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Situation Report on Organised and Economic Crime in South-eastern Europe

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1. Executive summary

Organised crime represents a major threat to democracy, the rule of law, human rights and social and economic progress in Europe. In the recent past, South-eastern Europe has been particularly affected by organised and economic crime, and the economic power, transnational connections, the sophisticated techniques and methods, and corruptive impact associated with it.

The understanding of economic and organised crime largely depends on law enforcement priorities and crime policy based on the perceived threats at a certain point in time. Without a thorough understanding of these phenomena, governments will inevitably fall short in their efforts to prevent and combat them.

The growing concerns with economic and organised crime in South-eastern Europe and the countries' prospective accession to the European Union call for a substantive analysis of the scope, nature and characteristics of these phenomena in the region. Thus, the aim of this report is:

- To analyze and point at new threats and issues of concern in South-eastern Europe
- To help policy makers in Europe and in the region make better informed anti-crime public policy and decision
- To enhance public awareness on this matter and public participation in strategies against economic and organised crime.

The present situation report is the end result of the work carried out within the CARPO project¹ by dedicated representatives of working groups from relevant institutions (Police, Financial Intelligence or Information units, tax and customs administration, specialised prosecutors and Auditor General's Office) from Albania, Bosnia and Herzegovina, Croatia, Republic of Montenegro, Kosovo, Republic of Serbia and "the former Yugoslav Republic of Macedonia". It draws on information and assessments provided through questionnaires and assessments completed by the above-mentioned officials but also from a wide range of additional public sources.

Organised crime in South-eastern Europe takes different forms and involves a large variety of criminal activities. Similar to other parts of Europe, the main crime markets which are common to most countries and areas are:

- Fraud, tax and customs evasion, and other forms of economic crime
- Drug trafficking and distribution
- Smuggling in persons
- Trafficking in human beings

Organised crime is a dynamic concept which keeps adapting to an ever changing environment and to new opportunities for crime. This is also true for organised crime in South-eastern Europe:

- Concerted regulatory and law enforcement efforts against trafficking in human being and smuggling in persons appears to have made a positive difference in reducing the number of smuggled and trafficked persons across borders. At the same time,

¹ "Development of Reliable and Functioning Policing Systems and Enhancing of Combating Main criminal Activities and Police Co-operation".

smuggling and trafficking in human beings now pose new challenges in terms of internal trafficking and recruitment, and a growing domestic clientele.

- Economic crime which seriously affects all countries of the region is also evolving. The end of sanctions against Serbia and the subsequent destruction of oil and cigarette smuggling channels as well as other law enforcement and regulatory efforts, significantly contributed to improved revenue collection. Thus certain opportunities for illegal trade in the region have been removed. Others, however, remain. Forgery of documents and fictitious companies – key tools for tax evasion and money laundering – seem to be ubiquitous in all countries and areas. Other forms of economic crime – such as fraud related to public procurement, privatisation and the financial sector – believed to be increasing and continue to affect public trust in the market economy and the criminal justice system.
- The traditional Balkan drug trafficking route has become a two-way road, where heroin and cannabis are moving towards the European Union while precursors, cocaine and synthetic drugs are moving eastwards. In some countries, domestic drugs markets seem to be growing together with a number of drug users. Not only repressive but in particular preventive measures need to be enhanced.

As crime markets are maturing, criminal groups attempt to consolidate existing activities, diversify into others, and to legitimise their earnings and position in the society. Corruption, both high and low level, appears to be a main tool for influencing and penetrating political and commercial structures. Current efforts against corruption in the countries have produced an increasing number of investigations and prosecutions but few convictions. The fact that most countries and areas have now adopted comprehensive anti-corruption strategies and created anti-corruption services is promising. Such efforts may help sever links between organised and economic crime with legal and public structures.

Despite some distinct features in each country and area, problems related to organised crime and economic crime have a regional dimension. As such they require regional solutions. Legal harmonisation, joint law enforcement efforts, and the exchange of police intelligence at the regional level will be a key to success in fighting serious crime in the South-eastern Europe. For that, intelligence-led policing in the region must be put on firm foundations by building coherent intelligence collection systems.

Although the countries have recognised the negative impact of serious crime on their societies, assessments of the loss of public revenues to economic crime or a size of domestic drugs markets are not yet available. With few exceptions, law enforcement systems in the region still lack the capacity for intelligence collection, analysis and investigation.

With proceeds as the common denominator of various forms of economic and organised crime, financial investigations and financial intelligence are crucial for any analysis of economic and organised crime. Countries and areas of the region have set up financial intelligence units and to some extent now also carry out financial investigations in connection with criminal investigations. More systematic use should be made of these tools.

The measures developed by the countries and areas of the region within the framework of the CARPO regional police project will help overcome these shortcomings. They may include:

- Strengthening information gathering and analysis in order to improve the knowledge and understanding of economic and organised crime (e.g. set up of crime statistics systems, tools for measuring crime, studies on economic sectors' vulnerability to

economic and organised crime, regular reports/threat assessments on the situation of economic and organised crime, collaboration between law enforcement agencies and independent researchers and academia for the purpose of researching and analysing phenomena linked with organised and economic crime in the region)

- Intelligence led mechanisms to define policies, based on thorough assessments, and enabling to set priorities for tackling specific forms of crime
- Reinforcing capacities of crime analysis units, specialised investigation or prosecutorial services to deal with organised crime, in particular through provision of adequate financial and human resources as well as specialised training
- Measures to strengthen investigation skills, investigations of economic and organised crime as well as the inter-institutional and cross-jurisdictional cooperation (e.g. appropriate use of special investigation techniques, the use of strategic intelligence and crime analysis, cross border use of intelligence, etc)
- Make better use of financial intelligence in order to gain a better understanding of organised and economic crime (strengthen capacities for financial investigations, capacities of financial intelligence units and enhance cross-border cooperation in these matters)
- Access to and exchange of information and intelligence between law enforcement authorities, with due attention to securing levels of confidentiality (including implementation of relevant European legal instruments on privacy and data protection)
- Monitoring of the effectiveness of measures for the prevention and control of economic and organised crime on a systematic basis

Ratification and full implementation of European instruments will help countries make progress in this respect and facilitate international cooperation. These include in particular the 2nd Additional Protocol to the Convention on Mutual Assistance in Criminal Matters (CETS 182), the new Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198) and the new Convention on Action against Trafficking in Human Beings (CETS 197).

This report is a promising start to what is by its nature a long-term exercise, which requires to be conducted on a regular basis, and which calls for feedback, identification of new information to update, confirm or infirm the assessments contained therein. This report will be updated in 2006.

It is hoped that the report will provide guidance to policy makers in Europe and in the region to make a better informed anti-crime public policy and decisions, to pursue consistent action in the fight against organised crime and to enhance the understanding of economic and organised crime in South-eastern Europe.

2. ECONOMIC AND ORGANISED CRIME IN SOUTH-EASTERN EUROPE: THE FRAMEWORK²

2.1 Background and purpose of the report

Economic and organised crime have been on the agenda of the Council of Europe for at least two decades³ and have been re-confirmed as major concerns by the 3rd Summit of Heads of State and Government in May 2005. Similarly, these issues were high on the agenda of the European Union over the past decade, in particular with regard to the accession of the ten new member States which successfully adopted the *acquis* of the EU in these fields.

In South-eastern Europe, the situation is not the same and has not reached the same critical proportions in all the countries of the region. The perception is that economic and organised crimes threaten democracy, the rule of law, human rights and stability, and social and economic progress within the region and with an impact beyond South-eastern Europe. The complex and ever changing nature of serious crime poses new threats to these societies in transition.

Thus, growing concerns with organised and economic crime in South-eastern Europe and the countries' prospective accession to the EU call for a substantive analysis of the scope, nature and characteristics of economic and organised crime in the region. Effective action needs to be grounded in intelligence-lead crime policies that are capable of generating positive impact.

However, it would seem that the understanding as to what constitutes economic and organised crime and in particular what are the cross-border and trans-national ramifications is still limited. In response, the Council of Europe designed the CARPO Project ("Development of Reliable and Functioning Policing Systems and Enhancing of Combating Main Criminal Activities and Police Co-operation") to strengthen police capacities against serious crime in South-eastern Europe⁴. One of the expected results of this project is to enhance the understanding of economic and organised crime and of emerging threats.

The purpose of this situation report, elaborated in the framework of the CARPO Project, is:

- To analyse and point at new threats and issues of concern in South-eastern Europe
- To help policy makers in Europe and in the region make better informed anti-crime public policy and decision
- To enhance public awareness on this matter and public participation in strategies against economic and organised crime.

The present report is the end-result based on the work carried out by working groups composed of members from relevant law enforcement agencies (mainly police), established in

² This report focuses on the situation of economic and organised crime primarily in Albania, Bosnia and Herzegovina, Croatia, Serbia and Montenegro (including Kosovo) and « the former Yugoslav Republic of Macedonia ».

³ See for example Council of Europe, Recommendation No R (86) 8 on crime policy in Europe in a time of change.

⁴ This project, jointly funded by the European Commission and the Council of Europe, has duration of 30 months (March 2004 - August 2006). Further information on the project can be found at <http://www.coe.int/cards-police>.

Albania, Bosnia and Herzegovina, Croatia, Serbia, Montenegro, Kosovo and “the former Yugoslav Republic of Macedonia” (hereinafter referred to as “project areas”)⁵. In addition to the specialised police units’ representatives, which largely dominated the final composition of the working groups, the latter included other law enforcement agencies such as the Financial Information Units (money laundering), tax and customs administrations (economic crime and public revenue losses), specialized prosecutors, and Auditor General (public revenue and public procurement).

Similar to the Council of Europe’s annual reports on organised crime in Europe⁶, a questionnaire was sent to each of the seven project areas’ working groups in the spring 2004. A series of activities were organised for the members of the working groups aiming at providing substantive training on strategic crime analysis and institutional, legislative, and practical requirements in crime data collections, analysis, and management. Workshops were held in each project area, three regional seminars were organised between September 2004 and June 2005, as well as three study visits (UK - National Crime Intelligence Service, Spanish Police - Crime Intelligence Central Unit, Europol).

The main sources of the situation report are the replies to the questionnaire, interviews and discussions conducted at workshops and regional seminars, as well as publicly available literature, including crime situation reports and other reports prepared by the Council of Europe, EUROPOL, UNODC, OSCE, U.S. Department of State, reports from numerous research institutes and think tanks focusing on the region, and the media.

This report, the first of its kind, analyses the scope, nature and characteristics of economic and organised in the region:

- the first chapter provides an overview of the framework in which this report was elaborated, the concept of organised crime and the external environment of economic and organised crime;
- in order to assess the organised crime situation, the second chapter analyses a number of areas which are judged to be significant crime markets for countries of the region – economic crime, trafficking in drugs, trafficking in human beings, smuggling in persons, smuggling in legal goods, money laundering – and attempts to identify organised crime groups structures and *modi operandi* as well as relevant trends;
- the last chapter attempts to describe and assess the most significant threats, both in their regional dimension and specifically for each country, despite the difficultness of having reliable means of measuring and comparing the seriousness of each threat;
- the final chapter proposes conclusions which may be relevant when considering strengthening efforts against organised and economic crime.

Organised crime and other forms of economic and serious crime are likely to remain a priority for European societies for some time to come, in particular in South-eastern Europe. This report is to serve as a basis for the development of a regional strategy on tools against organised and economic crime in the fall 2005. The situation report will be updated towards the end of the project in summer 2006.

⁵ This report has been elaborated by Ms Kristina Hemon (consultant, United Kingdom) primarily on the basis of information, assessments and feedback provided by the above-mentioned working groups.

⁶ See www.coe.int/economiccrime

2.2 THE CONCEPT OF ORGANISED CRIME

The United Nations Convention on Transnational Organised Crime (UNTOC) can be considered the most important attempt to date to arrive at a globally agreed upon concept of organised crime. It entered into force in September 2003. By 2005 it had been signed and ratified by all the countries in the region, and by most Council of Europe and EU member states. It is thus the most relevant legal instrument for Europe and the region.

The UNTOC applies to serious crime, corruption, money laundering and obstruction of justice provided that the offence is transnational in nature and involves an organised criminal group as defined in the convention. According to Article 2:

- (a) 'Organised criminal group' shall mean a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more crimes or offences established in accordance with this Convention, in order to obtain, directly or indirectly, a financial or other material benefit;
- (b) 'Serious crime' shall mean conduct constituting an offence punishable by maximum deprivation of liberty of at least four years or a more serious penalty;
- (c) 'Structured group' shall mean a group that is not randomly formed for the immediate commission of an offence and that does not need to have formally defined roles for its members, continuity of its membership or a developed structure;

The Council of Europe – in its Recommendation (Rec2001)11 – adopted a similar definition of 'organised crime group' without limiting the scope to transnational offences.⁷

The replies to the questionnaire show that most countries in the region foresee definitions of organised crime or of organised crime groups in their criminal legislation⁸.

Still, organised crime remains an ambiguous concept, shaped by a perception of what constitutes the most threatening form of crime to society and influenced by different political and institutional interests. It takes place in a dynamic context which offers new opportunities for organised crime and requires certain adaptability for both criminals and law enforcement agencies. It is shaped by the social, economic and political context in which it is operating, with complex – more often symbiotic and clientelistic than confrontational – relationships between organised crime groups, state and society. The old concept of a hierarchical and rigid organised crime group has shifted to a concept of 'bureaucratic' organised crime groups with

⁷According to Recommendation Rec(2001)11 of the Committee of Ministers to member states concerning guiding principles on the fight against organised crime (adopted by the Committee of Ministers on 19.09.2001 at the 765th meeting of the Ministers' Deputies), for the purposes of this recommendation:

– "organised crime group" shall mean a structured group of three or more persons, existing for a period of time and acting in concert with the aim of committing one or more serious crimes, in order to obtain, directly or indirectly, a financial or material benefit;

– "serious crime", shall mean conduct constituting an offence punishable by a maximum deprivation of liberty of at least four years or a more serious penalty;

See also the definition adopted at EU level (Joint action 98/733/JHA of 21 December 1998 adopted by the Council on the basis of Article K.3 of the Treaty on European Union, on making it a criminal offence to participate in a criminal organisation in the Member States of the European Union.) of a criminal organisation:

"1. A criminal organisation means a structured association, established over a period of time, of two or more persons, acting in a concerted manner with a view to committing offences which are punishable by deprivation of liberty or a detention order of a maximum of at least four years or a more serious penalty, whether such offences are an end in themselves or a means of obtaining material benefits and, where appropriate, of improperly influencing the operation public authorities (Article 1)."

⁸ Such as Albania, Bosnia and Herzegovina, Croatia, Serbia (Serbia and Montenegro), and "the former Yugoslav Republic of Macedonia".

well developed structures to loose and fluid networks, which makes the task of identifying and analysing organised crime even more difficult.⁹

For the purpose of the report, working groups were requested in the questionnaire to apply the following criteria when defining crime or criminal groups as 'organised crime':¹⁰

Mandatory criteria:

1. Collaboration of three or more people
2. For a prolonged or indefinite period of time
3. Suspected or convicted of committing serious criminal offences
4. With the objective of pursuing profit and/or power

Optional criteria:

5. Having a specific task or role for each participant
6. Using some form of internal discipline and control
7. Using violence or other means suitable for intimidation
8. Exerting influence on politics, the media, public administration, law enforcement, the administration of justice or the economy by corruption or any other means
9. Using commercial or business-like structures
10. Engaged in money laundering
11. Operating on an international level.

In addition to the minimum characteristics (the 'mandatory criteria' 1 to 4), at least two of the 'optional criteria' need to be applicable to qualify a criminal group or crime as organised crime. This approach has the advantage, that legal entities or professionals engaged in novel and serious forms of organisational or economic crime may also be included.

⁹ See Council of Europe's *Annual Situation Report on Organised Crime* 2004, p. 10 - 11. The occasional linkage or even amalgamation of the concepts of organised crime and of terrorism add further ambiguities, sometimes generating a misleading connection between terrorism and particular methods by which it is financed or conducted. Organised crime and terrorism are - a priori - distinct concepts. Organised crime is primarily aimed at obtaining financial or other material benefits, while terrorism relies on indiscriminate violence to change established legal and constitutional orders and policies. Most criminal groups and networks in Europe are involved in fraud and other forms of economic crime, the production and trafficking in drugs, and the smuggling and trafficking in human beings, but not in activities related to terrorism. This does not exclude that there are certain similarities and links between organised crime and terrorism, with a tendency of terrorism converging towards organised crime (see in this context the Resolution adopted by the Third High-level meeting of Ministries of the Interior on the "fight against terrorism and organised crime to improve security in Europe", Warsaw, 17-18 March 2005).

¹⁰ Also used by the European Union (doc. 6204/2/97 Enfpopol 35 Rev 2) for its annual organised crime reports.

2.3 ENVIRONMENTAL SCAN

The 'environmental scan', which was first introduced in the 2001 and 2002 organised crime situation reports, consists of the gathering and processing of information about the external environment of organised crime so to identify broader context and major trends affecting it and analyse potential changes resulting from these trends. This process contributes to a proactive focus and makes the relationship between the identified trends and the entity more transparent.

The following analyses help structure the external environment by dividing it into political, economic, social and technological domains – PEST¹¹.

2.3.1 Politics and governance

The nature of the state and political institutions appear to be critical determinants for organised crime.

General themes, in terms of politics and governance, are the diffusion of power and the changing role of the state. These changes are caused by market liberalisation, decentralization, and globalisation, an ever stronger role of non-state actors such as supranational governance structures (EU and international organisations) and transnational corporations. Such a diffusion of power raises questions of the state primacy in controlling crime.

With the end of the Cold War, scattered and diversified threats such as intra-state conflicts, terrorism, and transnational crime networks have replaced one visible and identifiable enemy. In the wake of September 11, measures against terrorism included reinforcing the international legal framework for the control of organised crime.¹² Already existing treaties were reinvigorated and new ones adopted, such as Council of Europe and UN conventions on money laundering and financing of terrorism, and organised crime, human trafficking, cyber crime.¹³

A crucial development in 2004 has been the enlargement of the European Union by ten new member states on 1st May. The prospect of Bulgaria and Romania joining in 2007 leaves the "Western Balkan" countries for a later accession round.¹⁴ Meanwhile, the EU borders moved south putting a greater focus on border policing and on furthering the adoption of the *acquis* by the prospective members from South-eastern Europe. Some argue that such a position in a sea of EU states might add to the regions' already precarious position, calling for a more engaged EU policy with the region.¹⁵

South-eastern Europe has its own particularities with respect to challenges of politics and governance such as the fall of Yugoslavia, the war in the 1990s, and the subsequent re-establishment of the "Balkan route". New borders and states were created in the 1990s requiring new institutions such as border services. Catching up, both in terms of creating new institutions and legislative framework and reforming the old ones, put a great strain on the already low and war-damaged institutional capacity and public purse. For those countries

¹¹ See Black et al. 2001. Such PEST analyses may appear speculative, but also provide useful insights.

¹² See Bear (2003)

¹³ See Council of Europe, <http://conventions.coe.int/>

¹⁴ With the exception of Croatia which received a positive evaluation from the European Commission in April 2005, Albania, Bosnia and Herzegovina, Serbia and Montenegro and "the former Yugoslav Republic of Macedonia" do not currently have a candidate status. For Croatia, see *European Commission's Opinion on Croatia's Application for Membership of the European Union*, 20 April 2005.

¹⁵ For this argument see International Commission: *The Balkans in Europe's Future*, April 2005.

that were more successful in catching up, the difficulty arose with the enforcement of the new tools coupled with the lack of technical equipment to apply them.

At the national level, an insufficiently developed legislative framework and unclear authorities of different law enforcement agencies weakened inter-agency cooperation and effective law enforcement. At the international level, the war impacted on regional police cooperation and information exchange. Meanwhile, criminals benefited from their competitive advantage rooted in close regional connections, a largely common language, and access to weapons and other technical equipment while facing none of the constraints common to the states.

The war in the former Yugoslav countries, international sanctions against Serbia, and the Albanian state collapse in the 1990s offered unique opportunities for organised crime to infiltrate governance structures, primarily security services and agencies patrolling the borders (border services and customs).

Surveys suggest that societies in South-eastern Europe continue to perceive corruption to be a significant problem. According to Transparency International's Corruption Perception Index 2004, countries of region rank rather low.¹⁶ The 1990s appear as having been devoted to "building" illegal businesses. In the 2000s, organised criminals are focusing on consolidating their businesses and diversifying investments into the legal economy, corruption appearing to be one of the main means being used.

2.3.2 Economy

The dynamics of supply and demand influence legal and illegal markets alike, with both displaying similar business-like behaviour when considering lucrative opportunities. The process of economic globalisation alters the conditions not only for legal but also for illegal activities:

- **Asymmetries:** Globalization may further exacerbate asymmetries which are believed to be criminogenic. According to the human development index of the United Nations Development Programme Report 2004, Europe accounts for 15 of the world's 20 most developed nations. However, all South-eastern European countries, including Romania, Bulgaria and Turkey fall into the medium human development tier. Only Croatia fits among the countries with a high human development index (HDI),¹⁷ although the difference with the rest of the neighbors is not very high. Asymmetries between Europe and its immediate neighbors are thus notable.

¹⁶ Croatia has moved from 60th to 67th place since 2003; Bosnia and Herzegovina dropped from 70th to 83rd place; while Albania dropped from 92nd to 108th position. Serbia and Montenegro as well as "the former Yugoslav Republic of Macedonia" improved from 109th to 100th position and from 108th to 99th position respectively.

¹⁷ Countries ranked 1-55 fall into the high HDI tier, while countries ranked 55-142 fall into the medium HDI, followed by the low HDI countries ranked 143 onwards. See UNDP *Human Development Report 2004*.

Country	Population (millions) 2003	Gross nat. income/capita (US\$) 2003	Human devel. rank 2004	Corruption Perception Index rank 2004	Recorded criminal offences 2000	Convictions 2000	Prison population 2004
					Per 100 000 inhabitants in 2000		
Albania	****3.4	1 740	65	108	149	117	105
Andorra	0.07						90
Armenia	3.2	3 770	82	82	360	203	92
Austria	8.1	26 720	14	13	6 891	512	100
Azerbaijan	8.2	810	91	140	*73	*197	198
Belgium	10.4	25 820	6	17	**8 558	1 446	88
Bosnia and Herzegovina	****3.8	1 540	66	82			67
Bulgaria	7.8	2 130	56	54	1 779	388	127
Croatia	4.4	5 350	48	67	1 597	403	68
Cyprus	0.8		30	36	575	**126	50
Czech Republic	10.2	6 740	32	51	3 811	615	182
Denmark	5.4	33 750	17	3	9 447	**767	70
Estonia	1.4	4 960	36	31	4 038	717	330
Finland	5.2	27 020	13	1	10 262	3 351	69
France	59.6	24 770	16	22	6 405	957	91
Georgia	4.3	830	97	133	269	173	165
Germany	82.5	25 250	19	15	7 616	1 071	96
Greece	10.6	13 720	24	49	3 482		83
Hungary	10.1	6 330	38	42	4 445	1 034	165
Iceland	0.29		7	3		*719	40
Ireland	4.0	26 960	10	17	1 928	193	85
Italy	****56.3	21 560	21	42	**4 123	**484	100
Latvia	2.3	4 070	50	57	2 087	528	339
Liechtenstein	0.03						53
Lithuania	3.5	4 490	41	44	2 275	571	234
Luxembourg	0.4		15	13	5 216		111
Malta	0.4		31	25	4 345		72
Moldova	3.6	590	113	114	864	360	297
Monaco	0.03						39
Netherlands	16.2	26 310	5	10	8 215	658	123
Norway	4.5	43 350	1	8	3 278	1 427	65
Poland	38.2	5 270	37	67	3 278	577	209
Portugal	10.4	12 130	26	27	3 616	534	128
Romania	21.8	2 310	69	87	1 578	338	180
Russian Federation	143.1	2 610	57	90	2 022	811	532
San Marino	0.03						0
Serbia and Montenegro	****10.7	1 910		97			92/108
Slovakia	5.4	4 920	42	57	1 642	399	164
Slovenia	2.0	11 830	27	31	3 614	358	59
Spain	40.7	16 990	20	22	2 308	*254	139
Sweden	8.9	28 840	2	6	13 693	1 338	75
Switzerland	7.3	39 880	11	7	3 732	**971	72
"The former Yugoslav Republic of Macedonia"	****2.0	1 980	60	97	*976	*366	78
Turkey	69.6	2 790	88	77	712	*1 512	95
Ukraine	48.0	970	70	122	1 126	470	415
United Kingdom	59.3	28 350	12	11	***	***	***
					9 817	2 684	140

- **Transnational organised crime:** The early 20th century crime has largely been localized, i.e., criminals were pursuing opportunities in a given city or territory in which they inhabited. Today, as legitimate business globalises, so does crime. Transnational organised crime exploits business opportunities in pursuit of profits and seeks weak control systems to reduce risks worldwide. Managers of organised crime groups are often separated from the location of where the impact is felt the most, and thus virtually invisible.
- **'Traditional' crime markets:** As legal trade becomes even more global, so does the trade in classical crime markets such as trafficking in drugs, arms, vehicles, cigarettes, as well as other non-traditional goods. Given the asymmetries in human development – push and pull factors for migration – human beings are becoming an increasingly valuable commodity, smuggled, trafficked and exploited for labour or sex.
- **Organised economic crime:** New opportunities for fraud, financial crime, counterfeiting and other forms of economic crime offer far larger earning potential with fewer risks involved, relying largely on a blurry distinction from the legal economic and financial activity. In South-eastern Europe, tax and customs fraud, capital flight, and privatisation fraud appear to be of greater relevance than traditional organised crime. This is because the impact of economic crime is felt in the countries themselves, rather than far from their borders. The distinction between legitimate enterprises using illegal means to conduct business and reinvesting crime proceeds to maintain what appears a legitimate economic activity, on the one hand, and organised crime groups created for the purpose of committing economic crime and managed in a business like manner, on the other hand, is not very clear. The subsequent reinvestment of the proceeds of crime into the legal economy is accompanied by corruption and raises serious concerns about the public trust in judicial and governing institutions.
- **Regional specificities:** A large part of the productive economic capacities were destroyed in the war or severely neglected in the 1990s, losing in turn international markets they once served. The “lost decade” put a greater emphasis on trade in both legal and illegal goods, while considerably raising the cost of regional trade. The increase in stakes of smuggling and trafficking followed the same trend, offering fertile ground for organised crime, which seems to have turned into the key mechanisms for an unlawful redistribution of national wealth in the region.¹⁸
- A change of property rights through privatization contributes to another key element of economic crime, where asset stripping and causing bankruptcy of socially-owned enterprises in order to diminish selling price seem to have caused the greatest loss of public confidence in governance institutions. Together with loss of public revenue through tax and customs evasion, and procurement fraud, privatization fraud is a great cause of concern for some of the South-eastern European countries.

2.3.3 Socio-cultural tendencies

Similar to other social phenomena, organised crime is often facilitated by particular cultural factors and the existence of subcultures. Criminal networks may function as an alternative social system, in which actors bond through common experience, trust, shared ethnicity or family ties. Ethnic networks are believed to play a significant role in the development of transnational organised crime, especially where immigrant groups have not been fully integrated in their new society.

¹⁸ See *Corruption, Contraband, and Organised Crime in Southeast Europe* (2003) and *Transport, Smuggling and Organised Crime*, Centre for the Study of Democracy (2004).

The replies to the questionnaire suggest that shared ethnicity is losing its significance in certain organised crime networks, exhibiting a growing trend of multi-ethnic composition. Criminal networks for drug trafficking in the region used to be dominated by a particular ethnicity. This dominance is no longer as explicit due to growing outsourcing and diversification of the drug related activities, whereby a particular place in the criminal organisation is still dominated by a particular ethnicity while other activities are not.

A particularly volatile subculture in terms of organised crime originates from the nexus between the security services and criminals, which were established during the wars in the 1990s.¹⁹

With regard to economic crime, it appears that organised criminals are predominantly nationals of the country in which the crime is committed. This fact is further complicated in the South-eastern European region due to a large number of people displaced by war (former Yugoslavia) or economic migration (Albania), dual citizenship and identity fraud make investigation and prosecution even more reliant on regional co-operation.

2.3.4 Technology and science

The development of information and communication technologies (ICT) creates opportunities for organised crime in that it provides criminals with new tools to commit old types of crime as well as with tools and markets for new types of crime.²⁰ The new technology may also have an impact on the structure of criminal organisations and the management of criminal enterprises, whereby societies and economies with advanced ICT follow a networking logic rather than one of clear hierarchies.²¹ And so are organised crime groups which exhibit network-based structures.

In the South-eastern European context, the discrepancy between organised crime, which has financial capacity to invest in surveillance and communication technology, and law enforcement agencies, which face much harsher budgetary constraints, is significant. Another factor, which is especially relevant for combating money laundering, is cash economy. Despite modernization of banking systems in the region, a large part of the economic activities and financial transactions are still done in cash. This may make financial investigations more challenging.

¹⁹ See *Partners in Crime: Risk of Symbiosis between the Security Sector and Organised Crime in Southeast Europe*, Centre for the Study of Democracy (2004) and ICG's reports: *Serbia: Spinning its Wheels* (2005) and *Serbia's U-Turn* (2004).

²⁰ See Europol 2002.

²¹ See Castells 2003, p. 21 on the 'rise of the network society'.

3. The organised crime situation

Organised crime is largely invisible. Only those criminal activities which are investigated or analysed from an organised crime angle come to light. The understanding of the phenomenon thus largely depends on law enforcement priorities and crime policy based on the perceived threats at a certain point in time. Organised crime in Europe and in South-eastern Europe takes different forms and involves a large variety of criminal activities. Similar to other parts of Europe, the main crime markets which are common to most countries and areas are:

- Fraud, tax and customs evasion, and other forms of economic crime
- Drug trafficking and distribution
- Smuggling in persons
- Trafficking in human beings

Drug trafficking continues to be a quintessential form of organised crime in Europe. In contrast, the growing problem of smuggling in persons and trafficking in human beings and public perception of them as such is a relatively recent development. The South-eastern European countries have so far been mostly transit countries, relying mostly on repressive measures against trafficking and smuggling. These markets are now changing: the countries have reported recent trends of local recruitment of women as well as growing domestic markets for sexual exploitation which will require more effective preventive measures in the future.

Although a relatively recent development, economic crime (fraud and other forms) pose a particular concern to the countries in the region. This is because of its volume and economic impact which is largely contained in, and, therefore, visible to the public in the countries themselves.

As organised crime groups rely more and more on legal commercial structures and as the boundaries between legal and illegal structures become more blurred, money laundering poses an ever greater challenge to European countries. In South-eastern Europe, money is being laundered in many ways raising concerns about the penetration of the legal economy through criminal proceeds.

Some other markets and criminal activities, such as smuggling of cigarettes, vehicles, arms, and other commodities, have also been mentioned in the replies to the questionnaire, but are not the major focus of this report.

The clear identification of organised crime groups remains difficult, but improved future analysis of networks and of money flows may help overcome these problems. *Modi operandi* continue to involve violence and intimidation. However, political and economic influence, mainly through corruption and investment in legal economy resting on the use of legal professionals and commercial structures point at a shift to a more symbiotic relationship between organised crime and the rest of society rather than confrontation. Most organised criminals are nationals of the country in which the crime is detected, but move easily across borders thanks to networks with other countries in the region and the EU. Organised crime thus is increasingly transnational in nature.

3.1 CRIMINAL ACTIVITIES

3.1.1 Economic crime

Economic crime has been of major concern to European societies for decades, but a clear definition still raises certain difficulties. The Council of Europe Recommendation R(81)12 from 1981²² is based on the assumption that economic crime causes losses to public revenue, has an adverse impact on society at large in that it distorts the national or international economy, and works to diminish trust and confidence in the economic system.

The drafters of the Rec(2001)11 concerning Guiding principles on the fight against organised crime pointed at the “strong correlation between organised crime and economic crime, in particular corruption, money laundering and fraud”²³. However, a distinction between organised crime and economic crime poses certain problems, especially in the transition countries.²⁴

The organised crime groups create criminal enterprises for the purpose of committing crimes even if they invest in the legal economy. Economic crime, on the other hand, uses legal enterprises for legal business, while relying on fraud, cartels, monopolies, and corruption to stay competitive in a legal market. Both utilize similar skills and techniques, are performed by organised structures, and thrive on collusion.

The integration of financial markets, mergers of transnational companies, and neo-liberal market strategies (fiscal austerity, privatisation, market liberalisation and reduction of trade barriers) multiply the opportunities for economic crime in developed countries as seen in Enron, WorldCom, Tyco International, and the Parmalat scandals. Although the discrepancy between the scope of economic crime in terms of funds involved are vast between rich Western European countries and the South-eastern Europe, the significant factor is the relative impact of this crime on the societies given the size and nature of its economies.

It is believed that proceeds from economic crime dwarf the cost and damage of other crime. Despite that, methods for assessing the losses and impact are nonexistent and little is known about the effects of economic crime in South-eastern Europe.

Still, South-eastern European countries report on the following forms of economic crime as major challenges:

²² The Council of Europe’s Recommendation R(81)12 from 1981 on Economic Crime (adopted by the Committee of Ministers on 25 June 1981) lists specific and non-specific 16 offences which are considered economic crimes: cartel offences; fraudulent practices and abuse of economic situation by multinational companies; fraudulent procurement or abuse of state or international organisations’ grants; computer crime (e.g. theft of data, violation of secrets, manipulation of computerised data); bogus firms; faking of company balance sheets and book-keeping offences; fraud concerning economic situation and corporate capital of companies; violation by a company of standards of security and health concerning employees; fraud to the detriment of creditors (e.g. bankruptcy, violation of intellectual and industrial property rights); consumer fraud (in particular falsification of and misleading statements on goods, offences against public health, abuse of consumers’ weakness or inexperience); unfair competition (including bribery of an employee of a competing company) and misleading advertising; fiscal offences and evasion of social costs by enterprises; customs offences (e.g. evasion of customs duties, breach of quota restrictions); offences concerning money and currency regulations; stock exchange and bank offences (e.g. fraudulent stock exchange manipulation and abuse of the public’s inexperience); offences against the environment.

²³ See par. 18 of the Explanatory Memorandum to Council of Europe’s Recommendation (2001) 11.

²⁴ Nelken 2002, quoting Ruggiero, and country replies.

- **Tax and customs fraud** has been reported by all countries as a major field of crime. This kind of fraud primarily relies on fictitious companies registered on false ID (counterfeit or stolen), which are used for trade, and “vanish” or “go bankrupt” when the time comes to pay taxes, double bookkeeping, and other common tools. Such schemes are often operated by organised networks which register companies, open bank accounts, and organise contacts with owners of private or state companies to buy and sell their goods. The key in this chain of activities is the production of false documents and invoices, which may cost between 3-5% of the profit earned, a cost notably lower than sales taxes (around 20%) that each company involved in retail would have to pay to the state.²⁵

Customs duties are evaded by under-reporting the value of the imported goods such as oil; claiming transit through the country while selling the goods in local “black market”; and smuggling of goods across the border. The smuggling of oil and cigarettes in the region, prominent during the sanctions against Serbia, is still ongoing but at lower scale.

The success in establishing controls over tax evasion by introducing VAT varies from country to country. For those countries which have been less successful, VAT fraud persists and continues to rely on fictitious companies as front for import/export, set up to collect VAT rebates, or VAT carousels. Such a market shift that follows opportunities from one tax collection system (sales taxes) to another (VAT system) may serve as a useful warning to those countries that are about to change to a VAT system.

- **Public procurement** - In addition to trade, much of economic activity in the region relies on the public purse. Public contracts are thus a major market for criminals in all the countries of the region. Fraud and corruption are common, but cartel formation and intimidation are also used to secure access to public contracts.
- **Privatisation** - Privatisation fraud causes great concern to the countries. Asset stripping, causing bankruptcy of companies set for privatization, and other activities are closely linked with public sector corruption. The effects of such fraud are loss in productive capacities and jobs.²⁶ In addition, state subsidies (e.g., development funds for municipalities, state loans to failing companies, etc.) are also subject to crime, largely involving local civil servants, politicians and company managers.

Although privatization problems are closely linked with the transition to a market economy and may not necessarily be linked with organised (economic) crime, there is a general consensus amongst the countries that crime linked with privatization represents a unique challenge for law enforcement agencies and the judiciary. Countries feel that, given the stakes involved, the public trust in the institutions will be much influenced by the outcome of complex investigations which impinge on powerful political and economic interests connected with privatisation.

- **Bank fraud** - The ongoing reforms of financial institutions offer a range of opportunities for organised economic crime. For example, savings/loans associations and banks are abused by obtaining loans at a lower interest rate only to lend money at

²⁵ All countries in the region with the exception of Bosnia and Herzegovina have a VAT system.

²⁶ Although privatization of a company may legitimately involve reduction of employees for efficiency reasons or a change in purpose of a company, countries have reported concerns based on cases investigated.

usurious interest; bank loans are obtained using false document; loans are used for purposes not originally intended; credit cards are forged, etc. The uncompleted banking reforms and the lack of regulatory enforcement contribute to the vulnerability of the financial system.

- **Counterfeiting of legal products** - Counterfeiting of legal products, such as money, cigarettes, alcohol, food brands, and entertainment products (CDs and DVDs) are an organised business managed by international and regional entrepreneurs and a very profitable form of organised crime, as has been reported by Albania, "the former Yugoslav Republic of Macedonia" and Kosovo. They reported that items such as food products and cigarettes are counterfeited largely to serve local or regional markets.
- **Fraud against the European Union's financial interest** - With the advent of preferential trade treatment and quotas for export to the EU, investigations were conducted in relation to allegations of fraudulent imports and exports of sugar from Bosnia and Herzegovina and Serbia to the EU.²⁷

In terms of crime related data, there is some difference as to how countries count cases related to organised and economic crime. For this report, the project areas, with the exception of Montenegro, reported data on organised crime and not the overall crime statistics for 2004. On the basis of the replies to the questionnaire, the following assertions can be made:

- Economic crime accounts for a significant number of cases linked to organised crime. Albania reported 17 cases recorded and prosecuted, while Croatia recorded 14 cases of organised economic crime, 12 of which were investigated with 3 convictions.²⁸ Bosnia and Herzegovina reportedly loses hundreds of millions of euros annually to organised economic crime. The number of cases prosecuted in 2003 (941) and 2004 (907) ended in 298 convictions of 435 perpetrators and 168 convictions of 212 perpetrators respectively.²⁹ The final number of criminal organisations involved in economic crime is not known. Montenegro's numbers amount to 1707 recorded cases of economic crime of which some may be involving organised crime,³⁰ causing a total loss of €17.2 million in 2004, a slight increase in comparison to €16.51 million in 2003, while Serbia reported annually losses of approximately €300-500 million to economic crime.³¹ Kosovo reported 4968 cases as a total number of recorded economic crime cases of which only 3 were linked with organised crime. "The former Yugoslav Republic of Macedonia" reported only 8 economic crime cases linked to organised crime that have been prosecuted but have not reached convictions, while Serbia reported 38 cases involving 12 organised crime groups, all of which are currently being investigated, and 12 of which involve organised crime.

²⁷ See Press Release *Olaf Investigation into Sugar Imports from Balkan Region*, OLAF/15/2003, 29 May 2003, europa.eu.int/olaf; *Serbia: EU May Extend Sugar Ban*, IWPR/BCR No 445, 18 July 2003; and EC Delegation to BiH press release *Possible Sugar Fraud*, Sarajevo, 02 August 2004, <http://www.delbih.cec.eu.int/en/worddocuments/word271.htm>

²⁸ With the exception of Montenegro, the countries largely reported on economic crime cases linked with organised crime, which does not necessarily take into account all economic crime cases. The numbers on economic crime represented here may appear deflated.

²⁹ As per the questionnaire reply, BiH data on number of convictions only covers Republika Srpska, and does not include District Brcko or Federation of Bosnia and Herzegovina.

³⁰ The term "organised crime", which was introduced in April 2004, did not exist in Montenegro's criminal legislation at the time when the mentioned criminal cases were recorded. Whether any of the recorded cases involved a degree of organisation was not a subject to legal qualification.

³¹ Interviews with law enforcement officers, September 2004.

- A substantial number of organised crime groups are involved in economic crime. In Albania, 17 criminal groups involving a total of 52 suspects were involved.³² In Croatia, 14 criminal groups with a total of 97 suspects were recorded, of which 10 groups (11% of the total number of organised crime groups recorded) with a total number of 63 suspects were investigated (17% of the total number of organised crime groups investigated). “The former Yugoslav Republic of Macedonia” reported 8 criminal groups involved in economic crime (17% of the total number of organised crime groups investigated), while Montenegro has no records in this respect. Kosovo reported that 4% of its recorded organised crime groups are involved with economic crime (total of 3 groups), while in Serbia 13% of all recorded organised crime groups are involved with economic crime (total of 12 groups) amounting to 21% of the groups investigated or prosecuted (total of 47 groups). With the exception of Croatia with 3 convictions for organised economic crime and 19 convictions for organised crime and Bosnia and Herzegovina with 4 convictions of 6 perpetrators for organised crime, no other country in the region claimed convictions in organised crime cases in 2003 or 2004.
- Despite country-specific differences, economic crime in the Balkans is essentially regional in nature and thrives on previously close regional connections. All countries believe that economic crime constitutes a major threat to their economy and society. One of the reasons is because the impact of economic crime is mainly felt in the countries themselves, which is not necessarily the case with other types of organised crime such as drugs trafficking, smuggling in persons, etc., the impact of which is felt in the EU and other countries.

Not only does the economic crime itself causes a significant loss of public revenue and distorts legal market, it also undermines trust and confidence in the economic and legal system. In Croatia, as well as in other countries, the public expectation to take action against privatization fraud and fraud connected to obtaining lucrative coastal resources is high. The lack of such action might undermine public trust in the system.³³

- **Links between economic and organised crime** appear to be based on corruption, both low level and high level. Bribes and other corrupt practices used for registering companies, and movable or immovable property, fixing tender procedures, getting goods across borders, paying judges and prosecutors for undercharging or dropping a case, trading in influence in privatization, and countless other acts are practices used in advancing both crimes. Some countries express a great concern over the power and possible influence of organised groups on governance structures and society, depicting corruption as the single most damaging threat linking all aspects of organised and economic crime.

³² It was not possible to assess a percentage of organised crime groups involved in economic crime.

³³ Croatian reply to the questionnaire and interview with Croatian law enforcement officers, September 2004.

3.1.2 Trafficking in drugs

The international drug control system is based on three United Nations conventions³⁴ which restrict the use of several hundred psychoactive substances to medical and scientific use. Abuse of these substances – primarily of opiates (including heroin), cannabis, cocaine and crack cocaine, and amphetamine-type stimulants (ATS, including ecstasy, amphetamines and other synthetic stimulants) – is a major global issue. It is believed that currently 200 million people worldwide (or 5% of the global population) use drugs.³⁵ Although most drug users live in developing countries, Europe seems to be the most lucrative drug market in the world considering its purchasing power and numbers of drug users.

Almost all of the heroin consumed in Europe is based on opium from Afghanistan for which the ‘Balkan Route’ continues to be the main channel for trafficking. Albanian criminal groups (from Albania, Kosovo, and “the former Yugoslav Republic of Macedonia”) reportedly play a key role, namely in the wholesale distribution of heroin in Europe.³⁶

Cocaine is produced from coca leaves cultivated in Latin America, and although primarily destined for the Americas a significant share is trafficked to Europe through Spain and the Netherlands, while to South-eastern Europe cocaine comes through the Adriatic Sea ports and land routes from both North and South.

The only drug produced in South-eastern Europe is cannabis and with the exception of Albania which appears to be an exporter, all other countries experience a low degree of production for domestic consumption.

In terms of ATS (‘amphetamine-type-stimulants’), China, Myanmar and the Philippines are the main source countries; while European production of methamphetamines appears to be concentrated in the Czech Republic. However, the main countries of origin of amphetamines globally are European, in particular the Netherlands, Poland, Belgium and Lithuania, while the Netherlands is the primary source of ecstasy globally. It would seem that there is a growing trade with precursor chemicals that goes through the Balkans, aimed at production outside the region, or that early attempts to establish drugs’ production in the region are being made.

Recent reports and data suggest the following trends and issues:

- In terms of demand, Europe is probably the most profitable market in the world. Proximity to such a market and the importance of the Balkan route indicates that drugs trafficking will need to continue to be a focus of law enforcement in the future.
- Within the European Union (25), between 1.2 and 2.1 million people in the age group 15-64 are defined as “problem drug users”.³⁷ Between 0.85 and 1.3 million of them are injecting drug users. While the number of drug-related deaths is declining in the European Union, in some new EU as well as other European countries – including Estonia, Latvia, the Russian Federation and Ukraine – the link between injecting drug use and HIV/AIDS is particularly worrying.

³⁴ The Single Convention on Narcotic Drugs (1961), the Convention on Psychotropic Substances (1971) and the Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988).

³⁵ Obviously this includes poly-drug use. Data according to UNODC 2005. While 5% use substances under international control, 30% of the world’s population uses tobacco.

³⁶ UNODC(2004), p. 71

³⁷ See EMCDDA 2004. ‘Problem drug use’ is defined as ‘injecting drug use or long duration/regular use of opiates, cocaine and/or amphetamines’.

- In South-eastern Europe, data on drug abuse is sparse and outdated. For those countries for which data exists, Croatia has the largest number of drug users amounting to 0.7% of the population aged 15-64, followed by Albania with 0.5 and “the former Yugoslav Republic of Macedonia” with 0.4% for opiates (heroin). In terms of cocaine abuse, Croatia leads with 0.2% in comparison with “the former Yugoslav Republic of Macedonia” with 0.01%. Cannabis use seem to be the most widespread of all drugs with 3.9% of cannabis users of the population aged 15-34 in Croatia, 2.6% in Albania (age 15-24), and the lowest in “the former Yugoslav Republic of Macedonia” with 0.7%. Data for amphetamine use for Croatia is from 1997 amounting to 0.3%, while data for “the former Yugoslav Republic of Macedonia” for 1995 is even more negligible, amounting to 0.01%. Finally, ecstasy use data is 0.5% for Croatia and 0.3% for “the former Yugoslav Republic of Macedonia”.³⁸ In comparison to other Eastern European countries, Croatia ranks in the middle, while “the former Yugoslav Republic of Macedonia” ranks low in terms of drugs abuse.

Nevertheless, according to the replies, domestic drug markets and drug abuse in all the countries are growing problems.³⁹ Given the observed trend, the countries would need to work on quantifying them.

- Drug trafficking is considered one of the most important activities of organised crime groups in Europe. Given the prominence of the Balkan route, it is also one of the region’s main problems. Seizure figures confirm assumptions on drug markets, major trafficking routes and the role of organised crime groups (see table below).
- Opium poppy cultivation continues to spread in Afghanistan, indicating that post-Taliban drug control efforts by the international community have been unsuccessful. This has considerable impact on Europe and in the Balkans, not only in terms of availability of heroin but also in terms of security and stability as well as the credibility of the international community with regard to the reconstruction of vulnerable post-war societies such as Afghanistan, Kosovo and Bosnia and Herzegovina.

³⁸ Data for Croatia (1999), “the former Yugoslav Republic of Macedonia” (1999 for heroin and ecstasy, and 1998 for cannabis), and Albania (2000 for heroin and 2001 for cannabis) taken from UNODC World Drug Report 2004. No data is available for other countries in the region.

³⁹ This assertion is also confirmed by U.S. State Department’s International Narcotics Control Strategy Report 2005

Drug Seizures on the Balkan Route between 1998 and 2004 in kilograms and units

Country	Drug	1998	1999	2000	2001	2002	2003	2004*
Albania	Heroin	--	7.122	47.000	4.500	71.714	114.475	155.925
	Cocaine	-	2.159	4.000	0.266	0.006	1.286	2.4
	Cannabis herb	-	4395.156	6604.0	6915.0	13717.899	7760.170	4544.154 (marijuana) 73757(plan ts)
	Cannabis resin	-	-	-	-	-	-	1.185
	Ecstasy	-	-	-	-	-	-	10 u
	Amph.	-	0.009	-	-	10 u	50 u	-
Bosnia and Herzegovina	Heroin	0.686	1.125	0.375	1.900	3.265	-	5.036
	Cocaine	0.005	-	164.392	-	0.240	-	-
	Cannabis herb	53.815	59.144	127.982	467.585	919.545	-	168.192
	Cannabis resin	-	0.002	-	0.060	-	-	-
Croatia	Ecstasy	-	-	-	-	1212 u	-	-
	Amph.	-	-	-	-	117.000	-	-
	Heroin	50.09	13.230	7.041	19.569	46.359	85.727	-
	Cocaine	6.426	1.807	913.127	1.487	3.365	380.769	-
	Cannabis herb	20342.877	200.898	797.501	737.911	608.070	435.037	-
	Cannabis resin	2.878	6.555	1.041	4.559	2.107	2.281	-
"The former Yugoslav Republic of Macedonia"	Ecstasy	-	15421 u	9979 u	12906u	110632u	29840u	-
	Amph. (kg and units)	0.765	1.110	2.124	0.931	28.026	3.814	-
	Heroin	91.672	14.375	90.789	110.882	28.572	66.145	242.000
	Cocaine	0.040	2.955	4.689	5.860	0.342	0.342	0.131
	Cannabis herb	1136.752	698.098	1333.399	99.115	29.234	180.681	550.000
	Cannabis resin	1.164	0.089	427.519	309.846	258.406	423.564	-
	Ecstasy	787 u	5532 u	280 u	45 u	0.002 kg 18 341 u	-	-
	Amph.	-	-	-	-	7.015	-	-
	Heroin	-	-	-	62.518	43.462	278.760	-
	Cocaine	-	-	-	3.723	1.962	6.021	10.000
Serbia and Montenegro ⁴⁰	Cannabis herb	-	-	-	1230.224	1729.501	1464.955	-
	Cannabis resin	-	-	-	4.534	6.814	1.113	-
	Ecstasy	-	-	-	0.079 kg 10811 u	10 000 u	0.060kg	2000000
	Amph.	-	-	-	0.087	-	96816 u	-
Bulgaria	Heroin	219.632	265.249	2067.201	1550.629	535.09	778.637	784.000
	Cocaine	685.585	17.010	4.333	12.752	35.282	8.884	-
	Cannabis herb	1527.562	29365.00	295.947	183.061	1308.970	689.051	113.000

⁴⁰ For more detailed information on drug trafficking activity in Montenegro and Kosovo see section on Country Profiles.

Turkey	Cannabis resin	0.680	0.010	514.017	422.584	88.476	384.509	-
	Ecstasy	-	-	4524 u	7.900 kg	1.500 kg	1097 u	-
	Amph. Kg and Units	150 u	87.129kg 22928 u	209.930 18491	64.676 760	173.950 145347	587.408 140688	-
	Heroin	4651.486	3862.472	6337.747	3998.880	2582.676	4704.736	8900.000
	Cocaine	604.880	13.153	8.444	2.010	7.734	2.833	206.000
	Cannabis herb	9295.822	9009.040	28637.130	10096.848	5462.376	6959.763	-
Slovenia	Cannabis resin	9349.290	2060.258	71.000	268.277	1220.725	863.551	-
	Ecstasy	3559 u	-	33894 u	121508 u	98989 u	473240u	-
	Amph.	479403 u	1231964u	295037u	1090486u	9063992u	5375197u	-
	Heroin	46.106	32.270	392.065	88.930	68.670	150.173	-
	Cocaine	3.522	1.580	0.098	1.080	55.380	1.610	-
	Cannabis herb	2772.604	249.156	3413.025	177.880	1099.940	219.570	-
	Cannabis resin	1.958	64.622	1.022	2.360	0.120	0.590	-
	Ecstasy	4496 u	1749 u	0.053 kg 27 974 u	1852 u	7877 u	2847 u	-
	Amph.	0.679 kg 534 u	0.652 kg 818 u	0.218 kg 28546 u	0.664 kg 98 u	0.030 kg 390 u	373 u	-

*Data for 1998-2004 taken from UNODC World Drugs Report 2005. Data for 2004 taken from U.S. Department of State's *International Narcotics Control Strategy Reports* for 2003 and 2004, with the exception of Albania for which data was provided by the country.

NOTE: Kosovo reported own seizure data which may not have been counted in the UNODC data presented for Serbia and Montenegro. In between June and December 2003, 38 kg of heroin were seized in Kosovo, while 24 kg and 28 kg of heroin were seized in Italy and Bulgaria respectively as a result of the same investigation. In 2004, 45.5 kg of heroin was seized in Kosovo, while 504.5 kg of heroin was seized in Austria, Germany, Italy, Switzerland, Serbia, Bulgaria, and Albania as a result of the investigations of Kosovo drug traffickers.

3.1.3 Trafficking in human beings

Trafficking in human beings occupied the agenda of governments in many European countries for several years. This is reflected among other things in the ratification of the 'trafficking protocol' to the Palermo Convention⁴¹ by 40 European countries as of June 2005 and the elaboration of the Convention on Action against Trafficking in Human Beings within the framework of the Council of Europe. Similarly, South-eastern European countries have focused their efforts on this issue.

In contrast to the concept of smuggling of migrants which focuses on illegal border crossings, trafficking in human beings is about the violation of the human rights of the individual through exploitation often through organised crime networks.⁴² Thus, it is less an issue of migration policy and more one of the protection of victims and their rights and of the punishment of the traffickers and their associates.

Trafficking in human beings often involve criminal organisations, which use the threat or use of force, coercion, fraud, deception or other means. Trafficking includes several distinct but interrelated acts such as recruitment, transport, placement, and exploitation which is not a one-time event but is carried out over a certain period of time. Organised crime groups exploit market opportunities for sexual services and cheap labour on the one hand (demand), and the vulnerable situation of women and children in many countries on the other (supply). Furthermore, they count on high profits and a relatively low risk of control and sanctions.

Given the importance of the Balkan Route for smuggling and trafficking variety of goods demanded in the European markets, it is no surprise that a large number of trafficked persons, in particular women, go via this route.

The trafficking business typically works in the following manner:

- **Recruitment:** Women respond to job advertisements for babysitters, models, hairdressers, dancers, waitresses, etc. in newspapers or on the Internet. They are also recruited or encouraged to pursue "jobs in the West" opportunities by friends or relatives.⁴³
- **ID Fraud:** Transport and papers are arranged by organised crime groups.
- **Debt bondage:** Identity documents are often taken away on arrival and women are confronted with a large debt owed to traffickers for the transport which is to be repaid through prostitution.
- **Coercion:** Violence is often used to coerce women. There are numerous reports of women kept in isolation, beaten, raped, made into drug addicts in order to 'break' them and keep them working. Threats to the family are also used for this purpose.

⁴¹ Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children, supplementing the United Nations Convention against Transnational Organised Crime, adopted by resolution A/RES/55/25 of 15 November 2000 at the fifty-fifth session of the General Assembly of the United Nations.

⁴² According to Article 3 (a) of the Protocol "Trafficking in persons shall mean the recruitment, transportation, transfer, harbouring or receipt of persons, by means of the threat or use of force or other forms of coercion, of abduction, of fraud, of deception, of the abuse of power or of a position of vulnerability or of the giving or receiving of payments or benefits to achieve the consent of a person having control over another person, for the purpose of exploitation. Exploitation shall include, at a minimum, the exploitation of the prostitution of others or other forms of sexual exploitation, forced labour or services, slavery or practices similar to slavery, servitude or the removal of organs".

⁴³ According to research in Serbia, 64% of recruiters are acquaintance (Nikolic-Ristanovic 2004).

- **Continued Exploitation:** Victims are resold or exchanged between criminal groups and countries in order to ensure the availability of 'fresh goods' on the market, prevent detection, and disorient the victim so she can't establish contact to help her escape.

Trafficking in human beings has been a serious problem in South-eastern Europe for some time. The region has been used as transit route and a place of destination, and increasingly as a place of origin. Moreover, the proximity to countries of origin, such as Moldova, Romania, Ukraine on one hand and EU entry countries such as Greece and Italy, on the other, allows criminal trafficking networks from Albania, Kosovo, Bosnia, Serbia and "the former Yugoslav Republic of Macedonia" to cooperate closely.

The international presence in Kosovo and Bosnia and Herzegovina – approximately 20000 KFOR troops, 7000 EUFOR troops in Bosnia and Herzegovina,⁴⁴ and more than 250 international organisations and NGOs – initially created a considerable demand for sexual services in the late 1990s and early 2000s, and turned Kosovo and Bosnia and Herzegovina into a destination area for trafficked women.⁴⁵ By January 2004, the UNMIK list of bars and establishments to be 'off-limit' by KFOR and UNMIK staff, some of which have been suspected for their involvement in trafficking⁴⁶ had increased from 18 in late 1999, 75 in January 2001 to more than 200 by January 2004.⁴⁷ In Bosnia and Kosovo, many of the public venues where sexual services were offered were closed through the efforts of law enforcement agencies and foreign clientele was reduced thanks to the "off-limits" policy.⁴⁸ This may have been a contributing factor to the shift from international to domestic clientele.

Replies to the questionnaire suggest:

- In Albania, 24 criminal groups involved in trafficking were prosecuted in 2003, while in the first nine months of 2004, 13 criminal groups were broken through 73 recorded cases of trafficking of women for sexual exploitation with 115 perpetrators. Nine cases of child trafficking were also recorded involving 11 perpetrators. These numbers are lower in comparison to previous years.
- In comparison to other countries in the region, Croatia's trafficking market is small. In 2004, there were 3 organised crime groups with 11 perpetrators involved in 3 recorded

⁴⁴ From 1996-2004, SFOR troops amounted to 32.000 at the beginning to 12.000 in 2003. Current EUFOR troop numbers are 7000 (<http://www.nato.int/sfor/docu/d981116a.htm>). In 1999, KFOR had 46.000 troops in Kosovo (<http://www.nato.int/kfor/kfor/about.htm>). In 2004, KFOR had approximately 20.000 troops in Kosovo (Amnesty International - <http://web.amnesty.org/library/index/ENGEUR050022004>).

⁴⁵ See Amnesty International press release *Kosovo: Trafficked women and girls have human rights*, 5 June 2004 (<http://news.amnesty.org/mavp/news.nsf/print/ENGEUR700122004>) and *Kosovo: International peacekeepers fuelling explosion in sexual exploitation, trafficking and human misery*, 6 May 2004; *Human Rights Watch Hopes Betrayed: Trafficking of women and girls to post-conflict Bosnia and Herzegovina for forced prostitution*, Vol 14, No. 9, November 2002; and *Kosovo UN troops 'fuel sex trade'*, BBC news, 5 June 2004, news.bbc.co.uk/go/pr/fr/-/2/hi/europe/3686173.stm.

⁴⁶ The "off-limit" places also include establishments considered unsafe for UNMIK personnel in general, not just those suspected of being involved with trafficking of women. Interview with UNMIK officer, July 2005.

⁴⁷ A part of the reason that the number of bars on the "off-limit" list has grown exponentially may have to do with the creation of UNMIK Trafficking and Prosecution Investigative Units (TPIUs) in 2001 and the increased interest that the UN has shown in combating trafficking. There could have been more than 18 bars suspected of being involved in trafficking and prostitution in 1999 where trafficking or prostitution, but there was no police unit at that time dedicated to these crimes. The number of "off-limit" places may offer only a proximate reflection of the rate of growth in trafficking and prostitution. UNMIK Trafficking and Prosecution Investigative Unit's (TPIU) *End of Year Report 2003*, Amnesty International (2004) and interview with UNMIK officer, July 2005.

⁴⁸ Reportedly, in Bosnia and Herzegovina international personnel was not only using sexual services but was allegedly also involved in a trafficking case. See articles *Outside the Law* and *Sex-slave whistle-blowers vindicated* by Robert Capps, from July and August 2002, www.salon.com.

cases. Three perpetrators from one organised groups were prosecuted. This data suggest that Croatia continues to be country of transit, although it has been reported that women-minors are trafficked from Bosnia and Herzegovina to Croatian coast in the summer months for sexual exploitation.⁴⁹

- “The former Yugoslav Republic of Macedonia” reported 21 recorded cases, involving 13 criminal groups with 52 perpetrators.
- Serbia recorded 17 trafficking cases, of which 8 have been prosecuted, with 16 organised crime groups recorded, 7 of which have been prosecuted, with a total of 106 and 103 perpetrators respectively, while Montenegro recorded 10 cases involving a total of 31 perpetrators. Kosovo recorded 82 cases resulting in 86 perpetrators being arrested. The number of organised crime groups involved in trafficking, however, is not known.

Most victims are women and girls who are foreign to the country in which they are exploited. By far most of them are from central and eastern European countries. Moldova, Romania, Ukraine, the Russian Federation, Bulgaria and Lithuania are the most often quoted countries of origin. For example:

- In Albania, the number of IOM assisted victims has steadily declined from 2000 when 455 victims of trafficking were assisted to 38 assisted in 2003. Of these victims, 4 were coming from Serbia and Montenegro, while Moldova, Bulgaria and Romania accounted for the rest to the total of 15, a sharp decline from 2000 when 155 foreign nationals were assisted.⁵⁰
- In Bosnia and Herzegovina, IOM assisted 53 victims in 2003, the majority of whom were of Romanian, Moldovan and Ukrainian origin, while 7% of originated from Serbia and Montenegro.
- In Croatia, 18 victims of trafficking were identified in 2003, two of whom were Croatian citizens.⁵¹
- In Kosovo, 48% of victims assisted by IOM between 2000 and 2003 came from Moldova, followed by 21% from Romania, 14% from Ukraine. Others are from Bulgaria, Albania and Serbia and Montenegro. According to IOM, there is a significant number of domestic internally trafficked victims (83 Kosovan victims were referred to IOM in 2003), especially minors around the age 15.⁵² According to the official data of UNMIK’s Trafficking in Human Beings Section (THBS)⁵³ for 2004, 17 of 48 victims assisted by THBS were from Moldova, 13 were from Albania and only 11 were from Kosovo.
- In Serbia, police identified 109 victims of trafficking in 2002 and 49 in 2003,⁵⁴ most of who were from Romania, Moldova, Ukraine and Russia.⁵⁵ The phenomenon of domestic, internally trafficked victims, minors especially, seem to be growing. In the

⁴⁹ Ibid, p. 45

⁵⁰ IOM (July 2004), p. 17-18.

⁵¹ UNICEF/UNOHCHR/OSCE (2004), p. 108

⁵² See Amnesty International (2004) and IOM (July 2004) p. 63 - 64.

⁵³ The data provided is of the UNMIK’s Trafficking in Human Beings Section (THBS) which recently replaced the Trafficking and Prostitution Investigations Unit (TPIU).

⁵⁴ UNICEF/UNOHCHR/OSCE (2004), p. 116

⁵⁵ Nikolic-Ristanovic et al. (2004)

first half of 2004, the local NGO ASTRA assisted 30 victims of trafficking, 22 of whom were domestic and only 8 foreign.

- Similarly, in Montenegro 12 victims of trafficking were assisted by a local NGO in 2003, three of whom were internally trafficked children.⁵⁶
- In “the former Yugoslav Republic of Macedonia”, 132 foreign women were identified as victims of trafficking, 19% of which were under age of 18 and 3-4% were under age of 15. The joint UNICEF/UNOHCHR/OSCE report on trafficking in human beings in the region points to what appears to be a growing problem with internally trafficked domestic victims.⁵⁷ This phenomenon has not been corroborated by the official data of the authorities, which record a handful of cases per year.

The following conclusions can be drawn in this respect about trafficking in human beings in the South-eastern Europe:

- In South-eastern Europe in general, trafficking in human beings appears to be declining or at least has become less visible. According to a recent report⁵⁸:
 - Fewer victims return from the countries of the region to their country of origin
 - Fewer victims seek assistance
 - More victims return from European Union countries to their home countries
 - Fewer illegal migrants are registered in the transit countries of the region
 - There are fewer reports on trafficking in human beings in this region.
- A change in the profile of victims has also been noted, particularly the growing number of domestically recruited victims. Although the IOM and the official data from domestic authorities exhibit some discrepancies, particularly in “the former Yugoslav Republic of Macedonia” and Kosovo, the problem of domestic recruitment cannot be marginalized.
- Trafficking of victims across a single border as well as internal trafficking of domestic victims servicing a growing local and regional market for sexual services remain serious problems. Once internally trafficked victims gain some “experience” they may then be trafficked across the border. Still, for many countries trafficking in human beings continues to be considered a question of illegal migration – the causes of which are some other country’s problem. Internally trafficked victims are understood to be a part of old – fashioned prostitution business and have yet to be recognized as a growing phenomenon by the countries’ authorities. This has implications for victims (who are denied protection and support), and on law enforcement (where deportation is referred to long-term investigations of organised crime). This may explain, why throughout Europe, there are few investigations into organised crime in connection with trafficking in human beings.
- In comparison to previous years, victims assisted by IOM in 2003 indicated a growing awareness of a possibility for being trafficked but were willing to take a risk to get out of their country of origin. Although recruitment still relies on the well established methods (see above), recruitment by women, who were most often victims of trafficking themselves, is also observed. Such kind of recruitment relies on a more

⁵⁶ UNICEF/UNOHCHR/OSCE (March 2005), p. 118

⁵⁷ Ibid. p. 110

⁵⁸ UNICEF/UNOHCHR/OSCE-ODIHR (2005): *Trafficking in Human Beings in South Eastern Europe 2004 – Focus on Prevention*. It must be underlined, however, that data stem from different sources and are often contradictory. Therefore any statement on positive or negative trends must be considered with caution.

subtle means of control via a shared knowledge of where the victim is coming from and who are her family members.⁵⁹

Most recruitment is done by persons of the same nationality as the victim, after which a victim is trafficked to foreign markets. It seems, however, that recruitment of Moldovan victims for Bosnia and Herzegovina and “the former Yugoslav Republic of Macedonia” markets is done by nationals of these countries themselves. This new trend might possibly suggest a higher demand for these markets or that the organised crime groups from those countries have become more powerful and are trying to cut out a middle man.

- In Kosovo and Bosnia and Herzegovina, trafficked women involved in commercial sex business seem to enjoy better living conditions – a small but regular payment and better and private lodgings. The violence in controlling the victims seems to have been reduced and replaced with a better treatment to avert unwanted attention which works in combination with a non-violent form of control – drug and alcohol addiction.⁶⁰
- Domestic clientele and the domestic markets are growing and evolving. Closure of many bars and clubs in Bosnia and Herzegovina precipitated a market shift whereby sexual services are now being offered in private apartments and through escort services, which is much harder to track and control. Also, given the restrictions imposed on foreign troops in Bosnia and Herzegovina as well as in Kosovo, the market rooted in sexual exploitation now primarily serves domestic clientele.⁶¹ This seems to be a growing trend not only in Bosnia and Herzegovina and Kosovo but also in the region, posing new threats and challenges to public health.⁶²
- Children account for a considerable share of the victims. In some countries of South-eastern Europe, 50% of victims or more are reportedly below the age of 18, that is, they are children.⁶³ Countries such as “the former Yugoslav Republic of Macedonia”, Serbia and Albania also record trafficking in children for begging, prostitution or more clandestine purposes such as illegal adoption or organ harvesting. Although there are very few cases, trafficking of men and boys from Albania for sexual exploitation has also been noted. Greece is the primary destination of children trafficked from Albania. According to media reports, in summer 2004 reportedly children were smuggled to Athens for organised begging during the Olympic Games.⁶⁴
- In addition to violence and intimidation, corruption and collusion appear to be widespread tools for facilitating trafficking and protecting the business. Trafficking in human beings requires that public officials close their eyes to the problem (such as internal trafficking) or that they actively cooperate (ranging from visa officers, immigration officials, embassy staff to customs and border police, police, local officials issuing working permits, and others). Regular protection by politicians or persons of influence, and private sector professionals (travel agencies, catering industry and others) at different stages of the trafficking chain is also crucial for this crime, allowing the criminals an enviable degree of flexibility and adaptability to law enforcement

⁵⁹ For instance, in Germany, from 1110 suspected traffickers, 31% of suspects were from Central and Eastern Europe, 21% were female, often themselves former prostitutes, now recruiting women in their home countries or broker them to brothels or supervise them in brothels (BKA, *Organised Crime situation report on trafficking in human beings*, 2003).

⁶⁰ IOM (July 2004), p.10-12

⁶¹ Up to 90% of clientele in Kosovo are Kosovan males, IOM (July 2004), p.67 citing UNMIK’s TPIU.

⁶² See IOM (July 2004), p.10-12 and Obradovic (2004)

⁶³ Save the Children (2004).

⁶⁴ Süddeutsche Zeitung 30 June 2004.

efforts. Cooperation or collusion of law enforcement, criminal justice officials, politicians of influence, are required to protect traffickers in the criminal justice chain, thus minimizing damage to the criminal network.⁶⁵

⁶⁵ Council of Europe (2002): *Trafficking in Human Beings and Corruption* (PACO Programme, TP 28 rev). Strasbourg.

3.1.4 Smuggling in persons

Globalization contributes to considerable increases in the smuggling in persons⁶⁶ and in trafficking in human beings, whereby both smuggling and trafficking have become major global businesses of organised crime groups.⁶⁷

In Europe, smuggling in persons – as one expression of illegal migration – is a politically highly charged issue and has been on top of the European Union’s agenda for some time, among other things in connection with EU enlargement, free movement of people and access to labour markets, or xenophobia and racism. For example, rhetoric surrounding the recent referenda on EU constitution in France and the Netherlands involved, amongst other things, the lack of preparedness to absorb a large number of foreigners.

South-eastern Europe is mainly a transit area for smuggling in persons. With regard to smuggling in persons and organised crime linked to that the following trends and issues are to be noted:

- An increasing number of European countries report on organised crime in connection with smuggling in persons, much of which comes via the Balkan route. The replies to the questionnaire suggest a strong role of organised crime groups with growing sophistication in the means used for the smuggling of persons, as well as co-operation of different local criminal groups along the smuggling routes. For example:
 - Prior to closure of the sea smuggling route from Albania to Italy, approximately 95000 migrants may have used this way to enter the EU, which may have generated between €58-96 million between 1999 and 2002. The number of migrants has since decreased. The use of land routes has since gained importance, namely the border with Kosovo, where 174 km long border covering a rather inaccessible mountainous terrain, remains poorly policed if at all.⁶⁸ In the first nine months of 2004, records show 365 cases of border trespassing, and organizing and assisting this process, involving 644 perpetrators, mainly of Kosovan origin. In terms of cases, Albania recorded 16 cases involving as many organised groups, involving a total of 58 perpetrators in 2003. It seem that the northern border of Albania has been particularly used for illegal smuggling (of people as well as arms, drugs and other goods) by Albanian groups in close co-operation with “the former Yugoslav Republic of Macedonia”, Kosovan, and Serbian organised criminal groups.
 - Croatia is also a country of transit for migrants coming from the east (Afghans, Iraqis, Kurds, etc.). Croatia reports that smuggling through its territory is organised in close co-operation between Croatian smugglers and smugglers from Bosnia and Herzegovina and Serbia and Montenegro, where a number of shelters were established to host migrants while they are waiting to be transferred across the border. Much of

⁶⁶ Article 3 of the Protocol against the Smuggling of Migrants by Land, Sea and Air supplementing the United Nations Convention against Transnational Organised Crime defines smuggling as “... the procurement, in order to obtain directly or indirectly, a financial or other material benefit, of the illegal entry of a person in to a State Party of which the person is not a national or permanent resident.”

⁶⁷ The European populations is aging and growing at a slower pace than developing countries, creating a demand for labour and making it an attractive destination for migrants. According to the International Organisation for Migration, of the 130 million international migrants globally, some 20 to 40 million are irregular migrants, and at any time about 4 million irregular migrants are on the move. Some 300 000 to 450 000 irregular migrants are believed to enter the well-off countries of Western Europe annually. At the same time, requests for asylum in 2003 reached the lowest level for 20 years, indicating a reduction in legal migrants but not necessarily in illegal entries and stay in the EU. See Council of Europe (2005), p. 35.

⁶⁸ IOM (July 2004), p.70

migrant smuggling in Croatia is centred around and goes via Zagreb. In 2004, 15 organised crime cases of people smuggling were recorded, involving 11 groups, 7 of which were prosecuted and one convicted.

- In 2003, “the former Yugoslav Republic of Macedonia” recorded 8 cases of organised smuggling of persons, involving 4 groups with a total of 12 suspects.
- Montenegro’s records show 257 illegal border trespasses in 2003, and 372 in the first nine months of 2004, while Serbia recorded 27 organised crime smuggling cases, involving 16 groups with 64 perpetrators, of which 19, 5, and 37 respectively were prosecuted.
- Finally, Kosovo recorded 234 cases of smuggling of persons, while the degree of organisation and number of groups are not specified.

According to Interpol, the Balkan route to Western Europe is used for smuggling migrants from Asian and Middle Eastern countries via Iran, Turkey, and Bulgaria.⁶⁹ In comparison to trafficking in human beings, smuggling of people involves less operational sophistication given less complex aims of this criminal market. The complexity of criminal groups is thus determined by a complexity of the transfer of migrants across borders. Mid-level groups are able to provide complete travel arrangements, from the supply of a fake or forged document to the passing of international borders by illegal means or through bribery, relying on transport companies and travel agents which are often directly connected to the smugglers or are smugglers themselves. Higher-level groups can secure logistic assistance to the migrants in the country of final destination, usually based on the links with community of the same ethnicity or nationality in that country.

Several routes are used to smuggle migrants on to Western Europe, by land or by air. The main characteristic of this market in the Balkans is its very regional nature. Airports formerly used for incoming migrants from the East, such as Sarajevo and Tuzla in Bosnia and Herzegovina, had been closed for such traffic with the introduction of better border and visa regulations. Once that was introduced, the entrance of illegal migrants had merely relocated to other airports such as Pristina airport in Kosovo. In other words, entry shifted to locations where a visa regime and border control are the most liberal, allowing easy travel from Istanbul, Budapest, Sofia, etc. and continuing on land towards the West. The introduction of the Regulation n° 2005/16 on Movement of Persons into and out of Kosovo in July 2005 is aimed at improving the border controls and primarily directed at organised crime operations and human trafficking.

- Another trend noted by the countries is that some persons formerly involved with trafficking in human being have moved onto smuggling people and goods across the borders. This might be due to increased risk of being caught in trafficking thanks to law enforcement efforts or because of consolidation of trafficking groups. In any case, it is notable that skills acquired in a type of criminal business are easily transferable to another as criminal markets change and evolve.

While trafficking networks operating in the Balkans are mainly rooted in Eastern Europe, smuggling networks originate as far as Bangladesh, Pakistan, India and China. The vast majority of the monitored migrants, however, remain of Turkish nationality. For African migrants, routes used for entry into Europe, from North Africa to Southern Europe across the

⁶⁹ See www.interpol.org

Mediterranean Sea – a route more precarious than the Balkan route – where hundreds of people die on the sea every year.⁷⁰

In terms of the actual numbers of migrants, there is a fine line between trafficking in human beings and smuggling of person across borders, often not distinguished enough, despite the definitions contained in the protocols to the United Nations Convention on Transnational Organised Crime. The numbers of smuggled and trafficked people are often mixed together, partly because dealing with smuggled people requires fewer resources and relies on deportation, while trafficking requires complex investigations as well as protection for victims, offering an incentive for deporting victims and deflating their numbers.

The policies against smuggling in persons let sometimes to unintended negative consequence from a human rights point of view. As legal entry to the European Union becomes more difficult and border controls more tight, migrants increasingly rely on smuggling organisations to arrange their transport. This is not only true for ‘economic migrants’ but also for refugees. It has been argued that from the 1980s – and particularly after the end of the Cold War – the issue of asylum for political refugees has first been addressed through immigration control, while the more recently ‘fortress’ approach to sealing off of the outer borders of the European Union and the initiatives like the Smuggling Protocol of the United Nations, which leave very few legal routes open, led to criminalisation of refugees, pushing them into the hands of smugglers.⁷¹ Recent research suggests that:

- The vast majority of asylum seekers who reach Europe required the assistance of a ‘human smuggler’ at some stage of their journey.
- The effect of blanket enforcement measures has been to push asylum seekers from using safer forms of ‘deceptive’ migration (e.g. using a regular air flight and forged travel document) to ‘clandestine’ means which are both more expensive and hazardous to the women, children and men involved (e.g. being locked in the back of a lorry).

⁷⁰ It is believed that more than 3000 people were killed between 1995 and 2003 when trying to reach Spain; more than 400 in 2003 when trying to reach Sicily. In August 2004, 28 drowned before Sicily.

⁷¹ John Morrison 2001: *How anti-trafficking initiatives criminalize refugees* (CARF 61, April/May 2001).

3.1.5 Smuggling of legal goods

Smuggling involves the illegal transport of commodities across borders in order to evade taxes and customs duties on these goods. Organised crime involved with smuggling usually deals with high excise goods such as cigarettes, alcohol and petroleum, but also with vehicles and arms. According to the replies to the questionnaire, in most project areas smuggling is a market for organised crime. Recent research provides a useful background regarding the situation in Southeast Europe:

*"[...] Regional instability in the past thirteen years has undermined effective law enforcement throughout the region, has raised considerably the cost of regional trade and, thus, the stakes of smuggling, which consequently has become a breeding ground for organised crime on a regional scale."*⁷²

The war in the Balkans in the 1990s in general, and trades and arms embargo against Serbia in particular, offered unique opportunities and created demand for high tariff goods – petroleum, cigarettes and alcohol. The war effort involved allocation of lucrative licences for imports and state-endorsed smuggling in Serbia, involving a symbiosis between security officials, politicians, law enforcement and customs officers, and organised criminals. The sanctions fostered a development of regional smuggling channels, through Bulgaria, Romania, "the former Yugoslav Republic of Macedonia", Montenegro and Albania, dealing with petroleum, cigarettes, arms, and other commodities. Smuggling thus became an important source of income for various groups ranging from political elites to people living in border areas, relying on low level as well as high level corruption as a major part of smuggling business.⁷³

Although the scale of tax and customs evasion and smuggling has decreased due to normalization of the region, smuggling continues to be a significant crime. The smuggling networks established in the 1990s are still very much active, and have diversified into smuggling and trafficking in any commodities, illegal or legal, demanded by regional or western markets. Current efforts to establish VAT regimes and more liberalised trade between the countries will work to reduce – but not entirely abolish – dependency on excise revenue and customs. In the light of this, the regional economy and public coffers will continue to suffer losses.

In terms of a wider context, Europe continues to be a major tobacco market. The Council of Europe member States account for some 30% of world production in cigarettes, 60% of global exports and more than 50% of global imports. Given the size of the market and potential for earning additional profit when evading revenue duties, some 25% of cigarettes produced globally or more than 210 billion cigarettes (the difference between reported exports and imports) go to the black market. Of these about one third are believed to be smuggled into and within the Council of Europe member States. The recent smoking ban in public places in EU countries such as the Republic of Ireland and Italy may work to reduce the market in Western Europe. Still, Eastern European countries are likely to remain big consumers of cigarettes for the foreseeable future.

In South-eastern Europe, Greece appears to be one of the major countries of departure for cigarettes smuggled to Europe, while Italy is a key destination and transit country.⁷⁴ It is thus not surprising that, in terms of cigarette smuggling, South-eastern European countries

⁷² See Centre for the Study of Democracy's report *Corruption, Contraband and Organised Crime in Europe* (2003), p. 8

⁷³ *Ibid.*, p. 9

⁷⁴ See RILO (2001)

continue to express concern, not least because it is a part of a larger problem of economic crime.

Other goods are smuggled too: excise goods (alcohol and petroleum), food produce and livestock, clothing and fabric, etc., all of which rely on similar methods and networks. The replies point to the following:

- In Albania, 25% of all smuggling cases recorded in 2003 involve livestock, while 19% involves tobacco, followed by food produce, alcohol, and petroleum. In 2004, the number of recorded cases almost doubled to 164 cases, most of which involve excise goods, the value of which amounted to approximately €144 000. In terms of organised crime related cases, Albania recorded 14 cases involving as many organised groups, with a total of 62 perpetrators. Pirating and counterfeiting largely involves both goods produced abroad and in Albania, such as soft drinks.
- Bosnia and Herzegovina reported on an expansion of smuggling and sale of pirated goods of all kinds (alcohol, tobacco, food, etc.), namely those produced in neighbouring countries which are known to and favoured by local consumers. In 2003, BiH recorded 19 cases of smuggling which caused €14.168.058 loss in public revenue, while in 2004 there were 22 smuggling cases causing a total loss of € 28.301.319⁷⁵. The key reason for a thriving market for smuggling lies in the fragmentation of Bosnia and Herzegovina's internal economic zone, allowing for unique conditions for tax and customs evasion in the region and the existence of markets that sell smuggled goods, such as Arizona market in Brcko district. It is expected that the Office of the High Representative and BiH's government joint efforts from 2004 and 2005 to unify the fragmented tax collection system and establish the Indirect Taxation Agency will bring positive results in the future.⁷⁶
- Croatia suffers mainly from smuggling of excise goods, reporting 18 organised crime related cases, involving 17 groups with 127 perpetrators, of which 17 cases, 12 groups and 101 perpetrators respectively have been prosecuted, resulting, so far, in a conviction in one case.
- Cigarette smuggling through "the former Yugoslav Republic of Macedonia" goes mainly via Kosovo and Greek borders, which is also a main route for smuggling of technical equipment such as mobile phones, computer and computer parts. Textile goods originating in China are smuggled via Turkey and Bulgaria, which is also a source of food products smuggled to "the former Yugoslav Republic of Macedonia". It seems, however, that food smuggling services domestics market and involves numerous individual crossings in private vehicles to transport small amounts of goods, so called, "ant method". This kind of food smuggling seems to involve unemployed or underemployed people trying to make an additional income. The repacking, re-labelling, and selling expired food produce, as well as counterfeiting food produce popular with local consumers, on the other hand, require more sophistication. In 2003, "the former Yugoslav Republic of Macedonia" detected 8 organised groups involved in smuggling and recorded 174 cases. In the first 9 months of 2004, national authorities seized excise goods, mainly cigarettes and alcohol, of total value of approximately MKD 105 million or €1.72 million.

⁷⁵ The data has been provided by the Tax Administration Offices in Republika Srpska, FBiH, and District Brčko.

⁷⁶ For the High Representative's decisions in this field in 2004 and 2005 see www.ohr.int/decisions/econdec/archive.asp.

- Similarly, Montenegro seized approximately €1.7 million, also from cigarettes and alcohol smuggling. In addition, excise goods, petroleum smuggling between Montenegro and Bosnia and Herzegovina and livestock smuggling across the Albanian border have also been noted. The tobacco smuggling trade in Montenegro in the last 1990s has since been reduced due to a combination of international pressure and local government efforts.⁷⁷
- Serbia considerably reduced smuggling of excise goods following the regime change in 2000. Once prominent cigarette smuggling route via Montenegro has been closed and the new routes go via Kosovo, “the former Yugoslav Republic of Macedonia”, Bulgaria, Romania and Croatia. Smuggling of goods which are repackaged and sold in the market is a relatively new trend in the region, not only in Serbia. Seventeen organised crime related smuggling cases have been recorded in 2003, involving 9 criminal groups with 70 perpetrators, of which 16 cases involving 7 groups with 32 perpetrators have been prosecuted.
- Alcohol and cigarettes smuggled into Kosovo originate from Slovenia, Austria, Serbia, Montenegro, “the former Yugoslav Republic of Macedonia” and Greece, while counterfeit brands are produced mainly in Kosovo, but also in the neighboring countries, from which they are smuggled in to Kosovo. In 2004 and first half of 2005, 332 cases of smuggling of goods were recorded involving approximately 467 people.

Cigarette smuggling – how it works:

- Criminal organisations take advantage of the in-transit system, designed to allow temporary suspension of taxes and duties in order to facilitate international trade. Smuggling organisations use intermediary companies, most of which are fictitious in the Balkans, to place orders for tobacco or cigarettes. The purchasing, often fictitious company then instructs that the goods be transported to other countries outside the European Union. “The multiple transactions carried out before illegal shipments reach their final destination have the sole purpose of concealing the true purchaser, whose role is to supply the smuggling organisations”⁷⁸. Cigarettes are then provided with new papers and channelled to the local black market or smuggled back into the EU. Combating international tobacco smuggling networks is made even more difficult thanks to the narrow view of this problem as only an issue of tax evasion.
- Organised crime networks exploit opportunities and weak control structures of weak or badly governed states. Smuggled cigarettes and other excise goods are most prominent, while misrepresentation and underreporting of the value of goods is often concealed behind legal freight. Corruption of customs and border officers is key to this activity, use of false documents and invoices for freight crossing the border without “cooperating” officers. A widespread reliance on false IDs and fictitious companies used for smuggling and tax and customs evasion in the region indicate a degree of sophistication of what seems a developed and active market, often indicating collusion between organised crime groups and corrupt public authorities.

⁷⁷ OLAF Press Release OLAF/12/2003, *Olaf gives evidence at the trial on the "Montenegro Connection" involvement in international cigarette trafficking*, 30 April 2003, europa.eu.int/olaf; Article *Probe into Montenegro's role at illegal cigarette trade*, Financial Times, 9 August 2001; Article *Montenegro: Prime Minister Denies Allegations of Cigarette Smuggling*, Radio Free Europe, 7 November 2003; and *Transport, Smuggling and Organised Crime*, Centre for the Study of Democracy, Sofia, 2004.

⁷⁸ Council of the European Union (2004).

- At the heart of organised smuggling of cigarettes, there is a fine line between a legal sphere when untaxed cigarettes are ordered and procured, and an illegal sphere when the procured shipment is provided with false papers or placed on a black market. It is in this precarious area where multinational tobacco companies allegedly collude with organised criminals, or conveniently claim ignorance about the much abused transit trade, often with the knowledge or involvement of public authorities. Both of these actors benefit the most from the smuggling scheme:⁷⁹
- Smuggling stimulates demand offering low priced goods without lowering the wholesale price. Moreover, maintaining competitive advantage in the market offers incentives for collusion between the manufacturers and the organised smugglers, thus feeding the vicious cycle.
- Smuggling serves as a market entry strategy as it makes cigarette brands available at low prices to image-conscious young customers in low-income countries.
- Tobacco manufacturers use the fact of smuggling to lobby for tax reductions, arguing that high excise taxes are the main incentive for smuggling.⁸⁰

Trends in South-eastern Europe:

- Thanks to gradual normalization of the region, smuggling via illegal border crossings has been reduced. The border service and customs reforms are currently being implemented in the region, namely through the EU assistance programs such as EC's CAFAO mission to Bosnia and Herzegovina since 1997, and to Serbia and Montenegro and to "the former Yugoslav Republic of Macedonia" in the early 2000s.
- Better border control and closure of illegal border crossings may have influenced the smuggling market to rely on legal border crossings, requiring a more sophisticated modus operandi and reliance on production of false documents and IDs, fictitious companies and corruption to pave way into the legal structures. Given that smuggling of legal goods responds to economic and market incentives, law enforcement efforts and stricter border control cannot be a panacea for this problem. Possible solution should involve a combination of economic measure and repressive measures.

⁷⁹ Joosens and Raw (1998)

⁸⁰ In 2002, the European Community sued American tobacco companies for colluding with criminal organisations resulting in an annual loss in taxes and customs duties for the European Union of billions of Euros. Charges included money laundering offences, corruption and trade with terrorist groups and state sponsors of terrorism. From the EU appeal 10 July 2002. See also Press Release of 31 October 2002. In July 2004, Philip Morris International announced that it had reached a deal with the European Commission under which it would pay a billion dollars to the EC and take measures to control smuggling while the EC would drop the US court case. (www.ash.org.uk/html/press/040709.html)

3.1.6 Money laundering

One common denominator to all organised and serious crime is the pursuit of profit. Thus ill-gotten gains may be reinvested in the crime business or legal business, consumed or hidden away. To prevent their seizure and confiscation, the proceeds are laundered so they become indistinguishable from legitimately earned money.

Reporting of suspicious financial transactions throughout Europe has increased in the past few years,⁸¹ which may possibly reflect not only an increase in money laundering activities, but also vigorous activities in tracing finances for terrorism after the September 11th, an extended list of reporting entities; and improved anti-money laundering systems in many European countries, with more active financial intelligence units.⁸²

Influenced by this momentum, South-eastern European countries have also embarked on setting up anti-money laundering framework and financial intelligence units. In Bosnia and Herzegovina, “the former Yugoslav Republic of Macedonia”, Kosovo and Montenegro, financial intelligence units are still in the early phases of operation. In addition to this, financial investigations as an essential tool for tracking the proceeds of crime have yet to be put in practice. As a consequence, in addition to anecdotal evidence and observations from law enforcement agencies in the region, little official data has been reported about whether and how young anti-money laundering systems operate. Still, these early efforts have investigated and prosecuted some cases, few of which resulted in convictions. Of those in which property was seized, countries involved have reported difficulties in managing that property or selling it in the market. Examples involve inability to sell a confiscated boat used for trafficking of human beings or houses bought with laundered money largely due to fear of previous owners by potential buyers.

In European countries most investigations of organised crime are drug-related, and one would assume that most laundering is detected in connection with drugs. However, given the importance of economic crime in South-eastern Europe, laundering connected with economic crime and drugs might possibly be of the same prominence. Fraud, tax and customs evasion, and embezzlement might have to make up a bulk of financial investigations in the future.

Money laundering commonly relies on three-stages:

- **Placement** – the ways in which direct proceeds from crime are channelled into the financial systems, typically in the form of cash payments.
- **Layering** – the circulation of funds through a succession of financial transactions to erase any connection of the placed capital to its criminal origin, typically through money transfers or cheques
- **Integration** – the investment of originally criminal proceeds into legal and economic flows, typically into real estate, business capital, valuable objects.

The project areas report occurrence of all three stages and have provided examples of money laundering characteristics specific to the region:

⁸¹ United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988) initially aimed at confiscating the proceeds of drug-related crime, while the adoption of the Council of Europe Convention on the Laundering, Search, Seizure and Confiscation of Proceeds from Crime of 1990 (CETS 141) and the subsequent recommendations of the Financial Action Task Force (FATF) aimed at the establishment of anti-money laundering systems that targets the proceeds of all crimes. These systems are primarily geared towards suspicious transactions which may be related to money laundering. Council of Europe (2005), p. 45

⁸² Ibid., p.46

- Albanian authorities report only 2 cases of money laundering recorded until 2003 in which property was seized from construction companies. In 2004, 6 cases were recorded and measures were taken to seize the proceeds of crime (property). There are many ways of laundering money in Albania, a significant amount of which originates from crime committed by Albanian organised crime groups abroad. The most dominant sector is construction business, while coastal and urban areas are the most attractive as they offer potential to earn good returns on the initial investment.
- Bosnia and Herzegovina authorities recorded 8 money laundering cases in 2003 and 16 cases in 2004, of which 2 cases involving 2 persons ended in conviction in 2004. The amount of money that was being laundered in the recorded cases amount to KM 53 million (approximately €26.5 million), of which KM 2 million (approximately €1 million) was qualified to have come from tax evasion.

The most dominant way for laundering money from tax and customs evasion, is by using fictitious companies, set up relying on ID fraud and corruption. This method allegedly involves a high degree of vertical integration into the legal structures thanks to collusion between the political and economic elite.⁸³ A key element of this scheme is an inter-entity division between Republika Srpska and the Federation of Bosnia and Herzegovina, with separate law enforcement, banking, tax, and registry system.

The fictitious companies are used in several ways: company registered on a real person who stays out of business and is paid by the criminals to set the company up; company registered using false or stolen ID, indicating lax control by municipal, court and banking officials; company which uses false registration documents to conduct business; and companies which use all of the above methods but are registered in the other entity making check-ups even more difficult. The next step for money launderers is to make contacts with banks, identify corruptible officers, be they bank tellers or some of the executives in that bank, and link with corrupt officers from other institutions such as police, Ministry of Finance, Ministry of Transport, Ministry for Telecommunications, Border Service, and transport companies.

A large amount of proceeds of crime comes from tax and customs evasion. Sums over KM 30.000 (€15.000) are broken into smaller deposits to avoid detection and are distributed over several bank accounts, using paid couriers for this purpose. Bosnia and Herzegovina still has sales taxes system which puts an onus of tax payment on the final buyer – in this scheme a fictitious company – allowing the seller, usually an import/export company to claim ignorance over the validity of company to which the goods were sold. Given that the final buyers are “straw” companies set up for money laundering, the main culprits are importing companies. The proceeds are integrated through purchase of real estate, luxury goods, and privatization.

- In Croatia, opportunities for money laundering were provided by privatization as the process itself did not require any control of the origin of the invested money. It is thus not known how much money was laundered in Croatian privatization. In terms of integrating illegal proceeds, the Croatian sea coast seems to be most profitable (companies and real estate) and attracts both Russian and domestic investors. On

⁸³ Removal of Dragan Covic, member of the BiH Presidency, by the High Representative, Lord Ashdown, in March 2005 has been linked to an alleged abuse of office. Mr. Covic has been indicted by the BiH Prosecutor’s Office for allegedly giving unwarranted tax breaks to his business associates while he was a finance minister between 2000 and 2003. Mr. Covic’s guilt or innocence has yet to be proven before a court of law. For details see BBC News article *Ashdown Sacks Top Bosnian Croat*, 29 March 2005, newsbbc.co.uk/1/hi/world/Europe/4390635.stm. The High Representative decision dismissing Mr. Covic from office is available at www.ohr.int/decisions/removalssdec/archive.asp.

average, 50 notifications on suspicious transactions (STRs) were reported to authorised bodies. In the period between 1999-2004, the Croatian police investigated 42 criminal acts of money laundering, perpetrated mostly by Croatian citizens, with predicate crimes mostly linked to drugs and tax fraud. During this period there were two verdicts related to the money laundering resulting in confiscation of €2.5 million made in the drugs business.

- In “the former Yugoslav Republic of Macedonia”, the initial opportunity for money laundering was provided with the Euro change in 2000. Since then, significant amounts of cash from Kosovo were deposited, with which “the former Yugoslav Republic of Macedonia” does not have electronic banking circulation between. Similar to other countries in the region, national authorities have undertaken three investigations since 1997, indicating very strong international connections.

Most placement and layering of the proceeds from crime is done through abuse of non-resident bank accounts; wire transfers; a system for fast money transfer; trading with real estate and other commodities; working with enterprises set up in the off-shore centers; abuse of the export-import companies and companies with one employee with set up with the purpose of hiding the proceeds; and physical transfer of cash across the border.

An example of money laundering in “the former Yugoslav Republic of Macedonia” is as follows: a tobacco and sugar international trading company uses several bank accounts in several banks in “the former Yugoslav Republic of Macedonia”, from which it uses funds to purchase large shipments of cigarettes, which are then exported to another country. Accidentally, no evidence exist that the shipment had entered and was custom cleared in the import country, indicating that the cigarettes were probably sold in the black market. A similar method was used for sugar shipment, earnings from which were then deposited in cash on bank accounts in “the former Yugoslav Republic of Macedonia”. The profit, however, was not registered in tax records indicting tax evasion in the import country. The proceeds thus earned were invested to buy 35% of shares in a large commercial facility for €800,000, and to buy shares in the bank used for money transfers for €700,000. The rest of earnings, some €830,000 were used as a bank deposit to open up a branch in “the former Yugoslav Republic of Macedonia” of a company originating from Cyprus. Once the branch office was set up, the €830,000 were transferred to the mother company’s account in Cyprus, thus completing a money laundering cycle. The branch company continued to be used for trade in sugar and other commodities, earning proceeds which were invested in real estate.

- The international dimension of such money laundering cases is very prominent, allowing the culprits to conceal their trace and escape jurisdiction of the countries in which they commit part of their crimes.
- Montenegro provided no information on money laundering, but anecdotal evidence suggests that similar to Albania and Croatia, the most vulnerable sector to money laundering is the coast attractive to Russian illegal capital, while coastal area bordering Albania and surrounding town Ulcinj seem to attract Albanian illegal capital. Some cash transfers across the border have also been noted.⁸⁴
- In Serbia, similar to the rest of the region, large quantities of illegal proceeds appear to come from tax and customs evasion, as well as drugs, human trafficking, and violent crime. Proceeds are laundered in privatization process, and through purchasing of real

⁸⁴ Based on interviews with Montenegro’s law enforcement officers in CARPO workshops and seminars.

estate and movable goods, using bank accounts in country and abroad (off-shore). A money laundering case discovered through investigation of kidnapping, involved investment of these acquired proceeds in purchasing apartments and luxury vehicles. The investigation was successfully completed in collaboration with law enforcement agencies from the region. Otherwise, the reply to the questionnaire did not provide any records on money laundering cases.

- Kosovo established a legal framework for the prevention of money laundering at the beginning of 2005. The UNMIK's Financial Information Centre (FIC) is now established and is in an early operational stage. Although no prosecutions have been completed under the new legal framework for the prevention of money laundering, several cases have been opened and are currently being investigated.

The methods for money laundering in South-eastern Europe thus seem to be somewhat less sophisticated than in European and other countries with developed financial markets.⁸⁵ Although most European countries report that the investment of criminal proceeds in legal businesses has become a regular part of the modus operandi of organised crime groups, as reflected among other things in the increasing number of investigations, prosecutions and convictions for money laundering,⁸⁶ such practice has yet to be emulated by South-eastern European countries.

⁸⁵ The Financial Action Task Force indicated the following trends in money-laundering and its possible links to financing terrorism: wire transfers as fast and efficient way of moving funds, can also be used for financing terrorism; misuse of non-profit organisations may be a "potentially serious terrorist financing problem"; vulnerabilities in the insurance sector facilitated by inconsistent regulations may be abused for the integration of crime proceeds; members of political elite, with current or past prominent public roles in financial crime, particularly corruption, often "conceal their illicit assets through networks of shell companies and off-shore banks"; and "Gatekeepers" – professionals specializing in law and financing – often facilitate money laundering operations. See FATF (2004).

⁸⁶ A regular evaluation of effectiveness in combating money laundering is undertaken through Council of Europe's monitoring mechanism MONEYVAL (www.coe.int/moneyval)

3.2 ORGANISED CRIME GROUPS

3.2.1 Organised crime cases and groups

Estimates on the number of organised crime groups and cases pose significant problems. Nevertheless, the replies to the questionnaire provided by project areas suggest the following:

- The most influential organised crime groups are indigenous, with very strong connections in the region and in some cases in EU countries.
- In terms of threat that organised crime groups from the region pose to the EU, ethnic Albanian groups originating from Albania, Kosovo and “the former Yugoslav Republic of Macedonia” continue to evolve from facilitators for other organised crime groups to achieving full control over certain trades such as drug trafficking, illegal immigration and trafficking in human beings in specific geographical areas. Their competitive advantage seems to rest on their tight organisational structure based on kinship and readiness to use violence.⁸⁷
- The lack of detailed data on organised crime groups in the Balkans is rooted in the fact that most countries started to systematically collect data on organised crime only few years ago, and some, like Montenegro, have yet to commence. As a result, crime intelligence systems for organised crime data collection vary between the countries, and some countries when reporting on organised crime cases in different markets, were unable to provide data on organised crime groups involved in those cases. The tables provided below are thus rather tentative.

Tables: Number of organised crime cases and groups in 2003 and 2004

Albania

The numbers in italics refer to the total number of recorded cases and perpetrators involved for 2004, which may or may not involve organised crime

	OC cases recorded	Cases investigated or prosecuted	OC groups involved (prosecuted)	Perpetrators recorded (prosecuted)	Convictions
Economic crime	17	17	17 (17)	52 (52)	
Drugs Trafficking	40 <i>363</i>	40	40 (40)	142 <i>359</i>	
Trafficking in human beings	17	17	17 (17)	61	
Smuggling in persons	16	16	16(16)	58	
Smuggling and counterfeiting of legal goods	14	14	14(14)	62	
Money laundering	1	1		2	
Corruption	1	1	1(1)	4	

⁸⁷ Europol 2004, p. 8.

Bosnia and Herzegovina

The numbers reported refer to the total number of cases that are not necessarily linked with organised crime, while numbers reported in [xxx] brackets refer to number of cases from 2004.

NOTE: The numbers in italics account for cases and conviction by the BiH court (state level). In 2005, the Court issued four convictions against six perpetrators for the involvement in organised crime. The crime markets in which these organised criminals were operating were not specified. BiH* - The numbers of convictions presented account for convictions in Republika Srpska, and not convictions from the Federation of BiH and Brcko District.

	OC cases recorded	Cases investigated or prosecuted	OC groups involved (prosecuted)	Perpetrators recorded (prosecuted)	Convictions
Economic crime	941[907]	941[907]	-	1169[1177]	298[168] cases; 435 [212]perpetrators*
Drugs Trafficking	368[332]	368[332]	-	427[412]	54[46] cases; 73 [55] perpetrators; 3 cases; 6 perpetrators
Trafficking in human beings	14[11]	14[11]	-	19[17]	5[7] cases; 8[13] perpetrators; 1 case; 6 perpetrators
Smuggling in persons	3[5]	3[5]	-	2[5]	-
Smuggling and counterfeiting of legal goods	-	-	-	-	
Money laundering	8[16]	8[16]	-	10[26]	2 cases (convicted in 2005)
Corruption	-	-	-	-	

Croatia

	OC cases recorded	Cases investigated or prosecuted	OC groups involved (prosecuted)	Perpetrators recorded (prosecuted)	Convictions
Economic crime	14	12	14 (10)	97 (63)	3
Drugs Trafficking	86	77	82 (24)	294 (122)	10 cases; 6 groups; 39 perpetrators
Trafficking in human beings	3	2	3(1)	11(3)	
Smuggling in persons	15	15	11 (7)	83 (50)	5 cases; 1 group
Smuggling and counterfeiting of legal goods	18	17	17 (12)	127(101)	1 case
Money laundering	1	1	1(1)	1(1)	
Corruption	2	2	2(2)	6 (6)	

Kosovo

The numbers presented in [xxx] brackets refer to the total number of cases, some of which involve organised crime.

	OC cases recorded	Cases investigated or prosecuted	OC groups involved (prosecuted)	Perpetrators recorded (prosecuted)	Convictions
Economic crime	3 [4968]*	-	3	600	
Drugs Trafficking	15[256]**	15	-	150**	
Trafficking in human beings	82[103]	0	-	- [86 perpetrators arrested]	
Smuggling in persons	[234]	-	-	-	
Smuggling and counterfeiting of legal goods	[332]***			467***	
Money laundering	2	-	-	-	
Corruption	-	-	-	-	

* The total number of recorded economic crime cases is 4968 of which only 3 are linked with organised crime.

** The total number of drug related cases (trafficking and production) in Kosovo and abroad is 256, of which 15 is related to organised crime. The total number of perpetrators involved in drugs market (trafficking, production and sale) is 458 of which more than 150 perpetrators are linked with organised crime cases.

*** The total number of smuggling and counterfeiting of legal goods cases is 332 involving more than 467 perpetrators, of which an unknown number, if any, is linked with organised crime.

Montenegro

With the exception of trafficking in human beings presented in bold font, the number of organised crime related cases in other crime markets is not known. Therefore, the numbers reported refer to cases the total number of cases that are not necessarily linked with organised crime. The numbers presented in [xxx] brackets refer to the number of cases from 2004.

	OC cases recorded	Cases investigated or prosecuted	OC groups involved (prosecuted)	Perpetrators recorded (prosecuted)	Convictions
Economic crime	1358[1320]	-	-	1877[1707]	
Drugs Trafficking	300 (cases of drug possession per year)	-	-	250-300 perpetrators per year	
Trafficking in human beings	10	-	7	31	
Smuggling in persons	-	-	-	-	
Smuggling and counterfeiting of legal goods	-	-	-	-	
Money laundering	-	-	-	-	
Corruption	302(221)	-	-	(576)	

Serbia

	OC cases recorded	Cases investigated or prosecuted	OC groups involved (prosecuted)	Perpetrators recorded (prosecuted)	Convictions
Economic crime	38	38	12 (10)	158(104)	
Drugs Trafficking	19	15	47 (19)	213(75)	
Trafficking in human beings	17	8	16(7)	106 (83)	
Smuggling in persons	27	19	16(5)	64(37)	
Smuggling and counterfeiting of legal goods	17	16	9(7)	70(32)	
Money laundering	-	-	-	-	
Corruption	18	15	4(4)	81(53)	

“The former Yugoslav Republic of Macedonia”

	OC cases recorded	Cases investigated or prosecuted	OC groups involved (prosecuted)	Perpetrators recorded (prosecuted)	Convictions
Economic crime	8[133]	-	8	35[155]	
Drugs Trafficking	14 [19]	-	14[40]	48	
Trafficking in human beings	21[19] 73	-	13[42]	52 121	
Smuggling in persons	8[21]	-	4	12[28]	
Smuggling and counterfeiting of legal goods	8[14]	-	8	11[17]*	
Money laundering	-	-	-	-	
Corruption	[32] 536			[33] 664	

* The numbers in [xxx] account for counterfeiting money and extortion, of which 11 cases involving 22 perpetrators account for extortion, while the rest accounts for counterfeiting money.

3.2.2 The structure of organised crime groups

The concept of organised crime groups as ethnically homogeneous, formally and hierarchically structured, multi-functional bureaucratic criminal organisations that confront society is changing⁸⁸. The Council of Europe’s 2004 Crime Situation Report shows an important shift indicating decentralization of previously highly hierarchical Cosa Nostra, and “flattening” and “networking-like” crime groups and markets in other countries.⁸⁹

In South-eastern Europe, criminal networks crossing borders seem to be dominant. Vertical integration in terms of an established hierarchy varies depending on the crime market, with drug trafficking as being the most vertical and the market for smuggling in persons as the least vertical. Organised crime groups involved with economic crime are relatively vertically

⁸⁸ Examples include Mafia family-type organisations, such as the Costa Nostra in Sicily; groups from the former Soviet Union exhibiting a clear division of tasks such as brigade leaders, fighters, financiers, network personnel, etc., where membership fees are often paid; and anglo-saxon ‘firm’-type organisations with permanent members, distinct roles and clear chains of command. See Von Lampe (2001).

⁸⁹ See Council of Europe, *Organised Crime Situation Report 2004: Focus on the threat of cybercrime*.

integrated insofar as they are connected to political and economic elite. In terms of operational structures, it can be said that flat network structure in which various tasks and services are “outsourced” is its mark.

Exclusive ethnicity is becoming less meaningful as criteria, since in many countries organised crime groups are reportedly of a multi-ethnic composition, with a dominant membership of nationals of the country in which crimes are committed. The exceptions are Albanian organised crime groups which are almost exclusively ethnically Albanian, but may outsource certain activities to other ethnic groups operating in the same geographical area.

The notion of clearly defined hierarchical organisations seems to be increasingly replaced by that of criminal networks consisting of individual criminals or small cells of criminals, with a varying degree of penetration into the legal structures (most often legal commercial structures), enlisting professionals such as lawyers, accountants, financial services experts, and public notaries for certain services namely economic crime and money laundering.

The common denominator to all organised crime groups or networks in South-eastern Europe is money laundering and a certain level of corruption (low to high level), thus connecting legal and illegal structures which are organising for crime.

3.2.3 Modi operandi

An assessment of the modi operandi of organised crime groups provides some insights as to the relationship between organised crime groups and society and whether it is one of confrontation or of symbiosis.

3.1.0 USE OF VIOLENCE AND INTIMIDATION

Violence is utilised to enforce discipline within an organised crime group or against competing groups. Ethnic Albanian groups are reported to be among the most violent ones in this respect, although violent altercations between criminals have also been noted in Bosnia and Herzegovina and Serbia.

Intimidation and violence against victims are intrinsic to robbery, extortion and racketeering, as well as trafficking in human beings. It is also common to drug market as means to solving rivalry claims. Although violence in trafficking in human beings was the main method for ensuring co-operation of victims, recent trends, however, suggest that violence may attract unwanted attention of law enforcement agencies and “hurt the business”, prompting the criminals to find alternative methods for ensuring victims compliance, such as providing modest pay and better living conditions as practiced by traffickers in Bosnia and Herzegovina and Kosovo.

In most countries, witnesses in organised crime cases are believed to be at risk, in particular if they are collaborators of justice, that is (former) criminals themselves. South-eastern Europe is lagging behind the rest of European countries in providing witness protection programs, facing funding limitation as well as limited geographical space in which to relocate witnesses. This is why regional solutions to this problem are now being explored.

In most South-eastern European countries organised crime groups avoid open confrontation with public authorities. However, there are exceptions:

- In Albania, the use of violence by organised criminals against officials is reflected in the large number of law enforcement officials killed in recent years
- In Serbia, after years of a symbiotic relationships between security and special forces and the Milosevic regime an attempt to undue these connections and limit the power of organised crime the new government lead by Prime Minister Zoran Djindjic ended in his assassination and attempted murders of other senior state officials in Spring 2003.

3.2.3.1 CORRUPTION AND USE OF INFLUENCE

Influencing the public administration, politicians, tax and customs administration, border service, the criminal justice system, the media, and the private sector through use of bribery and other means of corruption such as reliance on patron-client relationships, nepotism, favouritism, family ties, ethnic relationships, relations to persons in powerful positions or 'politically exposed persons'- have been a primary tool for organised crime groups to bridge over to the legal sector. Financing of individual politicians, of political parties and electoral campaigns, and in some cases war criminals plays an important part in this respect. Corruption breeds long-term relationships which are more sustainable and reliable than those based on violence and intimidation.

Organised crime groups may use corruption by strategically hiring legal and business experts as intermediaries or brokers or by planting associates in relevant political or administrative positions, namely those in law enforcement and security sector.

Corrupt officials may tolerate or participate in criminal activities or protect criminals from law enforcement, or – in the case of senior officials – sponsor organised crime groups. In some countries in transition, corruption appears to have permeated most structures of public life, including law enforcement and criminal justice systems. Low salaries, unemployment, insecurity and poverty, and often the example set by senior officials, make public officials vulnerable targets and reliable partners of organised crime groups. The greater the penetration into the legal and governance sector the greater the flexibility for organised crime to adapt to new situations and change their modus operandi.

While there is a general perception – as reported by most countries – of close links between corruption and organised crime, hard data and precise analyses as to the exact connection between corruption cases and organised crime are limited.

- In 2004, Albania recorded 443 prosecutions for corruption, although it is not clear how many of them were related to organised crime.
- Croatia recorded 2 corruption cases linked with two organised crime groups involving 6 persons. Both cases were prosecuted. Other corruption cases were recorded, including those of judges and court officials in charge of registry offices issuing title deeds. No link with organised crime has been revealed.
- According to the official data, Montenegro registered 305 corruption related cases in 2003 and 221 cases in 2004, none of which indicated any links with organised crime. Most of corruption related cases in Montenegro, for which there are very few convictions, account for abuse of official position⁹⁰.

⁹⁰ In Montenegro's criminal code corruption is not defined as a specific criminal offence. Rather, there are several criminal offences with elements of corruption such as passive and active bribery, insider trading, abuse of official position, and abuse of position in economic sector, embezzlement, etc., carrying sentences between 2 and 12 years. The reason for a low numbers of convictions appears to be in securing

- Serbia recorded 18 cases involving 4 organised crime groups with 81 perpetrators. Of these, 15 cases were prosecuted along with all 4 groups and 53 perpetrators.
- Kosovo reported 20 economic crime and corruption cases in 2004.
- In 2004, “the former Yugoslav Republic of Macedonia” recorded 536 corruption cases involving 664 perpetrators of which 505 cases account for abuse of official position, while 31 cases involve other corruption criminal acts. No link with organised crime has been revealed.

The main element allowing continuance and growth of criminal groups operating in the Balkans is their ability to act in one or more territory and in several markets, their ability to use a variety of legal and clandestine routes, their managerial approach to trafficking, and their ability to supply whatever the market demands. In the Balkans, in Kosovo, Bosnia and “the former Yugoslav Republic of Macedonia” in particular, criminal groups have been able to change both their structure, and their operating strategies to adapt very effectively to anti-trafficking programmes put in place by law enforcement agencies and legislators.⁹¹

In Bosnia and Herzegovina, new and younger managerial figures appear to be putting a lot of investments into the trafficking business and work on penetrating the legal governance structures relying on corruption. Also, the use of complex protective rings allow for consolidation and growth. First ring relies on corruption of state officials, law enforcement officers (police and military), politicians, and occasionally foreign officers in consulates and embassies (to modify the forms and methods of operation). The second ring serves emergency protection and relies on logistical structure to move victims from visible venues to private apartments, escort agencies, etc. The third protection ring is based on raising the standard of living for the victims through pay and better working environment to secure co-operation and better control.⁹²

3.2.3.2 SHIELDING PRACTICES

Shielding practices have become an important modus operandi of organised crime groups to protect themselves from law enforcement and maintain their position on the criminal market against competitors. They are a major reason for the duration and complexity of investigations into organised crime.

The most common shielding practices are aimed at protecting communication between criminals and largely utilise mobile phones with disposable SIM cards, as well as changeable means of communication and their frequent variation, coded oral and written messages, and data encryption. In some cases criminals feel so confident and at a low risk of detection that they meet and arrange ‘business’ in public, for example illegal border transfer of migrants.

Defensive shielding against public authorities may include counter-surveillance, bribery, strategic networking, buying information or surveying investigative authorities.

Offensive approaches appear not to be in practice but may include active tracking of civil servants and members of judiciary, pressure on them and their families, creating conditions

evidence, especially for bribery. Use of special investigative means (SIMS) is not allowed for corruption related crimes.

⁹¹ See IOM (July 2004), p.12

⁹² Ibid., p.13

for blackmail and other methods, all of which has been noted through anecdotal evidence⁹³, rarely, if ever, ending in a public investigation and conviction.

Given the prominence of economic crime and money laundering common to all types of crime, the use of legal commercial structures by organised crime groups is thus ubiquitous through collaboration with one or more insiders (bank and registry officers, etc.) owning or investing in legal structures, and setting up fictitious companies⁹⁴.

Sectors such as real estate, car dealerships, the construction and entertainment sector, gambling and sex industry, security firms, transport, import/export companies, banks, and any lucrative privatization opportunity are preferred by organised crime groups given that they are cash-intensive business. As organised crime groups become more sophisticated and professional, any sector may be used, ranging from investment in shares in foreign companies, the creation of or participation in financial holdings, and loaning or investing in a company with the purpose of a subsequent take over.

The close links of organised crime groups with legal commercial structures throughout South-eastern Europe point at an important trend of intensifying connections between the legal and the illegal world, with the boundaries between the two becoming increasingly blurred.

3.2.3.3 TRANSNATIONAL OPERATIONS

In the age of globalisation, territorial control is less relevant than the global exploitation of opportunities for criminal profits. In the case of the Balkans, global is largely reduced to regional, with strong links to EU countries.⁹⁵

Reports by the countries suggest the involvement of large variety of nationalities in organised crime in practices that cross national borders. At the same time, the majority of suspects are from the country where the offences are committed, supporting the argument that organised crime consists of networks whereby individuals or smaller groups are involved in particular transactions in a given country.

⁹³ Interviews with law enforcement officers from the region conducted between September 2004 and June 2005.

⁹⁴ The use of commercial structures serves different purposes such as to: cover or shield for illegal activities; provide logistical support and other services for criminal activities; facilitate money laundering; link with public authorities and other legal structures of society; participate in public procurement; diversify business interests; control or monopolise markets. See CoE (2005), p.57.

⁹⁵As per Article 3 (2) of the United Nations Convention on Transnational Organised Crime, an offence is 'transnational in nature' if: (a) It is committed in more than one State; (b) It is committed in one State but a substantial part of its preparation, planning, direction or control takes place in another State; (c) It is committed in one State but involves an organised criminal group that engages in criminal activities in more than one State; or (d) It is committed in one State but has substantial effects in another State.

4. Threat Assessment

The threat of organised crime to human rights, democracy and the rule of law has been on the Council of Europe's and EU agenda for some time. The countries of South-eastern Europe are no exception. The EU accession prospects for the region are closely linked with countries' efforts against organised crime and steady improvement of the rule of law, as mentioned in the EU Road Map and the Stabilization and Association Agreements.

Organised crime and economic crime are likely to remain a significant concern to the European countries. The instrumentality of the Balkan route for organised crime activities in the region as well as in the EU is likely to remain. Moreover, the position of the "Western Balkans" as a non-EU island surrounded by EU countries following the accession of Romania in Bulgaria scheduled for 2007 is likely to intensify expectations in the South-eastern European countries to join the EU. Creating and implementing an effective and knowledge-based public policy against organised and economic crime is thus of crucial importance.

The Situation Report on Economic and Organised Crime Situation in South-eastern Europe should thus be a step towards a better understanding of this phenomenon and the first of such sort created to bring to light its regional dimension. As the countries' capacities for organised crime data collection and analysis will be improving in the future, so will the quality of their strategic crime analyses.

South-eastern Europe is sandwiched between the demand for illicit goods in affluent western European countries and suppliers of such goods in Eastern Europe. It is therefore a major transit area for illicit goods and services, the impact of which affects largely countries outside of the region. On the other hand, economic crime which is widespread in the region has a serious impact on public revenue, capacity of state institutions depending on this revenue, and legitimacy of the governing and judicial institutions, the effects of which have been felt exclusively by the citizens of the Balkan countries. Balancing these two priorities will be a major challenge for the region in the near future.

The transition and the EU accession process entail thorough reforms of legal and institutional framework not only in the area of criminal justice, but also in the area of economy, governance, politics, social security, education, health, etc. For the countries to succeed in their transition and to join the EU, all these reforms are important and require perseverance and time. Obviously, a social phenomenon like organised crime cannot be combated solely by repressive means. Preventive measures and other factors, namely economic development, also play an important role and therefore require the necessary attention.

4.1 MAIN THREATS

Crime markets in South-eastern Europe are evolving. Since the opportunities provided for organised crime by the conflicts in South-eastern Europe in the 1990s, organised crime has evolved into a more complex phenomenon. The main threats identified by the countries are organised crime in relation to drugs, economic crime, trafficking in human beings and finally corruption, which is related to all of these offences.

4.1.1 Drugs

From being an exclusively transit area for drugs from East to West, the region has recently experienced transit of synthetic drugs and chemical precursors for drug production from West

to East. Also, the region is no longer only an important cog in a drug supply chain, but is increasingly becoming a user market as well. Despite the lack of data on drug users which could serve to substantiate this claim, the countries have reported concerns with a growing number of drugs users amongst young people, particularly in Bosnia and Herzegovina, Serbia and “the former Yugoslav Republic of Macedonia”. To assess and quantify these concerns, countries will have to undertake public surveys of potential drug users. If the upward trend of drug users proves to be true, the policy response will require a complex set of both repressive and preventive measures in dealing with drug abuse.

After a decade and more of activity, drug traffickers have earned substantial financial power and are using it to diversify activities in commercial sectors, exert undue influence on governance structures and buy legitimacy and a way into political and economic spheres. The means vary, ranging from corruption to setting up media outlets to manipulate public opinion. The financial power is closely linked with a trend of consolidating power in the drugs market by assuming more complex operations of not only trafficking but also producing and distributing drugs. All these trends indicate that organised crime related to drugs has “matured” – making their impact felt in the region and not only in the foreign markets. This poses a greater challenge to the governments in the region, requiring them to resort to more sophisticated repressive measures practiced on a regional level, as well as to establish more complex preventive programmes within national borders.

4.1.2 Economic Crime

The regional specificities of a common past, language and close connections, an unprecedented displacement of people within and outside the region suitable for ID fraud, low institutional capacity of state institutions and demand for certain goods caused by war or other factors, and the new national borders offer plenty of opportunities and high profit margins for criminals who organize to take advantage of them. Tax and customs evasion, public procurement and privatization fraud are causing great losses of public revenue measured in billions of euros and are working to undermine public trust in governance and law enforcement institutions. Although the impact is largely felt by the citizens of the Balkan countries, the long term consequences may have implications for an overall regional stability and economic development of these countries and affect the EU interests in the region. As long as a vast majority of people have bleak economic prospects and opportunities to engage with society in a beneficial and constructive manner, especially young urban males, they will remain an easy target for recruitment for illegal activities.

Economic crime is not unique for these transition countries, and the new member states have successfully dealt with some of these problems during their accession process. Those lessons should be considered for finding a comprehensive regional solution to this problem.

Despite countries’ concerns, the scope of the economic crime problem is not fully known. Modi operandi of economic crime are better known than the impact it is making on the countries. The first necessary step that the countries can make is to improve their capacity for assessing the impact of economic crime. Such an assessment will require inter-agency collaboration involving not only law enforcement agencies, but also tax and customs administrations, ministries of finance, audit institutions, financial intelligence units, registry offices and other agencies that may hold information on finances and economic activity.

4.1.3 Trafficking of human beings

Recent repressive measure that countries have undertaken had a positive impact in reducing the number of trafficked persons into the region. These measures may have also contributed

to the market shift manifested in a subtler, more long-term oriented, *modi operandi* of criminal groups and local recruitment rather than relying on foreign victims of trafficking.

The practice of trafficking of human beings has been going for some time, and consolidation of criminal activity in terms of building closer connections with law enforcement and governing structures through corrupt practices, and servicing a growing domestic market provides additional challenges for policy makers. Such a market shift requires a more comprehensive approach to trafficking with subtler repressive measures as well as preventive measures to curb local recruitment, reduce domestic sex markets, and deal with possible public health issues that such markets carry.

4.1.4 Corruption

Corruption permeates all the above-mentioned markets as an important shielding practice for organised crime activities and a main tool for penetrating legal governance and economic structures. It involves bribery and other corrupt activities and targets both lower level public officers to address operational needs (police, customs, and tax officials, security officers, public registry officers, etc.) and higher level corruption (prosecutors and judges, politicians, members of parliament, intelligence community, etc.) to address longer-term objectives.

As such, corruption undermines efforts against organised crime and works to diminish public trust in state institutions. The countries have recognised this problem and have undertaken a variety of measures, legislative and others, to address it. More work, however, needs to be done, namely better targeted investigation and prosecution of corruption directly linked with organised crime.

4.2 COUNTRY PROFILES⁹⁶

4.2.1 Albania

The origin of organised crime in Albania is linked to several factors: the pyramid scheme crisis in 1997 in which huge financial resources shifted into the hands of the few causing public outcry and change of the government; and large scale migration of Albanians, particularly to neighbouring Greece and Italy, nurturing close links between the newly established diasporas and the native country that serve as vehicles in transferring novel legal and illegal practices. Large migration in the 1990s introduced incentives for smuggling migrants, while the 1999 Kosovo war introduced incentives for arms trafficking. The timing and the variety of these challenges put pressure on the democratizing Albanian institutions and weak legal framework.

“The transformation of society, dismantling of the old administration, creation of new structures and establishment of new mechanisms in economy, created in Albania a series of gaps and bottlenecks that have been wisely used by the organised crime in order to obtain the maximum of benefits. The unemployment and economic crises contributed to rapid expansion of illegal activities in two ways: firstly by providing “raw human material” for these markets, and secondly by playing into development of Albanian counterpart criminal structures.”⁹⁷

The government made significant efforts in legal and institutional reform in the past few years, in particular in curbing illegal migration. Nevertheless, according to the Albanian authorities, organised crime grew stronger since its early days, took advantage of new opportunities and diversified into new markets such as cigarettes, arms smuggling, drugs trafficking and strengthened their connections abroad.

Main threats to Albania are organised crime dealing with drugs, trafficking in human beings, economic crime and corruption. The drug business has evolved to encompass production, trafficking and distribution. Albania is the only country in the region which produces cannabis for export. Years of drug related criminal activity have made Albanian organised crime gangs well known to law enforcement agencies in EU countries. Their effective organisation relies on ethnic exclusiveness and close links with Greece, Italy, and other EU countries with sizeable Albanian communities.

With regard to drug trafficking, Albania is seen as a transit country rather than a consumer market. This, however, may be changing according to data from drug addiction treatment centres. For example, in 2000, 968 persons requested treatment, while in 2003 the number increased to 1360 persons. Consumption of drugs is also strongly linked with incidents of HIV and AIDS.

The value of drugs produced or trafficked through Albania approximates, according to the Albanian authorities, €50 million annually⁹⁸. In terms of drug seizures in 2004, Albania, amongst others, reported 155.9 kg of heroin, 2.4 kg of cocaine, 4544.15 kg of marijuana, and 73 757 cannabis plants. Heroin is trafficked by land, while cocaine is mainly transported via air and sea routes. The drugs are usually hidden in the luggage or are transported in packages arriving from Columbia, Peru, Panama, Mexico, and other Latin American countries. The

⁹⁶ Unless otherwise stated, all information presented in country profiles is based on the replies to the questionnaire.

⁹⁷ Albanian reply to the questionnaire.

⁹⁸ The value is calculated based on seizures in Albania and abroad (of drugs that were trafficked through Albania). The profit margin is 20% per 1 kg of heroin, whereby in Turkey the price varies between €8000-10 000 Euros per kilo of heroin, while the Albanian sale price varies between €10 000 - 12 000. Ibid.

number of cases connected to drug seizures in 2004 is 363, in which 395 perpetrators were involved. Albanian law enforcement agencies are currently observing 20 organised crime groups involved in drug trafficking, composed of 3-20 members.

A criminal group often has a hierarchical structure, where the profits are divided according to the position and the role in the organisation.⁹⁹ The cooperation within the criminal structure is relatively sustainable, where those arrested are easily replaced by others. The criminals involved in drugs trafficking often have a criminal past, may have used violence (often murder), and may have previously been involved with the trafficking of women and migrants.

In terms of *modus operandi*, corruption of police and customs officers, and intelligence officers, is used to facilitate transportation of drugs. Some of the drug trafficking criminal groups opt for expansion of activities and increasingly tend to control a full cycle of the drug business (producing, collecting, delivering, financing, transporting, and dealing).

Criminal groups that deal with drug trafficking are tied by family, regional and social ties, and exhibit strong discipline and high vigilance in maintaining secrecy. Although these groups mainly include Albanians, they also maintain contacts with foreign criminals from Turkey, Italy, "the former Yugoslav Republic of Macedonia", Montenegro, etc.¹⁰⁰

It has been noted that Albanian gangs hold key positions in drugs trafficking in the region, occupying top of hierarchies and managing supplies and distribution of large quantities of drugs while outsourcing more basic tasks to organised criminals of different ethnicity in other countries in the region. Their capacity, financial and technical, often exceeds the capacity of Albanian law enforcement agencies, while their consolidation in the market poses a particularly challenging task for law enforcement agencies namely in terms of more complex investigations calling for the use of special investigative means and closer international co-operation, forfeiture and management of seized assets, witness protection, and a more effective judicial process.

Significant success in combating trafficking in human beings and smuggling of illegal migrants has been achieved, particularly in closing down sea routes to Italy and prosecuting a number of persons for this activity. According to the Albanian authorities, 23 criminal groups were prosecuted in 2003, and in the first nine months of 2004, 13 criminal groups involved in trafficking and smuggling of human beings have been dismantled. Challenges remain particularly internal trafficking and recruitment of victims for purposes of sexual exploitation, illegal adoption, begging and organ harvesting.¹⁰¹

Reportedly,¹⁰² between 1998 and 2002, 95 737 persons immigrated illegally towards Italy via Albania, paying €500-1000 per person for the transport. This would have earned a total profit of between €57.4 - 95.7 million in five years. According to the Albanian authorities, since 2002 the large numbers of illegal migrants have been reduced to the recorded few hundreds.

The criminal groups involved with trafficking in human beings are generally connected with other groups that operate in the field of smuggling of persons, drug trafficking, theft and trafficking in stolen vehicles, etc. The structure of these criminal groups is rather flat and organised in smaller cell of 3-5 people. Despite the efforts of the Albanian authorities (stricter

⁹⁹ The positions identified are: members exploring sales markets; financial advisers; transport organizers; deliverers; recruiters; couriers; and small scale drug dealers. Ibid

¹⁰⁰ Ibid.

¹⁰¹ A "sale" of a trafficked victim amounts to €2000-2500, while children are "sold" for €500-1000. Given the high earnings, recruiters often holds a highest positioning the criminal group. Ibid.

¹⁰² Albanian reply to the questionnaire citing Italian police data.

visa regimes and better border management), the demand for transport of illegal immigrant and trafficked women remains high.

The financial and other capacity that organised crime acquired in the past decade currently serves to consolidate and expand operations in the legal sector, both by more effective penetration of state structures as well as through diversification of activities in commercial sector. Economic crime such as VAT fraud, other forms of tax and customs evasion, and counterfeiting of legal produce, relies heavily on the weakness of Albanian tax and customs institutions dealing with control of public revenue. Despite the fact that the economic crime is perceived as a major threat to Albanian society, there are no estimates as to the damage that it causes to the budget. In 2003, 91 cases of customs fraud committed by 98 perpetrators were prosecuted, while in 2004, these numbers increased to 163 cases involving 224 perpetrators. The effective prevention and investigation of economic crime is impeded by the fragmented institutional framework of tax administration and other law enforcement agencies, with offices in different towns and regions that remain disconnected. This makes the exchange information and investigations difficult.

The practice of money laundering in Albania has largely involved investment in real estate, land, and tourism. Many buildings have been illegally constructed, some have been destroyed. It is, however, difficult to disaggregate how much illegal construction comes from money laundering (drugs, tax evasion, or remittances earned by seasonal workers abroad), and how much is affected by an ill-regulated construction sector. Other sectors where proceeds from crime are invested are telecommunications, food industry, lottery schemes, media outlets, sports clubs, and public events promoting political parties.

Although some efforts have been made, corruption appears to continue to effect state administration and judiciary. In order to improve its record, a comprehensive approach that combines both effective prevention and repression of corruption, a symptom common to all serious criminal activity rather than its cause, will be required. In 2004, 443 suspects were reportedly prosecuted for corruption.

In the long term, improvement in the capacity of law enforcement agencies, including their ability to generate raw data on organised and economic crime appears crucial to intelligence-led policing in Albania. Another important component in capacity building will have to focus on international data exchange, through improving the legal framework but also on the individual level, through intensive training and facilitating the transmission of good practices.

4.2.2 Bosnia and Herzegovina

The post-war situation in Bosnia and Herzegovina was marked by over 1 million displaced citizens, devastation of property, and a fragmented state with diluted powers and authorities. The political and legal vacuum caused by the war has been painstakingly filled through the efforts international and local community since 1996. In the late 1990s, the lack of institutions such as border service,¹⁰³ fragmented judicial, legal, and economic space, and regional connections established in the war economy provided unique set of opportunities for organised crime. Post-war and transition related factors such as change of property rights, economic decline, and reliance on trade offered another set of opportunities. Serious crime, thus, achieved an advantage which BiH authorities are trying to catch up with through many institutional and legal reforms completed in the past several years.

Despite the fact that strategic analysis is not practiced in BiH, the country reply to the questionnaire indicates that the main threats to Bosnia and Herzegovina are economic crime, drugs, and trafficking of human beings.

Economic crime thrives due to the fragmented economic space, jurisdictional division between Bosnia and Herzegovina's law enforcement agencies,¹⁰⁴ and widespread ID fraud made possible by a vast number of people displaced or killed in the war and the country's internal divisions. The main mechanism for a widespread evasion of public revenue had been fictitious companies that were relatively easy to register. According to the Federation of BiH tax authorities, in 2004 there were 1187 legal entities in the Federation of BiH qualified as unavailable, fictitious, or parallel, and recorded 835 tax evasion cases since 2002 that caused revenue loss of KM 320.2 million (approximately €160 million), for which convictions have yet to be issued. The Republika Srpska tax authorities recorded 464 unavailable companies, 73 fictitious companies, and 21 "parallel" companies in the same period.¹⁰⁵

Offering such unique opportunities, Bosnia and Herzegovina had become an attractive area through which illicit trade in the region is conducted. Recent efforts of the BiH authorities in the area of taxation and business registration aiming at increasing internal connectedness and uniformity of the tax system and business registration have already brought some positive results.

Money laundering methods in BiH are similar to those for tax evasion. In the Republika Srpska, the number of criminal charges against persons involved with tax evasion and money laundering doubled between 2002 and 2004 (22 to 44 cases). In 2005, the state level police, prosecutor office, and the court were given jurisdiction over money landing. By May 2005, the court of BiH issued 8 convictions and fines amounting to KM 1.38 million (€690.000) and USD 45.000. The amount of the money laundered was KM 110.82 million (€554 100), while the value of tax evaded was KM 16.26 million (€8.13 million). Tax evasion was the predicate offence in all eight cases. Investigations branching from the first eight convictions recorded 643 legal entities suspected of money laundering.

In terms of drug trafficking, according to the questionnaire reply, BiH can apparently be seen as a 'redistribution centre' for drugs. Factors such as relatively porous borders, developing

¹⁰³ Border service was established in 2000. See High Representative decision from 2000, www.ohr.int/decisions/statemattersdec/archive.asp?m=&yr=2000.

¹⁰⁴ Bosnia and Herzegovina has four jurisdictions in the criminal justice system: state level, two entity levels (Republika Srpska and Federation of Bosnia and Herzegovina) and Brcko District.

¹⁰⁵ "Unavailable" companies are those register at non-existing address or use false registration documents; "fictitious" companies are those register using false identification documents; while "parallel" companies are those using copies of registration document with names of owners changed. Such copies are then used to open new, untraceable, bank accounts.

legal¹⁰⁶ and institutional framework, the lack technical equipment, and the internal fragmentation of the criminal justice system, all play into the hands of criminals and make BiH an attractive transit area, convenient for repackaging and redistribution of drugs.¹⁰⁷

The drug trafficking groups are of no particular ethnic dominance but have strong regional connections in neighbouring countries, in which allegiance is based on common background and geographical location. A recent confiscation of 34 tones of acetic anhydrite (chemical precursor for heroin),¹⁰⁸ which resulted in conviction, testify to a trade in chemical precursors used for drugs production. There is also evidence of cannabis transport from Albania via Montenegro to BiH. In addition to drugs trafficking, there seem to be a growing domestic user market, mainly consuming synthetic drugs such as 'ecstasy' and amphetamines, as well as cannabis.¹⁰⁹ Despite the concerns expressed by law enforcement officers and anecdotal information from the local media, there are no studies or surveys as to how large this market might be and who the drug users are. To adequately tackle this problem, Bosnia and Herzegovina would need to undertake such a research.

In terms of trafficking in human beings, the practice significantly changed due to law enforcement efforts and closure of numerous strip clubs and brothels in the country. As a consequence, sexual exploitation has become more clandestine and sophisticated, taking place in private apartments and through escort services, and expanding onto Internet. Also, victims seem to be receiving a less violent treatment and better living conditions and are currently mainly servicing a domestic market. Such a market shift indicates managerial sophistication of the criminals involved in the trafficking business, all of which makes a new challenge for investigation and prosecution of such crimes.

Persons involved in trafficking of human beings are mostly citizens of BiH, often owners of night clubs or have business connections with other bar owners. The groups involved in this business easily bridge over ethnic, national, entity and other borders, and mainly cooperate with traffickers from Serbia, which is on the main trafficking route from Romania, Moldova and Ukraine. Registered cases show that BiH dealers had own criminal strongholds in Romania and Moldova.¹¹⁰ Local recruitment, internal trafficking, and a dominant domestic clientele have policy implications not only for repression, but also call for better prevention and public health policy to deal with health issues that domestic sex market generates.

In terms of smuggling of humans, BiH is considered as a transition country where citizens of Albania, China, Turkey, India and Pakistan are being illegally transported to the countries of Western Europe. They enter BiH via Serbia and Montenegro through legal and illegal border crossing in eastern BiH, arrive to Sarajevo from where they go to western BiH, often using taxis. From there, a local criminal group escorts them across rivers or illegal borders crossing into Croatia. In the past, cases of large group of illegal migrants were recorded to have entered BiH as tourists or members of cultural associations. Recently settled Chinese community seem to have connection with facilitating migration from China to Western Europe. The market for smuggling in people is rather flat and seems to largely rely on close collaboration between the organised criminal groups from different countries in the region.

One characteristic of BiH is the link between organised crime and indicted war criminals, causing a great concern to some BiH authorities. Financing runaway indicted war criminals,

¹⁰⁶ According to the authorities, BiH still misses key legislation in the area of terrorism, smuggling of people, drug abuse, and trade in chemical precursors.

¹⁰⁷ BiH reply to the questionnaire.

¹⁰⁸ Ibid.

¹⁰⁹ Ibid.

¹¹⁰ Ibid.

particularly Ratko Mladic and Radovan Karadzic, appears to be well organised and connected with a number of institutions such as banks, governing and other public institutions, and political parties in Republika Srpska. In 2004, the bank accounts of those suspected of supporting indicted war criminals have been blocked and dozens of persons have been dismissed from public posts by the High Representative in BiH, Lord Ashdown.¹¹¹ The final outcome of these investigation has yet to be known.

Significant efforts have been made to consolidate and harmonize Bosnia and Herzegovina's cumbersome criminal justice system (namely prosecution services and the judiciary) that have already produced positive results against organised crime, including in terms of convictions. Nevertheless, the law enforcement agencies are still fragmented, disconnected, and overstretched. Similar to Albania, the exchange of information within the country is cumbersome. The current trends of organised crime, however, require good police intelligence and effective exchange of information both within the country and internationally. In the cases of Bosnia and Herzegovina, police system reform - a unified police structure that could help eliminate many of the problems mentioned here - continues to occupy the top of the agenda.

¹¹¹In 2004, Lord Ashdown issued 82 decisions pertaining to dismissal from public office of those suspected of supporting, financially or otherwise, indicted war criminals, and closure of bank accounts allegedly used for that purpose. The well publicized aim of these actions was to break the network of support and starve the war criminals of funds so they could finally be arrested and brought to justice before the International Crime Tribunal for the former Yugoslavia in The Hague. Decision are available at: <http://www.ohr.int/decisions/war-crimes-decs/archive.asp?m=&yr=2004>

4.2.3 Croatia

As other former Yugoslav countries, Croatia has been profoundly affected by war which caused changes in political, social and economic circumstances that were coupled with challenges of transition in the post war period. Criminal organisations in Croatia kept very close links with their counterparts in other former Yugoslav states, while cooperation between law enforcement agencies in the newly formed states all but collapsed during the conflict and in the immediate post-war period. Such undue advantage allowed organised crime groups to identify crime markets in which to obtain benefits and power while demonstrating great flexibility in adjusting to post-war changes.

Croatia, however, moved farthest than others in the region in terms of setting up a functioning law enforcement system with a centralised crime data base with achievements not only in investigation but also in prosecution and convictions of organised crime cases. Similar to other countries in the region, Croatia faces threat from organised crime involved in drugs trafficking, economic crime and corruption.

In terms of drugs trafficking, Croatia seems to be primarily a transit country on the Balkan route. Drugs (heroin and cannabis) are mainly trafficked by road transportation from Bosnia and Herzegovina and Serbia and Montenegro. Production of drugs is not linked with organised crime. Rather, it is linked with small, individual producers for local consumption. Synthetic drugs come from the West and serve domestic market in urban areas and coastal cities during summer months. Croatia is the only country in the region which has undertaken some measures towards understanding and estimating the domestic drug market, and preventing and treating drug abuse.

There are several types of criminal organisations trafficking in drugs based on nationality, territorial belongings and family connections. Albanian organised crime groups fit the first type and involve Albanians from Kosovo and "the former Yugoslav Republic of Macedonia", which are mainly organizing heroin smuggling. Their structure is rather hierarchical and based on tight family or other similar background, and with close connections in other countries. Unlike Albanians, persons of other ethnicity do not occupy important position but serve as smugglers. Main organizers have obtained some higher level of education, enjoy good standard of living and often own companies or property in which they invest proceeds of crime.

The second type is linked with crime groups dealing with cannabis, and comprised mainly of persons with dual citizenship of BiH and Croatia. These groups have a less defined structure, in which the main organizer is known to the rest of the group, comprised mainly of executors who refrain from using services of the third persons other than customs officers stationed at border crossings. Such groups have good connections with other groups dominant in locations where smuggling is taking place, while members of these groups have propensity for other crimes as well.

The last type are criminal organisations located in other countries led by individuals with experience in traditional drug producing countries such as the Netherlands and Latin American countries, organizing trafficking of synthetic drugs and cocaine via sea and air. They rely on couriers who may either be professional traffickers or random persons engaged in a one-off job. Traffickers use urgent mail delivery, tourist and travel agencies and cover final destination by purchase of separate flights.

Home grown criminal groups involve mixed structures, often lead by a person with a criminal record. Discipline is enforced through threats and violence and through withholding

criminal earnings. Members have propensity towards other crimes such as smuggling of arms, cigarettes, and extortion. Proceeds are mostly spent on movable and immovable property and conspicuous lifestyle.

In terms of economic crime, the main problems seem to originate not from the loss of public revenue but from other forms of economic crime such as public procurement fraud, usury and bank fraud, causing bankruptcy and privatization fraud. The latter is particularly sensitive given the coming statute of limitations for investigating and prosecuting such cases. The consequences of such crime are visible to the public. The public links it to social injustice and illegal enrichment and generally has high expectations from the law enforcement and the judiciary in terms of successful punishment of such crimes. It is believed that the public trust in these institutions hinges on the outcome of such cases that are notoriously difficult to investigate and prosecute due to their complexity and political connections they may involve.¹¹² Furthermore, the damage done to society by this kind of economic crime is difficult to measure and quantify.

Criminal groups involved with economic crime utilize sophisticated methods that allow professional development and recruitment of experts (financial, legal, etc.), and nurture links with public structures via funding of, for example, sport activities, media articles, grants, exchange of police intelligence, joint ventures in coastal areas with criminal organisations from Italy and Russia.

Members of such criminal groups are mainly Croatian citizens of secondary education level and of average economic status. Their roles are usually divided into organizers, financiers, and forgers (i.e., of documents necessary for complying with criteria for loans and credits), and mediators (employees of firms or banks which are of interest to the criminal group).

The groups themselves do not appear to have hierarchical structure. Rather, members from different groups start a business together based on their personal interests. In majority of cases, specific criminal groups are formed with the purpose of committing specific crimes. Such groups are mainly of local character, and only occasionally cover the entire Croatian territory or venture into neighbouring countries such as Serbia, Montenegro, BiH, Austria, Italy, Slovenia and Hungary.

Croatia appears to be mainly a transit country for trafficking in human beings and smuggling in persons. The criminal groups involved in one or the other crime do not overlap. Routes for smuggling and trafficking are similar to other countries in the region. A hierarchical division marks the organisational structures of groups involved with trafficking in human beings, both on international and local level. All persons in the trafficking chain earn differently, depending on the country of the victims' origin, transport, types of recruitment, etc. The exact and total amount of the proceeds of this crime is not known. Proceeds of crime are usually invested in corruption and funding of other illegal activities. In all cases investigated, borders were either crossed illegally or via border crossings using forged or partially forged documents.

Smuggling of persons, mainly Turkish, Iranian, Chinese, Romanian, Bangladeshi, Albanian and BiH citizens, is based on close cooperation with smugglers from Serbia and Montenegro and BiH, where Croatia is a transit country on the way to Slovenia. Organised crime groups involved in smuggling of persons are vertically established, with clearly defined tasks and connections with international criminal groups from the beginning to the final stage of the smuggling chain. The transport through Croatia is conducted by rented cars, taxis, vans and

¹¹² See *Croatia: A Work in Progress*, by Anna McTaggart and Drago Hedl, IWPR No. 562, 27 June 2005

smaller trucks. Foreign citizens are then transported to Slovenia through Medjimurje, Varazdin, and Zagreb area.

In terms of money laundering, Croatia has a sea coast attractive to investors of legal and illegal funds alike, domestic or foreign. Such resources are vulnerable to laundering proceeds of crime through buying or building property and require careful monitoring and a combination of preventive and repressive mechanisms to preserve their integrity and capacity for economic development. Recent cases of corruption in the property registry office and the judiciary illustrate this need.¹¹³

It is expected that the threat of the organised crime will grow in the future, namely because of the tendency of criminals to penetrate political and economic elites as a way to improving their public image and influence political, economic and administrative decisions using proceeds of crime. Corruption which links organised and economic crime is the main means to entering governance structures.

¹¹³ See article *Employee of the State Administration in Makarska under Investigation*, HINA, Jutarnji List, 12 May 2005; and *Croatia: A Work in Progress*, by Anna McTaggart and Drago Hedl in Osijek, IWPR No 562, 27 June 2005).

4.2.4 Serbia and Montenegro

4.2.4.1 REPUBLIC OF MONTENEGRO

The war and the sanctions in the 1990s brought about economic decline, stratification of the society and political challenges. Similar to other countries in the region, the opportunities for smuggling thus emerged, while the challenges of transition put strain on the existing legal framework and state institutions.

In terms of the state of organised crime and the threat it poses to Montenegro's society there is very little information. The law enforcement agencies, therefore, did not collect data on organised crime as such before the introduction of the concept of organised crime in the criminal legislation in 2004. Montenegro is the only project area in the region which has yet to establish a system for collection of data and analysis of organised crime. Consequently, it is difficult to undertake a meaningful threat assessment, but based on the information available, economic crime, trafficking in drugs and persons, and money laundering appear to be the main problems for the area.

Similar to other countries and areas in the region, Montenegro views economic crime as one of the major threats, causing losses of significant portion of public revenue to tax and customs evasion through using forged documents and fictitious companies registered abroad and circuitous trade schemes with the neighbouring countries. In 2004, police filed 1320 criminal charges (1358 in 2003) against 1572 (1811 in 2003) perpetrators for 1707 (1877 in 2003) registered economic crimes. Total revenue loss caused by these crime amounts to €17.2 million (€16.5 million in 2003). Forging official documents and illegal trade, followed by abuse of official position, fraud, and illegal forest exploitation dominated the area of economic crime in the past few years. None of these cases have been qualified as having been committed by an organised crime group.

Smuggling of excise good across the borders continues to be a problem, although cigarette smuggling on a large scale once prominent was reduced. Oil and oil derivative smuggling, on the other hand, caused €9 million revenue loss in 2003, while smuggling of large amounts of cash has also been noticed. In addition to one sea port, certain border areas and the coast, most of economic activity is located in or goes through the capital where more than a third of Montenegro's population live possibly making financial investigation concentrated in one area. The estimates of the value of this grey economy do not exist. Nevertheless, it does have a notable negative impact given the relatively small size of the Montenegro's internal market given that traders in smuggled goods keep competitive prices by avoiding up to 200% mark up of the value of the goods for taxes and contributions.

Smugglers of legal goods do not operate within a hierarchical structure but form alliances from case to case within Montenegro and across the border with groups in the neighboring countries.

Drug trafficking appears to be prominent, especially trafficking of cannabis from Albania and heroin from Turkey. These drugs most often enter Montenegro by road transport, while cocaine enters via the port of Bar. Montenegro is mainly a transit country, but some drugs, especially cocaine and cannabis, are consumed domestically. Anecdotal evidence and police observations point to a growing problem of drug abuse in the past 7-8 years. The estimates of the size of the domestic drug market or the earnings from drug trafficking via Montenegro do not exist. According to data covering 2001-2004 period, law enforcement annually seize approximately 10-15 kg of heroin and 1 tone of cannabis, involving 250-300 perpetrators. The

data on a structure, composition and modus operandi of organised crime involved in drug trafficking is not available.

Trafficking of human beings, exposed as a prominent issue in the trafficking case in 2002 involving a Moldovan woman, encouraged the government to take progressive measures.¹¹⁴ Data and analysis of the market in trafficking of human beings, its structure, composition and modus operandi of organised crime involved is also not available. However, based on the trafficking cases prosecuted so far (10 criminal charges against 31 perpetrators), it appears that 7 criminal groups with mixed organisational structure were responsible for these crimes.

Smuggling of persons appears to have decreased due to regional visa regime changes, which is true especially for smuggling from Albania. A stricter visa regimes requiring visa for Albanian and Kosovans citizens when entering into BiH and Croatia, on the other hand, has inadvertently created a demand for smuggling across the border. Between January and September 2004, 372 illegal border crossings were registered.

Although the money laundering concept has only recently entered Montenegro's legal and institutional framework, the coastal area and few public companies and utilities up for sale are particularly vulnerable to domestic and foreign money launderers. In terms of corruption, low and high level corruption and strong patronage links seem to pose a particular challenge to successful action, including prosecution and judicial process, against organised crime.

4.2.4.2 REPUBLIC OF SERBIA

The war and the sanctions in the 1990s profoundly affected Serbia's political, economic, and social fibre and offered a unique set of opportunities for organised crime not just in Serbia but in the entire region. The change of the Milosevic regime in 2000 brought a new government willing to take on some of the transition and post-war challenges, including tackling of organised crime. Following the assassination of Prime Minister, Zoran Djindjic, in 2003 and the subsequent *Sabre* law enforcement action which decapitated the Zemun Clan, Serbia embarked on a path of serious efforts against organised crime. Yet, the dismantling of the Zemun Clan, although successful, appears to have constituted a "blow in the water".¹¹⁵ The nexus between security services, organised crime and former paramilitary forces endorsed by the Milosevic regime and forged during the war in the 1990s has been, to some extent, addressed and reforms to separate security and police intelligence and introduce civil supervision and transparency over the security sector have started. Their successful completion and sustainability will be key to diminishing the threat of organised crime in Serbia.

Given the power of organised crime, financial and otherwise, drugs related and economic organised crime seem to be the main threat to Serbia. Corruption, privatization fraud and money laundering of the proceeds of crime are causing a concern similar to that of Croatia and "the former Yugoslav Republic of Macedonia". After 2000, smuggling of legal goods (oil and cigarettes) was reduced and collection of public revenue was improved. However, social, economic and political consequences of illegal enrichment undermine the public trust in the governing strictures, law enforcement and the judiciary. A number of organised crime cases resulted in convictions, while the number of murders significantly dropped since the change

¹¹⁴ For a detailed account of this case see the Council of Europe's and OSCE's joint Report (September 2003) and the reply of the Government of Republic of Montenegro (October 2003).

¹¹⁵ Interview with Serbian law enforcement officer.

of the regime in 2000.¹¹⁶ Although positive results have been achieved, the ongoing trial of the suspects for Djindjic's assassination constitutes a litmus test for the public trust.

Given its geographical position, organised drug trafficking is currently one of the most dangerous forms of organised crime in Serbia. Cannabis is the most widespread drug in Serbia. While some small scale production of 2.000 plants in an abandoned mine has recently been detected and destroyed, cannabis is mostly imported and its relatively low price makes it widely available. Smuggling routes of cannabis to Serbia some from Montenegro and Albania, while recently detected smuggling routes from Serbia are going towards Hungary.

Heroin is the second most present drug on Serbian markets, given that heroin sale and smuggling constitutes the most lucrative crime business. So far, no production of heroin has been discovered in Serbia. The majority of heroin comes from Kosovo, and Serbian police regularly cooperates with UNMiK and Kosovo police in heroin trafficking related cases, although, according to Serbian authorities, the information exchange could be improved.

Synthetic drugs (ecstasy and amphetamines) are smuggled from West to East coming from the Netherlands via Hungary and Croatia. The use of ecstasy is also widely spread in Serbia. Several laboratories for ecstasy production were discovered in the country, resulting in the arrests of the main organizers and the owners of front companies. Approximately 2 million pills of ecstasy were seized as well as 20 tons of chemical used for production worth several million euros. Similar to BiH, Serbian police detected a trade in chemical precursors imported from France, Czech Republic and Romania, which are then smuggled to Bulgaria and Turkey.

Another drug coming from the West is cocaine, where larger amounts only transit Serbia while smaller amounts end up in local market. Cocaine trafficking routes appear to have changed recently, where by vessels from Latin America arrive to ports of Spain, Greece and Italy and are then transported to Serbia by trucks, often packaged in bottles. Serbian police in cooperation with other police forces helped seize 200 kg of cocaine (190 kg were seized in Italy while 10 kg were seized in Serbia). Criminal groups involved in cocaine trafficking are well organised and have efficient transports strategies.

Over sixty percent of organised crime groups in Serbia appear to be involved in drugs trafficking. Around 50% of these groups are, beside drugs trafficking, also involved in violent crimes such as murders, blackmails, kidnappings, and extortions, although the number of such crimes have significantly been reduced since 2003. Akin to UNMiK findings, the most organised and powerful criminal groups involved drug trafficking in Serbia are Albanian, with members mainly originating from Kosovo and southern Serbia. It also appears that Bulgarian and Albanian criminal organisations are in competition over domination of the illegal drug market in Serbia.

In terms of home grown drug traffickers, the operation "Saber" dismantled several organised criminal groups and neutralized one of the biggest networks for heroin trafficking and sale in Serbia and other European countries. The biggest group, Zemun Clan, had six sub-groups covering sale with own dealership networks. The clan was infamous for use of violence in disciplining members and persons standing in their way. Once the clan was dismantled, large number of murders and attempted murders were solved. The clan leaders invested their proceeds, estimated to hundreds of millions euros, in movable and immovable property, and luxury goods. To secure their business, using their vast financial power, the clan bribed officials in the judiciary and in police, and founded a media outlet to influence public opinion.

¹¹⁶ According to a senior law enforcement officer, the number of murders dropped from 200 to 60 per year since the change of Milosevic regime. Interview, June 2005.

Illegal proceeds appear to have been invested in privatization, real estate, commercial business, etc.

Similar to Albania, organised crime groups are working to consolidate their influence, while diversifying activities in other illegal markets and legal sector.

In terms of trafficking in human beings (sexual exploitation, street begging and labour) Serbia appears to be primarily a transit country, but also a country of origin and of temporary destination. According to Serbian authorities, 10 criminal groups with approximately 100 members are currently involved in trafficking. The groups are mainly active in border areas, are well organised and closely connected to criminal groups in the neighboring countries and other countries such as 'the former Yugoslav Republic of Macedonia', Bulgaria, Romania, Hungary, Croatia, BiH, Albania, and Italy, Ukraine, Slovenia and Turkey.

The groups are flexible and easily forge alliances according to common interest. They use communication codes and meet in places where victims of trafficking are accommodated. As one of the shileding practices, they use so-called "sweepers" - vehicles driving ahead of "transport" in order to warn of possible danger ahead. Leaders of these criminal groups never directly participate in activities, but are responsible for payment after transport is complete. The money is often transferred via a "Western Union" bank. The proceeds are invested in commercial businesses, and moveable and immoveable property.

The number of trafficked victims coming to Serbia as a destination country appears to have decreased in the last few years¹¹⁷, primarily due to police efforts but also due to new visa regimes for citizens of Romania and Moldova. The new trend seems to be local recruiting (via Internet) and internal trafficking, where Serbian citizens are firstly exploited in Serbia and then trafficked to other countries. Recent law enforcement efforts targeted trafficking in children through undertaking measures against parents selling their children and against persons buying children.

Illegal migration is one of the criminal activities in expansion mainly because it serves as a substitute for drugs trafficking, offering good profits with fewer risks. Smuggling of migrants is generally organised by persons from the country of origin, together with smugglers from the region, for which they charge between €2.500 and €8.000. Recent trend in smuggling points to transfer of smaller groups of 4-8 persons, and even 1 or 2 persons per transfer using passenger vehicles, vans, and trucks with specially made "bunkers". Illegal migrants are transported by car to borders, where guides take over to lead them across the border on foot. Once border is crossed, another vehicle transport migrants to another border with Hungary or Croatia.

Romanian citizens, mostly economic migrants, are the most frequent migrants in Serbia. Other migrants come from Afghanistan, Iraq, and Turkey (mainly Kurds). Recent interception of smuggling networks via Sarajevo and Pristina airports shifted the smuggling route to Bulgaria and Romania, from where Turkish citizens are smuggled to Serbia on their way to the West.

Efforts to combat smuggling of persons, amongst others, include better border management, visa regime regulations, and a repressive measures against criminal groups involved with smuggling and control of facilities suspected of sheltering migrants. According to data from 2003, 22 channels through which 247 persons were smuggled were intercepted.

¹¹⁷ According to Serbian authorities, 2.000 foreign female citizens were found 'working' in restaurants and hotels in 2000. In 2003, that number decreased to 203.

Smuggling of legal goods (cigarettes, oil and oil derivatives) has been significantly diminished since the abolition of sanctions and due to law enforcement and other efforts since 2000. The smuggling practices have consequently been changed to adjust to new conditions and still manage to resist law enforcement efforts while integrating into European and global smuggling flows and distribution of illegally and legally produced cigarettes. Smuggling channels from Montenegro were mainly intercepted, but new have been formed that go via Kosovo, 'the former Yugoslav Republic of Macedonia, Bulgaria, Romania and Croatia. Smuggled cigarettes are hidden in the freight and passenger vehicles or are packaged as other commodities (frozen fruits or flour intended for humanitarian aid). As in other countries in the region, cigarettes and other excise goods trade is done through fictitious companies and forged documents. In terms of production of contraband, trade in alcoholic drinks produced from raw materials imported via fictitious companies and in commodities pass the expiry date were also detected.

Piracy thrived in the 1990s. At the beginning of 2003, a number of measures were taken to suppress piracy resulting in seizure of over 60.000 video cassettes and CDs, and of large quantities of video and audio equipment used for recording of audio and images, as well as computer software.

In terms of money laundering, most of laundered proceeds originate from tax evasion, then trafficking in drugs and human beings, and finally from violent crimes such as extortions and kidnappings. The proceeds are mainly invested in privatization, real estate and moveable goods, or are transferred to bank accounts in country and abroad. Large transfers of money are done via Hungary, Cyprus and Austria, as well as via off-shore accounts. The perpetrators of these crimes are mainly persons with experience in business and economics.

4.2.4.3 KOSOVO

Last to be affected in the former-Yugoslav wars in the 1990s, Kosovo similar to BiH faces challenges of post-war reconstruction and transition under UNMIK administration. Displacement, devastation of property, outdated technology and collapse of the manufacturing sector diminished employment opportunities for the vast majority of young population.¹¹⁸ Just as in other neighbouring countries, the political and economic vacuum offered opportunities for organised crime.

The main threat to Kosovo appears to be a transnational organised crime involved in drug trafficking and trafficking in human beings. Kosovo is a key location in the region for many criminals in the South-eastern Europe. Close links with ethnic Albanians in "the former Yugoslav Republic of Macedonia", in Albania and with the Albanian diaspora abroad make Kosovar organised crime gangs particularly effective in trafficking drugs to Western markets.

Investigations of drug trafficking in Kosovo cover both internal and international dimension. The Directorate for Organised Crime, Cross Border Organised Crime Investigation deals with long-term investigations of drugs trafficking in co-operation with Switzerland, France, Austria, Germany, Bulgaria, and Turkey and has been created to dismantle a major heroin smuggling network from Turkey to Western Europe. The Narcotics Investigation Section of the Directorate deals with drug cases inside Kosovo territory.

Four long-term transnational drug related cases were investigated from 2003 to 2005. Between June and December 2003, 38kg of heroin in Kosovo, 24kg in Italy, 28kg in Bulgaria were seized, totalling 90 kg. In year 2004 and 2005, 20 long term case were investigated, while 6 of

¹¹⁸ For the state of economy in Kosovo, see *De-industrialization and Its Consequence: A Kosovo Story*, European Stability Initiative, March 2002, www.esiweb.org.

those cases required international co-operation. Based on these investigations, from January to December 2004, 45.5kg of heroin were seized in Kosovo, while another 504.5kg were seized in Austria, Germany, Italy, Switzerland, Serbia, Bulgaria, and Albania, totalling 550 kg of heroin in this period. Five long-term investigations are currently ongoing.

In terms of internal investigations, Kosovo police and UNMIK found and destroyed 12 cannabis fields in 2004. The total number of drug smuggling cases investigated in Kosovo in 2004 and 2005, which are not organised crime cases, is 265 cases involving more than 458 perpetrators. Fifteen drug smuggling cases which are related to organised crime groups have been investigated during the same period, involving more than 87 persons.

In terms of drug abuse, local drug market does not appear to be a problem.

Regarding trafficking in human beings, Kosovo is both a transit and a destination area initially due to the presence of international military forces and currently due to domestic clientele. Similar to Bosnia and Herzegovina, domestic clientele of sex services is significant, now constituting up to 90% of the clients.¹¹⁹ The structures of criminal groups involved in trafficking are directly linked to the supply countries. The groups dedicated to sexual exploitation in Kosovo collect their victims upon arrival to Kosovo, suggesting direct links between groups operating in the countries of origin and groups operating in Kosovo.

There appears to be three levels of criminal groups operating in Kosovo that are often interconnected. The lower level groups operate the transportation of victims by cars or minivans or simply provide the cash necessary for the victim to cross the borders on buses and then host them on the same premises in which the victims is exploited. Higher level groups organize international travel arrangements, including the supply of false or forged documents and visas, but are not involved in the exploitation itself although they do organize re-trafficking. Such groups operate in a more structured manner and often exhibit a hierarchy, ranging from the use of "front men" who provide cover to the ring leader, to security and counter surveillance personnel in charge of disrupting police activities, to corrupted officials who inform the criminal group about police raids. Criminal groups involved in this crime are therefore essentially interethnic, although some nationalities might dominate in a group. The *modi operandi* of organised crime in this market are becoming more sophisticated and geared towards servicing both regional and domestic market. Internal trafficking and recruitment also appear to be present.

The Kosovo economy is almost entirely based on trade, making public revenue dependant on one source which is also attractive to economic crime. Smuggling, tax and custom evasion and other kinds of crime linked with corruption in the public sector are also a threat to Kosovo society. Some reforms, such as licensing cigarette and fuel imports and introducing a computerized system into customs have already made a notable difference in revenue collection. Similar to Montenegro, most economic activity and companies operate from Pristina, possibly making investigations of economic crime easier to conduct.

In terms of structure, these groups are similar to groups involved in trafficking of human beings. They operate in close cooperation with groups from Serbia, Montenegro, Greece, "the former Yugoslav Republic of Macedonia, Albania, Slovenia, and Bulgaria.

¹¹⁹ IOM (July 2004), p. 67

4.2.5 “The former Yugoslav Republic of Macedonia”

With the exception of a short conflict in 2001, “the former Yugoslav Republic of Macedonia” escaped a major war destruction and displacement of large parts of its population. Nevertheless, internal political issues linked with the country’s sovereignty, economic decline, sanctions against Yugoslavia, and war in the neighbouring countries negatively affected the country. As in other countries of the region, these factors provided organised criminals with opportunities and undue advantages.

“The former Yugoslav Republic of Macedonia” is threatened by organised economic crime, and by organised crime involved in trafficking drugs and human beings. The main economic crime activities are public procurement fraud, causing bankruptcy, privatization fraud, and VAT fraud. Currently, there are no detailed estimates as to the damage these kinds of crime are causing to the public purse that measures in hundreds of millions of euros. Investigations into these kinds of crimes have started, the results of which will be seen in the future. The tools, such as confiscation of the proceeds of crime, are still missing.

Procurement fraud is often committed after the most eligible company is chosen by adding amendments to the contract thereby inflating the price of the initial bid. Bank frauds have also been recorded whereby grants and credits are disbursed based on forged documents. Forgery of official and administrative documents seems to be widely used for illegal property gain, obtaining licenses for import of goods under favorable terms, etc. VAT fraud and smuggling and counterfeiting of legal goods have also been identified as a problem, the latter one being on a diminishing trend while the former seem to be on the increase.

In terms of piracy and counterfeiting of legal goods, the authorities have recorded illegal manufacture, distribution, sale and rent of pornography films and computer products. Recent actions against such crime resulted in destroying a criminal group manufacturing such products and seizing the equipment and recorded materials. There are also cases of forging food products, beverage and alcoholic drinks, and other consumer commodities aimed for the local market. Recent law enforcement efforts targeted these kinds of crime with success.

In terms of corruption, officials tasked with conducting bankruptcy procedures of former state enterprises appear to be particularly vulnerable. Other forms of low and high level corruption have also been recorded. In 2004, police recorded 536 corruption relate crimes committed by 664 perpetrators. Cases related to abuse of official position account for 504 of the total number of cases committed by 631 perpetrators, followed by passive and active bribery cases. The government has taken both preventive and repressive steps to deal with the problem.

In 2003, eight organised economic crime groups have been charged. These groups of mixed organisational structure operated in the country and abroad and invested their proceeds on conspicuous consumption, expanding business activities and real estate.

Similar to Croatia, economic crimes such as causing bankruptcy, privatisation fraud, and embezzlement of public funds in public utility sector involve the managerial class, political connections and corruption. The complexity and sensitivity of such cases make them difficult to investigate and prosecute, while their social and economic consequences to a larger society make the public particularly sensitive to their outcome.

Drug trafficking is also a threat to the society. Drugs are trafficked mainly by ethnic Albanian organised crime groups with close ties in Kosovo and Albania, with some degree of outsourcing menial tasks to criminals of other ethnicity. A particular geographic concentration

of such criminal activities, the impenetrability of Albanian organised crime groups and political sensitivities that investigating and prosecuting such cases might involve, impede law enforcement effort in this area.

In addition to heroin trafficked from Turkey, cocaine coming from EU ports and hashish originating in Albania have also found its way to into the country. Cannabis which dominates the domestic market is controlled by ethnic, while large cannabis shipments intended for Western European markets are controlled by criminal groups of mixed ethnic composition of both the Macedonians and the Albanians.

In the past decade, "the former Yugoslav Republic of Macedonia" has also become a consumer market where heroin and cannabis dominate. According to health authorities, every year between 600 and 700 individuals seek medical assistance for drug abuse. The age of drugs abusers is on decrease, and in some cases 12 year old children have been registered as drug users. Every year, between 15 and 20 persons die of overdose.

A reported conservative analysis of drug consumption in domestic market, based on a number of people seeking medical assistance, approaches 300 kg of heroin and double the amount of cannabis consumed annually. The earnings from this market approach between 10-12 million euros. The total profit from drug related crime could not be more specifically determined given the lack of investigations into money laundering. However, from other police work, it transpires that proceeds are invested in real estate, tourist industry and commercial businesses such as night clubs and bars, which are often used for sexual exploitation of women.

No manufacturing of narcotics has been registered except sporadic low level cannabis cultivation for domestic use.

Overall, both the structure and the composition of criminal groups dealing with drugs are mixed. Bonds are established and maintained by family or other close relations, but their cohesiveness may not be long-lasting. Police intelligence indicates that criminals from "the former Yugoslav Republic of Macedonia" have contacts with criminal groups in Switzerland, Germany and the Scandinavian countries. It has also been noted that drug related criminal groups often collaborate in entering the country illegally, illegal money transfers, and exchange of defense lawyers for members arrested, paying bail, etc. The debts are settled through compensation in drugs.

"The former Yugoslav Republic of Macedonia" has mainly been a transit country for trafficking in human beings. Recent data from IOM and UNICEF point to local recruitment, internal trafficking and domestic market, which have not been corroborated by data of the domestic authorities. Whether "the former Yugoslav Republic of Macedonia" is experiencing a growing domestic market for sexual services, which would require a comprehensive prevention and repression policies, or whether it is still mainly a transit country will be clarified in the future.

According to national authorities, between 2000 and 4000 women are trafficked through the country, often temporarily residing in the country before being re-trafficked to other countries. The exploitation is mostly done in clubs and bars, in which women serve 2-3 customers per day earning minimum of €50, which approaches €15000 a year or a total of approximately €30 million a year for the entire domestic market.

Criminal groups involved with trafficking of human beings are mostly of mixed composition but are mainly dominated by individuals of Albanian ethnicity. They usually have more than

three members and often act beyond the country's borders especially in regards to organizing transport of foreign female citizens.

The smuggled migrants go via "the former Yugoslav Republic of Macedonia" towards Greece and are most often citizens from Albania and Kosovo. Smuggling of migrants from the Middle East and South America via "the former Yugoslav Republic of Macedonia" is organised by criminal groups from Bulgaria and Kosovo. The perpetrators are mostly people living in border areas that have knowledge of local geography and cooperate with individuals from the neighbouring countries.

Smuggling of excise goods, cigarettes in particular, involve channels from Kosovo to "the former Yugoslav Republic of Macedonia" on to Greece. The smuggling of alcohol drinks goes from Greece and Bulgaria to "the former Yugoslav Republic of Macedonia" and from Serbia and Montenegro to "the former Yugoslav Republic of Macedonia". Textile of Chinese, Turkish and Bulgarian origin is also smuggled into the country, while mobile telephones, computers and computer parts are smuggled from Greece. Food products are smuggled from Bulgaria as well as from Serbia and Montenegro.

The smuggling of legal goods is performed both through legal and illegal crossing along the state border. In terms of modus operandi, criminal groups involved in smuggling often incorporate at least one custom officer that helps border crossing. They often use bribery to corrupt customs officers and fraud to import goods via fictitious companies. The structure of these groups is relatively flat, in which separate persons cover supply of goods smuggled, crossing of the border and selling the goods on the market. The groups' members are of different ethnic and social background and educational level. Their operations are transnational and they rely on communicating via pre-paid mobile telephones which makes it difficult to determine the identity of the user. The proceeds are mostly reinvested into the business, but also on moveable and immoveable property.

During 2003, 8 such groups that committed 174 criminal acts were detected. In 2003, 29.868 boxes of cigarettes and 21 tones of alcoholic drinks were seized. In the first 9 months of 2004, 32.700 boxes of cigarettes were seized, along with 13.034 liters of alcoholic drinks, as well as technical goods, food products, textiles, etc. The value of the goods seized during 2003 and 2004 approaches MKD 105 035 760 or approximately €17 million.

In most cases of money laundering, same criminal groups which are involved with illegal markets of tax and customs evasion are also laundering money. The proceeds are laundered by individuals who use their positions of power, political or economic, to place illegal proceeds via fictitious invoices (e.g. large quantities of worthless trading goods) or front companies.

5. Conclusion

Organised crime is a dynamic concept which keeps adapting to an ever changing environment and to new opportunities for crime. This is also true for organised crime in South-eastern Europe:

- Concerted regulatory and law enforcement efforts against trafficking in human being and smuggling in persons appear to have made a positive difference in reducing the number of smuggled and trafficked persons across borders. At the same time, smuggling and trafficking in human beings now pose new challenges in terms of internal trafficking and recruitment, and a growing domestic clientele.
- Economic crime which seriously affects all countries of the region is also evolving. The end of sanctions against Serbia and the subsequent destruction of oil and cigarette smuggling channels as well as other law enforcement and regulatory efforts, significantly contributed to improved revenue collection. Thus certain opportunities for illegal trade in the region have been removed. Others however remain. Forgery of documents and fictitious companies – key tools for tax evasion and money laundering – seem to be ubiquitous in all countries and areas. Other forms of economic crime – such as fraud related to public procurement, privatisation and the financial sector – believed to be increasing and continue to affect public trust in the market economy and the criminal justice system.
- The traditional Balkan drug trafficking route has become a two-way road, where heroin and cannabis are moving towards the European Union while precursors, cocaine and synthetic drugs are moving eastwards. In some countries, domestic drugs markets seem to be growing together with a number of drug users. Not only repressive but in particular preventive measures need to be enhanced.

As crime market are maturing, criminal groups attempt to consolidate existing activities, diversify into others, and to legitimise their earnings and position in the society. Corruption, both high and low level, appears to be a main tool for influencing and penetrating political and commercial structures. Current efforts against corruption in the countries have produced an increasing number of investigations and prosecutions but few convictions. The fact that most countries and areas have now adopted comprehensive anti-corruption strategies and created anti-corruption services is promising. Such efforts may help severe links between organised and economic crime with legal and public structures.

Despite some distinct features in each country and area, problems related to organised crime and economic crime have a regional dimension. As such they require regional solutions. Legal harmonisation, joint law enforcement efforts, and the exchange of police intelligence at the regional level will be a key to success in fighting serious crime in the South-eastern Europe. For that, intelligence-lead policing in the region must be put on firm foundations by building coherent intelligence collection systems.

Although the countries have recognised the negative impact of serious crime on their societies, assessments of the loss of public revenues to economic crime or a size of domestic drugs markets are not yet available. With few exceptions, law enforcement systems in the region still lack the capacity for intelligence collection, analysis and investigation.

With proceeds as the common denominator of various forms of economic and organised crime, financial investigations and financial intelligence are crucial for any analysis of economic and organised crime. Countries and areas of the region have set up financial

intelligence units and to some extent now also carry out financial investigations in connection with criminal investigations. More systematic use should be made of these tools.

The measures developed by the countries and areas of the region within the framework of the CARPO regional police project will help overcome these shortcomings. They may include:

- Strengthening information gathering and analysis in order to improve the knowledge and understanding of economic and organised crime (e.g. set up of crime statistics systems, tools for measuring crime, studies on economic sectors' vulnerability to economic and organised crime, regular reports/threat assessments on the situation of economic and organised crime, collaboration between law enforcement agencies and independent researchers and academia for the purpose of researching and analysing phenomena linked with organised and economic crime in the region)
- Intelligence led mechanisms to define policies, based on thorough assessments, and enabling to set priorities for tackling specific forms of crime
- Reinforcing capacities of crime analysis units, specialised investigation or prosecutorial services to deal with organised crime, in particular through provision of adequate financial and human resources as well as specialised training
- Measures to strengthen investigation skills, investigations of economic and organised crime as well as the inter-institutional and cross-jurisdictional cooperation (e.g. appropriate use of special investigation techniques, the use of strategic intelligence and crime analysis, cross border use of intelligence, etc)
- Make better use of financial intelligence in order to gain a better understanding of organised and economic crime (strengthen capacities for financial investigations, capacities of financial intelligence units and enhance cross-border cooperation in these matters)
- Access to and exchange of information and intelligence between law enforcement authorities, with due attention to securing levels of confidentiality (including implementation of relevant European legal instruments on privacy and data protection)
- Monitoring of the effectiveness of measures for the prevention and control of economic and organised crime on a systematic basis

Ratification and full implementation of European instruments will help countries make progress in this respect and facilitate international cooperation. These include in particular the 2nd Additional Protocol to the Convention on Mutual Assistance in Criminal Matters (CETS 182), the new Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198) and the new Convention on Action against Trafficking in Human Beings (CETS 197).

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