

Council of Europe
European Commission



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CARPO Regional Project

English

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

Strasbourg, September 2006

The CARPO project (“Development of reliable and functioning policing systems, and enhancing of combating main criminal activities and police co-operation”) is a technical co-operation project jointly funded by the Council of Europe and the European Union. It has a duration of 30 months (March 2004 - September 2006). The Council of Europe is responsible for the implementation of the project, in partnership with Belgium, Finland, Hungary, Italy, Slovenia, Spain, Sweden and the International Organisation for Migration.

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Ref. n° : PC-TC(2006)9

This document has been produced with the financial assistance of the European Union and of the Council of Europe. The views expressed herein can in no way be taken to reflect the official opinion of the European Union or of the Council of Europe.

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1 EXECUTIVE SUMMARY

The first situation report on organised and economic crime in South-eastern Europe was prepared in the summer of 2005 within the framework of the CARPO project, a joint regional police project co-funded by the Council of Europe and the European Commission¹: The content of the first situation report was presented to the Ministers of Interior and Security from South-eastern Europe at their High level meeting held in September 2005 in Brijuni (Croatia).

The present situation report represents a substantive update of last year's report. It is the end result of a work which closely associated representatives from various institutions (Police, Financial Intelligence or Information units, tax and customs administration, specialised prosecutors and Auditor General's Office) from Albania, Bosnia and Herzegovina, Croatia, Kosovo², Montenegro, Serbia and "the former Yugoslav Republic of Macedonia" (hereinafter referred to as "project areas"). It draws on information and assessments provided through two questionnaires (2004 and 2006) and assessments completed by the above-mentioned officials but also from a wide range of recently published governmental reports and open sources.

Organised and economic crime are both closely linked by the profit motive and generate large amounts of illicit proceeds. They seriously threatens the development of democracy, the rule of law, and human rights but also state security and economic development in South-eastern Europe and beyond.

In the recent past, South-eastern Europe, despite huge efforts in this field and a number of promising results, has been even more affected by organised and economic crime, than other parts of the European continent.

Prevention and repression of organised and economic crime largely depends on a deep knowledge of these transnational phenomena, a clear and stringent political will, national crime policies and strategies in line with European and international standards, as well as their sound implementation. Without a thorough understanding of the transnational dimension of crime and its networks, governments will inevitably fall short in their efforts to prevent and combat organised and economic crime.

The Council of Europe has long been concerned about the long-term impact of organised and economic crime, particularly in South-eastern Europe. These concerns and the project areas' prospective accession to the European Union (EU) call for a substantive and regularly updated analysis of the scope, nature and characteristics of organised and economic crime in the region. Thus, the aims of this report are:

- To update the 2005 situation report on organised and economic crime in South-eastern Europe, focusing on the core issues for the region;
- To point at new developments, threats, analytical gaps and other organised crime related issues of concern in South-eastern Europe;
- To help policy-makers in Europe and the region make better informed anti-crime decisions and address measures still outstanding;
- To enhance public awareness and public participation in strategies against organised and economic crime.

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

² Currently under the interim administration of UNMIK in accordance with the United Nations Security Council resolution 1244 (1999).

Globally, organised and economic crime is a dynamic concept which keeps adapting to an ever changing environment. It is increasingly multi-national, heterogeneously structured and very flexible. This is also true for organised crime in South-eastern Europe, which involves a large variety of criminal activities, such as illicit drugs, trafficking in human beings, smuggling of persons and economic crimes:

- The traditional Balkan drug trafficking route has become a two-way route with an increasing volume of trafficking. Mainly heroin and cannabis are moving towards the EU, the major consumer market for illicit drugs, while precursor chemicals and synthetic drugs are moving eastwards, increasingly in form of multi-drug trafficking ('cocktail load'). Turkish and ethnic Albanian organised crime groups are dominant in this crime field, but all the organised crime groups have strengthened their co-operation. Ethnic Albanian organised crime groups are increasingly moving towards controlling the European cocaine market. Drug and precursor chemical seizures, however growing, are still on a milli-level. In some project areas, domestic drugs markets seem to be growing fast, together with a number of drug users, who are increasingly poly-drug users. Not only repressive but in particular preventive measures and public awareness on HIV/AIDS need to be enhanced.
- Trafficking in human beings for sexual exploitation has become more clandestine and sophisticated. It poses new challenges in terms of internal trafficking and local recruitment, and a growing domestic clientele. This has policy implications not only for repression but also calls for better prevention and public policies to deal with health issues that domestic sex market generates. Victims seem to be receiving a less violent physical treatment but more psychological pressures, particularly with threats to the live of victim's family back home, forced marriages and asylum applications to guarantee longer stays. Of serious concern is the number of trafficked children (under 18 years of age), which is expected to grow even further, since traffickers and their accomplices are increasingly targeting ever younger victims, in part prompted by the fear of HIV and AIDS. Some project areas have reported trafficking in children for begging or more clandestine purposes such as illegal adoption or organ harvesting.
- Illegal migration is and has been on top of national and international agendas for some time among other things in connection with recent and further EU enlargement, free movement of people and access to labour markets, as well as in regard to economic requirements caused by the decline of EU's active population. Concerted regulatory and law enforcement efforts against illegal migration appear to have made a positive difference in reducing the number of smuggling persons across borders. However it is still a lucrative business for international organised crime groups which carries a relatively low risk and benefits from weak border polices in South-eastern Europe and the fact that the new border control system in the enlarged EU are not yet running smoothly. The complexity of moving large volumes of people across long distances requires sophisticated multinational criminal organisations. However, facilitators operating along a South-eastern European section of the trafficking route are often nationals from the region.
- Economic crimes, which seriously affect all project areas in the region continues to evolve. The end of sanctions against Serbia and the subsequent disruption 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, such as the extensive smuggling of all kind of commodities (cigarettes and tobacco, weapons, explosives, alcohol, precious metals), dissemination of counterfeit money, forgery of documents and fictitious companies - key tools for tax evasion and money laundering - which seem to be ubiquitous in all the project areas and continue to affect public trust in the market economy and the criminal justice system. Other forms of economic crime, such as product piracy and cybercrime seem to be neglected and not properly addressed in some project areas.

- Although the project areas' authorities have recognised the negative impact of serious crime on their economies, societies and democratic development, assessments of losses of public revenues due to economic crime or costs caused by domestic drugs markets are not yet available. With proceeds as the common denominator of various forms of organised and economic crime, financial investigations and intelligence are crucial, as well as using all legal possibilities to seize and confiscate proceeds of crime. As requested by the EU, the Council of Europe, the Financial Action Task Force and the United Nations (UN), and supported through the CARPO project, all project areas have set up a Financial Intelligence Unit (FIU) or similar body, exchanged good practises, carried out peer reviews and intensive training programmes, and to some extent are starting now to carry out financial investigations in connection with criminal investigations. These tools, however, need to be applied more systematically.
- 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 at high and low level, appears to be a main tool for influencing and penetrating political and commercial structures. In all project areas, corruption still poses major problems. The fact that all of them have established modernised legislative framework, adopted comprehensive anti-corruption strategies and created anti-corruption services is promising, even if concerns might remain, nevertheless, on their concrete level of implementation, as well as on law enforcement institutions' full engagement in this regard. Such efforts may help to cut links between organised and economic crime with legal and public structures. However, reliable and comparable figures on the extent of corruption problems are not available.
- Law enforcement authorities in South-eastern Europe report that organised and economic crime is difficult to prevent or detect. The collection of evidence in order to obtain convictions is complex, in particular in the case of transnational offences. The prevention and repression of organised and economic crime will thus need to be given high priority on the political agendas, in particular in view of the prospect of future accession to the EU and the need for the approximation of the respective standards and practices with UN Conventions, Council of Europe Conventions and Recommendations, EU Directives and Framework Decisions, and other appropriate international standards.

The measures developed by the project areas within the framework of the CARPO project, but also within other context of co-operation with the EU, the Stability Pact, the SECI Center, the UN or the Council of Europe's monitoring mechanisms GRECO and MONEYVAL, will help overcome these shortcomings as follows:

- Strengthening information gathering and analyses of organised and economic crime in order to improve the knowledge and understanding of these phenomena in the region;
- Raising national crime statistics to EU-level, the use of common terms and definitions, the establishment of a common reporting system in line with the system used by Europol and in the 25 EU Member States (ENFOPOL 35) with due attention to securing levels of confidentiality (including implementation of relevant European legal instruments on privacy and data protection), regular preparation of annual Organised and Economic Crime Situation Reports or Threat Assessments, common tools for measuring crime on inter-institutional and cross-jurisdictional levels, studies on economic sectors' vulnerability and the financial impact of organised and economic crime, collaboration of law enforcement bodies with independent researchers and academia;
- Intelligence-supported mechanisms to define policies based on thorough assessments, setting up strategies or action plans, target-oriented and prioritised collaboration between all the law enforcement bodies in the region. This may follow the formulae: "Intelligence is processed information designed for law enforcement's action" and could be carried out similar to the EU instrument "Joint Investigative Team", following the "target group model" developed by

Europol, and including police, border police, customs, and other specialised law enforcement services. Closer co-operation should also be sought with EU Member States and other countries, particularly making use of Embassies (Police Attachés and Experts), Europol (EU-Liaison Officers' network), Frontex (to be developed), Interpol (NCB), SECI Center (national desks), and, whenever legally possible and appropriate, Eurojust and /or OLAF;

- Strengthening investigation skills in the fields of organised and economic crime. This may include significant efforts to overcome the language barrier through an appropriate language training of law enforcement officers. The use of special investigative techniques, covert actions, human intelligence, monitoring systems for precursors chemicals, tableting machines, witness and victim protection, financial intelligence, seizure of illicit proceeds of crime, or other specific working methods, e.g. High-Impact Operations (HIO), Sector-wide approach concentrating on priority areas (SWAP), Standard Operating Procedures (SOP);
- Monitoring of the effectiveness of measures for the prevention and control of organised and economic crime on a systematic basis. This may not only include the final evaluation of the CARDS programme, including the CARPO project and other projects being implemented³. It could be wise to make in the future, whenever appropriate, a cost/benefit analysis and to commission a study to analyse which regional fora and projects are functioning well, according to counterparts from the region, and which are not. Opportunities have been created, but they should be seized even more to become reality. The creation of regional or national steering committees composed of representatives from the main international supporting bodies and local counterparts could further reinforce synergies and costs savings;
- Ratification and full implementation of European instruments will finally help project areas make progress in this respect and facilitate international co-operation. These include in particular the 2nd Additional Protocol to the Convention on Mutual Assistance in Criminal Matters (CETS 182), the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198) and the Convention on Action against Trafficking in Human Beings (CETS 197), as well as the adoption and implementation of EU standards and regulations⁴.

This report is a further step in a long-term exercise; it should be conducted on an annual basis and to be closely linked to Europol's processes in drawing up the EU Situation Report on Organised Crime. It calls for feedback, identification of new information to update, confirm or infirm the assessments contained therein - as well as for more comprehensive contributions to future questionnaires.

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

³ E.g. MOLI-MK, PACO-Serbia or PACO-Impact.

⁴ To date, except Albania which signed and ratified CETS 182, none of the project areas have yet ratified CETS 182, CETS 197 and CETS 198.

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

2.1 BACKGROUND AND PURPOSE OF THE REPORT

Organised and economic crime have been on the agenda of the Council of Europe for at least two decades⁵ and have been re-confirmed as major concerns by the 3rd Summit of Heads of State and Government in May 2005⁶. Similarly, these issues were high on the agenda of the EU demonstrated by the establishment of Europol, Eurojust and Frontex and in particular with regard to the 2004 accession of the ten new Member States, the preparation of the ground for pre-accession of Romania and Bulgaria, and the start of negotiations with Croatia and “the Former Yugoslav Republic of Macedonia”.

In South-eastern Europe, despite some distinct features, organised and economic crime seem to have not reached the same critical proportions in all the project areas. The overall accepted perception is that organised and economic crimes in South-eastern Europe threaten democracy, the rule of law, human rights, stability, and social and economic progress within the region. The complex and ever changing nature of serious crime poses new threats to these societies in transition and has an impact beyond South-eastern Europe. European-wide crime analysis demonstrates that the recent enlargement of the European Union to the EU-25 and the ongoing process towards South-eastern Europe has not led to a complete change of the organised and economic landscape but has opened new markets and challenges for organised crime groups and simplified illicit trafficking of human beings and of all kind of commodities.

Enhanced information exchange between European law enforcement authorities, improved intelligence analysis, and closer international co-operation give rise to growing concerns with organised and economic crime in South-eastern Europe. This, and the countries’ prospective accession to the EU, call for a regular and substantive analysis of the scope, nature and characteristics of organised and economic crime in the region as well as its international networks.

However, despite the improvement of national legislations in this field it would seem that the understanding as to what constitutes organised and economic 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 Europe⁷. One of the expected results of this project is to enhance the understanding of organised and economic crime and of emerging threats.

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

- To update the 2005 situation report on organised and economic crime in South-eastern Europe, focusing on the core issues for the region;
- To point at new developments, threats, analytical gaps and other organised crime related issues of concern in South-eastern Europe;
- To help policy-makers in Europe and the region make better informed anti-crime decisions and address measures still outstanding;

⁵ See for example Council of Europe, Recommendation No R (86) 8 on crime policy in Europe in a time of change.

⁶ Warsaw Declaration, 17 May 2005.

⁷ This project, jointly funded by the European Commission and the Council of Europe, has duration of 30 months (March 2004 - August 2006). Further information: <http://www.coe.int/cards-police>

- To enhance public awareness and public participation in strategies against organised and economic crime.

The 2005 situation report⁸ was the end-result based on the work carried out by working groups composed of members from relevant law enforcement agencies (mainly police) from the seven project areas. In addition to the specialised police units' representatives, which largely dominated the final composition of the working groups, they also included other law enforcement agencies such as the Financial Intelligence Units (money laundering), tax and customs administrations (economic crime and public revenue losses), specialised prosecutors and Auditor General (public revenue and public procurement).

Similar to the Council of Europe's annual reports on organised crime in Europe⁹, a questionnaire was sent to each of the seven project areas' working groups in the spring of 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 - Serious Crime Department) in order to finalise the 2005 "Situation Report on Organised and Economic Crime in South-eastern Europe".

The main sources of the 2006 situation report¹⁰ were the replies to the second (and more elaborated) questionnaire sent in April 2006 to the CARPO counterparts in each project area, comments on the draft project areas' profiles as well as publicly available crime situation reports, researches and other reports and information prepared by the Council of Europe, Europol, Eurojust, EMCDDA, Frontex, IOM, OLAF, OSCE, SECI Center, Stability Pact, Transparency International, UNODC, U.S. Department of State, reports from numerous universities, research institutes and think tanks focusing on the region, Internet searches and the media.

The 2006 "Situation Report on Organised and Economic Crime in South-eastern Europe" updates and adjusts the analysis of scope, nature and characteristics of organised and economic crime in the region:

- The first chapter addresses the key findings and recommendations in the form of an executive summary;
- The second chapter provides an overview of the framework in which this report was elaborated, the background and purpose, the overall concept of organised crime and a brief overview on organised crime and its salient features;
- The third chapter analyses a number of areas which are judged to be significant crime markets for the project areas of the region – drugs trafficking, trafficking in human beings, smuggling in persons, economic crime, smuggling in legal goods, money laundering – and attempts to identify organised crime groups structures and modi operandi as well as relevant trends (as far as provided data allow some kind of analysis);
- The fourth chapter ("Project area Profiles") attempts to describe and assess the most significant threats, both in their regional dimension and specifically for each project area,

⁸ The 2005 report was elaborated by Ms Kristina Hemon (consultant, United Kingdom).

⁹ See www.coe.int/economiccrime

¹⁰ The 2006 report was elaborated by Mr Uwe Kranz (consultant, Germany).

despite the difficultness of having reliable means of measuring and comparing the seriousness of each threat;

- The fifth and final chapter concludes the situation report and gives some recommendations which may be relevant when considering strengthening efforts against organised and economic crime.

Organised and economic crime are growing, expanding their field of activity across crime types and borders, exploiting legal business to legitimate their criminal activities and employing high technology, particularly for sealing up and encrypting their communications. Organised crime and other forms of economic and serious crime are likely to remain a priority for European societies, in particular in countries in transition, such as countries in South-eastern Europe.

This report is to serve as a basis for common understanding of the phenomenon of organised and economic crime in South-eastern Europe, enhanced co-operation amongst the project areas, the twenty-five EU Member States and other countries.

2.2 THE CONCEPT OF ORGANISED CRIME

The oldest multi-national concept of organised crime (1998), officially described in an internationally binding document is the Joint Action definition of a criminal organisation adopted at EU level¹¹:

“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.”

However, even if it was adopted as a Joint Action, it was never ratified in none of the EU Member States.

The **Council of Europe** - in its Recommendation (Rec2001)¹¹ - adopted a similar definition of ‘organised crime group’ without limiting the scope to transnational offences¹².

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 June 2006, it had been signed and ratified by all project areas, by most of Council of Europe and EU Member States (at present 19 States). It is thus the most relevant legal instrument for Europe and the region. 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;

¹¹ Joint action 98/733/JHA of 21 December 1998 adopted by the Council on the basis of Article K.3 of the Treaty on EU, on making it a criminal offence to participate in a criminal organisation in the Member States of the EU.

¹² Recommendation (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.

(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 replies to the questionnaires show that all project areas have implemented such a definition of organised crime and organised crime groups in their national criminal legislation.

Still, prevention and control of 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 relationships between organised crime groups, state and society. The old concept of a hierarchical and rigid organised crime group has shifted to an entrepreneurial concept of organised crime with well developed structures to loose and fluid networks, using fast and secure means of communication, which makes the task of identifying and analysing organised crime even more difficult.

The occasional linkage or even confusion 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 terrorism¹³. However, there are certain similarities and links between organised crime and terrorism, with a tendency of terrorism converging towards organised crime – and there are good reasons increasingly to question the relationship between organised and economic crime and world-wide terrorism, which seems to be particularly true for al-Qaeda¹⁴.

Terrorists require means to carry out their attacks. The ability to generate and move finances, to acquire weapons, to recruit and train cadres and to communicate, particularly through the use of Internet, are all essential to them. Whereas some terrorist groups may fund their activities from drug cultivation and illegal immigration, other terrorists have been operating through decentralised networks which once raised and moved money through formal channels and other legitimate sources, such as private business and charities, and are now turning to methods which are more difficult to monitor, such as the use of cash couriers and alternative remittance systems (ARS), sometimes referred to as “underground banking”.

Since the terrorism issue is not tackled in the 2006 questionnaire, project areas were only requested to apply the following criteria¹⁵ when defining crime or criminal groups as ‘organised crime’:

¹³ Council of Europe’s Organised Crime Situation Report 2005, Focus on the threat of economic crime, December 2005

¹⁴ See United Nations resolution 1373, unanimously adopted by Security Council in the wake of the 11 September 2001 terrorist attacks in the United States, which defines terrorism as follows: “Any action constitutes terrorism if it is intended to cause death or serious bodily injury to civilians or non-combatants with the purpose of intimidating a population or compelling a government or an international organisation to do or abstain from doing any act”.

¹⁵ These criteria are rather same as those used since 1997 within the EU (ENFOPOL 35 Rev 2, 6204/97) for the annual EU Organised Crime Situation Reports elaborated by Europol in the last 10 years. Consequently, Europol’s “Analytical Guidelines” and rules for information exchange (such as the 4x4x3 system, to evaluate and classify sources, information and handling) where also used in OCTOPUS Training Seminars.

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.

2.3 GOVERNMENTAL AND ECONOMIC ENVIRONMENT

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 the end of the Cold War, diversified threats such as intra-state and ethnic conflict, international terrorism, market liberalisation, decentralisation and globalisation, free movement of persons and goods, an ever stronger role of non-state actors such as supranational governance structures (EU, ICTY and other international institutions), transnational corporations and growing influence and power of private security companies. Such a diffusion of power raises questions of the state primacy in controlling crime.

In the wake of 11 September 2001 and 7 July 2005, measures against terrorism included reinforcing the international legal framework for the control of organised crime. Already existing treaties were reinvigorated and new ones adopted, such as EU, Council of Europe and UN conventions, decisions, directives, recommendations or protocols, e.g. on money laundering and financing of terrorism, and organised crime, human trafficking, cyber crime¹⁶.

In the recent years, new European bodies have been established such as Europol, Eurojust, or CEPOL, increasingly focusing on law enforcements issues in South-eastern Europe, or similar bodies in the region such as the SECI Center. On 1 May 2004, a crucial development has been the enlargement of the EU by ten new Member States followed in 2005 by the establishment of the new European border management agency, Frontex.

South-eastern Europe has its own particularities with respect to challenges of politics and governance such as the war in the former Yugoslav countries, international sanctions against Serbia, the Albanian state collapse in the 1990s, the independency of Montenegro in June 2006, and ongoing discussions on the future status of Kosovo. New borders and states were created in the 1990s requiring new institutions. 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 that were more successful in catching up,

¹⁶ See Council of Europe, <http://conventions.coe.int/>

the difficulty arose with the enforcement of the new tools coupled with the lack of technical equipment to apply them. EU borders moved south putting a greater focus on border policing and on furthering the adoption of the *EU 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 region¹⁷.

While facing none of the constraints common to the states, which also offered unique opportunities for organised crime to infiltrate governance and business structures, criminals benefited from their competitive advantage rooted in long-lasting and close regional and international connections, security services both private and public ones, border police and customs. Societies in South-eastern Europe continue to perceive corruption to be a significant problem. 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.

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.

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 region¹⁸.

A change of property rights through privatisation 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, privatisation fraud is a great cause of concern for some of the project areas in South-eastern Europe.

2.4 ORGANISED CRIME AND ITS SALIENT FEATURES

AWARENESS AND CO-OPERATION

are key words for an enhanced fight against organised and economic crime. Despite improved European crime policies and the establishment of European bodies such as Europol, Eurojust, Frontex, EMCDDA or OLAF and strong support from other international institutions and structures like Council of Europe, EU, UN, SECI Center, Stability Pact or the International Commission on the Balkans, organised and economic crime in the project areas is still too often observed on a too

¹⁷ For this argument see International Commission: *The Balkans in Europe's Future*, April 2005.

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

national level. This promotes the spreading and development of organised and economic crime structures and societies. Only few criminal activities, those being forced to be investigated or analysed from an organised crime angle, come to light. Experts assume that the relation between organised crime and reported crime (which does not include the dark figures of crime), is comparable to the visible tip of an iceberg.

Thus, the understanding of the phenomenon largely depends both on crime policies and subsequent law enforcement priorities based on the perceived threats at a certain point time. The comparative still poorly established international co-operation of law enforcement bodies is especially true for South-eastern Europe. Generally, it has to be underlined that there are many organised criminal societies in South-eastern Europe and in Europe¹⁹ which are differentiated by their origin, size, sphere of specification and some other parameters. Organised crime is largely invisible and very often closely linked to legal business. Similar to other parts of Europe, organised crime in South-eastern Europe expands its network across crime types and borders, involves a large variety of criminal activities, increasingly seems to mix low-risk and high-risk activities and creates very flexible, international relationships, which can easily adapt and respond to new requirements, challenges and law enforcement strategies.

TYPES OF ORGANISED CRIME

have been reported from the project areas in all variations, in particular smuggling and illicit trans-border activities which have flourished reaching such a high level that they are considered the main criminal problem in the area. The main crime markets which are common to most countries in South-eastern Europe are:

- Drugs trafficking;
- Trafficking in human beings;
- Illegal immigration;
- Economic crime, such as tax and customs evasion, fraud, smuggling (mainly tobacco/cigarettes), money laundering.

As far as sufficient data were provided by project areas and data, information or intelligence were available from other sources, a kind of analysis, rather an assessment of crimes and areas is attempted in chapter 3 "Criminal Activities", and more detailed, on a project area-level in chapter 4 "Project area Profiles".

ORGANISED CRIME GROUPS

grow stronger since they always took advantage of new opportunities and diversified markets exploiting commercial structures to operate in the legitimate business world and employing modern communication technologies to maintain and expand their national and international contacts. By forging alliances with international organised crime groups and their they become more dangerous and move towards international, flexible and fluid networks. However, estimates on the number of organised crime groups and cases pose significant problems. The lack of detailed data on organised crime groups in South-eastern Europe is rooted in the fact that most project areas still do not systematically collect or report data on organised crime. As a result, crime intelligence systems for organised crime data collection vary between the project areas, and some of them when reporting on organised crime cases in different markets were unable to provide data on organised crime groups involved in those cases. Therefore, the clear identification of organised crime groups remains difficult but improving more operational oriented analysis of criminal networks and illicit flow of money may help overcome these problems.

In general, it seems that organised crime groups as multi-functional criminal organisations structured ethnically, homogeneously and hierarchically are changing. The most influential

¹⁹ Organised Crime in Europe, Concepts, Patterns and Control Policies in the EU and Beyond, C. Fijnaut and L. Paoli, 2004.

organised crime groups are indigenous, with very strong connections in the region and in some cases in EU countries. However, exclusive ethnicity became less meaningful. Except for ethnic Albanian organised crime groups (which, however, after having strengthened their role as “criminal service providers” networking with other nationalities in South-eastern Europe started to take over criminal markets and therefore are also increasingly outsourcing certain activities to other organised crime groups), there are rather loose associations than mafia-styled organisations. Many organised crime groups are reportedly to be of a multi-ethnic composition and the project areas reported both non-indigenous and indigenous organised crime groups which are mostly characterised as “fluid”, “flattening”, “cell-structured”, and “networking-like”.

Organised crime groups are increasingly enlisting professionals such as lawyers, accountants, financial service experts and other “specialists” for their activities. The common denominator to all organised crime groups or networks in South-eastern Europe remains, however, money laundering with a certain level of corruption (low to high level), thus connecting legal and illegal structures.

In some fields of crimes, replies to the questionnaire have only sometimes partly or fragmentary informed on the number, size and composition of organised crime groups. Therefore their reliability is rather limited.

According to the replies, the utmost conservative estimate might be that in 2005, project areas investigated at least 200 up to 300 organised crime groups. As such groups are differing in number of perpetrators (3-20 and more members have been reported), it is difficult to estimate the total number of organised crime criminals. According to the reports, law enforcement authorities charged some 2 500 perpetrators. Taking into account the reported figures of certain types of crime usually committed by organised crime groups, it is more likely that the real number of organised crime groups and perpetrators might be two to three times the amount reported, if not even more.

Ethnic *Albanian* organised crime groups are typically indigenous due to a persistent common mentality, clan-like relationships all over South-eastern Europe and beyond, mainly with Turkish organised crime groups, and often brokered by Egyptian middle-men, Asian and South-American cartels. Some groups have both national and foreign members, mainly Italians. According to Albania’s reply: in 2005 between 40 to 80 organised crime groups have been investigated (up to 20 in illicit drugs, up to 20 in trafficking of human beings, about 13 in smuggling of persons, no figures for economic crime, corruption, money laundering). The size of organised crime groups is said to amount between 3-5 persons (in trafficking of human beings) and 3-20 persons (in illicit drugs).

Organised crime groups from *Bosnia and Herzegovina* are said to be of no particular ethnic dominance. Although a remarkable number of cases and perpetrators is known related to illicit production and trafficking of drugs, trafficking of human beings and economic crime (especially tax evasion, counterfeit of money, corruption and money laundering). No information was provided on the number of organised crime groups involved in these crimes.

Croatian organised crime groups are mostly indigenous and chiefly involved in drugs trafficking and dealing (2005: from 393 cases of dealing with narcotic drugs there were 94 cases noted involving organised crime groups). It is expected that Croatian organised crime groups, which are not largely hierarchically structured, are only dominant in re-selling markets, for the large trafficking business they hold close links with ethnic Albanian, Russian and Italian organised crime groups. Only 2 cases of organised crime related to trafficking of human beings were reported, and no cases/numbers of groups in all other crime fields, despite an increase of remarkable 34 per cent of smuggling of persons and significant increases in offences against intellectual property rights and corruption.

“*The former Yugoslav Republic of Macedonia*” reported in total about 20 organised crime groups, usually composed of 5 up to 30 criminals of 22 to 55 years age, most of them being Macedonians. Despite two groups registered in the field of smuggling of migrants, no further information was provided in which fields of organised and economic crime the other 18 organised crime groups were

involved. According to the crime figures, it seems mainly to be drugs, counterfeit of money and smuggling of persons and commodities. Overall, both the rather loose structures and the composition of organised crime groups are mixed, bonds often are established by family or other close relationships, however, the stereo-type of mono-ethnic and family-centred organised crime groups has been overcome and a number of criminals from Albania, Bulgaria, Greece, Montenegro, Serbia has also been noticed.

Montenegro reported in 2005 a total of 14 charges against 58 criminals committing in organised crime groups 85 crimes, mostly fraud (22 cases), smuggling (10 cases), illicit drugs (10 cases), abuse of official position (10 cases), money laundering and illicit possession of arms and explosives respectively (each 7 cases), economic crime (6 cases), trafficking in human beings (3 cases) and money laundering (2), however, there were no charges in relation to organised smuggling of persons, corruption or cybercrime.

Serbia did not give any figures on organised crime groups in the 2006 questionnaire, apart from one case of trafficking in human beings. Most certainly a great portion of the cases reported are related to illicit drugs and smuggling of persons. According to previous reports and recent information on crime development²⁰, it seems that the number of organised crime groups and criminals may continue to be as high as about 50-70 groups with some 500 members.

Apart from 3 cases of organised economic crime, *Kosovo* did not report the overall number of organised crime groups and intelligence related to size, nationality etc., as it did for 2003 and 2004 (27 organised crime groups for which some 830 perpetrators had to be added up). Although 2005 increasing figures were provided on the number of crimes related to illicit drugs, trafficking in human beings, smuggling of migrants and other crimes, no additional information was given to the involvement of organised crime groups and individuals.

VIOLENCE AND INTIMIDATION

continue to be used as typical *modi operandi* but increasingly on a more calculated and cautious way. Intimidation and violence against victims are intrinsic to robbery, extortion and racketeering. It is also common to drug market as means to solving rivalry claims.

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. In connection with trafficking in human beings and the exploitation of individuals, violence 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 psychological pressures against families back home, forced marriages, providing modest pay and better living conditions as practiced by traffickers in Bosnia and Herzegovina and Kosovo. However, project areas record an increasing tendency to political and economic influence, mainly through corruption. In most of them, witnesses in organised crime cases are believed to be at risk, in particular if they are collaborators of justice. South-eastern Europe is partly lagging behind the rest of European countries in the implementation and sound functioning of witness protection programs, mainly facing funding limitations.

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.

²⁰ Council of Europe, Organised Crime Situation Report 2005, with focus on the threat of economic crime, December 2005.

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 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. Fortunately, 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 for blackmail and other methods, all of which has been noted through anecdotal evidence²¹, rarely, if ever, ending in a public investigation and conviction.

Given the prominence of economic crime and money laundering in 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 companies²².

Another factor, which is especially relevant for combating money laundering, is cash economy. Despite modernisation 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. Sectors such as real estate, car dealerships, the construction and entertainment sector, gambling and sex industry, security firms, building contractors, gas stations, 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.

PRIVATISATION OF SECURITY

is of certain importance for security and public trust in government and law enforcement authorities. The privatisation of security in the region in the early 1990s mirrors a global trend in which security roles, that traditionally fell exclusively within the realm of the state, have been gradually outsourced to private actors. 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.

A number of factors have created a demand for private security provision in South-eastern Europe over the last decade, ranging from high crime rates to public corruption, poor standards of policing, coupled with the withdrawal of state security protection from newly privatised property. All this has led to the substantial growth of the private security sector. In its early years, the industry was initially unregulated and displayed problems seen in other economic sectors emerging from a centrally driven command economy.

²¹ Interviews with law enforcement officers from the region conducted between September 2004 and June 2005.

²² 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.

Some parts of the industry were strongly associated with organised criminal elements²³, as well as in some circumstances extreme nationalist politics. Over the last decade the sector has begun to professionalise as the governments of the region have legislated to introduce controls. Whilst in most cases the members of the private security industry do not pose a direct threat to the states or citizens of South-eastern Europe, significant concerns remain, including of cases of improper criminal, political or paramilitary affiliations.

A recent research, which could be used as an initial guide for policy makers, assesses the situation in all the project areas, examines the background to the privatisation of security, contemporary security threats, services provided by private security companies (PSCs) and the regulation and oversight of PSCs²⁴.

ECONOMIC ASYMMETRIES

are globally unavoidable and occur also in South-eastern Europe. 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. Globalisation may further exacerbate asymmetries which are believed to be criminogenic.

According to the human development index of the UN 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)²⁵, although the difference with the rest of the neighbours is not very high. Asymmetries between Europe and its immediate neighbours are thus notable, as following table demonstrates.

Table 1: Asymmetries in human development in Europe²⁶

Country	Population (millions)	Gross Dom. Income/ cap. (US\$)	Human develop. Rank	Corruption Perception Index Rank	Record. criminal offences	Convictions	Prison population
	2006	2005	2003	2005	2000	2000	2004
					Per 100 000 inhabitants in 2000		
Albania	3.58	4 900	72	126	149	117	105
Bosnia and Herzegovina	4.49	6 800	68	88			67
Croatia	4.49	11 600	45	70	1 597	403	68
Serbia	10.83	2 700		97			92
Montenegro							108
"The former Yugoslav Republic of Macedonia"	2.05	7 600	59	103	*976	*366	78
Andorra	0.07	24 000					90
Armenia	2.97	5 300	83	88	360	203	92
Austria	8.19	32 900	17	10	6 891	512	100
Azerbaijan	7.96	4 700	101	137	*73	*197	198
Belgium	10.38	31 900	9	19	**8 558	1 446	88

²³ 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).

²⁴ SALW and Private Security in South Eastern Europe – A Cause or Effect of Insecurity, 15 August 2005 by the low HDI countries ranked 143 onwards. See UNDP *Human Development Report 2004*.

²⁵ 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*.

²⁶ Sources: UNDP 2005 for human development ranking (based on education, life expectancy and gross domestic product in purchasing power parities per capita); CIA - The World Fact Book 2006, for population in July 2006 (est.) and Gross Domestic Product per capita (PPP) in 2005 (est.); Transparency International Corruption Perception Index 2005 for corruption; International Centre for Prison studies for prison population 2004; WODC 2003 with data on crime for 2000 unless indicated otherwise: *UNODC 2002 **in 1999 ***data for England and Wales only;

CARPO Situation Report 2006

Country	Population (millions) 2006	Gross Dom. Income/cap. (US\$) 2005	Human develop. Rank 2003	Corruption Perception Index Rank 2005	Record. criminal offences 2000	Convictions 2000	Prison population 2004
Bulgaria	7.38	9 000	56	55	1 779	388	127
Cyprus	0.78	21 600	29	37	575	**126	50
Czech Rep.	10.23	18 100	31	47	3 811	615	182
Denmark	5.45	33 400	14	4	9 447	**767	70
Estonia	1.32	16 400	38	27	4 038	717	330
Finland	5.23	30 600	13	2	10 262	3 351	69
France	60.87	30 000	16	18	6 405	957	91
Georgia	4.66	3 300	100	130	269	173	165
Germany	82.42	29 800	20	16	7 616	1 071	96
Greece	10.68	22 800	24	47	3 482		83
Hungary	9.98	16 100	35	40	4 445	1 034	165
Iceland	0.29	34 900	2	1		*719	40
Ireland	4.06	34 100	8	19	1 928	193	85
Italy	58.13	28 400	18	40	**4 123	**484	100
Latvia	2.27	13 000	48	51	2 087	528	339
Liechtenstein	0.03	25 000					53
Lithuania	3.58	13 900	39	44	2 275	571	234
Luxembourg	0.47	55 600	4	13	5 216		111
Malta	0.40	19 000	32	25	4 345		72
Moldova	4.46	2 100	115	88	864	360	297
Netherlands	16.49	30 600	12	11	8 215	658	123
Norway	4.61	42 400	1	8	3 278	1 427	65
Poland	38.53	12 700	36	70	3 278	577	209
Portugal	10.60	18 600	27	26	3 616	534	128
Romania	22.30	8 400	64	85	1 578	338	180
Russian Fed.	142.89	10 700	62	126	2 022	811	532
Slovakia	5.43	15 800	42	47	1 642	399	164
Slovenia	2.01	21 000	26	31	3 614	358	59
Spain	40.39	25 200	21	23	2 308	*254	139
Sweden	9.01	29 800	6	6	13 693	1 338	75
Turkey	70.41	7 900	94	65	712	*1 512	95
Ukraine	46.71	6 800	78	107	1 126	470	415
United Kingdom	60.60	30 900	15	11	***9 817	***2 684	***140

3 CRIMINAL ACTIVITIES

3.1 DRUGS TRAFFICKING

The international drug control system is based on three United Nations drug conventions (1961, 1971 and 1988)²⁷, which enjoy quasi-universal adherence and 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. The UNODC 2006 World Drug Report²⁸ demonstrates progress made in the past but also highlights some weak elements in the global drug control system, most notably heroin supply in Afghanistan, cocaine demand in Europe, and cannabis supply/demand everywhere.

The multilateral drug control system has, in fact, contained the problem to 5 per cent of the world population (some 200 million people age 15-64). Of these 5 per cent of the population using illicit drugs at least once a year (annual prevalence), only about half of them (2.7 per cent of the population age 15-64) use drugs regularly, that is, at least once per month. The number of what are commonly understood to be drug addicts or problem drug users is some 25 million persons worldwide, equivalent to 0.6 per cent of the population age 15-64. This estimate does not seem to have changed much in recent years at the global level as increases in some countries were offset by declines in others.²⁹

While most drug users live in developing countries, expanding Europe seems to be the most profitable drug market in the world considering its purchasing power and numbers of drug users. Proximity to such a market and the importance of the 'Balkan Routes' indicates that drugs trafficking should continue to be also a focus of South-eastern European law enforcement in the future.

Europe remains a major market for stimulant drugs, and indicators suggest that for Europe as a whole, the trend in cannabis, amphetamine, ecstasy and cocaine use continues to rise. Drug use in Europe remains largely a phenomenon of the young generation and of young men in particular.

More European oriented figures have been reported by the European Monitoring Centre for Drugs and Drug Addiction (EMCDDA)³⁰, some key findings have to be highlighted as follows:

- It is estimated that between 3 - 31 per cent of adults (aged 15-64 years) have tried cannabis at least once. Based on several surveys, an estimate can be constructed, suggesting that some 20 per cent or 62 million Europeans have ever tried this substance (lifetime use), and 6 per cent or 20 million Europeans have tried the substance in the last twelve months (last year prevalence);
- Synthetic drugs are the second most commonly reported substance used in Europe, in particular Ecstasy has (in many ways) overtaken amphetamines as Europe's second most used drug after cannabis;
- In terms of heroin, EMCDDA roughly estimated that there are on average 4 - 7 cases per 1 000 population aged 15-64 years. Current estimates suggest that there are probably between 1.2 and 2.1 million problem drug users in the EU, of whom 850 000 to 1.3 million are likely to be recent injectors;

²⁷ These are 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).

²⁸ UNODC World Drug Report 2006 refers in various sections to a number of regional designations, unfortunately, these are not official designations. They are defined as follows (only Europe): West and Central Europe: EU 25 plus EFTA plus San Marino and Andorra; East Europe: European CIS countries; Southeast Europe: Turkey and the non-EU Balkan countries; However, the UNODC World Drug Report 2006 explicitly mentions only two countries of South-eastern Europe: Bosnia and Herzegovina and Montenegro, Serbia.

²⁹ Obviously this includes poly-drug use. Data according to UNODC, World Drug Report 2006.

³⁰ The European Monitoring Centre for Drugs and Drug Addiction (EMCDDA), Annual Report 2005.

- Prevalence of cocaine use varies considerably in Europe but again the trend generally appears upwards. Cocaine use ranges in the EU between 0.5 – 6 per cent (lifetime use), respectively 1 per cent of all adults (last year prevalence). However, it has to be noticed that young people are using more frequently cocaine (1 – 11.6 per cent of all adults aged 15-34 years), this means that about 3 – 3.5 million Europeans adult frequently use cocaine

Figures above indicate that on the one hand, the large-scale production and trafficking of drugs remain the most common forms of crime among criminal networks that target Europe as a whole. On the other hand, there are some 40 million mostly young people in the European countries who have recent drug experiences and represent a huge market of drug demand.

Similar figures are also to be expected at least in the near future for South-eastern Europe³¹. Therefore, it is essential to implement internationally proved law enforcement policies, activities and closer co-operation in the region, such as identified in the two EU Strategies and associated Action Plans on Drugs³².

In addition, activities related to the Action Plan on Drugs between the EU and the Balkans adopted by the Council of the EU in June 2003 should also be improved. This political framework complements the EU's three major drug Programmes CADAP, SCAD and BUMAD. After so many years of drug control experience both worldwide and, more specifically, EU-wide, it is well known that only a coherent, long-term strategy can reduce drug supply, demand and trafficking.

Drug trafficking is a quintessential form of organised crime overall in Europe and especially in South-eastern Europe with its well-known 'Balkan Routes', earlier used by Turkish organised crime groups for trafficking of heroin and nowadays for all kind of illicit drugs and in a framework of "multi-drug trafficking" where shipments are called "cocktail loads" and include precursors, chemicals and synthetic drugs.

Drugs trafficking involves chiefly indigenous organised crime groups and composed of nationals from source or transit countries. However, project areas increasingly report close ties between indigenous and non-indigenous organised crime groups, both in drugs transportation and distribution and, increasingly, drug traffickers involvement in several other illicit activities, e.g. trafficking in human beings. Albanian organised crime groups have developed into a major provider for herbal cannabis (cultivation and trafficking) and are supporting Turkish heroin and Columbian cocaine traffickers, recently trying to fully enter into the cocaine trade, thus posing an increasing threat to the EU³³.

The analytical approach adopted in this report focuses on each of the main substances used. This substance-specific approach is conceptually easy to understand and has the additional advantage

³¹ In South-eastern Europe, data on drug abuse is sparse and outdated. Opiates (heroin): Croatia 0.7 per cent of the population aged 15-64, Albania with 0.5 and Montenegro, Serbia with 0.4 per cent. Cocaine: Croatia 0.2 per cent of the population aged 15-64. Cannabis : Croatia 3.9 per cent (age 15-34), Albania 2.6 per cent (age 15-24) and Montenegro, Serbia 0.7 per cent (15-34).

³² EU Strategy 2000 – 2004 (adopted by the Council of EU, Document 9283/00, CORDROGUE 32, Brussels, 7. June 2000) and associated EU Drugs Action Plan (200-2004), adopted by the European Commission, Document COM(2001) 301; EU Strategy 2005-2012 (adopted by the Council of EU, Document 15074/04, CORDROGUE 77, Brussels, 16.-17.December 2004 and associated EU Drugs Action Plans (2005-2008), adopted by the European Commission, in June 2005 (CORDROGUE 25) and subsequent EU Drugs Action Plan (2009-2012).

³³ "According to law enforcement information, each year some 30 tonnes of cocaine find their way from Albania to Europe by air" and "Ethnic Albanian OC groups have increased their role in the trafficking of heroin. They are reported to control up to 80 per cent of such trafficking in some of the Nordic countries and 40 per cent of heroin trafficking in other Western European countries, although they often rely on Turkish criminal organisations to supply them with heroin. In Greece, ethnic Albanian OC groups, in close cooperation with Greek nationals, dominate the trafficking of cocaine. Italy reports that ethnic Albanians exchange heroin for cocaine and they are involved in trafficking heroin to the UK" (for more details see: EU Organised Crime Report, 2005, Europol).

that most indicators of drug use are based on substance-specific behavioral measures. The disadvantage of this approach is that it does not reflect the fact that polydrug use (the “matching piece” of multi-drug trafficking) is a major factor in drug problems in Europe.

In regard to analytical skills, tools and related organisational structures, it has to be stated that replies were often fragmentary and insufficient. Further technical assistance and training will be needed to fill existing analytical gaps, to improve data collection and reporting systems and to approximate drugs trafficking information and analysis to EU- and UN-levels:

- A first step could be to elaborate on an annual basis national Organised Crime Situation Reports similarly structured and detailed as the Council of Europe’s or Europol’s Organised Crime Situation Reports with a focus on Drugs Trafficking;
- A second step could also be to strengthen the support to the Global Assessment Programme (GAP). This Programme was launched by UNODC in 1998³⁴ in response to the need to improve the global information base on patterns and trends in drug production, trafficking and consumption. It also supports the development of data collection by providing a methodological toolkit to aid in the collection of high quality data and to build capacity to collect data at national and regional levels. The methods employed by GAP have been developed to support data collection around a core set of drug abuse indicators, which have been agreed upon by Member States and are found in part II of the revised Annual Reports Questionnaire (ARQ)³⁵;
- The third step could be to further bring the national legislation, in particular on data protection and criminal procedural law closer to EU-standards and to negotiate an operational co-operation agreement with Europol;
- The fourth step could be to make more use of the SECI Center for the purpose of information exchange and its analytical capacities..

3.1.1 Amphetamine- type stimulants (ATS)

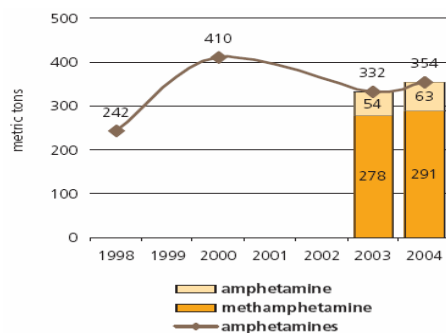
The group of amphetamine-type stimulants (ATS) encompasses amphetamines (amphetamine, methamphetamine), ecstasy (MDMA and related substances) and other synthetic stimulants (methcathinone, phentermine, fenetylline etc.). Amphetamine-type stimulants are mostly produced in China, Myanmar and Philippines. The global ATS production is currently close to 480 metric tonnes³⁶, three quarters of which is either methamphetamine or amphetamine and one quarter of which is ‘ecstasy’.

After years of rapid increases, the market for amphetamine-type stimulants is stabilising. Seizures have skyrocketed, demonstrating once again that the popularity of drugs in some countries tends to offset their decline elsewhere, causing the market to reorganise itself, especially by exploiting countries in transition with weak law enforcement.

³⁴ In this context, UNODC has also been working with governments and a variety of organisations to establish norms and standard indicators; to improve data collection and reporting systems, such as a global Illicit Drug Index (IDI), which would provide a single, standard and comparable measure of a country’s overall drug problem, weighted by the size of its population. The Illicit Drug Index combines all the main categories of illicit drugs by converting them into a hypothetical reference drug and the extent of illicit drug production, trafficking and abuse into a single measure of potential harm that moves along the market chain.

³⁵ UNODC, World Drug Report 2006.

³⁶ UNODC, World Drug Report 2006

Graph 1: Production estimate of amphetamines

Sources: UNODC estimates based on UNODC, Annual Reports Questionnaire Data / DELTA and INCB, 2005 Precursors, March 2006, UNODC, 2005 World Drug Report and UNODC, Ecstasy and Amphetamines – Global Survey 2003.

The production process, involving chemical acquisition, synthesis, tableting, packaging and waste dumping, is invariably separated between different locations. Often, this involves co-operation between criminal groups operating across borders thus reducing the risk of an inclusive production network being dismantled. Examples of these are the trafficking, from Belgium and the Netherlands, of 'ecstasy' powder to Portugal for tableting and of amphetamine powder to the United Kingdom for cutting and re-packing with a logo. Investigations in the EU Member States, demonstrate the crucial role of facilitators in supplying chemicals, materials and equipment sourced from across Europe and beyond.

Significant amphetamine production also occurs in Poland, whilst amphetamine and 'ecstasy' production of varied scale is reported across the EU, in particular the Baltic States and in Bulgaria, the latter sourcing amphetamine tablets with the 'Captagon' logo trafficked in large amounts to the Arabian Peninsula. Increasingly frequent seizures in the EU during 2004 and 2005 of large amphetamine consignments up to 500 kg³⁷ (recent seizures in Serbia) indicate an escalation of this market and of the production of amphetamine, with a European wide trafficking level.

3.1.2 Methamphetamine

This drug is known to be particularly associated with health and social problems. Globally, there is considerable concern about growing methamphetamine problems. Large-scale methamphetamine production and consumption in Europe has thus far not occurred. European methamphetamine production continues to be largely limited to the Czech Republic and, to a lesser extent, neighbouring Slovak Republic, some of the Baltic states and Moldova. The number of dismantled methamphetamine laboratories in the Czech Republic has increased considerably over the last decade, from 18 in 1995 to 28 in 2000, 188 in 2003 and 248 in 2004. Large numbers of dismantled laboratories were also reported from Moldova (136 in 2004), followed by Slovak Republic (12 in 2004, up from 3 a year earlier).

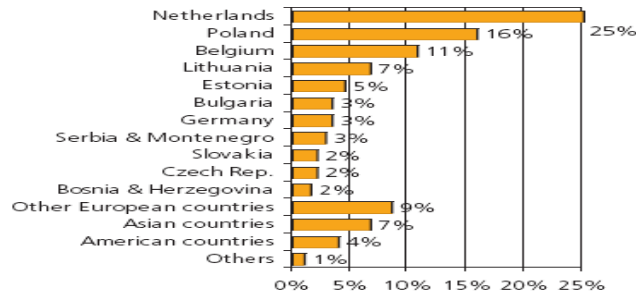
Based on information on the origin of seized drugs, 88 per cent of the replies concerned European countries over the 2002-2004 period suggesting that amphetamine production continues to be concentrated in Europe. The Netherlands, Poland and Belgium, followed by Lithuania and Estonia, Bulgaria and Germany are frequently cited as main sources of amphetamine. In terms of amphetamine laboratories seized, Europe accounted for 77 per cent of all such laboratories over the 2002-2004 period.

The number of amphetamine laboratories seized in West and Central Europe increased from 25, on average, over the 1995-99 period to 35 over the 2000-2004 period (47 in 2004). The increase has been

³⁷ Europol Drugs Report 2006.

even higher in Eastern Europe (Belarus, Moldova, Russia and Ukraine) where reported laboratory detections increased from 11, on average, over the 1995-99 period to 94 over the 2000-2004 period (141 in 2004)³⁸.

Graph 2: Origin of amphetamine in 2002 –2004



* Number of times a country was identified by other countries as a source country for amphetamine over the 2002-04 period (n = 175), based on information provided by 40 countries

Source: UNODC, Annual Reports Questionnaire Data.

This data and recent seizures indicate that there is a gradual shift of amphetamine production towards Eastern and South-eastern Europe. Project areas should be encouraged to strengthen their support to international activities and operations, such as those of Europol or the UN INCB (International Narcotics Control Board). This has to be seen in line with the recent but not substantiated findings reported in 2006 from the Ministry of Interior of the Republika Srpska (Bosnia and Herzegovina) indicating “that the imported quantities of substances meant for industrial production exceed industrial needs and that, not in rare cases, their trafficking is illegal”³⁹.

Reported seizures of ecstasy increased by 87 per cent in 2004 and reached a new record of 8 tonnes expressed in kilogram equivalents out of which 51 per cent were seized in Europe, topping even peak levels recorded in 2002 by 20 per cent. The importance of the Netherlands and Belgium, traditional source countries for ecstasy appears to be declining, as production in other European countries is growing⁴⁰.

Mostly, ATS are smuggled from EU countries but increasingly also from certain South-eastern and Eastern European countries where clandestine laboratories are mushrooming. Considering the growing nature of the European-wide market for stimulants, the potential for the spread of methamphetamine use cannot be ignored in South-eastern Europe and thus this remains an important area for vigilance. A tendency of growth in the domestic market of ATS has already been noticed in Serbia (the project area’s reply says: “very popular among young people” and “widely present”), Bosnia and Herzegovina, Croatia, Montenegro, Kosovo and “the former Yugoslav Republic of Macedonia” due to the increasing demand for this types of drugs but also due to the more aggressive supply which could be detected. Furthermore, Turkey with the expansion of tourism, is emerging as a significant destination for ecstasy sourced in Western Europe. In this regard, increased dual use is expected of the ‘Balkan Routes’ for smuggling heroin to and ecstasy from the EU. Production of amphetamine with the ‘Captagon’ logo, previously reported in Bulgaria, has also recently emerged in Turkey⁴¹.

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. Methamphetamines are a growing problem across South-eastern and Eastern

³⁸ UNODC, World Drug Report 2006.

³⁹ BiH Information on the Security Situation in Bosnia and Herzegovina in 2005.

⁴⁰ UNODC, World Drug Report 2006.

⁴¹ UNODC, World Drug Report 2006

Europe, Russia and Asia with drug laboratories moving, in many cases, from west to east and precursor chemicals generally moving from east to west and in reverse order.

The control of precursor chemicals is an especially difficult challenge since these substances, such as ephedrine and chemicals, are found in over-the-counter drugs and cold medicines and available without prescription. Tonnes of precursors are transported to regions where clandestine laboratories operate in relative freedom, especially in countries where instability, corruption, and weak law enforcement allow manufacturers to operate with impunity.

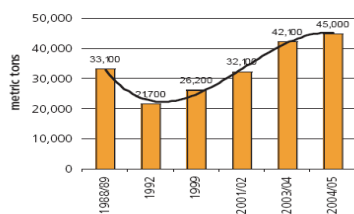
In 2005, Albanian law enforcement agencies investigated two cases, where considerable amounts of ephedrine from China and the United Kingdom were seized. Bosnia and Herzegovina reported a recent confiscation of 34 tonnes of acetic acid anhydride (chemical precursor for heroin), Serbia's police detected a trade in chemical precursors imported from France, Czech Republic and Romania, which are then smuggled to Bulgaria and Turkey. They discovered several illicit laboratories for ecstasy production and seized 2 million pills of ecstasy as well as 20 tons of acid.

The project areas should be encouraged to make more use of the Europol Cocaine Logo System (ECLS), which collates modus operandi, photographic and other information on cocaine seizures and on logos and markings on the drugs and their packaging. The ECLS enables the identification of matches between seizures with a view to promote international law enforcement co-operation and exchange of information. Annual updates of the Europol Cocaine Logo Catalogue are produced in CD and hard copy format.

3.1.3 Cannabis products (hashish, marijuana, hashish oil)

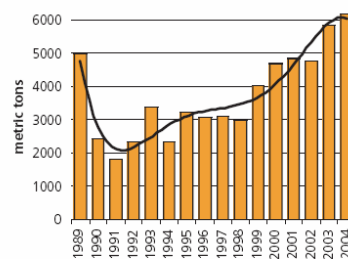
Production of cannabis basically comprises three different products: cannabis herbal (marijuana), cannabis resin (hashish) and cannabis oil. Global cannabis production has been rising and is estimated at 45 000 metric tonnes (2003: 40 000 metric tonnes, 2004: 42 000 metric tonnes)⁴². There are other indications that global cannabis production has been increasing. Both estimates of the number of cannabis consumers globally and the quantities of cannabis seized by law enforcement have increased in the past decade.

Graph 3: Cannabis herb production (est.)



Sources: UNODC, World Drug Reports 2004 and 2005, UNODC, Annual Reports Questionnaire Data, Government Reports and UNODC estimates.

Graph 4: Cannabis herb seizures 1999-2004



Source: UNODC, Annual Reports Questionnaire Data.

Europe is the world's largest market for cannabis resin, accounting for more than 70 per cent of global resin seizures in 2004. Over the 2002-2004 period, Member States cited Morocco as the main source country, followed by Pakistan and Afghanistan. The proportion of Morocco has, however, declined slightly, from 31 per cent over 1999-2003 to 28 per cent over the 2002-2004 period.

Other countries cited as important sources of cannabis resin are Albania and the Netherlands. In some cases, it is not always clear whether the cannabis resin was produced in these countries or whether it was only bought in these countries, originating from Morocco. However, cannabis resin

⁴² UNODC World Drug Report 2006

production plummeted in Morocco. The 2003 survey placed total resin production at about 3 060 metric tonnes, cultivated on 134 000 hectares of land in the Rif region by some 96 600 families. The 2004 survey showed a 10 per cent decline in the land dedicated to cannabis cultivation (120 500 hectares), with an estimated production of 2 760 metric tonnes. The 2005 survey found a further 37 per cent decline to 72 500 hectares and a decline in production to 1 070 metric tonnes, clearly reflecting the intensified efforts of the Moroccan authorities in the fight of drugs production⁴³.

Despite these efforts in Morocco, there is growing concern in Europe about the negative impact of cannabis use⁴⁴. Morocco continues to supply more than 80% of all the resin consumed in Europe⁴⁵, the world's largest resin market generating annually an estimate of EUR 10 billion. In addition, Pakistan and Afghanistan also contribute to the international resin market. Resin seizures and consumption estimates suggest that the long-term trend is towards a growth in global production to 7 500 metric tonnes and more (2004/2005).

Data available on drug treatment demands in Europe place cannabis second to opiates, although cannabis still accounts for only 12 per cent of all treatment demands and the overall picture is greatly influenced by the situation in relatively few countries. Although the available data suggest that as many as three million people, mostly young males, may be using cannabis on a daily basis in Europe, the extent to which this group might be experiencing problems because of their use of the drug is not known. It is expected that a similar development would be observed in South-eastern European countries.

The potency of cannabis products is determined by their content of tetrahydrocannabinol (THC), the primary active constituent. According to surveys of Canada, the USA and the Netherlands, for instance, the average THC content (potency) significantly increased (USA: from less than 2 per cent in the 1970s to 6.3 per cent in 2003)⁴⁶. In 2003, in countries from which data is available, cannabis resin at retail level was reported to have an average THC content that varied from less than 1 per cent (Poland) to 25 per cent (Slovak Republic), while herbal cannabis potency ranged from 1 per cent (Hungary, Finland) to 20 per cent (home-grown produced in the Netherlands) to 25 per cent (Slovak Republic)⁴⁷. Only Montenegro gave a rough outline on cannabis trafficked from Albania, which is "considered to be of high quality (*high degree of THC*)".

The production of herbal cannabis (marijuana) is extremely dispersed and also South-eastern European countries report some cannabis cultivation, such as Serbia (2003: small scale cultivation of 2 000 plants), Kosovo (2004: Kosovo police and UNMIK destroyed 12 cannabis fields) and Albania, which continues to be the only country in the region producing cannabis products (hashish, marijuana and hashish oil) for the export (2004: Destruction of some 74 000 plants; 2005: Destruction of 333 000 plants; 2006: Destruction of some 2 000 cannabis plants during the first five months).

Countries of destination of hashish and marijuana from Albania are mainly Greece and Italy, but there have been reports on trafficking to Kosovo, Montenegro, "the former Yugoslav Republic of Macedonia" and, in few cases, to EU Member States, in exchange to heroin. The import of marijuana is mainly organised by criminal groups from Colombia, Jamaica, South Africa, Nigeria and Albania. Albanian organised crime groups have developed into a major provider for herbal cannabis. Larger amounts of hashish and marijuana mainly arrive by sea through international smuggle channels (container) from countries of Northern and Western Africa to Italian and Slovenian ports and from there to the project areas by road. Hashish and marijuana come also through maritime routes from Albania or directly from South-American countries to Croatian sea ports for further distribution

⁴³ UNODC World Drug Report 2006; Europol Drugs Report 2006.

⁴⁴ EMCDDA Report 2005; Spain, Italy, Denmark, Finland and Ireland reported that almost all of the cannabis resin originated in Morocco.

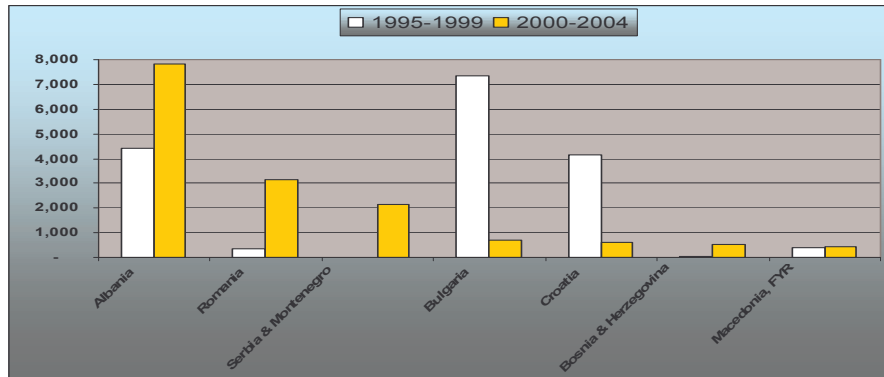
⁴⁵ Europol, 2005 EU Organised Crime Report, October 2005.

⁴⁶ UNODC World Drug Report 2006.

⁴⁷ EMCDDA Annual Report 2005.

(“sea channels of the ‘Balkan routes’”). Transportation of hashish and marijuana by road mainly comes from the territories of Bosnia and Herzegovina, Montenegro and Serbia.

Graph 5: Cannabis Seizures (Kg/Annual Average)



Source: United Nations office on Drugs and Crimes (UNODC)

In terms of demand, Europe is probably the most profitable cannabis market in the world. Proximity to such a market and the importance of the ‘Balkan Routes’ indicate that drugs trafficking will need to continue to be a focus of law enforcement in the future. Illicit cannabis products are the most widespread drugs in all the countries of the region, and in most project areas they are called the biggest problem.

3.1.4 Opium poppy cultivation and production of heroin

In 2005, experts observed several positive developments: the total area under opium poppy cultivation declined as did global opium production, whilst global seizures of opiates (heroin, morphine and opium) increased, particularly in South-Eastern Europe. Worldwide, the estimated area under illicit opium poppy cultivation decreased by 22 per cent (from 195 940 hectares to 151 500 hectares), mainly due to lower cultivation in the three main source countries⁴⁸. Global opium production was estimated at 4 620 metric tonnes.

Afghanistan shares the biggest part of it: 4 100 metric tonnes (89 per cent) were produced in the main source country for Europe. In the past, Afghanistan steadily increased opium production from 2002 to 2005⁴⁹, even surpassing previous production amounts before the Taliban put a “fatwa” on poppy cultivation, thus drastically eradicating cultivation areas at the end of 2000 and in spring 2001. Opium poppy cultivation continues to spread in Afghanistan, indicating that post-Taliban drug control efforts by the international community have still not been sufficiently successful. As many as half a million people are believed to be involved in the trade in Afghan opiates, turnover in which is estimated at over US dollars 40 billion per year.

Although, UNODC estimates that in Afghanistan, the area under poppy cultivation decreased for the first time since 2001 by 21 per cent from 131 000 hectares (2004) to 104 000 hectares (2005)⁵⁰, yet overall opium production levels fell only slightly⁵¹. Of greatest concern is the fact that opium poppy cultivation has been introduced into previously unaffected areas and is now found in all 34 provinces of the country. In addition, the national trend masks considerable provincial differences.

⁴⁸ Afghanistan, Myanmar and Lao People’s Democratic Republic (Lao PDR).

⁴⁹ UNODC World Drug Report 2006; In 2004, 67 per cent of the global opium poppy cultivation took place in Afghanistan.

⁵⁰ Compared with data from 2004, this may be called an annual decrease, but compared to about 80 000 hectares in 2003, some 104 000 hectares are continuously on a too high level.

⁵¹ UNODC World Drug Report 2006; Despite the 21 per cent decrease in poppy cultivation, favourable growing conditions resulted in higher yields of opium, leading to an overall production decrease of only 2 per cent.

While sharp declines could be seen in some provinces (e.g. Nangarhar, from 28 213 hectares to 1 093 hectares), cultivation increased in others (e.g. Kandahar, from 4 959 hectares to 12 989 hectares).

Analysing long-term observations presented by UNODC, recent decreases should not be emphasized too much: ups and downs of crime statistics, such “swinging” figures call for sustaining programmes and the challenges involved in turning a single year's decline into long-term, structural changes.

UNODC estimates that 72 per cent of opium is converted into heroin in Afghanistan. In 2005 about 410 metric tons of heroin were produced, the bulk going to Europe and Russia⁵². Some 10 000 tons of chemicals, including 1 000 tons of acetic anhydride are needed for this process. The Tajik Drug Control Agency estimates that there are more than 400 heroin laboratories in Afghanistan, with 80 of them situated along the border to Tajikistan⁵³. Almost all of the heroin consumed in Europe is based on opium from Afghanistan (90 per cent) for which the ‘Balkan Routes’ continue to be the main channels for trafficking.

Trafficking of heroin towards the EU continues to be dominated by Turkish and associated criminal groups. These groups make use of facilitators in Southwest Asia to liaise with domestic criminals or brokers who can purchase large quantities of heroin directly from source countries. Very rarely do heroin consignments travel the whole way from Afghanistan to Europe in a single journey; they are bought and sold by different criminal groups along the route⁵⁴. In general, the rapid growth of trafficking in goods and passengers in Europe reduces risks and produces larger investments for drug traffickers, who especially in drugs trafficking follow the entrepreneurial creed: “Low risk – high profit”.

Whilst awaiting onward transportation into Western Europe, heroin is often stockpiled in countries along the ‘Balkan Routes’. The dual use of the ‘Balkan Routes’ for smuggling heroin to and ecstasy from the EU is noteworthy⁵⁵. Albania is destined to be one of the most important transit countries for trafficking of heroin from Afghanistan via Turkey and other countries in South-eastern Europe, notwithstanding increasing or decreasing figures (2004: 91 cases with 152 offenders; 2005: 67 cases with 116 offenders).

The proportion of opiate seizures, expressed in heroin equivalents, along the Afghanistan–Europe trafficking route increased from 78 per cent to 85 per cent between 2002 and 2004, reflecting rising levels of opium production in Afghanistan and rising levels of opiate trafficking from that country.

Ethnic Albanian criminal groups⁵⁶ reportedly play a key role, namely in the wholesale distribution of heroin in Europe. Turkey remains, due to its geographical position, the main corridor for heroin trafficking towards the EU. The country serves as a starting point for the ‘Balkan Routes’. Most heroin from Southwest Asia reaches Europe via these routes.

Albanian criminals import heroin in close co-operation with Turkish, Macedonian and Kosovar traffickers. Usually, transports are organised with trucks, buses, and cars via the two land routes, either Turkey-Bulgaria–“the former Yugoslav Republic of Macedonia”-Albania, or Turkey-Bulgaria–“the former Yugoslav Republic of Macedonia”-Kosovo-Albania. Most of the heroin finds its way to Greece, Italy and, Bosnia and Herzegovina (which did not provide 2005/2006 information), Croatia, Kosovo, Montenegro, Serbia and onwards to the markets in other EU Member States.

⁵² UNODC World Drug Report 2006.

⁵³ Europol Drugs Report 2006.

⁵⁴ Europol Drugs Report 2006.

⁵⁵ Europol Drugs Report 2006.

⁵⁶ In this context “Albanians” are considered to be persons who identify themselves as such based upon their culture, history, language, traditions or descent, irrespective of whether they live in Albania, Kosovo, Montenegro, Serbia or elsewhere.

Only a small portion of heroin, mostly of low quality, remains in Albania for the increasing domestic market. "The former Yugoslav Republic of Macedonia" estimates the amount of heroin annually consumed to some 300 kg. Montenegro reported that heroin on the domestic market usually is stretched and mixed with various substances. Heroin is the second most present drug on Serbian markets, the majority of heroin comes from Kosovo where heroin is reported to be the most present drug. Smuggling of precursor chemicals into Afghanistan, which are used in the illicit manufacturing of heroin is the other side of this "dirty" business. The confiscation of 34 tonnes of acetic anhydride (a chemical precursor for heroin), reported by Bosnia and Herzegovina in 2005 testifies the existence of a trade in chemical precursors used for drugs production crossing South-eastern Europe.

Despite all efforts undertaken so far and successful seizures reported, according to the estimated huge amount of heroin which is trafficked through South-eastern Europe, seizures are still on a milli-level.

As a consequence of this development, UNODC, for the first time, labeled countries from South-eastern Europe in its 2006 World Drug Report as countries with "some increase" in abuse of heroin and other opiates. 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.

The estimates of the drug use prevalence over the time are unequal and do not even allow to identify medium-term trends. Similar to the new EU Member States, South-eastern European countries appear to have experienced heroin problems later and to have a more fluid situation. In most project areas, heroin remains the principal drug for which clients seek treatment. According to Macedonian health authorities, every year between 600 and 700 individuals seek medical assistance for drug abuse. According to Albanian data from drug addiction treatment centres, in 2000, 968 persons requested treatment, while in 2003 the number increased to 1 360 persons. The recent reply to the 2006 questionnaire does not mention figures but states that there is a steady increase of the number of persons requesting treatment. Apart of few figures⁵⁷, none of the other project areas provided any statistical material.

3.1.5 Cocaine

Cocaine is produced from coca leaves cultivated in South America. The area under coca cultivation (159 600 hectares) remained essentially stable in 2005 and 28 per cent below the peak levels recorded in 2000 (221 300 hectares). Most coca continues to be cultivated in Colombia (54 per cent), followed by Peru (30 per cent) and Bolivia (16 per cent)⁵⁸.

Although primarily destined for the North American market, a significant share of cocaine is trafficked from South America to Europe across the Atlantic Ocean ostensibly by air or maritime routes, mainly through Spain and the Netherlands, while cocaine comes to South-eastern Europe through the Adriatic Sea ports and land routes from both North and South. Fast boats, cargo freighters and container ships remain the most common conveyances for moving the drug through the region but traffickers can also use aircrafts for air droppings into international waters. In 2005, Colombian authorities even reported the seizure of a submarine under construction⁵⁹.

Global production of cocaine stayed largely at the same level in 2005 and is practically unchanged compared to the levels of a decade ago. The potential production of cocaine reached 910 metric tonnes in 2005. Potential cocaine production in Peru amounted to 180 metric tonnes in 2005 and to 90

⁵⁷ To date, in Albania the price for heroin varies from EUR/kg 11 000 to 14 000. The earnings from the Macedonian market approach between EUR 10-12 million.

⁵⁸ UNODC, World Drug Report 2006.

⁵⁹ Europol Drugs Report 2006; This vessel would have been able to transport 15 tonnes of cocaine through the Caribbean Sea.

metric tonnes in Bolivia. Due to better co-operation among law enforcement services and improved sharing of intelligence information, cocaine seizures increase continuously: 34 per cent in 2003 and 18 per cent in 2004 (588 metric tonnes), the highest figure ever recorded. Indications are that this trend continued in 2005 and will probably continue in 2006.

Global cocaine use declined slightly. However, opposite to developments in Canada or in the United States where a recently released prevalence study for high schools students showed that, for both cocaine and crack cocaine, annual prevalence declined in 2005⁶⁰, cocaine use is still rising in Europe. Cocaine use in West and Central Europe (1.1 per cent of the population age 15-64) is still lower than in North America (2.3 per cent) but the trend in Europe is pointing upwards. Almost 25 per cent of the world's cocaine users (more than 3 million people) are living in West and Central Europe. Cocaine-related treatment demands are increasing. Although there is considerable variation between countries, cocaine accounts for about 10 per cent of all treatment demands across Europe. The use of crack cocaine, a form of the drug particularly associated with health and other problems remains limited in Europe.

Cocaine arrives in all the project areas mainly by couriers via air routes, hidden in luggage and clothes, by vessels and boats, or by urgent post services.

Trafficking of cocaine using the sea routes (ports in Greece, Montenegro, Croatia, Albania and Italy), usually involves greater quantities (and higher quality) of this narcotic. Greater cocaine transports are chiefly of transit character, transported on land routes by trucks, often packaged in bottles and directed to the EU markets.

To date, in Albania the price for cocaine is about EUR/kg 35 000. Serbian police in a joint investigative operation with other police forces, mainly Italian law enforcement authorities, assisted to 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.

3.1.6 Drugs and crime

At the European level, comparable data on most aspects of the relationship between drugs and crime are largely lacking. The main exception is drug law offences which are recorded crimes against drug control legislation. Although comparisons between countries should be made with caution, it seems that between the late 1990s and 2003 drug law offences increased in many EU countries and that South-eastern European countries got large benefits from this development. All Criminal Codes in the project areas have adopted appropriate law against drugs.

Little is known about prices, earnings and the use of proceeds of crime, the bases for future investigations e.g. in money laundering or confiscations. Given the fact that drugs production, trafficking and street sale generates billions of Euros (or US Dollars), it seems there is still a wide field of improvement for law enforcement.

Serbia reported on the biggest organised crime group, the "Zemun Clan"⁶¹, which had six sub-groups covering sale with their own dealership networks. The clan leaders invested their proceeds, estimated to hundreds of millions of Euros in movable and immovable property and luxury goods. To secure their business, using their vast financial power estimated to hundreds of millions of Euros, the clan bribed officials in the judiciary and in the police and founded a media outlet to influence public opinion. Illegal proceeds appear to have been invested in privatisation, real estate, commercial business, etc. The earnings from the Macedonian market approach between EUR 10-12 millions. The

⁶⁰ UNODC, World Drug Report 2006; According to this survey, Cocaine prevalence rates are some 20 per cent lower than in 1998.

⁶¹ Zemun is a district of Belgrade.

total profit from drug related crime could not be more specifically determined given the lack of investigations into money laundering.

Croatian criminal groups involve mixed structures often lead by a person with a criminal record. Discipline is enforced through threats and violence mostly to force customers to pay their debts and through the withholding of criminal earnings. Members have a propensity towards other crimes such as the smuggling of arms and cigarettes and extortion. Proceeds are mostly spent on movable and immovable property, such as real estates on the tourist locations, and conspicuous lifestyle. Croatian law enforcement reported that organised criminals use various ways of protecting their activities, such as counter-surveillance, frequent use of coded messages and expressions during phone conversations and e-mail communication, frequent change of phone pre-paid cards, transnational activities, unlawful transfer of illegally gained money across state borders and in foreign banks.

According to the Albanian authorities, the value of drugs produced or trafficked through Albania approximates EUR 50 million annually.

3.1.7 Drugs and AIDS

At the end of 2005, an estimated 38.6 million people around the world were living with HIV/AIDS. During the same year, an estimated 4.1 million new infections were reported and an estimated 2.8 million lost their lives. One third of the people living with HIV/AIDS are between 15 and 24 years old. Injecting drug abuse is among the major forces driving the epidemic attributing to around 5 per cent of HIV transmission⁶². Prevention activities to limit the spread of HIV/AIDS among injecting drug abusers, and through them, to their spouses, children and the general population is crucial.

Overall, the incidence of AIDS due to drug injecting has been in decline for some time. Heterosexual contact has now overtaken injecting drug use as the highest risk factor for the development of AIDS in Europe. This may be attributable to the increasing availability of highly active antiretroviral therapy (HAART) since 1996 in most affected EU countries. However, coverage is estimated to be poor in a number of Baltic and South-eastern European countries. Arguably, this could be reflected in an increase in new AIDS cases among drug injectors in at least some countries in these areas. Very little information was provided by the project areas on this issue. The need for continuing vigilance should be emphasised.

In recent years, Europe and Central Asia have experienced the world's fastest growing HIV/AIDS epidemic. Yet, in the South-eastern European countries the HIV prevalence rate is under 0.1 per cent which ranks among the lowest. This may be due to a low level of infection among the population or partly due to inadequate surveillance systems. All major contributing factors for the breakout of an HIV/AIDS epidemic are present in this region. HIV and AIDS disproportionately affects youth (80 per cent of HIV-infected people are 30 years old or younger)⁶³. Most of the countries have very young populations which have been affected by the process of social transition, wars, unemployment and other factors. Among the youth, there is increasing use of drugs and sexual risk behaviour.

Therefore, the number of cases of HIV is to be expected in all project areas and already has been increasing, especially in Serbia. The incidence of Hepatitis C has also clearly increased which suggests that sharing of infected needles is practiced by injecting drug users.

Apart from human suffering, an HIV/AIDS epidemic can have a significant impact on costs of care for individuals, households, health services and society as a whole. The World Bank study (the WB

⁶² UNODC, Drug Abuse and Demand, June 2006.

⁶³ World Bank, HIV/AIDS in the Western Balkans, October 2005, pp. 1-199.

one?) has found weak public health systems and gaps in financing and institutional capacity necessary to implement evidence-based and cost-effective HIV/AIDS Strategies. Political commitment must increase for action to occur promptly. Prevention interventions are cost effective and, in the short term, affordable with own-country resources.

Table 2: Drug Seizures on the 'Balkan Routes' between 1998 and 2004 in kilograms and units

Country	Drug	2000	2001	2002	2003	2004*	2005	2006 (I-V)
Albania	Heroin	47.000	4.500	71.714	114.475	155.925	40.9	77.6
	Cocaine	4.000	0.266	0.006	1.286	2.4	2.8	1.0
	Cannabis herb	6604.0	6915.0	13717.899	7760.170	4544.154 (marijuana) 73757(plants)	8,332.0	379.9
	Cannabis resin	-	-	-	-	1.185	332,186+ plants	1,915 + plants
	Ecstasy	-	-	-	-	10 u		
	Amph.	-	-	10u	50u	-		
Bosnia and Herzegovina	Heroin	0.375	1.900	3.265	-	5.036	68.53	
	Cocaine	164.392	-	0.240	-	-	30.86	
	Cannabis herb	127.982	467.585	919.545	-	168.192	318.51+ 1,956 plants	
	Cannabis resin	-	0.060	-	-	-	11.86	
Croatia	Ecstasy	-	-	1212u	-	-	3,387	
	Amph.	-	-	117.000	-	-	4.71	
	Heroin	7.041	19.569	46.359	85.727	114.4	27.1	
	Cocaine	913.127	1.487	3.365	380.769	17.6	9.0	
	Cannabis herb	797.501	737.911	608.070	435.037	428.2	983.2	
	Cannabis resin	1.041	4.559	2.107	2.281	5.9	53.4	
	Ecstasy	9979u	12906u	110632u	29840u	27.048u	33.601u	
	Amph. (kg and units)	2.124	0.931	28.026	3.814	7.2	14.3	
	Heroin	90.789	110.882	28.572	66.145	242.000	69.3	
	Cocaine	4.689	5.860	0.342	0.342	0.131	11.0	
"The former Yugoslav Republic of Macedonia"	Cannabis herb	1333.399	99.115	29.234	180.681	550.000	203.2 + 3,077 plants	
	Cannabis resin	427.519	309.846	258.406	423.564	-	3.2	
	Ecstasy	280 u	45 u	0.002 kg 18 341u	-	-	2.857u	
	Amph.	-	-	7.015	-	-	1.8	
	Heroin	-	62.518	43.462	262,995. 0	469.604	342.010	
Serbia and Montenegro Montenegro ⁶⁴	Cocaine	-	3.723	1.962	5,336.1	15,468.0	5,321.0	
	Cannabis herb	-	1230.224	774,284	1464.955	3901,870	1142,004	

Montenegro	Cannabis resin	-	4.534	6.814	648.1	3,350.1	8,020	
	Ecstasy	-	0.079 kg 10811u	10 000u	76,194u	9,260u	7,539u	
	Amph.	-	0.087	-	113.1 kg	6.1 kg	1.1 kg	
	Heroin Cocaine	-					17.6 0.03	
Kosovo	Cannabis Herb						367.5	
	Cannabis resin						10.5	
	Ecstasy							
	Amph.							
	Heroin	-	0.82	6.11	46.78	23.28	36.48	5.81
	Cocaine	-	0.04	1.41	8.48	0.01	3.79	
	Cannabis herb	-	30.72	48.05	30.82	23.29 + 7,983 plants	55.30 + 31,158 plants	16.16
	Cannabis resin	-	-	-	-	0.95	0.21	0.26
	Ecstasy	-	4u	50u	40u	56u	39.5u	
	Amph.	-	0.03	0.02	-	12.0	13.12	

*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, partly as well as data for 2005 - 2006 taken from project areas' replies to the 2006 questionnaire (see chapter 4).

3.2 TRAFFICKING IN HUMAN BEINGS⁶⁵

A recent report emphasised that there is still an information deficit about the extent of this crime and that efforts to counter trafficking have so far been more or less uncoordinated and inefficient⁶⁶. Trafficking in human beings has occupied the agenda of governments in many European countries for several years. This is reflected, among other things, in the number of international conventions and decisions adopted in the recent years:

- Convention on the Rights of the Child (1990)⁶⁷;
- Europol Convention (1998)⁶⁸;
- Stability Pact Task Force on Trafficking in human beings [SPTF] (2000)⁶⁹;
- Recommendations of the Committee of the Ministers on “Action against Trafficking in human beings for the purpose of sexual exploitation” (2000) and on “Protection of children against sexual exploitation” (2001)⁷⁰;
- EU Council Directive on supplementing the provisions of Article 26 of the Convention implementing the Schengen Agreement of 14 June 1985 “Carriers liability” (2001)⁷¹;
- EU Council Framework Decision on combating Trafficking in human beings (2002)⁷²;
- Optional Protocol to the Convention on the Rights of the Child on the sale of children (2002)⁷³;
- European arrest warrant (extradition) (2002)⁷⁴;
- UNOHCHR, Recommended Principles and Guidelines on Human Rights and Human Trafficking (2002)⁷⁵;
- OSCE Action Plan to Combat Trafficking in human beings (2003)⁷⁶;
- ‘Trafficking Protocol’ to the UNTOC Convention (2003)⁷⁷;
- EU Council Framework Decision, on combating sexual exploitation of children and child pornography (2004)⁷⁸;
- EU Council Directive on the short-term residence permit (2004)⁷⁹;
- Council of Europe Convention on Action against Trafficking in human beings (ETS 197).

⁶⁵ This report deliberately does not address the issues of illegal adoption of children, trafficking in human organs or child pornography; all of which are aspects of trafficking of human beings.

⁶⁶ UNODC Report on “Trafficking In Persons: Global Patterns”, published on 24 April 2006.

⁶⁷ UN Convention on the Rights of the Child, adopted by General Assembly resolution 44/25 on 20 November 1989, entry in force 2 September 1990. The EU accessing countries Bulgaria and Romania and the EU candidate countries Croatia and Turkey already signed and ratified this protocol.

⁶⁸ Convention, based on Article K.3 of the treaty on EU, on the Establishment of a European Police Office (Europol Convention), Annex Referred to in Article 2, 1998.

⁶⁹ SPTF was established to encourage and strengthen co-operation among the countries of South Eastern Europe (SEE) and works under the auspices of the Organisation for Security and Cooperation in Europe (OSCE), unfortunately, documented activities ended in 2004.

⁷⁰ Council of Europe, R(2000)11 and R (2001)16.

⁷¹ EU Council Directive 2001/51/EC, OJ L 187/45.

⁷² EU Council Framework Decision 2002/629/JHA, OJ L 203/1.

⁷³ Optional Protocol on the sale of children, child prostitution and child pornography became legally binding on 18 January 2002. To date, more than 100 countries have signed and ratified this Protocol (see: www.ohchr.org).

⁷⁴ EU Council Framework Decision 2002/584/JHA, OJ L 190/1.

⁷⁵ UNHCHR, Recommended Principles and Guidelines on Human Rights and Human Trafficking, Addendum to the report of the United Nations High Commissioner for Human Rights to the Economic and Social Council, p.2. E.2002.68.

⁷⁶ Based on the Ministerial Declaration on Trafficking in human beings, adopted in Porto, 2002.

⁷⁷ 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, entering into force on 25 December 2003. All project areas have signed and ratified the UN ‘Palermo’ Convention and the associated ‘Trafficking’ Protocol.

⁷⁸ 2004/68/JHA, 22 December 2003.

⁷⁹ EU Council Directive 2004/81/EC, 29 April 2004, (OJ L 626/19, 6.8.2004).

Whilst it is inevitable that some trafficking in human beings victims enter a country as illegal immigrants, due to the methods used by the traffickers, they are two very different crime areas⁸⁰. 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 individual's human rights through exploitation often through organised crime networks⁸¹. It is thus 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 is a multifaceted, ever-increasing problem of global scope⁸².

As a consequence, six main challenges for governments have to be outlined:

- To implement and to make good use of harmonised anti-trafficking legislation;
- To reduce demand, whether for services provided by sex slaves or under-priced commodities produced by bonded people in farms, factories and mines;
- To intensify international law enforcement co-operation;
- To target the criminals who profit from the vulnerability of people trying to escape from poverty, unemployment, hunger and oppression;
- To protect trafficking victims, especially women and children;
- To assist trafficking victims in repatriation programmes.

Trafficking in human beings, although a serious crime and an abuse of human rights, is still considered in many countries a minor offence, which carries light sentences, and does not require special equipment or complicated business-like networks. Fortunately, and similarly to most of the European countries⁸³, the project areas, thanks to the support from European bodies and programmes, e.g. CARDS⁸⁴, Council of Europe⁸⁵, SECI Centre, Stability Pact, OSCE, ODIHR and UN, have focused on these issues rather early.

In 2003, Council of Europe's project LARA identified the countries that had a gap in legislation in these crime areas. In Council of Europe's 2006 questionnaire, most project areas reported substantial legislative amendments, particularly of the respective Penal Codes⁸⁶, new strategies, action plans, organisational or structural changes and other activities (except Bosnia and Herzegovina). Most recently, IOM successfully completed a two-years project supporting South-eastern European states in establishing temporary residence permits for trafficked victims, comprising the full involvement of NGOs, including the development of a "watchdog" mechanism. All the project areas in the region have enacted the necessary legislation and agreed to back a regional approach⁸⁷.

⁸⁰ Trafficking of Human Beings for Sexual Exploitation in the EU: A Europol Perspective, January 2006.

⁸¹ According to Article 3 (a) of the UNTOC Convention "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".

⁸² UNODC, Report on "Trafficking In Persons: Global Patterns, 24 April 2006, identified 127 countries of origin, 98 transit countries and 137 destination countries and concludes: "Virtually no country in the world is unaffected by the crime of human trafficking for sexual exploitation or forced labour".

⁸³ Europol, "Legislation on Trafficking in Human beings and Illegal Immigrant Smuggling", October 2005.

⁸⁴ Community Assistance for Reconstruction, Development and Stability.

⁸⁵ For example: Council of Europe, Project LARA, Criminal Law Reform in South-eastern Europe on Trafficking in Human beings, July 2002 - October 2003.

⁸⁶ Opposite to the EU, the levels and types of penalties do not considerably vary between the project areas, which are fully in line with the UNTOC Convention and the aim of EU policy on the harmonisation of legislation.

⁸⁷ Conference on Regional Co-operation to combat Trafficking in Human beings, Stockholm, 9 June 2006, McKinley, Director General of IOM, opening speech, in which he underlined, that "this sets an example for some EU Member States".

Although there have certainly been a lot of improvements on the legislative level⁸⁸, the problem remains the concrete lack of implementation of international standards on which the traffickers in human beings are capitalising.

Trafficking in human beings and the (sexual) exploitation of vulnerable individuals is largely an “underground crime” which explains the difficulty in accurately quantifying the size of problems related to the different elements of this form of organised crime. Many law enforcement efforts focus solely on the visible parts of trafficking in human beings, largely ignoring the casual and organisational structures that lie behind it. European-wide it is still unknown how often criminal reports, e.g. concerning rape, unlawful detention and imprisonment, grievous bodily harm, robbery and theft (of documents), are hidden elements of organised trafficking in human beings. Additional problems to identify trafficking in human beings arise by the fact that trafficked women very often keep silent about traffickers to guard their families at home threatened by organised crime groups.

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, despite changes in legislation, a relatively low risk of control and sanctions⁸⁹ and count on the fact that the new border control system in the enlarged EU are not yet running smoothly⁹⁰.

The small figures reported and the low rate of convictions for the perpetrators of human trafficking is a matter of serious concern which needs to be addressed. The report aims to fill gaps in the project areas by addressing the issue of trafficking in human beings related to harmonised and adequate sentences, procedural legislation, prevention, including awareness raising, data collection and intensification of re-integration processes.

It is not clear whether there has been a real increase in the number of persons trafficked from or through South-eastern European countries into the EU as there is still no centralised data collection which allows the true scale of the problem to be determined⁹¹. Lack of accurate data and statistics on the phenomenon, organisational deficits and law enforcement’s relatively poor engagement in this problematic area obviously prevented the project areas to report comprehensively and more detailed.

Information provided and made available by those international organisations working in this field, however, suggest that there is no decrease in the trade but there may be a trend change in that there appears to be more ‘internal trafficking’ in some of the source countries and a more “hidden market”.

Every year, hundreds of thousands of men, women and children are trafficked and smuggled illegally all over the world. Available information about the real magnitude of the problem is limited

⁸⁸ All project areas signed the UN ‘Palermo’ Convention and the associated “Trafficking Protocol” on 12 December 2000. Its ratification took place in September 2001 (Serbia and Montenegro), April 2002 (Bosnia and Herzegovina), August 2002 (Albania), January 2003 (Croatia) and January 2005 (“the former Yugoslav Republic of Macedonia”).

⁸⁹ In 2006, Europol reported prison sentences of 18 and 23 years being imposed on convicted traffickers in the UK. Thus, trafficking in human beings is no longer a criminal enterprise that can be associated with ‘low risk’.

⁹⁰ Europol, 2005 EU Organised Crime Report, 25 October 2005.

⁹¹ See the very comprehensive 2002, 2003 and 2004 reports by Barbara Limanowska on “Trafficking in Human beings in South-eastern Europe - Focus on Prevention in: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Montenegro, Serbia, Moldova, Romania, Montenegro, Serbia, and the UN Administered Province of Kosovo.”, by, published by UNICEF, UNOHCHR and OSCE/ODIHR in March 2005.

and varies depending on different sources. For example, US Department of State's "Trafficking in Person (TIP)" Report for 2005⁹² estimates that worldwide approximately 600 000 to 800 000 people are trafficked annually across international borders for sexual exploitation and forced labour, 70 per cent are female and 50 per cent are children. IOM estimates that each year 500 000 women are trafficked to prostitution markets in Europe⁹³. OSCE even has estimated that 1.2 million children (under 18 years of age) are trafficked throughout the world annually, bought and sold for exploitation in domestic and farm work, in mines and the commercial sex industry and being used for begging or petty crime.

Although solid data is not available, some NGOs working in this field have estimated that up to 30 per cent of the trafficking victims in South-eastern Europe are children. It is believed that these numbers may increase as traffickers seek to provide younger girls for sexual exploitation, especially those marketed or sold as virgins, in connection with the fear of HIV/AIDS. Responses from the project areas related to child trafficking were not adequate and the figures incomplete and fragmentary. In addition, treating trafficked children in exactly the same way as adults are treated is inappropriate, especially in cases when own children are sold by parents.

For that reason, Stability Pact Task force had called upon the countries of the region to develop comprehensive National Plans of Action against child trafficking and to implement them as rapidly as possible⁹⁴. Project areas, however, should work out such Action Plans also in line with EU standards, such as the Council of EU's Framework Decision on combating trafficking in human beings and on combating sexual exploitation of children and child pornography⁹⁵ as well as its Directive on short term residence permits for trafficked victims who co-operate with the competent authorities.

Given the importance of the 'Balkan Routes' for smuggling and trafficking a variety of goods demanded in the European markets, it is no surprise that a large number of trafficked persons, in particular women, transit through this route⁹⁶. 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 origin but also increasingly as a place of destination.

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, Bosnia and Herzegovina, Kosovo, Montenegro, Serbia and "the former Yugoslav Republic of Macedonia" to co-operate closely.

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;
- **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;

⁹² U.S. Department of State (2005), "Trafficking in Persons (TIP) Report"; However, exactly the same estimation was made in the 2002 TIP Report (<http://www.state.gov/g/tip/rls/tiprpt/2005/>).

⁹³ www.iom.int/en/news

⁹⁴ Stability Pact Task Force on Trafficking in human beings, 6th Anti-Trafficking Meeting, Belgrade, 23-24 March 2004, Conclusions and Progress Report, Portoroz, 7 June 2004.

⁹⁵ Council of EU, 'Trafficking in human beings' Framework Decision, 19 July 2002.

⁹⁶ Among other reasons, the 'Balkan route' initiated European's Chief of Police Task Force to task Europol to draw a specific Action Plan on Trafficking in human beings from an identified problem-country (Bulgaria), which was adopted in May 2003.

- **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;
- **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.

The international presence, particularly in Kosovo and Bosnia and Herzegovina⁹⁷, 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 women⁹⁸. 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 trafficking had increased to more than 200 by January 2004⁹⁹. In the meantime, in Bosnia and Herzegovina and Kosovo, many of the public venues where sexual services were offered were closed through the efforts of EUFOR, KFOR and law enforcement agencies.

The replies to Council of Europe's 2006 questionnaire demonstrate that a significant work remains to be done to further improve the governmental and law enforcements results in this field and suggest the following:

Table 3: Trafficking in human beings related figures reported from the project areas

2005	Albania	BiH	Croatia	Kosovo	Montenegro	Serbia***	"the former Yugoslav Republic of Macedonia"
Cases	40 (Mol) 409 (GPO)	-	6	45	3	-	12
OC cases	-	-	2	-	-	-	-
OC groups	3 (Mol) or 21**	-	-	-	-	-	-
Offenders	65 (Mol) 439 (GPO) 75 **	-	-	90	3	-	40
Victims	-	-	-	-	23	44	-

* Mol (Ministry of Interior) – GPO (General Prosecution's Office)

** Trafficking of females, weapons and human beings;

*** 2000-2006: 314 cases, 286 offenders, 2002-2006: 190 victims.

Albania reported that in 2003 24 criminal groups involved in trafficking were prosecuted (no information were given on the number of cases and perpetrators). In the first nine months of 2004, 13 criminal groups were broken through 74 recorded cases of trafficking of women for sexual exploitation with 115 perpetrators. Nine cases of child trafficking were also recorded involving 11 perpetrators. No information was given for the last three months of 2004. For 2005, police reported 30 cases of women trafficking with 49 perpetrators and 10 cases of minors' trafficking with 16

⁹⁷ End of 2005, KFOR had 16 000 peacekeepers from 36 nations in Kosovo (<http://www.nato.int/kfor>); current EUFOR troop numbers are 7 000 (<http://www.euforbih.org>) and more than 250 international organisations and NGOs.

⁹⁸ 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.

⁹⁹ 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.

perpetrators. Another police source reported 21 organised crime groups with 75 perpetrators for the offences of trafficking females for prostitution, weapons and human beings. For the same period of time, the General Prosecution Office of Albania (GPO) reported 409 cases of women trafficking with 439 perpetrators. Despite such differing figures, which do not allow for a sound analysis, Albania asserts that trafficking in human beings is a decreasing problem. However, according to UNODC, Albania is firstly a transit country (“very high”), mainly for victims trafficked from Moldova, Romania and Ukraine to Greece, Italy and the United Kingdom. Secondly, it is a country of origin (“very high”), destination countries are mostly Belgium, France, Greece, Italy, the Netherlands, the United Kingdom and, to a lower degree, Germany. Thirdly, Albania is a destination country (“medium”) for origins of Moldova, Romania and Ukraine. A specific attention has to be drawn to the trafficking of children, especially Roma, Gypsy and Egyptian children. Official figures obviously are fragmentary, differing and represent only a small portion of the overall problem and more emphasis should be given to this crime phenomenon.

Bosnia and Herzegovina (BiH) mentioned in its reply to the 2005 questionnaire that sexual exploitation is said to have become more clandestine and sophisticated (private apartments, escort services, Internet). However, BiH did not provide any figures or data material related to 2004 and 2005. However, according to UNODC, BiH is firstly a country of transit (“high”), mainly for victims from Bulgaria, Moldova, Romania, Ukraine to Italy and other Western European countries. Secondly, it’s a country of destination (“high”) for victims coming from Bulgaria, Moldova, Romania, Ukraine, but also from Belarus, Kazakhstan and the Russian Federation. Finally, BiH is a country of origin (“medium”), victims are trafficked to Croatia, Germany, Italy, the Netherlands, Spain and the United Kingdom. Victims are mainly women and girls for sexual exploitation.

Croatia reported that its trafficking market is small, compared with other project areas in the region. In 2004, there were 3 organised crime groups with 11 perpetrators involved in 3 recorded cases. In 2005, in total 6 cases of trafficking in human beings were investigated, only two of them related to organised crime. These data suggest that Croatia continues to be a country of transit although it has been reported that “statistical indicators clearly demonstrate that Croatia is becoming also a destination country”. In fact, according to UNODC, Croatia is generally ranked only “medium”, as a country of destination (for victims from Ukraine), of transit (for victims from Bulgaria, Moldova, Romania, Ukraine and other Central and South-eastern European countries to the wide range of EU countries) and of origin (particularly for Austria, Italy and Spain).

Kosovo reported that the various changes in police structures and names ended on 1 November 2005 and that the regional trafficking in human beings section (THBS) was fully integrated in the Kosovo Police Service (KPS) command, into the Department of Organised Crime. International police officers lost their status as supervisors and are since then occupying the role of Monitors and Liaison Officers. In May 2005, the Kosovo Action Plan to Combat trafficking in human beings, a consolidated framework of all actions and actors participating in anti-trafficking activities, was endorsed. Kosovo established a trafficking in human beings sections Intelligence Coordinator and served in 2006 with improved analysis. In 2003, IOM reported a significant number of internally trafficked Kosovars (83), especially minors around the age 15¹⁰⁰. In 2004, 48 victims were identified, 11 of whom were children (less than 18 years aged). Most of the victims came from Moldova (17), Albania (13) and only 11 were from Kosovo. According to the official and reliable analysis of UNMIK’s THBS¹⁰¹ for 2005, in total 95 offences were recorded, some 90 perpetrators charged and 34 arrested. Most of the perpetrators were ethnic Albanians (45). 49 victims were trafficked, out of whom 14 were children. 38 victims (11

¹⁰⁰ See Amnesty International (2004) and IOM (July 2004) p. 63 - 64.

¹⁰¹ THBS - Year End Report 2005; However: International Prosecutors, working together with UNMIK, Department of Justice, reported for the same period only 17 cases, committed by 37 perpetrators, of whom only 17 were convicted.

children) accepted shelter assistance and partly repatriation (14)¹⁰². In 2005 several large-scale open and covert operations were conducted. To date (June 2006), THBS checked 603 premises, closed 15, made 20 arrests for trafficking in human beings and prostitution, identified 20 victims, 13 of whom were provided with assistance from “DAS” (Direct Assistance for victims of trafficking, a multi agency partnership, including THBS, MOJ, CSW, IOM and NGOs). UNODC classified Kosovo firstly as a place of transit (“high”) for victims from Belarus, Moldova, Romania, the Russian Federation and Ukraine to be trafficked onwards to Albania, Bosnia and Herzegovina, Italy and other Western European countries and Montenegro, Serbia. Secondly, Kosovo is a place of destination (“high”), victims being trafficked from Moldova, Romania, Ukraine, but also Bulgaria and the Russian Federation. Finally, Kosovo is reported as a place of origin (“medium”) for victims trafficked to Italy and Austria, but also to the United Kingdom.

Montenegro reported 28 cases in 2003, 10 cases involving a total of 31 perpetrators apparently acting in 7 organised crime groups for the period from 2000 to 2004 and only 3 cases with 3 perpetrators trafficking 23 victims in 2005. UNODC Trafficking Report was issued in April 2006, thus analysis related to Montenegro was done for the State Union of Serbia and Montenegro (see below).

Serbia reported for 2003 a total of 17 trafficking cases committed by 106 perpetrators composing 16 organised crime groups. In Serbia, police identified 49 victims of trafficking in 2003¹⁰³, most of whom were from Romania, Moldova, Ukraine and the Russian Federation. The phenomenon of domestic, internally trafficked victims, minors especially, seems to be growing. Comparable figures were not reported for 2005 (except the fact that the number of trafficked victims appears to decrease and that in 2005 from 44 victims in total, 21 were foreign citizen, mostly from Moldova, Ukraine and Romania). In the first half of 2004, the local NGO ASTRA assisted 30 victims of trafficking, 22 of whom were domestic and only 8 foreign. According to UNODC Trafficking Report, Serbia and Montenegro were, firstly, countries of transit (“high”) for victims from Central and South-eastern Europe to Bosnia and Herzegovina, more specifically from Moldova, Romania and Ukraine to Italy and other Western European countries. Secondly, they were reported as countries of destination (“medium”) mainly for victims from Ukraine and, to a smaller extent, Moldova, and as countries of origin (“medium”) for the Netherlands and Spain.

“The former Yugoslav Republic of Macedonia” reported on the one hand that between 2,000 and 4,000 women are trafficked through the country generating an annual criminal profit of some EUR 30 million. On the other hand, however, it reported only 21 cases for 2004, involving 13 criminal groups with 52 perpetrators and only 12 cases with 40 perpetrators for 2005. According to UNODC, this country is firstly a country of transit (“high”) mainly for victims Bulgaria, Moldova, Romania, Ukraine to Albania and partly from there via Italy to France and the United Kingdom but also from other Central and South-eastern European countries to Kosovo, Montenegro and Serbia. In addition it is on “medium” level a country of origin for victims trafficked to Italy and as a country of destination for victims trafficked from Bulgaria, Moldova, Romania and Ukraine.

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

- In terms of quantity, trafficking in human beings in South-eastern Europe seems to be a “marginal” crime area, which, in addition, appears to be declining or at least has become less visible. Fewer victims return from the countries of the region to their country of origin, but more victims return from EU countries to their home countries¹⁰⁴. Fewer victims seem to seek

¹⁰² UNICEF/UNOHCHR/OSCE-ODIHR (2002, 2003) and 2004: *THB 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, March 2005.

¹⁰³ UNICEF/UNOHCHR/OSCE (2004), p. 116.

¹⁰⁴ This is also confirmed by IOM Germany, which reported only a very small number of women originating from project areas, e.g. arrested in Germany, and resent to their countries (2003/2004: None, 2005: 1 to Albania, 1 to Croatia and 1 to “the former Yugoslav Republic of Macedonia” but 19 to Bulgaria and 23 to Romania).

assistance. There are also fewer reports on trafficking in human beings in this region. However, most of the national reports are fragmentary, real figures are unknown, unclear, differing between sources and even within replies given by one source, inadequate and, in sum, questionable. The Dutch “National Rapporteur Against Trafficking in Human Beings” estimates that only 5 per cent of victims report their victimisation or come to the attention of government authorities¹⁰⁵, identical analysis exists also in other EU Member States.

- Most of trafficked human beings are acting in line with the well-known “Push & Pull Factors” which matches also the phenomenon of illegal migration. The reasons encouraging people to leave one area for another are known as ‘Push Factors’ (such as high unemployment, labour market not open to women and sex discrimination, poverty, lack of opportunity to improve quality of life, sexual or ethnic discrimination, escaping persecution, violence, abuse or human rights violations or other social and environmental). The reasons attracting people to a particular area are known as ‘Pull Factors’ (such as demand for workers within the sex industry, demand by a multitude of wealthy customers looking for commercial sex, better employment opportunities, higher salaries and better working conditions or improved standard and quality of life)¹⁰⁶.
- Victim profiles are clear: commonly, victims are women and girls who mainly are foreign to the country in which they have been exploited. In few cases, children and male victims have been reported, particularly from Albania and Kosovo. By far, most of them are from Eastern and South-eastern European countries: Moldova, Romania, Ukraine, the Russian Federation, Bulgaria. A change in the profile of victims has also been noted: the growing number of domestically recruited victims from Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia and Kosovo for a kind of “regional market”, partly as a first stage of victims’ long journey to Western sex industries. Western European countries (mainly Austria, Belgium, France, Germany, Italy, the Netherlands and the United Kingdom) are more or less the final destination countries.
- Child trafficking is anything but a negligible by-product of trafficking of human beings. It generates large profits and is therefore in the hands of organised criminals and consequently expanding dramatically. The crime defined as trafficking of children stands for commercial sexual exploitation of children including child pornography. But it stands also for other forms of commercial exploitation of children by forcing them to steal, to beg and it stands for children working in conditions of forced or bonded labour. Children account for a considerable share of the victims. In some countries of South-eastern Europe, 50 per cent of victims or more are reportedly below the age of 18, meaning they are children¹⁰⁷. This number is expected to grow even further since traffickers and their accomplices are increasingly targeting ever younger victims, in part prompted by the fear of HIV and AIDS¹⁰⁸. Some countries report trafficking in children for begging, prostitution or more clandestine purposes such as illegal adoption or organ harvesting. Specific attention should be paid for trafficking of Gypsies, Egyptians and, particularly, Roma children for sexual exploitation, begging and adoption¹⁰⁹.

¹⁰⁵ Bureau NRM (2005), Trafficking in human beings, Third and Fourth report of the Dutch National Rapporteur, Den Haag: Bureau NRM (<http://www.victimology.nl/onlpub/national/NL-NRMEngels>); Also: The Fourth Report by the Government of The Netherlands On Implementation of the UN Convention on the Elimination of all Forms of Discrimination against Women (CEDAW), 2000-2004.

¹⁰⁶ Europol, Fact sheet on Trafficking in Human Beings, 2005 (www.europol.eu.int).

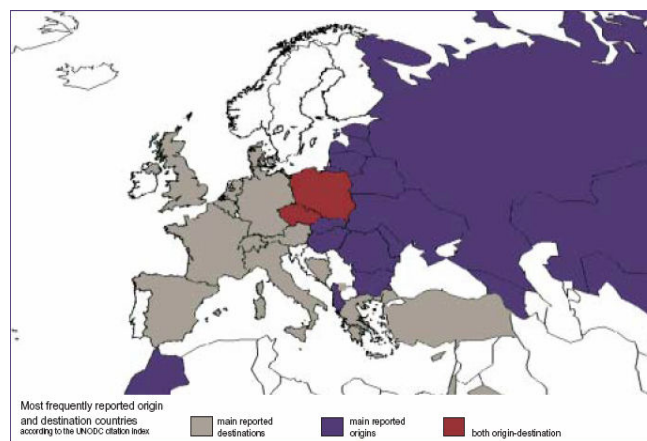
¹⁰⁷ Save the Children (2004).

¹⁰⁸ OSCE High Level Conference on “Combating Trafficking in Children”, Vienna, 18 March 2005, (http://www.osce.org/documents/cTHB/2005/03/15338_en.pdf).

¹⁰⁹ Organization for Security and Cooperation in Europe (OSCE): “Awareness Raising for Roma Activists on the Issue of Trafficking in human beings in South-Eastern Europe”, Warsaw Conference April 2006 and publications of European Roma Rights Center (www.errc.org).

- Most recruitments are done by persons of the same nationality than the victim, after which the victim is trafficked to foreign markets. It seems, however, that there are changes to recruitments done by nationals. 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. Although recruitment still relies on the well known established methods (see above), recruitment by women, who were most often victims of trafficking themselves, is also observed¹¹⁰. Such kind of recruitment relies on a more subtle means of control via a shared knowledge of where the victim is coming from and who are her family members¹¹¹. In comparison to previous years, victims assisted by IOM, for example, 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.
- In addition to violence and intimidation, psychological pressures on the victims and 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 or that they actively cooperate (ranging from political levels and persons of influence to visa officers, immigration officials, embassy staff, customs, police, local officials issuing working permits, criminal justice officials, and others)¹¹².
- 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 remains serious problems. Once internally trafficked victims gain some “experience” they may then be trafficked across the border. Internally trafficked victims are understood to be a part of old-fashioned prostitution business and have yet to be recognized as a growing criminal phenomenon by the countries’ authorities. This has implications for victims (who still often 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.

Graph 6: Reported Trafficking in Europe



Source: UNODC Trafficking Report 2006

¹¹⁰ In Kosovo, the reply mentions that recruiters are up to 50 per cent female and usually former victims exploited in the sex industry.

¹¹¹ For instance, in Germany, from 1110 suspected traffickers, 31 per cent of suspects were from Central and Eastern Europe, 21 per cent 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).

¹¹² Council of Europe (2002): *Trafficking in human beings and Corruption* (PACO Programme, TP 28 rev). Strasbourg.

- 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 addiction¹¹³.
- 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 clientele¹¹⁴. Improved law enforcement actions and successful investigations in the red-light districts might have led to decreasing the figures. Nevertheless, this decrease might also be explained by a clear trend to move to “behind-the-door” activities, which makes police interventions more difficult. Women and girls placed in locked apartments where the client is received or female victims being taken from one appointment to another with the arrangements made over the telephone or by Internet communications.

Recommendations:

- Given the complexity of this issue and the interconnection between the different factors feeding and maintaining trafficking, a holistic, multi levelled and integrated approach is needed. Such an approach should rely on a multidisciplinary co-operation and coordination between all actors and stakeholders concerned, including non-governmental organisations (NGOs), labour organisations and other relevant civil society actors¹¹⁵. Countries of origin, transit and destination should further increase their co-operation in order to achieve significant progress. NGOs also play a crucial role not only in providing assistance to trafficked persons but also in monitoring and advocating the implementation by the States of their human rights commitments.
- Project areas should be encouraged to establish a central point where information from different sources and actors is systematically gathered and analysed. This could be a “National Rapporteur”, as in the Netherlands, or a comparable mechanism. The objective would be to monitor and evaluate independently the national strategies and action plans, to collect data from all agencies involved, including law enforcement, to actively seek information from NGOs and international bodies, to carry out national analysis, to exchange intelligence with other project areas in the region and, finally, to report to the government or the national parliament.

¹¹³ IOM (July 2004) p. 10-12.

¹¹⁴ Up to 90 per cent of clientele in Kosovo are Kosovar males, IOM (July 2004), p. 67 citing UNMIK’s TPIU.

¹¹⁵ European Commission, Experts Group on Trafficking in human beings, 2006.

3.3 SMUGGLING OF PERSONS

Migration is a very complex subject both as a societal issue and a criminal problem. The UN Protocol of Migrants by Land, Sea and Air¹¹⁶ aims at preventing and combating the smuggling of persons. The later resembles, in some respects, to the trafficking in persons but there are several important differences. Firstly, the smuggling of migrants, while often undertaken in dangerous or degrading conditions, involves migrants who have consented to the smuggling. Trafficking victims, on the other hand, have either never consented or, if they initially consented, that consent has been rendered meaningless by the coercive, deceptive or abusive actions of the traffickers. Secondly, smuggling ends with the arrival of the migrants at their planned destination, whereas trafficking often involves the ongoing exploitation of the victims in some other countries to generate additional illicit profits for traffickers. Thirdly, smuggling is always transnational, whereas trafficking may not be (“internal trafficking”).

Globalisation contributes to considerable increases in the smuggling in persons and in trafficking in human beings, whereby both smuggling and trafficking of persons have become major global businesses of organised crime groups. Similar to trafficking in persons, the underlying root causes are typical “push factors” for forced population displacement, such as natural disasters, war, religious and ethnic conflicts, political persecution, civil strife as well as poverty, or disastrous economic situation, and motivate migrants to leave their home country. Typical “pull factors”, such as needs for cheap labour forces, comprehensive social security and stable economic situation, at least relative prosperity in the destination countries, democratic governmental systems, political and social stability and, most important, existing Diasporas/communities build the criteria for the choice of a destination country which most often is a EU Member State.

In Europe, smuggling in persons – as one expression of illegal migration – is a politically highly charged issue¹¹⁷ and has been on top of national and multinational agendas for some time, among other things in connection with recent and possible future EU enlargement, free movement of people and access to labour markets, xenophobia and racism, as well as in regard to economic requirements caused by the decline of EU’s active population¹¹⁸, thus tightening up the need for a legal and more controlled economic migration¹¹⁹.

¹¹⁶ Article 3 of the “Protocol against the Smuggling of Migrants by Land, Sea and Air”, supplementing the UNTOC Convention, which has been signed and ratified by all project areas, 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”. According to the Europol Convention, EU Member States define organised illegal immigration as: “...activities intended deliberately to facilitate, for financial gain, the entry into, residence or employment in the territory of the Member States of the EU, contrary to the rules and conditions applicable in the Member States”.

¹¹⁷ European Parliament, Draft Opinion of the Committee on Development for the Committee on Civil Liberties, Justice and Home Affairs on the links between legal and illegal migration and integration of migrants (2004/2137(INI)), February 2005; European Commission’s Policy Plan on Legal Migration, Brussels, 21 December 2005; Green Paper on “an EU approach to managing economic migration” (COM(2004)811 final. Austria as the Presidency of the EU Council (first half of 2006), Austria has announced a major policy initiative with the EU’s new neighbourhood countries to promote coherent and cooperative policies and practices on migration and security-related issues.

¹¹⁸ EU population is expected to drop of around 20 million in the number of workers between 2005 and 2030.

¹¹⁹ According to IOM, of the 130 million international migrants globally, some 20 to 40 million are irregular migrants. Some 500 000 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.

It is hard to describe the scope of illegal migration¹²⁰. Estimated figures are mostly based on asylum applications which can only be a rough indication but not a basis for the real magnitude of illegal migration. The asylum figures in the EU are generally decreasing and since the implementation of EURODAC, the fingerprinting database for asylum applicants, which became operational in January 2003, “asylum-shopping” has also decreased¹²¹.

The situation in South-eastern Europe has considerably improved in the recent years although still presenting a number of concerns. Nearly two million people have gone back to their countries and homes but some 1.3 million people are still displaced, including 230 000 ethnic Serbs, Roma and other minorities who fled Kosovo. Montenegro, Serbia and Kosovo continue to host 390 000 refugees from earlier conflicts, the largest single refugee community in Europe. Corruption and ethnic hatred are widespread in some areas. The region remains at a very sensitive crossroads and is mainly a transit area for smuggling in persons.

Interpol recognises the ‘Balkan Routes’ to Western Europe to be used for smuggling of migrants from Asian and Middle Eastern countries via Iran, Turkey, and Bulgaria¹²². An increasing number of European countries report on organised crime in connection with smuggling of persons. According to Eurostat, Europol and Frontex¹²³, about 500 000 illegal migrants are annually flooding into the EU, in addition to some 300 000 – 400 000 registered asylum applicants, much of which coming via the ‘Balkan Routes’.

According to more detailed Europol analysis¹²⁴, the areas currently of most concern to EU Member States are the still significant numbers of illegal immigrants from the ‘Balkan region’, the Russian Federation, China, Iraq and the Sub-Saharan countries, India, Afghanistan and Pakistan. Some of the closest EU neighbouring countries are used as major nexus points before the final clandestine leg of the journey into the EU. The geographical proximity and social-cultural relationships between the source, transit and destination countries, the existing legal and illegal transportation systems and existing Diasporas naturally define the main routes used by the smugglers. Facilitating illegal immigration is a low-risk business for organised crime groups who split up the different acts of illegal immigration within different countries to different organised crime groups, which makes the control and detection of organised crime structures more difficult. Illegal immigration generates considerable criminal proceeds, the price for illegal immigration is determined by nationality and wealth of migrants, the risk involved in the journey, the degree of professionalism of “service providers” and, to a less important part, the country of destination.

As a result of the identification and exploitation of weaknesses in the existing immigration control regimes by organised crime groups, certain favoured routes which are partly inter-related have evolved:

- The Eastern Mediterranean Route;
- The North African Route;

¹²⁰ See joint ICMPD-Europol project “Towards Comprehensive Response to Mixed Migration Flows” and recent Lebanon meeting on 26-28 April 2006, where 59 Arab and European Partner States (APS-EPS) representatives, DCAF, the European Commission, IOM, the League of Arab States, UNESCWA, UNODC and UNHCR and FRONTEX aimed at the identification of the composition of the migration flows, current and emerging migration routes, organised crime activities, modus operandi and border management issues. The final results of the comprehensive threat assessment and risks analysis of three working sessions were presented at the second meeting of the preparatory phase focusing on Challenges to the Migration Management Systems held on 7-9 June 2006 in Brdo, Slovenia.

¹²¹ Europol, Organised Illegal immigration into the EU, March 2006.

¹²² www.interpol.org

¹²³ Frontex is the new European Border Managements Agency, adopted by Council Regulation (EC) No 2007/2004 of 26 October 2004.

¹²⁴ Europol, Organised Illegal Immigration into the EU, March 2006.

- The 'Balkan Routes';
- The West African Atlantic Coast Route;
- The Central and Eastern European Route;
- The Baltic Route.

The North African route is seen to carry the largest volume of illegal immigrants into the EU. Central and Eastern European routes seem to be increasingly of importance, whereas the impact of the Baltic route has declined. The most commonly used transit countries before reaching the external borders of the EU are Russia (Moscow), Ukraine (Kiev), Turkey (Istanbul), and, with a more regional nature, some places in South-eastern Europe (Sarajevo and Belgrade) which are used as either departure points or assembly points for the onward journey to the EU.

With regard to smuggling of persons and organised crime linked to that the following trends and issues are to be noted¹²⁵:

All the project areas (except Kosovo) are state parties to the 1951 UN Refugee Convention and its 1967 Protocol and have passed Asylum Laws and amended their criminal or penal codes with provisions for smuggling of persons or illegal trespassing national borders. So far, the project areas are more or less in line with international standards and have rather common levels of penalties and aggravating circumstances¹²⁶. However, much remains to be done to prevent and suppress illegal migrant smuggling in line with the European standards¹²⁷ or to protect the trafficked victims' basic human rights, because despite the severity of the problem, there is still a remarkable paucity of detailed data and statistics on smuggling of persons committed by organised crime groups.

In *Albania*, thanks to the massive support from International and European bodies, more frequent and effective controls by law enforcement authorities in the last years have created new hurdles for smuggler. Significant success has been achieved, particularly, in closing down sea routes to Italy and prosecuting a large number of criminals. Prior to closure of the sea smuggling route from Albania to Italy, some 100 000 migrants may have used this way to enter the EU, which may have generated between some EUR 60-100 million of illicit proceeds between 1998 and 2002. The use of land routes has since gained importance, namely the border with Kosovo (174 km long) covering a rather inaccessible mountainous terrain, which remains poorly policed if at all¹²⁸. In terms of cases, Albania recorded 16 cases involving as many organised groups, involving a total of 58 perpetrators in 2003. In the first nine months of 2004, records show 365 (or 280 according to the GPO) cases of border trespassing and organising and assisting this process, involving 644 (or 516 according to the GPO) perpetrators, mainly from Kosovar origin *it should be underlined that reported figures are differing and fragmentary*). In 2005, Albania reported 123 cases committed by 259 perpetrators, out of which 13 cases were reported with the involvement of organised crime groups. It seems 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 Kosovar, Macedonian and Serbian organised crime groups.

Bosnia and Herzegovina (BiH) faced, following the November 1995 Dayton Peace Agreement, a return of more than 730 000 refugees. BiH is considered as a transition country where citizens of Albania,

¹²⁵ UNHCR information and replies to CoE's questionnaires

¹²⁶ Europol, Legislation on Illegal Immigrant Smuggling, March 2004, Annex II, Comparison of relevant legislation on Illegal Immigration.

¹²⁷ EU "Tampere programme" [COM(2004)401], followed by the "Hague programme", a 5 year plan to establish an area of freedom, security and justice in the EU (endorsed by the European Council in Nov 2004) which include the following "milestones": Council of EU Framework Decisions on the Strengthening of the Penal Framework to Prevent the Facilitation of Unauthorised Entry, Transit and Residence (2002/94g/JHA, 28. November 2002); Council Directive on Carrier's liability (2001/51/EC, 28. June 2001); the 2002 European Arrest Warrant (extradition); the Proposal for a European Council Directive on the short-term residence permit (OJ, 2201/C 126 E/17) and the Council Directive on Asylum Procedures, adopted on 1 December 2005.

¹²⁸ IOM (July 2004), p. 70.

China, Turkey, India and Pakistan are being illegally transported to the countries of Western Europe. They enter BiH via Montenegro and Serbia through legal and illegal border crossing in the eastern part of the country. Local criminal groups escort them across rivers or illegal borders 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 organised criminals facilitating migration from China to Western Europe. Close inter-agency co-ordination were reported to take place, especially regular meetings between international and national actors such as the International Working Group on Anti-Trafficking in human beings (the 'International Working Group') which includes, among others, IOM, OHCHR, OSCE, UNICEF and a number of local NGOs.

Croatia reported that, by April 2004, about 210 000 Croatian Serbs remain in exile, mostly in Montenegro and Serbia. Property repossession and reconstruction are the most important issues affecting the return of refugees to Croatia, a classical transit country on the way to the EU. Mainly Albanian, Turkish and Chinese nationals were reported but also migrants from other South-eastern European countries, Eastern Europe, Asia (Afghans, Iraqis, Kurds) and even Africa. Croatia reported that smuggling through its territory is organised in close co-operation between Croatian smugglers and smugglers from Bosnia and Herzegovina, Montenegro and Serbia, where a number of shelters were established to host migrants while they are waiting to be transferred onwards to Western Europe. Much of migrants' smuggling in Croatia is centred around and goes via Zagreb. In 2004, 194 cases of smuggling of 223 illegal migrants were recorded, out of which 15 cases were organised crime involving 11 groups. In 2005, 260 cases of smuggling of 270 illegal migrants were reported which represents an increase of 34.02 per cent. Unfortunately, no figures were reported regarding the involvement of organised crime groups.

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. No data were reported for 2004. In 2005, 35 registered cases with 61 perpetrators were reported, two of them classified as organised crime with 23 perpetrators. In one case an organised 31-member group (from Albania, Montenegro, Serbia and "the former Yugoslav Republic of Macedonia") smuggled through nine different activities some 100 persons via the Macedonian-Greece borders, partly supported by three employees from the Macedonian Border Police.

Montenegro's records show 257 illegal border trespasses in 2003, and 372 in the first nine months of 2004. It was not reported how many of these cases were qualified as having been committed by an organised crime group. In 2005, there were no charges in relation to organised smuggling of persons. Smuggling of persons appears to have decreased due to the liberalisation of regional visa regime changes, which is true especially for the smuggling from Albania. A stricter visa regime requiring visa for Albanian and Kosovar citizens when entering into Bosnia and Herzegovina and Croatia, on the other hand, has inadvertently created a demand for smuggling across the border.

In 2003, *Serbia* recorded 27 organised crime smuggling cases, involving 16 groups with 64 perpetrators. In 2005, the figures clearly increased: 37 offences of smuggling 219 illegal migrants were committed by 87 perpetrators, mostly Serbs (73), but also Chinese (5), Bosnians (4), Macedonians (3) and others. In 2005, Serbia recorded also 1 076 foreign citizens who illegally entered into its territory; compared to 2004 this is a slight increase of 2 per cent. Many of those illegal migrants might also have been smuggled by organised crime groups. However, looking for the gender of those migrants, it should be stressed that the figures of women rose much higher than those of male migrants (in total 115 women which represents an increase of about 100 per cent). An interpretation of this significant increase has been that a significant percentage of those 'migrants' might have been victims of trafficking in human beings for sexual exploitation. There is also an increase of smuggling of minors (135 illegal migrants, an alarming increase of about 60 per cent) which could be interpreted in a similar way.

Over 220 000 minorities living in Montenegro and Serbia had been waiting for reintegration in *Kosovo* when the violent uprising of March 2004 struck in the northern part of the province. Three days of riots displaced more than 4,000 minority members, mostly Serbs as well as some Roma and Ashkaelia. Under the umbrella of the United Nations Country Team (UNCT), international bodies worked closely together with the UN Mission in Kosovo's (UNMIK) Office of Returns and Communities, CIVPOL and the Provisional Institutions of Self-Government of Kosovo, such as the Kosovo Police Service (KPS), to address all immediately arising social and criminal problems. It has been reported that the market of smuggling of migrants appears to be a very profitable one in Kosovo, as elsewhere, whether by organising the smuggling or facilitating travel arrangements (travel agencies), temporarily hosting illegal migrants or providing false identity documents. The number of smuggled migrants across the territory of Kosovo is estimated to several thousands per year (reply to 2005 questionnaire). However, in the reply to the 2006 questionnaire, the Border Police Investigation Unit of KPS reported for the year 2005 only 105 cases of illegal migration. The International Prosecutors, working with UNMIK Department of Justice, reported even only 7 cases, committed by 27 perpetrators and an unknown number of migrants from Pakistan, Bangladesh and India. No report was made on the number of organised crime cases.

The following conclusions can be drawn about smuggling of illegal immigrants in or via South-eastern Europe:

- Despite ostensible small, even declining figures (except Croatia, which reported an increase of 34 per cent) and greatly differing statistics (e.g. illegal migrants/smuggled persons/trafficking in human beings, crime records/charges/convictions, justice/police/other sources and between the project areas of the region) 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 a co-operation between different local criminal groups along the smuggling routes and with global players in Asia and Eastern Europe. However, The properly documented basis for such a statement are respectively 13 (Albania) and 2 ("the former Yugoslav Republic of Macedonia") cases of smuggling of persons related to organised crime.
- In terms of the actual numbers of migrants, there is a fine line between trafficking in human beings and smuggling of person across borders, obviously not distinguished enough, despite the definitions contained in the protocols to the UN Convention on Transnational Organised Crime and on EU level¹²⁹. 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.
- In comparison to trafficking in human beings, the smuggling of persons involves less operational sophistication given the less complex aims of this criminal market. 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. 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 hasardous to the women, children and men involved (e.g. the tragically death of 20 Chinese cockle pickers discovered in 2004 in Dover, smuggled by the well known 'Snakehead Gangs').
- The routes through South-Eastern Europe, although having more of a regional nature, belong to the most commonly used transit routes before reaching the external borders of the EU, the destination area of nearly all smuggled persons. Larger cities in South-eastern Europe, e.g.

¹²⁹ To facilitate information exchange and a common understanding of a European-wide social and criminal problem project areas should use the same definition as Europol (see the Europol Convention).

Sarajevo and Belgrade, are used as either departure points or assembly points for the onward journey to the EU (similar to Moscow, Istanbul and Kiev).

- Higher-level groups can secure logistic assistance to the migrants in the country of final destination, usually relying on the links with communities of the same ethnicity or nationality based in that country. While trafficking networks operating in South-eastern Europe are mainly rooted in Eastern Europe, smuggling networks originate as far as Bangladesh, Pakistan, India and China.
- Another trend noted by the project areas is that some persons formerly involved with trafficking in human being have moved on to smuggling people, weapons and other goods across the borders. It is notable that skills acquired in a type of criminal business are easily transferable to another as criminal markets change and evolve. For example, illegal immigration now often takes advantage of pre-existing routes and networks established for trafficking narcotics or weapons. Both 'commodities' can be moved in parallel and even sometimes together.
- On international level, several time an inherent link between immigration and the institution of asylum on the one hand, and international terrorism on the other hand was denied¹³⁰. Measures taken in the context of entry screening and border control may only have a little impact on the prevention of terrorism, as other policy areas are much more important (e.g. intelligence co-operation, freezing of assets, etc.). However, as several investigations and also terrorist events have demonstrated, terrorists rather often have used asylum application as a shelter practice to pave the way for preparing terrorist attacks or, after such attacks, to hide in secure environment (area of rest).
- The need for greater co-operation between national police forces, customs services and legal systems is set to increase enormously. Similarly, the activities of international terrorist groups and criminal organisations benefit more and more from the freedom of movement of persons, money and goods and use them for their own benefit. To combat them efficiently, project areas' law enforcement agencies should further co-operate with their counterparts in the region and in EU countries.
- The policies against smuggling in persons let sometimes to unintended negative consequences from a human rights point of view. As legal entry to the EU becomes more difficult and border controls more tight, migrants increasingly rely on smuggling organisations to arrange their transport. Unfortunately, this is not only true for 'economic migrants' but also for refugees. In this context, the 2005 EU Council Directive on Asylum Procedures aiming at a common asylum system should be thoroughly examined and appropriately adopted in South-eastern Europe to pave the way for ongoing and/or future EU accession¹³¹.
- Similarly, the asylum, migration and visa modules of the EU CARDS Programme¹³² to "Establish EU compatible legal, regulatory and institutional frameworks in the fields of asylum, migration and visa matters in the Western Balkan States", aiming assisting the project areas to align their national legislation and administrative practice and to improve national EU alignment strategies and action plans will be a crucial milestone for further common

¹³⁰ For example: ICMPD, Secretariat for the Special Session of the Budapest Process on the role of immigration and border control in the combat of terrorism, 22 February 2002.

¹³¹ Council Directive on Asylum Procedures, was adopted on 1 December 2005, the "milestone" in the common asylum system in the EU.

¹³² Including the 24-month project "Support to and Coordination of Integrated Border Management Strategies" which covers six project areas (Albania, Bosnia and Herzegovina, Croatia, Montenegro, Serbia and "the former Yugoslav Republic of Macedonia").

migration management approaches in the areas of entry, stay, return, readmission, irregular migration, data and statistics.

3.4 ECONOMIC CRIME

The acceleration of economic globalisation based on the integration of global financial markets and free-market strategies weakened border's importance as well as widened the window of opportunities for economic crime in Europe.

Economic crime, as described in the Council of Europe Recommendation R(81)12 from 1981¹³³ has been of major concern to European societies for decades. The recommendation 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. In sum, it undermines democracy, the rule of law, human rights and economic and social progress.

The drafters of the Council of Europe's Recommendation (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"¹³⁴. However, a clear distinction between organised crime, terrorism and economic crime poses certain problems as a number of Council of Europe's Conventions - Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198), Cybercrime (ETS 185) and 2nd additional Protocol to the Convention on Mutual Legal Assistance in Criminal Matters (ETS 182), similar EU Directives and Framework Decisions, have demonstrated.

To merge analysis of un-differentiated "simple" economic crime with "organised" economic crime makes the analysis much more difficult if not impossible. Furthermore, economic crime itself is by common understanding a bunch of crimes but despite the recommendation a clear definition still raises difficulties, which is especially true for South-eastern European countries¹³⁵.

The countries of the region were faced with new forms of organised crime related to privatisation and emerging banking and financial sectors, accompanied with capital flight, tax evasion, customs fraud, bankruptcy fraud, fraud related to financial credit, corruption and money laundering. Economic crime has accelerated and poses a particular concern to these countries because of its obvious volume, huge losses and economic impact, which is largely visible to the public in the countries themselves.

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 utilise 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, VW, Flow-Tex, Elf Aquitaine 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. In addition, it is believed that proceeds from economic crime dwarf the cost and damage of other crime.

¹³³ Council of Europe 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.

¹³⁴ See par. 18 of the Explanatory Memorandum to Council of Europe's Recommendation (2001) 11.

¹³⁵ As all European countries use or enumerate similar but finally different types of crime as economic crimes, comparisons are difficult.

In the last decade, the Council of Europe¹³⁶, the European Commission and other international bodies have given an enormous support to overcome project areas' shortcomings in preventing and suppressing organised economic crime to pave the way for democratisation and economic development, a strong rule of law and human rights' protection. In the Declaration and the Action Plan adopted at the 3rd Summit of the Heads of State and Government of the Council of Europe¹³⁷ this active involvement was underlined and reinforced.

As a consequence, the countries of South-eastern Europe have signed, ratified and adopted almost all European and international conventions and agreements in this field. They also elaborated and improved strategies, action plans and programmes, amended national Criminal Codes and Criminal Procedure Codes with regard to the effective investigation and prosecution of economic crime in line with European human rights standards, established organisational structures similar to those existing in the EU Member States, set up special bodies (such as Financial Intelligence Units), exchanged good/best practises and carried out peer reviews.

Despite that, methods for assessing the losses and impact are nonexistent and still little is known about the real dimension and effects of organised and economic crime in South-eastern Europe.

An excellent, detailed and actual topical chapter on economic crime was elaborated within the annual organised crime situation report of the Council of Europe, published in December 2005¹³⁸. Therefore, the analysis on economic and financial crime, within this report, can be confined to recent developments and figures delivered by the project areas as follows:

Tax and customs fraud has been reported by all the project areas 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 per cent of the profit earned, a cost notably lower than sales taxes (around 20 per cent) that each company involved in retail would have to pay to the state¹³⁹.

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. In the replies to the 2005 questionnaire, all the project areas (except Albania with one exceptional case and Montenegro with the sheer number of 15 cases of organised smuggling) did not

¹³⁶ Octopus Programmes I and II, various PACO Programmes against Corruption and Organised Crime, CARPO project, and also monitoring bodies such as the GRECO and MONEYVAL. The budget of all Council of Europe projects against economic crime in 2004 was EUR 12 million and in 2005 around EUR 15 million. An overview of current initiatives is given in the Activity Report 2005 on "Technical Co-operation against economic crime", January 2006.

¹³⁷ "Warsaw" Declaration, 16-17 May 2005.

¹³⁸ Council of Europe, "Organised Crime Situation Report 2005", Focus on the Threat of Economic Crime, December 2005.

¹³⁹ All project areas in the region, with the exception of Bosnia and Herzegovina, have a VAT system.

report on the involvement of organised crime groups in tax evasion and customs fraud, even in the particular case of smuggling of excise goods in which organised crime groups are dominating;

Albania made general statements on tax and customs fraud and tax evasion (“relies heavily on weaknesses in the Albanian tax and customs institutions”) and reported some statistical information which, however, could not serve for analysis as, according to the different sources of the Ministry of Interior and General Prosecution’s Office, the figures varied significantly and included a wide range of other types of crime. In the field of customs, the Albanian Ministry of Interior reported 120 offences and 33 related to tax laws, while the General Prosecution’s Office, which has more reliable statistics, reported 247 cases. In 2005, customs seized cigarettes, coffee seeds and mobiles telephones and other commodities with a total value of close to about EUR 4 million and a special police operation was reported which dismantled one organised crime group, who was suspicious of having smuggled 11 containers of cigarettes into the country, and succeeded in the seizure of the two vessels used for the smuggling, as well as of two motor boats, two luxurious cars, a storehouse of 10 thousands square meters and an apartment of 250 square meters;

Bosnia and Herzegovina provided a wide-range of detailed statistics on economic crime both on a large number of different types of crimes and in all of its four jurisdictions¹⁴⁰ and, even beyond, on the cantonal level. Unfortunately these statistics do not reply to the questionnaire. As far as required figures were provided and could be added up, in 2005 there were 54 cases of tax evasion, and, “in the field of customs”, at least 580 cases. A sound comparison with previous years was not possible due to the divergent perspectives and reporting schemes (2002-2004: 835 cases, causing revenue losses of some EUR 160 million), however, figures seem to decrease;

“*The former Yugoslav Republic of Macedonia*” reported 114 cases of tax evasion committed by 178 perpetrators and, in general terms, that VAT fraud and smuggling continues to be a key problem, particularly smuggling of cigarettes, alcohol, textile, computers, mobile telephones and food across the country, which seems to be the smuggling hub in the region;

Croatia, Kosovo, Montenegro and Serbia did not deliver detailed information.

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 usurious interest; bank loans are obtained using false document; loans are used for purposes not originally intended; credit cards are forged, etc. The banking reforms are still not fully functioning and the lack of regulatory enforcement contribute to the vulnerability of the financial system. However, too little information was provided by the project areas in order to carry out an analysis or closer inspection by comparing project areas’ data in this field of crimes.

Privatisation - Privatisation fraud causes great concern to the countries. Asset stripping, causing bankruptcy of companies set for privatisation, and other activities are closely linked with public sector corruption. The effects of such fraud are loss in productive capacities and jobs¹⁴¹. 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 such 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 privatisation 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

¹⁴⁰ Bosnia and Herzegovina has four jurisdictions in the criminal justice system: state level, two entity levels (Republika Srpska and the Federation of Bosnia and Herzegovina) and the Brcko District.

¹⁴¹ Although privatisation 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.

connected with privatisation. However, too little information was provided by the project areas to allow carrying out an analysis or closer inspection by comparing the project areas' data in this field of crimes.

Economic crime in general - in terms of crime related data, there are some differences as to how the project areas are counting their cases related to organised and economic crime.

For the 2005 report, the project areas, with the exception of Montenegro, reported data on organised crime and not the overall crime statistics for 2004. For the 2006 report, some project areas reported overall crime statistics, some sent detailed information on certain types of crime, and some made more general statements. In sum: replies to the 2005 and 2006 questionnaires are fragmentary, differing, not comparable and difficult to exploit in a sound analysis, allowing only to draw some common patterns.

The project areas should be further encouraged to establish a proper reporting system based on common understandings, definitions and rules (similar to the system developed by law enforcement institutions in the EU) to ensure a detailed comparison of organised crime's development in Europe.

However, on the basis of the replies to both questionnaires, the following assertions can be made:

- It continues to be unclear, whether economic crime is increasing or decreasing. Weighing up all replies to both questionnaires and comparing the results with other international surveys, economic crime seems to increase.
- *Albanian* police reported less offences (- 22 per cent) and allegedly investigated and reported to the General Prosecution's Office (GPO) only 1024 cases¹⁴² of economic crime, committed by 1227 perpetrators. The greatest percentage of these cases consist of documents' falsification, with 718 cases¹⁴³, criminal offences in the field of customs, with 120 cases registered¹⁴⁴ and frauds with 90 cases¹⁴⁵. However, according to the GPO, the real figure of economic crime is increasing and close to 10 000 cases. Police in *Bosnia and Herzegovina (BiH)* reported some 1,342 cases on state level which represents a decrease close to 6 per cent which is obviously caused by the enormous and surprising decrease in the BiH Federation (- 62.4 per cent), while in the Republika Srpska (+ 16 per cent) and Brcko District (+ 28.9 per cent) reported increasing figures. Most cases are related to the abuse of the office and competences, money counterfeiting, forging of documents, unconscious business dealing and deception for getting loans and other privileges. *Croatia* reported some 6 600 cases (2.35 per cent less than 2004), most of the economic crimes are related to the abuse of the office and official authority, illicit use of an author's work, evasion of customs control, abuse of authority in economic business and forgery of an official document. "*The former Yugoslav Republic of Macedonia*" did not report figures on the general development and did not point any decreases or increases but informed about the most frequent forms of economic crime, where again the violation of official position and authorisations with 275 cases is leading, followed by 140 cases of forging or destroying financial records, 114 cases of tax evasion and 51 cases of forging an official ID. In 2005, the *Montenegro* police filed 1 872 (+ 10.4 per cent compared to 2004) cases of economic crime and reported also on a significant increase of revenue losses from EUR 17.2 million

¹⁴² Figures provided by the General Prosecution's Office (GPO) are significantly different than those provided by the General Directorate of Police. In general, data provided from the GPO are more comprehensive since this body collects all the criminal reports from all the concerned parties (institutions, or individuals) which do not necessarily go through the police.

¹⁴³ According to the statistics given by the GPO, the number of cases registered for falsification of documents amounts to 1632 cases; data related to criminal offences in the customs field indicate a total number of 454 reported cases, with a total number of 238 involved persons. The GPO's data on criminal offences in the field of taxation report, for the year 2005, 247 cases with a total number of 163 involved persons.

¹⁴⁴ The GPO's data on criminal offences in the field of taxation report, for the year 2005, 247 cases with a total number of 163 involved persons.

¹⁴⁵ The GPO's data report a total number of 218 fraud cases.

(2004) to EUR 30.5 million (+88.6 per cent). *Serbia and Kosovo* did not report any figures on economic crime for the year 2005.

- Economic crime accounts for a significant number of cases linked to organised economic crime. Unfortunately, the replies provided only little information which prevents to make a comprehensive or comparable overview on both the project area level and the medium term. *Albania* (17) and *Croatia* (14) reported cases of organised economic crime for 2004 but both project areas did not provide any information or comparable figures for 2005. *Bosnia and Herzegovina* did not report the final number of criminal organisations involved in economic crime but according to some of the reported crimes (counterfeiting of money, document forging, counterfeiting of trade marks) which are usually committed by organised crime groups, there should be an increase. *Montenegro*, which reported for 2005 a significant increase of economic crime in general (+ 10.4 per cent) of which some may be involving organised crime¹⁴⁶, particularly in the field of counterfeiting money, could only provide information on 6 charges for 54 criminal acts undertaken in the sphere of organised crime, mainly smuggling (15), fraud (15), money laundering (7) and counterfeit of money (3) but also 10 cases of abuse of an official position within organised economic crime. *Serbia*, which in last year's reply stressed the dominating role of organised crime groups in the field of economic crime (2003: 12 organised crime groups, 38 cases of organised economic crime) and annually losses of approximately EUR 300-500 million due to economic crime¹⁴⁷, did not provide similar figures and information for 2004 and 2005. A similar observation has to be made for *Kosovo*. "*The former Yugoslav Republic of Macedonia*" reported on large-scale smuggling, counterfeit of money and forging an official ID-card, typically organised economic crimes but did not provide any data or figures.
- Economic crime in South-eastern Europe is essentially *regional* in nature and, despite project area-specific differences, 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. Additionally, economic crime also undermines trust and confidence in the economic and legal system. In *Croatia*, as well as in other project areas, the public expectation to take action against privatisation fraud and fraud connected to obtaining lucrative coastal resources is high. The lack of such action might undermine public trust in the system¹⁴⁸.
- Economic crime itself causes significant losses of public revenue and distorts legal market. Only few project areas (*Bosnia and Herzegovina* and *Montenegro*) reported losses of millions of Euros, mainly in the fields of tax evasion, smuggling and fraud.
- Counterfeit of money and falsification of documents have been of significant importance in the project areas, especially counterfeit of money seem to be a growing market in the region, including counterfeit of coins. The number of counterfeit euros increases year after year. The necessary technology becomes cheaper and more easily available and the strength of the Euro and its broad acceptance as a mean of payment, especially in South-eastern Europe, makes it more attractive for counterfeiters than the US Dollar. Europol analysis says that most of good quality Euro banknotes are believed to be produced by criminals in South-eastern Europe (chiefly Bulgaria) and Baltic regions¹⁴⁹ and puts counterfeiting of Euro under those criminal

¹⁴⁶ 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.

¹⁴⁷ Interviews with law enforcement officers, September 2004.

¹⁴⁸ Croatian reply to the questionnaire and interview with Croatian law enforcement officers, September 2004.

¹⁴⁹ EU Organised Crime Report, 2005, Europol.

markets which should attract more and more attention in the coming years¹⁵⁰. *Albania* reported more than 1 600 cases of false documents. *Bosnia and Herzegovina (BiH)* listed under the most significant criminal acts of economic crime dissemination of counterfeit money (in the Federation of BiH and the Republika Srpska 242 cases) and document forging. *Montenegro* reported only 3 cases of counterfeit of money, *Croatia*, *Kosovo* and *Serbia* did not provide any information on counterfeit of money. “*The former Yugoslav Republic of Macedonia*” reported a large number of forged banknotes (195 cases), mostly in smaller denominations of 100 Macedonian Denar, but also 500 and 1 000 Macedonian Denars, Euro and US Dollar banknotes).

- Links between economic and organised crime appear to be based on corruption at both low 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 privatisation, and countless other acts are practices used in advancing both crimes. Some project areas 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.
- In most of the project areas smuggling is an important market for organised crime. The war in South-eastern Europe in the 1990s in general, and trades and arms embargo against Serbia in particular, offered unique opportunities for smugglers and created demand for high tariff goods, 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 Albania, Bulgaria, Montenegro, Romania and “the former Yugoslav Republic of Macedonia”, dealing with petroleum, cigarettes, arms, vehicles and other commodities. Smuggling thus became an important source of income for various groups ranging from political elites to people living in border areas. Although the scale of smuggling has decreased due to the gradual normalisation of the region¹⁵¹, the smuggling networks established in the 1990s are still very much active. The border service and customs reforms currently implemented in the region, namely through the EU assistance programmes, such as EC’s CAFAO mission, and twinning programmes, led to better border control and closure of illegal border crossings. However, corruption of customs and border officers is still key to smuggling activities, as well as the use of unavailable, fictitious or parallel companies¹⁵², false IDs, documents and invoices for freight crossing the border without “co-operating” officers, thus indicating a degree of sophistication of what seems a developed and active criminal market in order to pave the way into the legal structures.
- According to estimates of World Bank, IMF, EU governments and other bodies, such as Europol, Frontex and OLAF, the impact of cigarette smuggling from and in South-eastern Europe continuous to have worrying proportions, particularly as recently Turkish organised crime groups seem to be involved in the traffic of cigarettes together with heroin¹⁵³. Cigarette smuggling deprives EU Member States as well as the project areas in the region of billions of

¹⁵⁰ EU Organised Crime Threat Assessment 2006.

¹⁵¹ Currently established VAT regimes and more liberalised trade between the countries will work to reduce – but not entirely abolish – dependency on excise revenue and customs.

¹⁵² “Unavailable” companies are those register at non-existing address or use false registration documents; “fictitious” companies are those register using false identification documents; “parallel” companies are those using copies of registration documents with names of owners changed. Such copies are then used to open new, untraceable, bank accounts. In 2004, Bosnia and Herzegovina had to qualify 1 187 legal entities as unavailable, fictitious or parallel.

¹⁵³ EU Organised Crime Report, 2005, Europol.

Euro per year¹⁵⁴. OLAF, the European Anti-Fraud Office, already warned in its 2004 Report to the Council and the European Parliament¹⁵⁵ that cigarette smuggling causes considerable damage to the EU and Member States' budgets and reported its good results in fighting tobacco smuggling, such as bringing civil proceedings before New York courts against the cigarette companies RJ Reynolds and others, for involvement in cigarette smuggling and money laundering or negotiating an agreement with Philip Morris International (PMI) on 9 July 2004, which already proved better co-operation between PMI and the Commission's departments, particularly with OLAF. However, at the end of 2005, OLAF handled still 33 open cases related to cigarette smuggling and reported in its recent Annual Report 2006¹⁵⁶ on its successful operation "Fake" in May 2005 (a container operation in collaboration with DG TAXUD targeting the smuggling of counterfeit goods from Asia) led to the seizure of 140 air freight consignments and of 60 deep sea containers. The total weight of counterfeit goods was nearly 500 tonnes. More than 1.2 million packets of counterfeit cigarettes were seized, along with some 0.8 million other items. Apart from cigarettes, the other counterfeit materials were mainly textiles, electronics, and medicines. Seizures were made globally and, to some extent also in South-eastern Europe. It is the first time that OLAF reported open cases of cigarette smuggling in candidate countries: Croatia (2 cases) and "The former Yugoslav Republic of Macedonia" (four cases).

Table 4: Financial impact of Open and Closed OLAF cases (at the end of 2005)

Sector	Open (€ million)	Closed (€ million)	Total (€ million)
Agriculture	112.1	222.2	334.3
Alcohol	0.0	179.8	179.8
Cigarettes	344.6	972.3	1 316.9
Customs	216.9	503.1	720.0
Direct Expenditure	175.2	86.9	262.1
ESTAT	102.9	3.1	106.0
External Aid	130.0	172.2	302.2
Internal Investigations	18.2	230.2	248.4
Multi Agency Investigations	0.0	3.7	3.7
Precursors	0.0	0.0	0.0
Structural Funds	390.2	1 144.9	1 535.1
Trade	0.0	934.7	934.7
VAT	435.1	242.9	678.0
Total	1 925.2	4 696.0	6 621.2

Source: OLAF, Annual Report 2005

In October 2005, another specialised joint police-customs operation in Bulgaria led to the seizure of contraband cigarettes and prevented the smuggling of a total of more than 8.5 million pieces of cigarettes of the English brand Super Kings. The containers carrying the cigarettes (allegedly filled with Chinese goods made of glass) started in China, passed through Turkey and afterwards were transported to the Greek port of Thessalonica. From there the cigarettes were loaded on a train travelling to Bulgaria for further distribution to Western

¹⁵⁴ According to the German Ministry of Finances, in 2005 Germany alone lost estimated EUR 2,7 thousand millions of tobacco duties; reported in the German weekly News Magazine FOCUS, 20/2006; see also table on the impact of OLAF cases.

¹⁵⁵ COM (2005) 323, published on 19 July 2005.

¹⁵⁶ OLAF, Annual Report 2005, 13.7.2006.

European countries, where the damage to the EU budget would have amounted to approximately EUR 3.1 million¹⁵⁷.

In the light of this, the regional economy and public coffers will continue to suffer losses¹⁵⁸. Therefore, the establishment, as early as possible, of Anti-Fraud Coordinating Structures (AFCOS) is essential. These central contact points for the co-ordination of all legislative, administrative and operational aspects of the protection of the EU's financial interests have already been established in the EU-accession countries: Bulgaria and Romania¹⁵⁹.

Albania reported in 2004 that the number of recorded cases almost doubled to 164 cases, out of which 14 cases were related to 14 organised crime groups composed by 62 perpetrators. Nevertheless, it did not report comparable figures for 2005. *Bosnia and Herzegovina* reported an expansion of smuggling and sale of pirated goods of all kinds (alcohol, tobacco, food, etc.) since 2003. In 2004 there were 22 smuggling cases causing a total loss of EUR 28 301 319¹⁶⁰, and in 2005, there are further 30 cases, including one illegal deal with petroleum products in the Brcko District causing a damage of about BAM 2 million. 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 the Brcko District. The Office of the High Representative (OHR) and Bosnia and Herzegovina's government have joint their efforts to unify the fragmented tax collection system and establish the Indirect Taxation Agency which will bring positive results in the future¹⁶¹. *Croatia*, which in 2003 suffered mainly from smuggling of excise goods, reporting 18 organised crime related cases, involving 17 groups with 127 perpetrators, did not report on any smuggling case in the 2006 questionnaire. The tobacco smuggling trade in *Montenegro* in the last 1990s has since been reduced due to a combination of international pressure and local government efforts¹⁶². In 2003, smuggling of excise goods, especially oil and petroleum between Montenegro and Bosnia and Herzegovina and livestock smuggling across the Albanian border have caused revenue losses of some EUR 9 million and seizures, chiefly of cigarettes and alcohol value approximately EUR 1.7 million. Although Montenegro did not specify its 2005 figures, the recent high increase of revenue losses (88.6 per cent, or EUR 30.5 million) related to all economic crimes was also most probably caused by the reported 15 cases of smuggling out of in total 54 cases of organised economic crime. *Kosovo* was the destination place of smuggled alcohol and cigarettes originating from Slovenia, Austria, Greece, Montenegro, Serbia and "the former Yugoslav Republic of Macedonia", while counterfeit brands are produced mainly in Kosovo, but also in the neighbouring countries, from which they are smuggled into Kosovo. In 2004 and first half of 2005, 332 cases of smuggling of goods were recorded, however there were no additional information provided in the 2006 questionnaire. *Serbia* considerably reduced smuggling of excise goods. Once prominent cigarette smuggling route

¹⁵⁷ http://ec.europa.eu/comm/anti_fraud/budget/2005/bg.pdf

¹⁵⁸ See Centre for the Study of Democracy's report *Corruption, Contraband and Organised Crime in Europe* (2003), pps. 8.

¹⁵⁹ AFCO meeting in Bucharest, 1 June 2006, where OLAF and anti-fraud experts and investigators from the ten EU Member States who joined the Union in 2004 shared their operational experience with their colleagues from EU accession States Romania and Bulgaria and with EU candidate states Croatia and Turkey which will also be represented as they themselves consider the establishment of their own AFCOS in their preparation for future EU-membership.

¹⁶⁰ The data has been provided by the Tax Administration Offices of Republika Srpska, Federaton of BiH, and Brčko District.

¹⁶¹ For the High Representative's decisions in this field see www.o-hr.int/decisions/econdec/archive.asp.

¹⁶² 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.

via Montenegro has been closed and the new routes are going 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. 17 organised crime related smuggling cases have been recorded in 2003, involving 9 criminal groups, however, no information was provided for 2004 and 2005. “The former Yugoslav Republic of Macedonia” continues to be a transit country for cigarettes, alcohol and technical equipment such as mobile phones, computer and computer parts smuggled to Kosovo and Greece, and textile goods originating in China smuggled via Turkey and Bulgaria. The repacking, re-labelling and selling of expired food products, as well as counterfeiting food products require more sophistication. In 2003, the country recorded 174 cases involving 8 organised criminal groups. In the first 9 months of 2004, national authorities seized excise goods for a total value of approximately EUR 1.72 million. No figures were provided for 2005.

In terms of a wider context, Europe continues to be a major tobacco market. The Council of Europe Member States account for some 30 per cent of world production in cigarettes, 60 per cent of global exports and more than 50 per cent of global imports. Given the size of the market and potential for earning additional profit when evading revenue duties, some 25 per cent 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 a growing number of EU countries may work to reduce the market in Western Europe.

- Product piracy, crimes against intellectual and properties rights fraud (IPR), has probably the most significant impact on EU Member States in terms of tax losses and employment¹⁶³ and has also become a growing criminal market in South-eastern Europe. *Albania, Kosovo, Montenegro and “the former Yugoslav Republic of Macedonia”* did not provide new figures or any report on this type of crime. In *Bosnia and Herzegovina*, the Prosecutor’s office reported 20 cases for criminal acts concerning author rights infringement, i.e. unauthorised use of author rights. These activities are undergoing in the Republika Srpska. *Croatia* reported even 342 IPR crimes and additional 7 cases of violation of patent rights, which are causing some considerations in regard of the development of a product piracy branch in Croatia. In *Serbia* piracy thrived in the late 1990s. In reply to the first questionnaire, Serbia reported seizures 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; however no information were given for 2004 and 2005.
- Cybercrime and the advantages offered by internet in terms of information and communication technology are extremely beneficial to organised crime groups. The underground cultures built around some of the high technology phenomena are perfect for support, contact, cryptic communications, recruitment and advice. *Albania, Bosnia and Herzegovina, Kosovo and Serbia* did not report any information nor statistics on cybercrime in the 2006 questionnaire. *Croatia* reported an increase of offences related to cybercrime and offences against intellectual property rights (2004: 928 offences, 2005: 1 009 offences¹⁶⁴) which has to be seen as a consequence of enhanced legal and administrative structures and recently started control measures. It is estimated that cybercrime offenders do not work as members of organised crime groups and reported figures are still small. In 2005, there were two offences of child pornography in a computer system, 11 offences against integrity of computer data, programs and systems, 6 offences on computer forgery and 15 offences on computer fraud.

¹⁶³ Europol, 2005 EU Organised Crime Report.

¹⁶⁴ As reported by the Competence Center of South-eastern Europe at the University of Graz (Austria), Croatia’s software piracy is still high 58 per cent. Damage caused to software producers increased by US dollars 5 billion to some 50 billion, as a research of the IDC CEMA analyst company has shown, which was presented to the Association of the Business Alliance (BSA) in Zagreb, December 2005.

However, because a large portion of cybercrime is so-called “control crime” (no victims report to the police, so law enforcement has to find out such crimes by monitoring the internet and carrying out operational analysis), figures are increasing. *Montenegro* reported that cybercrime was not significantly present in the country. In 2005, only 2 criminal charges were brought against 7 perpetrators for committing 7 criminal acts with criminal profits of some EUR 27 000. “*The former Yugoslav Republic of Macedonia*” amended its Criminal Code in regard to cybercrime. Although no figures were provided, a detailed overview on current trends and patterns was presented. The most frequent offences in the project area were, firstly, the purchase of products via the Internet and with the use of data of illegally obtained credit cards by previous theft or by hacking¹⁶⁵, secondly, the spamming of competing service providers¹⁶⁶ and, thirdly, product piracy by illegally copying both privately and within business software products, mainly Microsoft products (Windows XP and Windows Office). Other offences of importance are cases of “phishing”, a relatively new technique in South-eastern Europe used to gain personal and financial data for the purposes of identity theft or, “Nigerian e-mails” (fraudulent begging mails), forgery of credit cards, and other related crimes. According to the information provided the background of perpetrators ranges from single, young Macedonians to managers and professionals in IT branches of companies. To date, there is no evidence for organised crime groups. As such investigations are very complex and require close international co-operation and as information exchange via Interpol was too slow, within the framework of the SECI Center, a special project was launched (SCIMER) to enhance co-operation between law enforcement and bank authorities.

¹⁶⁵ Breaking into a database of e.g. companies, merchants, third party processors or banks and copying of stored data in these databases, subsequent fraudulently using the data for various purposes such as the production of counterfeit credit cards or otherwise. In 2005, a joint operational activity was carried out together with NTHCU from the United Kingdom against a Macedonian citizen who obtained the personal data on the credit cards from an IP address in Vietnam and sold it to a British citizen, who damaged British banks by a value of 1 000 000 British Pounds.

¹⁶⁶ For example, highly skilled perpetrators develop specific software to produce an enormous internet traffic to bloc victim’s networks until the final “denial of services”.

3.5 MONEY LAUNDERING

Combating money laundering is one of the most effective means of opposing organised crime since the common denominator to all organised and serious crimes is the pursuit of profit. The soundness, integrity and stability of credit and financial institutions and confidence in the financial system as a whole could be seriously jeopardised by the efforts of criminals and their associates either to disguise the origin of criminal proceeds or to channel lawful money for terrorist purposes. 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. Money is being laundered in many ways, increasingly facilitated and by electronic banking and payment methods.

Money laundering is usually carried out in an international context so that the criminal origin of the funds can be better disguised. Measures adopted solely at national or even Community level, without taking account of international coordination and co-operation, would have very limited effects. In order to avoid European States' adopting measures to protect their financial systems which could be inconsistent with the functioning of the European markets, joint and common actions in this area are necessary - in all frameworks (EU, Council of Europe, UN).

Money laundering is an offence which seems to be committed by all organised crime groups in order to legitimate the illegal funds and poses globally an ever greater challenge, especially in regard to financing terrorists. 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, reported information on laundering of proceeds of other crimes, such as trafficking in human beings or smuggling of persons, the "complementary crime"¹⁶⁷ of money laundering is of growing importance. Additionally, given the importance of economic crime in South-eastern Europe, laundering connected with reported main areas of (organised) economic crime might possibly be of the same prominence. Consequently, such "complementary crimes" and economic crime related money laundering might have to make up a bulk of financial investigations in the future.

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 steadily raises concerns about the penetration of the legal economy through criminal proceeds and payment methods. As well known, money laundering commonly relies on three-stages:

- **Placement** - the ways in which direct proceeds from crime are channeled 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.

Theoretically, a rather watertight anti-money laundering system to observe and trace this type of crime has been created since the early 1990s:

- United Nations Convention Against Illicit Traffic in Narcotic Drugs and Psychotropic Substances (1988)¹⁶⁸;

¹⁶⁷ Europol, 2005 EU Organised Crime Report, 25 October 2005.

¹⁶⁸ UN 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 (ETS 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

- Council of Europe Convention on the Laundering, Search, Seizure and Confiscation of Proceeds from Crime of 1990 (ETS 141);
- Financial Action Task Force (FATF)¹⁶⁹, 40 Recommendations (1990), revised in 1996, and its various Interpretative Notes, which were designed to clarify the application of specific recommendations and to provide additional guidance;
- Financial Action Task Force (FATF) amendments related to terrorist financing in October 2004 (40+9 Recommendations);
- UN Security Council Resolution 1617 (2005) which “strongly urges all Member States to implement the comprehensive, international standards” embodied in the FATF Forty Recommendations on money laundering and the Nine Special Recommendations on terrorist financing;
- Council of Europe’s new Convention on Money Laundering and Financing of Terrorism (2005)¹⁷⁰;
- EU Council’s 2005 Directive on money laundering and terrorist financing¹⁷¹, which claims for the establishment of a financial intelligence unit in every EU country until end of the year 2007, responsible for receiving and analysing information concerning potential money laundering or terrorist financing activities led to a world-wide and comprehensive anti-money laundering system;
- FATF’s Typologies “Reports” that have in the past served as a general source of information for the sector in understanding basic ML/TF methods. Indeed, these reports are among the most accessed document on the FATF public website;
- Establishment of FATF-Style regional bodies (FSRB), which recently got the status of an “associate member” (e.g. Council of Europe’s Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures (MONEYVAL), among others for all project areas).

Within such an excellent framework reporting of suspicious financial transactions throughout Europe has increased in the past few years¹⁷², which may possibly reflect not only an increase in money laundering activities itself 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 were established in many European countries with more active financial intelligence units.

Influenced by this momentum, South-eastern European countries have also embarked on setting up anti-money laundering framework and financial intelligence units. In all the project areas, financial intelligence units are in place, partly still in the early phases of operation. However, 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, not any or little and poor official data have been reported about whether and how anti-money laundering systems operate.

suspicious transactions which may be related to money laundering. For more details see Council of Europe, “Organised Crime Situation Report 2005”, Focus on economic crime, December 2005, p. 45.

¹⁶⁹ The mandate of the FATF was most recently renewed in May 2004 at the FATF Ministerial meeting for an 8-year period (2004-2012). In October 2001, in response to the September 11 attacks in the United States, the FATF expanded its mandate and issued Eight Special Recommendations to deal with the specific issues related to terrorist financing. The continued evolution of money laundering techniques led the FATF to undertake a second review of the FATF 40 Recommendations, which resulted in June 2003 in a thorough updating of the Forty Recommendations. Further, in October 2004, the FATF published a ninth Special Recommendation, making its overall standard – the 40+9 Recommendations – a comprehensive framework for governments to develop their domestic efforts against money laundering and terrorist financing. For more details see: <http://www.fatf-gafi.org>

¹⁷⁰ Council of Europe Convention on the Laundering, Search, Seizure and Confiscation of Proceeds of Crime and on the Financing of Terrorism (CETS 198), opened for signature in May 2005.

¹⁷¹ Directive on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing, 20 September 2005, 3631/05 + COR1, 11443/05 ADD.

¹⁷² Council of Europe, “Organised Crime Situation Report 2005”, Focus on economic crime, December 2005, p. 47.

The methods for money laundering in South-eastern Europe may be somewhat less sophisticated than in European and other countries with better developed financial markets¹⁷³. 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 (and has a significant impact on social, economic and democratic development in all states), as reflected among other things in the increasing number of investigations, prosecutions and convictions for money laundering, such practice has yet to be emulated by South-eastern European countries¹⁷⁴.

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

In *Albania*, a significant amount of “dirty” money originates from crimes committed by Albanian organised crime groups abroad. The most dominant sector seems to be the construction business, while coastal and urban areas are the most attractive as they offer potential to earn good returns on the initial investment. One of the main obstacles to a sound research on economic crime and money laundering is the lack of data and its varying nature. Statistical data provided are poor and fragmentary: Albanian authorities reported only two cases of money laundering in 2003, six in 2004, and no data for 2005.

Money laundering methods in *Bosnia and Herzegovina (BiH)* are similar to those for 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 elite¹⁷⁵. A key element of this scheme is an inter-entity division between the Republika Srpska and the Federation of BiH, with separate law enforcement, banking, tax, and registry system. Sums over EUR 15 000 are broken into smaller deposits to avoid detection and are distributed over several bank accounts, using paid couriers for this purpose. The proceeds are integrated through purchase of real estate, luxury goods, and privatisation. In 2005, the state level police, the Prosecutor’s Office and the court were given jurisdiction over money laundering. In 2004, BiH reported 16 cases (+ 100 per cent compared to 2003). The amount of money that was being laundered amount to approximately EUR 26.5 million, of which approximately EUR 1 million was qualified to have come from tax evasion. According to the reply from BIH, in 2005, only two cases of money laundering were recorded from the Federation of BiH. However, the real number may be hidden in other types of crimes reported from the Republika Srpska and the Brcko District. Nevertheless, by May 2005, the court of BiH issued 8 convictions and fines amounting to EUR 690 000. The amount of money laundered was EUR 554 100 while the value of tax evaded was EUR 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.

¹⁷³ The FATF indicated the following trends in money-laundering and its possible links to financing terrorism: “wire transfers”; misuse of non-profit organisations (which may be a specific serious terrorist financing problem); “vulnerabilities in the insurance sector”; “VAT-carousel fraud”; “casinos and gambling”; “shell companies and off-shore banks”; “Gatekeepers”. Additionally Europol informed on “alternative remittance systems (ARS)”. In June 2006, FATF issues a report on “trade-based money laundering” focusing on the vulnerabilities in the import and export operations and a new report on “real estate” is in the pipeline.

¹⁷⁴ A regular evaluation of effectiveness in combating money laundering is undertaken through Council of Europe’s monitoring mechanism MONEYVAL (www.coe.int/moneyval).

¹⁷⁵ Removal of Mr 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.

In *Croatia*, opportunities for money laundering were provided by privatisation 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 privatisation stage. 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 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 EUR 2.5 million made in the drugs business. Croatia did not reply detailed information on money laundering and figures in the 2006 questionnaire.

Kosovo adopted the new Provisional Criminal Code in April 2004 and established an organisational framework for the prevention and suppression of money laundering. UNMIK established a Department for Economic and Financial Crime and, in September 2004, the Financial Information Centre (FIC) which is in operational stage. Although allegedly several cases have been opened and investigated, no figures or prosecutions have been reported. Only general information on how fictitious companies are used were reported to 2005 questionnaire. No information on money laundering was provided to 2006 questionnaire.

In *Montenegro*, similar to Albania and Croatia, the most vulnerable sector to money laundering seems to be 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 noted¹⁷⁶. For 2005, Montenegro only reported a total of 7 cases of money laundering linked to organised crime structures but no additional information on the amount of laundered money, convictions, trends, etc.

In *Serbia*, financial crimes involving money laundering and corruption is considered particularly harmful to the country. 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 privatisation process, and through purchasing of real 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. Otherwise, the replies to both questionnaires did not provide any records/figures on money laundering cases.

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 country does not have electronic banking circulation between. Similar to other countries in the region, national authorities have undertaken only few investigations since 1997, however these few cases were 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, set up with the purpose of hiding the proceeds; and physical transfer of cash across the border¹⁷⁷. The project area did not reply detailed information on money laundering and figures to both questionnaires.

¹⁷⁶ Based on interviews with Montenegro's law enforcement officers in CARPO workshops and seminars.

¹⁷⁷ See examples reported in Council of Europe, 2005 Situation Report on Organised and Economic Crime in South-eastern Europe, August 2005.

3.6 CORRUPTION

Corruption is not a special issue for South-eastern Europe. It is as old as our species and as wide as our planet. However, the economical discrepancy between the countries of the region, the EU Member States and other European countries may create pressures which could easily play in favour of organised crime groups if left unaddressed. In countries in transition or in crisis¹⁷⁸, 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*.

In South-eastern Europe, corruption was repeatedly identified by the Council of Europe and the European Commission as a serious problem¹⁷⁹. It is 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.

Corruption and organised/economic crime seem to be the two sides of the same medal. 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.

Corruption is also an important shielding practice for organised crime activities. Organised crime groups using corruption to infiltrate the state, legal economies, law enforcement and politics are said to be more powerful and to some degree safeguarded.

The 1990s appear as having been devoted to "building" illegal businesses. In the years 2000, organised criminals have been focusing on consolidating their businesses and diversifying investments into the legal economy, corruption appearing to be one of the main means being used.

The project areas have undertaken a variety of measures, legislative and others, to address this criminal phenomenon:

They have all signed and ratified the UN Convention against Corruption¹⁸⁰, the Council of Europe Criminal Law Convention on Corruption (ETS 173) and its additional Protocol (ETS 191), as well as the Council of Europe Civil Law Convention on Corruption (ETS 174). Partly, they also took into consideration the EU Convention on the Fight Against Corruption Involving Officials of the

¹⁷⁸ Associated Press, 29 October 2005, quoting Chief UN Investigator Paul Volcker, who presented the final report on Iraq Oil-for-Food Scandal which clearly demonstrates the extent of corruption in the world: The investigators found that companies and individuals from 66 countries paid illegal kickbacks using a variety of methods.

¹⁷⁹ GRECO's Sixth General Activity Report relating to 2005. In this context, see also Council of Europe, 2004: The future of Democracy (Integrated Project "Making democratic institutions work"), Strasbourg and EU Commission's yearly reports in the Progress of Accession Countries.

¹⁸⁰ UN Convention on Corruption, adopted in 2003, the Convention has been signed by 140 countries and ratified by 38. The treaty's main pillars include prevention, criminalization, international cooperation and asset recovery.

European Communities or Officials of Member States, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the OECD Revised Recommendation on Combating Bribery in International Business Transactions and the International Chamber of Commerce (ICC) Rules of Conduct to Combat Extortion and Bribery Business Principles for Countering Bribery.

National Criminal Codes were amended or special laws on prevention and suppression of corruption (often combined with organised crime) were adopted. "The former Yugoslav Republic of Macedonia" drew up a specific law with a legal definition of corruption¹⁸¹, all other project areas reported that corruption consists of several different corruptive offences. In some of them, corruption in private business and in regard to elected persons has been subject of recent amendments of criminal laws.

All the project areas alike have launched national programmes, strategies and action plans for the suppression of corruption and have established centralised bodies for all anti-corruption activities - from an Advocate of People (Ombudsman) to an autonomous and independent "State Commission"- and special departments or units for investigations on corruption. Development in anti-corruption issues are permanently supported and specially observed by the Council of Europe and the OECD¹⁸²: In 2004 and 2005, GRECO evaluations teams were underway in Albania, Bosnia and Herzegovina, Croatia and "the former Yugoslav Republic of Macedonia". The EU's annual assessments of accession states and also the Steering Committee of Stability Pact's Anti-Corruption Initiative (SPAI) is continuously evaluating the project areas and draws up regular assessment reports.

While there is a general perception - as reported by most of the project areas - of close links between corruption and organised crime, reliable data, comparable figures and precise analyses as to the exact connection between corruption cases and organised crime hardly exist. Albania even stated that organised crime groups commonly do not perform corruption but may involve intermediaries who usually act on behalf of the persons.

Croatia recorded 2 corruption cases linked with two organised crime groups involving 6 persons. Other corruption cases were recorded, including those of judges and court officials in charge of registry offices issuing title deeds. Kosovo reported 20 economic crime and corruption cases. Montenegro registered 221 corruption cases in 2004, none of which indicated any links with organised crime. Serbia recorded 18 cases involving 4 organised crime groups. "The former Yugoslav Republic of Macedonia" recorded 536 corruption cases. No link with organised crime has been revealed.

In 2005, according to the replies to the chapter 7 of the 2006 questionnaire¹⁸³, except Albania, which could not uncover links between corruption and organised crime, the project areas reported zero cases of corruption related to organised crime and two project areas did not report figures or detailed information on corruption at all (Serbia and "the former Yugoslav Republic of Macedonia"). All other project areas reported in general terms and provided more or less detailed figures:

The Ministry of Interior of Albania mentioned 8 cases and in Bosnia and Herzegovina (BiH), only the Federation of BiH reported cases (167). Croatia, the only project area to do so, reported all over the years (2002-2005) and in details. In 2005, there were 442 cases of corruption (+66 per cent). Kosovo informed only generally on low-level cases (bribing with some EUR 250) while International

¹⁸¹ Corruption is considered to be the utilisation of the function, the public authorisation the official duty or the position to realise any benefit for oneself or someone else.

¹⁸² OECD Study on "Anti-corruption instruments and the OECD Guidelines for multinational enterprises, September 2003; The "Guideline" is one of nine OECD instruments to globally tackle corruption.

¹⁸³ Compared to the more detailed information reported to the 2005 questionnaire for the Council of Europe's "Organised crime situation report 2005, Focus on the threat of economic crime, December 2005", there seems to be a decreasing interest or lacking capability in analysing organised crime structures.

Prosecutors, working with UNMIK's Department of Justice, reported charges against 177 perpetrators in 62 cases. Montenegro reported in total 207 cases and informed in more details on the different types of corruptive crimes.

According to the two project areas which presented more detailed information, most of the corruptive offences are abuse of office or official authority, abuse in performing of governmental duties and abuse of authority in economy (close to 90 per cent). In any case, corruption is seen as most dangerous in the processes of privatisation, urban planning, civil engineering, and public procurement. The classical form of corruption (giving and receiving a bribe) seems to be a one-digit percentage.

Experts estimate that in South-eastern European countries the whole variety of bribes and all kind of corruptive influence is settled: grassroots bribes, systemic bribes and political bribes. Based on this small and basic data, however, a comprehensive analysis on the characteristics, turnover - particularly affected sectors, impact on society, economy, rule of law, democracy, etc.- cannot be provided. In order to improve the situation, a more comprehensive approach combining both effective prevention and repression of corruption, a symptom common to all serious criminal activity rather than its cause, shall be required as well as a sound reporting system. Serious doubts on the effectiveness of corruption prevention and repression policies and their successful implementation remain¹⁸⁴.

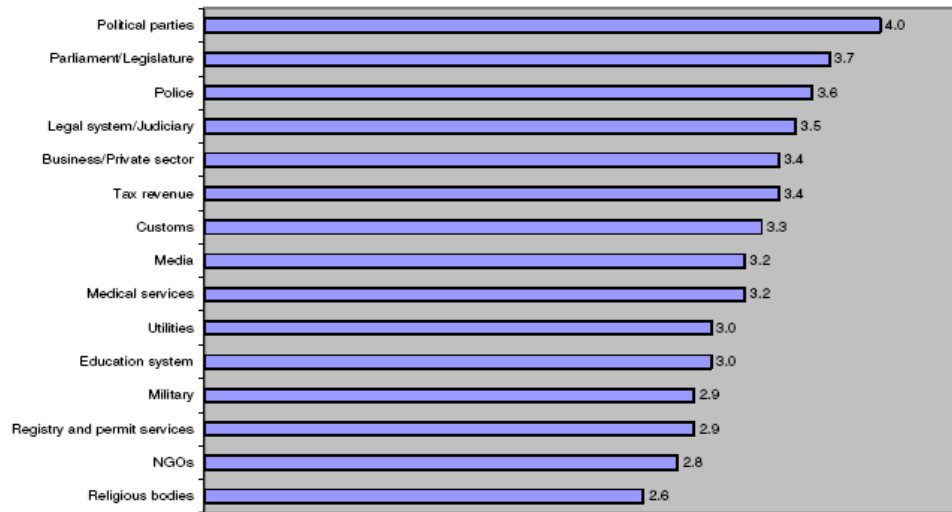
Transparency International, which has years of experience and globally accepted and proofed statistics, can be seen as a strong and reliable watchdog¹⁸⁵. According to its Corruption Perception Index 2005, the project areas are ranked rather low¹⁸⁶.

Findings of the TI 2005 Global Corruption Barometer, which provides a snapshot of the perceptions and experiences of citizens with regard to corruption in their countries, reflect the general public's mistrust in their national political and justice systems, with political parties, parliaments, the police and the judiciary perceived to be the sectors most affected by corruption.

¹⁸⁴ Council of Europe's anti-corruption initiative "Group of States against Corruption" (GRECO) and its Evaluation Reports, e.g. on Bosnia and Herzegovina, adopted by GRECO at 17-20 May 2005, Montenegro, Serbia, adopted by GRECO at 10-14 October 2005, and Croatia, adopted 5-9 December 2005.

¹⁸⁵ For detailed information on the CPI and the Bribe Payer Index see (www.transparency.org).

¹⁸⁶ See table 1 of this report. Between 2003 and 2005, Albania dropped from 92nd via 108th to 126th position; Bosnia and Herzegovina dropped from 70th via 83rd to 88th place; Croatia dropped from 60th via 67th to 70th place; "the former Yugoslav Republic of Macedonia" has moved from 108th via 99th to 103rd position; only Montenegro and Serbia improved from 109th via 100th to 97th position.

Graph 7: Sectors and Institutions most affected by corruption

Source: Transparency International Global Corruption Barometer 2005 (1 not corrupt – 5 extremely corrupt)

The results at the regional level are slightly different, citizens in South-eastern Europe pinpoint their party system and the police as equally corrupt. The report gives valuable insights about how the frequency of bribery differs across the countries: citizens from Serbia (and Montenegro) reported more often that they have paid a bribe within the last 12 months than citizens from Bosnia and Herzegovina, Croatia, Kosovo or “the former Yugoslav Republic of Macedonia”. This matches with the results of citizen’s expectations: the ones living in Kosovo (similar to those from Ukraine and Romania) were most positive (one third believing that the situation will get better), on the contrary, citizens in Bosnia and Herzegovina, who were quite optimistic the year before, with 40 per cent believing corruption would decrease, were now the most pessimistic, with 40 per cent expecting that corruption would increase in the next three years. Considering the results elaborated by the GRECO evaluation Teams (GET) in the First and Second Evaluation Round in South-eastern Europe, such estimations are more likely.

4 PROJECT AREAS PROFILES¹⁸⁷

4.1 ALBANIA

The transition process in Albania since 1991 but was heavily affected by several factors such as:

- The dramatic changes in political system, accompanied by changes in the economic system towards private property and influenced by party preferences, political pressures and corruption;
- The pyramid scheme crisis in 1997, in which huge financial resources were shifted into the hands of the few, causing public outcry and change of the government;
- The huge influx of Kosovo refugees into Albania¹⁸⁸ after the Kosovo crisis in 1999;
- The large scale migration of Albanians, particularly to neighbouring Greece and Italy.

The timing and the variety of these challenges put pressure on the democratising process of the Albanian institutions. Organised crime in Albania, as all other facts observed since 1990s, is entirely a phenomenon of the transition period. It remains an ambiguous concept in the Albanian society which is still seen as ethnically homogenous and formally and hierarchically structured.

It is true that since 1998, the year after the collapse of the financial pyramid schemes, the governments made continuous efforts in the legal and institutional reform. For example, special Directorates against Organised Crime were created, both in the General Prosecution's Office and in the former Ministry of Public Order (now Ministry of Interior) or the Anti-Trafficking Centre. Despite all these legislative revivals and the ratification of the UNTOC Convention in July 2002, the legislation has frequently been passed hastily and without proper integration with the existing laws. Laws have been inconsistently implemented, only partly adapted and put into action by law enforcement authorities, leading mainly to "modest" activities by the institutions involved in the fight against organised and economic crime¹⁸⁹. To sum up, the performances of the law enforcement and judicial systems could have been higher.

Albania also improved the international information exchange not only by enhancing its legal framework but also on individual level, through intensive training supported by various international bodies. In 2004, various additional amendments were made to the Penal Code to match the International and European criteria, additional laws were adopted, such as Law No. 9248 on "Preventing and Fighting Organised Crime", Law No. 9084 on amending Law No. 8610 on "Prevention of Money Laundering" or Law No. 9258 on "Measures Against the Financing of Terrorism".

Nowadays, Albania seems to be much more engaged in the fight against organised and economic crime. After the 2005 General Elections, the new Albanian Government considered organised and economic crime to be one of the most serious problems the country was facing:

"Albania and Albanian people are facing the highest level of organised crime; a very powerful organised crime that possess extraordinary amounts of money from criminal traffics. This crime jeopardises more than anything else the Albanian citizen's liberties and rights. This crime threatens our life and properties, and damages very badly the image of our country and its efforts to integrate in the Euro-Atlantic family....I want to assure you that in the program of the Government that I lead, the fight against organised crime, trafficking of human beings, narcotic plants and other criminal traffics, money laundering as well as financing of terrorist

¹⁸⁷ Unless otherwise stated, all information presented in "Project area Profiles" are based on the replies to the questionnaires.

¹⁸⁸ As workshops and findings in the preparation of the 2005 Situation Report have demonstrated.

¹⁸⁹ See Evaluation Report of the European Community Police Assistance in Albania and Recommendations for the future mission of ECPA, 22 July 2002.

organisations are the most major objectives to be accomplished. We have declared the “zero tolerance” against crime. In this context, I consider as decisive cutting of its connections with the political relation. This has been and continues to remain my undoubted conviction that organised crime is defended and has the political aspiration in Albania, and not only in Albania, but in the entire region, as some criminal acts of the organised crime have proved in the epicenters of the countries in the region.... We are of the opinion that the enhancement of the Penal Code, its adaptation with organised crime aggression is necessary to be established in order that crime receives the deserved institutional response. So, in this context we are committed to re-look the Penal Code and the Criminal Procedure Code, and we are of the opinion that in this way we will truly bring to the reality the “zero tolerance” against crime¹⁹⁰.

The Albanian legislation defines “organised crime” as such:

- “Criminal organisation”, which is the most complex and severally punished crime by the Albanian Penal Code;
- “Structured Criminal Group”, a lighter form of organised crime, where members have more loose contacts but are still formed not at random but with the purpose of committing a serious crime;
- “Armed Gang”.

ORGANISED CRIME AND ITS SALIENT FEATURES

According to the replies to the CARPO questionnaires, organised crime grew stronger since its early days¹⁹¹ and took advantage of new opportunities. It diversified into new markets such as drugs trafficking, smuggling of persons, cigarettes, arms, and other commodities, economic crime, corruption and strengthened their connections abroad. This development was accelerated by the fact that old concepts and mentalities like bureaucracy, apathy, selection and filling of state vacancies on the basis of political and corruptive criteria prevailed, thus promoting corruption and organised crime.

The migration waves which started in the late ‘90s also nurtured close links between the newly established Diasporas within the EU and elsewhere and the native country serving as vehicles in transferring new illegal practices. Due to the common mentality (honor, loyalty), language, customs, bonds of friendships and family-ties, ethnic Albanian criminal groups with persistent relationships were established (clan-like) and co-operated with long-term activities not only in South-eastern Europe but in the entire EU¹⁹² and beyond. Those organised crime groups are relatively “old-fashioned”, similar to the structure of the Italian Mafia forty years ago¹⁹³.

Nevertheless, some groups have both national and foreign members, where the non-nationals are mainly Italians but also Belgian, German, Greek and British citizens¹⁹⁴. Usually, these organised

¹⁹⁰ Prime Minister Berisha in his Opening Speech to the International Conference on Trans-frontier Challenges for South-eastern Europe, “Fighting Organized Crime and Terrorism”, Tirana, 9-10 November 2005.

¹⁹¹ As recorded in the Council of Europe, “Organised Crime Situation Report 2005, Focus on the Threat of Economic Crime”, December 2005, 1448 criminal proceedings involving 1353 defendants related to organised crime, smuggling, trafficking in human beings and corruption were registered in Albania, 16 prosecutions were aimed directly at criminal organisations.

¹⁹² Consequently, Europol produced already in 2001 a comprehensive threat assessment entitled “Ethnic Albanian Criminal Groups”, established a specific project, supported the so-called “London Conference” in November 2002 and provided in the 2003 threat assessment to the European Chief of Police Task Force updated and alarming information. To date, “Ethnic Albanian Criminal Groups” is one of Europol’s most operationally acting and successful projects. See also the 2005 EU Organised Crime Report, October 2005, elaborated and published by Europol.

¹⁹³ “The Organised Crime Situation in South-eastern European Countries and the Illicit Activities Perpetrated by Organised Criminal Groups”, an assessment for the Stability Pact, elaborated by TRANSCRIME, the Research Center on Transnational Crime at the University of Trento, January 2003.

¹⁹⁴ Ibid, Country Profile on Albania, p. 29 - 36.

crime groups associate their illegal activities with some legal businesses. Members have often higher education levels; they are even officials of state administration, judiciary and government. Members of tax administration, economists, lawyers, customs and police officers were also reported. In conducting their criminal activities, these groups use very sophisticated techniques, such as counter-surveillance, frequent use of coded messages and expressions during phone conversations and e-mail communication, frequent change of phone pre-paid cards, transnational activities, and unlawful transfer of illegally gained money across state borders and in foreign banks.

It is quite fair to emphasise that the recent dismantling and the arrests of several persons with high criminal profile and members of different organised crime groups have given a serious blow to the organised crime world in Albania. Since November 2005, there has been no week without news on arrests of criminals, traffickers, organised groups and even of the corrupt Police Officers. This has indicated the determination and strong willingness of the new Albanian Government to tackle all types of organised crimes, increasing in this way the reputation of the Ministry of Interior and the Albanian State Police.

Albania did not provide any general figures on organised crime to the 2006 questionnaire. However, the official Albanian 2005 OC Situation report documented 2 316 organised crimes committed by more than 2 600 criminals, out of which around 50 per cent were arrested. Most of the reported crimes were related to economic crime and money laundering (49 per cent), drugs (28 per cent) and illegal trafficking (20.5 per cent).

ILLICIT DRUGS

Albania, as part of the southern branch of the so-called 'Balkan Routes', is considered as a transit country rather than a consumer market. However, the drug business has evolved to encompass also production and distribution to the national market. In response to this development, Albania has adopted all UN conventions, amended domestic law and drafted in May 2004 a "National Anti-Drug Strategy 2004-2010". In September of the same year, a national "Action Plan" followed the Anti-Drug Strategy. In addition, the recent legal amendments, involving local government officials in the fight against cannabis cultivation and holding them legally responsible for failing to report, from the Police perspective, is considered as a good opportunity for bringing the desired results if properly implemented.

Albania has reported that synthetic drugs do not represent a problem for her yet because customers are not familiar with it. This is also clearly demonstrated by the statistical figures (2004: 1 case, 1 offender, 10 pills; for 2005 no data reported). However, production of synthetic drugs and precursors has to be mentioned. European drug experts know very well that criminals do not set up illicit laboratories when there are no markets nearby (in order to have fewer stages in the chain of distribution, thus allowing for more profit at each stage). But production and trafficking of synthetic drugs or precursors is not a matter of large criminal organisations operating independently. EU experiences have shown that the trend goes to small groups of top criminals with 5-6 levels (e.g. financiers, laboratory assistants, suppliers of the raw materials, pill peddlers and couriers) to make huge profits.

As illicit laboratories have been found in almost all EU Member States, it would be surprising if Albanian criminals had not taken the chance to make illegal money also with such a low-risk crime generating high-profits. Therefore, one could question if the EU monitoring systems on precursors, essential chemicals (reagents and solvents) and catalysts, purchase of laboratory equipment tableting machines, special heating systems etc. have been sufficiently implemented in the country.

In 2005, only two investigations on Albanian companies were reported, which tried to import considerable amounts of ephedrine from China and the United Kingdom, using false licenses and authorisations. This gives proof to the existence of a synthetic drugs market in Albania, at least on the production level. Improved international co-operation, establishing of comprehensive and sound

monitoring systems and a strengthened unit against drug trafficking would be perfect tools in detecting more illicit laboratories.

Albania continues to be the only project area in the region which produces cannabis (hashish, marijuana and hashish oil) for export, as reported although with a diminishing trend. In 2004 and 2005 considerable results were achieved in the destruction of cannabis cultivation, mirrored by sharp rise of prices on the Albanian market (from EUR 25-30/kg in 2003 to EUR 100-130/kg in 2005). Only few cultivation areas are still known, such as Vlora, Shkodra and Fieri, whereas in former years cultivation was detected all over the country. Despite those reported results, statistical data show an increasing number of seized cannabis plants (2004: 155 cases with some 74 000 plants; 2005: 458 cases with some 333 000 plants; 2006: during first five months 1 915 cannabis plants destroyed or 1 453.6 kg), hashish and marijuana trafficking (2004: 93 cases, 2005: 228 cases), and seizures (Jan-May 2006: 379.9 kg).

Countries of destination for hashish and marijuana are mainly Greece and Italy but there have been reports on trafficking to Kosovo, Montenegro, "the former Yugoslav Republic of Macedonia" and EU Member States. In few cases and in exchange to heroin also to Turkey. Hashish and Marijuana are usually transported to Greece and to other South-eastern European countries and further to other EU Member States by road and with trucks. Enhanced border control measures succeeded in dismantling drugs trafficking routes to Italy by speedy boats but trafficking via the various ferries in the region is still frequently used.

Albania remains to be one of the transit countries for trafficking of heroin from Afghanistan via Turkey and other countries in South-eastern Europe, notwithstanding increasing or decreasing figures (2004: 91 cases with 152 offenders; 2005: 67 cases with 116 offenders). Albanian criminals import heroin in close co-operation with Turkish, Macedonian and Kosovar traffickers. Usually, transports are organised with trucks, buses, and cars via the two land routes, either *Turkey-Bulgaria-"The former Yugoslav Republic of Macedonia"-Albania*, or *Turkey-Bulgaria-"the former Yugoslav Republic of Macedonia"-Kosovo-Albania*. Most of the heroin finds its way to Greece, Italy and the northern countries of South-eastern Europe and further to the markets in other EU Member States. Only a small portion of heroin, mostly of low quality, remains in Albania for the increasing domestic market.

According to data from drug addiction treatment centers, in 2000, 968 persons requested treatment, while in 2003 the number increased to 1 360 persons. The recent reply to the 2006 questionnaire does not mention any figures but states that there is a steady increase of the number of persons requesting treatment¹⁹⁵. To date, in Albania the price for heroin varies from EUR 11 000 to 14 000/kg. Consumption of heroin is also strongly linked with incidents of HIV and AIDS, an important aspect which needs to be studied, assessed and incorporated in the overall picture of domestic drug consumption.

Cocaine arrives in Albania mainly with couriers via air routes or by post services. It originates from the USA or South America (Columbia, Peru, Panama, Mexico etc.). Only few cases were reported in which cocaine was trafficked to Greece or Italy but intelligence, investigations and seizures in these countries confirm that the cocaine market in Albania is insignificant. To date, in Albania the price for cocaine is about EUR 35 000/kg.

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. 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

¹⁹⁵ Data gathered by different state agencies and NGOs indicate that there are 30,000 drug users in Albania.

outsourcing more basic tasks to organised criminals of different ethnicity in other countries of the region.

A criminal group often has a hierarchical structure where the profits are divided according to the position and the role in the organisation. The co-operation within the criminal structure is relatively sustainable, where those arrested are easily replaced by others. The criminals involved in drugs trafficking, often with a criminal past, may have used violence (often murder), and previously been involved in trafficking of women and smuggling of persons. Criminal groups dealing 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, Montenegro, "the former Yugoslav Republic of Macedonia", etc. Albanian law enforcement agencies are currently observing up to 20 organised crime groups involved in drug trafficking, composed of 3-20 members, depending on the different stages of the respective crimes (planting, purchasing, processing, transport, distribution, courier etc.).

The capacity of organised crime groups, both financially and technically, often exceeds the capacity of Albanian law enforcement agencies which are particularly challenged in terms of complex, large scale and long term investigations calling for the use of special investigative means, international co-operation and joint activities (which requires language skills), forfeiture and management of seized assets, witness protection, and a more effective judicial process. Finally, the current situation seems to have changed completely as far as the willingness and commitment of Albanian law enforcement agencies to fight criminal activities and particularly drug related phenomena is concerned.

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

The value of drugs produced or trafficked through Albania approximates, according to the Albanian authorities, EUR 50 million annually¹⁹⁶.

Table 5: Tabular review of seized amounts of narcotic drugs (Albania)

Narcotic Drugs	2001	2002	2003	2004	2005	2006 (Jan-May)
Heroin (kg)	4.5	71.7	114.5	156.0	40.9	77.6
Hashish/ (kg)				4 544.2	6 332.0	379.9
Marijuana (kg) *						
Cocaine (kg)	0.27	0.006	1.3	2.4	2.8	1.0
Amphetamines (kg)						
Ecstasy (MDMA)				10		
Cannabis (plants)	6 915	13 718	7 760	73 757	332 186	1 915
Poppy (plants)				695		
LSD (doses)						

Source: Albanian Ministry of Interior - June 2006 (* hashish and marijuana in one figure)

TRAFFICKING IN HUMAN BEINGS

Albania is now considered an origin and no longer a transit country for the trafficking of human beings. People are trafficked through and out of border crossing points. In 1995, substantial changes were made in the Albanian Penal Code and the subsequent amendments to it in 1996, 1997, 1998 and 2004 resulted in increasing the penalties anticipated for trafficking of human beings in order to approximate Albania's law to the requirements of international and European standards. These

¹⁹⁶ The value is calculated based on seizures in Albania and abroad (of drugs that were trafficked through Albania). The profit margin is 20 per cent per 1 kg of heroin, whereby in Turkey the price varies between EUR 8 000 and 10 000 /kg, while the Albanian sale price varies between EUR 11 000 and 14 000 /kg.

amendments included the trafficking in persons (Art.110/a), trafficking in women (Art. 114/b) and trafficking in minors (Art. 128/b), all articles with the same wording. In aggravated cases sentences and fines will be higher. If the criminal offence has caused the victim's death, the sentence will be not less than 20 years.

Graph 8: Reported Cases on Trafficking of Women and Children



Despite such a legal background, allowing for a differentiated presentation of data and intelligence reports from other (South-eastern) European countries, pointing at Albanian organised crime groups involved in trafficking in human beings, reported figures are small with statistics differing and fragmentary:

- 2003: 24 groups prosecuted, accused of illegal trafficking in human beings and smuggling in persons;
- 2004: In the first 9 months, 74 cases of trafficking of women with 115 authors and 9 cases of trafficking of children with 11 perpetrators;
- 2005: Trafficking of persons (Art. 110/a) - no cases.
 Trafficking of women and minors (Art. 114/b and 128/b) *"the figures we have for 2005 and 2006 do not reflect the real situation and the existing diminishing trends. Most of the cases registered in these years, have occurred in the past, but they have not been reported immediately by the victims, due to the existing social stigma".*
"During the year 2005, 3 criminal organisations dealing with women trafficking, have been identified and destroyed".
 In 2005, the General Prosecution's Office quoted a total number of 409 cases of human beings' trafficking, with 439 perpetrators, while police authorities reported 30 cases of trafficking of women for sexual exploitation with 49 authors and 10 cases of trafficking in minors with 16 authors.

Despite the differing figures, which do not allow to draw a sound picture of the development in this crime area and to give a clear impression of Albania's achievements¹⁹⁷, it is, in general terms, said that trafficking in human beings is a decreasing problem. Better co-ordinated law enforcement activities, mainly within the framework of the region¹⁹⁸, effective border controls and disclosure of

¹⁹⁷ In 2001, the Albanian Council of Ministers set the figure of the actual victims of trafficking in human beings, i.e. the Albanian women forced to prostitute abroad, at 8.000; In: C. Fijnaut and L. Paoli, Organised Crime in Europe, 2004, p. 549.

¹⁹⁸Such as the joint operation "Harem" between the Serious Crime Prosecution's Office and the Italian police which coordinated guarding border line operations and conducted investigations alongside the Albanian-Greek

several trafficking groups are the key words for the diminishing trends observed. Now, the route Durrës/Vlora to Italy has almost been closed down. However, there is a supply for a comfortable and less risky trafficking through border crossing points and via the use of falsified documents. In addition, it had been observed that traffickers are increasingly changing to other crime areas, such as drugs trafficking.

In the context of the CARDS programme and the assistance of IOM in Tirana, the “National Strategy for Migration” was formulated and approved by the Albanian Government’s Decision No. 760, dated 19.11.2004. This was followed by a detailed “Action Plan for Migration” developed by a working group composed by several governmental and non-governmental institutions, which was approved by the Albanian Government Decision No. 296 dated 06.05.2005.

However, the particular situation of children trafficking has to be questioned. Children are trafficked and exploited not only for sexual purposes. Italian and Greek press regularly report and regional studies from NGOs have established that many Albanian children are obliged to beg by criminal Gypsy and Roma groups, while some others are even sold by their own parents for sexual exploitation or illegal adoption. Official figures still represent only a small portion of the reality and more emphasis should be given to this problem¹⁹⁹. The fact that Roma and Egyptian victims are highly represented among victims of trafficking highlights the acute vulnerability of ethnic minorities and the need for prevention and protection efforts aimed at the specific needs of this profile of victim.

Several International organisations operating in Albania such as the UNODC, IOM Tirana, ‘Save the Children’ and others have analysed the situation of victims’ trafficking and victims’ assistance and protection in the country. Most of the studies and researches conducted conclude that the prominent causes of human beings’ trafficking in Albania include poor family relations, violence and abuse in the home, lack of economic opportunity, social disenfranchisement and poverty. Studies indicate that most Albanian victims were trafficked by someone known to them²⁰⁰. In the case of trafficking of women, victims mostly have been recruited by deceptive promises of marriages, intending to sexual exploitation or employment advertisements, while children are mainly trafficked for their engagement in forced begging or labouring (ambulatory sale) and delinquency. There have been cases where traffickers have paid bribes in order to ensure the transportation through border check-points. So far, modus operandi in recruitment, transport, transfer and exploitation do not differ to other project areas and are similar to experiences gained in the EU.

In Albania, the structure of criminal groups acting in trafficking in human beings is rather flat and organised in smaller cells of 3-5 peoples. Often, they 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 Albanian trafficking in human beings criminal groups also collaborate with traffickers and document falsifiers from neighbouring countries (Montenegro and “the former Yugoslav Republic of Macedonia”). Violence is one of those groups’ characteristics.

Law enforcement reported enormous difficulties during the investigations because of the use of unregistered mobiles, coded telephone conversations, faked identities and fast vehicles difficult to put under surveillance.

Proceeds of crime have been invested in construction of villas, hotels, shops and other businesses. The profit of pimps is estimated between EUR 800 to 1 800 /day.

border in close co-operation with the Greek police liaison officer, or some joint operational activities with the French police and judiciary.

¹⁹⁹ According to the report “Child Trafficking in Albania”, in 2001 written by D. RENTON for the NGO “Save the children”, about 1 000 Roma children from Albania are exploited in Thessalonica, Greece’s second largest city, alone.

²⁰⁰ Second Annual Report on Victims of Trafficking in South-Eastern Europe, IOM, 2005.

SMUGGLING OF PERSONS

A huge influx of Kosovar refugees into Albania started during the Kosovo crisis in 1999 and subsequently a large scale migration of Albanians²⁰¹. As smugglers became more efficient in their business the European Commission, in its 2004 Stabilisation and Association Report on Albania, still urges the Albanian government to take more determined steps if it wants to address the issue of human smuggling and trafficking adequately.

The smuggling of persons is provided by the amended article 298 of the Albanian Penal Code, with sentences of fines or imprisonment from one to four years, in aggravated cases from 3 to ten years, and if the offence caused the death of the injured party the sentence is non less than 15 years.

Destination countries were, in the first stage, neighbouring Greece and Italy, but Albanians also searched a better life in Belgium, France, Germany, and Sweden and in various other EU Member States, where they established large scale Diasporas. Thus, the basis was built for a well functioning branch of organised criminal activities in the field of illegal migration. To better organise their criminal activities, Albanian smugglers very early began to co-operate with foreign, firstly with Apulian smugglers from Sacra Corona Unita and with corrupt police officials and other state representatives.

The more frequent and effective controls by law enforcement authorities in the last years have created new hurdles for smuggler. Significant success has been achieved, particularly in closing down sea routes to Italy and prosecuting a large number of criminals for this activity.

Hundreds of rubber dinghies and motorboats carrying tens of thousands of migrants were stopped in Italy and sent back to Albania. Better co-ordinated law enforcement activities, mainly within the framework of the region²⁰²; effective border controls and disclosure of several falsification groups entered into a period of serious crisis for smugglers.

According to the Albanian authorities, the number of smuggled persons has been significantly reduced, however the figures reported are differing and fragmentary (2003: 85 persons, Jan. – Sept. 2004: 516 persons and 280 cases, 2005: 259 persons and 123 cases, out of which 13 cases with involvement of organised crime groups).

According to the Italian Ministry of Interior, during the period 1998 – 2005, 95 822 persons have illegally immigrated to Italy (see Figure below), with each one believed to have paid between EUR 500 and 1 000, which corresponds to an average criminal profit of about EUR 80 million. Out of those, 22 815 were illegal Albanian immigrants. Albania reports payments from smuggled persons to the organisers from EUR 300 – 3 000, depending on the country of destination. As reported, proceeds of these crimes have been invested in the setting up of travel agencies, construction companies and fortune games or purchasing real estate.

Perpetrators are organised in small criminal groups, mostly they have clear-cut roles and responsibilities in the organisation (falsifying personal documents, “brokerage services” by recruiting migrants, guides, financial assistants etc.). Violence and intimidation is not used, but the use of influence by bribery and corruption is crucial in this kind of criminal business. Many groups have acted as “tourist agencies” or organisers of “tourist travels”. Other shielding practices are common, such as surveillance of border control mechanisms and frequencies, frequent change of mobiles, using unregistered cell phones, coded means of communication, etc.

²⁰¹ Over the first ten years of transition, about 25 per cent of the population emigrated from Albania. In C. Fijnaut and L. Paoli, *Organised Crime in Europe*, 2004, p. 546 ff.

²⁰² Such as SECI initiatives “Mirage 1 – 3” and “Work”, conducted together with Italian Guardia di Finanza, Montenegro, Serbian and Greek police.

ECONOMIC CRIME AND CYBERCRIME

Although the Albanian Penal Code is in line with the Council of Europe's Recommendation No R (81)12 on the economic crime and addresses many criminal activities in the fields of different types of fraud (of course including a specific article on fraudulent pyramid schemes), falsifications and smuggling, tax evasion, currency regulations, bankruptcy, abuse of office and official power and others, it does not have a clear concept on economic crime as such and in relation to organised crime. Additionally, different definitions are used and different types of crime were enumerated as "economic crime".

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 weaknesses in the 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 still no estimates of the damage it causes to the state budget. The reply to the 2006 questionnaire reads as follow:

"Economic crime like the other crimes thrives when it finds a suitable situation, which means mainly, inappropriate and incomplete legal framework and disfunctioning state institutions, especially those in charge of fighting corruption and fiscal evasion. Although economic crime represents a serious threat to the democratic society in general, here hasn't been so far any estimation on the proportion of the damage that this kind of crime inflicts to the state budget in Albania".

As already underlined, one of the main obstacles to a sound research on economic crime is the lack of data and its varying nature. Statistical data provided are poor and fragmentary. In 2003, in total 91 cases of customs fraud committed by 98 perpetrators were prosecuted, while in 2004, these numbers increased to 163 cases involving 224 perpetrators. In addition, 66 offences with 71 perpetrators were registered in the wide field of tax laws and 852 offences with 929 perpetrators in the broad field of falsification (including product piracy).

In 2005, according to the Albanian Ministry of Interior, 22 per cent less offences were reported as compared to the year 2004. In total, during 2005, 1 030 cases with 1 236 perpetrators were investigated and reported to the General Prosecution's Office. The table below summarises some of the offences²⁰³ reported by both the Ministry of Interior and the General Prosecution's Office in the field of economic crimes. Data provided by the two law enforcement agencies show a clear discrepancy:

Table 6: Reported Offences in the Field of Economic Crime

Offences in the field of:	Falsification of documents	Customs	Fraud	Tax Laws	Total
MoI	718	120	90	33	1 030
GPO	1 632	359	218	228	9 678

Source: Ministry of Interior & General Prosecution Office, Tirana

Although it can be taken for granted, that the General Prosecution's Office's figures are more complete and reliable, it has to be taken into account that the 2005 statistics it provided include information on persons against whom criminal investigations started during year 2005 and those that have been carried over from 2004. It is hard to explain or interpret such largely differing figures.

²⁰³ Offences such as (i) illegal running of fortune games, (ii) criminal offences against State and Judiciary, (iii) counterfeiting of banknotes and treasury bonds, (iv) corruption and (v) property theft are also reported under this category of crimes by both the Ministry of Interior and the General Prosecution's Office.

Therefore, the Albania should seek, as soon as possible, to improve its structures, methods and tools to harmonise its national crime statistics.

As reported, usually male, Albanian perpetrators of economic crime are mainly well educated and have a professional background as managers of firms and maintain close links with other criminal elements from various states and nationalities. They involve, or take over, by blackmail, different legal activities or recruit and employ persons with legal or economic background as straw-persons. To achieve their objectives they do not hesitate to use violence or intimidation of competitors, sometimes even killing them, in many cases the recruitment of senior officials of law enforcement or governmental administration was ascertained.

No information was given to the amount of criminal proceeds but it was stated, that ill-gotten benefits have been invested in construction businesses, fortune games and others.

Opposite to 2004/2005²⁰⁴, in the 2006 questionnaire was not reported, how many cases of reported economic crime in 2005 have truly been, by definition, organised crime. 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 which remain disconnected without means. This hampers policies' development, the enhancement of investigations, complicates information exchange and makes analysis products questionable. Finally, it does not allow having a clear view on the whole economic crime situation and makes it difficult to point out e.g. gaps of legislation, needs for training and areas in which law enforcement should strengthen their activities.

No information was given to the field of *cybercrime*.

MONEY LAUNDERING

Besides fraud and counterfeiting operations, Albanian criminal groups routinely invest money resulting from illegal trades and activities in the legitimate economy in their own country, but also abroad (namely by their Diasporas). In regard to the turnover of money laundering, there are mentioned several studies conducted by international organisations, which indicate that approximately 50 per cent of the South-eastern European countries' GDP is laundered. As a result, the integrity and stability of financial and loan institutions and the confidence in financial system as a whole as well as the fundamentals of the rule of law are seriously undermined. Among the offences that generate the most of the criminal assets, Albania mentions drugs trafficking, trafficking of human beings, prostitutions, smuggling, tax evasion and corruptive activities.

Since the late '90s, money laundering has only occasionally been charged by Albanian prosecutors. In 2003, 2 offences have been reported, in 2004, due to better co-ordination with the newly established Albanian Agency for Co-ordination of Efforts in the Prevention of Money Laundering (the Albanian Financial Intelligence Unit - FIU), 6 cases of money laundering were reported but it was also mentioned that only 1 case seemed to be linked to organised crime, involving only 2 persons (thus failing the criteria of organised crime groups). In 2005 only 4 cases of money laundering were reported, three cases of laundering "one's own proceeds" and one case of laundering "on behalf of third parties". Despite such small figures, it has been reported, that the practice of money laundering in Albania is inextricably linked to criminal activities. Main characteristics of ML activities in Albania include the use of still existing legal gaps, the wide range

²⁰⁴ Table 2004: Economic crime: 17 organised crime-related cases with 17 organised crime groups and 52 offenders involved; Drugs Trafficking 40 organised crime-related cases with 40 organised crime groups and 142 offenders; Trafficking in human beings: 17 organised crime-related cases with 17 organised crime groups and 61 offenders; Illegal Immigration: 16 organised crime-related cases with 116 organised crime groups and 58 offenders; Smuggling: 14 organised crime-related cases with 14 organised crime groups and 62 offenders; Corruption: 1 organised crime-related case with 1 group and 4 offenders.

of informality of the Albanian economy, the sophistication of financial transactions²⁰⁵, and the disguising of such activities under fictional legal businesses or enterprises. Money laundering largely involves investment in real estate, land, and tourism. Many buildings have been illegally constructed, while 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.

CORRUPTION

It is believed that corruption is not performed by organised crime groups²⁰⁶ but it may have intermediaries who usually act on behalf of the persons, vested with power. Although some efforts have been made, corruption continues to effect both state institutions, mainly state administration and judiciary²⁰⁷ and the private sector. In 2004, the General Prosecution's Office reported 443 suspects prosecuted for corruption. In 2005, 442 cases involving 237 defendants were prosecuted. By far most of these proceedings (namely 377) were related to the abuse of office and arbitrary decisions. Only six proceedings were carried out for active bribery and 24 for passive bribery. 159 defendants were civil servants of the central and local public administration. In his report to the Parliament in April 2006²⁰⁸, the Prosecutor General of Albania pointed out a number of concerns:

- The high level of perception of corruption was mainly linked to political decision-making in relation to the management of public funds, in particular on direct public procurement on the argument of urgency
- The rules for the management and administration of commercial companies with State capital leave too much room for interpretation and thus for corruption
- With regard to public procurement, while the actual tendering process is improving, many believe it to be acceptable to conclude agreements and receive improper payments (*tangenti*) before the tender procedures are held.

²⁰⁵ Depositing of monetary assets in short periods of time without exceeding the limit that obliges the declaration of the source.

²⁰⁶ In 2005, investigated offenders of corruption have not been organised in any criminal group or organisation.

²⁰⁷ The Albanian Center for Economic Research stated in its *Albanian Empirical Report 2000*, that corruption is perceived to be the major problem in the country together with crime, ranging from payment of bribes to public officials, e.g. to avoid taxes and regulations, the sale of court and arbitrage decisions, the contribution by private interests to political parties, the sale of parliamentary votes as well as presidential decrees, the appointing of friends and relatives to official positions (<http://www1.oecd.org/daf/SPAIcom/pdf/AlbEmp.pdf>).

²⁰⁸ Source: Report of the Prosecutor General to the Parliament of Albania (on 27 April 2006) on the State of Criminality in Albania for 2005.

4.2 BOSNIA AND HERZEGOVINA

The post-war situation in Bosnia and Herzegovina (BiH) 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, 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. UNDP²⁰⁹ reclassified BiH in 2004 to a transition country. However, there is still a weak private sector and government spending eats up some 50 per cent of GDP. 20 per cent of the population is jobless, 18 per cent poor, and 30 per cent highly susceptible to income shocks that could push them to poverty. Serious crime, thus, achieved an advantage which BiH authorities are trying to catch up with through many institutional and legal reforms, some completed in the past several years, but many being in the pipeline, as GRECO Compliance Report²¹⁰, 2005 Security Overview, chapter "Proposed Measures and Activities", SAA documents and other recent reports substantiate.

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, 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 the Republika Srpska (RS). 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 Ashdown²¹¹.

Some efforts have been made to consolidate and harmonise BiH's cumbersome criminal justice system²¹² (namely prosecution services and the judiciary) that may have already produced positive results. Nevertheless, the law enforcement agencies are still fragmented, disconnected, and over-stretched. Also 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 internationally²¹³. In the case of BiH, the 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 and was foreseen to be finalised in 2006 at the latest. However, as the second official round of SAA negotiations has confirmed, that there is only limited progress in most European Partnership areas, police reform being the main stumbling block²¹⁴.

²⁰⁹ UNDP report, 10 July 2005.

²¹⁰ GRECO Compliance Report on Bosnia and Herzegovina, Greco RC-I (2005) 1E.

²¹¹ In 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. Decision are available at: <http://www.ohr.int/decisions/war-crimes-decs/archive.asp?m=&yr=2004>. The final outcome of these investigation has yet to be known.

²¹² Bosnia and Herzegovina (BiH) has four jurisdictions in the criminal justice system: state level, two entity levels (Republika Srpska and the Federation of BiH) and the Brcko District.

²¹³ This is also visible in the contribution to the 2006 questionnaire, which firstly was sent weeks after the deadline (more concrete: a few days before the planned date of finalisation of the draft report) and secondly was the 2005 Security Overview, which certainly was comprehensive and detailed, both in terms of content (migration issues, all kind of crimes, traffic accidents, co-operation with ICTY and Implementation of Return and Property Repossession), and administrative-geographically (all four jurisdictions and on cantonal level), but did not merge the differing figures on state level, not reply to the questionnaire and not at all focus on organised crime.

²¹⁴ Report on RPM sessions and second official round of SAA negotiations, Sarajevo, 22 June 2006, particularly mentioning the rejection of the draft law on the fight against organised crime by the High Judicial and

The main threats to BiH are drugs, trafficking of human beings and economic crime.

DRUGS TRAFFICKING

As it was reported in the 2005 situation report, 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. Factors such as relatively porous borders, legal and institutional framework under development, lacking 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.

Although figures provided were fragmentary and incomplete, BiH could apparently be seen as a 'redistribution centre', a transit country for drugs. In addition to drugs trafficking, there seems to be a growing domestic user market, mainly consuming synthetic drugs such as 'ecstasy' and amphetamines, as well as cannabis, also testified by increasing cannabis transport from Albania via Montenegro to BiH.

The confiscation of 34 tonnes of acetic anhydrite (a chemical precursor for heroin), reported in 2005 and at that time of recent date, testify to a trade in chemical precursors used for drugs production. This has to be seen in line with the recent findings reported 2006 from the Ministry of Interior of the Republika Srpska indicating *"that the imported quantities of substances meant for industrial production exceed industrial needs and that, not in rare cases, their trafficking is illegal"*²¹⁵. BiH reported in 2005 in total 1 595 criminal acts related to illicit production, trafficking and possession of narcotic drugs, which is an increase of more than 13.5 per cent compared to 2004. It was not reported how many cases were related to organised crime.

Although many statistical data were reported, due to lack of centralised analysis and differing statements and reporting structures the development of illicit production and trafficking remains unclear:

- BiH Federation: 363 cases (+29.6 per cent), committed by 377 perpetrators, and remarkable 12 death cases;
- Republika Srpska: 199 cases; increase (55 per cent) and number of perpetrators include also possession and enjoyment of narcotic drugs, thus comparison can not be made);
- Brcko District: 9 cases; decrease (44 per cent) and number of perpetrators include also possession and enjoyment of narcotic drugs, and one death case;
- State Border Service: 38 cases (-2.5 per cent), committed by 49 perpetrators.

Despite provided statistics, which in each of the judiciaries accurately report the number of cases, offenders, minors and recidivists, but in different ways, there are no state-wide studies or surveys as to how large this market might really be, who the drug users and traffickers are, how many organised crime groups have been detected, if there are illicit laboratories and other important information in the field of organised crime.

Prosecutorial Council due to claimed violation of the requirement for appointments conducted by an independent body, which led to resignation of Chief prosecutor of the RS Special Prosecution and other prosecutors in May 2006.

²¹⁵ BiH "Information on the Security Situation in Bosnia and Herzegovina in 2005".

Table 7: Tabular review of seized amounts of narcotic drugs (BiH)*

Narcotic Drugs	2001	2002	2003	2004	2005	2006
Heroin (kg)					68.53	
Hashish (kg)					11.86	
Marijuana (kg)					318.51	
Cocaine (kg)					30.86	
Amphetamines (kg)					4.71	
Ecstasy (pieces)					3 387	
LSD (doses)						
Cannabis (plants)					1 956	
Poppy (plants)						

*Figures, as far as provided by the Federation of BiH, Republika Srpska, Brcko Distric and State Border Services have been merged, however data material was too poor/different to make a comparison to 2004 or even for the entire period of time

TRAFFICKING IN HUMAN BEINGS

In terms of trafficking in human beings, the practice 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 Moldova²¹⁶. 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 2004, IOM BiH reported slightly changing trends of trafficking, such as the move from night clubs to private homes and apartments, transported by taxis to the clients, forced marriages and asylum applications to guarantee longer stays and legal status in BiH, and psychological pressures to replacing physical intimidations and injuries, particularly threats to the live of victim's family back home.

Although a "BiH State Coordinator for Anti-trafficking and Illegal Immigration" was established in 2003, the second "National Plan for Combating Trafficking in Human Beings 2005-2007 (NAP)" was developed, together with IOM and other international organisations, in 2004, the "Protocol on Management of Shelters for Foreign Victims of Trafficking in BiH" was signed between the Ministry of Security and five local NGOs in the beginning of 2005, the signature of the "Referral System (Procedures) for Treating Victims of Human Trafficking" in July 2005 and general progress has been made towards a comprehensive legislative framework, BiH continues to lack a sustainable operative network as demonstrated by the provided report "Information on the Security Situation in Bosnia and Herzegovina in 2005", which mentions THB in a highly questionable number of cases, only in the BiH Federation (2 cases, 2 perpetrators) and in the Republika Srpska (12 cases with 18 perpetrators). No additional information was provided.

²¹⁶ BiH reply to the 2005 questionnaire.

SMUGGLING OF PERSONS

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 Montenegro and Serbia 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 region²¹⁷.

The "Information on the Security Situation in Bosnia and Herzegovina in 2005" largely reports on all kind of migration issues, such as transport of persons, refused entries (mostly because of lacking travel documents and visa), entries of citizens with high migration risks (mostly from Turkey, Lebanon, China, and increasingly from Iran, India and Syria), admission of citizens of third countries under the agreement with Croatia, deportation of persons and attempts of illegal crossings (655 persons, mostly from Albania, BiH, Croatia, Montenegro and Serbia, no further information). However, the report provides just one sheer figure of smuggling of persons: two cases in the Federation of BiH. No information on organised structures or other relevant information was provided.

ECONOMIC CRIME

Economic Crime thrives due to the fragmented economic space, jurisdictional division between BiH's law enforcement agencies 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 1 187 legal entities in the Federation of BiH qualified as unavailable, fictitious or parallel and 835 tax evasion cases recorded since 2002 which caused revenue loss of approximately EUR 160 million. The Republika Srpska tax authorities recorded 464 unavailable companies, 73 fictitious companies and 21 "parallel" companies in the same period²¹⁸.

Offering such unique opportunities, BiH 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.

The provided report "Information on the Security Situation in BiH in 2005" serves partly with more detailed information. In 2005, in total 1324 cases of economic crime on state level were registered and a decrease of close to 6 per cent, which obviously is caused by the enormous and questionable decrease in the Federation of BiH (- 62.4 per cent), while increases in the Republika Srpska (+ 16 per cent) and the Brcko District (+ 28.9 per cent) were accounted.

Most of the cases are related to the abuse of the office and competences, counterfeit of money, unconscious business dealing and deception for getting loans and other privileges. As far as required figures were provided and could be added up, in 2005, there were 54 cases of tax evasion, and, "in the field of customs", at least 580 cases. A sound comparison with previous years is not possible due

²¹⁷ Ibid.

²¹⁸ BiH reply to the 2005 questionnaire. "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.

to the differing perspectives and reporting schemes (2002-2004: 835 cases, causing revenue losses of some EUR 160 million), however, figures seem to be decreasing.

The report listed under the most significant criminal acts of economic crime 256 cases of counterfeit of money, which occurred in the Federation of BiH (139 cases committed by 130 perpetrators, 37 of whom `recidivists or minors`, a decrease of about 29 per cent compared to 2004), the Republika Srpska (103 cases, committed by 99 persons, an increase of 26 per cent compared to 2004) and the Brcko District (14 cases, no number of perpetrators, an increase of close to 29 per cent). Although the report gives in addition some general observations on investigated counterfeiters (“very educated”, familiar with printing and graphic operations) and disseminators (“skilful”), no figures or additional information on the number of counterfeiters, organised crime structures, illicit printing locations, techniques, counterfeited currencies and denomination, seizures etc. or any other analysis was provided.

No information on cybercrime was provided.

MONEY LAUNDERING

Money laundering methods in BiH are said to be similar to those for tax evasion. In the Republic of 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 laundering. By May 2005, the court of BiH issued 8 convictions and fines amounting to EUR 690 000. The amount of the money laundered was EUR 554 100, while the value of tax evaded was estimated to EUR 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 laundering²¹⁹.

According to a press release²²⁰, the State Investigations and Protection Agency (SIPA) reported 27 transactions of money laundering registered in 2005 and committed by 52 persons. Preliminary investigations show that nearly EUR 58 million was covered by these illegal transactions. In its statement, SIPA said that money laundering by phantom companies used to be widespread but refuted that there are about 4 000 phantom companies laundering money. Despite such publicly mentioned figures, the report “Information on the Security Situation in Bosnia and Herzegovina in 2005” only mentions two cases of money laundering in the Federation of BiH, no additional information was provided.

In terms of corruption reported information is also poor, especially in regard to the findings of GRECO’s first evaluation round in May 2005²²¹ and the therein mentioned measures taken by the authorities of BiH in response to the 18 recommendations.

Despite many improvements since May 2003, such as the centralised body for all anti-corruption activities (which formally exists in the Ministry of Security and its organisational unit SIPA), the establishment of a special Department for investigations on organised crime and corruption, the transmission to the Council of Europe of a draft decision on the establishment of a future Anti-corruption Office, the reform of the Criminal Code (which however has no single article on “corruption” as a crime itself, but covers all corruptive activities by several separate offences, the so-called “corruption offences”), the establishment of a Criminal Analyst Network (CAN), finally the information provided is extremely poor: only the Federation of BiH reported that criminal records were filed against 167 persons in the field of bribery, no further information was delivered.

²¹⁹ BiH reply to the 2005 questionnaire.

²²⁰ SIPA press release 14. February 2006, reported by Competence Centre South-eastern Europe at University of Graz, 15 February 2006.

²²¹ GRECO Compliance Report on Bosnia and Herzegovina, GRECO RC-I (2005) 1E.

4.3 CROATIA

As all the 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 never stopped activities already established in the former Yugoslav state and kept their close links with their counterparts in other former Yugoslav states, while co-operation 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.

However, the country gained its independence on 25 June 1991 and had about one and half decade at its disposal as well as a strong support by the international community to establish sound structures. Thus enhanced legal structures, organisational achievements, trained law enforcement officers and better co-operation with South-eastern, as well as with other European countries, were assured and made it possible to draw a clearer picture of organised crime in Croatia. In general and similar to the other countries in the region, organised and economic crime is a specific reflection of the economic, social and political development of the country. Organised criminals are capable to quickly adjust in the altered social, economic and political situation, flexible in reacting to challenges of the criminal markets, thus gaining destructive predominance against law enforcement authorities, especially top-criminals, rather facilitating and directing criminal activities but committing crimes themselves. According to the reply, organised crime in Croatia weakens state structures and moral values and it is expected that in the future threats from organised crime will increase and influence (e.g. by corruption) the whole course of political, social and economical processes.

Croatia, however, moved and still moves faster than others in the region in terms of setting up policies and strategies against organised and economic crime²²², adopting all necessary legal regulations establishing a functioning law enforcement system with a centralised crime data base, and a well-functioning reporting system.

As a consequence of Croatia's 2003 "Program of special measures for suppression of organised crime" and the subsequent "National Plan for the Fight against Organised Crime", remarkable achievements were made not only organisational reforms and specific activities, such as establishing anti-money laundering and witness protection programs, implementing various regulations on data protection, strengthening of international co-operation (e.g. the important "Operational Co-operation Agreement" with Europol, signed on 13 January 2006), but also in real investigations, prosecutions and convictions in organised crime cases.

In 2004, Croatia reported 1 098 criminal acts of organised crime, committed by 540 individuals (1.32 per cent of all reported crimes). In 2005, Croatia recorded an increasing number (+22.04 per cent) of registered organised crime cases (1 340) and individuals (771) of detected and reported criminal acts that fall under the competence of the Organized Crime Department (1.73 per cent of all reported crimes). Although there is a significant increase, these figures are small.

Like many other countries, Croatia does not strictly distinguish between economic crime (as white collar crime by otherwise legal business individuals) and organised crime (as black-collar criminals operating in illicit markets), which, from Croatia's point of view, would be too artificial. In terms of economic crime, the main problems seem to originate not from the direct loss of public revenue but

²²² On 12 June 2006, Croatia and the European Commission started accession negotiations. According to EU Enlargement Commissioner Ollie Rehn, Croatia will probably be the "first to meet all necessary conditions" and therefore be the "the next country on the list", said Rehn. The envisaged accession year, 2010, is closely linked to the EU's ongoing debate about the Constitutional Treaty.

from other forms of economic crime such as public procurement fraud, usury and bank fraud, causing bankruptcy and privatization fraud²²³. 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.²²⁴ Furthermore, the damage done to society by this kind of economic is difficult to measure and quantify. Criminal groups involved in 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.

Member 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 itself 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, Bosnia and Herzegovina, Austria, Italy, Slovenia and Hungary.

DRUGS TRAFFICKING

In terms of drugs trafficking, Croatia has moved from one of the transit countries on the 'Balkan Routes' to a certain degree also to a destination country. However, production of drugs in Croatia is not linked with organised crime. Rather, it is linked with small, individual producers for local consumption.

Similar to hashish and cocaine, a tendency of growth in the domestic market of synthetic drugs has been noticed, due to the increasing demand for this types of drugs, but also of the more aggressive supply, which could be detected. Mostly, synthetic drugs were smuggled from countries of the EU, but increasingly from certain South-eastern and Eastern countries, where illicit laboratories mushroomed. Synthetic drugs serve domestic market in urban areas and coastal cities particularly during summer months.

Larger amounts of hashish and marijuana, which is dominantly present in the illegal Croatian drug market, mainly arrive by sea through international smuggle channels (container) from countries of Northern and Western Africa to Italian and Slovenian ports and from there to Croatia by road, but hashish and marijuana as well as cocaine came also on the seaside from Albania or directly from South-American countries to Croatian sea ports and from there to the European countries ("sea channels of the 'Balkan Routes'). By road transportation of hashish and marijuana mainly comes from the territories of Bosnia and Herzegovina, Montenegro, and Serbia.

With reference to heroin, it is clear that the so-called "Balkan routes", whose central branch goes through the territory of the Republic of Croatia, are still frequently used for smuggling by land (road

²²³ Unfortunately, Croatia, as other project areas, did not report on tobacco smuggling.

²²⁴ See *Croatia: A Work in Progress*, by Anna McTaggart and Drago Hedl, IWPR No. 562, 27 June 2005.

and railway), because they represent the shortest connections between production countries and destination countries. In addition, the rapid growth of traffic in goods and passengers in “new-Europe” reduces risks and larger investments for drug traffickers, who especially in drugs trafficking follow the entrepreneurial creed: “Low risk – high profit”.

Drugs’ trafficking by air seems still to be a smaller problem, but exists mainly in the market of cocaine from South-American countries, trafficked in smaller amounts by couriers and in consignments of urgent mails, luggage, etc.

Croatia has long been 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. Statistical data with usual patterns (age, gender, nationality etc.) of individuals charged of abuse (2005: 5 700) , possession of (2005: 5 124) and dealing with narcotic drugs (393) exists. Despite the registration of 94 cases of organised crime related to narcotic drugs, in 2005 no larger hierarchical structured organised crime groups were dismantled, therefore it was expected that well-established foreign organised crime groups have developed Croatian re-selling networks that have a more pyramidal structure, visible only at the basis, in the so-called “ant-market”.

However, experts stated already in the 2004 survey that there are several types of criminal organisations engaged in drugs trafficking, chiefly based on nationality, territorial belongings and clan/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 in close co-operation with Turkish organised crime groups organising 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 organisers 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 from Bosnia and Herzegovina 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, mostly to force customers to pay their debts and through withholding of criminal earnings. Members have propensity towards other crimes such smuggling of arms, cigarettes, and extortion. Proceeds are mostly spent on movable and immovable property, such as real estates on the tourist locations, and conspicuous lifestyle. Croatian law enforcement reported that organised criminals use various ways of ensuring their activities, such as counter-surveillance, frequent use of coded messages and expressions during phone conversations and e-mail communication, frequent change of phone pre-paid cards, transnational activities, unlawful transfer of illegally gained money across state borders and in foreign banks.

Table 8: Tabular review of seized amounts of narcotic drugs (Croatia)

Narcotic Drugs	2001	2002	2003	2004	2005	2006
Heroin (kg)	19.6	36.9	85.7	114.4	27.1	
Hashish (kg)	4.6	2.1	2.3	5.9	53.4	
Marijuana (kg)	737.9	595.2	435.0	428.2	983.2	
Cocaine (kg)	1.5	3.3	350.8	17.6	9.0	
Amphetamines (kg)	0.9	28.0	3.8	7.2	14.3	
Ecstasy	12 905	11 063	29 840	27 048	33 601	
LSD (doses)	154	192	14	60	21	
Cannabis (plants)	-	-	-	-	-	
Poppy (plants)						

TRAFFICKING IN HUMAN BEINGS

In October 2004, the adjusted law on “Trafficking in human beings and slavery” (Art. 175 ff. of the Croatian Criminal Code) came into force and is now precisely in line with existing international standards and legal definitions, such as depicted in the EU-acquis, the Council of Europe’s Recommendation R (2000) 11²²⁵ and the so-called UN “Palermo Protocol”²²⁶. So far, the objective of a “victim centered approach”²²⁷, needed in this specific area of crime, was met and positive results have been achieved since July 2002²²⁸, when Council of Europe’s LARA project had been launched. For example, trafficking of human beings can now be punished as an aggravated offence with a prison sentence of a maximum 10 years, and aggravated cases (e.g. trafficking of children, a great number of victims, within the framework of a criminal organisation, or causing the death of trafficked persons) of 5 to 15 years. A legislative framework was also established for providing appropriate assistance and protection of trafficking in human beings’ victims, legal, medical and psychological help, from the moment of her/his identification, until the final providing of an accommodation²²⁹.

In addition, Croatia assessed the compliance of its national Activity Plan on Trafficking in human beings with European principles and standards, established a National Committee to coordinate national and regional activities in the area of suppression of trafficking of human beings, which consists of representatives of all relevant ministries, the Croatian Parliament, the State Attorney’s Office, NGO and media.

Although confirmed instances of trafficking in human beings are rare (2005: 6 cases of trafficking in human beings, 2 of them related to organised crime), the following picture can be drawn:

Recruitment starts in the origin countries of victims mainly from Moldova, Bulgaria, Romania, Albania, but also from the Russian Federation, Ukraine, Montenegro, Serbia, Bosnia and Herzegovina and Croatia. Destination countries are mainly Austria, Belgium, France, Germany, Greece, Italy, the Netherlands, Spain and the United Kingdom²³⁰. As a consequence of its geographical position, Croatia appears to be a classical transit country for trafficking in human beings from Central, Southeast and East Europe towards Western European countries. With greater freedom of movement within Europe it is inevitable that trafficking networks will begin to also

²²⁵ Committee of the Ministers of the Council of Europe, Recommendation on Action against THB for the purpose of sexual exploitation, No. R (2000) 11.

²²⁶ Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children supplementing the United Nations Convention against Transnational Organized Crime (UNTOC), ratified by the Republic of Croatia as one of the first project areas in early 2003.

²²⁷ As requested since years by VOICE, an ad hoc working group of more than 40 NGOs active in the field of trafficking in human beings.

²²⁸ Trafficking in human beings, LARA, Criminal law reform in South-eastern Europe, for more details see Report on “LARA Regional Seminar”, Proceedings, Zagreb, 1-4 April 2003.

²²⁹ Croatia reported, since 2002, the identification of 45 victims of trafficking in human beings in total, who got a complete program of assistance and protection.

²³⁰ “Trafficking of Human Beings For Sexual Exploitation in the EU: A Europol Perspective”, January 2006.

target project areas. Croatia reported that statistical indicators clearly demonstrated that it is also becoming a destination country.

Traffickers in Croatia are mostly nationals from Croatia, Bosnia and Herzegovina, Montenegro, Serbia and Italy but criminal involvement was also reported from nationals from source countries, such as Moldova, Ukraine, Romania and Bulgaria. To a large extent, traffickers are also involved in other forms of crime, especially with illegal immigration, forgery of documents, sexual crimes and organised prostitution.

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, 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 real estate, movables, corruption and funding of other illegal activities. Routes for smuggling and trafficking are similar to other countries in the region. In all cases investigated, borders were either crossed illegally or via border crossings using forged or partially forged documents.

Recruitment, transport, transfer and exploitation do not differ from other project areas and are similar to experiences in the EU.

SMUGGLING OF PERSONS

Unlike trafficking in human beings, the Croatian Criminal Code describes in Art. 177 the "Illegal Transfer of Persons across the State Border" as a minor offence, for which a fine or a prison sentence of a maximum 3 years is applied. If the crime is committed by organised crime groups prison sentence shall be 1 to 10 years. Croatia is a classical transit country on the way to the EU.

In 2005, in total 260 offences (with 270 illegal migrants) against Art. 177 CCC were detected and reported. Compared to 2004, with 194 offences (with 223 illegal migrants), an increase of 34.02 % of cases has to be noted.

Illegal Immigration and their transfer through Croatia is mostly carried out via "green borders" (by heavy good lorries, car and off-road vehicles, often using modified transport compartments, or simply on foot) to Slovenia and "blue borders" (by boats, speed boats, ferries), mainly to Italy. The transport through Croatia is conducted by rented cars, taxis, vans and smaller trucks.

Regarding ethnical characteristics of illegal migrants, mainly Albanian, Turkish and Chinese nationals were reported, but also migrants from other South-eastern European countries, Eastern Europe, Asia, Africa, and other parts of the world.

Organised crime groups involved in this area are vertically established, with clearly defined tasks and connections with international criminal groups from the beginning to the final stage of the smuggling chain. Analysis brought a close co-operation between smugglers from Croatia and those from Bosnia and Herzegovina, Montenegro and Serbia to light, where migrants are gathered and prepared for the next stage of their illegal journey through Croatia.

ECONOMIC CRIME AND CYBERCRIME

Croatia has established a special department for economic crime and corruption, which deals with all types of criminal offences that attack property, both private and public, money laundering, ownership of intellectual rights and corruptions. In total, in 2005 some 6 600 offences were reported, 2.35 per cent less than in 2004 (ca. 6 750). The most frequent criminal offences in 2005 were: abuse of Office and Official Authority, Fraud, Illicit use of an Author's work, Evasion of Customs Control, Abuse of Authority in Economic Business and Forgery of an Official Document

The increase of offences related to cyber crime and offences against intellectual property rights (2004: 928 offences, 2005: 1 009 offences²³¹) has to be seen as a consequence of enhanced legal and administrative structures and recently started control measures. Croatia has signed the "Cybercrime Convention" already in November 2001 which came only into force in July 2004 and also signed in January 2003 the Protocol to the Convention concerning the criminalisation of acts of a racist and xenophobic nature committed through computer systems. In addition, a special unit was established within the Department of Economic Crime, which deals with cyber crime and the protection of intellectual property rights, and the description of criminal acts in Croatia's Criminal Code were improved and additional articles were adopted to address the new phenomenon, such as Child Pornography on a Computer System, Damage to Computer Data, Programmes and Systems, Computer Forgery and Fraud, which all came only recently into force (October 2004).

It is estimated, that cybercrime offenders do not work as members of organised crime groups. Croatia has started to gain experience, to improve its skills and to establish sound mechanisms to analyse such crime areas. Because a large part of cybercrime is a so-called "control crime" (no victims report to the police, law enforcement has to find out such crime by monitoring the internet and operational analysis), the figures are small (in 2005: 2 offences of Child Pornography in a Computer System, 11 offences against Integrity of Computer Data, Programmes and Systems, 6 offences on Computer Forgery and 15 offences on Computer Fraud).

Crimes like the Misuse of Cheques/Credit Cards (299) or against Intellectual Property Rights (342) or Violation of Patent Rights (7) are predominant and are motivating the development of a product piracy branch in Croatia.

CORRUPTION

The significant development of the number of offences related to corruption (2002: 430 offences; 2003: 329 offences; 2004: 266 offences; 2005: 442 offences) should have to be interpreted. Firstly, it could be a consequence of delayed statistical registration, thus balancing back to an average figure (about 370 offences per year) and equalising the unexplained significant decrease in 2004. Secondly, it could be seen as a consequence of enhanced legal and administrative structures, implemented in the recent years with the 2001 National Program for the Suppression of Corruption and the 2006 one which was adopted in March 2006, thus being interpreted as an improvement of law enforcement activities. The Criminal Code and the Criminal Procedure Law were also amended with relevant articles describing and punishing acts of corruption following the adoption of the UNTOC Convention, the Council of Europe Conventions on Cybercrime and Criminal Law Convention.

The 2006 National Program for the Suppression of Corruption foresees the creation, in the course of this year, of an Anti-corruption Body - the 'National Council' - aimed at monitoring the implementation of the Anti-corruption Program and also in charge of public education and the prevention of corruption.

Art. 21 of the Act on the Office for the Suppression of Corruption and Organised Crime describes six different corruptive offences which fall under corruption, such as the abuse of office and official authorities, offering and accepting a bribe, abuse in performing governmental duties, malpractice in bankruptcy proceedings, and others. Additionally, in 2004 the Criminal Code was amended to punish bribery in business operations. Croatia stressed the importance of implementing drafted legal regulations, such as the acts on "Prevention of Conflict of Interest in Performing Public Duties", "Liability of Legal Entities for Criminal Offences", "Witness Protection", "Suppression of Money Laundering", "International Legal Assistance in Criminal Matters" and "Rights of Access to

²³¹ As reported by the Competence Center of South-eastern Europe at the University of Graz (Austria), Croatia's software piracy is still high 58 per cent. Damage caused to software producers increased by 5 billion to some 50 billion US dollars, as a research of the IDC CEMA analyst company has shown, which was presented to the Association of the Business Alliance (BSA) in Zagreb, December 2005.

Information". The non-existence of an Act on financing of political parties was regretted. However, the figures remain small and are differing also within Croatia's reply to the questionnaire. Most of the corruptive offences are abuse of office and official authority (259), abuse in performing of governmental duties (10) and both forms of bribery (139), which together account for more than 90 per cent of all corruptive criminal offences.

MONEY LAUNDERING

Croatia has a legal definition of money laundering in Art. 279 of its Criminal Code, which allows prison sentences from 6 months to 5 years; 1 year to 10 years when the offence was committed by a member of a group or a criminal organisation. Terrorist financing is a separate criminal offence as defined by Art. 187 a ff. of the Criminal Code.

Based on crime analysis carried out by Croatian law enforcement authorities, the total criminal proceeds amount to an average EUR 1.5 billion per year (generated e.g. by economic crime and drugs trafficking), which has to be seen as a minimum (for example no data delivered on illegal immigration or trafficking of human beings) and as the lowest level of black money that has to be "white-washed", as assumed most commonly by real estate investments. No doubt, 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 or economic development. Recent cases of corruption in the property registry office and the judiciary illustrate this need²³².

Despite these estimations, only few cases of money laundering as described in Art. 279 Criminal Code have been reported (8) but 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.

²³² 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).

4.4 MONTENEGRO

The war and the sanctions of the '90s, the State Union of Serbia and Montenegro from 2003 to June 2006 and the process towards independence was accompanied by challenges particular to this country. These included opportunities for criminal activities, including smuggling and money laundering.

Concerning the threat of organised crime on Montenegro's state and society there is little information available. The law enforcement agencies, therefore, did not collect data on organised crime before the introduction of its concept in the criminal legislation in 2004. Nevertheless, in a survey on economic crime carried out by the Council of Europe²³³, Montenegro reported for the year 2003 a total of 81 organised crime cases; mainly drugs trafficking (32 cases), trafficking in human beings (28 cases), economic crime (28 cases) and racketeering/extortion (16 cases).

The Ministry of Interior and Police Administration have undertaken various measures to enhance the fight against organised and economic crime - particularly in the fields of smuggling- and established in chapter 30 of Montenegro's Criminal Procedure Law a legal definition of "organised crime", in line with the UNTOC Convention and other international standards. Organised crime can comprise any serious crime as long as the organisational criteria are fulfilled.

Montenegro also improved its statistical records and crime analysis, however it did not provide any figures for 2004. For 2005, Montenegro's Special Prosecutor for Organised Crime received 14 charges against 58 criminals participating in organised crime groups. 85 different crimes have been cited, mainly fraud and computer fraud (22 cases), smuggling (ca. 10 cases), drugs trafficking and related crime (10 cases), abuse of official position (10 cases), money laundering and illicit possession of arms and explosives (each 7 cases). The competent courts completed simultaneously investigations against 35 organised criminals and trials against 13 other are still pending. The project area has had to report to several crime types that there is a difficulty addressing related questions, due to a lack in sufficient and comprehensive estimations, data, and analysis. Thus, Montenegro has yet to establish a qualified 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, trafficking in persons, drugs and weapons/explosives, economic crime, and corruption appear to be the main problems for the area. As a consequence, it is difficult to undertake a meaningful assessment or analysis of the organised and economic crime situation in Montenegro.

ILLICIT DRUGS

Drugs trafficking appear to be prominent, especially trafficking of marijuana from Albania and heroin from Turkey. Criminal activities related to narcotics greatly influence the increase of the number of narcotic addicts, as well as on the structure of criminality, i.e. on the increase of certain types of criminal acts, and on the occurrence of some new criminal acts. In 2005, 3 criminal charges were brought against 10 perpetrators, committing 10 organised criminal acts. Montenegro is mainly a transit country, but some drugs, especially cocaine and cannabis trafficked mainly on road, are consumed domestically.

Synthetic drugs, ecstasy is a relatively new narcotic in Montenegro, the presence of which has been registered in recent years. In seizure operations of this narcotic, it has been concluded that it comes from Serbia. The logo types of seized ecstasy pills differ, just like the quality, which demonstrates that supply sources and smuggling channels of this narcotic are not of stable character. The presence of "speed" has been registered in some cases of seizures with foreign nationals. Some other drugs,

²³³ Council of Europe, "Organised Crime Situation Report 2005 with special focus on economic crime", December 2005.

like opium, hashish oil, amphetamine type drugs and LSD, are sporadic in their appearance on the narcotics market.

Cannabis products, mainly marijuana, which is transported into Montenegro from the Republic of Albania, is considered to be of high quality (high degree of THC). On Montenegro's illegal market, marijuana is the most widespread narcotic, which is enjoyed by minors as well as by middle-aged people. From the processed cases, one can notice that the Montenegrin territory is also a transit zone, through which greater quantities of this drug are trafficked, intended for the markets of Serbia, Bosnia and Herzegovina and Croatia. Transit criminal activities related to this narcotic are carried out by organised groups of smugglers, most often of mixed ethnic origin, with determined roles and hierarchies.

Heroin has increasingly been detected in Montenegro. On the domestic market heroin is usually stretched and is smuggled largely from Albania, though certain quantities come from Turkey by sea. In street sale, heroin is usually a brownish colour, mixed with various substances like paracetamol, flour and others.

Cocaine reaches the territory of Montenegro via the port of Bar, but also through smuggling channels from Albania. There are cases of the transport of cocaine from South American countries, using the sea routes, usually involving greater quantities of this narcotic, and of high quality. Greater cocaine transports are usually of transit character, directed towards the Western European markets.

Perpetrators of drugs trafficking and distribution have different organisational degrees, depending on the spatial focus of their activities (local, regional, international). Certain hierarchical structures have been observed, sometimes family-oriented, especially in internationally acting groups. Involvement in other serious crime areas (murders, kidnapping, extortions, etc.) was reported. More detailed data on a structures, composition and modus operandi of organised crime involved in drug trafficking is not available. The estimates of the size of earnings from drug trafficking in Montenegro do not exist²³⁴.

Table 9: Tabular review of seized amounts of narcotic drugs (Montenegro)

Narcotic Drugs	2001	2002	2003	2004	2005	2006
Heroin (kg)					17.6	
Hashish (kg)					10.5	
Marijuana (kg)					367.5	
Cocaine (kg)					0.03	
Amphetamines (kg)						
Ecstasy						
LSD (doses)						
Cannabis (plants)						
Poppy (plants)						

TRAFFICKING IN HUMAN BEINGS

Montenegro's Penal Code defines in Art. 444 Penal Code trafficking of human beings along the European and international standards, with punishments of 1-10 years of imprisonment basic cases, in aggravated cases a minimum time of imprisonment is foreseen of 3 up to 10 years (death of persons). In addition, Art. 446 Penal Code provides for punishment of the establishment of slave relations and transport of enslaved persons.

²³⁴ According to data covering the 2001-2004 period, law enforcement annually seize approximately 10-15kg of heroin and 1 000 kg of cannabis, involving 250-300 perpetrators.

Trafficking in human beings exposed as a prominent issue in the trafficking case in 2002 involving a Moldovan woman, encouraged the government to take progressive measures²³⁵. For 2003, 28 cases of trafficking of human beings with the involvement of organised crime groups were reported in total but no figures were mentioned on the organised crime groups being involved in trafficking cases. As it seems, organised trafficking in human beings is on the decline as in 2005 charges were brought against only 3 perpetrators committing 3 organised criminal acts on trafficking in human beings, where 23 victims had been trafficked.

The typical trafficker in human beings was described as an *“unemployed, male citizen of Montenegro, Serbia of poor economic condition with high school education and of various ages”*. In all cases violation and intimidation have been noticed, and in a few cases a hierarchical structure.

More detailed data and information on trafficking in human beings is not available due to the absence of analysis.

SMUGGLING OF PERSONS

Illicit crossing of the state border is provided in Art. 405 Penal Code. Smuggling of persons appears to have decreased due to the liberalisation of regional visa regime changes which is true especially for smuggling from Albania. A stricter visa regime requiring visa for Albanian and Kosovar citizens when entering into Bosnia and Herzegovina and Croatia has inadvertently created a demand for smuggling across the border. Between January and September 2004²³⁶, 372 illegal border crossings were registered: It was not reported how many of these cases have been qualified as being committed by an organised crime group. In 2005, there were no charges in relation of organised smuggling of persons.

Illegal crossings of the state border in the region occur in following directions:

- From the territory of Southeast European countries (Romania, Bulgaria and “the former Yugoslav Republic of Macedonia”) via Montenegro towards Bosnia and Herzegovina, Croatia and EU Member States;
- From the territory of Kosovo via Bosnia and Herzegovina, Croatia or Montenegro towards Slovenia and onwards to other EU Member States;
- From the territory of Albania via Bosnia and Herzegovina, Croatia or Montenegro towards Slovenia and onwards to other EU Member States;
- From the Republic of Albania via the port of Bar or the Adriatic Sea, towards Italy and onwards to other EU Member States.

Since Montenegro is a transit zone for illegal migrants, this occurrence has reportedly no obvious impact on the society and economy of Montenegro. However, the Ministry of Interior and the Police Administration should recognise that they do not possess data and estimates on possible profit acquired by the criminal groups involved in the smuggling of persons, or subsequent use/misuse of those profits.

ECONOMIC CRIME AND CYBERCRIME

Similar to other countries and areas in the region, Montenegro views economic crime as one of the major threats, causing losses of significant portions of public revenue to tax and customs evasion through the use of forged documents and fictitious companies registered abroad and circuitous trade schemes with neighbouring countries. The shortage of certain strategic goods in the early '90s (energy, food, intermediates, etc.) served as fruitful ground for the expansion of a “grey economy”

²³⁵ Council of Europe’s “Organised Crime Situation Report 2005” with special focus on economic crime, December 2005.

²³⁶ No figures reported for the entire year 2004.

and economic crime. In addition, Montenegro is surrounded by countries with distinct economic stabilities and has a different taxation system, a differing regime of customs duties and other subtler distinctions with Serbia.

In chapter 23 of the Penal Code of Montenegro, all criminal acts against “payment operations and commercial activities” are listed. Additionally, chapter 34 “penal acts against the line of duty”, chapter 33 “criminal acts against legal transactions” and chapter 22, “criminal acts against property” cover a wide range of criminal acts deemed economic crime²³⁷. However, Montenegrin’s authorities had to report an inability to have the complete data to carry out sufficient and detailed analysis on organised economic crime but could give some basic figures:

In 2004, police filed 1 320 criminal charges (1 358 in 2003) against 1572 (1 811 in 2003) perpetrators for all 1707 (1 877 in 2003) registered economic crimes (organised and not organised). Total revenue loss caused by these crimes amounts to EUR 17.2 million (EUR 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.

In 2005, a total of 1 872 criminal acts of economic crime (+10.37 per cent to 2004) were registered, 1 437 charges (+9.44 per cent to 2004) were brought against 1,723 perpetrators (+10.16 per cent to 2004). Total revenue loss caused by these crimes amounts to some EUR 30.5 millions (+88.6 per cent to 2004). However, in regard of organised crime, only 6 criminal charges were brought against 36 perpetrators for 54 committed criminal acts, mainly smuggling (15), fraud (15), abuse of official position (10), money laundering (7) and counterfeit of money (3).

Enterprises and persons involved in high commercial and state functions mostly committed economic crimes. No clear line can be drawn considering ethnic compositions, social class or education of members of organised economic crime groups, however it can be said that sophisticated crimes require a higher or even university level of education. Instead of violation or intimidation, corruption and other subtle methods of influence are used.

Smuggling of excise good across the borders continues to be a problem, although cigarette smuggling once largely prominent was reduced. Oil and oil derivative smuggling, on the other hand, caused EUR 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. Perhaps allowing financial investigation to concentrate in one area. 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 Montenegro Internal market. Traders in smuggled goods keep competitive prices by avoiding up to 200 per cent 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 neighbouring countries. Smuggling of legal goods (cigarettes, oil and oil derivatives) has been significantly diminished since the abolition of sanctions and law enforcement efforts since 2000. The smuggling practices have been changed to adjust to new conditions and still manage to resist law enforcement efforts while integrating into European and global smuggling flows and distributions of illegally and legally produced cigarettes²³⁸. Smuggling channels from Montenegro were mainly intercepted but new routes have been formed going via Bulgaria, Croatia, Kosovo, Romania and ‘the former Yugoslav Republic of Macedonia’.

For *Cybercrime*, a legal framework was established which could serve to fight this type of crime (chapter 28 of the Penal Code) which includes a wide range of criminal acts against the security of

²³⁷ As suggested by the Council of Europe’s Recommendation R (81)12.

²³⁸ See also Project area Profile of Serbia.

computer data. However, Montenegro reported that this type of organised crime is not significantly present in its country. In 2005, only 2 criminal charges were brought against 7 perpetrators, for committing 7 criminal acts with criminal profits of some EUR 27 000. Therefore, Montenegro reported to not have sufficient information to provide adequate analysis on characteristics, turnover, impact on economy, society, rule of law, etc.

CORRUPTION

Various articles of Montenegro's Penal Code handle the simmering phenomenon of corruption, which seems to pose a particular challenge to successful action - including prosecution and judicial process - against organised crime.

In 2005, the classical form of corruption (giving and receiving a bribe) was registered in only 6 cases. However, none of these criminal acts have been committed and were related to an organised crime or in an organised way. This is also true for the registered crimes associated to corruption, such as abuse of official position (167 cases), abuse of authority in economy (25 cases) or dishonest work in service (9 cases).

Corruption was described as a kind of "complementary crime", for which no specific organised crime groups exist and which, more or less, is a means to committing other crimes.

Based on this small and basic data, a comprehensive analysis on characteristics, turnover - particularly affected sectors, impact on society, economy, rule of law, democracy, etc.- could not be provided. In any case, corruption is seen most dangerous in the processes of privatisation, urban planning, civil engineering, and public procurement.

MONEY LAUNDERING

Although the money laundering concept has only recently entered Montenegro's legal and institutional framework (Art. 268 Penal Code), it is stated that this kind of crime is also complementary to other predicate offences, mostly those committed in the framework of organised crime (drugs trafficking) or in cases of abuse of an official position. Additionally, Montenegro reported that financing of terrorism is a separate criminal act in the Penal Code.

In 2005, there are only 2 criminal charges against 7 perpetrators committing 7 criminal acts related to organised crime. Another single case, where the laundered money amounted to EUR 287 000 was not committed in an organised form.

Montenegro, therefore, does not dispose of exact indicators that would allow analysing the level of harmful influence of money laundering to society, economy, etc., though it is clear that this harmful influence exists and that it can be assumed that the use of corruption can be an instrument for money laundering activities.

4.5 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 the 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.

The dismantling of the Zemun Clan, although successful, has been blamed for constituting a "blow in the water"²³⁹. However, recent investigative results²⁴⁰ and the information on intercepted phone conversations during the preparation for an assassination attempt by a 5-executors gang of contract/professional killers of Serbian and Croatian nationality on Prime Minister Dodik²⁴¹, due to his engagement in launching anti-organised crime policies and announcement of opening a Special Department to enhance the fight against organised crime, and his often publicly mentioned intentions to clash against the "eleven contractors in the privatisation process," demonstrate quite the opposite.

The nexus between security services, organised crime, politicians, economy and former (para-) military forces endorsed by the Milosevic regime and forged during the war in the 1990s has been, to some extent, addressed. Reforms to separate security and police intelligence agencies and introduce civil supervision and transparency over the security sector have started. Their successful completion and sustainability, together with solving the various problems related to former Bosnian Serb General Ratko Mladic and others indicted war criminals' arrest and their extradition to the International Tribunal for War Crimes in Former Yugoslavia (ICTY) in The Hague²⁴², will be crucial keys to diminishing the threat of organised crime in Serbia and to resume EU's pre-entry talks for a Stabilisation and Association Agreement²⁴³. These talks were interrupted in May 2006 after Serbia failed to hand over war crimes fugitive Ratko Mladic by an April 30 deadline.

In addition, Belgrade and Podgorica, should engage in constructive and accelerated talks on their "velvet divorce" after Montenegro's historic independence referendum in May 2006.

Now, both sides have to respect rules which have been agreed upon by different parties with the support of the EU and must adhere to standards agreed upon with the EU over the dissolution of their loose federation. The EU is shortly going to present a modified negotiating mandate for Serbia as the successor state of Serbia and Montenegro.

Serbia adopted a new Penal Code, which came into force on 1 January 2006 and contains e.g. legal definitions on "organised crime", "organised criminal group" and "other organised criminal group"²⁴⁴ with prison sentences from four and more years. Thus, no clear figures on organised crime

²³⁹ 2005 Interview with Serbian law enforcement officer.

²⁴⁰ Such as arrests of members of the powerful organised crime group Magdina in early 2006, partly convicted before to long-term sentences.

²⁴¹ *Oslobodjenje*, *Dnevnik avaz* and *Slobodna Bosna*, 15-19 May 2006, contributed by a newsletter of the Competence Center for South-eastern Europe at the University of Graz (Austria).

²⁴² Mladic is indicted for the massacre of 8 000 Bosniaks in Srebrenica in 1995 as well as for the siege of Sarajevo, which lasted 43 months and during which 10 000 civilians were killed.

²⁴³ "The EU is ready to resume the talks on the day when the full cooperation is established," EU Commissioner for Enlargement, Ollie Rehn, in his opening speech at the meeting of the Stability Pact in Southeast Europe, Belgrade, 23 May 2006.

²⁴⁴ Code on Amendments and Supplements of Code on Organization and Competencies of State Bodies in Organized Crime Suppression, 11 April 2003

were provided and existing figures are diversified in different types of crime or differing over the previous years²⁴⁵.

Given the power of organised crime - financial and otherwise - drugs related crime, trafficking of persons 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 other project areas. After 2000, smuggling of legal goods (oil and cigarettes) was reduced and collection of public revenue was improved. However, the social, economic and political consequences of illegal enrichment undermine the public trust in the governing structures, law enforcement agencies and judicial offices. A number of organised crime cases resulted in convictions, while the number of murders significantly dropped since the change of the regime in 2000²⁴⁶. Although positive results have been achieved, the ongoing trial of the suspects for Djindjic's assassination constitutes a litmus test for the public trust²⁴⁷.

ILLICIT DRUGS

In the first line, Serbia is a classical "transit country" - sometimes "temporary destination country" - but is becoming more and more also a "destination country", above all in the markets of marijuana and, increasingly, synthetic drugs. Given its geographical position, organised drug trafficking is currently one of the most dangerous forms of organised crime in Serbia and focuses on the bigger cities in the country, such as Belgrade, Novi Sad, Niš and Kragujevac, where law enforcement could also make the biggest seizures.

Law enforcement of Serbia has successfully participated in a series of international police operations, particularly in controlled deliveries and joint activities -in regard to psychotropic substances and precursors. Serbia is closely cooperating with the SECI Center and has endorsed a National Strategy for Fight Against Drugs Addiction and established a National Commission for Drugs in order to coordinate all national activities, to control due implementation of all Convention Serbia has signed and to provide international co-operation. Amendments to the "Code on Drugs" were made and a new "Code on Precursors" was enacted.

There is no doubt that Serbia's territory is part of the well known "Balkan Routes". Heroin comes from Afghanistan via Albania/Montenegro, Bulgaria (border crossing point *Gradina*), Kosovo and Matohija, or Kosovo and Montenegro to Serbia, and from there onwards to Bosnia and Herzegovina, Croatia and the EU (border crossing point *General Jankovic*). Synthetic drugs (ecstasy) more often come from countries of the EU entering Serbia via Hungary and Croatia. Cannabis comes from Montenegro and Albania, while recently detected smuggling routes from Serbia are going towards Hungary. No figures on 2004 and 2005 were reported.

Synthetic drugs (ecstasy and amphetamines), which are very popular among young people are widely present on the national market - also appropriately prices for all social categories - come mostly from the Netherlands. However, several laboratories for ecstasy production were discovered

²⁴⁵ In 2004/2005 there is an estimated 62 groups with some 420 members. In: Council of Europe's Organised Crime Situation Report 2005, with focus on the threat of economic crime, Countries summaries, December 2005.

²⁴⁶ 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.

²⁴⁷ CNN 22.12.2003: A total of 36 suspected gangsters and members of an elite police unit faced charges of forming a "criminal enterprise" that attempted to topple Djindjic's government, according to the indictment. Twenty-one people have been arrested and were due to appear at the trial. Djindjic, Serbia's first democratic leader in 50 years, was shot dead outside government headquarters on 12 March 2003. Defendants appearing in court include former deputy commander Zvezdan Jovanovic, 38, of the Red Berets paramilitary unit, who is accused of firing the bullet that killed him. The alleged mastermind of the killing, former Red Berets chief Milorad "Legija" Lukovic, and 14 other people suspected of conspiring or taking part in the assassination, will be tried in absentia.

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 tonnes of acid necessary for ecstasy production worth several million Euros. Similar to Bosnia and Herzegovina, the Serbian police detected a trade in chemical precursors imported from France, Czech Republic and Romania, which are then smuggled to Bulgaria and Turkey.

Cannabis products (hashish, Marijuana) are the most widespread drugs in Serbia and the biggest problem. While in 2003 some small scale production of 2 000 plants of marijuana in an abandoned mine were detected and eradicated, for 2004 and 2005 no cannabis production was reported. Cannabis is mostly imported and its relatively low price makes it widely available.

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 the Serbian authorities, the information exchange could be improved.

Trafficked *Cocaine* is mostly intended for the local consumer market, but it can be said that larger amounts transit Serbia. Trafficking routes appear to have changed recently, where by vessels from Latin America cocaine, often packaged in bottles, arrives to ports in Greece, Montenegro, Croatia, Albania and Italy and is then transported to Serbia and onwards to the EU by trucks. Serbian police in a joint investigative operation with other police forces, mainly the Italian law enforcement authorities, assisted to 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 transportation strategies.

Over 60 per cent of organised crime groups in Serbia appear to be involved in drugs trafficking. Around 50 per cent of these groups are, along with drugs trafficking, 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 with 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. Similar to Albania, organised crime groups are working to consolidate their influence, while diversifying activities in other illegal markets and the legal sector. In terms of home grown drug traffickers, the operation "*Sabre*" 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, the Zemun²⁴⁸ Clan, had six sub-groups covering sale with their own dealership networks. The clan was infamous for use of violence in disciplining members and persons standing in their way. Once the clan was dismantled²⁴⁹, large number of murders and attempted murders were solved. The clan leaders invested their proceeds in movable and immovable property, and luxury goods. To secure their business, using their vast financial power estimated to hundreds of millions Euros, the clan bribed officials in the judiciary and in police, and founded a media outlet to influence public opinion. Illegal proceeds appear to have been invested in privatisation, real estate, commercial business, etc.

²⁴⁸ Zemun is a district of Belgrade.

²⁴⁹ Following the murder of late Prime Minister Djindjic (March 2003), 123 groups with 844 members were identified. Subsequent law enforcement operation "*Sabre*" helped break the links of criminal networks in Serbia with those of Kosovo and Metohija, thus changing the structure of organised crime in Serbia.

Table 10: Tabular review of seized amounts of narcotic drugs (Serbia)

Narcotic Drugs	2001	2002	2003	2004	2005	2006
Heroin (kg)			262 995.0	469 604.0	342 010.0	
Hashish (kg)			648.1	3 350.1	8 020.0	
Marijuana (kg)			774 284.1	3 901 870.1	1 142 005.0	
Cocaine (kg)			5 336.1	15 468.0	5 321.0	
Amphetamines (kg)			113.1	6.1	1.1	
Ecstasy (tablets)			76 194	9 260	7 539	
LSD (doses)			167	102	1 013	
Cannabis (plants)			2 000			
Poppy (plants)						
Art. 245 CC (cases)			2 276	3 879	4 968	

TRAFFICKING IN HUMAN BEINGS

In regard to trafficking in human beings, Serbia has made significant progress in adjusting its national law to international standards. Since 1 January 2006 the new Criminal Code has legal definitions for Human Trafficking (Art. 388 CC), in line with international Conventions and with punishments of imprisonment from basically 2 to 12 years; in aggravated cases (such as trafficking of minors, trafficking which results in grave bodily injury, trafficking by an organised group) the minimum punishment by imprisonment rises to three or five years); If the death of a person was caused, even 10 years. A special provision was made to "Trafficking in Children for Adoption" (Art. 389 CC) and "Holding in Slavery and Transportations of Enslaved Persons" (Art. 390 CC)²⁵⁰.

Due to the geographical position of Serbia, its economic factors, especially poverty and unemployment, social marginal groups (Gypsies), etc., Serbia appears to be primarily a country of transit and of temporary destination for citizens of Romania, Bulgaria, Ukraine and Moldova. As for trafficking of children, mainly Gypsies, Serbia is a country of origin victims. As for trafficking in men for labour exploitation, Serbia is mainly a transit country but is becoming more and more a country of origin.

Human trafficking, chiefly for sexual exploitation, street begging and labor, is in most cases an organised crime. Perpetrators have built international networks, but there are also smaller groups which do not fit to the legal definition of "organised crime" provided by Serbia's Criminal Code. According to Serbian authorities in 2004, about 10 criminal groups with approximately 100 members have been involved in human trafficking. Unfortunately, similar or comparable figures were not reported for 2005. The groups are mainly active in border areas, well organised and closely connected to criminal groups in the neighbouring countries and other countries, such as Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Hungary, Italy, "the former Yugoslav Republic of Macedonia", Romania, Slovenia, Turkey and Ukraine.

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 years²⁵¹, primarily due to new visa regimes for citizens of Romania and Moldova. For the last 6 years MoI of Serbia reported 314 cases committed by 286 persons The new

²⁵⁰ Official Gazette of Republic of Serbia, No. 85/2005, 88/2005 and 107/2005

²⁵¹ According to Serbian authorities, 2 000 foreign female citizens were found 'working' in restaurants and hotels in 2000. In 2003, this number decreased to 203.

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.

Since shelters for victims of trafficking in human beings were established in January 2002, to date about 190 victims (out of which were 151 foreign citizens) were looked after by members of the "Service for Coordination of Protection of Human Trafficking Victims". In 2005, the figures were 44 victims in total, including 21 foreign citizen, from Moldova (8), Ukraine (6), Romania (3) Croatia, Russia and Congo (each 1).

Recent law enforcement efforts targeted trafficking in children by undertaking measures against parents selling their children and against persons buying children. In two cases criminal charges were made in human trafficking for forced marriage - in both cases the victims were the daughters, sold by their parents for 300 Euros in the one and for real estate in the other case. In 2005, 9 victims from the above mentioned 44 were minor (7 from Montenegro, Serbia, 1 from Bulgaria and Romania).

As only one case of 20 charges led to a non-final sentence of imprisonment for 4 perpetrators, lasting from 3 to 8 years, little can be said about organised crime schemes. However, in this case the group consisting of 3 Serbs, one Ukrainian and one Bosnian -who was the organiser of the group- recruited 2 Ukrainian female victims to transport them to Italy and to extort them as prostitutes.

SMUGGLING OF PERSONS

Serbia has adjusted its Criminal Code to international standards²⁵². The "Illegal crossing of State Border and Human Trafficking" is provided in Art. 350 CC with punishments differing in regard to the types of smuggling of persons.

Smuggling of persons is an expanding criminal activity mainly because it serves as a substitute for drugs trafficking, offering good profits with fewer risks. In 2005, 1 076 foreign citizens illegally entered into the territory of Serbia, this is compared to 2004 (1 053 foreign citizens) an increase in total of 2 per cent. However, looking for the gender of smuggled persons, it has to be stressed that the figures of smuggled women rose much higher; 2004: 58 women, 2005: 115 women, which is an increase of almost 100 per cent). It was interpreted that a significant percentage of those victims might be victims of human trafficking for sexual exploitation. There is also an increase of smuggling of minors (2004: 85 foreign citizens, 2005: 135 foreign citizens), which is an alarming increase of about 60 per cent.

Smuggling of migrants is generally organised by persons from the country of origin together with smugglers from the region for which they charge between EUR 2 500 and 8 000. Recent trends in smuggling point to transfers 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 the border is crossed, another vehicle transports migrants to another border with Hungary or Croatia and from there onwards to the country of destination in the EU.

According to data from 2003, 22 channels through which 247 persons were smuggled were intercepted.

In 2004, it was reported that Romanian citizens, mostly economic migrants, are the most frequent migrants in Serbia followed by other migrants 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.

²⁵² Official Gazette of the Republic of Serbia, No. 85/2005, 88/2005 and 107/2005.

In 2005 however, 37 charges were brought against 87 perpetrators (73 Serbs, 5 Chinese, 4 Bosnians, 3 Macedonians, 1 Dutch and 1 Indian) for committing 37 offences on smuggling of 219 migrants, mostly from Albania (92), China (56), Turkey (29), Montenegro, Serbia with Kosovo/Metohija (21), India (8), Bangladesh (4), Sri Lanka (4), Ukraine (2) and Romania (1).

Efforts to combat smuggling of persons include better border management, visa regime regulations, enhanced and coordinated repressive measures against criminal groups involved in smuggling and controlling of facilities suspected of sheltering migrants and a sound reporting system with comprehensive and qualified crime analysis.

ECONOMIC CRIME AND CYBERCRIME

A recent survey on organised crime in Europe²⁵³ pointed out that in Serbia organised *economic crime* is the main market of organised crime activities (38 organised economic crime cases out of 92 investigated cases in 2003) followed by smuggling, trafficking of human beings (27 cases) and drugs trafficking (15 cases). Financial crimes involving money laundering and corruption is considered particularly harmful. As in other countries of South-eastern Europe, frauds such as embezzlement and breach of trust are, alongside tax and customs frauds, the creation of fictitious companies and fraudulent bankruptcies, the most widespread forms of economic crime. However, no figures on economic crime were reported for 2004 and 2005, except some information on cybercrime, smuggling and product piracy.

Smuggling of legal goods (cigarettes, oil and oil derivatives) has been significantly diminished since the abolition of sanctions and law enforcement 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. Smuggled cigarettes are hidden in 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, more recently in commodities which passed the expiry date were also detected.

Piracy thrived in the 1990s. At the beginning of 2003, a number of measures were taken²⁵⁴ 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 the recording of audio and images, as well as computer software.

MONEY LAUNDERING

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. However, regardless of the predicate offences it is said that perpetrators of ML are usually members of organised crime groups with experience in business and economics. The proceeds are mainly trans-nationally invested in privatisation, real estate and moveable goods, or are transferred to bank accounts in the 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.

²⁵³ Council of Europe's Organised Crime Situation Report 2005, with focus on the threat of economic crime, Countries summaries, December 2005.

²⁵⁴ Establishment of a Committee for Piracy Suppression, which endorsed various regulations and launched measures against misuse of intellectual property rights.

The new Criminal Code of Serbia provides in Art. 231 CC a legal definition on money laundering and threatens offenders with a maximum imprisonment of up to 10 years and the seizure of proceeds of crime. It also provides for "financing Terrorism" (Art. 393 CC), relations to terrorism (Art. 312 CC), international terrorism (Art. 391 CC) and taking hostages (Art. 392 CC). In addition, a "Section for Money Laundering" was established within the Service for Combating Organised Crime and a Special Act on Prevention of Terrorism is close to adoption.

Serbia reported only one charge against 3 bookkeepers assisting an organised crime group. In total this section was involved in five investigations including one case where the predicate offence was kidnapping.

CORRUPTION

The new Criminal Code, entering into force on 1 January 2006, meets the international legislative standards in regard to corruptive activities. In the last three years and despite the new regulations on "Unlawful Mediation" (Art. 366 CC), "Soliciting and Accepting Bribes" (Art. 367 CC) and "Bribery" (Art. 368 CC), the fight against corruption has not achieved the desired results.

Corruption is still deeply rooted, widely spread and a noxious manifestation, which is more or less only addressed in speeches and legislative activities. For 2003, Serbia reported 18 cases of corruption related to organised crime, committed by 4 organised crime groups consisting of 81 perpetrators. Although Serbia could not produce statistics or report even the number of 2005 cases, it assumes a large number of unreported cases.

4.6 KOSOVO

Last to be affected in the former Yugoslavian wars in the 1990s, the Province of Kosovo, similar to Bosnia and Herzegovina, faces challenges of post-war reconstruction and transition under UNMIK administration. At the threshold of the province's most critical stage of the UN-mediated talks on the its future status, questions to the current situation on institution building in the field of security and freedom, adoption of legal and conventional requirements, which meet European and/or international standards, and their sound implementation including training of law enforcement staff are inevitable. Of particular interest should be the situation in the fight against organised crime, especially the fight against ethnic Albanian organised criminals.

On one hand, Kosovo is faced with displacement, devastation of property, outdated technology, delays in the privatisation process that is overshadowed by politician and criminal influences, an overall level of instability, collapse of the manufacturing sector, huge unemployment²⁵⁵ and diminished opportunities for the vast majority of young population²⁵⁶. Since the end of the Kosovo conflict in 1999, about 200 000 Serbs escaped from there. At present about 100 000 are still living in the province. Since most recently²⁵⁷, Serbs in the Northern part of Kosovo have declared the state of emergency and threatened to abandon relations with UNMIK because of insufficient protection of violent attacks.

On the other hand, Kosovo has a Police Service which is, compared with other polices in the region, adequately equipped and well trained, especially when looking at units fighting organised crime, however understaffed and lacking experience when using new policies and procedures (it is still a very young police service). In the past, there was a partly competitive and distrustful 'co-operation' with UNMIK Civil Police Unit (CIVPOL) composed of police officers, coming from some 50 different countries without a Ministry of Interior and comprehensive strategies on European or International standards²⁵⁸, lack of sound reporting systems, missing or incompatible data bases, unfamiliar and unclear organisational structures, still missing witness protection laws (which are important especially for investigating war crimes) and much more complaints. Meanwhile, the Department of Organised Crime has been almost fully transitioned to local ownership, consequently the KPS is taking more and more responsibility and internationals are stepping back into a monitoring and mentoring role.

In sum: there is an unsatisfactory progress in establishing the "mother of all standards", the constitutional state – and there is still an undefined final status of the province²⁵⁹. More than in other neighbouring project areas, the political and economic vacuum offered opportunities for organised crime.

Kosovo's Provisional Criminal Code (PCC), which came into force late in April 2004, has a legal definition of "organised crime group". However, in Article 274 of the PCC, several legal clauses reflect the notion of "organised crime", punishment of imprisonment to minimum sentences of 5 years and more (founders or "managers" of OC groups risk even a minimum sentence of 7 to 20

²⁵⁵ AGEF Pristine "Unemployment Overview", retrieved from www.agef-saar.de, 22 March 2005, which estimated unemployment of more than 60 per cent.

²⁵⁶ For the state of economy in Kosovo, see *De-industrialization and Its Consequence: A Kosovo Story*, European Stability Initiative, March 2002, www.esiweb.org

²⁵⁷ Reuters, 13 June 2006 (<http://de.today.reuters.com/news/news>).

²⁵⁸ On 9 June 2006, the International Contact Group (France, Germany, Italy, Russian Federation, United Kingdom and USA) handed over to Kosovo authorities a list with still missing 13 constitutional minimum standards, which are hoped to be implemented until end of this year. The protection of minorities is one of the crucial topics for future development.

²⁵⁹ Erhard Busek, The EU-Coordinator for the Balkan, in an interview with the "Berliner Zeitung", 13. 06. 2006; Busek said: "I am working on the assumption that Serbia will, in medium-term, also lose Kosovo".

years), and offering also benefits for whistleblowers. UNMIK adopted the UN definition on organised crime²⁶⁰ also by working definitions.

However, despite such helpful tools, analysis and international comparison is hampered. In 2003 to 2004, 27 organised crime groups committed 27 cases of organised crime, which were related to drugs trafficking (15 cases and groups with some 150 perpetrators), trafficking in human beings (82 cases, no groups, with 83 arrested persons), economic crime (questionable 3 cases and groups with some 600 perpetrators) and unknown figures of all other types of crime. A similar comprehensive overview on 2005 data was not provided.

It was confessed that there is still no institution in Kosovo which could provide data as requested, and it was generally said that the main threat to Kosovo appears to be transnational organised crime involved in drugs trafficking, trafficking in human beings, smuggling of migrants, tax evasion and corruption. Organised crime groups located in the Kosovo are mostly organised along ties of family, clans or affiliation to former organisations, such as the Kosovo Liberation Army (KLA) and highly protected, as in official secret documents have been analysed²⁶¹.

DRUGS TRAFFICKING

Kosovo is a key location in the region for many criminals in South-eastern Europe. Close links with ethnic Albanians in “The former Yugoslav Republic of Macedonia” and in Albania, as well as with the Albanian diaspora abroad make organised crime gangs from the Kosovo particularly effective in trafficking especially drugs to Western markets.

In Kosovo, the fight against drugs trafficking is organised at two different levels:

- Directorate of Organised Crime, *Cross Border Organised Crime Investigation*, which deals with long-term investigations in co-operation with Switzerland, France, Austria, Germany, Bulgaria, and Turkey. This structure has been mainly created to investigate all forms of organised crime.
- Directorate of Organised Crime, *Narcotics Investigation Section*, which deals with drug cases inside Kosovo territory.

In 2004 and 2005, a total number of 265 drug related cases committed by 458 perpetrators have been registered, which are not organised crime cases. Four long-term transnational drug related cases were investigated from 2003 to 2005. Between June and December 2003, 38 kg of heroin in Kosovo, while 24 kg and 28 kg were respectively seized in Italy and Bulgaria (believed to have come from Kosovo), totaling 90 kg.

In 2004 and 2005, 20 long-term cases were investigated, while 6 of those cases required international co-operation. Based on these investigations, from January to December 2004, 45.5 kg of heroin were seized in Kosovo, while another 504.5 kg were seized in Austria, Germany, Italy, Switzerland, Serbia, Bulgaria, and Albania (believed to have come from), totaling 550 kg of heroin seized during this period. Five long-term investigations are currently ongoing.

²⁶⁰ UNTOC Convention, which 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 2006 it had also been signed and ratified by all the countries in the region.

²⁶¹ German Federal Intelligence Service, Analysis on Organised Crime in Kosovo, 22 February 2005; UN Central Intelligence Unit report from 29.12.2003; KFOR Report on Organised Crime; All quoted in a media report on Kosovo by J. Roth, in “Die Weltwoche”, 43/2005.

In 2005, in total 15 drug smuggling cases related to organised crime groups have been investigated, involving more than 55 persons²⁶². In mid-sized quantities, traffickers used tourist vehicles with Austrian, German, Serbian and Swiss license plates to transport between 7 and 32 kg heroin concealed in each car, mainly from Albania to Kosovo or from Kosovo to Italy and Austria.

Synthetic drugs (mainly amphetamines) are available and dealt by organised groups. There is no information that this type of drug poses a big problem to Kosovo.

Cannabis products (hashish, marijuana) are increasingly part of the drug market in Kosovo. Kosovo Police and UNMIK found and destroyed 12 cannabis fields in 2004.

Heroin, as reported by the case studies provided and in regard to the little information given to drugs seizures in Kosovo, is the most present drug on the markets in Kosovo and large-scale seizures could take place in the country and abroad through internationally concerted and coordinated actions²⁶³. However, according to estimated huge amount of heroin, which is trafficked through Albania and Kosovo, seizures are still on a mil-level.

Cocaine is available on the national market. There is no further information.

There is only vague information on criminal groups and networks operating in the country. It is reported that use of violence, shielding practices, such as counter surveillance, coded means, sophisticated communications means are being used by Kosovar criminal groups, making the Police operations difficult. In addition, money laundering cases are usually linked with drugs trafficking ones.

Table 11: Tabular review of seized amounts of narcotic drugs (Kosovo)

Narcotic Drugs	2001	2002	2003	2004	2005	2006*
Heroin (kg)	0.82	6.11	46.78	23.28	36.48	5.81
Hashish (kg)				0.95	0.21	0.26
Marijuana (kg)	30.72	48.05	30.82	23.29	55.30	16.16
Cocaine (kg)	0.04	1.41	8.48	0.01	3.79	
Amphetamines (kg)	0.03	0.02		12.00	13.12	
Ecstasy (pieces)	4	50	40	56	39.5	
LSD (doses)	1					
Cannabis (plants)				7 983	31 158	
Poppy (plants)						

* January to May 2006

TRAFFICKING OF HUMAN BEINGS

Kosovo's legislation regarding trafficking in human beings meets European and international standards. Article 139 PCCK envisages a basic punishment of imprisonment of 2-12 years. In aggravated cases, more severe punishments are foreseen, such as in cases in which minors have been trafficked (3-15 years), when traffickers acted as criminal group (7-20 years), and/or when provision was made by official persons in the exercise of his or her duties (5-15 years).

²⁶² Figures provided by the International Prosecutors working in UNMIK's Department of Justice, figures from Kosovo Police Service or local judiciary are not available.

²⁶³ In 2003, about 52 kg of heroin were seized abroad in connection to investigations in Kosovo, mainly in Italy and Bulgaria. In 2004, about 504.5 kg of heroin were seized abroad in connection to investigations in Kosovo, mainly in Austria, Germany, Italy, Switzerland, Serbia, Bulgaria and Albania.

The Section of Trafficking in Human Beings (THBS)²⁶⁴ in the UNMIK Police provided good reports already to the 2005 questionnaire, thus allowing a more detailed analysis. On 1 November 2005, the various changes in police structures and names ended and the regional THBS sections underwent, hopefully finally, transition to full KPS command, absorption into the Department of Organised Crime (DOC) and a complete regionalisation. International police officers (IPO) lost status of supervisors and are since in the role Monitors and Liaison Officers.

Also in May 2005, the Kosovo Action Plan to Combat Trafficking in human beings, a consolidated framework of all actions and actors participating in anti-trafficking activities, was endorsed.

Kosovo established an THBS Intelligence Coordinator and served in 2006 with improved analysis. In 2005 THBS officers gave a series of training sessions. DOC THBS, together with UNMIK Border Boundary Police, participates in a bi-monthly meeting with the Serbian Ministry of Interior counterparts on the Working Group Sub Committee to Combat trafficking in human beings and Smuggling of Migrants and close co-operation with neighbouring countries' law enforcement agencies and the SECI Center is established and well-functioning.

In 2003, IOM reported a significant number of internally trafficked Kosovars (83), especially minors around the age 15²⁶⁵. In 2004, 48 victims were identified, 11 of whom were children (under 18 years aged). Most of the victims came from Moldova (17), Albania (13) and only 11 were from Kosovo.

According to the official and reliable analysis of UNMIK's Trafficking in Human Beings Section (THBS)²⁶⁶ for 2005, in total 95 offences were recorded, some 90 perpetrators charged, 34 arrested. Most of the perpetrators were ethnic Albanians (45). 49 victims were trafficked, out of whom 14 were children. 38 victims (11 children) accepted shelter assistance and partly repatriation (14).

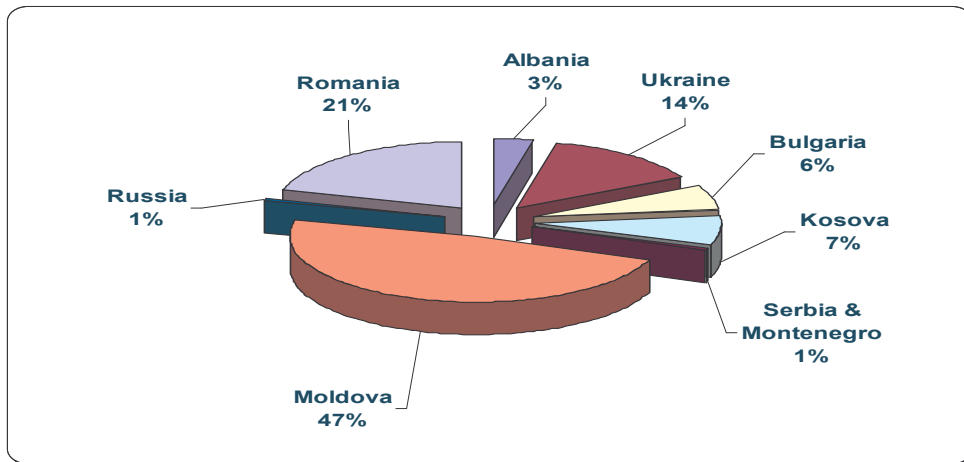
In 2005 several large-scale open and covert operations were conducted. To date (1/2006), THBS checked already 603 premises, closed 15, made 20 arrests for trafficking in human beings and prostitution, and identified 20 victims, 13 of whom were provided with assistance from "DAS" (Direct Assistance for victims of trafficking, a multi agency partnership, including THBS, Directorate of Organised Crime, CSW, IOM and NGOs). The analysis of cases in 2005 still shows that the phenomenon of trafficking in human beings in Kosovo is mainly for the purpose of sexual exploitation. Kosovo is still a destination and transit area for foreign victims of trafficking, with a noted increase in internal trafficking in human beings. Kosovo is an area of origin for trafficking to a smaller degree.

²⁶⁴ This new name was given in January 2005 to the former UNMIK-Police, Trafficking and Prostitution Investigation Unit (TBIU).

²⁶⁵ See Amnesty International (2004) and IOM (July 2004) p. 63 - 64.

²⁶⁶ THBS - Year End Report 2005; International Prosecutors, working together with UNMIK, Department of Justice, reported for the same period only 17 cases, committed by 37 perpetrators, of whom only 17 were convicted.

Graph 9: Country Origin of Persons Trafficked into Kosovo 2004

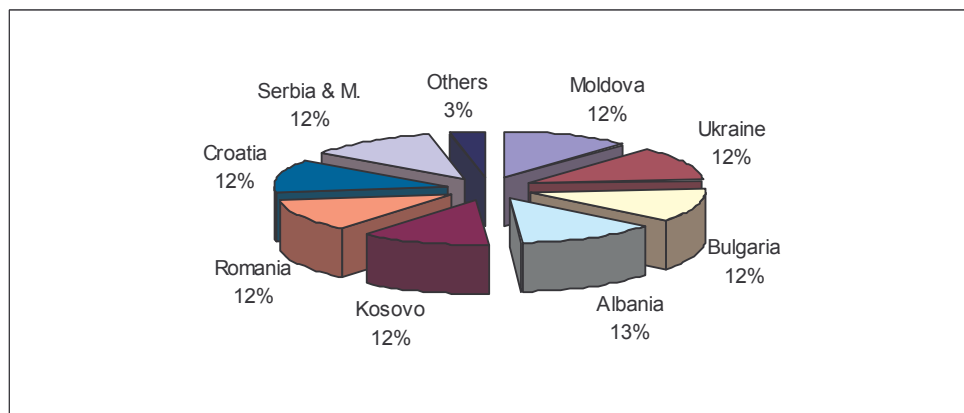


Source: UNMIK Police, Trafficking and Prostitution Investigation Unit (TPIU)

The 2004 graphic clearly demonstrates that most of trafficked women came from poor countries (Moldova, Romania, Ukraine). Most of the victims were between 18 and 30 years old, but about one third were minors in the age of 12 to 18 years. Trafficking routes are in line with the findings of the countries of origin: Victims arrive mostly on road from their countries of origin via Montenegro, Serbia (56.2 per cent), “the former Yugoslav Republic of Macedonia” (23.7 per cent) and Albania (4.6 per cent). Only few victims come by air from Turkey (3.2 per cent). Internal trafficking in human beings is increasing and includes “lover boys” and younger victims (average age of internally trafficked persons is younger than 20 years).

As the following graphic for 2005 shows, countries of origin seem to become more “balanced”:

Graph 10: Country Origin of Persons Trafficked into Kosovo 2005



Source UNMIK Police, Trafficking in human beings Service (THBS)

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 per cent of the clients²⁶⁷. The structures of criminal groups involved in trafficking are directly linked to the supply countries. The groups

²⁶⁷ IOM (July 2004), p. 67.

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 organise travel arrangements, including the supply of false or forged documents and visas, but are not involved in the exploitation itself, although they do organise 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. These groups are similar to groups involved in trafficking of human beings. They operate in close co-operation with groups from Albania, Bulgaria, Greece, "The former Yugoslav Republic of Montenegro, Serbia", Montenegro, Slovenia and Serbia.

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. Trafficking in human beings offenders are linked with other criminal groups and types of crime, such as drugs trafficking, firearms running and others. In some cases they have influence with local law enforcement authorities. No further information was reported on proceeds of crime, assets etc.

One interesting change should be underlined: trafficking in human beings offenders acting in Kosovo as recruiters, are to 50 per cent female and usually former victims exploited in the sex industry, male offenders vary from "lover boy" recruiters to barmen, semi respectable businessmen (owners of nightclubs, bars, restaurants, etc.), offering false jobs to potential victims.

ILLEGAL MIGRATION

Smuggling of persons is covered by Kosovo's recent Provision Criminal Code. The market of smuggling of migrants appears to be a very profitable one in Kosovo, as elsewhere, whether by organising the smuggling or facilitating travel arrangements (travel agencies), temporarily hosting illegal migrants or providing false identity documents.

The number of smuggled migrants across the territory of Kosovo is estimated to several thousands per year (reply to 2005 questionnaire). However, in the reply to the 2006 questionnaire, the Border Police Investigation Unit of KPS reported for 2005 only 105 cases of illegal migration, the International Prosecutors, working with UNMIK Department of Justice, reported even only 7 cases, committed by 27 perpetrators and an unknown number of migrants from Pakistan, Bangladesh and India (none of the offenders has yet been convicted).

In the majority of these cases, false visas and faked invitation letters were issued, thus allowing entering Europe via the airport of Pristina or, more recently and due to enhanced order control mechanism at the airport, on land routes using international buses or local minivans. Several routes are used to smuggle migrants from Kosovo onwards to EU Member States, mostly and in a first stage to Germany or Italy, or Switzerland.

In terms of the structure, the smuggling groups are similar to groups involved in trafficking in human beings. They operate in close co-operation with groups from Albania, Bulgaria, Greece, "the former Yugoslav Republic of Macedonia", Montenegro, Serbia and Slovenia. It was noted that organised criminal groups involved in smuggling of persons could also be engaged in smuggling of weapons or other illegal activities.

ECONOMIC CRIME AND CYBERCRIME

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 computerised system into customs have already brought in a notable change in revenue collection. Similar to Montenegro, most economic activity and companies operate from Prishtina, possibly making investigations of economic crime easier to conduct.

There is very little information available on economic crime, neither figures nor detailed analysis, refrained from the fact that some 5 000 cases of economic crime were recorded in 2004 but only 3 cases were clearly linked with organised crime in the conventional sense²⁶⁸. However, in the reply to the 2005 questionnaire some commonly known background information were given on economic crime environment, such as transition problems, privatisation exploitation, lack of knowledge in public procurement and private business, banking sectors vulnerability, tax evasion, smuggling, weak law enforcement, corruption, limping legislation and others.

UNMIK Police established a Department for Economic and Financial Crime, but in the reply to the 2006 questionnaire severe lacks were reported as following:

- The Financial Information Centre (“Financial Intelligence Unit-FIU”), established in September 2004, is not yet properly functioning;
- The required database is not well implemented/in place;
- Insufficient establishment of Tax administration and Customs Services;
- Invoices and other documents in private and public business are not properly stored;
- Tax evasion law has to many loopholes and must be revised;
- Low-level co-operation with national and international bodies involved.

Smuggling of all kind of commodities and of counterfeited products, closely followed by other forms of economic crime (including procurement fraud, excise, and tax and customs fraud) was mentioned in another Council of Europe’s survey²⁶⁹. A “major problem for Kosovo as well as for Europe in general, in particular through its role in smuggling of counterfeited products” was reported and further:

“The economy of Kosovo is directly affected by the evasion of duty because of smuggling of goods. The entire society is damaged [with] a very negative influence in the confidence of the citizens regarding the officials (law enforcement agencies and the judiciary, politicians....). More than the feeling of a public insecurity, the main threat can be arising of a new civil crisis in the area due to economic matters.”

After all, it remains remarkable that since 2003/2004 no significant progress could be made. This is also true for *Cybercrime*, to which absolutely no information was provided.

CORRUPTION

Corruption is seen as a criminal offence that encroaches on the proper functioning of Kosovo’s economic system. Specific articles of the Provisional Criminal Code are basically covering this type of crime (Accepting Bribes – Art. 343 PCC and Giving Bribes – Art. 344 PCC), but Kosovo informed only on low-level cases (bribing with some EUR 250) and provided no figures.

²⁶⁸ Council of Europe, Organised crime situation report 2005, Focus on the threat of economic crime, December 2005 (“Economic Crime and Organised Crime”, p. 88 ff.).

²⁶⁹ Council of Europe, Organised crime situation report 2005, Focus on the threat of economic crime, December 2005 (“Country Summaries”, p. 64).

According to the International Prosecutors, working with UNMIK's Department of Justice, there were only 62 cases, committed by 177 perpetrators, to date 6 perpetrators were convicted (no information on the percentage of cases related to organised crime or to sentences).

MONEY LAUNDERING

In respond to UNMIK Regulation 2004/2, section 10.2, covering Money laundering, which requested the establishment of an "Anti Money Laundering Office", the Financial Information Center was created. In the reply to the 2005 questionnaire the implementation of this Office was mentioned, however, no cases and figures were reported. In the reply to the 2006 questionnaire, no additional information was added to the remark: "*investigations/prosecutions of money laundering are in their infancy in Kosovo*".

4.7 “THE FORMER YUGOSLAV REPUBLIC OF MACEDONIA”

With the exception of a short conflict in 2001, “the former Yugoslav Republic of Macedonia” avoided major war destruction and population displacement.

As a consequence, the political situation is stabilised, general security in the country is given and institutions are functioning. Necessary amendments to existing law were made and new laws were adopted to meet international regulations and requirements. The process of implementation is currently being undertaken, which also has a positive reflection on the inter-ethnic relations and growing tolerance among the different communities in the country. Judicial reform has started; implementation of the 2005 police reform has successfully been carried out, according to the national Action Plan. Nevertheless, economic decline, high taxes, unemployment (at about 35 per cent of all labour-capable citizens), and a large-scale shadow economy affected the country. The State budget dominates the country’s economy, making public procurement often the only single source for economical survival, thus causing corruption. As in other countries of the region, these factors provided organised criminals with great opportunities and undue advantages.

Article 29 from the Law on the Public Prosecution provides the legal definition of “organised crime”, which is fully in line the international definitions²⁷⁰, and the key task of the “Unit for Combating Organised Crime and Corruption” within the Public Prosecution Office of the country on the one side and the recently established Sector for Combating Organised Crime with about 280 employees within the Ministry of the Interior on the other side. In addition, Art. 122, section 20, of the Criminal Code defines the term “organised criminal group”, and several special investigative means were amended to the Criminal Procedure Code in 2004 (unfortunately, some important legal regulations, e.g. for the interception of communication and for the confiscation of the proceeds from crime have been not yet been adopted).

“The former Yugoslav Republic of Macedonia” is said to be threatened by organised and economic crime, mainly in drug trafficking, smuggling of migrants, arms and a large variety of commodities (cigarettes, alcohol, oil, etc.) and economic crime activities, such as public procurement fraud, 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. However, according to the replies to the questionnaires of 2005 and 2006 and in contrast to the threat described, the figures are small: 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. No figures were reported for 2004. In 2005, the Ministry of Interior reported 20 organised crime groups, mainly involved in drugs crime, smuggling of migrants, cigarettes, weapons, and luxury vehicles. Usually, they are composed of 5 up to 30 criminal individuals (depending of the type of crime) and have an internal hierarchical structure and divided roles and tasks (financiers, organizers, transporter, couriers, etc.)²⁷¹.

²⁷⁰ Joint action 98/733/JHA of 21 December 1998 adopted by the Council on the basis of Article K.3 of the Treaty on EU, and Council of Europe, Recommendation (2001)11 of the Committee of Ministers, September 2001; United Nations “Convention on Transnational Organised Crime (UNTOC)”, 2003.

²⁷¹ According to Council of Europe’s Organised Crime Report 2005 with special focus on economic crime, December 2005, figures vary in size and quality.

2003: In total 59 cases, committed by 47 organised crime groups consisting of 158 perpetrators;

2004: In total 217 cases reported, mainly related to counterfeiting of money (122 cases), drugs trafficking (19 cases), trafficking of human beings (19 cases), smuggling of goods (14 cases), and corruption (31 cases).

Members of organised crime groups convicted in previous years have been intensively investing proceeds of crime into legal business. As in any other criminal proceedings in Europe, the greatest problem is the burden of proof with regard to the confiscation, which lies with the prosecutor and can never be reversed.

ILLICIT DRUGS

The increased number of persons involved in drugs trafficking enormously puts influence on many areas of the Macedonian society. Drugs' trafficking takes place against the backdrop of the harsh socio-economical situation in the country (unemployment, poverty, etc.) because it generates fast and easy money, offers effortlessly all pleasant sides of modern life with all attributes of wealth.

Since several years, it has lost its status as a pure transit country for drugs traffickers –increasingly it became also a destination country, drug demand, mostly on heroin and cannabis, is growing, though the size of the country and the economical situation are not too attractive for a booming consumer market. Nevertheless, 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. Young people put not only their own life, health, education and social development at risk, they have to start criminal careers (e.g. as robbers, thieves or prostitutes) in order to gain the money they need to purchase the daily portion drugs and they also endanger the country's socio-economic development by decreasing engagement in the national GDP and increasing needs for state's social and medical healthcare.

In total 292 criminal acts of "illegal production and distribution of narcotic drugs, psychotropic substances and precursors" with 355 perpetrators have been uncovered and investigated.

Drugs traffickers are exclusively males, the ages within a criminal group varies from 22 to 55 years, and most of them are Macedonians. 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. Only a small number of perpetrators has a foreign citizenship from Albania, Montenegro, Serbia, Greece and Bulgaria. Rather fragmented criminal groups undertake drugs trafficking and serve to the national drug market. It has been stressed that it would be "unrealistic to state that in the country a large, inter-connected and coordinated criminal organisation exists which would realise all criminal activities in this area".

Despite these facts also small groups have been detected, hierarchically structured, with divided roles and tasks (financers, providers, transport facilitating activities, such as constructing concealments in vehicles, lorries, containers, storekeepers and distributors etc.).

From the five most typical cases in 2005, the ethnic heterogeneity is quite notable: the stereotype of "mono-ethnic and family-centered" organised crime groups trafficking drugs has been overcome. Police intelligence indicates that criminals from the country 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 illegal migration, illegal money transfers, and exchange of defense lawyers for members arrested, paying bail, etc.

Except some figures on the seizure of ecstasy, diazepam pills, Cafetine and Paracetamol mixtures, Methadone and Heptanone, no larger market or manufacturing of such narcotics has been registered and no additional information was given to production and traffic of synthetic drugs, precursors, essential chemicals, catalysts or laboratory equipment for illicit laboratories.

Only sporadic low level cannabis cultivation for domestic use has been reported. Cannabis products both hashish and marijuana, which dominate the domestic market (conservative analysis report

estimated some 800 kg of cannabis products) are, on street level and little above, controlled by Macedonians, while hashish cultivated in Albania and transported to the country's drug market as well as large cannabis shipments intended for Western European markets are controlled by criminal groups dominated by Albanians, but increasingly composed of mixed ethnic composition of both Macedonians and Albanians. So far, the 2004 picture of dominant ethnic Albanian organised crime groups with close ties in Kosovo and in Albania, with some degree of outsourcing menial tasks to criminals of other ethnicity, is still correct. The impenetrability of Albanian organised crime groups and political sensitivities that investigating and prosecuting of such cases might involve, impede law enforcement effort in this area.

A reported conservative analysis of drug consumption in the domestic market, e.g. based on the number of people seeking medical assistance, approaches 300 kg of heroin consumed annually in "the former Yugoslav Republic of Macedonia". Falling prices for opium, which are inversely to supply trends from Afghanistan, where opium production increased.

The earnings from this Macedonian market approach between EUR 10-12 million. 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 appears 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.

In addition to heroin trafficked from Turkey along the well-known "Balkan Routes", small amounts of cocaine coming from neighbouring ports have also found their way to into the country. Due to such types of high-profit crime and the risky framework, violence and intimidation, mainly against competing organised crime groups or law enforcement officials, is usually used. The small size of the country, where many people know each other and where it is easy to get anyone, and the fact that civil servants receive extremely low wages, form the background for large scale corruption.

Table 12: Tabular review of seized amounts of narcotic drugs ("the former Yugoslav Republic of Macedonia")

Narcotic Drugs	2001	2002	2003	2004	2005	2006
Heroin (kg)					69.3	
Hashish (kg)					3.2	
Marijuana (kg)					203.2	
Cocaine (kg)					11.0	
Amphetamines (kg)					1.8	
Ecstasy					2 857	
LSD (doses)					-	
Cannabis (plants)					3 077	
Poppy (plants)						

TRAFFICKING IN HUMAN BEINGS

According to Article 418-1 from the Criminal Code ("human trafficking"), trafficking in human beings is sanctioned as follows: *Transportation, buying, sale, hiding of, and accepting of persons due to exploitation by prostitution or other sorts of sexual exploitation, pornography, forced labour, or serving, slavery, forced marriages, forced fertilisation, illegal adoption or any other similar conduct or relationship or an illegal an un-allowed transplantation of human organs or parts.* Also, according to Article 418-v from the Macedonian Criminal Code, the organisation of such incriminations is being sanctioned. Thus, the legal background meets the requirements of international Conventions and standards.

In former years, the country has primarily been only 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 fully corroborated by data of the domestic authorities. It is

also a country of origin for a number of victims (only three registered cases of trafficking in human beings were foreign citizens). As the country is experiencing a growing domestic market for sexual services, it requires comprehensive prevention and repression policies.

According to national authorities, between 2 000 and 4 000 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 EUR 50, which approaches EUR 15 000 a year or a total of approximately EUR 30 million a year for the entire domestic market. In contrast to these estimations, the number of reported cases remains small (2003 and 2004: no statistical figures, 2005: 12 criminal acts with 40 perpetrators (male Macedonian at the age of 20 – 50 years) have been reported).

ILLEGAL IMMIGRATION

Illegal crossings of the state boundary are sanctioned according to the Macedonian Criminal Code, Article 402 («Illegal Crossing of State Boundary»), and the organized form of this occurrences fall under paragraph three from Article 402. However, due to increasing presence, organised character of this crime and international connectivity of the smugglers, as well as the need for aligning with the international and EU standards, amendments to the Criminal Code were enacted in March 2004 with two new articles that directly sanction the smuggling of migrants: Article 418-b («Smuggling of Migrants») and Article 418-v (see Trafficking in Human Beings).

In 2005, 35 registered cases with 61 perpetrators have been reported, two of them classified as organised crime with 23 perpetrators. In one case an organised 31-member group (from Albania, Montenegro, Serbia and “the former Yugoslav Republic of Macedonia”) engaged in forgery of passports, smuggling of migrants and of 11 stolen luxury vehicles was uncovered in a large-scale, 6-months investigation. In nine different activities the group smuggled some 100 persons via the Macedonian-Greece borders, partly supported by three employees of the Macedonian Border Police, who also have been arrested .

Chiefly, smuggled migrants from the East go via “the former Yugoslav Republic of Macedonia” towards Greece, the gateway of the EU and from there onwards to other destination countries in the EU where there is a deficiency of cheap labour (particularly in the areas of agriculture, tourism, construction), mostly a well established ethnic Diaspora, a sound healthcare and a social system, which all together promises a better life.

Most often Albanian and Kosovar citizens are smuggled having to pay per person between EUR 50 and 100 for the transport by car (in majority drivers are “The former Yugoslav Republic of Montenegro and Serbia and the cars are taxis) and EUR 600 – 800 for the organisers of the smuggling. Smuggling groups are hierarchically organised, role and tasks are divided (organiser, provider of forged documents, driver, accomplice for temporary sheltering the migrants, supporters in border control agencies), chiefly nationals of Albania, Bulgaria, Montenegro, Romania, Serbia and Slovenia were investigated. Smuggling of migrants from the Middle East and South America via “the former Yugoslav Republic of Macedonia” for example, is mainly organised by criminal groups from Bulgaria and Kosovo.

SMALL ARMS AND LIGHT WEAPONS (SALW) AND EXPLOSIVES

The fight against illegal trade with or the possession of SALW and Explosives is a major problem in the country, especially in regard to 2001 conflict, when illegal weapons were used to commit a large number of violent crimes. As a result of intensive law enforcement measures 335 offences of “illegal production, possession, and trade with weapons and other means used to carry out the criminal act” and 7 perpetrators were investigated. Police seized 464 pieces of weapons, mostly guns/revolvers (165) and rifles (some 110), but also grenades/hand grenades (110), heavy, semi-automatic and anti-aircraft rifles (12), heavy machine guns (3), missile launchers (2), one anti-tank mine, 10 351 kg

industrial explosives and 1.0 kg TNT. Compared to 2004, seizures of SALW and Explosives increased to 100 per cent. Unfortunately, no information was given to organised crime group involved in trafficking of such weapons.

ECONOMIC CRIME AND CYBERCRIME

A wide range of criminal offences, in the Macedonian reply and regarded as “economic crime” are covered by several sections of the amended Criminal Code (such as all crimes against public finance, properties, and official duty), the Public Procurement Law and Customs Law. Recent amendments made in September 2004 included also the possibility to sanction legal entities.

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.

In 2005, the most frequently noted crimes reported as “economic crime” were:

- 275 criminal acts on “violation of official position and authorizations” with 344 perpetrators,
- 140 criminal acts on “forging or destroying financial records” with 170 perpetrators,
- 114 criminal acts on “tax evasion” with 178 perpetrators and
- 51 Criminal acts on “forging an official ID” with 57 perpetrators.

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. Corruption is widely used to facilitate fraudulent activities, to obtain licenses for import or export; some companies even start corruptive activities and lobbying when the state officials are being selected for appointment.

In terms of *piracy* and counterfeiting of legal goods, new figures were not provided. In 2004, Macedonian authorities 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.

Smuggling of excise goods, cigarettes in particular, involve channels from Kosovo to “The former Yugoslav Republic of Montenegro, Serbia” onwards to Greece. The smuggling of alcohol drinks goes from Greece and Bulgaria to “the former Yugoslav Republic of Macedonia” and from Montenegro, and Serbia 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 Montenegro and Serbia.

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 which committed 174 criminal acts were detected. In 2003, close to 20 000 boxes of cigarettes and 21 tonnes of alcoholic drinks were seized. In the first 9 months of 2004, some 32 700 boxes of cigarettes were seized, along with 13 034 litres of alcoholic drinks, as well as technical goods, food products, textiles, etc. The value of the goods seized during 2003 and 2004 approaches approximately EUR 17 million.

In regard to *counterfeit of money* both domestic and international, which is treated as one of the more serious crime areas as it could endanger the financial system of the country, appropriate legal provisions are in place (Art. 268 and 271 CC). "The former Yugoslav Republic of Macedonia" reported in 2005 no major quantities of foreign counterfeit money but a large number of forged banknotes in smaller denominations, mostly 100 Macedonian Denar, in some cases 500 and 1 000 Denars. Distributors of foreign counterfeit money have usually obtained the forged banknotes in a very good quality (Euros and US Dollars) from organised crime groups in neighbouring countries (Bulgaria, Albania) which obviously use highly sophisticated techniques. It is said, that perpetrators usually are also involved in other crime areas. Macedonian law enforcement investigated in 2005 in total 195 offences committed by 127 perpetrators (48 offences were investigated against unknown perpetrators) and seized 6 banknotes of 500 Euros, 59 banknotes of 200 Euros, 19 banknotes of 100 Euros, and 68 banknotes of 50 Euros (no figures have been provided on Macedonian Denars or on US Dollars, no information arrived on domestic production sites).

In terms of *cybercrime*, the country adopted new laws on information technologies and amended its Criminal Code by several articles, such as 251 (Damaging and Illegal Entry into a Computer System", Art. 251 -a (Producing and Entering Computer Viruses), 251-b (Computer Fraud), Art. 286 (The Illegal Use of an Invention or Software). However, no figures have been provided.

The most frequent offences are firstly the purchase of products via the Internet and with the use of data of illegally obtained credit cards, by previous theft, by hacking (breaking into a database of e.g. companies, merchants, third party processors or banks and copying of stored data in these databases, subsequently fraudulently using the data for various purposes such as the production of counterfeit credit cards²⁷², or otherwise, secondly the spamming of competing service providers, enormous internet traffic to bloc their networks until "denial of services (DOS), and thirdly product piracy by illegally copying both privately and within business software products, mainly Microsoft products (Windows XP and Windows Office). Other offences of importance are cases of "phishing" (relatively new technique used to gain personal and financial data for the purposes of identity theft or fraud: false websites usually hijack the identities of the major banks and are designed to look like the original websites of the real banks; The victim is lured to provide account details, subsequent the fraudsters use those data to transfer money to other accounts), "Nigerian emails" (begging mails), forgery of credit cards, and other related crimes.

Consequently, the background of perpetrators differs from single, young Macedonians to managers and professionals in IT branches of companies. There is still no evidence for organised crime groups - beside such international networks as the "Nigerian emails" and the fact that some perpetrators in the first category of frequent offences are members of "FROUDE credit card forums" hosted by foreign international websites and offering various data (number of valid credit cards, date of validity, PIN codes, CVV2, personal data of legal credit card owners, etc.). As such investigations are

²⁷² In 2005, joint operational activities were carried out together with NTHCU from the United Kingdom. In this case a Montenegro, Serbian citizen obtained the personal data on the credit cards from an IP address in Vietnam and sold it to a British citizen, who damaged British banks by a value of 1 000 000 British Pounds.

very complex and require close international co-operation, and as information exchange via Interpol was too slow, within the framework of the SECI Center, a special project was launched (SCIMER) to enhance co-operation between law enforcement and bank authorities.

CORRUPTION

The country has signed all international Conventions on anti-corruption measures. The concept of “corruption” is described by several articles, such as violation of official position (Article 353 CC), taking or giving a bribe (Article 358, 358 CC), illegal mediation (Art. 359 CC), revealing and illegally obtaining of an official secret (Articles 360, 360-a, 281 CC), bribe during elections and voting (Article 162 CC) and some other criminal offences that refer to economic crime.

However, the anti-corruption policy is well addressed by the specific “Law on the *Prevention of Corruption*” of 2002²⁷³, which, in Art. 3 describes with a legal definition the more criminological term of corruption and could be used for a more properly enumeration of corruptive crimes:

“The violation of official position, the position of the official person that conducts duties of public interest for the realisation of whichever benefit for him/her or for someone else, is considered to be corruption and it deems a sanction, civic or other responsibility”. In the amendment to this law, Art. 3 provides a broader definition²⁷⁴: *“Corruption is considered to be the utilization of the function, the public authorization the official duty, or the position to realize any benefit for oneself or someone else”.*

The establishment of the autonomous and independent “State Commission” to prevent corruption (2002), the adoption of the National Programme against Corruption, and the State Programme for Prevention and Repression of Corruption with its Action Plan Matrix (2003) were milestones in the fight against corruption²⁷⁵.

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 related crimes committed by 664 perpetrators. Cases related to the abuse of official position account for 504 of the total number of cases committed by 631 perpetrators, followed by passive and active bribery cases. Unfortunately, no statistical figures were provided for the year 2005.

MONEY LAUNDERING

The Criminal Code of “the former Yugoslav Republic of Macedonia” has in Art. 273 a legal definition for money laundering and other proceeds from crime and a comprehensive provision of such criminal activities. In addition the Criminal Code was amended by Art. 394-a to cover financing of terrorism.

Based on experiences from 1999 to 2000 (5 cases committed by 9 perpetrators with the amount of about 45 million Macedonian Denars), from 2003 (1 case committed by 1 perpetrator with the amount of 600 million Macedonian Denars) and from 2005 (1 case committed by 2 perpetrators with a damage that amounted to 148 million Macedonian Denars) it is reported that in most cases of money laundering the predicate offences seem to be tax evasion, fraudulent activities and, in 2005, “privileging contractors”, “insurance fraud” or “tax evasion” were also mentioned. Despite large-scale estimates of proceeds of other crimes, such as drugs trafficking, illegal immigration or trafficking in human beings, no information was given to these crime areas.

²⁷³ Official Gazette of “the former Yugoslav Republic of Macedonia” No 28/2002.

²⁷⁴ Official Gazette of “the former Yugoslav Republic of Macedonia” No 83/2004.

²⁷⁵ More detailed in Council of Europe, GRECO Report on Second Evaluation on “the former Yugoslav Republic of Macedonia”, Strasbourg, 10-14 October 2005 (www.greco.coe.int).

5 CONCLUSIONS

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:

The traditional Balkan drug trafficking routes have become a two-way road, where heroin and cannabis are moving towards the EU 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

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, trafficking in human beings now poses 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 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 the project areas. Other forms of economic crime – such as fraud related to public procurement, privatisation and the financial sector – are believed to be increasing and continue to affect public trust in the market economy and the criminal justice system.

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 which however have to include the EU perspective. Legal approximation and, if possible, harmonisation, common and fine-tuned strategies, joint actions, joint law enforcement activities, and the exchange of police intelligence at the regional level and including Europol, whenever possible and appropriate, will be a key to success in fighting serious crime in the South-eastern Europe. For that, intelligence-supported policing in the region must be put on firm foundations by building coherent intelligence collection and reporting 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 project areas within the framework of the CARPO regional police project will help overcome these shortcomings. They may include:

- Strengthening information gathering and analysis of all phenomena of organised and economic crime in order to improve the knowledge and understanding in the region. In the future, this should also be done in the fields of terrorism and financing of terrorism.
- Raising national crime statistics to EU-level, the use of common terms and definitions, the establishment of a common reporting system in line with the system used by Europol and in the 25 EU Member States (ENFOPOL 35) with due attention to securing levels of confidentiality (including implementation of relevant European legal instruments on privacy and data protection), regular preparation of annual Organised and Economic Crime Situation Reports or Threat Assessments, common tools for measuring crime on inter-institutional and cross-jurisdictional levels, studies on economic sectors' vulnerability and the financial impact of organised and economic crime, collaboration of law enforcement bodies with independent researchers and academia;
- Intelligence-supported mechanisms with a pro-active approach to define policies based on thorough assessments, set strategies or action plans, accompanying investigative co-operation and real, target-oriented and prioritised collaboration between all law enforcement agencies of the countries of the region. This may follow the formulae: "Intelligence is processed information designed for law enforcement's action" and could be carried out similar to the EU instrument "Joint Investigative Team", but should to be shaped more practitioner-oriented and avoid legislative and bureaucratic barriers, following the "target group model" developed by Europol, and has to include police, border police, customs, and other specialised law enforcement services. Closer co-operation should also be sought with EU Member States and other countries, particularly making use of Embassies (Police Attachés and Experts), Europol (EU-Liaison Officers` network), Frontex (to be developed), Interpol (NCB), SECI Center (national desks), Topical Working Groups and, whenever legally possible and appropriate, Eurojust and/or OLAF (as observer, participant, supporter);
- Strengthening investigation skills in the fields of organised and economic crime. This may include significant efforts to break the language barrier by an appropriate language training of law enforcement officers. The use of special investigative techniques, covert actions, human intelligence, monitoring systems for precursors chemicals, tableting machines, witness and victim protection, financial intelligence, seizure of illicit proceeds of crime, or other specific working methods, e.g. High-Impact Operations (HIO), Sector-wide approach concentrating on priority areas (SWAP), Standard Operating Procedures (SOP);
- Monitoring of the effectiveness of measures for the prevention and control of organised and economic crime on a systematic basis. This may not only include the final evaluation of the CARDS projects, including the CARPO project and other projects being implemented²⁷⁶. It could be wise to make in the future, whenever appropriate, a cost/benefit analysis and to commission a study to analyse which regional fora and projects are functioning well, following the counterparts from the region, and which are not. Opportunities have been created, but they should be seized even more to become reality. The creation of regional or national steering committees composed of representatives from the main international supporting bodies and local counterparts could further reinforce the seek for synergies and costs savings;
- Ratification and full implementation of European instruments will finally help project areas make progress in this respect and facilitate international co-operation. These include in particular the 2nd Additional Protocol to the Convention on Mutual Assistance in Criminal

²⁷⁶ E.g. MOLI-MK, PACO-Serbia or PACO-Impact.

Matters (CETS 182), the Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism (CETS 198) and the Convention on Action against Trafficking in Human Beings (CETS 197). However, of great importance for the project areas will also be the adoption and implementation of Council of Europe and EU standards and regulations, particularly the legal instruments on privacy and adequate data protection legislation, and other EU Directives to strengthen their ownership on the whole process, increase credibility and interest and to reach an operational agreement with Europol. This would pave the way ahead to the future EU accession and assist in closing gaps in the European security architecture.

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7 ABBREVIATIONS AND ACRONYMS

ABA CEELI	American Bar Association Central and Eastern Europe Law Initiative
AFCOS	Anti-Fraud Coordinating Structures
AHTU	Anti-Human Trafficking Unit of UNODC
AI	Amnesty International
AIDS	Acquired immunodeficiency syndrome
AISI	Adriatic and Ionic Sea Initiative
ARQ	Annual Reports Questionnaire
ATS	Amphetamine- type stimulants
BiH (BIH)	Bosnia and Herzegovina
BUMAD	EU Programme of Assistance for the Prevention of drug abuse and drug trafficking in Belarus, Ukraine and Moldova
BSCE	Black Sea Cooperation Initiative
CADAP	European Union's Central Asian Drug Action Programme
CAN	Criminal Analyst Network
CARDS	Community Assistance for Reconstruction, Development and Stability (EC)
CEDAW	Convention for the Elimination of all forms of Discrimination against Women
CEE	Central and Eastern Europe
CEI	Central European Initiative
CEPOL	European Police College
CIA	Central Intelligence Agency
CIDA	Canadian International Development Agency
CIS	The Commonwealth of Independent States
CIVPOL	UNMIK Civil Police Unit
CNPA	Counter Narcotics Police of Afghanistan
COE	Council of Europe
CRC	Convention on the Rights of the Child
CPI	Corruption Perceptions Index
DAS	Direct Assistance for victims of trafficking
DFID	British Department for International Development
DG	Direction General (EC)
DOC	Department of Organised Crime
DOS	Denial of Service
EC	European Commission
EU	European Union
EUFOR	European Union Force in Bosnia and Herzegovina
EURODAC	EU fingerprinting database for asylum applicants
EUROPOL	European Police Office
EUROJUST	European Union's Judicial Cooperation Unit
ELCS	Europol Cocaine Logo System
EPLN	European Police Learning Net
EMDCCA	European Monitoring Centre for Drugs and Drug Addiction
FATF	Financial Action Task Force
FIU	Financial Intelligence Unit
FIC	Financial Information Centre
FRONTEX	Frontières Extérieures, (legally: European Union's Agency for the Management of Operational Cooperation at the External Borders of the Member States of the European Union)
FSRB	FATF-Style regional body
GAP	Global Assessment Programme
GDP	Gross Domestic Product
GPAT	Global Programme Against THB

GPO	General Prosecutor Office
GRECO	Group of States Against Corruption
HAART	Highly Active Antiretroviral Therapy
HDI	Human Development Index
HIO	High-Impact Operations
HINA	Croatian News Agency
HOPS	Healthy Option Project Skopje
HIV	Human immunodeficiency virus
IDI	Illicit Drug Index
ICITAP	International Criminal Investigative Training Assistance Programme
ICMC	International Catholic Migration Commission
ICMPD	International Centre for Migration Policy Development
ICS	Italian Consortium of Solidarity
ICTY	International Tribunal for War Crimes in Former Yugoslavia
IIPM	Italian Interforze Police Mission
IHRLG	International Human Rights Law Group
ILO	Immigration Liaison Officer (EU Network ⁹)
ILO	International Labour Organisation
ILO-IPEC	ILO International Programme on the Elimination of Child Labour
INTERPOL	International Police Organization
IOM	International Organisation for Migration
IPO	International Police Officer
IREX	International Research and Exchanges Board
ISS	International Social Services
KFOR	Kosovo Force (NATO led Force)
KLA	Kosovo Liberation Army
KPS	Kosovo Police Service
LPO	Local Project Officers of Council of Europe's CARPO project
MAPE	Multi-National Advisory Police Element
MARRI	Stability Pact Initiative on Migration, Asylum, Refugees and Repatriation
MoI (MOI)	Ministry of Interior
MOJ	Ministry of Justice
ML/TF	Money Laundering/Terrorist Financing
MONEYVAL	Council of Europe's Select Committee of Experts on the Evaluation of Anti-Money Laundering Measures
MOU	Memorandum of Understanding
NCB	National Central Bureau (Interpol)
NGO	Non-governmental organisation
NHDR	National Human Development Report (UNDP)
NPA	National Plan of Action
NPO	Non Profit Organisation
NRM	Dutch National Rapporteur Against Trafficking in Human Beings
OCTA	Organised Crime Threat Assessment
OHR	Office of the High Representative in Bosnia and Herzegovina
ODIHR	OSCE Office for Democratic Institutions and Human Rights
OECD	Organisation for Economic Cooperation and Development
OLAF	European Union Anti-Fraud Office
OPDAT	Office of the Overseas Prosecutorial Development Assistance and Training
OSCE	Organization for Security and Co-operation in Europe
OSCE/CPE	OSCE Crime Prevention Centre
OSCE/ODIHR	OSCE Office for Democratic Institutions and Human Rights
PAMECA	Police Assistance Mission of the European Community to Albania
PCU	Precursor Control Unit
PMI	Philip Morris International

PRSP	Poverty Reduction Strategy Papers
PNI	United Nations Crime Prevention and Criminal Justice Programme Network
SALW	Small arms and light weapons
SAA	Stabilisation and Association Agreement
SAP	EU-Western Balkan Stabilization and Accession Process
SCF	Save the Children Fund
SDC	Swiss Agency for Development and Co-operation
SECI	South Eastern Co-operative Initiative
SEE	South-eastern Europe
SEEPAG	South East European Prosecutors Advisory Group
SEESAC	South Eastern Europe Clearinghouse for the Control of Small Arms and Light Weapons
SELDI	Southeast European Legal Development Initiative
SIPA	State Investigations and Protection Agency (Bosnia and Herzegovina)
SIDA	Swedish International Development Agency
SOP	Standard Operating Procedures
SP	Stability Pact
SPMU	Strategic Police Matters Unit of OSCE
SPOC	Stability Pact Organised Crime Initiative
SPTF	Stability Pact Task Force for Trafficking
STI	Sexually transmitted infection
STR	Suspicious Transaction
SWAP	Sector-wide approach
TAXUD	Taxation and Customs Union (European Commission)
TI	Transparency International
TIP	Trafficking in Persons unit of US Department of State
THB	Trafficking in Human Beings
THC	Tetrahydrocannabinol
THBS	Trafficking in Human Beings Service (Kosovo)
TPIU	Trafficking and Prostitution Investigation Unit (Kosovo)
TRANSCRIME	Research Center on Transnational Crime at the University of Trento
UN	United Nations
UNAIDS	United Nations Joint Programme on HIV/ AIDS
UNDP	United Nations Development Programme
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNICRI	United Nations Inter-regional Crime and Justice Research Institute
UNIFEM	United Nations Development Fund for Women
UNINCB	United Nations International Narcotics Control Board
UNMIK	United Nations Interim Administration Mission in Kosovo
UNODC	United Nations Office on Drugs and Crime
UNOHCHR	United Nations Office of the High Commissioner for Human Rights
USAID	United States Agency for International Development
UNTOC	United Nations Convention against Transnational Organised Crime
VAT	Value Added Tax
VOICE	Ad hoc working group of 40+ NGO active in the field of THB
WODC	Research and Documentation Centre (Dutch knowledge centre in justice areas)