in the period under consideration involved emigrants of Palestinian, Syrian, Kurd, Turkish, Iranian, or Albanian origin. Most of them had contacts with Islamic, extremist or communist groups in their own countries and abroad, which helped them set up viable channels across the state borders of several countries – both to the Near East and Asia, and to Western Europe. A number of companies were established abroad in order to facilitate and regulate payments. One of the functions of these companies, which also served to covertly import equipment and technologies obtained illegally from western corporations, was to evade the COCOM (Coordinating Committee for Multilateral Export Controls) restrictions. Entire sectors of Bulgaria's economy used to develop on the basis of "smuggled technologies."

In the period 1987-1989 certain individuals were granted control over part of these channels and vast authority to dispose with the undercover companies. This turned them into their heirs apparent and allowed them to appropriate funds into personal accounts. By data of the Ministry of the Interior, in early 1991 Bulgaria owned more than 250 companies in Germany, Italy, France, Austria, England, India, etc. Those were limited liability and public liability companies in which about USD 160 million were invested. Data from 1989 indicate that their turnover exceeded USD 1.1 billion. In addition, the export of Bulgarian products by companies based abroad amounted to another USD 600 million. The fate of these companies remains unclear.

Following the collapse of the totalitarian system and the subsequent transformation of the State Security structures in the period 1990-1993, thousands of police officers were made redundant or left the Ministry of the Interior, taking with them a large part of the archive files on agents, connections, and mechanisms for evading border control. At the same time, the ensuing vacuum in the exercise of control functions by the state, as well as the economic recession, especially in 1989-1991, **created favourable conditions for illegal trafficking in goods intended to meet the domestic demand for a wide range of products.** While until November 10, 1989, the State Security was mostly engaged in trafficking to other countries and transiting of drugs and banned goods, after that date the same smuggling channels came to be used for the illicit import of anything that could be sold in Bulgaria. Evading payment of customs and excise duties and fees, certain circles of former police agents and party activists earned illegal profit and accumulated huge financial resources.

* * *

Macedonia, Albania, Romania and Bulgaria had to face numerous difficulties when they started their transition to the market economy. The swift political and economic changes, the rising unemployment, and the rising discrepancy between wages and prices pushed many people into the gray economy and on the black market. The abolishment of tight restrictions on movement of goods and people (especially in the

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 substitutes 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.

* * *

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.

2. RECENT DEVELOPMENTS IN TRANS-BORDER CRIME IN SOUTHEAST EUROPE (1995 – 2002)

The years 1995 and 1996 represented a crucial point in the development of illegal trade in Southeast Europe. With the gradual termination of armed conflicts in the Western Balkans, the processes of consolidation of the new status quo accelerated. The sanctions against the FR Yugoslavia were, albeit only temporary, terminated. This and numerous other developments have drastically reshaped the geography of the regional smuggling networks.⁶⁸

Trade with weapons (with the understandable exception of Kosovo, where the turning point was the 1999 NATO intervention and expulsion of the Serbian security forces from the province) and oil, previously the most sought after commodities, diminished dramatically, and gave way to a progressively expanding illegal trade with illicit drugs, excise goods (most notably cigarettes) and human beings. The reorientation towards new "commodities" was paralleled with the conclusion of transition from "state-sponsored" to mafia-run smuggling. Apart from the increase in large-scale smuggling, there was also the rapid growth of the small-scale, or "suitcase" smuggling in all countries of the region, due to the widespread impoverishment, the high prices of legally imported commodities, and weak law enforcement.

2. 1. MASS SMUGGLING ("THE SUITCASE TRADE")

Mass smuggling is a specific form of the illegal trade in goods. Its significance is often underestimated, despite the fact that it constitutes a considerable part of the illegal imports and exports in Southeast Europe. Suitcase traders cross borders on a daily basis, sometimes even several times in the same day. Upon each crossing, they transfer merchandise for which no customs duties and other fees are paid. Instead, a bribe is often paid to the border police and customs officials, facilitating what is called "administrative corruption." Suitcase traders make additional profit due to the price

⁶⁸ In the summer of 1995, Croatian army launched a surprise attack on Serb-held parts of Croatia and regained most of them, with the exception of the eastern-most part, called East Slavonia (known also as Sector East), which remained under the international administration until January 1998, when it was peacefully reintegrated into Croatia. Few months later, the war in Bosnia-Herzegovina ended with the Dayton Agreement, negotiated in November 1995 in Dayton, Ohio, and signed in Paris on December 14, 1995. The UN Security Council issued a Resolution 1022 on 22 November 1995, which indefinitely suspended sanctions against the Federal Republic of Yugoslavia. After the September 1996 elections in Bosnia-Herzegovina, the Resolution 1074 of 1 October 1996 terminated the sanctions against the FRY and the Bosnian Serbs. The so-called "Outer Wall" of sanctions (prohibiting FRY's membership in international organizations as UN and OSCE, and its access to international financial institutions), however, remained in force. The FRY thus remained an international pariah, cut off from majority of world's economic currents even after the signing of the Dayton Agreement and the end of war in Bosnia-Herzegovina. In such circumstances, country's access to oil imports continued to be restricted.

differences of the smuggled goods on both sides of the border. The goods most often smuggled in this manner include gasoline, household goods, foodstuffs and beverages, fruits and vegetables, clothes, medicine, etc. The goods subject to import and export bans may also be involved. Turkey plays the role of the most important regional "shopping center," with suitcase traders from Bulgaria, Romania, Macedonia, FR Yugoslavia and Albania contributing an important share to the enormous turnover the suitcase trade generates in Turkey. According to the Turkish statistical data, **the volume of suitcase trade in 1996 reached \$8.8 billion.**⁶⁹

All of the regional countries felt the impact of this phenomenon to a greater or lesser degree. **In some, however, the suitcase trade reached such proportions that it began to seriously threaten local economy. Croatia is such an example.** In the second half on the 1990s, Croatia became arguably the most expensive transitional country in which a rapidly growing number of people found it increasingly difficult to get by. This forced scores of Croats to daily visit Bosnia-Herzegovina, Hungary and even Slovenia to buy food and other commodities. The exceptionally high prices in Croatia were partly the result of the war and the subsequent destruction of industries and infrastructure, and partly of the rampant corruption and the related "tycoonization" of Croatian economy. This resulted in the majority of enterprises being plundered and brought to bankruptcy. The situation was almost identical in Bosnia-

Herzegovina and Serbia, but prices there were deliberately kept low with no VAT and no excise duties levied in Bosnia-Herzegovina, and no VAT and only 5 percent excise duty levied in Serbia. In sharp contrast to these two countries, Croatian authorities introduced relatively high 22 percent VAT and 20 percent excise duties.⁷⁰

For years, Croatian authorities did nothing to curb the "suitcase" trade, despite the losses it was bringing to its domestic production and to the state

Herzegovina – the Croatian Duty Free Shop

In addition to numerous official crossings, **there were up to 400 unofficial points of entry between Croatia and Bosnia–Herzegovina** where goods were smuggled in or out of the country. In practice, Croat populated Herzegovina became an enormous duty-free shop. On the one hand, it helped an increasing number of impoverished Croatian citizens make the ends meet, since numerous goods, especially food, were up to 50 percent cheaper in Bosnia-Herzegovina than in Croatia. On the other hand, this directly threatened Croatian economy. The same practice was repeated also on larger scale, by numerous proprietors and shop-owners. On one occasion, police stopped and confiscated a truck full of cheese, destined for one of the many Croatian shops, which are illegally supplied with Herzegovinian goods.⁷¹

budget. On the contrary, considering the "suitcase" trade as a safety valve for preventing the social upheaval, Croatian authorities even made customs frauds and smuggling much easier by opening around 200 border crossings, of which 108 between Croatia and Bosnia–Herzegovina alone (for comparison, Hungary which is double the size has only 65 border crossings). Only 20 of them were properly equipped for control of passengers and goods. Even on the larger border crossings, the customs and border police officers operated in make-shift offices, set in the roadside trailers. There were usually no areas for conducting inspection of vehicles. Due to the lack of customs officials, many border crossings were controlled only by the police who rarely did anything but check the identity of passengers.

⁶⁹ "Corruption and Trafficking: Monitoring and Prevention." *CSD Reports*. Sofia: Center for the Study of Democracy, 2000, pp. 26-27

⁷⁰ Georgi Ranchev. "The Combination of Services - Infrastructure - Taxes Is a Struggle for Foreign Investments." *Pari*. 21 August 2001. < <http://www.policy.hu/~ranchev/article3.html> > .

⁷¹ Zeljko Rogosic. "Hrvatska – drzava organiziranog sverca." *Nacional* no. 271. 25 January 2001. < <http://www.nacional.hr/hm/271013.hr.htm> > .

Despite the lifting of sanctions, Serbia's access to oil remained very limited and small-scale smuggling of oil from neighbouring countries remained widespread in the second half of 1990s. When the EU and the USA reimposed the oil embargo on Serbia during the Kosovo conflict, the neighbouring countries officially joined the embargo. The 1996 elections in Romania and the 1997 elections in Bulgaria brought new governments to power, which made certain that there was no repetition of the 1991-1995 events, when huge convoys of tanker trucks travelled to Serbia under the protection of important figures from within the government. However, they could do little to prevent the small-scale smuggling, involving private cars, crossing the border and selling the fuel from their tanks:⁷²

- The customs officials at the Vrashka Chuka border crossing between Serbia and Bulgaria estimated that more than 200 cars passed from Bulgaria to Serbia every day, taking almost 10,000 litres of gasoline across the border.
- According to the Romanian press, there were up to 100 cars standing in line to cross the Iron Gate Dam border crossing at any time of day during the three-month conflict.
- The situation was not much different on the other four Serbian border crossing with Bulgaria, on the four with Romania and the two with Macedonia.

Mass smuggling in Kosovo represents perhaps even a more pressing problem than anywhere else in the region because numerous indications exist that it is controlled by the organized crime structures, which have evolved from the KLA and which are closely connected with the local political elites.

Kosovo smugglers are making huge profits through customs frauds, which UNMIK (the United Nations Mission in Kosovo) was so far unable to tackle. In 1996, the governments in Belgrade and Skopje signed an agreement according to which a flat one percent duty is charged on all goods, traded between the two countries. UNMIK respects this agreement and consequently, the same low duty is levied on all imports from Macedonia, Serbia and Montenegro to Kosovo. The duty for imports from all other countries is 10 percent. The smugglers use this and forge documents and stamps to present goods (including even bananas and oil), coming from other countries, as originating in Macedonia. In the first four months of 2001 alone, over 200 false certificates, issued by the Macedonian customs authorities, have been detected. The situation is even worse at the "border" with Serbia, where, due to the still unclear status of Kosovo, only semi-official "control points" exist, where taxes collected by the

The Kosovo Political Elite and Smuggling

A case, which clearly speaks of the involvement of the new Kosovo political elite in smuggling is that of the head of the province's Customs Service. It was a public secret that the Blace border crossing between Kosovo and Macedonia was the main point of entry for goods, smuggled into the province. In an attempt to cut this smuggling channel, the head of the Customs Service removed several customs officers, working at Blace, which resulted in the 40 percent increase in the revenues collected there. Almost immediately he started to receive death threats and was simultaneously pressured by several top officials of Hashim Thaci's Democratic Party of Kosovo to reinstate the dismissed officers.⁷³

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⁷² US Energy Information Administration. "Enforcement of Serbian Sanctions and Embargo."

⁷³ "Kosovo: A Strategy for Economic Development." *International Crisis Group Balkan Report* no.123. 19 December 2001.

< http://www.intl-crisis-group.org/projects/balkans/kosovo/reports/A400514_19122001.pdf > .

"border officials" end up in their pockets, instead of in the Serbian and Kosovar budgets.⁷⁴

Some estimates about the range of suitcase smuggling and customs frauds in Albania can be made from the data on collected customs revenues. The reforms in the customs and tax authorities, initiated by the new Socialist government with the assistance of international institutions, soon produced some tangible results:⁷⁵

- In 1996, customs revenues were only \$10 million.
- From September to December 1997 alone, \$28 million were collected.
- However, the estimated losses from **unpaid customs duties for 1998 were still over \$80 million**, and the extent of smuggling and corruption in Albania continues to be higher than anywhere else in Europe.

According to the 1998 World Bank survey, 70 percent of Albanian entrepreneurs admitted to bribing customs officials. The investigation launched by the Office of the Prosecutor General discovered that the former Director General of customs himself was involved in smuggling operations.⁷⁶

In the second half of the 1990s, huge part of the Romanian "suitcase traders" became involved in large smuggling networks for coffee, alcohol, cigarettes, food and other consumer goods. According to the estimates of companies, united in the Romanian-American Commerce Chamber, up to 70 percent of certain goods sold on the market have been imported illegally. Between 50 and 70 percent of mobile phones, 25 percent of coffee, 50 percent of whiskey, and over 50 percent of cosmetics have been smuggled into the country.⁷⁷

One of the ways to estimate the scope of the suitcase trade is the number of "exits" from the country. In Bulgaria, such research was conducted by the Center for the Study of Democracy and was based on the information supplied by the National Statistical Institute. In 1996 and 1997, more than 3 million exits were registered. Most of the visits of the Bulgarian citizens were made to the neighboring countries: about one third of all departures went to the Federal Republic of Yugoslavia, 17 percent to Turkey and 15 percent to Romania. In nine out of ten cases, "tourism" was the reason cited for the trip. Yet, "tourism" can be regarded (to an extent) as a valid reason only in the case of Turkey, which is in fact a popular tourist destination. In cases of Yugoslavia and Romania, the numbers offer a very good indication of the potential scope of the suitcase trade. According to these estimates, there is enough evidence to claim that between one fourth and one third of 900,000 people engaged in the private sector are involved in suitcase trade. **This makes it the largest sector of the Bulgarian economy** in terms of the number of people engaged. A large number of small and medium-sized enterprises in Bulgaria depend on suitcase trade.⁷⁸

⁷⁴ Fehim Rexhepi. "Kosovo – Smugglers Heaven." *AIM Press*. 3 June 2001.

< <http://www.aimpress.org/dyn/trae/archive/data/200106/10603-001-trae-pri.htm> > .

"Organized Crime Contributing to Lawlessness in Kosovo." *Balkan Times*. 2001. < <http://www.balkan-times.com/html/english/5871.htm> > .

"Kosovo: A Strategy for Economic Development."

⁷⁵ "Constitutional Watch – Albania." *East European Constitutional Review* vol. 7, no. 3. Summer 1998. < <http://www.law.nyu.edu/eecr/vol7num3/constitutionwatch/albania.html> > .

⁷⁶ Schmidt. "Sleaze Spreads in Pauperized Albania."

⁷⁷ Ziarul Financiar. 8 May 2001.

⁷⁸ "Corruption and Trafficking: Monitoring and Prevention," pp. 26-27.

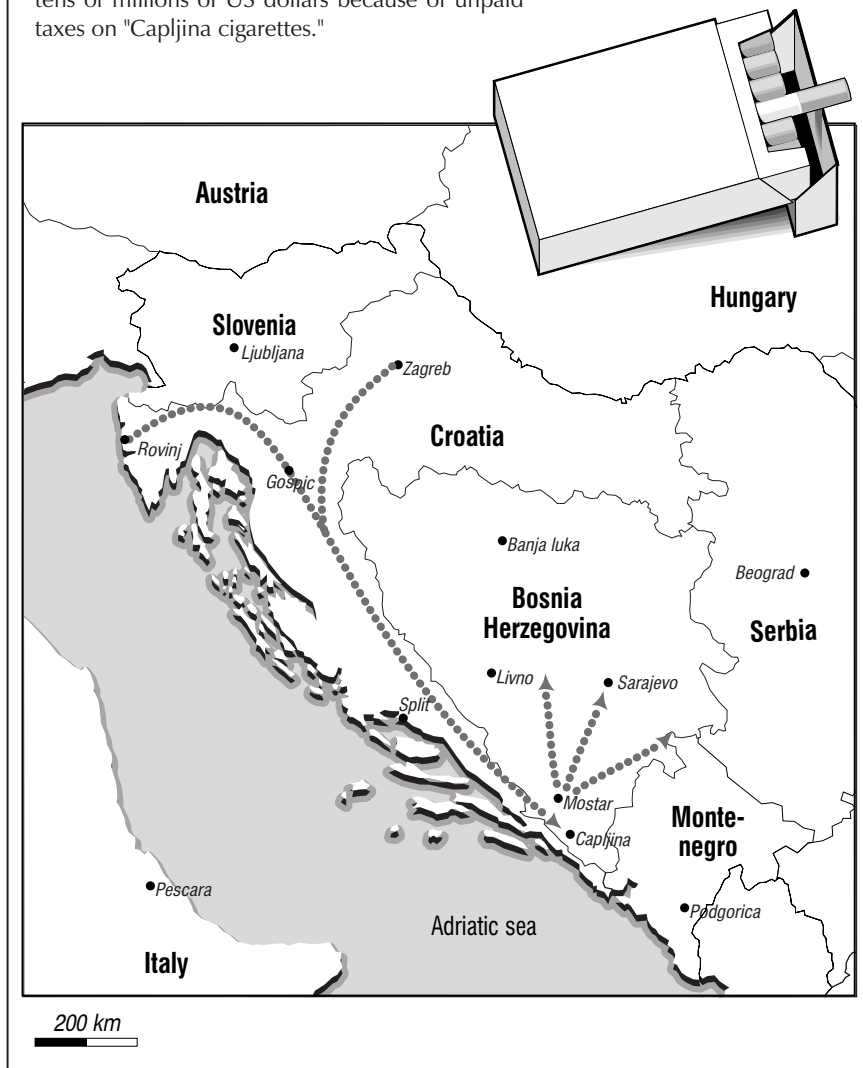
2. 2. CIGARETTE SMUGGLING

The goods, which are smuggled most often are mainly those that tend to undergo transformation, or are completely consumed. Such are fuels and lubricants, alcoholic and non-alcoholic beverages, food, raw materials, etc. In other words, when they appear in the market and are sold, they are difficult to track, and since they subsequently disappear they cannot be tracked down should it be established that they

were imported illegally. The second important characteristic of most often smuggled goods are the high import tax and duty rates (so-called excise goods). The cigarettes and other tobacco products have both of these two features. It is thus hardly surprising that cigarette smuggling became one of the most profitable and widespread illegal activities in the region.

Chart 2: The Capljina cigarettes

Cigarettes produced in Croatian tobacco factories in Zagreb and Rovinj were smuggled to Hercegovinian town of Capljina, and from there transported all over the republic as products of Tobacco Factory Capljina. The "factory" was closed down in 2000 after the investigation of the Financial Police uncovered the scheme. According to the Chief Inspector of the Financial Police, Bosnia-Herzegovina lost tens of millions of US dollars because of unpaid taxes on "Capljina cigarettes."



Cigarette smuggling in the region involves both locally produced cigarettes and major international brands. The schemes for smuggling locally produced cigarettes usually involve "export" to a neighbouring country, followed by illegal transport of these same cigarettes back into the country of origin. Cigarette smuggling prospered because of the existence of several borders in the region, which were deliberately kept porous for political reasons (border between Croatia and the Croat-populated Herzegovina, border between Serbia and the Serb-populated Republika Srpska, and the border between Serbia and post-1999 Kosovo). **Another popular customs fraud, used in cigarette smuggling, is to present cigarettes as being produced in a (real or fake) domestic factory, and not abroad as it is really the case.** This scheme was exceptionally widespread in Bosnia-Herzegovina (see chart 2).

Counterfeit cigarettes, produced from smuggled low-quality tobacco in various small-size factories all over the country are also a very serious problem in Bosnia. Due to their low price, counterfeit cigarettes are extremely popular despite the enormous health hazard they represent. It is difficult to come up with precise figures on cigarette smuggling in Bosnia, but some estimates can be made. For exam-

ple, every month approximately 280 tons of cigarettes, produced in the *Tvornica duhana Rovinj*, are sold in the republic. However, only around 100 tons are legally imported every month. Representatives of the World Bank and the IMF estimate that Bosnia-Herzegovina loses around \$500 million annually because of the illegal cigarette imports.⁷⁹

After the fall of Milosevic's regime, the new Serbian authorities took numerous measures to cut the cigarette smuggling channels and to regulate the trade with cigarettes and other high-duty commodities:⁸⁰

Chart 3: The "Sector East" Scheme

The largest cigarette smuggling scheme in Serbia, operating from 1995 to 1997, involved "export" of cigarettes, produced by the Serbian cigarette-producing giant *Duvanska industrija Nis* to Eastern Slavonia, the last part of Croatia held by the Serbs (until January 1998, when it was peacefully reintegrated into Croatia). The "exported" cigarettes were then smuggled back into Serbia and sold on the local black market, costing the state budget up to \$800,000 per day in lost revenues.⁸¹



- According to the Serbian Prime Minister Djindjic and the head of the Federal Customs Administration Begovic, the share of the illegal cigarettes on the market decreased from 65 to 15 percent by September 2001.

- In 2000, just slightly over \$400,000 was collected from duties on cigarette import. In 2001, the sum was 32 times larger (almost \$13 million).

- In 2001, 5,313 tons of cigarettes were legally imported, against the 3,078 tons for the whole period between 1995 and 2000.

- Numerous arrests were made and over 500,000 boxes of cigarettes confiscated.

- Still, according to estimates of G17, Serbian think-tank, in which many of the country's top economists work, Serbia still loses \$120 million annually in revenues due to illegal cigarette import.

⁷⁹Slobodan Vaskovic. "Ceka za kapitalca." *Reporter* no. 122. 23 August 2000. < <http://www.reporter-magazin.com/rep122/0008.htm> > .

Dzenana Karup – Drusko. "Reket za Dodika, Bicakcica i Covica." *Dani* no. 176. 13. October 2000.

< <http://www.bhdani.com/arhiv/2000/176/t17619.htm> > .

⁸⁰Tatjana Stankovic. "Reforme iza dimne zavese." *AIM Press*. 30 September 2001.

< <http://www.aimpress.ch/dyn/pubs/archive/data/200109/10930-014-pubs-beo.htm> > .

Serbian Government. "Government Decree Spurs Trade with Kosovo-Metohija." *Web Page of the Serbian Government: News*. 29 January 2002.

< <http://www.serbia.sr.gov.yu/news/2002-01/29/322320.html> > .

⁸¹Zoran Kosanovic. "Sverc zatvorio fabriku." *AIM Press*. 10 July 1997.

< <http://www.aimpress.org/dyn/pubs/archive/data/199707/70710-019-pubs-beo.htm> > .

Batic Bacevic. "Do poslednjeg dima." *Nin* no. 2421. 23 May 1997.

< <http://www.nin.co.yu/arhiva/2421/> > .

According to the estimates, 95 percent of cigarettes entering Kosovo were smuggled into the province. Most of these cigarettes came from Serbia.⁸²

A scheme, similar to the one employed in Serbia, has been used in Macedonia. The cigarettes produced by the local tobacco factory *Makedonija tabak* were exported duty free to Serbia and Kosovo. A significant part was then smuggled back into Macedonia and sold on the market by small traders and street vendors. According to the data of the former Macedonian Interior Minister Trajanov, more than 1,300 trucks of cigarettes were smuggled this way between June and September 2000 alone. Trajanov estimates that the smuggling strategists (who are, according to him, closely connected to the two ruling parties) pocketed \$57 million of profits.⁸³

Trajanov, as well as some newspapers and magazines, name the Customs Director Dragan Daravelski as the most important link in the Macedonian cigarette smuggling. *Tutunski kombinat*, cigarette factory located in Daravelski's home town of Kumanovo is allegedly a place where counterfeit cigarettes like Assos (no Macedonian company has a license to produce this brand) are made. The ease with which enormous quantities of smuggled cigarettes move across the Macedonian borders with Albania, Kosovo and Serbia indicate that the involvement of customs and government officials is indeed very likely.⁸⁴

One of the biggest Romanian smuggling scandals of 1990s involved the illegal import of cigarettes and had dealt a significant blow to the administration of President Constantinescu. It involved smuggling of cigarettes worth several million USD to Romania through the Otopeni military airport near Bucharest.

The Otopeni Cigarette Smuggling Affair

On 25 April 1998, few Romanian newspapers ran a story about a several million USD worth cigarette smuggling operations at the Otopeni military airport. It is believed that during 1997 and the first months of 1998 more than 20 flights were conducted, each of them bringing up to 3,000 cases of cigarettes (most likely from Cyprus) to Otopeni. After landing, cigarettes were unloaded by members of the special force Guard and Protection Service (Constantinescu's presidential guard) and transported to a special "safe house." Unloading and transportation were conducted under the personal supervision of the deputy director of the Guard, general Trutulescu. The disclosure of the scandal resulted in arrests of few implicated people, including the commander of the Otopeni airport Suci (sentenced in 2001 to 15 years in prison) and the general Trutulescu (sentenced to seven years). Trutulescu's superior, the head of the Guard and Protection Service, general Anghel, resigned.⁸⁵

According to the most conservative estimates, the annual sales volumes of cigarettes in Bulgaria are about \$120 million. The imported cigarettes sales amount to 15 percent of the cigarettes sold (\$18 million). Yet, in 1998 the value of the legally imported cigarettes was only about \$2.5 million, which means that only 14.1 percent of the imported cigarettes, sold in the country, have been registered with the relevant authorities and that the proper taxes

⁸² "Kosovo: A Strategy for Economic Development," p. 9

⁸³ Klekovski. "Blame the Economy in Macedonia."

"Concern in Macedonia at Explosion of Crime in Kosovo." *Agence France Presse*. 16 September 2000. < <http://www.balkanpeace.org/hed/archive/sept00/hed580.shtml> > .

"Шверцот транзитира низ Македонија со амин на власта и на некои меѓународни организации." *Дневник*. 22 September 2000.

⁸⁴ "Macedonia's Public Secret: How Corruption Drags the Country Down." *International Crisis Group Balkan Report* no.133. 14 August 2002, pp. 22-22.

< http://www.intl-crisis-group.org/projects/balkans/macedonia/reports/A400739_14082002.pdf . >

⁸⁵ Baleanu. "Romania at a Historic Crossroads."

"Romanian Security Chief Resigns over Smuggling Scandal." *BBC News Online*. 29 April 1998.

< http://news6.thdo.bbc.co.uk/hi/english/world/europe/newsid_85000/85656.stm > .

"Cigarette Smugglers Handed 3-To-15-Year Terms." *Daily Bulletin*. 27 February 2001.

have been paid. The situation even worsened in 1999. A comparison shows that the duties paid by October 1999 had dropped by about 35 percent compared to 1998. The cigarette import often involves the most flagrant forms of smuggling, with entire shipments smuggled into the country, with documents being forged with false customs seals and with involvement of ghost companies.⁸⁶

Cigarette smuggling in Montenegro has reached such proportions in the last decade that the tiny republic has acquired an infamous name of "The Cigarette Empire" in the international press, with presumptions of the direct involvement of the republic's highest government officials in this illegal activity often being made. In fact, the notorious permeability of Montenegrin borders, which the cigarette business

depends on, could not be maintained for so long without the active involvement of the republic's authorities. It is widely believed that while Milosevic was still in power, the international community deliberately turned a blind eye to this smuggling due to President Djukanovic's anti-Milosevic position.⁸⁷

The speedboats smuggling cigarettes from Montenegro to Italy were allegedly accompanied by the Montenegrin coast guard while they were still in the republic's territorial waters. Thus they were protected from the patrols of the Federal Police and Customs officials. According to the estimates, Italy loses a few hundred million USD annually in unpaid taxes due to cigarette smuggling. The German government's customs investigator, dealing with the cigarette smuggling, estimates that in the years 2000 and 2001, the EU lost \$3.4 billion because of the unpaid taxes for cigarettes smuggled from Montenegro.⁸⁹

Tobacco Giants Assist Cigarette Smuggling?

In the fall of 2000, the EU launched a lawsuit in the New York court against two of the largest tobacco companies in the world, Philip Morris and RJ Reynolds. The tobacco giants were accused of facilitating cigarette smuggling by exporting highly exaggerated quantities of their products to countries like Montenegro, despite being aware that their domestic market is much too small to accommodate the imported quantities. The companies profit from this scheme because the lower price of the smuggled cigarettes increases the consumption of their products and consequently increases the profits. At the same time, dumping of the cheaper, smuggled cigarettes on European markets is destroying the domestic cigarette production. On July 17, 2001, the New York court ruled that every EU country can individually sue Philip Morris and RJ Reynolds for compensation of losses, suffered because of smuggling of cigarettes, produced by these two companies.⁸⁸

Investigation against the Foreign Minister

The Italian government launched an investigation in cigarette smuggling and gathered evidence against 46 implicated individuals, among whom the then Montenegrin Foreign Minister Branko Perovic. According to the investigators, Perovic has been in personal contact with several of the Italian organized crime bosses since 1992. In December 1999, he was indicted on charges of cigarette smuggling and racketeering by the Public Prosecutor in Naples, but refused to present himself in the court claiming political immunity. He resigned approximately one year later.⁹⁰

⁸⁶ "Corruption and Trafficking: Monitoring and Prevention," pp. 43-45.

⁸⁷ Ivanovic. "Speedboats, Cigarettes, Mafia and Montenegrin Democracy." Nebojsa Medojevic. "Pusenje ili drzava!" *Forum*. 2 February 2001. < http://www.forum.com.mk/Arhiva/Forum76/politika/politika_sverc.htm .

⁸⁸ Berislav Jelinic. "Razotkrivena svjetska mreza svercera cigaretama." *Nacional* no. 297. 26 July 2001. < <http://www.nacional.hr/htm/297013.hr.htm> > .

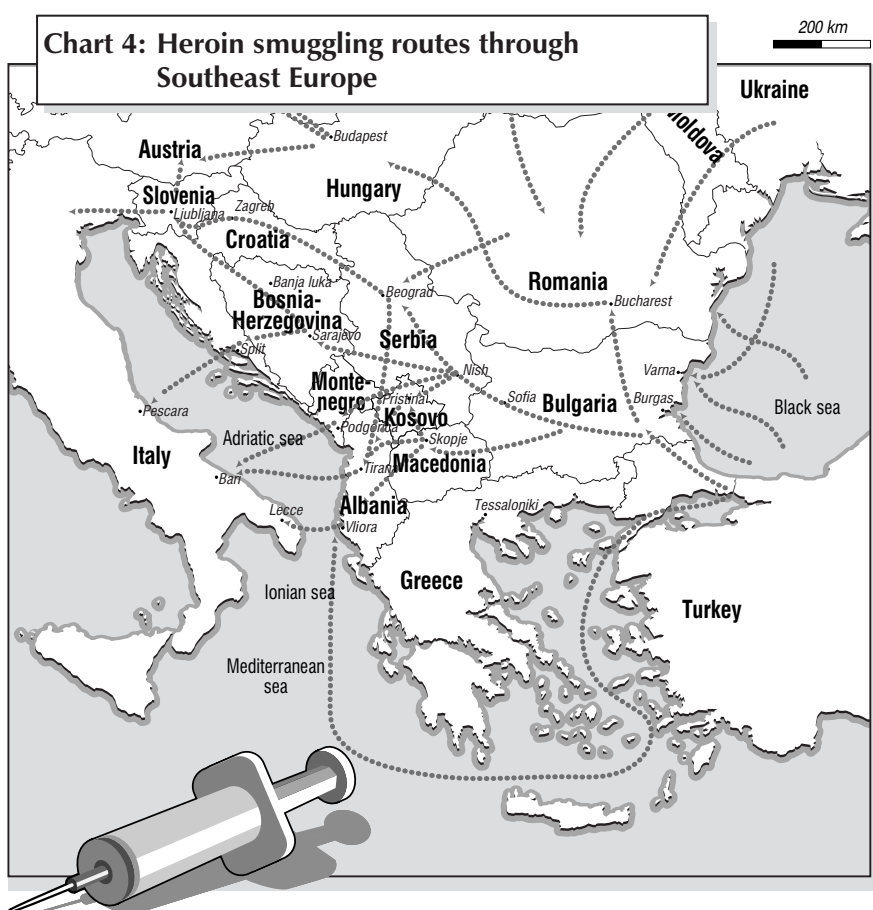
Andy Rowell and Rich Cookson. "No Smoke Without Fire." *Action on Smoking and Health*. 2 October 2000. < <http://www.ash.org.uk/html/smuggling/html/bigissuefull.html> > .

⁸⁹ Ivanovic. "Speedboats, Cigarettes, Mafia and Montenegrin Democracy" Jelinic. "Razotkrivena svjetska mreza svercera cigaretama."

⁹⁰ Foster and Husic. "Probe into Montenegro's Role at Illegal Cigarette Trade."

2. 3. SMUGGLING OF ILLICIT DRUGS

Southeast Europe is a bridge between Middle Eastern and Central Asian drug producers and West European drug consumers. The heroin produced in Afghanistan travels through Iran to Turkey, where it is refined, and then to Bulgaria (see chart 4).



Bulgaria is the crossroad where three main drug smuggling routes through the Balkans branch out:

- The bulk of the Asian heroin traveled from Bulgaria through former Yugoslavia prior to 1991. During the war in Croatia and Bosnia-Herzegovina, this route was temporarily cut off and two alternative routes took over. After 1995, this "classical" route was again revived.

- The northern route leads through Romania and from there either through Hungary to the Czech Republic and Slovakia (and from there to the EU countries) or through Ukraine to Poland (and from there to the EU).

- The southern route leads from Bulgaria through Macedonia and Kosovo to Albania

One of the consequences of the war in former Yugoslavia was that now the illegal drug trade encompasses all the countries in the region. Political instability,

poverty, corruption, weak democratic institutions, insufficient and poorly equipped security forces and ill-guarded, porous borders made the region ideal for drug smuggling.

Cocaine Seizures in Croatia

In May 1997, Croatian police seized 375 kilograms of cocaine, which was then considered the largest cocaine seizure in Croatian history. Yet, it cannot be compared to the seizure of 665 kilograms of cocaine, sent from Ecuador, which the Croatian police confiscated in the port of Rijeka in December 1999, following the information from the Vienna office of the Drug Enforcement Agency. One of the highest ranking Croatian army officers, Ivan Andabak, was arrested for being involved in its smuggling.⁹¹

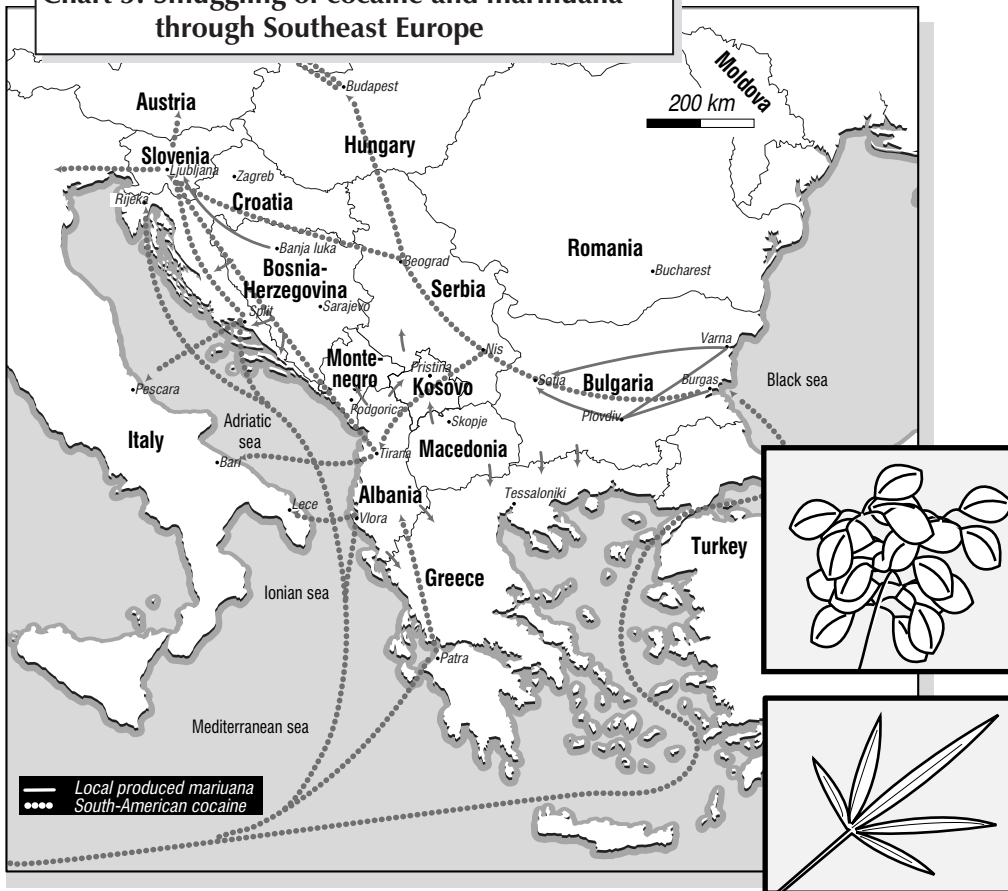
⁹¹ U. S. Department of State. "1997 International Narcotics Control Strategy Report."

Babic. "Details Behind the Andabak Arrest and the Leutar Murder."

International Narcotics Control Board. "Report of the International Narcotics Control Board for 2000," *International Narcotics Control Board Annual Reports*. 2000.

< http://www.incb.org/e/ind_ar.htm > .

Chart 5: Smuggling of cocaine and marihuana through Southeast Europe



The drug trade enabled the international organized crime (especially the Italian mafia, and Turkish and Middle Eastern drug smuggling networks) to establish its presence in the region, adding further incentive to the vicious circle in which corruption and organized crime feed one another. According to Interpol estimates, over 80 percent of the heroin, sold in the EU, has traveled through the Balkans. This means that the traffic of heroin through the region represents the biggest problem. Yet, it is far from being the only one:

- Some of the regional countries, most notably Croatia and Albania, also became the most important European points of entry for the South American cocaine.
- Southeast Europe itself has also turned into an important drug producing region, especially of cannabis and opium poppies.
- Laboratories for production of synthetic drugs have also appeared.
- The increased trafficking of drugs has led to increased local drug consumption, and the pace at which heroin abuse is spreading is alarming.

The "Convict's Brigade" and Mostar

The drug trade in Herzegovina and Dalmatia is allegedly controlled by the former members of the infamous "Convict's Brigade," one of the most brutal paramilitary formations of Bosnian Croats. Herzegovina's unofficial capital Mostar is widely recognized as the centre of regional drug distribution. According to one of the diplomats stationed in Mostar, there is a clear connection between organized crime, police in Mostar and the leadership of the Bosnian HDZ.⁹²

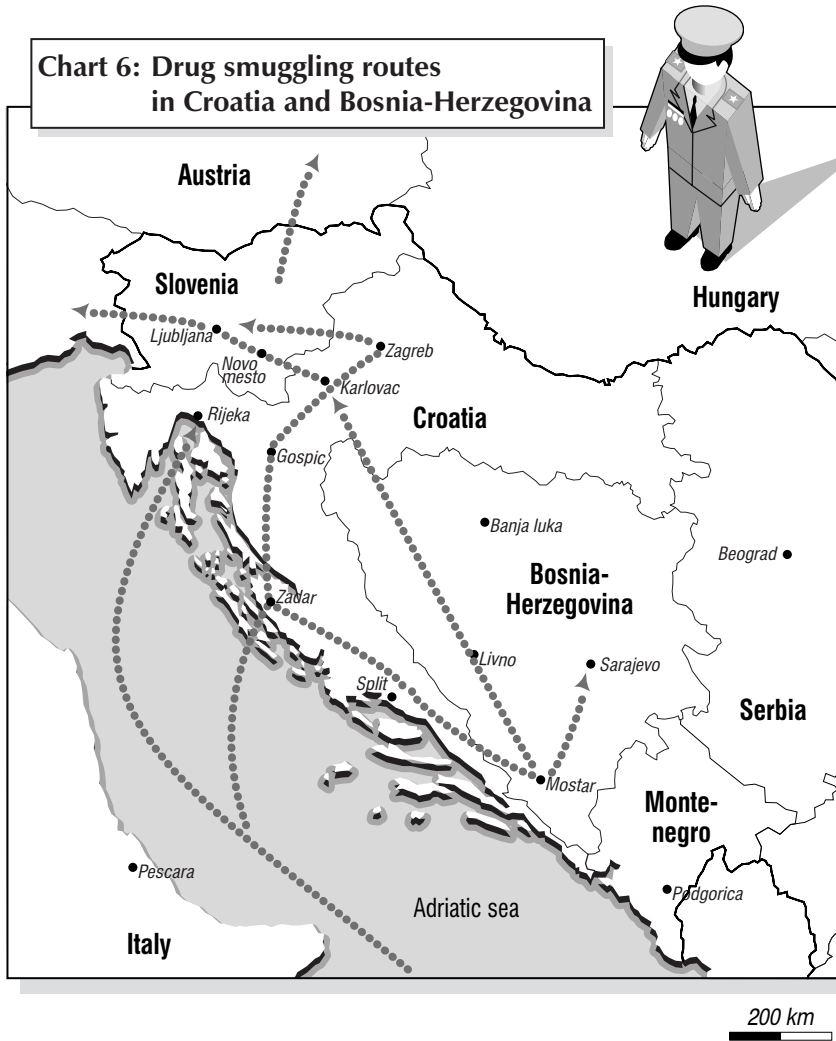
As already mentioned, the end of fighting in Croatia and Bosnia-Herzegovina led to the revival of the heroin smuggling route through former Yugoslavia. In addition, the extensive coastline made Croatia an ideal point of entry for South American cocaine shipments to Europe (see chart 6). By 1997, a sharp increase in drug trafficking through Croatia was noticed, as well as a dramatic

increase in drug consumption in the major urban areas (like Zagreb, Osijek, Rijeka and especially Split, which became notorious for its heroin scene).

The drug trade in Bosnia-Herzegovina has also reached alarming proportions after the end of the war. The war and its consequences have dramatically increased the drug consumption within the country itself. Drug smuggling was taken over by the same people who used to smuggle weapons and oil during the war. Bosnia-Herzegovina also became an important cannabis producer. Most of the Bosnian marijuana is smuggled to Croatia and Slovenia because the prices are higher there. The

⁹² Babic. "Details Behind the Andabak Arrest and the Leutar Murder."

Chart 6: Drug smuggling routes in Croatia and Bosnia-Herzegovina



drug-smuggling gangs usually include former members of paramilitary groups and have connections in the highest levels of the republic's political establishment (see chart 6).⁹³

Drug smuggling through Serbia, which has similarly restarted in 1995, intensified in 1998. The fighting, which has then started in Kosovo interrupted the traffic from Kosovo to Albania, and the Kosovo Albanian and Serbian smugglers found it surprisingly easy to cooperate to maintain a steady supply of heroin to Western Europe through Hungary, Bosnia-Herzegovina and Croatia.⁹⁴

After becoming de facto independent from Yugoslavia in 1999, Kosovo reaffirmed its role as the center of Southeast European drug smuggling networks (see chart 7). The International Narcotic Enforcement Officers Association estimates that the Kosovo mafia handles between four and a half and five tons of heroin monthly now, which is more than double the amount before the 1999 war:⁹⁵

- Drugs enter Kosovo from Macedonia and are then sent across the virtually non-existent border between Kosovo and Albania to the ports of Durres and Vlore, from where it is only a short boat trip to Italy.

- Cannabis grown in south Albania travels in the opposite direction, from the Albanian town of Kukes to Prizren in Kosovo to satisfy the growing local demand.

Laundering of the Kosovo Drug Money

It is believed that the Kosovo drug money is being laundered within the province through the booming illegal construction industry. The clear indication of mafia involvement in illegal construction was the murder on September 11, 2000 of the director of Prishtina's Department of Planning, Reconstruction and Development, who planned to demolish many illegal constructions and prevent the building of new ones.⁹⁶

Drug smuggling is closely connected to the 2001 conflict in Macedonia. Most Macedonians, Macedonian media, but also numerous impartial observers believe that the conflict was in essence a struggle over the full control of the growing

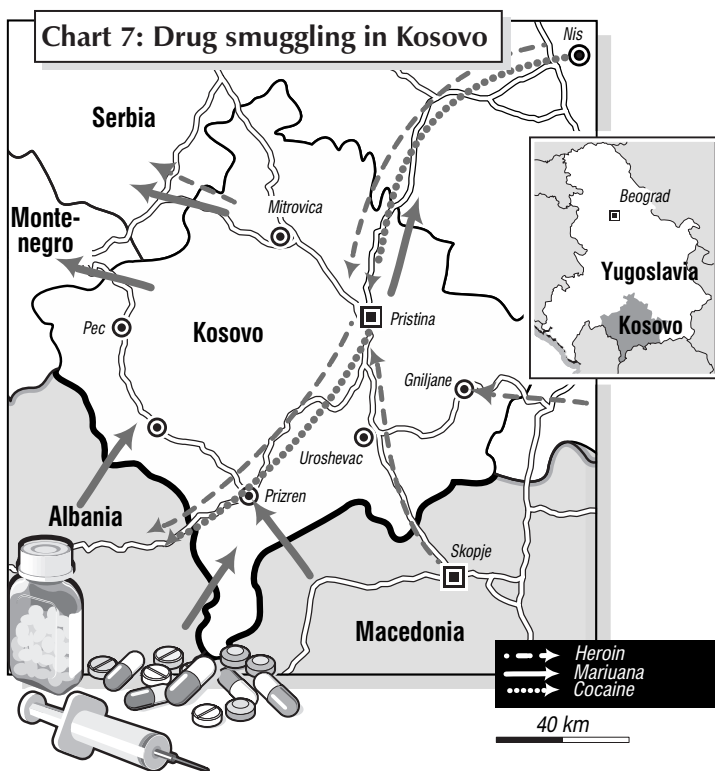
⁹³ Observatoire Geopolitique des Drogues. "Bosnia-Herzegovina." *Observatoire Geopolitique des Drogues Annual Report*. 1997. < http://www.ogd.org/rapport/gb/RP06_1_BOSNIE.html > .

⁹⁴ Observatoire Geopolitique des Drogues. "Yugoslavia."

⁹⁵ Juliette Terzieff et al. "Former Warlords in the Balkans are Building an International Criminal Empire." *Newsweek*. 21 March 2001. < <http://www.balkanpeace.org/rs/archive/mar01/rs127.shtml> > . Umberto Pascali. "KLA and Drugs: The 'New Columbia of Europe' Grows in Balkans." *Executive Intelligence Review* vol. 28, no. 24. 22 June 2001. < http://www.larouchepub.com/other/2001/2824_kla_drugs.html > .

Roslin. "After Kosovo: A Marriage of Heroin and War in the New Millennium."

⁹⁶ "Kosovo Stability Threatened by Organized Crime." *Balkan Times*. 2001. < <http://www.balkantimes.com/html/english/11845.htm> > .



Tanusevci

The connection between the KLA, the NLA (the National Liberation Army), and the drugs and arms trade is most clearly shown on the example of Tanusevci. Tanusevci is an Albanian-populated mountain village, located exactly at the border between Macedonia and Kosovo, in which the last year's fighting has started. During the Kosovo conflict, Tanusevci was used as one of the most important arms depots of the KLA, and before that, it was widely believed to be one of the centers for smuggling of drugs to and from Albania and Kosovo. During the crisis in southern Serbia, Tanusevci served as a training base for guerillas operating in the Presevo valley. Not unimportantly, Tanusevci is also the home village of Xhavit Hasani, one of the founding members of the KLA and one of its commanders. Aracinovo, another hot-spot of the last year's crisis, has also been considered for a long time to be a center for drug, cigarette and arms smuggling.

Albanian-run criminal empire. According to *Jane's Intelligence Review*, western Macedonia, where majority of Macedonian Albanians live, has been a drug-smuggling center since at least the 1970s. The obvious prosperity of the large number of people living in western Macedonia, otherwise a region with the least developed economy and infrastructure, but also one with an abundance of expensive cars and large houses, cannot be just a result of revenues from the regional wine production or remittances from relatives working abroad.

A crucial factor facilitating the proliferation of smuggling in this part of the country was the deliberate decision of the VMRO – DPA government not to patrol the border area after the withdrawal of the UN peacekeeping force in 1999. This decision, justified as a pre-cautious and confidence-building policy in a sensitive area, gives ground to allegations that the two ruling parties were in the least passively involved in illegal traffic across the border. The center of Macedonian drug and arms smuggling, the village of Tanusevci, became a virtual "free territory," together with some other villages and areas along the Macedonian border with Kosovo. The first outbreaks of violence in Macedonia were provoked by a "violation" of the "free status" of Tanusevci, when Macedonian police unit was dispatched to the village in response to the detention of a Macedonian television news crew by uniformed Albanian guerillas.⁹⁷

The stable political environment and the rule of law hinder the proliferation of smuggling and other illegal activities. In a country like Macedonia, with exceptionally high level of mistrust between various ethnic communities and in a dire economic situation, it was relatively easy for the NLA-cum-smugglers to escalate the situation marked with tensions and distrust into an armed conflict, thus creating a perfect environment for criminal activities.⁹⁸

In Romania, drug smuggling has been continuously on the rise, despite the efforts of the law-enforcing agencies. The new administration toughened the legislation on drug trafficking and production, and sentences from 15 years to life were introduced for organized possession, distribution and cultivation of narcotics. A seri-

⁹⁷ "Macedonia's Public Secret," pp. 24-25

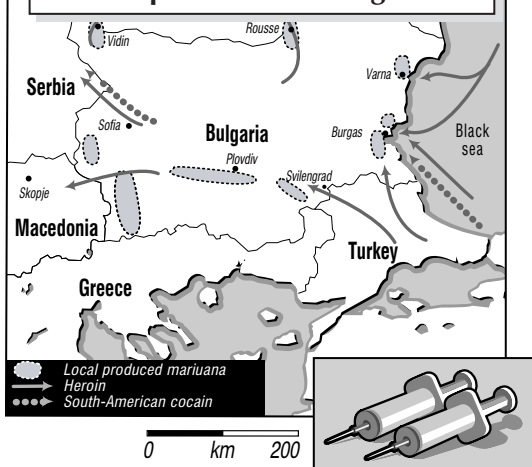
⁹⁸ Terzieff et al. "Former Warlords in the Balkans are Building an International Criminal Empire." Pascali. "KLA and Drugs: The 'New Columbia of Europe' Grows in Balkans."

"Jane's Sentinel Security Assessments: Macedonia." *Jane's Information Group*. 3 April 2001.

< http://www.janes.com/security/international_security/news/sentinel/sent010403_macedonia.shtml > U. S. Department of State. "1997 International Narcotics Control Strategy Report."

Bajic. "Crime and Politics in Macedonia."

Chart 8: Drug smuggling and drug production in Bulgaria



Drug Seizures in Bulgaria

Indirect indication of the scope of drug trafficking is found in the number of shipments intercepted by the competent authorities. In the first half of 2000, for instance, more than **one ton of drugs were seized** along the Bulgarian borders and 60 offenders, mainly male, were detained. The amount of heroin was over 800 kg, while the quantity of hashish and marijuana was more than 200 kg. The drugs seized include 20 kg of amphetamines, over 6,000 ecstasy and kaptagon pills, over 3,000 litres of acetic anhydrite and phenyl acetic acid. The drugs were mainly detected at the Kapitan Andreevo checkpoint, as well as the checkpoints in Malko Turnovo, Kalotina, Zlatarevo, Gyueshevo, Sofia Airport, Vidin, and Rouse.

ous police effort also led to ever increasing number of drug related arrests and of narcotics seizures, despite the hindrances such as budget restrictions, outdated and insufficient equipment, and widespread corruption. In 2001, three clandestine laboratories for production of synthetic drugs were discovered, confirming the fears that Romania has become a significant drug producing country.⁹⁹

Bulgaria continues to play a central role in smuggling of Central Asian heroin to Europe (see chart 8). One of the reasons is its location, - a junction where the three Southeast European routes (through Romania, Serbia and Macedonia) split. Judging from the increasing number of cocaine seized in the country, Bulgaria is becoming an important transit country for South American cocaine as well. There are indications that citizens of Italian, Colombian, Albanian, and Bulgarian nationality are developing non-traditional channels for the transit of cocaine. Significant quantities of precursor chemicals such as acetin anhydrite (produced in Bulgaria and/or Macedonia and headed for Turkey) have also been found. Cars, trucks, and buses are the vehicles most typically used to transport drugs. Great quantities of drugs are still transported in refrigerator trucks and trucks carrying perishable goods.

The evolution of the domestic drug market is also of interest. There has been a tendency, as observed throughout the world, for the drugs to overtake the peripheral regions of the country. According to expert estimates and surveys conducted, 50-70,000 people smoke ganja. Since the mid-1990s the number of cannabis fields discovered has been doubling each year. The largest cannabis fields were found in the regions of Blagoevgrad, Petrich, Varna, Pazardzhik, Plovdiv and Kyustendil. There are already channels for the export of cannabis mostly to Greece and Cyprus. Due to the more intense police activity in Southwest Bulgaria, the cultivation of marijuana is gradually shifting towards Northern Bulgaria. Last year vast cannabis cultivation fields were discovered in the regions of Vratza and Rouse.

Around 10,000 Bulgarians are heroin-dependent, and 40-50,000 people use pharmaceutical drugs having a similar effect (e.g. Diazepam). Due to the low purchasing power of the potential clients, the estimated value of the Bulgarian drug market does not exceed 100-150 million Euro. For this reason the black market is virtually inundated with poor quality drugs. According to the National Drug Addiction Centre, nearly 95 % of the heroin ingredients are not genuine. The expensive drugs, such as cocaine, sold at the price of 60 Euro a gram, are most popular among the members of the underground groups, who are characterized by a high rate of addiction.

⁹⁹ U. S. Department of State. "1997 International Narcotics Control Strategy Report." "For Romania to Accede to EU It Will Take Enhanced Speed of Response." *Nine O'Clock*. 7 February 2002.

2. 4. TRAFFICKING OF HUMAN BEINGS

Illegal trafficking in people is growing with alarming speed. It includes the transfer of illegal immigrants, women to be engaged in prostitution, labour force to work under inhuman conditions, trafficking in children, and illegal adoptions at exorbitant prices. The illegal flows are under control of organized crime. Trafficking in people involves officials from passport control services who accept forged identification documents. Those involved in people trafficking often have double citizenship and use different names. Involved in the traffic are companies providing visa services and tourist agencies. Traffickers use networks of trusted hotel owners and people renting private lodgings.

The clandestine transfer of people across the border is done by traffickers that are often repeat offenders who continue to engage in this type of activity. The crossing of the border by land is typically done in groups led by a guide who is familiar with the area to be traversed. He has ties with the operations headquarters in one of the large cities where potential migrants form groups to be transferred en bloc. Candidate migrants usually have a meeting point – a railway station, a restaurant, or a private house. Then they are moved close to the border, boarded on the respective means of transportation and finally placed in the charge of the guides. The channels for people trafficking are controlled by organized crime and the organizers inside the country as a rule get a share of the proceeds.

People trafficking is very often done in secret compartments of buses and trucks. Typically the "shipments" are accompanied by the organizers or other trusted individuals using car. They escort the "shipment" to the border checkpoint and wait until the vehicle crosses the border. The clandestine migrants are often accompanied by their children, have little baggage and carry no money or identification papers with them.

TRAFFICKING OF ILLEGAL IMMIGRANTS

According to the UN Office for Drug Control and Crime Prevention, human trafficking is the fastest growing criminal business in the world. **Southeast Europe is one of the most important transit regions for illegal immigrants from Turkey, China, Iran, Pakistan, Bangladesh, Iraq, Afghanistan and other Middle Eastern and Asian countries on their way to the EU** (see chart 9). It is also an important source region, with Romanians, Albanians and Roma being among the most numerous groups of illegal immigrants in the EU.

One of the reasons for the exceptionally fast growth of the human trafficking business is that profits are incomparably higher than risks and costs involved. Unlike drug smuggling, human trafficking is considered in most countries as a minor offence which carries light sentences. No special equipment is needed and no organized network for distribution (like in the case of drugs) is essential. In case of danger, the immigrants (who pay in advance for the "service") can be easily abandoned by their guides, and in practice, they often are.

The financial gains made through the trafficking are enormous. Estimates, based on the recorded cases (40,000 immigrants) only in Austria and only for the year 1999,

amount to \$100 million. The overall estimates for the EU are \$3 billion in 1999. Today, the world-wide illegal immigrants "business" is worth between \$12 billion

(IOM estimate) and \$30 billion (US sources). On average, the EU-bound immigrants pay between \$2,000 and \$2,500 for their transfer from Eastern Europe and former Soviet Union, between \$9,000 and \$14,000 for the transfer from Central and South Asia, and up to \$24,000 for the trip from China.¹⁰⁰



The routes

Due to their location, **Bulgaria and Romania are the most important entry points for illegal immigrants.** Until recently, Bosnia-Herzegovina and Serbia were also significant entry points for numerous immigrants – most notably for Iranians (Bosnia) and Chinese (Serbia). The most popular land route leads from Bulgaria and Romania through Serbia, Bosnia-Herzegovina and Croatia to Slovenia, and from there to Italy and Austria. Many illegal immigrants travel across Hungary. Equally important is the route across the Adriatic Sea. Numerous routes from Bosnia, Serbia and Bulgaria (via Macedonia) lead to Montenegro and Albania, where well-established channels for clandestine traffic across the sea exist:

- By various estimates, **up to 80,000 people tried to cross the Bulgarian border illegally during the past decade.** The information from the Border Police indicates that 22,733 border offenders were caught in 1999 alone, which was 4,500 more compared to the previous year. By some estimates the number of Bulgarian nationals illegally residing abroad ranges between 50-89,000 people.
- According to the government estimates, **up to 40,000 illegal immigrants annually pass through Romania on their way to the West.** Due to stricter border control, over 32,000 people were refused entry into Romania in 2001, and 21,000 were caught crossing the country illegally. The number of Romanians trying to get illegally to EU countries is also huge. In September 2001 alone, more than 1,400 Romanians were returned to Romania after being caught living illegally in other countries or trying to get illegally across their borders.¹⁰¹
- **Post-Dayton Bosnia-Herzegovina became one of the most easily accessible European countries due to its exceptionally liberal visa regime.** Scores of Iranians, Kurds from Turkey, Egyptians, Pakistanis, Afghans, Iraqis, Moldavians and Macedonians had been arriving to Sarajevo to embark on their illegal journey to Western Europe until recently, when the government of Bosnia-Herzegovina (under international pressure) introduced visas for citizens of some of the most

¹⁰⁰ "People's Trafficking: Europe's New Problem." *Jane's Information Group*. 23 September 2000. < http://www.fsa.ulaval.ca/personnel/vernag/EH/F/noir/lectures/people_trafficking_europe.htm > .

¹⁰¹ U. S. Department of State. "1999 Country Report on Human Rights Practices – Romania." Barbara Limanowska et al. "Trafficking in Human Beings in Southeastern Europe: Current Situation and Responses to Trafficking in Human Beings." *UNICEF, UNOHCHR and OSCE – ODIHR*, June 2002. < <http://www.unicef.org/sexual-exploitation/trafficking-see.pdf> > .

"problematic" countries. **According to the UN estimates, in the year 2000, more than 50,000 illegal immigrants** (10 percent of all), who have reached the EU countries, **passed through Bosnia-Herzegovina.**¹⁰²

- Under Milosevic, **Serbia became the most popular and easily accessible gateway to Europe for Chinese immigrants.** Milosevic's regime had more than cordial relations with China and Yugoslav consulates there have issued visas free of charge to tens of thousands of Chinese "tourists" during the second half of the 1990s. Two or three airplanes full of passengers used to arrive to Belgrade from Beijing every week, and then to return to China almost empty. The new Serbian authorities have significantly limited the traffic of Chinese immigrants by introducing restrictions to their access to Serbia.
- Most of the immigrants enter Croatia from Bosnia-Herzegovina, by crossing Sava or Una rivers. This inevitably leads to occasional tragic events. In May 2000, four Iranians drowned in Sava after falling from the overcrowded boat, taking 35 illegal immigrants across the river. In a similar accident few weeks later, three more people have died. It is almost impossible to estimate how many people have illegally crossed Croatia on their way to the West. In 1999, 8,000 illegal immigrants were caught by Croatian police. **In 2001, the number reached 24,000 and most likely still represents less than 20 percent of those who successfully cross Croatia.**¹⁰³

Immigrant "Terrorists"

At the beginning of March 2002 near Skopje, Macedonian police killed 7 alleged "terrorists" (6 Pakistanis and 1 Indian), who were, according to the information of the Macedonian security services, planning terrorist acts against foreign embassies in the Macedonian capital. The incident left many questions unanswered. As it later turned out, the seven killed were in fact illegal immigrants on their way to Athens, where a number of their relatives were already illegally living and working for years. They had no connection with terrorist groups and their only crime was passing the borders illegally. It is believed that the immigrants were used as scapegoats by the Macedonian government, which wanted to "prove" that Macedonia was endangered by "Islamic terrorism." This was a way for the authorities to get international sympathies and support for solving their domestic security problems.¹⁰⁴

- **The majority of the migrants are crossing Macedonia on their way to Greece,** but the flow towards Albanian ports is also significant. Due to political and security considerations, Macedonian border police, which is ill-equipped and lacks human capacities, focuses on guarding the borders with Albania and Kosovo, leaving the long borders with Serbia, Bulgaria and Greece practically uncovered. In addition, it is estimated that there are more than 600 illegal border crossings along the Macedonian border, making trafficking of numerous Eastern Europeans,

¹⁰² Ibro Kovacevic. "Krijumcarenje Kurda iz Turske na zapad." *AIM Press*. 18 March 1997. < <http://www.aimpress.org/dyn/pubs/archive/data/199703/70318-006-pubs-sar.htm> > .

Peter Beaumont. "People Trade Makes Bosnia Rich." *The Observer*. 28 January 2001. < <http://www.observer.co.uk/politics/story/0,6903,429988,00.html> > .

¹⁰³ Carlotta Gall. "China's Migrants Find Europe's Open Back Door: The Balkans." *The New York Times*. 23 August 2000. < http://www.nytimes.com/learning/teachers/featured_articles/20000823wednesday.html > .

Victims of Trafficking in the Balkans: A Study of Trafficking in Women and Children for Sexual Exploitation to, through and from the Balkan Region. Vienna: International Organization for Migration, 2001, pp. 32-33. < http://www.iom.int/DOCUMENTS/PUBLICATION/EN/balkan_trafficking.pdf > .

Boris Raseta. "Sverc istocnjaka na Zapad." *AIM Press*. 27 June 2000. < <http://www.aimpress.ch/dyn/pubs/archive/data/200006/00627-002-pubs-zag.htm> > .

¹⁰⁴ Zeljko Bajic. "'Mudzahedini' iz Rastanskog Lozja." *AIM Press*. 7 March 2002. < <http://www.aimpress.ch/dyn/pubs/archive/data/200203/20307-001-pubs-sko.htm> > .

"At Rastanski Lozja, Pakistani Migrants which were Travelling to Greece were Killed, Not Terrorists of Al Kaeda." *The Balkan Human Rights Web Page*. 8 May 2002. < <http://groups.yahoo.com/group/balkanhr/message/3982> > .

but also of increasing number of Asians and people from the Middle East to Greece, an exceptionally profitable and almost risk-free illegal business.¹⁰⁵

- Immigrants are arriving in Montenegro from Bosnia, Serbia and Kosovo. After entering the republic, they are first transported to centers close to the Montenegrin coast and then transferred to various bays from which speedboats would take them on four-hour long night journey to Italy.

Inhuman Trafficking of Humans

Albanian traffickers are known for their inhuman treatment of their "clients". They often dump them in the shallow waters near the Italian coast to save the time needed to properly disembark them on the land. In some cases, they throw their passengers overboard to avoid being captured by the Italian coast guards. In 1999, 170 illegal immigrants drowned as a consequence.

- **The trafficking of people has recently overtaken drug smuggling as the most profitable illegal activity in Albania.** The gang bosses have invested their drug-earned money into purchasing modern high-powered speedboats which can cover the distance between Albania and Italy in less than an hour. According to estimates, around 150 speedboats

operate in and around Vlore. **Italian authorities believe that between 500,000 and a million illegal immigrants were shipped to Italy since 1991.**¹⁰⁶

The organizers

Trafficking of illegal immigrants through Southeast Europe seems to be organized by the same groups who were previously engaged in the smuggling of weapons and drugs or in "assisting" refugees to reach safety for a price during the war. Similarly, the same routes are being used and the same partners from the other side of the border are involved. This seems to be especially the case in the countries of the former Yugoslavia. In Montenegro and Albania, the traffic of illegal immigrants across the Adriatic Sea to Italy is organized by the same people who are engaged in smuggling of drugs and cigarettes to Italy. Additional proof that the same people are really involved is offered by the findings of Italian authorities. According to the former Italian Finance Minister, the gangs, operating the smuggling across the Adriatic Sea often combine two businesses – trafficking of illegal immigrants and smuggling of drugs. Italian police has caught immigrants with heroin in their backpacks. The explanation is that they are forced to act as couriers to pay for their passage.

¹⁰⁵ "People's Trafficking: Europe's New Problem."

U. S. Department of State. "1999 Country Report on Human Rights Practices – Former Yugoslav Republic of Macedonia." *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/macedoni.html > .

Zeljko Bajic. "Macedonia's Porous Borders." *Institute for War and Peace Reporting Balkan Crisis Report* no. 153. 4 July 2000. < http://www.iwpr.net/index.pl?archive/bcr/bcr_20000704_4_eng.txt > .

¹⁰⁶ "People's Trafficking: Europe's New Problem."

Hammer and Semini. "The Gangster's Paradise."

Cillufo and Salmoiraghi. "And the Winner Is.... The Albanian Mafia."

Randall. "Italy and Its Immigrants."

The profits

According to the estimates, **the organizers of trafficking of illegal immigrants to the EU earn over \$3 billion per year:**¹⁰⁷

- Data collected by the UN and NGOs for Bosnia-Herzegovina shows that on average, illegal immigrants pay \$4,000 to the Bosnian traffickers. Considering the UN estimate that over 50,000 immigrants pass through Bosnia every year, **this means that the Bosnian trade with immigrants is worth around \$200 million a year.** It is believed that one third of this sum ends up with Bosnian police and politicians.
- The profits generated through human trafficking are similar in Albania. According to available information a boat transport across the Adriatic costs between \$900 and \$1000 per person. **This means that Albanian traffickers have been making over \$200 million annually in recent years.**
- Montenegrin traffickers charge between \$1,000 and 1,500 per person for transport across the Adriatic.
- In Bulgaria, experts estimate that some USD 30-50 million circulate in the illicit emigration market, which comprises the issuing of false and authentic visas as well as the transportation "fees." The illicit passage from the Middle East to Western Europe via Turkey and Bulgaria costs up to \$7,500 with migrants paying separately for each stage of the journey.

TRAFFICKING IN WOMEN AND GIRLS FOR THE SEX INDUSTRY

Trafficking in women and girls is an even more alarming and disturbing aspect of the trafficking in human beings. In most cases, it involves coercion, violence and humiliation of victims. Trafficked women and girls are often forced into prostitution, held in slave-like conditions, and repeatedly raped, brutalized, denied food, water, sleep and medical care, and sold like property by one brothel owner or trafficker to another. Many of them are girls under 18 years of age, and numerous were either tricked to leave their homes (with false promises of well-paid employment or marriage) or kidnapped. In Albania and Kosovo, cases when families sold their own daughters or sisters to traffickers were registered. By various estimates, hundreds of thousands of women and girls are trafficked across European borders every year.¹⁰⁸ In most cases, women and girls from East Europe are trafficked to the EU, but many (especially from the former Soviet Union) are trafficked also to other Eastern European countries and "employed" in sex industry there. Often, the trafficked girls are forced into prostitution in Eastern European countries for a certain period while on their way to the EU.

¹⁰⁷ "Southern Europe: Smuggling." *Migration News* vol. 7, no. 12. December 2000.

< http://migration.ucdavis.edu/mn/archive_mn/dec_2000-12mn.html > .

"People's Trafficking: Europe's New Problem."

Gaby Hinsliff and Peter Beaumont. "Blair War on Trade in Migrants." *The Observer*. 4 February 2001.

< <http://www.observer.co.uk/politics/story/0,6903,433341,00.html> > .

Beaumont. "People Trade Makes Bosnia Rich."

¹⁰⁸ The Swedish NGO Kvinna Till Kvinna estimates that 500,000 women are trafficked into EU every year. IOM estimates that roughly 200,000 are from Central and Eastern Europe, and from former Soviet Union. Between 10 and 30 percent of girls, trafficked to become sex workers, are under 18 years of age. In case of Albania, the underage girls represent alarming 80 percent. Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

In recent years (after the end of the war in the former Yugoslavia), trafficking of women from, into and through the Southeast European states rapidly increased. The

Chart 10: Trafficking of women through Southeast Europe



successor states of the former Yugoslavia (especially those with the significant international presence) have become important destination countries for women and girls from Ukraine, Russia, Moldova and Romania. Belgrade became one of the most important transit centres. Due to their location, Bulgaria, Macedonia and Albania also became crucial transit countries for trafficked women (see chart 10).

Source countries

- **Romania is the most important regional source country for trafficked women and girls.** Together with Russian, Ukrainian and Moldovan women, Romanians represent the largest group of women trafficked to and through Southeast Europe. They usually travel through Serbia and from there to

Bosnia or to Kosovo. Some stay there to work in local brothels. Others are moved on from Bosnia to Croatia and Slovenia, and from there further west, and from Kosovo to Albania and from there to Greece or Italy. Many also travel through Bulgaria to Greece and Turkey. In 1997, 7,000 Romanian women were deported from Turkey because they entered the country illegally and/or were engaged in prostitution. NGOs estimate that several thousand Romanian women are trafficked out of Romania every year. Reportedly, most of the women are sold to traffickers in Timisoara, usually for \$50 to \$200. When they reach their country of destination, they are resold for up to ten times more.¹⁰⁹

- **Bulgaria is also an important source country.** Bulgarian women are most often transferred to Turkey, Greece, Macedonia, Poland and the Czech Republic, mostly through companies for the recruitment of escorts and of women wishing to work abroad. There are about three hundred such companies in this country but none of them has been granted a license to recruit escorts or dancers. A survey made by the *Animus Association Foundation* revealed that 94 % of the ads offering work abroad actually sought attractive single women aged up to 25. "White female slaves" are exported from Bulgaria via three main routes: through Turkey and Greece to Cyprus and Italy, through Romania to Western Europe and through Macedonia to Kosovo or Albania and from there to Italy. Unofficial data suggest that at present there are some 10,000 Bulgarian women prostitutes abroad.¹¹⁰
- **Another significant source country is Serbia.** Serbian girls (especially of Roma origin) are trafficked to Italy, Greece, Cyprus, Germany and the Netherlands.

¹⁰⁹ U. S. Department of State. "1999 Country Report on Human Rights Practices – Romania."

¹¹⁰ *Victims of Trafficking in the Balkans*, pp. 35-36.

"Corruption and Trafficking: Monitoring and Prevention," pp. 32-33.

Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

- Trafficking of Albanian women and girls to the EU (predominantly Italy and Greece) represents an even more worrying problem, since (apart from the usual tricks and deceit, used to lure girls from their homes), traffickers often kidnap women and girls and sell them to mafia clans across the border. **It is estimated that during the last decade, over 100,000 Albanian women and girls have been trafficked to Western Europe.** According to some estimates, up to 80 percent of

Peacekeepers of Traffickers?

The most alarming case, involving trafficked Romanian women and Romanian traffickers, was the 2001 case of two Romanian members of the UN Police Task Force in Bosnia. In February 2001, an investigation was launched into allegations that two Romanian policemen were organizing the traffic of Romanian women to Bosnia. They were providing them with false documents, and after the girls reached Bosnia, they sold them to Bosnian brothel owners. Romanian women, who were interviewed during the investigation, named 10 more Romanian police officers. They accused them of cooperating with brothel owners either as traffickers or as informers, who alarm brothel owners in case of raids. By the summer of 2001, the investigation was canceled due to the lack of direct evidence and witnesses (all the women initially interviewed were moved out of Bosnia).¹¹² In a separate incident, Kathryn Bolkovac, an American member of the UN police force in Bosnia was fired for "timekeeping irregularities" after reporting to her superiors that her colleagues in the police force were cooperating with traffickers in the sex slaves' trade. A British court to which she appealed ruled that she was unjustly fired for making embarrassing disclosures.¹¹³

them have been under 18 years of age, and some have been as young as twelve.¹¹¹

- According to the OSCE reports, **numerous young women and girls from Kosovo were abducted from the refugee camps in Albania during the 1999 war** and sold into forced prostitution to Italy. Many human rights experts expressed concern that Kosovar women who were victims of rape were particularly vulnerable and exposed to traffickers due to the conservative and patriarchal nature of the Kosovar society, which views rape as a disgrace for the family. Numerous cases of families selling their own daughters or sisters to traffickers provide another example illustrating the grimness of Albanian socio-

economic reality. NGOs estimate that more than 30,000 Kosovo Albanian women are working abroad as prostitutes.¹¹⁴

Transit countries

- Croatia and Bosnia-Herzegovina are, just like in the case of illegal immigrants, inevitable transit countries, especially for women from Moldova, Romania, Ukraine and other Eastern European countries. According to Elizabeth Rehn, former Special Representative of the Secretary General and Coordinator of the United Nations Operations in Bosnia-Herzegovina, trafficking in women is "the most disturbing" illegal activity in Bosnia. The most notorious place for buying and selling female sex slaves is the so-called "Arizona Market" in Brcko district, set up by the international community to foster economic and social interactions between Bosnian Muslims, Croats and Serbs. According to the UN report, most of the women held in slave-like conditions and forced into prostitution all over the

¹¹¹ Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

¹¹² "Romanians Reported Topping European List of Illegal Migrants." *BBC Worldwide Monitoring*, 3 October 2001.

Colum Lynch. "U.N. Halted Probe of Officers' Alleged Role in Sex Trafficking." *The Washington Post*, 27 December 2001. < <http://www.washingtonpost.com/ac2/wp-dyn/A28267-2001Dec26?language=printer> > .

¹¹³ Barry James, "Whistleblower Upheld in the UN Bosnia Police Case," *International Herald Tribune*, 8 August 2002.

¹¹⁴ U. S. Department of State. "1999 Country Report on Human Rights Practices – Albania." *Victims of Trafficking in the Balkans*, pp. 51-52.

Arizona Market

Arizona Market was set up by the NATO-led Implementation Force (IFOR) in 1996 with the goal of reestablishing some of the broken ties between the three Bosnian constituent nations through shared economic activity. To the huge disappointment of its creators, Arizona Market became one of the most notorious centers of criminal activity in the Balkans. Everything from smuggled and/or stolen clothes, home appliances, vegetables and cars, to drugs and prostitutes is sold there at bargain prices, keeping impoverished local buyers as well as over 3000 people employed in the market content. Smuggling and other criminal activities aside, the market nevertheless did manage to bring Muslims, Croats and Serbs together to do business with each other. For this reason, the Office of the High Representative of the International Community in Bosnia so far refused to close it down. For now, however, it seems that Arizona Market is causing far more problems than it is solving, and hampers rather than aids the Bosnian post-war development.

Balkans, were bought from traffickers at the Arizona Market. The usual price is \$1,500.¹¹⁵

- **Serbia is an even more important transit country.** Moldovan, Ukrainian, Russian and Romanian women cross Serbia on their land route through the former Yugoslavia towards Italy and Austria, as well as on the way to Montenegro and Albania, from where they are transported across the Adriatic Sea to Italy. According to the police data, 1,260 women from the above mentioned countries tried to enter Serbia in 2001, but were denied entry.¹¹⁶

- **Macedonia became a transportation hub for the women trafficked to**

Greece and Italy. Women usually enter Macedonia from Serbia or Bulgaria, and are then sent either to Greece, or transported across the lake Ohrid to Albania. No precise data is available, but the Macedonian Ministry of the Interior and the International Organization for Migrations estimate that more than thousand women were trafficked through Macedonia in 2000. The figure tends to increase every year. The majority of girls, trafficked through Macedonia, are from Moldova, Romania, Bulgaria, Russia and Ukraine.¹¹⁷

- **Bulgaria is no less significant** and is transited by women and girls, trafficked to Greece and Turkey.
- Due to their location and the well-established smuggling and trafficking routes across the Adriatic, **most of the women trafficked through the Balkans eventually end up in Montenegro or Albania.** Most of the women who reach Montenegro are transported by speedboats from Bar and other ports across the Adriatic to Italy, but many are also shipped across the lake Skadar to Albania and from there either to Greece or to Italy.¹¹⁸
- Apart from its proximity to Italy and the well-trodden smuggling channels, the notorious corruption of state officials, customs and police officers makes Albania ideal for trafficking. According to testimonies of women trafficked to Italy from Albania, Albanian policemen were directly involved in trafficking in at least 10 percent of the cases. Women most often enter Albania from Macedonia across lake Ohrid, or from Montenegro across lake Skadar. Both are well-known smuggling routes. Women, mostly from Moldova, Romania, Bulgaria, Ukraine and

¹¹⁵ Emir Imamovic. "Bosnian Brothels Flourish." *Institute for War and Peace Reporting Balkan Crisis Report*, no. 210. 6 December 2000.

< http://www.iwpr.net/index.pl?archive/bcr/bcr_20001206_4_eng.txt > .

United Nations News Service. "Press Briefing on UN Operations in Bosnia and Herzegovina." *UN Press Briefings*. 23 July 1999. < <http://www.un.org/news/briefings/docs/1999/19990723.REHN.html> > .

Anes Alic and Jen Tracy. "Sanctioned Smuggling in the Balkans." *Transitions Online*. 14 September 2001. < <http://www.tol.cz/look/TOLnew/article.tpl?IdLanguage=1&IdPublication=4&NrIssue=22&NrSection=2&NrArticle=2163> > .

¹¹⁶ Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

Victims of Trafficking in the Balkans, pp. 43-44.

¹¹⁷ Zoran Radulovic. "Montenegrin Immigrant Trade." *Institute for War and Peace Reporting Balkan Crisis Report* no. 168. 29 August 2000.

< http://www.iwpr.net/index.pl?archive/bcr/bcr_20000901_4_eng.txt > .

Victims of Trafficking in the Balkans, pp. 33-36.

Russia are bought from other East European criminal groups for on average \$1,000 and sold to Italian mafia for up to \$3,000.¹¹⁹

Destination countries

All regional countries are to a considerable extent also destination countries. When trafficked women enter a particular country, they are usually kept there for a certain period and forced into prostitution in local brothels. After several months, they are sold to traffickers in the neighboring country. This is an established practice in Serbia. Serbian traffickers force girls to "work" in various Serbian towns until they "repay" their "traveling expenses," before selling them to Bosnian or Montenegrin traffickers.¹²⁰ However, several regional countries have become permanent destination countries and the problems with forced prostitution and women trafficking are turning there into an exceptionally alarming problem. As a rule, countries with significant international presence fall into this category.

- **According to estimates, there are over 1,000 brothels in Bosnia-Herzegovina,** around 700 in Republika Srpska, and around 300 in the Federation Bosnia-Herzegovina. Roughly 15,000 prostitutes, who were trafficked into the country work there. Approximately two thirds of them are foreigners, predominantly from Eastern Europe and the former Soviet Union. Most of them are held in slave-like conditions and forced into prostitution. Their documents are taken away and they are told that they have to repay their debt to the trafficker, who got them across the border. In practice, the debt can never be repaid since women are charged also with expenses for food, accommodation and medicine. The authorities seem either powerless or unwilling to put an end to this practice. Even if one brothel is closed down, another one immediately pops up in a near-by private house. Police usually arrests and deports only prostitutes, while traffickers as a rule go unpunished. The average monthly income of the owner of a brothel, where five girls are employed, is estimated to be over \$10,000.¹²¹
- **One of the most worrying problems of today's Kosovo is the growing sex industry,** most often involving women and girls forced into prostitution against their will and held in slave-like conditions. According to IOM, only 13.5 percent of women receive regular payment for their services, and 55 percent are frequently beaten and/or sexually abused by traffickers. Most of them are forced to have unprotected sex, and only 10 percent are granted medical care. After 1999, brothels and night clubs have mushroomed and can now be found even in small towns and villages. The almost complete break-down of social structures and the institutional vacuum are only a part of the explanation. Kosovo's sex industry was given an enormous boost by a presence of the large number of international troops and officers, but the significant social changes and abundance of cash now circulating in the province made visiting brothels both more acceptable and more affordable to local men also. IOM estimates that few thousand women work in the

¹¹⁹ U. S. Department of State. "1999 Country Report on Human Rights Practices – Albania."

¹²⁰ *Victims of Trafficking in the Balkans*, pp. 35-36.

¹²¹ U. S. Department of State. "1999 Country Report on Human Rights Practices – Bosnia-Herzegovina." *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/bosniahe.html > . *Victims of Trafficking in the Balkans*, pp. 42-43.
Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

Kosovo brothels, many of them against their will. There are suspicions that UNMIK international police officers might be involved in trafficking. Few have already been repatriated due to such suspicions.¹²²

- **Situation is very similar in Macedonia.** Countless bars, motels and nightclubs can be found all over the country (most are located in the countryside, where police presence is not as strong as in the urban areas). Between 1500 and 2500 non-

Macedonian prostitutes work there, bringing annual profits between \$150 and 200 million to prostitution organizers. The flourishing prostitution business is inseparably connected with corruption. Police officers are paid to turn a blind eye and politicians and civil servants are paid to issue licenses and permits. The presence of a significant number of international troops gave an additional push to the development of prostitution – an inevitable consequence of the presence of the large group of well-paid foreigners, separated for a longer period of time from their families.¹²³

Enslaved on No Man's Land

The desperate situation of the girls, held in virtual slavery in the Macedonian brothels is exacerbated by the political-security situation in the republic. Many of the brothels, especially in western Macedonia, are held by Macedonian Albanians, who have allegedly close connections with the top of the National Liberation Army. Like so many times during the last decade in the former Yugoslavia, there is a very thin line between fighting for national rights and fighting for securing free reign in ethnically demarcated criminal empires. Women, ruthlessly exploited by traffickers in Macedonia, have been (for now) sacrificed in the name of conflict prevention. This will remain unchanged for as long as a raid of the Macedonian police on a brothel, owned by an ethnic Albanian, can be (and usually is) interpreted as police violence of the Macedonian state against its Albanian subjects.¹²⁴

¹²² *Victims of Trafficking in the Balkans*, pp. 35-36, 45-48.

Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

¹²³ Nanevska. "In the Quicksand of Corruption."

Veton Latifi. "Organized Prostitution in Macedonia." *Institute for War and Peace Reporting Balkan Crisis Report* no. 166. 22 August 2000.

< http://www.iwpr.net/index.pl?archive/bcr/bcr_20000822_3_eng.txt > .

Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

¹²⁴ Preston Mendenhall. "Sold as a Sex Slave in Europe." *MSNBC News*. April 2002.

< <http://www.msnbc.com/news/725802.asp?cp1=1#BODY> > .

3. PREVENTION OF SMUGGLING AND TRAFFICKING: PRESENT SITUATION AND PERSPECTIVES

3. 1. THE ROLE OF NATIONAL POLITICAL ELITES IN THE FIGHT AGAINST TRANS-BORDER ORGANIZED CRIME

By the end of 2000, governments have changed at least once all over the region (with the notable exception of Montenegro, where Djukanovic's administration continues to rule without significant challenge to its authority for the eleventh year running). As practice has shown, **a change in the government usually results in several attempts to clamp down on smuggling and related corruption.** These attempts may be part of a genuine struggle to cut the smuggling channels. In most cases, however, a shift in power means that a certain smuggling channel loses its political support. Certain politicians control the economic elite in the country by providing it – not without self-interest – with a market advantage, thus eliminating the principles of fair competition. In their turn, the economic groups are held hostage by the political parties protecting them since their parasitic operations make them non-competitive in a normal market environment. And conversely, some politicians from the elite become dependent on the groups that bribed them.

The mechanism of operation of the old smuggling channels and of creation of new ones is through infiltration of the border administration with people loyal to the party, many of whom do not possess proper qualifications. On the other hand, participants in those channels themselves offer bribes to those coming to power in order to secure their protection and thus penetrate illegal business. Through people loyal to them, the ruling political elites not only use, but also control the traffic of "the competition" in the interest of particular economic agents. Dismissing a significant number of customs officers and replacing them with new ones is among the most common steps, taken by new governments after coming to power. This step, however, is always controversial, since it is often unclear whether the redundancies and new appointments were really motivated by the need to discharge disreputable officials, or by the desire to substitute them with the ones, loyal to new authorities. When the latter is the case, smuggling channels are seldom disrupted – only the people operating them change. During the 1990s, this was what happened in most of the regional countries after the change of the government.

Analyzing recent political developments in the region and their influence on smuggling and trafficking through the Balkans, **several characteristics can be identified:**

1. Involvement of international community is essential

As a rule, local governments seem incapable and/or unwilling to seriously disrupt the smuggling and trafficking operations through their countries on their own. **The first serious counter-smuggling efforts were undertaken only after the international community took a more active role in the region** (e.g. European Commission's Customs Assistance Missions, Trade and Transport Facilitation in Southeast Europe Project, Stability Pact etc.).

2. Government needs to change more than once

In most cases, for genuine and effective counter-smuggling measures to be implemented, government had to change at least twice. The governments, which came to power after the fall of the communist regimes, usually actively participated in the development of smuggling channels. When the opposition won the elections and formed a new government, it usually declared that it was starting a campaign against corruption, smuggling and organized crime. Numerous officials in the customs and tax administration were usually discharged during this campaign and substituted with new ones. However, the only result was usually that the new political elite achieved control over the smuggling channels, which continued to operate.

It is still too early to speak about the "third change principle" as a rule. So far, there have been only three cases in the region, where this has occurred: Albania, Bulgaria and Romania. In all of them outside incentive seems to have played a decisive role for governments engaging in an effort to curb smuggling and the related corruption, rather than trying to assert control over them. In Bulgaria and Romania, this incentive was Euro-Atlantic integration, while in Albania it was the country's almost complete dependence on foreign assistance after 1997.

Macedonia, despite going through the "third change" in 1998, remains an exception. The volatile security situation, which culminated in the last year's armed conflict, is used as a permanent excuse for postponing the implementation of genuine and effective counter-smuggling measures. It is true that Macedonian security forces have had practically no access to certain areas in western Macedonia for years. In the electrified atmosphere, any attempt to reassert their presence there to cut the illegal flow of arms and drugs across the borders with Kosovo and Albania, is viewed by local Albanian population as a case of military occupation. Macedonia thus seems to be trapped in the same closed circle in which insecurity and crime reinforce each other and which has troubled a large part of the former Yugoslavia during the last decade. It is very unlikely that Macedonian government will manage to cut this Gordian knot on its own.

3. Large coalition governments (consisting of five or more parties) seem to be less willing to take radical counter-smuggling steps than a one-party government

The first post-communist governments in all the countries of the region were formed or dominated by one political party (Bosnia-Herzegovina and Macedonia seemingly represent an exception, but there ethnically-defined political parties divided territorial spheres of interest among themselves and virtually established a one-party rule in their "dominions"). Therefore, it is difficult to argue whether a coalition government could prevent proliferation of smuggling and organized crime, which developed under one-party governments.

The examples of Croatia and Serbia, where large coalitions came to power in 2000, however, indicate that there is much less turbulence on the smuggling scene

if one-party government is substituted by a coalition rather than by another dominant party. **The existing criminal structures, engaged in smuggling and trafficking, find it much easier to seek out interested partners and new political patrons within a large and diverse coalition of parties.** The differences in opinion and conflicting interests also prevent the extensive purges in customs and tax administration from taking place.

In Croatia, some of the coalition partners have already made close connections with some of the HDZ-era tycoons and shadow economy groups. In Serbia, numerous "businessmen," connected with the criminal underworld, and who were previously enjoying protection of Milosevic's regime, approached the new authorities. Credible indications exist that they found quite a few new protectors, and this seems to be among the most important reasons for the almost chronic instability of Serbian government. The name of the Serbian Prime Minister Djindjic is often mentioned in connection with people, involved in the cigarette smuggling business.

Bosnia-Herzegovina also got a coalition government in 2000, dominated by a multi-ethnic Social-Democratic Party. Yet, Bosnian federal government has very limited authority. The real power rests with the governments of both entities, which are still dominated by the three nationalistic parties. Until recently, any attempt to fight smuggling and trafficking was blocked by an almost complete lack of cooperation between the two parts of the republic. This unique administrative arrangement makes Bosnia-Herzegovina distinct from all other cases and it is thus difficult to predict what the future development will be.

4. Cases apart – Montenegro and Kosovo

Two most urgent and alarming problems continue to be **Montenegro and Kosovo, where specific political circumstances prevent a consistent and genuine fight against smuggling.**

In Montenegro, President Djukanovic's rule lasts already more than a decade and he has thus been in power longer than any other Southeast European leader. Montenegro is also the only regional country which, for this reason, never passed through the obligatory post-election "reforms." So far, there has been no case in which the same regime, which facilitated the development of smuggling channels, willingly engaged in a genuine and successful effort to disband them. There are no reasons to believe that Montenegro would be the first.

In Kosovo, despite the large international presence, the rule of law has still not been sufficiently established. UNMIK's main priorities are preventing bloodshed between Kosovo's various ethnic groups, and setting up local political institutions. At this point, it is more or less clear that the newly inaugurated Kosovo parliament, government and president have little effective power to deal with lawlessness. The pattern, tried out times and again all over former Yugoslavia, of provoking ethnic tensions and causing destabilization in order to create an optimal environment for conducting illegal activities, has been repeated in Kosovo after 1999.

The most important developments, initiated by the Southeast European governments in the fight against the trans-border organized crime, are the following:

1. Since 1997, the Albanian security forces have been cooperating with Italian police and coast guard in an effort to cut the drug and cigarette smuggling, and illegal immigrant trafficking channels across the Adriatic Sea. In 1998, the Albanian government established a counter-narcotics unit, which includes 100 police officers and agents, and in 2001, a counter-trafficking task force. **In 2001, the government passed a law on prevention of illegal trafficking of narcotics** and a law on the establishment of the Inter-Ministerial Drug control committee. In November

and December 2001, the US Department of Justice's Border Patrol Tactical Unit conducted an assessment of the Albanian border police and developed proposals for improvement of its work.¹²⁵

In January 2001, the Penal Code was amended and the penalties for trafficking increased. A new definition of trafficking, which complies with the UN Protocol against Smuggling of Migrants by Land, Air or Sea (known also as one of the two Palermo Protocols – the other is the Protocol to Prevent, Suppress and Punish Trafficking in Persons), was also introduced. The Ministry of Justice analysed the legal aspects of trafficking in children and prepared amendments to the Adoption Law, aimed at protecting children. Counter-trafficking police training, in which 165 policemen participated, was also carried out. The government has appointed an Inter-Ministerial Working Group on Trafficking and a National Coordinator for Trafficking, and developed a national strategy for combating trafficking. In 2001, an anti-trafficking centre was established in Vlore with international assistance. In the same year, 150 persons were arrested on charges related to trafficking.¹²⁶ The US and the US funded NGOs in Albania have developed several projects on education of young women in an attempt to prevent them from becoming victims of trafficking. Several safe houses for victims of trafficking have also been opened.¹²⁷

In August 2002, a multi-national operation, involving Albanian, Italian, Yugoslav and Greek security forces was conducted. Special police units, equipped with naval vessels and helicopters, swept into Vlore in an attempt to arrest a large number of known smugglers and to confiscate their speed-boats. Although 12 alleged smugglers were arrested, the operation failed to achieve its goal. Over 30 smugglers managed to escape, together with their boats, and to go into hiding because the top-secret plans for the operation were leaked before the assault took place. As a consequence, the Albanian police chief was sacked.¹²⁸

2. **In Bosnia-Herzegovina, the newly established State Border Service was deployed in June 2000 at several border crossings.** Numerous crossings and check-points, however, remain severely understaffed and ill-equipped. Counter-narcotics law enforcement units, ranging in size from 2 to 11 members, have also been established.¹²⁹

A working group, established in cooperation between Ministries of Justice of Republika Srpska and Federation Bosnia-Herzegovina, and the Office of the High Representative, **is drafting a new criminal legislation.** A Joint Entity Task Force on Illegal Immigration and Organized Crime is also in the process of being established. Police raids on nightclubs and brothels increased in 2001 and many brothels were permanently closed. Following the accusations that international peacekeepers were involved in trafficking or were patronizing brothels, the code of con-

¹²⁵ U. S. Department of State. "2001 International Narcotics Control Strategy Report – Albania." *U.S. Department of State - Bureau for International Narcotics and Law Enforcement Affairs*. Washington, DC. March 2002. <<http://state.gov/g/inl/rls/nrcrpt/2001/rpt/8484pf.htm>> .

¹²⁶ U. S. Department of State. "Trafficking in Persons Report 2001." *United States of America Department of State*. July 2001, p. 79.

¹²⁷ International Organization for Migration. "Albania – Counter Trafficking," *IOM Press Briefing Notes*. 25 January 2002. <<http://www.iom.int/en/archive/PBN250102.shtml>> .

¹²⁸ Stefan Wagstyl and Paul Betts, "Smuggling Crackdown in Adriatic Falls Flat," *Financial Times*, 23 August 2002.

¹²⁹ U. S. Department of State. "2001 International Narcotics Control Strategy Report – Bosnia-Herzegovina." *U.S. Department of State - Bureau for International Narcotics and Law Enforcement Affairs*. Washington, DC. March 2002. <<http://state.gov/g/inl/rls/nrcrpt/2001/rpt/8484pf.htm>> .

duct for the UN personnel was revised in 2001 to include responsibility for any affiliation with persons, suspected of involvement in trafficking.¹³⁰

Two biggest problems in Bosnia-Herzegovina remain the notorious lack of cooperation between the institutions from both entities (despite some progress being made in this direction), and wide-spread corruption.

3. **In Bulgaria, the Narcotics Intelligence Centre**, an interagency body, inaugurated by the National Service for Combating Organized Crime (NSBOP), **has been operating since December 1999**. Bulgaria is a regional record-holder regarding the drug seizures (in the last years, up to 2,500 kilograms of drugs – predominantly heroin – were seized). Bulgaria is cooperating closely with the US Drug Enforcement Agency and with relevant agencies in the neighbouring countries.¹³¹

In June 2001, **an Inter-Ministerial Legislative Working Group in charge of drafting a comprehensive law, addressing human trafficking, was created**. A Task Force to Combat Trafficking in Person for Sexual Exploitation was established within the Ministry of Interior. A special unit within the National Service for Combating Organized Crime also deals with illegal immigrants and human trafficking. Steps were taken to improve border control and several amendments concerning trafficking were proposed for the Penal Code. Bulgarian border police cooperates and exchanges information with Romanian and Macedonian border police.¹³²

4. In November 2001, Croatian parliament passed a new law on drugs. **Fight against drug smuggling was named a priority of Croatian government**, and an interagency commission was established to supervise the government's efforts in this field. A special unit within the Office of the State Attorney, dedicated to fight against organized crime and corruption, was also established. A new law strengthened the enforcement capabilities of customs officers. Several police and border cooperation agreements have been signed with all Croatia's neighbours, and the cooperation with EU states on improving the border controls has been intensified.¹³³

A National Working Group on Trafficking was established within the Ministry of Interior, while the Ministry of Foreign Affairs appointed a National Coordinator on Trafficking. Ministry of Justice prepared new Alien Law and new Asylum Law. Numerous training sessions and seminars were organized for the police and border police officers, and a number of bilateral agreements on migration, asylum and border control were signed with the neighbouring countries.¹³⁴

5. **In Macedonia, activities of the National Anti-Drugs Committee have been severely hindered by the unstable political situation**. The government has been preparing a new action plan for fighting drug smuggling and abuse since 1999, but, again due to political situation, no concrete results have yet been achieved. The counter-narcotics department of the Ministry of Interior has nevertheless maintained an active relationship with Interpol and SECI's (the Southeast European

¹³⁰ U. S. Department of State. "Trafficking in Persons Report 2001." p. 82.

U. S. Department of State. "1999 Country Report on Human Rights Practices – Bosnia-Herzegovina." Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

¹³¹ U. S. Department of State. "2001 International Narcotics Control Strategy Report – Bulgaria." U.S. Department of State - Bureau for International Narcotics and Law Enforcement Affairs. Washington, DC. March 2002. <<http://state.gov/g/inl/rls/nrcrpt/2001/rpt/8484pf.htm>> .

¹³² Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

¹³³ U. S. Department of State. "2001 International Narcotics Control Strategy Report – Croatia." U.S. Department of State - Bureau for International Narcotics and Law Enforcement Affairs. Washington, DC. March 2002. <<http://state.gov/g/inl/rls/nrcrpt/2001/rpt/8484pf.htm>> .

¹³⁴ Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

Cooperative Initiative) Regional Crime Centre in Bucharest. **Drug seizures in the country have been high for the last few years**, and Macedonian police and border officials operate very professionally, especially in the light of the fact that the 2001 armed insurgency seriously weakened the law enforcement and border control efforts along the borders with Kosovo, Southern Serbia and Albania.¹³⁵

Macedonia still has no laws prohibiting trafficking, but the laws prohibiting slavery, kidnapping, illegal entry and smuggling of illegal immigrants were used against traffickers. In February 2001, government appointed a National Council on Trafficking and Illegal Migration, which is now working on harmonization of the Macedonian laws with the Palermo Protocols. The Macedonian police force includes a Task Force to Combat Trafficking since 2000. In 2001, the government opened a shelter for the victims of trafficking.¹³⁶

6. **The Romanian government launched a National Program for Drug Prevention in October 2001**, supervised by a number of ministers and representatives of several NGOs. A very strict narcotics law was passed in 2000, and a chemical precursor control bill was submitted to the Parliament in November 2001. An undercover drug investigation unit was established within the police. As a result of the cooperation with the EU and the USA police and border control units (exchange of information, training of Romanian police and other law enforcing agents), **drug seizures sharply increased in the last two years.**¹³⁷

In December 2001, the Law on Prevention and Fighting Human Trafficking was adopted. The law was prepared in cooperation between the Romanian government, NGOs and the UN Centre for Crime Prevention. National law enforcement was reorganized to deal with the problems of trafficking more efficiently. Border control was tightened and visas introduced for a number of counties. A shelter for the victims of trafficking was opened in Bucharest.¹³⁸

7. **In Federal Republic of Yugoslavia, one of the greatest problems is the porous border between Kosovo and Serbia**, which is to a large extent a consequence of the unclear future status of Kosovo. The internal border between Serbia and Montenegro is also a problem, since the Montenegrin government is very reluctant to cooperate with the federal authorities due to its pro-independence position.¹³⁹ The establishment of anti-drug smuggling agencies and strategies has been delayed also due to political infighting and the rivalry between various factions within the post-Milosevic government coalition. In June 2001, FRY signed and ratified the UN Convention against Trans-national Organized Crime, together with the two Palermo Protocols, and is now revising its legislation to comply with the international standards.

A temporary shelter for the victims of trafficking has been established and will operate until the permanent one is built. In April 2001, the OSCE mission in Belgrade organized a national round table on trafficking, which resulted in the

¹³⁵ U. S. Department of State. "2001 International Narcotics Control Strategy Report – Macedonia." *U.S. Department of State - Bureau for International Narcotics and Law Enforcement Affairs*. Washington, DC. March 2002. < <http://state.gov/g/inl/rls/nrcrpt/2001/rpt/8484pf.htm> > .

¹³⁶ U. S. Department of State. "Trafficking in Persons Report 2001." p. 57. Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

¹³⁷ U. S. Department of State. "2001 International Narcotics Control Strategy Report – Romania." *U.S. Department of State - Bureau for International Narcotics and Law Enforcement Affairs*. Washington, DC. March 2002. < <http://state.gov/g/inl/rls/nrcrpt/2001/rpt/8484pf.htm> > .

¹³⁸ Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

¹³⁹ U. S. Department of State. "2001 International Narcotics Control Strategy Report – Federal Republic of Yugoslavia." *U.S. Department of State - Bureau for International Narcotics and Law Enforcement Affairs*. Washington, DC. March 2002. < <http://state.gov/g/inl/rls/nrcrpt/2001/rpt/8484pf.htm> > . Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

appointment of a National Coordinator on Trafficking and of a Coordinator for the Stability Pact Task Force on Trafficking. In Montenegro, **a new anti-trafficking law is being prepared by the Inter-Agency Working Group on Legal Reform, established in March 2001. In September 2001**, a Special Task Force on Smuggling and Trafficking and a Special Task Force on Border Control were created. In Kosovo, the Regulation on the Prohibition of Trafficking in Persons in Kosovo was adopted in January 2001. In October, Trafficking and Prostitution Investigation Units were created within the UNMIK police force.¹⁴⁰

3. 2. INTERNATIONAL COOPERATION AGAINST THE TRANS-BORDER ORGANIZED CRIME

The most important development, following the recent political changes in most of the countries, is that now all the regional governments substantially cooperate with the international organizations in an effort to curb the smuggling and trafficking through the Balkans. **One of the most important developments was the deployment of the European Commission's customs assistance missions to Albania, Bosnia-Herzegovina, Croatia and Kosovo:**¹⁴¹

- As part of these missions, EU customs officers have worked together and assisted their local colleagues in an effort to improve the efficiency of regional customs administrations.
- In all the states where missions were employed, the revenue collection increased significantly.
- **In Bosnia-Herzegovina, the Customs and Fiscal Assistance Office (CAFAO)**, established in 1996, contributed to the development of customs and tax systems based on modern European standards. Bosnia-Herzegovina was gradually transformed into a single and unified customs territory, after both entities, in cooperation with CAFAO, drafted identical entity-level legislation and regulations. In 1999, CAFAO assisted the creation of Customs Enforcement Section in both parts of the country.
- **The Customs Assistance Mission in Albania (CAM-A)** was deployed in June 1997 on the request of the new Albanian government. The main goals included assistance to the Albanian customs service to restore control over the border crossings, regulate customs revenue collection, and help fight smuggling and corruption. In 1999, a sophisticated computerized tracking system, called Pre-Arrival Intelligence System, was developed and installed in Albania, intended to monitor carriers en route from the neighbouring states. Twenty-four anti-smuggling service teams have been recruited, trained and deployed, and customs legislation was revised to suit the international standards.
- **The Customs Assistance Mission in Kosovo (CAM-K)**, staffed by 10 international customs experts, is helping the 120 local customs officers from the region's customs service, established by UNMIK on 31 August 1999. Several taxation points were established along the Kosovo's administrative boundaries with Serbia and Montenegro and its international borders with Albania and Macedonia.

The Organization for Security and Cooperation in Europe (OSCE) is very active in the region, especially in the fight against trafficking of human beings:¹⁴²

¹⁴⁰ U. S. Department of State. "Trafficking in Persons Report 2001." p. 101.

¹⁴¹ The European Union. "Customs, Fight against Corruption and Organized Crime." *The EU's Relations with South Eastern Europe*. < http://europa.eu.int/comm/external_relations/see/actions/customs.pdf > .

¹⁴² Limanowska et al. "Trafficking in Human Beings in Southeastern Europe."

- In Albania, OSCE is involved in the coordination of anti-trafficking activities. Its experts have conducted an assessment of the Albanian Criminal Code and its anti-trafficking provisions, and made recommendations to Albanian government on how to make improvements. OSCE also monitors arrests and prosecution of traffickers, as well as assistance programs for the victims.
- In Croatia, OSCE has assisted in organization of a round table on trafficking and in establishment of a working group on legislation and law enforcement.
- In Macedonia, OSCE organized round tables on prevention of trafficking, on victim assistance and on legal policy and security.
- In Serbia, OSCE experts are the main advisers to the working group on legislation and law enforcement. They also organize training courses, aimed at improving cooperation between local NGOs and police in their anti-trafficking efforts.
- In Montenegro, the Inter Agency Working Group on Legal Reform, where OSCE is cooperating with the Council of Europe, the GRMTHR Association of Attorneys and Lawyers, and the law faculty of Podgorica University, is preparing amendments to the existing legislation on counter-trafficking. OSCE also supports the training of the members of the Special Task Forces, which are cooperating with the SECI centre in Bucharest.
- In Kosovo, OSCE has developed a victim's assistance program, which includes legal aid for victims. It also trains judges, lawyers, university professors, students and international agencies staff on anti-trafficking issues.

Several important improvements were also implemented within the Stability Pact:¹⁴³

- Among the numerous projects, to which the international community committed approximately \$6 billion, are also projects on upgrading and modernizing several main border crossings in the region, reducing regional trade barriers, combating corruption, fighting trans-border crime, and strengthening regional cooperation.
- As part of the project to fight against organized crime, several joint task forces were established by the countries of the region to deal with the three most problematic issues: trafficking in human beings, customs fraud and smuggling, and smuggling of narcotics.
- Several bilateral agreements have been signed, including a border treaty between Croatia and Bosnia-Herzegovina, and several trade agreements involving Albania, Bulgaria, Croatia and Macedonia.

The Southeast European Cooperative Initiative (SECI), in which Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Greece, Hungary, Macedonia, Moldova, Romania, Slovenia and Turkey participate, encourages cooperation among the countries of the region and supports the efforts of Southeast Europe for Euro-Atlantic integration. SECI is a forum where representatives of participating states meet to discuss common regional economic and environmental problems, as well as measures to be taken to deal with these problems.

As part of the SECI initiative, a **Regional Centre of the Southeast European Cooperative Initiative for Combating Trans-border Crime was established in Bucharest**. The Centre is part of the SECI's efforts to curb the illegal trade across regional borders. A SECI working group, meeting from May 1998 to May 1999, has

¹⁴³ Stability Pact. "Report of the Special Coordinator on the Implementation of the Quick Start Package," *Special Coordinator of the Stability Pact for South Eastern Europe*. May 2001. <<http://www.stabilitypact.org/qsp-report/04-qsp.html>> .

produced an Agreement on Cooperation to Prevent and Combat Trans-border Crime. The Agreement was signed on May 26, 1999 by Albania, Bosnia-Herzegovina, Bulgaria, Greece, Hungary, Macedonia, Moldova, Romania and Turkey and paved the way for establishment of the Centre. The Centre became operational on January 1, 2001.¹⁴⁴

There are 15 liaison officers from the member states working at the centre, handling the daily exchange of information, which is collected and supplied by police and customs administration of the member states. The Centre has set up numerous task forces of police and customs officers, which are coordinated by representatives from law enforcement agencies from SECI member states. These task forces are:¹⁴⁵

- Combating Drugs Trafficking - Bulgaria
- Combating Human Beings Trafficking - Romania
- Commercial Frauds - Croatia
- Valuation Frauds - Albania
- Financial and Cyber Crimes - FYR of Macedonia
- Combating the traffic in small weapons - Albania
- Combating stolen vehicles trafficking - Hungary
- Combating the traffic on radioactive and dangerous substances

Two working groups, one for combating terrorism and one for legal issues, were also set up by the experts from the member states and international organizations, which participate at the SECI centre as observers. In 2001, 3112 exchanges of information were conducted under the umbrella of the Centre (1874 exchanges in connection with trafficking in human beings, drug smuggling, commercial frauds, stolen vehicles, fraudulent documents, terrorism and other fields, and 1218 exchanges in connection with commercial frauds and customs valuations). The main problems of the Centre are the limited financial and human resources.¹⁴⁶

Between 12 and 14 December 2000 in Palermo, all Southeast European countries signed the **UN General Assembly Protocol against the Smuggling of Migrants by Land, Sea and Air and the Protocol to Prevent, Suppress and Punish Trafficking in Persons** (known also as Palermo Protocols), which supplemented the UN Convention against Trans-national Organized Crime. Federal Republic of Yugoslavia ratified protocols on 6 September 2001 and Bulgaria on 5 December 2001.¹⁴⁷

Another project currently underway in the region is **Trade and Transport Facilitation in Southeast Europe Project (TTFSE)**:¹⁴⁸

- The participants in the project are Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Moldova, Romania and the Federal Republic of Yugoslavia.

¹⁴⁴ "Charter of Organization and Operation of the Southeast European Cooperative Initiative Regional Centre (SECI Centre) for the Combating of Trans-border Crime." *Southeast European Cooperative Initiative Web Page*. <<http://www.unece.org/seci/crime/charter.htm>> .

¹⁴⁵ "Official Presentation of the 2001 Annual Activity Report of the SECI Centre." *SECI Centre Web Site*. <<http://www.secicenter.org/html/index.htm>> .

¹⁴⁶ Ibid.

¹⁴⁷ United Nations Office for Drug control and Crime Prevention. "Protocol against the Smuggling of Migrants by Land, Sea and Air, supplementing the United Nations Convention against Trans-national Organized Crime" *Center for International Crime Prevention*. 15 November 2000. <http://www.undcp.org/crime_cicp_signatures_migrants.html> .

¹⁴⁸ Economic Reconstruction and Development in Southeast Europe. "Trade and Transport Facilitation in Southeast Europe Project (TTFSE)." *Economic Reconstruction and Development in Southeast Europe Regional Initiatives*. October 2001. <<http://www.seerecon.org/RegionalInitiatives/TTFSE>> .

- The program, which started in mid-2000, aims to reform the regional border control agencies, improve their efficiency, reduce smuggling and corruption, increase revenue collection, improve regional cooperation and reduce non-tariff costs to trade and transport.
- These goals should be realized within a four-year period in a joint effort of the regional governments, the EU, Southeast European Cooperative Initiative (SECI) and the World Bank.
- The estimated cost of the project is \$102 million. Sixty seven percent have been financed through IBRD loans and IDA credits, and 25 percent have been contributed by the regional governments. The remainder was supplied by EU and USA grants.
- Numerous results have already been achieved. Croatia and Macedonia passed new customs laws. In Bulgaria, Croatia, Macedonia and Romania, Local Project Teams have reviewed the performance of border services. In Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia and Romania surveys on performance and corruption at border posts have been conducted. In Croatia, Albania, Macedonia and Romania, steps were taken to computerize customs services or upgrade the existing systems. All countries are designing and implementing "one stop shop" systems.

The Southeast European Legal Development Initiative (SELDI, www.seldi.net) is an effort of leading not-for-profit organizations, representatives of government and intergovernmental institutions and experts from the countries of Southeast Europe aimed at **public-private coalition building for legal development in the countries of Southeast Europe.**

- SELDI is distinguished from the other region-wide initiatives in that it is **the first NGO-led effort to encourage public-private cooperation as an instrument for regional development.** The Initiative provides a forum for cooperation among the most active civil society institutions, public figures and government and international agencies in Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania, and Yugoslavia.
- For the past two years coalition building for anti-corruption has been the most active area of work for the Initiative. The overall objective of the SELDI anti-corruption component is to introduce a region-wide institutional framework for public-private cooperation in countering corruption in the countries of Southeast Europe.
- It is proceeding through a two-step process: diagnosing corruption and assessing the institutional environment followed by the development and endorsement of a **Regional Corruption Assessment Report** supported by an awareness campaign.
- The results so far of SELDI include enhancing civic capacity throughout the region to maintain a watchdog role as well as to engage public institutions in the design and implementation of anti-corruption policies. The achievements in this area so far include three unique products:
 - The first ever region-wide corruption diagnostics carried out in Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania, and Yugoslavia on the basis of a uniform methodology.
 - Training for watchdog capacity for a critical number of civil society organizations in SEE.
 - A comprehensive assessment of the institutional environment as regards public administration, the judiciary, economy, civil society and media and international cooperation against corruption in all seven target countries.

- The emerging picture indicates predictably similar problems facing a number of public agencies, notably law enforcement and the judiciary.
- In addition, believing that the lack of an efficient public-private mechanism to tackle soft security issues (illegal trafficking in drugs and human beings, commercial fraud and money laundering, organized crime, etc) in SEE is a key deficiency to any regional plan for stability and restoration of the rule of law in this part of the world, the SELDI anti-corruption team is working in cooperation with public and international bodies on a policy analysis and recommendations report on **the impact of these illegal activities on corruption in the region.**

The regional cooperation in countering smuggling and trafficking has also significantly improved in recent years. The law enforcement agencies of the Southeast European countries started to actively cooperate with each other. On a December 2001 meeting, Interior Ministers from Albania, Bulgaria, Croatia, Greece, Macedonia, Romania, Turkey and Yugoslavia agreed to share police intelligence and to harmonize laws in effort to jointly fight the organized crime in the Balkans. Ministers also promised that their countries would strengthen border controls to deter and detect cross-border crime.¹⁴⁹ As a result of such cooperation among authorities, the human trafficking ring across the Bulgarian-Macedonian border was broken up in February 2002.¹⁵⁰ Several joint task forces (a task force on trafficking in human beings, on customs frauds and smuggling, and on smuggling of narcotics) were established to fight trans-border crime more effectively.¹⁵¹

Numerous meeting, dedicated to cooperation in combating against trans-border crime, have been held between governmental and parliamentary officials of the regional countries. As a result of these meetings, a number of important bilateral agreements were signed. These developments show that governments in the region have realized that no country can fight the trans-border crime on its own, and that this is possible only if a genuine and effective regional cooperation takes place.

- The representatives of Bosnia-Herzegovina, Croatia and the Federal Republic of Yugoslavia met in June 2001 and signed the Cooperative Law Enforcement Arrangement to Combat Organized Crime and Illegal Migration, based on the UN Convention against Trans-national Organized Crime as part of their effort to curb the trafficking of human beings through the region.¹⁵² In February 2002, the interior ministers of three countries met to discuss measures against organized crime. They have reached an agreement on joint actions by the police forces of the three countries.¹⁵³ The interior ministers of Yugoslavia and Croatia also agreed that law enforcement agencies of both countries will exchange information about drug trade, human trafficking and other trans-border criminal activities.¹⁵⁴

¹⁴⁹ "Balkan States Toughen Stance on Organized Crime." *Radio Free Europe – Radio Liberty: Crime, Corruption and Terrorism Watch* vol. 1, no. 7. 13 December 2001. < <http://www.rferl.org/corruption-watch/2001/12/7-131201.asp> > .

¹⁵⁰ "Bulgaria, Macedonia Break Up Illegal Trafficking Channel." *Balkan Times*. 1 March 2002. < <http://www.balkantimes.com/html2/english/020301-GEORGI-003.htm> > .

¹⁵¹ "The Stability Pact for Southeast Europe: One Year Later." *US Embassy in Bulgaria Web Page*. 26 July 2000. < <http://www.usembassy.bg/stabpact.html> > .

¹⁵² Organization for Security and Co-Operation in Europe. "Joint Meeting on Anti-Trafficking Projects in Croatia." *Organization for Security and Co-Operation in Europe: Mission to Croatia*. 28 November 2000. < http://www.osce.org/news/generate.pf.php3?news_id=1330 > .

¹⁵³ "Bosnia, Croatia, Yugoslavia Agree on Joint Measures Against Organized Crime." *Balkan Times*. 5 February 2002. < <http://www.balkantimes.com/html2/english/020205-GEORGI-005.htm> > .

¹⁵⁴ "Yugoslavia, Croatia Sign Agreement on Fighting Organized Crime." *Balkan Times*. 9 May 2002. < <http://www.balkantimes.com/html2/english/020509-GEORGI-014.htm> > .

- Croatia and Bosnia-Herzegovina have signed a border treaty, and Romania and Moldova an agreement to cooperate on border protection. Both borders are among the most open in the region, as far as smuggling and trafficking is concerned.¹⁵⁵
- Bulgaria signed agreements on cooperation in the fight against organized crime, drug smuggling and terrorism with Albania and Romania.¹⁵⁶

Apart from bilateral and trilateral meetings and agreements, few important events and conferences occurred, where representatives of all regional countries have participated.

- In March 2002, the speakers of the Parliaments of all Southeast European countries gathered at the conference in Tirana and discussed how to strengthen their cooperation against organized crime, corruption and trafficking across the region.¹⁵⁷
- On May 10, 2002, the UN hosted a meeting in Prishtina, attended by finance ministers and customs directors from Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania and Yugoslavia. Bilateral and multilateral cooperation in the fight against cigarette smuggling was discussed. The proposed measures included the harmonization of the regional tax systems, the strict use of excise banderols on cigarette packets, increased customs control and improved exchange of information.¹⁵⁸
- In June 2002, the United Nations Office of Drug Control and Crime Prevention (ODCCP) initiated a program to improve the ability of SEE countries to gather, analyse and exchange information on drug smuggling and organized crime. The program, in which Bosnia-Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Slovenia and Yugoslavia are included, is an expansion of ODCCP's successful cooperation with Bulgaria, Macedonia and Romania, which started in 1999.¹⁵⁹
- In June 2002, officials from Justice Ministries, law enforcement agencies and NGOs of Albania, Bosnia-Herzegovina, Bulgaria, Croatia, Hungary, Moldova, Romania, Macedonia, Slovenia and Yugoslavia gathered in Portoroz, Slovenia, and approved a new set of guidelines to fight corruption and human trafficking.¹⁶⁰

¹⁵⁵ Ibid.

¹⁵⁶ "Albania, Bulgaria to Intensify Cooperation Against Organized Crime." *Balkan Times*. 12 June 2002. < <http://www.balkantimes.com/html2/english/020612-GEORGI-003.htm> > .

"Bulgaria, Romania Sign Accord Against Crime and Terrorism." *Balkan Times*. 11 July 2002. < <http://www.balkantimes.com/html2/english/020711-GEORGI-005.htm> > .

¹⁵⁷ Alban Bala. "Southeast Europe: Parliamentary Leaders Discuss Cooperation, European Integration." *Radio Free Europe – Radio Liberty*. 6 March 2002. < <http://www.rferl.org/nca/features/2002/03/06032002100006.asp> > .

¹⁵⁸ "SEE Finance Ministers Agree on Joint Measures Against Cigarette Smuggling." *Balkan Times*. 12 May 2002. < <http://www.balkantimes.com/html2/english/020512-GEORGI-005.htm> > .

¹⁵⁹ Eugen Tomiuc. "Seven Balkan Countries to Swap Intelligence on Drug Trafficking." *Radio Free Europe Radio Liberty*. 17 June 2002. < <http://www.rferl.org/nca/features/2002/03/06032002100006.asp> > .

¹⁶⁰ "Southeast Europe States Adopt Guidelines to Fight Corruption, Human Trafficking." *Balkan Times*. 23 June 2002. < <http://www.balkantimes.com/html2/english/020623-GEORGI-003.htm> > .

CONCLUSION

The war in former Yugoslavia had an enormous impact on development of trans-border organized crime and the spread of corruption in Southeast Europe. The "heritage" of the communist regimes, the sudden complete liberalization of trans-border trade, which was not accompanied by necessary regulation, the fact that due to the small size of regional economies, **state borders became the main mechanism for redistribution of national wealth**, as well as the region's geographic position all contributed significantly to this development. Yet, the impact of the conflicts in the Western Balkans in this regard was essential. Unlike in Central European and Baltic states, which established effective control over their borders fairly quickly and where criminal structures involved in trans-border organized crime worked past state institutions, **in most Southeast European countries and especially in the former Yugoslavia, these structures often operated through state institutions**. Ruling elites were thus actively involved in setting up and conducting illegal trade operations.

In those parts of former Yugoslavia, which were actively involved in the war, **smuggling networks (predominantly for illegal import of arms and oil) were set up by state institutions like Ministries of Defence and Interior, secret services and customs agencies**, and run by people from within or closely associated with these institutions.

- In this initial stage, smuggling and illicit trade were widely perceived as essential contribution to promoting national interest.
- They were thus viewed as legitimate state-organized covert operations, rather than criminal acts.
- For this reason, the distinction between "national heroes" and "criminals" was often blurred to such an extent that many people could not differentiate between these two sides of the same coin. In some cases, this is relevant even today.

The smuggling and illicit trade in warring Yugoslav republics would not be possible without the outer ring (Albania, Macedonia, Bulgaria, Romania, but also Hungary and Slovenia, which were not discussed in this research). These countries have **played the role of mediators in the trans-national system of smuggling and trafficking** in violation of international sanctions.

- The proximity to the war zone and the possibilities the sanction-busting offered to well-placed individuals and groups influenced the rapid development of smuggling and other illegal activities.
- Yet, these countries in their own turn also became important centres of international smuggling schemes, stipulated both by the supranational processes of the globalization of organized crime, and by national political and economic changes, occurring during the transition.

The smuggling channels, set up semi-officially with the knowledge, if not even active participation of highest-level state officials, **were soon "privatized" by structures, closely connected to the ruling elites**. Smuggling networks were expanded to include various consumer goods, especially those with high excise taxes, as well as illegal drugs and even human beings.

- The region became one of the most important links in the European cigarette smuggling business. The EU loses billions of USD annually in unpaid taxes because of the cigarettes smuggled to its territory through the Balkans. The losses of the regional countries are measured in hundreds of millions of USD.
- Southeast Europe is a natural bridge between Middle Eastern and Central Asian drug producers and Western European drug consumers. It is estimated that up to 80 percent of the heroin sold in the EU travels through the Balkans.
- In recent years, the region has become the most important European entry point for thousands of illegal immigrants from Middle East, Africa and Asia. Even more alarming is the constantly growing sex trade with women and girls. Regional states are involved as countries of origin, transit countries, as well as destination countries.

Smuggling and illicit trade started to seriously undermine the normal functioning of the states. Yet, in those states, where involvement in the war created extreme socio-political environments in which the change of the ruling regimes was almost impossible, virtually no attempts to counter illegal trade were made. But even in countries, where governments did change in this period, the measures undertaken were largely ineffective and led only to the change of structures, involved in the smuggling and which were now patronized by the new political elites.

Smuggling and other forms of trans-border crime, as well as the corruption they generated, have been among the most important obstacles to the successful transition to democracy and market economy, and have substantially hampered numerous political, economic and legal reforms.

- A vicious circle was formed where corruption generated more opportunities for smuggling and other forms of organized crime, these generated instability and created fertile ground for eruption of conflicts, and these in turn hindered efforts to stem corruption.
- Promises to fight corruption and smuggling have been regularly an important part of electoral campaigns in all Southeast European countries.
- Despite such promises, little has changed in the 1990s.
- In cases when governments were changed, some smuggling channels were usually broken, and some of those involved arrested or sacked from their positions. Yet, the smuggling itself was rarely affected, with new smuggling channels taking over.
- Under these circumstances, the prospects for a successful transition were seriously undermined.
- Many of those in charge with fighting smuggling and trafficking had been making enormous profit out of prolonging the status quo.
- Due to the wide-spread pauperization in Southeast Europe, there was also very little grass-root pressure to terminate smuggling, due to the lower cost of smuggled goods on the market.
- Furthermore, a significant segment of the population was actively involved in the "suitcase trade," the small-scale smuggling, largely tolerated by authorities, since it represented a form of a safety valve for the pressure the ever-increasing army of the unemployed represented.

By the end of the year 2000, governments of all regional countries became involved in effort to counter smuggling and corruption. Apart from several important political changes in the region, one of the most important reasons for such development was the ever increasing international pressure on regional governments to do more to curb smuggling and corruption.

- Numerous special counter-smuggling and counter-trafficking police units were established.
- A number of new laws, dealing specifically with smuggling and trafficking were adopted and penalties for perpetrators of these acts increased.
- Work of customs officers and border police was assessed and in some countries, some of the necessary reforms and changes were undertaken. Hopefully, the rest will follow soon. In many regional countries, drug seizures, for example, sharply increased as a result.
- Numerous shelters for victims of human trafficking have also been opened.

Even more important is the fact that regional and international cooperation in the fight against trans-border crime in the region is constantly increasing. European Commission's Customs Assistance Missions in the region, the efforts of Organization for Security and Cooperation in Europe (especially in the fight against human trafficking), the Stability Pact, the Southeast European Cooperative Initiative and its Regional Centre for Combating Trans-border Crime, the Southeast European Legal Development Initiative, as well as several other projects have made substantial progress in the last few years.

Regional cooperation in countering smuggling and trafficking has also improved, as demonstrated by numerous bilateral and multilateral treaties and joint programs, involving regional states. These developments prove that regional governments now finally understand that no country can fight trans-border crime on its own, and that this is possible only if a genuine and effective regional cooperation takes place. For the first time in 12 years, it now seems that the vicious circle, troubling the Southeast Europe since the beginning of the transition, can finally be broken. Yet, this is only the beginning and given the scope and persistence of the problem, which this research attempted to highlight, there is still an enormous task lying ahead.

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