



UNITED NATIONS  
*Office on Drugs and Crime*

# CRIME AND ITS IMPACT ON THE BALKANS

and affected countries



March 2008

For the purposes of this Report, the Balkans comprises the nine nations of the Stability Pact: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, and Serbia. This study was undertaken by the Research and Analysis Section of the United Nations office on Drugs and Crime in the framework of the project “Illicit Market Studies”(GLO/H93). The author and lead researcher is Ted Leggett. Research assistance was provided by Steven Malby, Sasa Cvijetic, Petar Dragesic, and Frederic Lesne. Field support was provided by UNODC offices in Belgrade and Tirana. Cover photographs courtesy of OSCE. Photographers, from left to right, were OSCE Mission in Kosovo; Milan Obradovic; Marko Georgiev; and OSCE. Graphic design was conducted by Suzanne Kunnen and Kristina Kuttig. Comments on preliminary drafts of the study were received from a wide range of authorities, including academics, international organisations, and Member States. Funding for this study was provided by the Governments of Hungary and Poland.

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## List of acronyms

<b>ARQ</b>	United Nations Annual Reports Questionnaire	<b>OSCE</b>	Organisation for Security and Cooperation in Europe
<b>BiH</b>	Bosnia and Herzegovina	<b>PPP</b>	Purchasing Power Parity
<b>CoE</b>	Council of Europe	<b>SEE</b>	South East Europe
<b>CPI</b>	Transparency International Corruption Perceptions Index	<b>SEESAC</b>	South Eastern and Eastern Europe Clearinghouse for the control of Small Arms and Light Weapons
<b>CTS</b>	United Nations Survey of Crime Trends and Operations of Criminal Justice Systems	<b>TI</b>	Transparency International
<b>EU</b>	European Union	<b>TIP</b>	Trafficking in persons
<b>FYR</b>	Former Yugoslav Republic	<b>UNICEF</b>	United Nations Children's Fund
<b>GDP</b>	Gross Domestic Product	<b>UNMIK</b>	United Nations Mission in Kosovo
<b>ICVS</b>	International Crime Victims Survey	<b>UNODC</b>	United Nations Office on Drugs and Crime
<b>IOM</b>	International Organisation on Migration	<b>UNOHCHR</b>	United Nations Office of the High Commissioner for Human Rights
<b>KLA</b>	Kosovo Liberation Army	<b>UNDP</b>	United Nations Development Programme
<b>KPS</b>	Kosovo Police Service	<b>WDR</b>	World Bank World Development Report
<b>OECD</b>	Organisation for Economic Cooperation and Development	<b>WHO</b>	World Health Organization



## Preface

Surprising as it may be, the Balkan region is one of the safest in Europe. This Report shows that, at present, the levels of crime against people and property are lower than elsewhere in Europe, and the number of murders is falling in every Balkan country. The trend is likely to continue as these countries strengthen their justice systems, raise their living standards, become more integrated with the rest of Europe, and reap the benefits of having a well-educated and highly skilled workforce.

This Report provides evidence that the Balkans are departing from an era when demagogues, secret police, and thugs profited from sanctions busting, and the smuggling of people, arms, cigarettes and drugs. While South Eastern Europe is still a major transit route for heroin, and some countries of the region remain affected by organized crime and corruption, the stereotype of the Balkans as a gangsters' paradise no longer applies – though serious problems remain.

How did this improvement come about? Greater regional stability and democracy have put an end to war profiteering. Closer integration with the rest of Europe has opened borders and reduced the lure of illicit trans-frontier trade. Security sector reform, improved criminal justice, and closer regional cooperation have made organized crime riskier and less profitable. As a result, all types of organized crime are in decline in the region.

This suggests three observations:

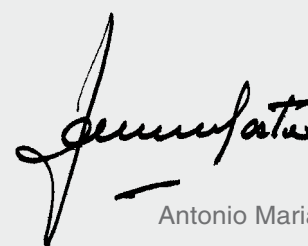
- crime in the Balkans is a product of post-communist transition and conflicts resulting from the break-up of Yugoslavia rather than being endemic;

- more open borders have reduced incentives to crime rather than increasing them;
- The Balkan cross-roads have become a magnet for honest trade rather than crime and smuggling.

The vicious circle of crime leading to instability, and vice versa, has caused much turmoil in the Balkans. This Report shows this has been replaced by a virtuous circle of stability lowering crime, and less crime promoting stability. Yet this progress is fragile.

The final part of the Report documents the wide-spread and enduring collusion between politics, business, and organized crime. To break this nexus, fighting corruption should be priority number one. It would strengthen the rule of law, bolster the integrity of public institutions, and promote a healthy business environment.

While dispelling a few myths and raising the profile of the Balkans as a low-crime region, the main aim of this report is to stimulate the delivery of technical assistance that can further encourage the positive trends and reduce the likelihood of a return to trouble in the Balkans. The highest priority is, of course, Kosovo, where stabilization started later, and where crime remains a problem.



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# Executive summary

The United Nations Office on Drugs and Crime (UNODC) is mandated to analyse drugs and crime situations around the world. The present report is a contribution to that objective, looking at a region stigmatised for its role in heroin trafficking, human trafficking, and other forms of organised crime. It is based on data gathered through Member States' responses to the United Nations Survey of Crime Trends and Operations of Criminal Justice Systems (CTS) and the United Nations Annual Reports Questionnaire (ARQ), as well as a desk review of the published literature. It is hoped its findings will assist Member States and the international community in the search for solutions to transnational crime issues.

This report argues that the crime situation in South East European countries is improving. There are several possible reasons for this development. The region is "normalising", as it completes the transition to democracy and market economy and as it recovers from the conflicts of recent years. This normalisation has been supported through extensive interventions to enhance cooperation on crime matters and to address deficiencies in local criminal justice systems. Equally important, many of the crime problems experienced in the Balkans are related to demand outside the region, and developments in these areas have also contributed to declining opportunities for organised crime.

Despite these improvements, there remain significant challenges ahead. The region continues to be the premiere transit zone for heroin destined for West Europe, human trafficking remains an issue, and problems persist with regard to corruption, rule of law, and judicial reform. But an objective analysis of the key indicators

leads to the conclusion that things are getting better, and while the potential for reversals remains, it seems that an era of lawlessness is passing.

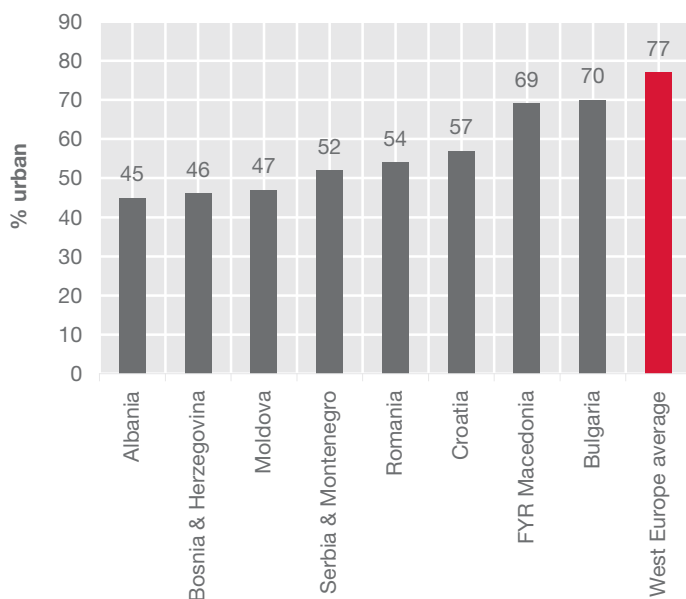
Indeed, the crime issues in South East Europe appear to be directly tied to this recent past. As in many transition and post-conflict countries, the dividing line between criminal enterprise and legitimate commerce had become blurred and hazy. All indications are that this line is becoming firm and clear again. In time and with the appropriate international support, it is likely that the prominent role the Balkans has played in European organised crime will come to be regarded as a passing phase.

## Low vulnerability to crime

Long term prospects are good because the social conditions in South East Europe are not the sort generally associated with high crime regions. In essence, the Balkans do not represent a favourable environment for crime:

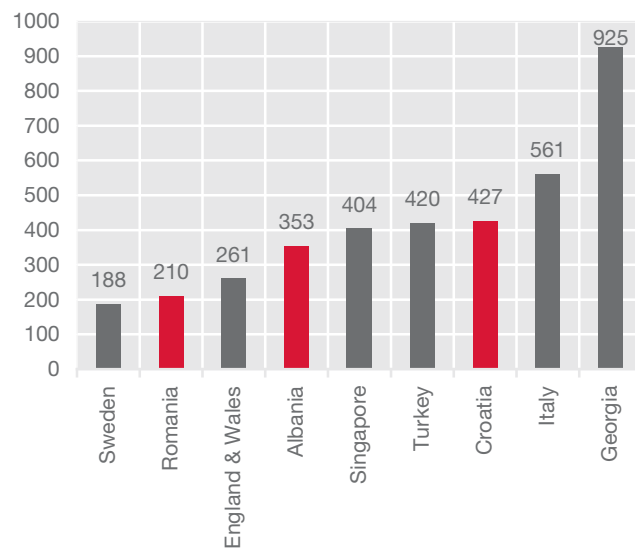
- The demographic makeup does not favour the development of street crime. For most countries, only 7% to 8% of the population falls into the group at highest risk of becoming involved in common crime: males between the ages of 15 and 25. This is not likely to change in the near future. Bosnia and Herzegovina and Moldova report some of the lowest rates of lifetime births per woman in the world (1.2). In proportion to the general population, Bulgaria has the smallest child population in Europe. Emigration of young males in search of work further reinforces this demographic profile.

Share of the population that was urban in 2005



Source: World Urbanization Prospects: The 2005 Revision Population Database

Police per 100,000 citizens, 2003 or 2004



Source: UNODC CTS; European Sourcebook of Crime and Criminal Justice Statistics 2006

- Considered from a global perspective, the region is relatively well-developed, reducing many of the social stresses that can fuel crime. While income levels are lower than in Western Europe, most of the people of South East Europe do not face life-threatening poverty, and education levels are high. The official income and unemployment figures do not accurately portray the economic situation, as the region receives significant unrecorded remittances from workers abroad, the informal economy is large, and even those working in formal employment may be working off-the-books.
- Income inequality is regarded as the most robust quantitative correlate of crime rates. Social inequities give rise to a sense of relative deprivation, which can be used to justify both property and violent crime. But the long history of socialist regimes in the region flattened income differentials. While this is changing in a free market environment, the standard indicators of inequality are not pronounced in this region.
- Large cities are more likely to suffer from crime problems than rural areas, and so the share of the population that is urbanised can be seen as a risk factor for crime. Further, high rates of urbanisation can exacerbate the social stresses associated with city life. South East Europe is highly rural when compared to West Europe, and the pace of urban growth is moderate. Bulgaria and Romania are actually experiencing declining urban populations.

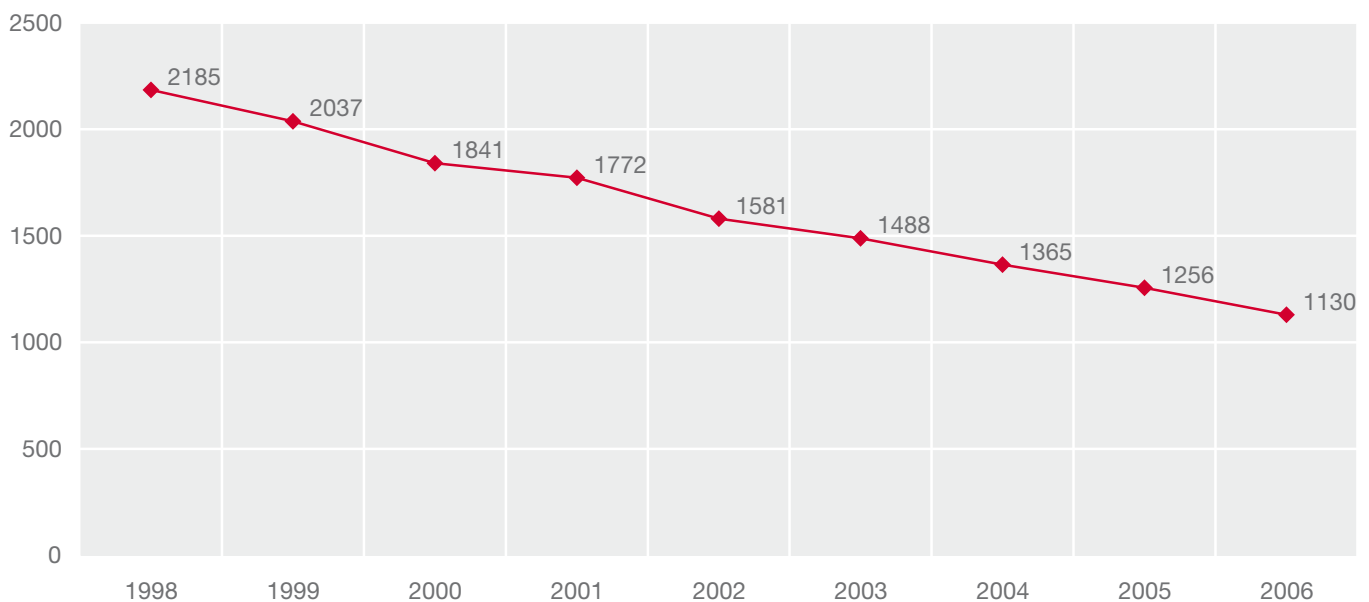
Another point of vulnerability to be considered is the state of the criminal justice system. Poor countries can-

not afford to spend as much as rich ones on security, and under-resourced criminal justice systems represent a source of vulnerability to crime in many countries around the world. In South East Europe, however, the socialist regimes bequeathed on the nations of the region a large security apparatus. Despite being one of the poorest countries in Europe, Albania has had more police per capita than many countries in the West, while Croatia's coverage exceeds that of well-policed societies such as Singapore. The countries of this region also have more prosecutors per capita than most West European countries. In terms of performance, justice appears to be the most problematic sector, and there is a perception that judges are subject to political influence and corruption, but conviction rates for murder are high, and the share of the prison population that has not been sentenced is low.

These broad figures cannot encapsulate the challenges that may affect the justice systems of South East Europe. Observers report serious problems with corruption, impunity, and poor detention conditions, for example. But they do suggest that, in terms of basic capacity, most of the countries of this region are adequately equipped to respond to crime, which places them at an advantage over many regions facing crime challenges.

There are, however, some exceptions to these generalisations. Albania is younger than the rest of the region and is experiencing rapid urbanisation. Moldova is considerably poorer, younger, and less developed than any other country in South East Europe. Income distribution is less even and unemployment is higher in the former Yugoslav Republic of Macedonia than in the other coun-

## Regional murder count



Source: National data sources

tries. Bulgarian conviction rates for murder are disturbingly low. Any one of these factors could have an impact on local crime rates. Overall, however, there do not appear to be any deep structural reasons why this region should experience high rates of crime.

### Trends in conventional crime

In keeping with these observations, the available data indicate that South East Europe does not, in fact, suffer from high rates of crime, at least in terms of the range of offences commonly referred to as “conventional crime”: murder, rape, assault, robbery, burglary, theft and the like. In fact, most of the region is safer than West Europe in this respect. This key fact is often omitted from discussions of crime in the region.

Most of the data on conventional crime come from the police statistics, which are subject to under-reporting, under-recording, and manipulation. The most reliable of these are the homicide figures, since a murder is a highly significant event, of relevance to a range of authorities and the public. In terms of the standardised murder rates, as collected by the UNODC through the UN Survey of Crime Trends and Operations of Criminal Justice Systems (CTS), most countries of the region fall at or below the European average. Moldova and Albania are exceptions, but even these two countries are safer than most of Eastern Europe. In this respect, the CTS figures are backed by the data from public health authorities, as collected by the World Health Organisation.

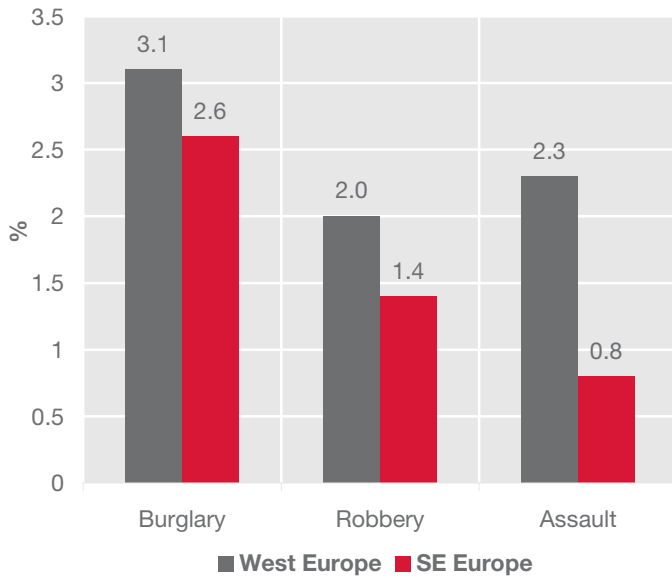
There are delays in gathering standardised data, so the most recent CTS figures are several years old. While

they cannot be used for comparative purposes, the national police statistics can be used to track more recent trends. Every country in the region has shown a strong decline in murder rates in recent years. In fact, combining the data from Moldova, Albania, Romania, Croatia, Bulgaria, and Serbia, the number of murders in the region essentially halved between 1998 and 2006.

It is very likely that this statistical trend is caused by a real decline in violence in the region. Even if murders were systematically under-captured in every country, the level of under-capture would have to be increasing for the declining trend to be discounted. This decline is also seen in the internationally administered province of Kosovo, Serbia. While all these countries are under pressure to show improvement in their handling of crime issues, it is unlikely that the figures are being manipulated in every country in the region, given that the press, opposition parties, and the international community are monitoring the situation carefully. And even if only half the murders in these countries were being recorded, resulting in a doubling of the estimated homicide rates, they would still be low by international standards. The only conclusion that can be drawn is that South East Europe is one of the safer areas of the world, and that progress is being made in making the region even safer.

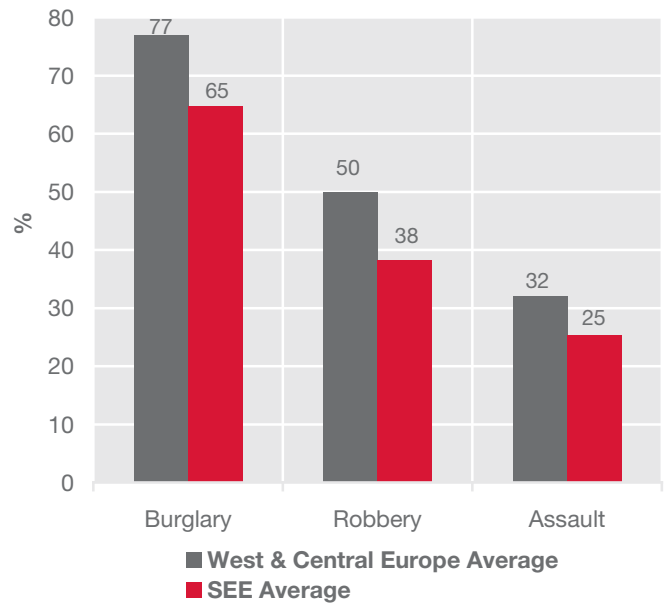
Low murder figures do not rule out the possibility that other offences, less likely to be recorded, are occurring undetected. The police in South East Europe record less crime than their counterparts in the West, but this could plausibly be related to much lower rates of reporting crime victimisation to the police by the public. The best way to directly assess the real levels of criminal vic-

**Share of respondents who have suffered each crime in the previous year**



Source: ICVS, various years

**Share of crime victims reporting the incident to the police**



Source: ICVS, various years

timisation is through standardised crime victim surveys. In these surveys, respondents are asked whether they have suffered criminal victimisation and, if so, whether they reported this offence to the police. While the victim surveys in the Balkans are mostly rather dated, comparing victimisation rates to similar data from West Europe shows that South East Europeans were less likely to be victimised in every crime category besides consumer fraud and corruption.

It is true that South East Europeans tend to report the crimes they experience to the police less often than West Europeans do. Victim survey respondents who report being victimised by crime are also asked if they reported this crime to the police. In West Europe, over three-quarters of all burglary victims, about a half of all robbery victims and a third of all assault victims polled said they reported the crime to the police. In South East Europe, two-thirds of all burglary victims, some 38% of robbery victims and a quarter of assault victims said they had reported the crime.

But even adjusting reported crime levels for these under-reporting rates, South East Europe appears to have much less crime than West Europe. Taking under-reporting into account, West Europe is seen to have over twice the burglary, over four times as much assault, and 15 times as much robbery as South East Europe. Unless reporting rates have dropped drastically since the last polls, the crime statistics agree with the survey figures: the Balkans have less crime than West Europe.

One form of crime that is not easily captured in either the police statistics or in standard victim surveys is domestic

violence. This phenomenon is best documented through specialised surveys, such as the 2005 World Health Organisation Multi-country Study on Women’s Health and Domestic Violence against Women, which included comparable surveys in 10 countries. In South East Europe, the city of Belgrade participated. It consistently ranked among the bottom two regions (alongside Yokohama, Japan) across indicators of the prevalence of domestic violence. While not strictly comparable, other surveys have suggested similar victimisation rates in the other Balkan countries, with the exception of Albania.

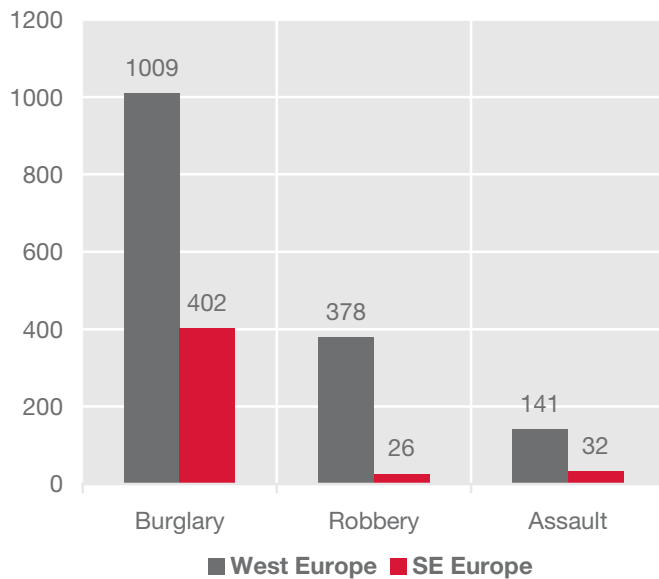
But there is an entire class of offences which are even less likely to be reported to the police than domestic violence. These are the offences of organised crime, criminal activities that remain largely undetected unless the police take the initiative to act against them. It is here that experts agree that South East Europe’s crime problem lies.

Many organised crime activities rely on violence or the threat of violence, however, so it is unusual for it to flourish in areas with low levels of conventional crime. This suggests that organised crime in South East Europe is organised crime of a special type. The smooth way in which contraband moves through the region, for example, requires some explanation. For this, it is necessary to trace the background of organised crime activity in the region.

**The growth of organised crime**

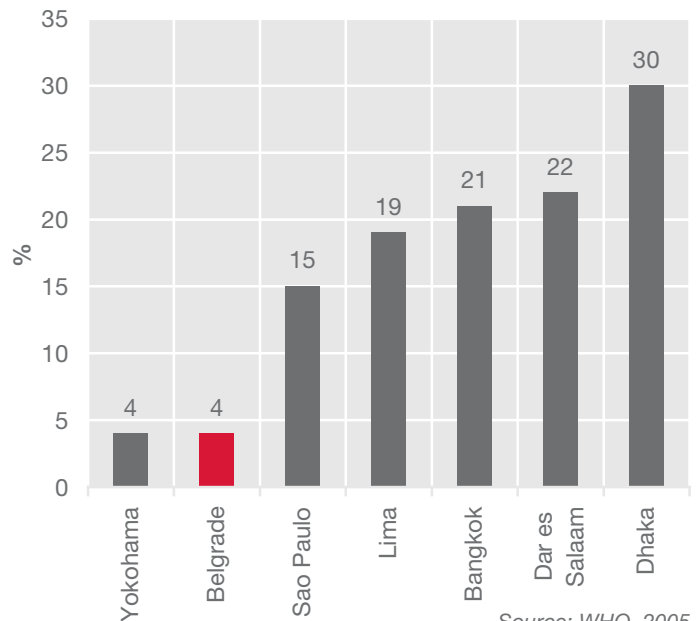
Organised crime has taken advantage of a recent period of intense vulnerability in the Balkans. The transition

### Total recorded robbery and assault victimisation rates per 100,000, adjusted for under-reporting



Source: CTS and ICVS, various years

### Share of women who have experienced violence by an intimate partner in the last 12 months



Source: WHO, 2005

from totalitarian rule to democracy has been associated with the growth of crime in many countries throughout the world. Corruption, privatisation fraud, protection rackets, and other forms of organised crime flourish in an environment of disoriented law enforcement institutions, rapid changes in the social and economic norms, and policy uncertainty. As a result, many formerly communist countries have experienced rapid growth in organised crime.

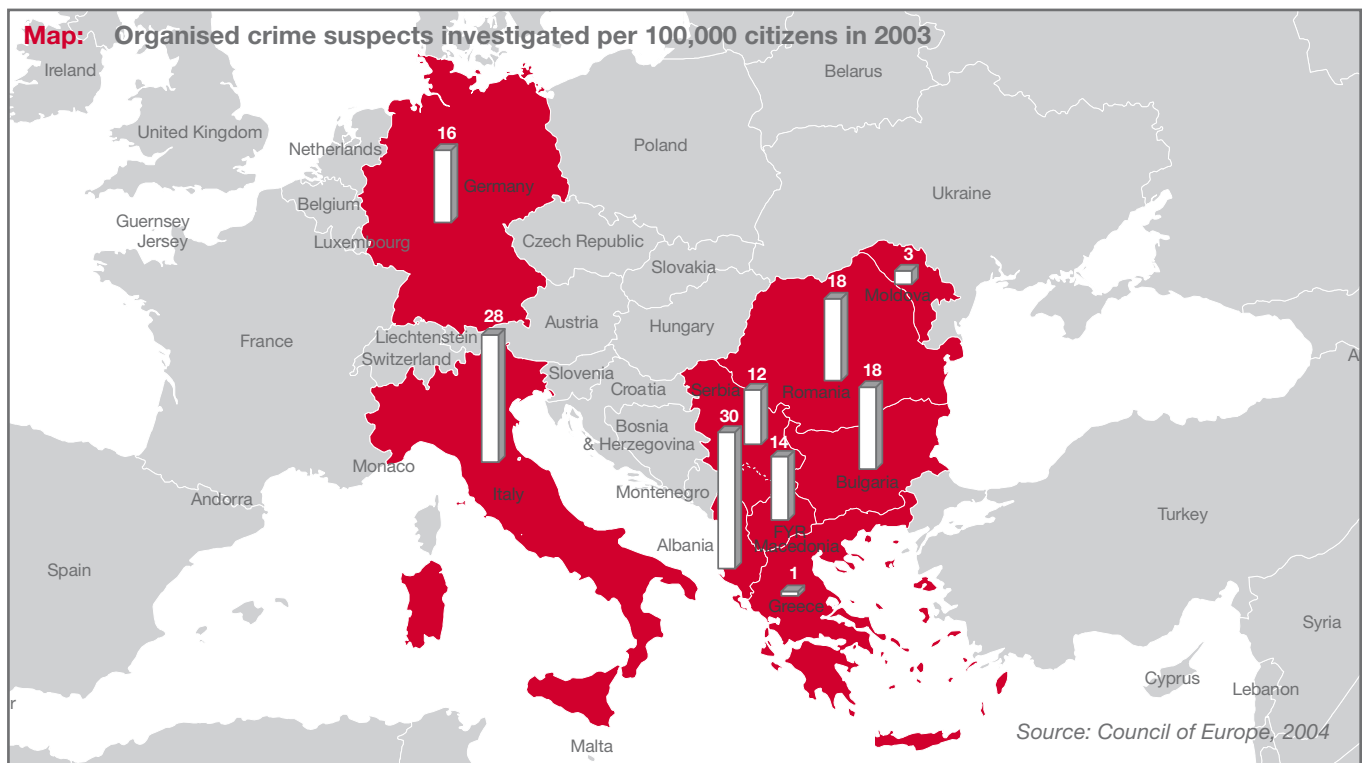
In addition, post-conflict situations are often associated with rising crime rates. The proliferation of firearms, the establishment of cross-border smuggling routes to evade sanctions, the rise of local strongmen to positions of power through militia or paramilitary structures – these and many other factors promote criminality during and after civil war. This tendency is seen in regions around the world.

South East Europe is unusual in that it underwent both of these difficult historical processes simultaneously, and this has informed the character of organised crime in the region. After World War Two, every country in the region came under communist or socialist regimes. Although these regimes varied substantially in character between countries, all relied on well resourced police agencies to maintain internal order. As the guardians of national security, the secret police in particular operated above the law, and engaged in a wide range of questionable activities, including many instances of cross-border smuggling. This work brought them into contact with organised criminals, who proved especially useful for deniable operations in other countries.

The links between the state and organized crime were strengthened during the 1990s following the collapse of the socialist regimes and during the violent dissolution of Yugoslavia. After international sanctions were imposed, great fortunes were made smuggling weapons, oil, and other commodities needed by the warring parties. These were paid for, in part, through other forms of trafficking, including the smuggling of drugs and untaxed cigarettes, made possible by the chaos of the war and fledgling democratic institutions. Wars and the new relationship with the West also led to large scale emigration and human trafficking.

Just as the wars between the Bosniaks, Croats, and Serbs were drawing to a close in 1995, new conflict erupted with ethnic Albanians in the Serbian province of Kosovo. In 1997, the government of Albania collapsed following the failure of financial pyramid schemes in which a large share of the population had invested. The national armouries were looted, masses of people fled to country, and an ungoverned zone appeared just a short boat ride from West Europe. These disruptions added new opportunities for smugglers and additional years of turmoil for the region.

Simultaneous with the conflict, the countries of the region were undergoing the transition to market economies. The people best placed to capitalise on privatisation were those who held power under the socialist regimes and who were profiting off the war, including the former secret police and their networks. The way each country dealt with their former leadership varied, but in most, some elements were able to both take advantage of the new capitalism and retain their links to



political power. Smuggling brought the fortunes and the expertise to make the most out of ‘nomenklatura privatisation’, and strong links were forged between criminals and some members of the political and commercial elite. These links help explain how organised crime has been able to operate in the region with so little imprint on the conventional crime situation: organised crime in the Balkans has been very organised, and lubricated with corruption.

In summary, the organised crime situation in the Balkans is rooted in the instability generated by the simultaneous impacts of political transition and conflict. War profiteering and unregulated privatisation led to the rapid rise of criminals with high-level political and commercial linkages. The final outcome of the conflicts has still not been determined, with both Bosnia and Herzegovina and the province of Kosovo remaining under international stewardship. But some years have passed since the peak of the conflict. The region has seen the launch of intensive reform programmes and received a good deal of assistance to support the establishment of security and justice. As the region stabilises, positive change in the organised crime situation should be anticipated.

**Organised crime today**

Assessing trends in organised crime is challenging. Organised crime is even more difficult to measure than conventional crime, because its detection is almost entirely reliant on state action. Failure to act could be due to lack of capacity or it could be due to corruption. In either case, the very places where organised crime is likely to be the worst are the same places where little

activity is likely to be registered. Every organised crime arrest or contraband seizure sends a mixed message: it shows that organised crime is present, but it also shows that something is being done about the problem.

In South East Europe, indications are that something is, indeed, being done about the problem. All countries of the region have ratified the United Nations Convention against Transnational Organized Crime. Albania, one of the poorest countries in Europe, investigated more organised crime suspects per capita in 2003 than Italy, a country that has taken the lead in combating transnational criminality. Romania employed 9.9 organised crime investigators per 100,000 citizens in 2004, compared to Italy’s 0.4. While more research would be required to determine the quality and character of these investigations, these numbers suggest that the organised crime problem is being taken seriously by the governments of South East Europe.

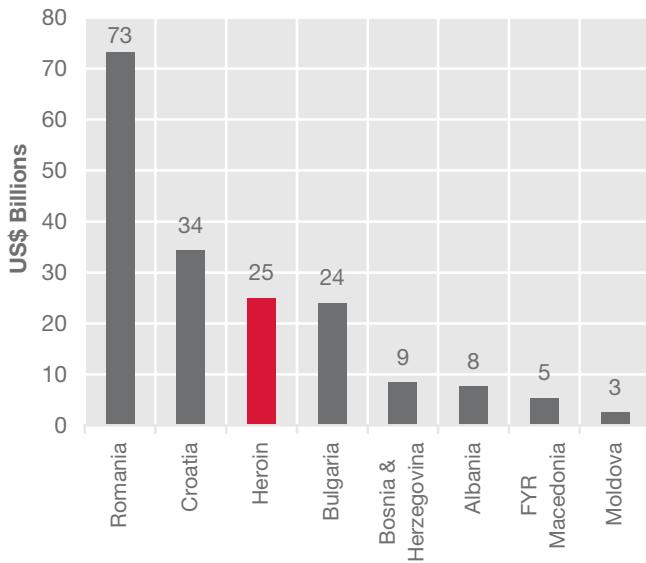
Of course, investigations alone will not solve organised crime problems. In fact, in areas where law enforcement corruption is an issue, arrests and seizures may reflect nothing more than the pruning of competitors or unreliable business contacts. To measure whether the organised crime situation in South East Europe is improving, it is necessary to refer to crime statistics collected outside the region, in the countries of demand, for each of the major contraband markets.

**Drug trafficking**

It is roundly agreed that drug trafficking, and specifically heroin trafficking, is the highest value criminal activity

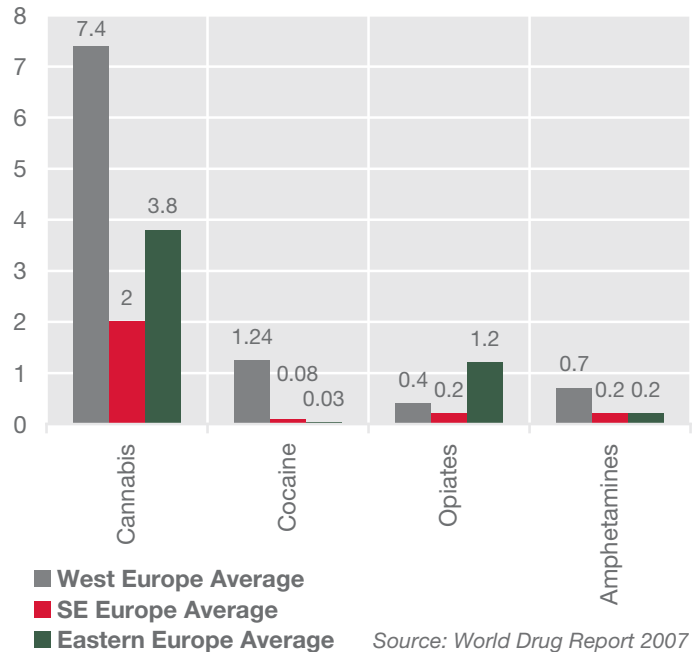


### Regional GDPs versus retail value of heroin flow to Western Europe



Source: UNDP and UNODC estimates

### Average annual drug use prevalence, 2005 estimate



Source: World Drug Report 2007

in South East Europe. It is estimated that something on the order of 80 tons of heroin passes through the region to reach consumers in West Europe every year. At wholesale level on arrival, this flow of contraband is worth more than the national economic outputs of several countries of the region, although it is unclear what share of this value accrues to Balkan smugglers.

Iran and Turkey, two countries on the so-called 'Balkan route' that links Afghanistan to Europe through the Balkans, seized some 21 tons of heroin and morphine in 2005, representing almost a quarter of global seizures. Between them, the Balkan countries seized 1.3 tons, representing just over 1%. The most notable trend in seizures is the decline in those made by Bulgaria: five times as much heroin was seized in 2000 than in 2005. But West European seizures also declined by 30% during this period, so this reduction may be partly explained by an underlying decline in trafficking. There may also be increasing use of alternate routes, as controls within the region strengthen.

Heroin is not the only drug smuggled through the region. Cannabis is cultivated for export in Albania and Bulgaria, and sporadic seizures of cocaine and synthetic drugs are also made. Precursors for heroin manufacture have been seized travelling the opposite direction on the Balkan route. But the value of these flows appears to be much less than that of heroin.

Drug use rates in the region are generally quite low, lower than in West or East Europe. This suggests that drug shipments proceed through the region to their high value destinations relatively intact, with very little "spill-

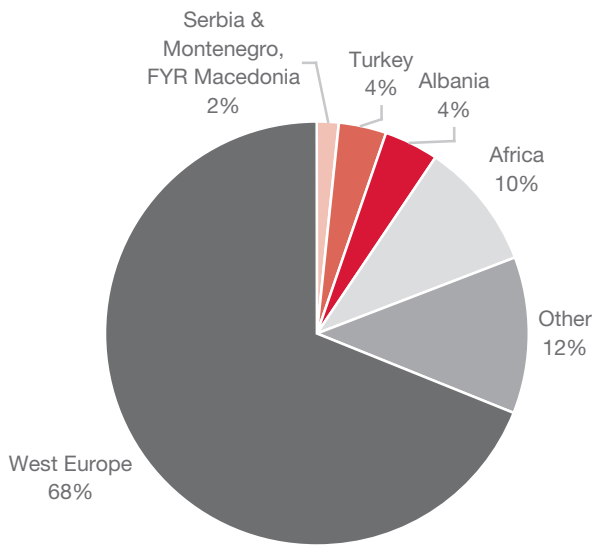
ing" into local markets. Such efficient transmission implies high levels of centralised organisation, rather than diffuse networks of trafficking entrepreneurs.

The problem of South East Europe as a gateway for drugs to West Europe must be distinguished from the problem of South East Europeans dealing drugs in West European countries, although the two issues are obviously related. The former is an issue the countries of the region must tackle, but there may be little they can do about the latter, aside from sharing information. Some members of the South East European diaspora, which is extensive, have gained a reputation as drug dealers.

Heroin represents the highest value contraband flow, and, since the mid-1990s, ethnic Albanian traffickers have been said to control the trafficking of this commodity west into Europe. Past estimates suggested that ethnic Albanian traffickers controlled 70% or more of the heroin entering a number of key destination markets, and they have been described as a "threat to the EU" by the Council of Europe at least as recently as 2005. In fact, ethnic Albanian heroin trafficking is arguably the single most prominent organised crime problem in Europe today.

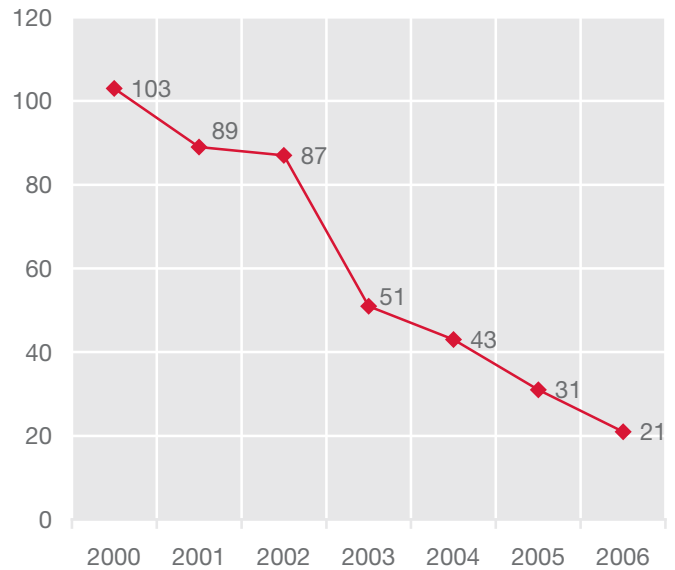
The term 'ethnic Albanian' is itself problematic, however, since it implicitly tars a country (Albania) with responsibility for the actions of citizens of other countries, in particular Serbia, Montenegro, and the former Yugoslav Republic of Macedonia, but also West European countries and the internationally administered province of Kosovo, Serbia. Where ethnically homogeneous organised crime groups do exist, it makes sense to point this

**Nationalities of heroin trafficking arrestees in 15 European countries in 2004**



Source: ARQ, national statistics for Austria and Switzerland

**Number of Albanian heroin trafficking suspects identified in Germany**



Source: Bundeskriminalamt

out, and this information can be useful for operational purposes. But this labelling can obscure more than it reveals when it becomes confused with citizenship or trafficking routes.

Historically, there was a point in time when the chaos in Albania, Kosovo (Serbia) and the Albanian-speaking areas of the former Yugoslav Republic of Macedonia gave a competitive advantage to Albanian-speaking traffickers. In addition, the need to gain money for the war effort provided a strong motivation to cooperatively raise money by any means possible. But as the region stabilises, this advantage is eroding, and this trend appears to be reflected in the arrest and seizure records of West European countries.

Citizens of Albania do continue to provide Italy with a large share of its heroin: about half the heroin seized by the Italian authorities in 2006 was taken from Albanian nationals. But both the number of Albanians arrested and the amount of heroin taken from them have declined in the last few years. The activity of ethnic Albanians from Kosovo (Serbia) and the former Yugoslav Republic of Macedonia is more difficult to detect in the official figures, since only citizenship, and not ethnicity, is recorded. For the purposes of analysis, then, it is necessary to assume all heroin traffickers who come from Serbia, Montenegro or the former Yugoslav Republic of Macedonia are possibly ethnic Albanians. Based on an analysis of 18,749 heroin trafficking arrests made in 2004 in 15 European countries, possible ethnic Albanians (citizens of Albania, Serbia, and the former Yugoslav Republic of Macedonia combined) represented about 6% of heroin

trafficking arrestees. If half of those from Serbia and the former Yugoslav Republic of Macedonia were ethnic Albanians, then the share would be 5%.

This 5% is responsible for a disproportionately large share of the heroin seized, however, largely due to the role Albanians play as importers to Italy: perhaps 10% to 20% of the heroin supply to Western Europe. This figure is considerably less than some previous estimates, suggesting a declining role for ethnic Albanian heroin traffickers in Europe, a decline supported by the downward trend in both ethnic Albanian arrests and seizure totals in many key heroin markets.

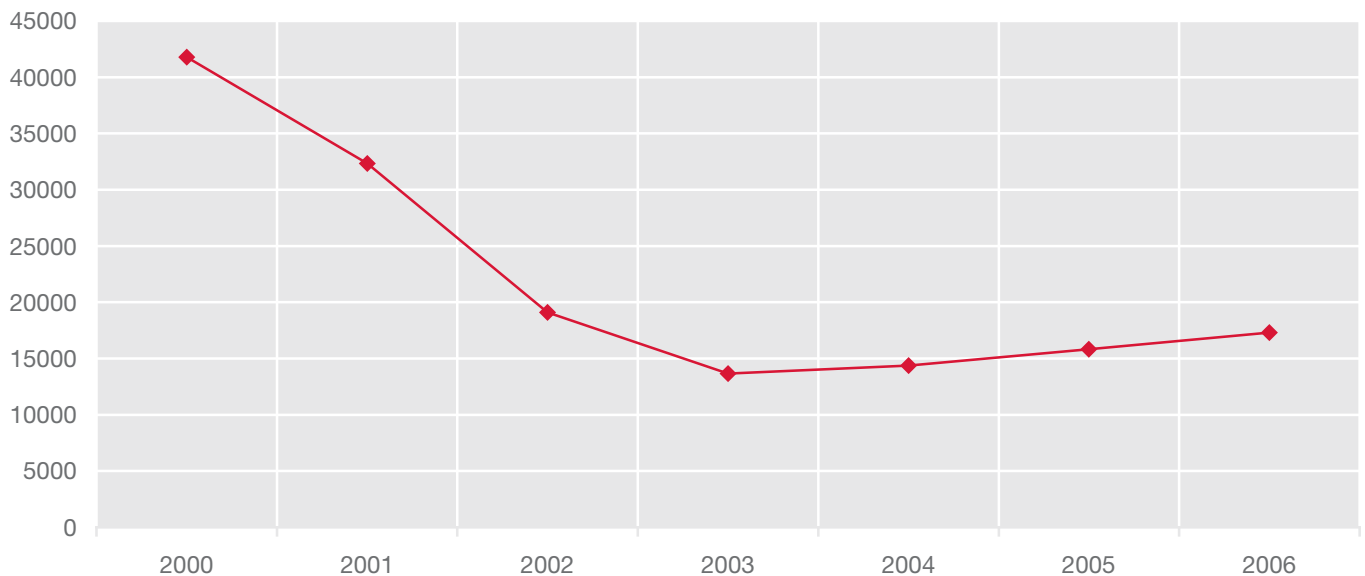
In short, the single most notorious Balkan organized crime phenomenon – the role played by ethnic Albanian traffickers in West European heroin markets – appears to be in decline. Similar trends are seen in the other major organised crime markets involving the region.

**Human trafficking and migrant smuggling**

While drug trafficking may generate the most profit, transnational human trafficking has drawn the most opprobrium for South East Europe. As with drugs, there was a period in time in which Balkan criminals had a competitive advantage in this market, profiting off both the chaos of war and the mass movement of people from East to West after the fall of the Berlin Wall. At some point, however, a degree of equilibrium must be reached, as the markets of the West for forced labour (including sexual exploitation) become saturated. Much of human trafficking is said to be based on deception, and, as consciousness of these practices grows, a decline in vulnerability



### Number of migration related border apprehensions in the region (data not available for Albania and Moldova)



Source: International Centre for Migration Policy Development

should be manifest. In some areas, there is evidence that human trafficking was related to demand generated by the presence of international forces, and as these gradually move out of the region, demand should decrease. Further, the citizens of two former source countries in the region (Bulgaria and Romania) have not needed a visa to travel to the EU since 2002. For migrant smugglers at least, this should represent a significant loss of client base.

As a result of all these factors, as well as substantial investment in interventions, a decline in the human trafficking and migrant smuggling markets should be anticipated, and, in fact, appears to be manifesting itself in the high-level statistics. Based on the numbers, the involvement of South East European groups in human trafficking seems to be in decline. Past estimates suggested 120,000 victims of human trafficking or more were coming to the EU through and from the Balkans each year. If these figures were accurate, the market seems to have shrunk considerably since that time.

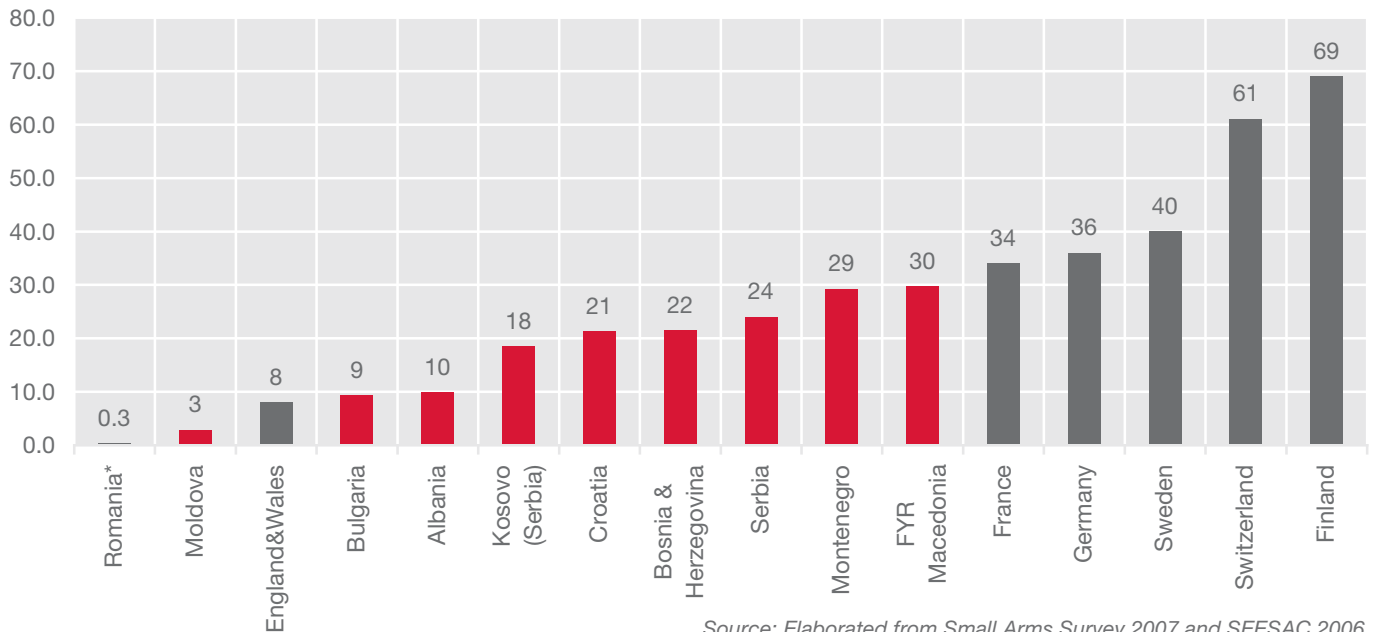
With regard to human trafficking for the purposes of sexual exploitation, numerous reports note the decline in detected victims, but suggest that this may be related to more sophisticated trafficking techniques. These reports also note improved pay and working conditions for the victims. 'Domestic trafficking', or use of local women in sex markets, is apparently increasing in many instances. In addition, reports over the years have noted the phenomenon of 're-trafficking', in which the same women have received assistance as victims multiple times over the years. These trends suggest that the market may be shifting toward the use of voluntary sex workers, some

of whom may be smuggled internationally into exploitative conditions.

Legislation on human trafficking was only recently passed in a number of the countries of the region and implementation capacity may be limited, so it is difficult to determine the amount of trafficking into South East Europe, or the extent of domestic trafficking. But West European governments have taken the issue quite seriously, and so figures from these countries should be capturing a significant share of the market. Looking at the criminal justice figures from West European countries, some sense of the scale and nature of the transnational trafficking problem of South East Europe can be determined.

In 2004, a total of 557 victims from South East Europe were detected in four key destination countries with active anti-trafficking programmes (Netherlands, Greece, Italy, and Germany), or about 140 victims per country. In addition to these, five other countries for which detailed data are not available are usually mentioned as important destination sites (Austria, Belgium, France, Spain and the United Kingdom). If each of these detected a similar number of victims, this would total 1260 victims detected. The Dutch National Rapporteur on Human Trafficking has suggested a low detection rate of about 5% for human trafficking victims in the Netherlands. If a similar rate were to apply to all nine destination countries, this would suggest about 25,000 victims per year, a considerable decline from the days when some 120,000 victims were said to move from or through the Balkans to the EU.

**Registered and unregistered civilian firearms per 100 citizens in 2007 (high end estimates)**



Source: Elaborated from Small Arms Survey 2007 and SEESAC 2006  
 \* Does not include an estimate of unregistered firearms

These figures also show that the profile of victims has shifted dramatically. During the 1990s, Albanian and Moldovan women, the poorest in the region, were among the most trafficked groups. Based on the 2004 figures from the four key trafficking destination countries, a remarkable 59% of the victims from South East Europe were Romanian and 35% were Bulgarian. The fact that groups experiencing more mobility are increasingly among the trafficking suspects supports the argument that many may be entering the market voluntarily. Moldovan, Albanian, and former Yugoslav victims are conspicuous by their relatively low numbers. Looking specifically at Italy, the share of female human trafficking victims who were Albanian declined from 40% in the 1990s to 15% in 2003 and just 2% by the end of 2006. The reasons for this decline remain unclear, but may relate to interventions and broader social changes.

The market for migrant smuggling from or through South East Europe also appears to be drying up. This is largely due to the fact that citizens of both Bulgaria and Romania, two countries that previously supplied a good share of the clientele for migrant smugglers, have not required a visa to enter the EU since 2002. The governments of the region have also taken a number of important steps to stop migrant flows from outside the region, such as the imposition of visa regimes and even the termination of direct flights from sending countries.

While these observations cannot rule out the possibility that human traffickers and migrant smugglers have found new ways of evading detection, both the data and what is known about underlying social dynamics sug-

gest that the decline in these crimes is a real one.

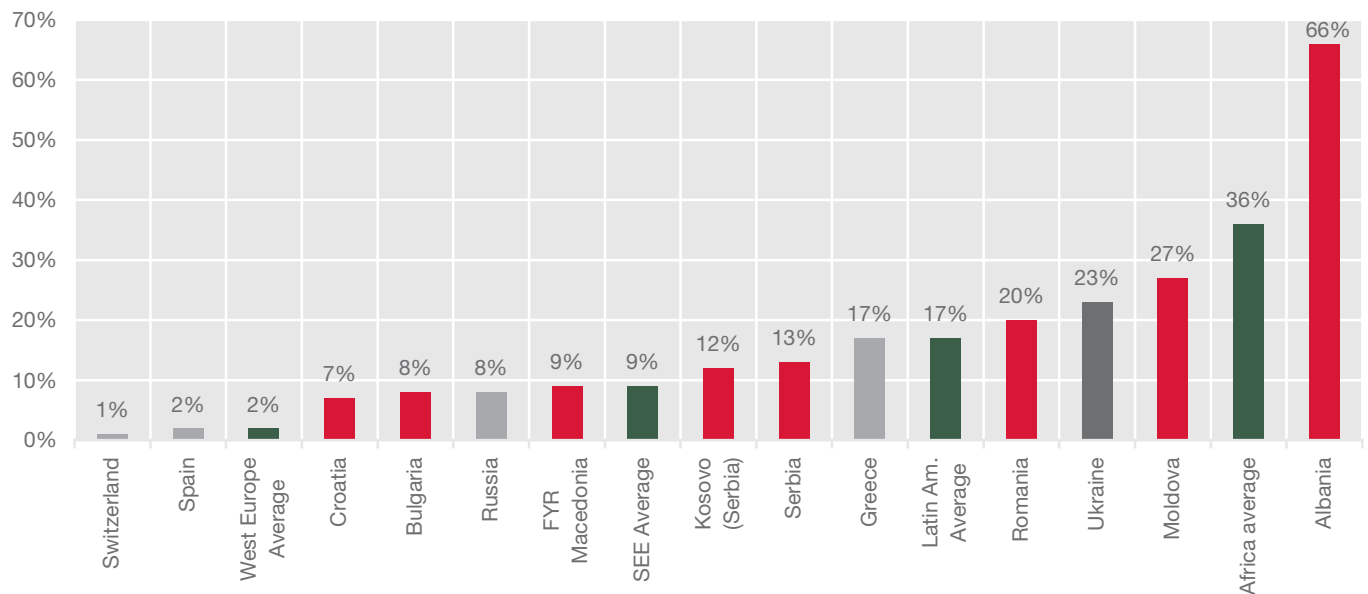
**Firearms and other forms of licit goods trafficking**

Another area where the experts agree that the market is declining is firearms trafficking. Improved border controls and shrinking demand are credited with this success. The firearms that remain are causing relatively little damage, as shown by the low homicide rates. In addition, per capita firearms ownership remains lower in South East Europe than in many West European countries.

Cigarette smuggling, a key source of income during the conflict years, also appears to have gone into decline following the buy-out of a number of local producers by international firms, as well as other interventions. The role of the region for the transit of other forms of contraband, such as counterfeit merchandise, is more difficult to discern, given the range of potential products, but it is likely that these smuggling trends follow the others in declining as borders strengthen and interdiction capacity increases. It also appears that China, not the Balkan countries, is increasingly the source of these products.

In summary, the available data, much of it from West European countries, suggest that trafficking is declining in every major organised crime market. More in-depth research would be required to confirm this trend, but it falls in line with the overall picture of a low-crime region that is normalising after a period of acute vulnerability. In line with the declining murder figures, it appears that Balkan organised crime is also diminishing in importance.

### Share of respondents who paid bribes in 2006



Source: Transparency International

### Corruption and fraud

While conventional crime levels are low and organised crime appears to be in decline, there is one area of criminal activity that is especially problematic in the Balkans – corruption and economic crime. These offences are particularly difficult to measure, but there are two areas where South East Europe leads the world in victimisation according to the crime victim surveys: payment of bribes and consumer fraud. More recent surveys have shown that large shares of the population continue to report paying bribes. Albania had the highest rate of annual bribe paying (66%) of the 57 countries polled in the 2006 Transparency International Global Corruption Barometer, and the South East European average was 4.5 times as high as the West European average. There have been recent improvements in a number of coun-

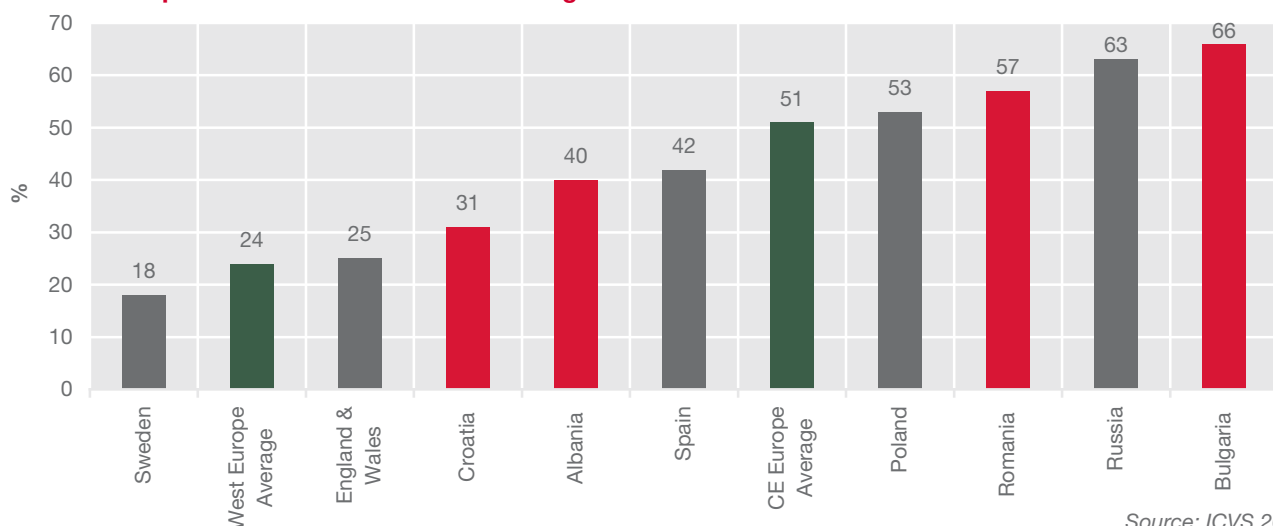
tries in terms of both perceived corruption and victimisation incidence, however.

### The impact of crime

Given these observations about the crime situation in the region, what can be said about its impact? Despite the low levels of conventional crime and diminishing organised crime activity, the blurred demarcation between political, commercial, and criminal spheres of activity remains an issue, a legacy of the past instability. According to the Council of Europe and the European Commission in 2006:

*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 in the region.*

### Share of respondents who feel unsafe walking in their area alone after dark



Source: ICVS 2000



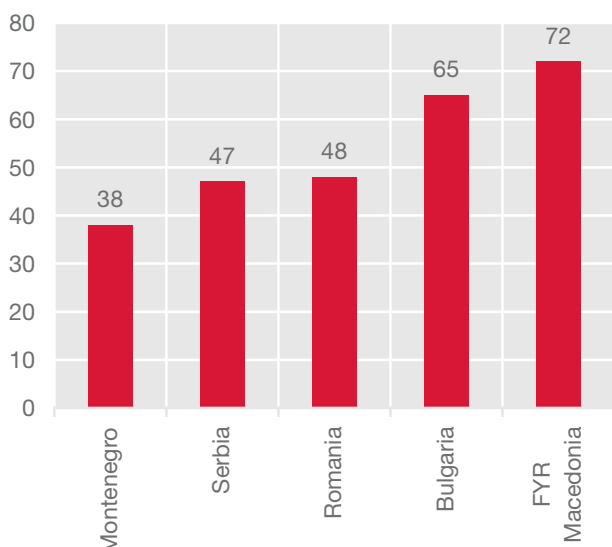
With regard to social and economic progress, crime and corruption have the potential to derail the progress of whole nations, by directly sapping resources and undermining the sense of safety and trust that underpin healthy societies. On the most basic level, fear of crime can limit social interaction when citizens avoid contact in order to minimise the chances of victimisation.

Despite the fact that crime levels are lower in South East Europe than in West Europe, fear of crime is of-

ten independent of the real risks of victimisation. Survey data are dated (2000), but it appears that many people in South East Europe are far more afraid of walking alone after dark than West Europeans. This may be a manifestation, in part, of the fear of chaos in countries undergoing rapid social change and which only recently experienced violent conflict.

Surveys also suggest that many South East Europeans feel only kin can be trusted, which may be a manifestation of the high levels of corruption and consumer fraud. Those hampered by these concerns may fail to access educational, employment, and investment opportunities, or may emigrate in search of better prospects.

**Positive response to the statement “only kin can be trusted” in 2003**

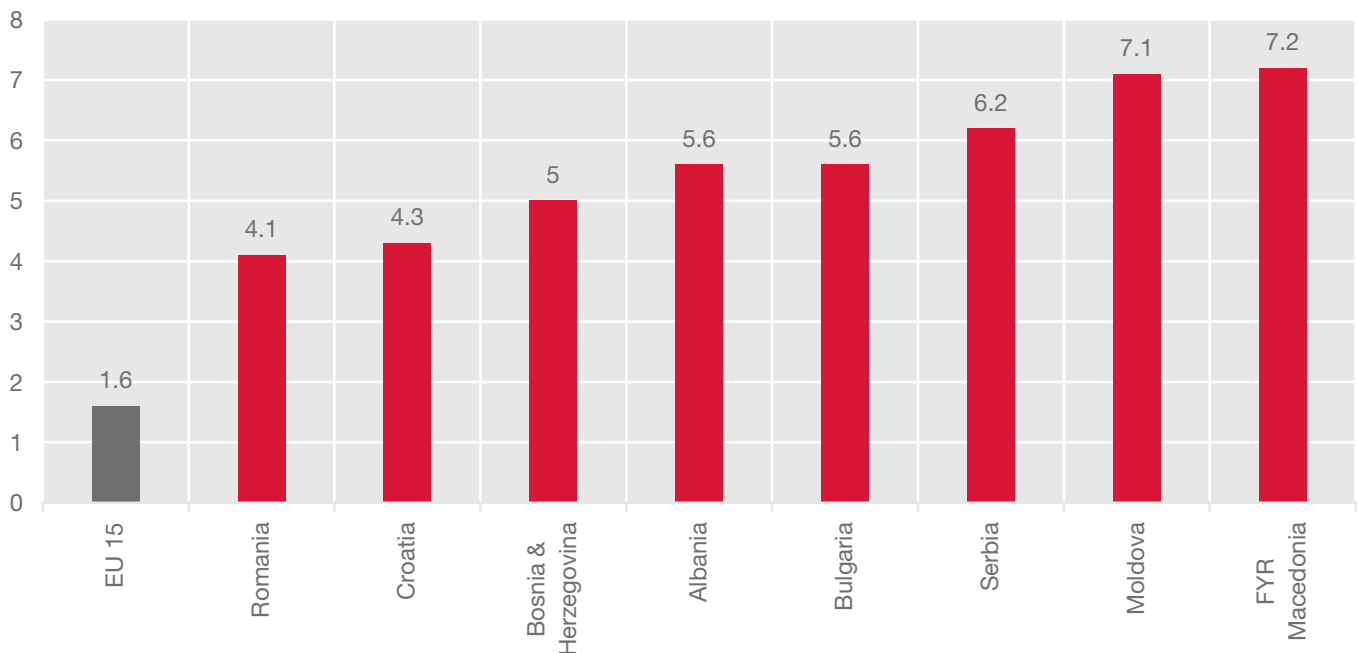


Source: Mungiu-Pippidi 2005

Large shares of businesspeople polled in the region report crime and corruption to be constraints on investment. The share of firms who reported paying bribes was greater than the share that regarded corruption as an impediment to investment, however, suggesting that corruption may be used instrumentally by business to access these markets. And despite concerns, inflows of aid and investment have been sufficient to produce impressive economic growth in recent years, though even higher rates of growth would be desirable.

Of greater concern, then, is the impact that crime and corruption can have on governance. There is a widespread impression in South East Europe that some people, due to their political connections, are above the law. In addition, most of the countries of this region perform poorly in terms of the standardised indicators relating to Rule of Law. The World Bank provides composite governance figures, which are presented in the figure below. Each bar represents the share of countries or regions which

### Real GDP growth rate in 2005



Source: UNECE, Eurostat

were ranked lower than the country indicated. Kosovo (Serbia) and Albania fell lower in the ranking than the average in sub-Saharan Africa, and all scored less than the average for East Europe or the OECD countries.

It has even been suggested that crime may play a role in regional instability, and continued instability certainly increases vulnerability to organised crime. The World Bank ratings rank four countries in South East Europe as less stable than the average for sub-Saharan Africa: Serbia, the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina, and Albania. All of these areas have been affected by the dispute over the final status of the international protectorate of Kosovo. Fundraising surrounding the Kosovo conflict has involved trafficking of various commodities in the past, and the lines between the political and the criminal remain substantially blurred in some areas. In the end, it is impossible to demonstrate statistically a correlation between the presence of organised crime and instability because neither issue can be satisfactorily quantified. But there appears to be good reason to treat organised crime as a stability threat in parts of South East Europe, due to the role it has played in past conflicts.

### Conclusion

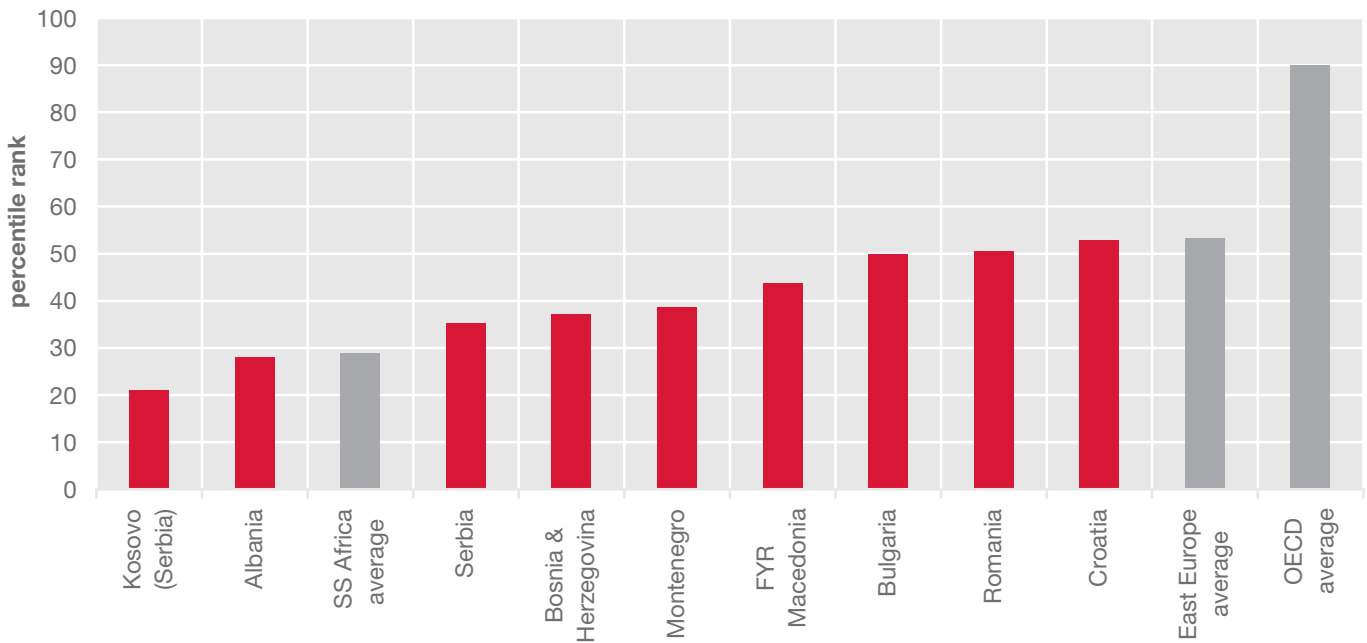
This report argues that the crime situation in South East Europe is getting better. Low murder rates are diminishing further still. All indications are that rates of other forms of conventional crime – such as robbery, burglary, assault, and car theft – are lower than in West Europe. This should come as no surprise, as the region does not

exhibit many of the social and economic points of vulnerability experienced in high crime areas around the world.

More remarkably, there appears to have been a reduction in various forms of organised crime that emerged during the years of transition and conflict. Heroin trafficking by ethnic Albanians – the single most notorious Balkan crime phenomenon – has apparently diminished in its scale, based on an analysis of statistics provided by West European law enforcement agencies. Human trafficking seems to have seen its peak in the 1990s – the numbers of victims detected in West Europe indicate a greatly reduced flow from previous estimates. Migrant smuggling too has diminished as Bulgarian and Romanian citizens no longer need visas to enter the EU, and effective policy responses have reduced flows of illegal migrants from outside the region. Interventions and a declining market also appear to have taken the momentum out of the trafficking of firearms and cigarettes.

While these are all positive trends, significant challenges remain. The threat of regional instability remains and criminal groups could play a role in future conflict. The region continues to be the premier transit zone for heroin destined for Western Europe and an important corridor for human trafficking and smuggling of migrants. Growing access to West Europe through the expansion of the Schengen area and the introduction of more liberal visa regimes could fuel both trafficking and emigration, feeding the marginalized diaspora networks on which much of transnational organized crime is based. Dealing with these transnational threats requires strengthening gov-

**World Bank Rule of Law rankings in 2006**



Source: World Bank

ernance and institutions within South East Europe.

In particular, it is important to provide more international assistance to strengthen the rule of law. Within the overall efforts to build and institutionalise the rule of law, particular emphasis should be placed on crime prevention and criminal justice. This means building capacity and trust in public institutions, in particular the courts and the police. Enhanced trust in law enforcement mechanisms should manifest itself in growing confidence in the legal system in general, resulting in increased use of the banks, investment instruments, and legal contracts. These positive trends will gain a momentum of their own over time.

Kosovo provides a good example of the way that strengthening the rule of law can retard the growth of crime. Murder rates have declined significantly in recent years. It was the chaos accompanying the war and economic collapse that led to the growth of ethnic Albanian organised crime groups, and growing order appears to be undermining their competitiveness. Organised crime thrives in areas where people have little investment in their societies, and people do not invest where their future prospects are uncertain. The more that social and political conditions normalise, the more that criminal groups will lose their grip on Kosovo.

This report argues that the rise of organised crime in the Balkans was a direct result of past instability, but that the situation seems to be changing for the better. As the region stabilizes and the rule of law is secured, the incentives and opportunities for criminality should further fade.

# Introduction

As part of its mandate to monitor drugs and crime situations around the world, the UNODC has been taking a closer look at the available statistical information in regions where transnational crime is an issue. In this report, the focus turns to Europe, in particular to the region which has been referred to over time as “the Balkans” and more recently as “South East Europe”. These terms are used interchangeably in this report to refer to the member partners of the Stability Pact for South Eastern Europe: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Moldova, Montenegro, Romania, and Serbia (including Kosovo).<sup>1</sup>

This report is based on desk research, making use of the proprietary databases which the UNODC maintains: the Survey of Crime Trends and Operations of Criminal Justice Systems (CTS), the Annual Reports Questionnaire (ARQ), and the Individual Drug Seizures database (IDS). This information was combined with statistical data gathered from other sources, as well as historical and analytical materials. For more on the methodology of the report, see Annex 2.

The report opens with a look at the social and economic indicators for the Balkans in order to assess certain risk factors that have been identified in studies of high crime situations around the world. Next, the standardised crime data from the CTS are discussed, with particular reference to the most reliable of crime indicators, the homicide rates. The discussion proceeds to organised crime, starting with an examination of its historical origins and moving on to a sector-by-sector exploration of the data in each major crime market. Finally, the report looks at some of the ways these crime issues could be affecting social, economic, and political progress in the region.

This simple undertaking does not aspire to comprehensive coverage of the crime and justice issues in all nine nations concerned. Rather, it focuses on interrogating the data on the severity of the crime problem in South East Europe, and possible trends in these data.





# The Balkans do not fit the profile of a high crime region

The causes of crime are the subject of much debate, on both an individual and a societal level. It is clear that no single factor is universally associated with crime. For any given correlate that might be named, exceptions can be found. But certain points of vulnerability can be listed which, in the absence of countervailing points of resilience, make it more likely that an area will suffer from a crime problem. These include demographic, social, and economic features.

Some parts of Africa and Latin America illustrate this point well.<sup>2</sup> High crime areas are typically dominated by large numbers of dispossessed, uneducated and traumatised young men, angered by social inequities, often physically or culturally displaced, who see no future for themselves in the society. Particularly in urban slums, they rally together in gangs, engage in substance abuse and drug dealing, and generally position themselves contrary to the law and all it stands for. In sufficient numbers and under the right conditions, they can even pose a threat to state stability, participating in insurgent or terrorist groups.

In terms of these indicators, South East Europe does not fit the profile of a high-crime region. While there is substantial variation between countries, on the whole the population is not especially young, nor especially male, nor especially poor. And while disparities in wealth exist, they are not egregious by global standards. Many of these countries are largely rural, reducing their overall exposure to urban crime problems.

The following discussion looks at the data from the re-

gion on some of the main social and economic factors associated with crime.

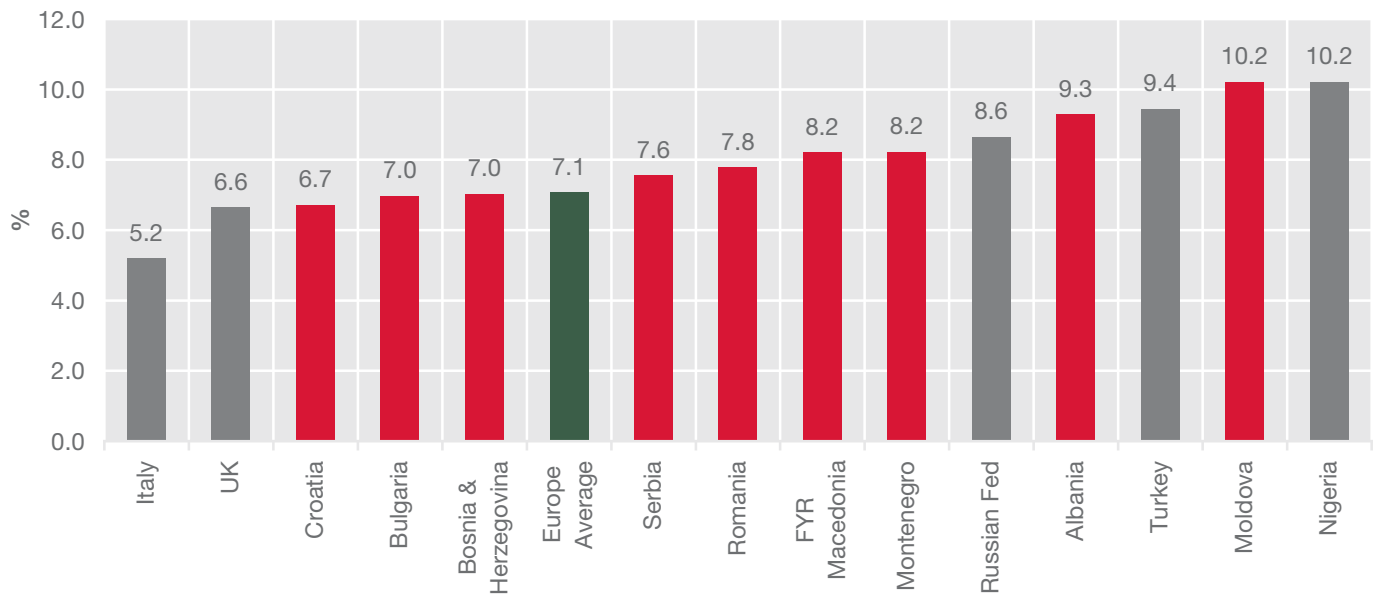
## Demography

Universally, most street crime and violence is committed by young males between the ages of 15 and 25. Regions with a large share of their population falling in this demographic group might be seen as more vulnerable to these types of crime as a result. It follows that having an older or more feminine population profile might make it less likely that certain crime issues will emerge.

In contrast to most developing areas, the population of South East Europe is not young, and is growing older. In fact, the region hosts some of the lowest fertility rates in the world: Bosnia and Herzegovina and Moldova record 1.2 lifetime births per woman, placing them at the bottom of the international standings in this regard.<sup>3</sup> In proportion to the general population, Bulgaria has the smallest child population in Europe.<sup>4</sup> The share of the population commanded by males aged 15-24 is below the European average in Croatia, Bosnia and Herzegovina, Bulgaria, and Serbia (Figure).

Albania and Moldova are exceptions. Albania is the youngest country in Europe: just under a third of the population is under the age of 15, and the median age is 28.<sup>5</sup> Some 10% of the Albanian population are males between the ages of 15 and 25, but this is less than that found in many developing countries. Despite currently low birth rates, Moldova's young male population constitutes the same share of the general population as in Nigeria. If Kosovo (Serbia) were considered separately,

**Figure 1: Share of males aged 15-24 in the overall population in 2005**



Source: United Nations – World Population Prospects, 2006 Revision Database

it would be an even more extreme outlier, with 57% of the population below 25 years.<sup>6</sup> This population is particularly vulnerable to criminality.

Since there are relatively few young people in most of the region, there is relatively little youth crime. This is reflected in the age of the prison population. The average age of inmates is between 29 and 40 years for every area for which data are available. In this region, the former Yugoslav Republic of Macedonia has the youngest prison population among the countries for which data are available, reflective of its relatively young population, but even in this instance, less than 15% of the convicted prisoners are under the age of 21. High median prisoner ages are not the product of lengthy sentences – as in other parts of Europe, most of the sentenced prison population is incarcerated for less than five years.<sup>7</sup>

As a population ages, the share of the population that is female increases.<sup>9</sup> Females may also be over-represented in countries experiencing large amounts of emigration, as young men tend to dominate the migrant pool. Females outnumber males in every country in South East Europe, by as much as eight percentage points. Since males generally comprise upwards of 90% of national prison populations, a reduced share of males in the society may represent reduced vulnerability to crime, especially violent crime.

**Poverty, inequality, and unemployment**

While the demographic issues may be favourable, some have argued that the region is vulnerable to crime because of poverty.<sup>10</sup> In general, the quantitative correla-

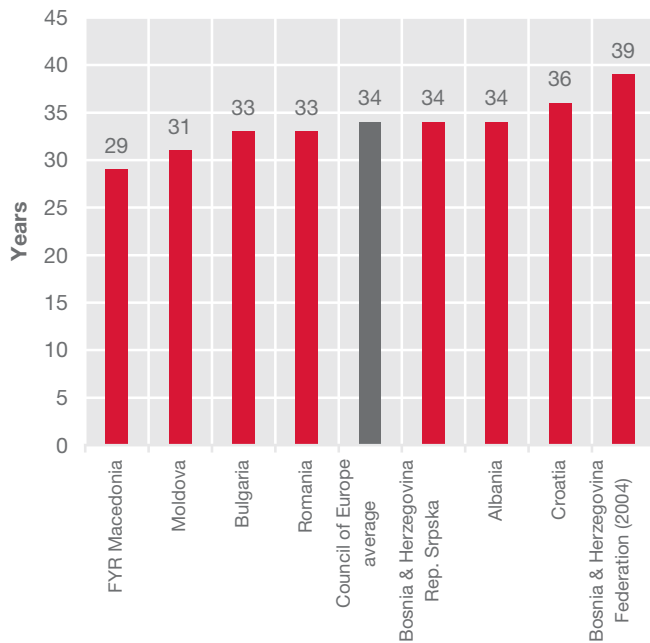
tion between poverty and crime is not strong – there are many poor countries that have low levels of crime. But crimes of material desperation do occur, and the demoralising effects of poverty may contribute to vulnerability to crime in a variety of ways.

Absolute income poverty is rare in most of the countries of South East Europe, although in some countries, a significant share of the population lives on less than US\$2.15 (PPP) per day, with children being especially affected (Figure). As recently as 2003, over half the children in Moldova lived in income poverty, a level 10 times higher than in some countries of the region.

In addition, due to historical particularities, development basics that are considered standard in Europe are absent in some countries in South East Europe. For example, only 57% of the population has access to an improved water source in Romania, about the same share as in Sierra Leone.<sup>11</sup> Only 9% of rural Albanian households have access to a car or truck,<sup>12</sup> and, as of 2002, only 39% of the national roads were paved,<sup>13</sup> a product of the former government’s position on private vehicular ownership. Power outages are a recurrent feature of life in Albania and in Kosovo (Serbia), impeding industrial development.

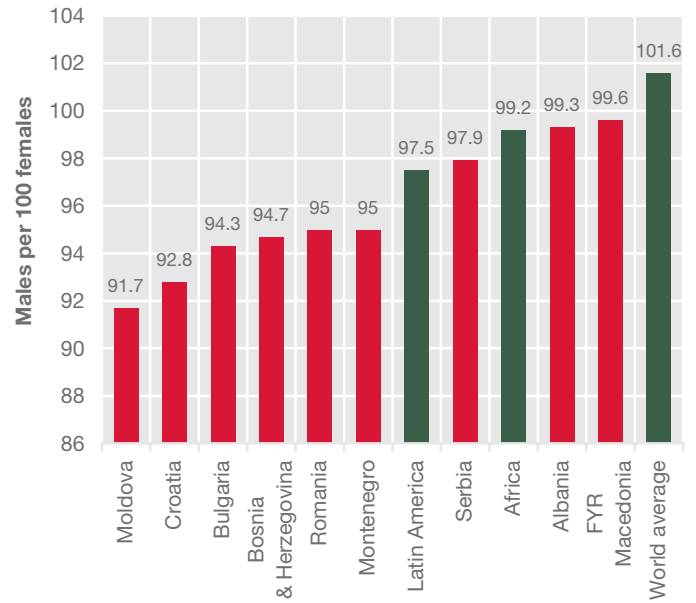
But income figures may be misleading because they are based on the recorded economy, and much of the economic activity in South East Europe occurs off the books (Figures). Different estimation techniques come up with starkly different rankings and figures, but the consensus is that as much as one quarter to one half the economic

**Figure 2: Average age of the prison population**



Source: Council of Europe, 2005<sup>8</sup>

**Figure 3: Males per 100 females in 2005**



Source: UNFPA, World population prospects: The 2006 revision

activity in some countries is informal and thus unregistered.

In addition, many households rely on remittances, which may not be tallied in the national accounts. For example, about half of the remittances sent to Albania enter the country unofficially.<sup>15</sup> Even the official figures show the pivotal role of remittances, which may be equal to a large share of GDP (Figure).

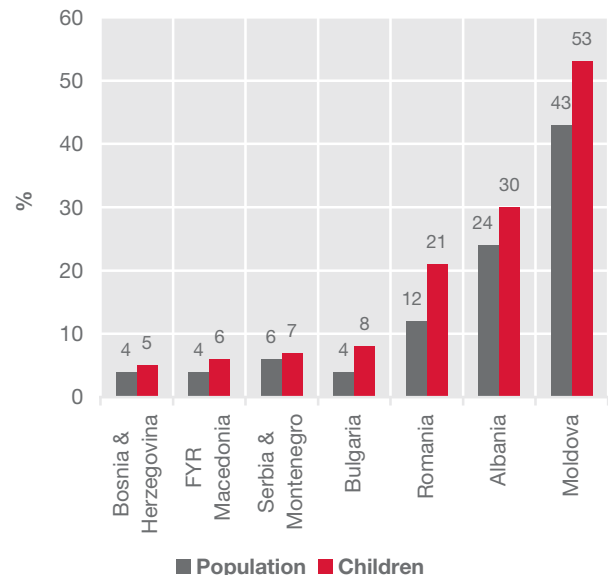
But it is overly simplistic to look at poverty simply from the perspective of income, especially in regions with strong socialistic backgrounds. While South East Europe contains some of the poorest countries in Europe, income levels do not necessarily correspond to other aspects of development. Overall development is often expressed in the Human Development Index (HDI), a composite of per capita income, adult literacy, and life expectancy. Based on HDI, with the exception of Moldova, all the Balkan countries were ranked “highly developed” in the 2007/2008 Human Development Report.<sup>16</sup>

In addition, all the countries of the region perform better in their HDI rankings than their income levels would predict.<sup>17</sup> This is partly a result of the socialism of the past, which provided health and education services while restraining personal incomes. As a result, educational levels are quite high. Adult literacy rates are good, especially in the poorest countries, and secondary enrolment levels sound. High levels of secondary and tertiary enrolment have an additional anti-crime side-effect: young people in school are not young people wandering the streets. In addition, the education provided appears to be of a high calibre. In an international standardised test

of mathematical skills, Bulgaria, Romania, and Serbia scored above the international average of 46 countries participating, with the former Yugoslav Republic of Macedonia falling slightly below the average, but still above many countries with similar income levels.

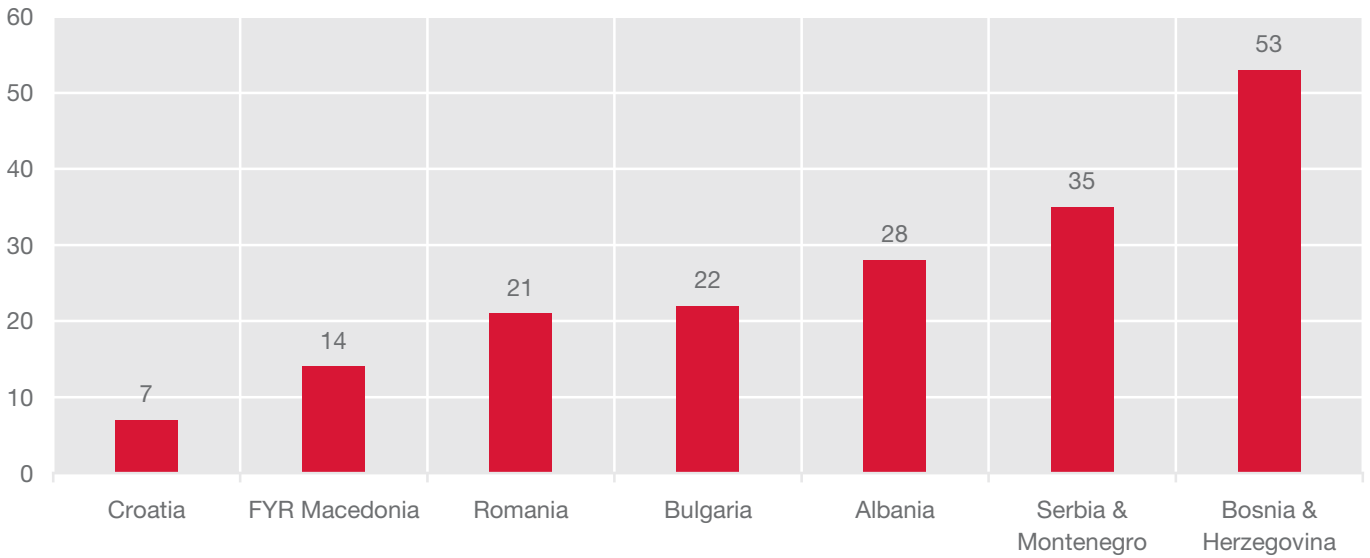
Good basic living standards and access to health care are reflected in life expectancy. Life expectancies are quite uniform throughout the region (again, with the exception of Moldova) and are generally quite high. Long life expectancies mean more life to look forward to, more

**Figure 4: Percentage of population and children living on less than PPP US\$ 2.15 a day in 2002-03**



Source: UNICEF, Innocenti Social Monitor 2006

**Figure 5:** Size of shadow (informal) economy, 2000-2004 as a percentage of GDP (calculated with the national accounts discrepancy method)



Source: UNECE

productive years, and fewer young people facing life as orphans, in contrast to many developing areas.

Thus, while the people of this region do not necessarily have a lot of disposable income or consumer goods, they are not widely afflicted by issues like malnutrition or preventable disease that might severely shorten life spans, or educational deficiencies that might lead to a lack of job skills. On the contrary, the people of South East Europe generally enjoy high standards of education and healthcare, reducing incentives for participating in crime.

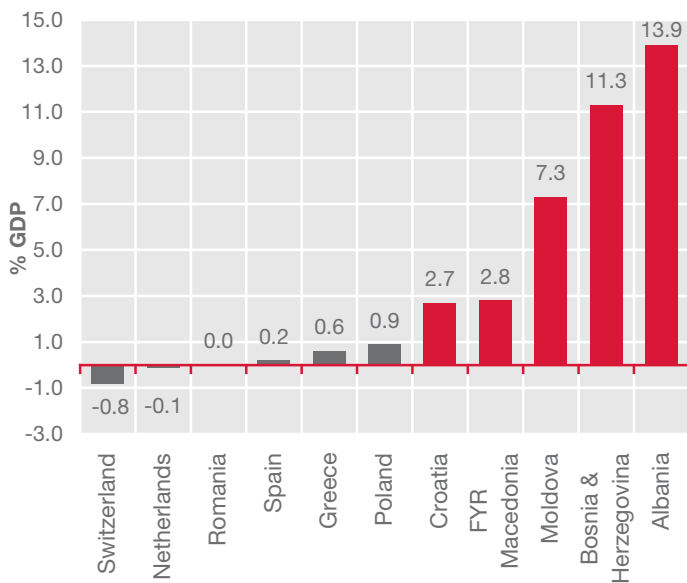
While poverty is not quantitatively correlated with crime internationally, inequality often is. Stark income differences are thought to fuel crime in a variety of ways. They may be used as a justification for property crime, portrayed as a kind of informal redistribution mechanism in street discourse. Young males in particular may resent the way their relative poverty reflects on their manhood, and so default to less complicated demonstrations of virility: violence and sexual aggression. The two dynamics may become combined, as street gang members see violent acquisitive crime (such as robbery and extortion)

**Map 1:** Share of shadow economy in GDP in 2002/2003 (DYMIMIC and Currency Demand Methods)



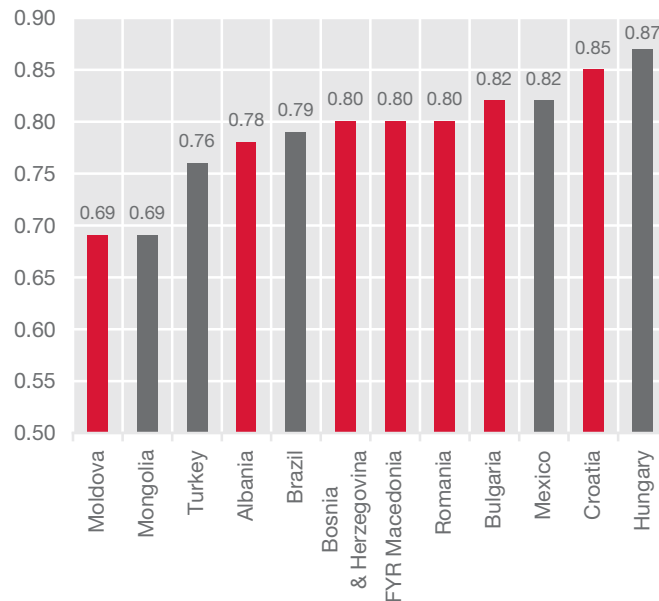
Source: Schneider, 2004<sup>14</sup>

**Figure 6: Workers remittances as a share of GDP in 2004**



Source: Elaborated from IMF Balance of Payments Statistics Yearbook 2004

**Figure 7: Human Development Index (HDI)**



Source: UNDP, Human Development Report 2006

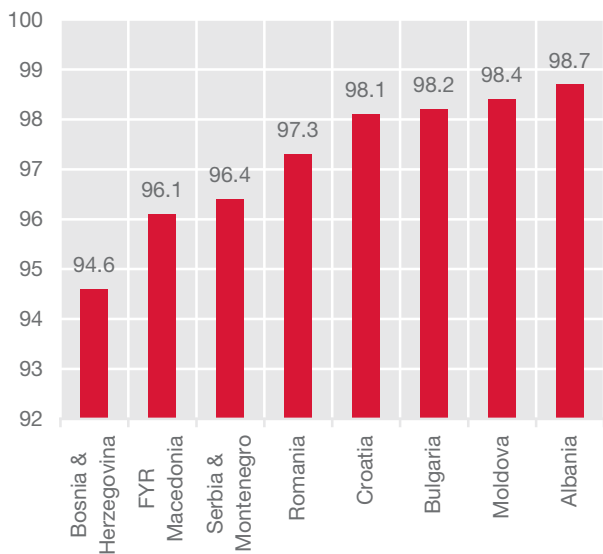
and violent enterprise crime (such as street drug dealing) both as a path to self-enrichment and a means of asserting their masculinity.

National income inequality levels, as measured by the Gini Index, are generally quite moderate in the region, less egalitarian than Norway but more so than the United States (Figure). This is also likely a product of the socialist past, and is likely to change as free markets enhance social divisions. In addition, these gross indicators may not capture the emergence of small elites with

large off-the-books incomes. But for the present, most South East Europeans live under similar circumstances as their neighbours.

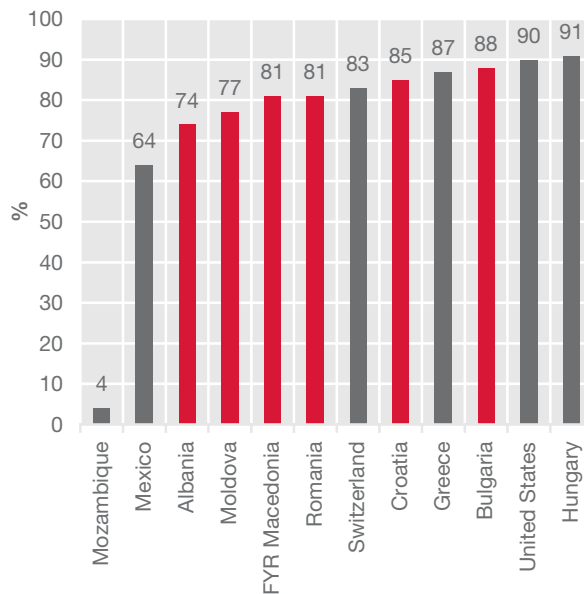
In addition to material deprivation and a sense of social injustice, the idleness associated with high levels of unemployment may contribute to criminal activity. Young men who see no legal prospects for themselves to become independent of their parents, or to acquire the status symbols so important to youth, may find criminal activity to be relatively attractive. Despite economic

**Figure 8: Share of the population over 15 that is literate**



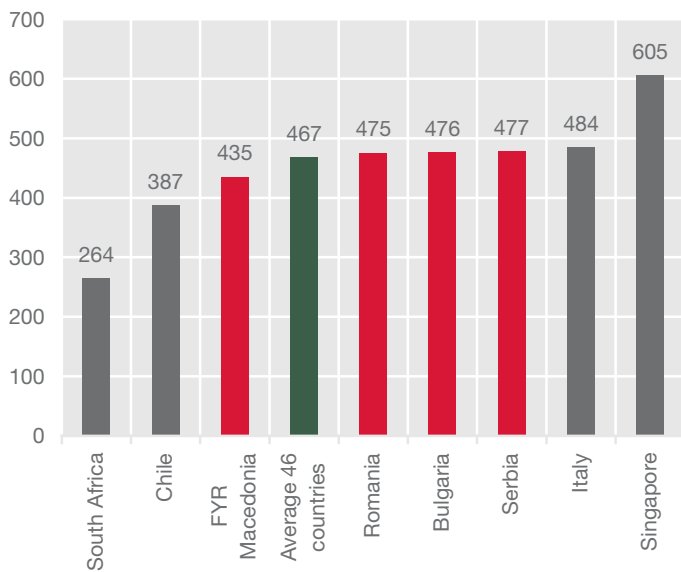
Source: UNDP Human Development Report 2007

**Figure 9: Share of eligible secondary students who are enrolled**



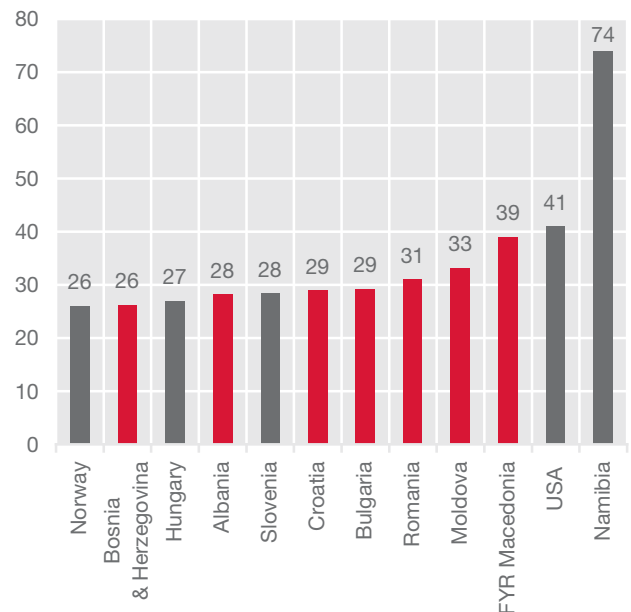
Source: UNDP, Human Development Report 2006

**Figure 10: National scores on the Trends in International Mathematics Study in 2003**



Source: International Association for the Evaluation of Educational Achievement<sup>18</sup>

**Figure 12: Gini Index (0=equality, 100=inequality)**

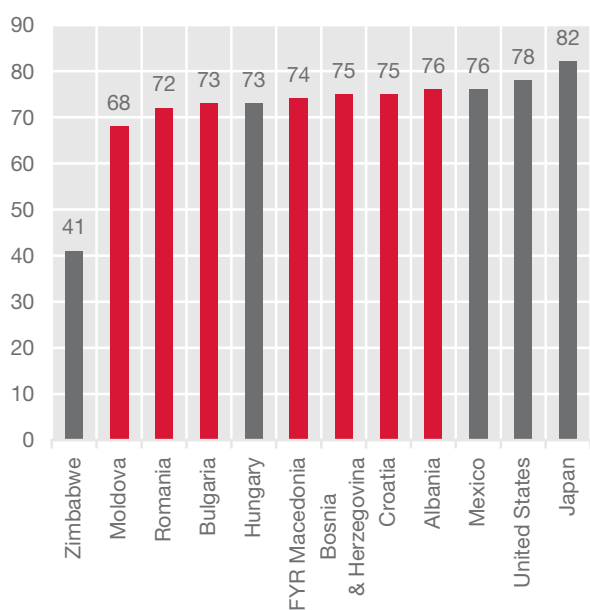


Source: UNDP, HDR 2006

growth, unemployment rates are high throughout the region, and in most states, the situation has not improved much in the past decade (Figure). Romania is the only country with an unemployment rate below EU-25 average. In the last few years, however, the largest contraction in workforce was in Romania, while Bulgaria was the only country with a net increase in employment levels.<sup>19</sup> There is concern that an inflow of returnees would further exacerbate this problem in some countries.

Unemployment rates are estimated at over one third of working force in Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Kosovo (Serbia). Throughout the region, the youth are generally the hardest hit by unemployment. In South East Europe, youth unemployment was higher than general employment in the Serbian province of Kosovo (1.5 times higher), Albania (1.9 times higher), Croatia (three times higher), Serbia and Montenegro (three times higher) and Romania (3.6 times higher).<sup>20</sup> The EU average is two times higher.<sup>21</sup> Thus, as is the case in most regions, unemployment in South East Europe may disproportionately affect the population group most at risk of criminality. Unemployment may be particularly frustrating for people in this region given the generally high level of education. In Montenegro, for example, 80% of unemployed people have completed their secondary education.<sup>22</sup>

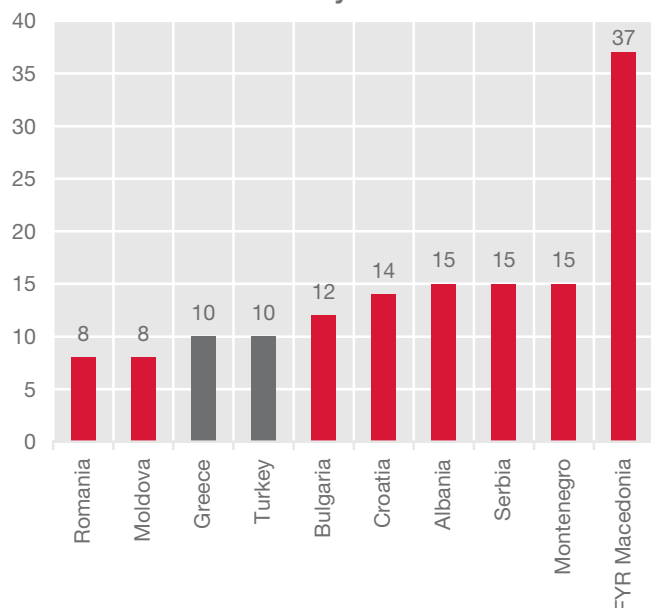
**Figure 11: Life expectancy at birth in 2005**



Source: UNDP HDR 2007/2008

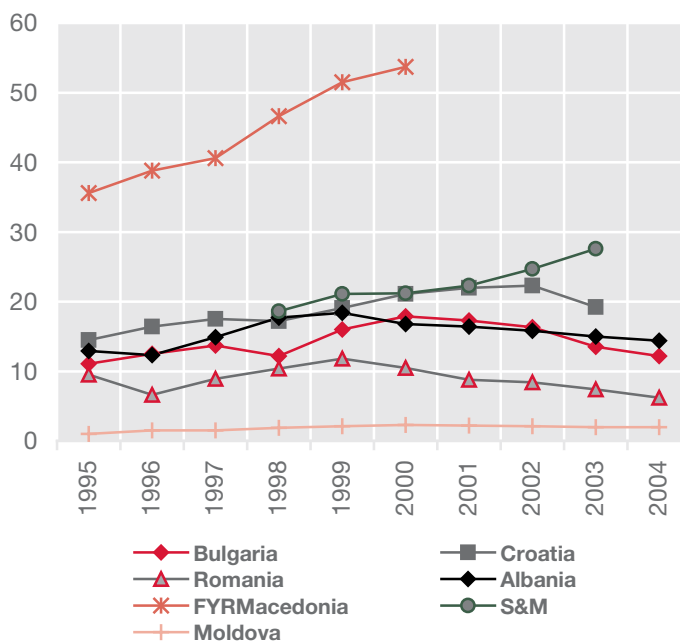
But, depending on how they were derived, the official figures can be deceptive. All of these countries have a large number of internally displaced persons and refugees,<sup>23</sup> and, as discussed above, high levels of participation in the informal economy. In Bosnia and Herzegovina, over 50% of the total economy is believed to be informal, suggesting unemployment may be substantially less than that the official figures would indicate. Even within the formal sector, many workers may operate “off the books”, in order to continue to collect benefits and to avoid paying taxes. Finally, as also discussed above, many households are supported by remittances from abroad, so unemployment may not be indicative of economic stress on the household.

**Figure 13: Percentage of workforce unemployed, latest available year**



Source: United Nations Statistics Division

**Figure 14: Percentage of workforce unemployed over time**



Source: EUROSTAT

### Urbanisation

Urbanisation is a factor often associated with high crime rates. For a variety of reasons, urban areas generally suffer from more crime than rural ones, and the greater the share of the population that is urbanised, the greater the share that is exposed to this risk. The countries of South East Europe are far less urbanised than the Western European norm. This may also serve as a protective factor against the kinds of crime experienced in urban areas.

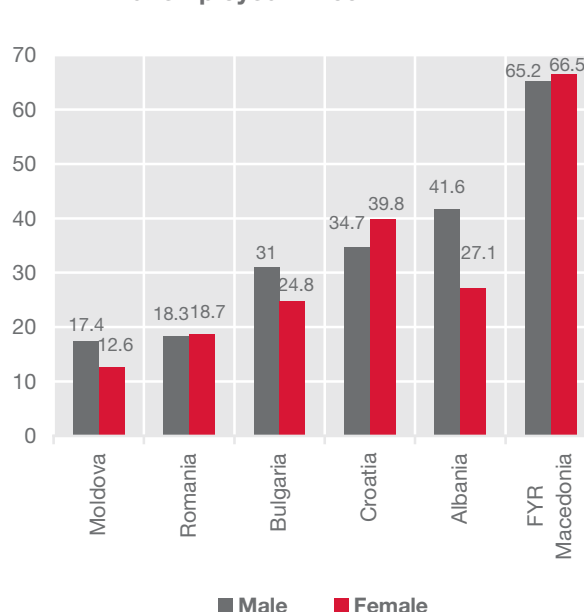
But even more significant is the rate of urbanisation. Rapid urbanisation, especially in the context of underdevelopment, can contribute to social stress, as poor cities are rarely equipped to deal with the influx, and squatter areas, notorious for their insecurity, may grow. Here, there is considerable variation between the countries of the region. The less developed countries (Albania, Bosnia and Herzegovina, and the former Yugoslav Republic of Macedonia) are experiencing annual urban growth rates of more than 1%, but, with the exception of Albania, this is still less than the global average of about 2%. In contrast, Bulgarian and Romanian cities are actually shrinking.

Albania is exceptional in its urban growth rate. The urban population of Albania, according to the 1989 census, amounted to 36% of the total population. Five years later, in 2004, it had grown to 45%.<sup>26</sup> The size of the city of Tirana approximately doubled in the decade between 1993 and 2003,<sup>27</sup> and continues to grow apace.<sup>28</sup>

### Criminal justice capacity

The criminal justice system represents the premiere – and in many regions, the only – response of the state to crime. Where the system is weak, it is unable to help deter crime, incapacitate offenders, or rehabilitate convicts. Poorer countries may be unable to invest as much in the police, justice, or prisons as rich ones, and this may leave them relatively vulnerable to crime. Well resourced criminal justice systems are not necessarily fair

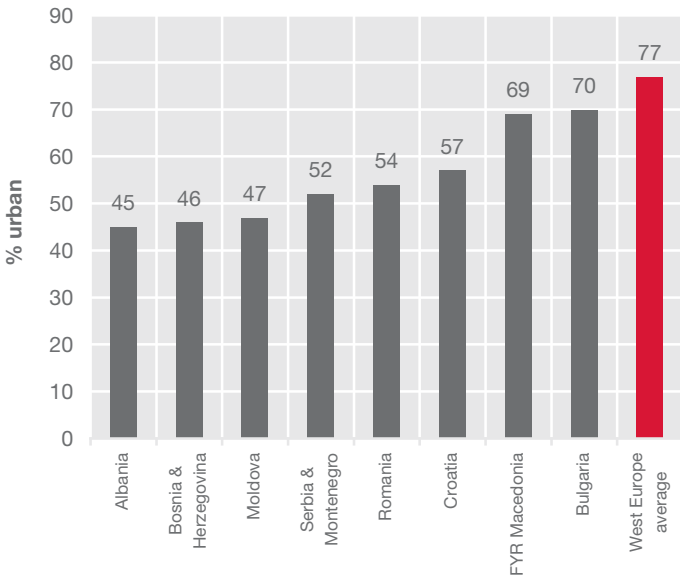
**Figure 15: Percentage of young people (under 25) unemployed in 2004**



Source: EUROSTAT

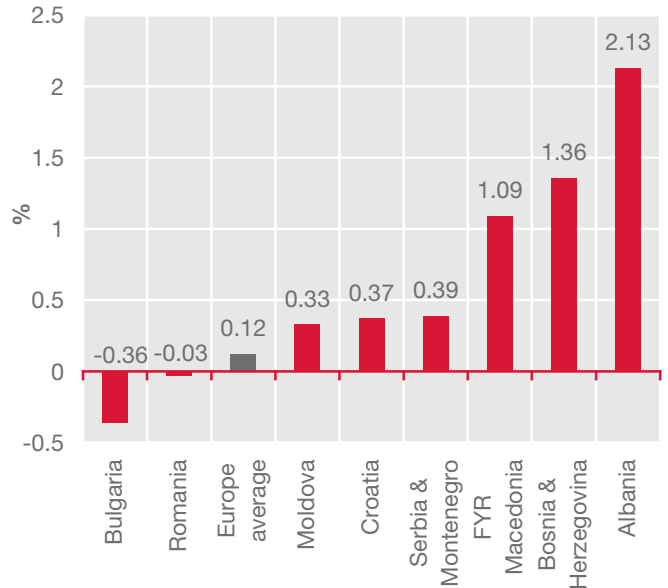


**Figure 16: Percentage of total population that was urban in 2005**



Source: World Urbanization Prospects: The 2005 Revision Population Database<sup>24</sup>

**Figure 17: Urban growth rate in 2005**



Source: World Urbanization Prospects: The 2005 Revision Population Database<sup>25</sup>

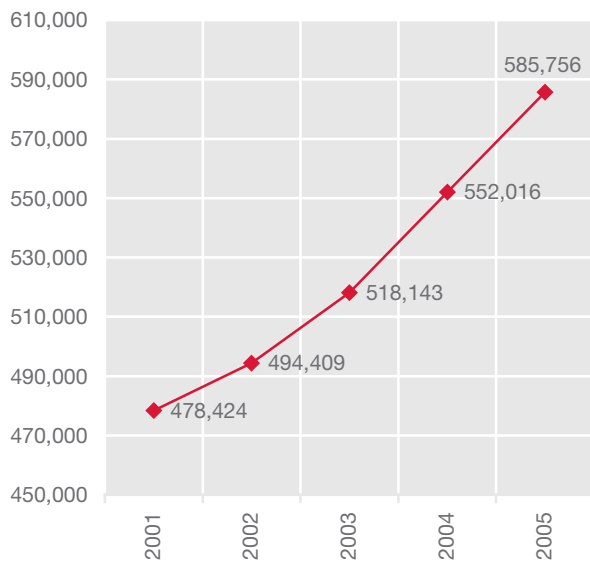
or efficient, but without sufficient resources dedicated to responding to crime, criminals experience a large degree of impunity, typical of high crime regions.

Based on the raw personnel numbers, South East Europe does not suffer from an under-resourced criminal justice system. The countries of this region were bequeathed by the communist regimes with more than adequate security coverage. In contrast to many other regions, police work was prestigious and well-resourced under all of the communist regimes in the Balkans. Most of the internal security operations were internationally

recognised for their efficiency in gathering intelligence and executing the will of the state. In fact, most countries had to scale down their police forces as the governments began to rationalise and adjust to market economies, and this trend continues in some instances. Albania, for example, reduced its police personnel from some 12,000 to about 9700 members in late 2007.<sup>29</sup>

Despite these reductions, it does not appear that South East Europe is presently deficient in terms of police coverage (Figure). Albania, with all its fiscal challenges, has had more police per capita than much of Western Europe, while Croatia's coverage exceeds that of well-policed societies such as Singapore. Although an anomalous case (and not strictly comparable), Kosovo (Serbia) probably has the highest concentration of security personnel in the world. The province, with an estimated population of about two million, has between 7100 and 9100 national police, about 2000 international police, and some 16,000 foreign military personnel, many of whom engage in border control and other operations that might otherwise absorb police resources.<sup>30</sup> In police terms alone, this is about 550 police per 100,000 citizens, or 1350 security personnel per 100,000. Only 61% of the Kosovo population is 15-64 years old<sup>31</sup> and about half are female, so the ratio is close to one security officer for every 22 adult male inhabitants. While it would be unfair to compare this broader figure to police personnel alone, the military personnel in Kosovo do play an internal security role, so the level of coverage is striking.

**Figure 18: Population of Tirana, 2001-2005**

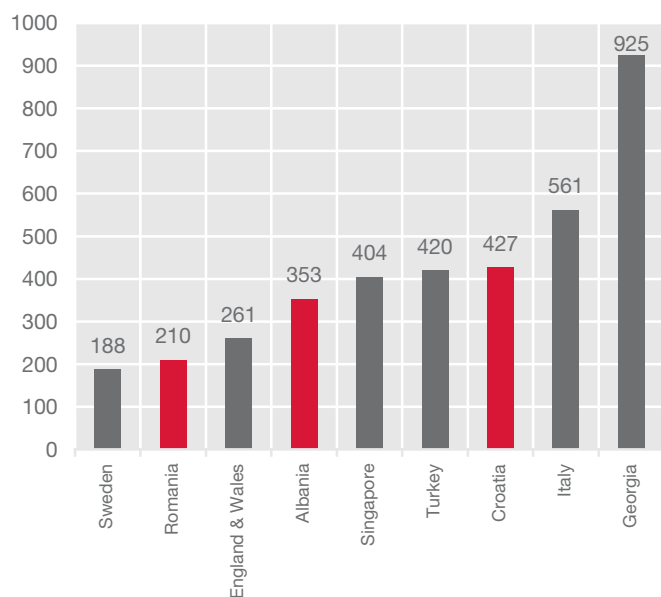


Source: OSCE 2005

The countries of this region also have more prosecutors per capita than Western European countries. With the

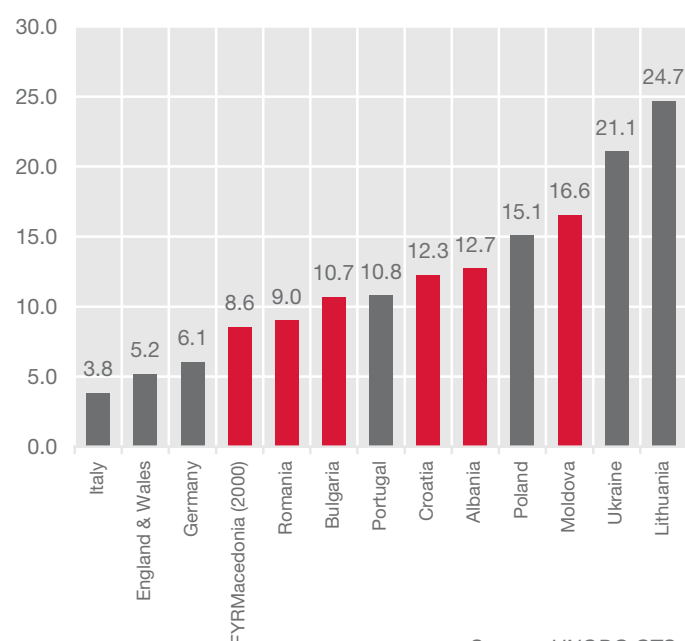


**Figure 19: Police per 100,000 citizens, 2003 or 2004**



Source: UNODC CTS; European Sourcebook of Crime and Criminal Justice Statistics 2006

**Figure 20: Prosecutors per 100,000 citizens, 2003 or 2004**



Source: UNODC CTS

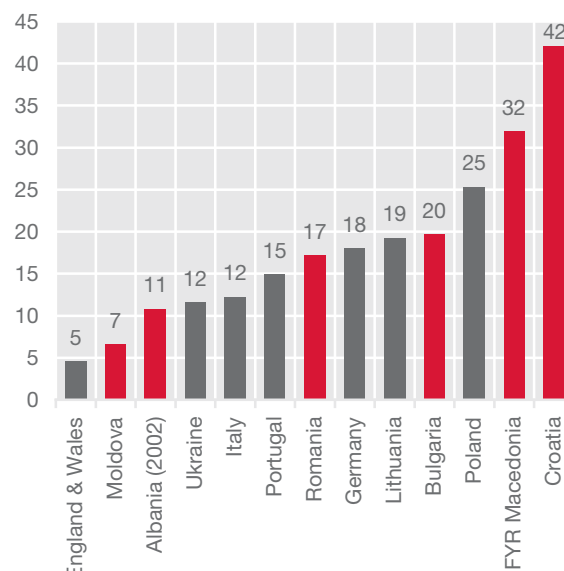
exception of Albania and Moldova, the same is true of judges. Inefficiency and incompetence can undermine the performance of even the best resourced systems, however. Many international and governmental organisations have published reports of serious problems in this regard in the Balkans. In particular, justice has often been identified as the weak link in the response to crime in South East Europe, as judges are believed to be subject to political influence and corruption (Box).

To assess the criminal justice actors in South East Europe, some reference must be made to internationally recognised indicators. The share of reported crimes that ultimately result in a conviction is often used as a performance indicator for both the police and prosecution services. The conviction rate for murder cases is high, even for inquisitorial systems, in most of the countries in the region. Bulgaria is an exception, where less than half the recorded murders ever see a conviction, and the EU recently noted that the prosecution of alleged contract killings is still insufficient in this country.<sup>43</sup> While excessively high conviction rates may be indicative of inadequate protections for the accused, these figures show that a murder committed in South East Europe is likely to draw a decisive state response. This may not be true of all other offence categories, however.

Conviction rates can be deceptive if these convictions are overturned on appeal. For example, in the Court of Bosnia and Herzegovina, of the prosecutions brought by the Special Department for Organized Crime, some 95% of trial convictions entered in the last three years have been overturned on appeal – either being reversed, revoked or modified to the advantage of the convicted –

while nearly 100% of acquittals have been confirmed. The reasons for this are unclear, but could include: corruption; inexperience on all sides; pressures being exerted upon members of the judiciary; fears of being cited to the European Court on Human Rights; adhering to prior (overly restrictive) practice interpretations; or some combination of these factors. It may also be that some of the cases should not have been confirmed at the indictment submission phase, or that the prosecutors did not know how to present their evidence in some of the cases. Whatever the case may be, the fact that very few

**Figure 21: Judges per 100,000 citizens, 2003 or 2004**



Source: UNODC CTS

organized crime cases result in incarceration indicates the system is not working well at present.<sup>45</sup>

Another traditional indicator of criminal justice efficiency is the share of prisoners who have not yet received a sentence. Since these people have not yet been found guilty of anything, this share should ideally be kept to a minimum through speedy trials and a functioning bail system. Inefficient criminal justice systems tend to generate considerable case backlogs, and accused people often wait years before their case is resolved. Aside from the injustice to the accused, this delay causes substantial problems for the corrections system, particularly in the form of overcrowding. Overcrowding undermines the prospects of rehabilitative work, and poses health and safety risks to both prisoners and corrections staff.

On the face of the numbers, South East Europe does not appear to have this problem. In most of the countries of this region, the share of the prison population that has not yet been sentenced is lower than the Council of Europe average. Partly as a result, most countries have prisoner to population ratios close to or below the Council of Europe average, and adequate space for prisoners (Figures). A prison is considered overcrowded when operating at about 115% of capacity – about 10% of prisoners are being processed into or out of custody at any given time. By this criterion, only Croatia, Albania, and possibly Bulgaria suffer from overcrowding.<sup>46</sup> A number of countries have made significant progress in reducing prison occupancy rates. Prisons in Bulgaria, for example, were running at 123% capacity in 2004 and 194% capacity in 2005, as compared to 116% in 2006.<sup>47</sup>

These figures say nothing about possible issues like inadequate remuneration, corruption, impunity for well connected criminals, outdated or inadequate equipment and infrastructure, police brutality, inadequate protection for the accused, or inhumane prison conditions. They also do not reflect on the benefits that could be gained by enhancing organised crime investigative ability, either through training or state-of-the-art equipment for surveillance and the like. But they do suggest that, in terms of raw capacity, most of the countries of this region are adequately equipped to respond to crime, which places them at an advantage over many regions facing crime challenges.

### Poor ground for crime

In summary, if we knew nothing else about the region, South East Europe is not the sort of place high crime rates would be predicted:

- For most countries, only 7% to 8% of the population falls into the highest risk demographic group (males between the ages of 15 and 25).

### Justice – the weak link?

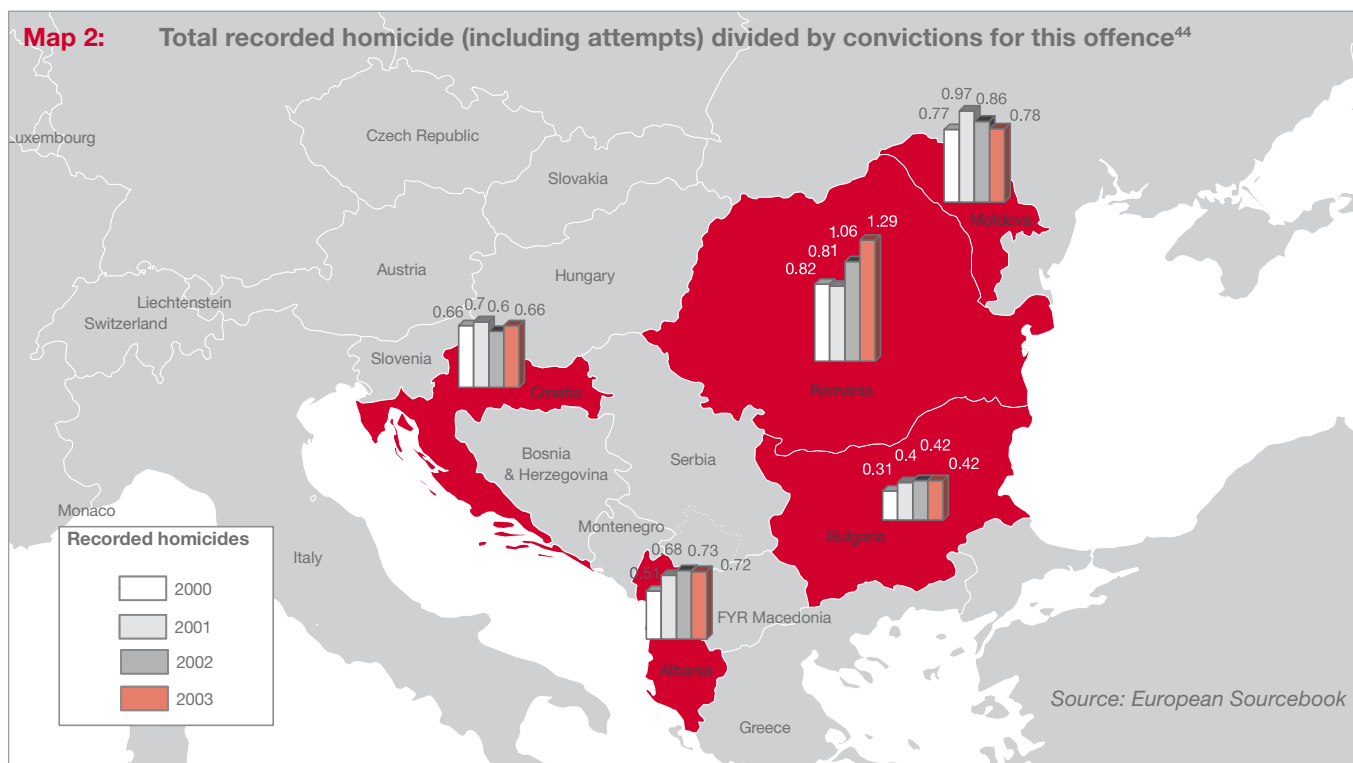
The judicial systems of South East Europe are rooted in a wide range of legal traditions, but most are essentially inquisitorial, as opposed to adversarial, in their criminal justice systems.<sup>32</sup> This means that a single judge directs or is largely responsible for the investigation once an individual has been arrested. Recent reform has moved these systems towards a mixed inquisitorial/adversarial position, where the public prosecutor, often assisted by a judicial police service, takes the lead in the investigation of an offence.<sup>33</sup> But the ability of judges to initiate and terminate criminal investigations represents a point of vulnerability to corruption in the region.

Historically, the judiciary has been subordinate to the executive in many countries in the region, and while reforms have been made, this legacy has not been entirely overcome. In Serbia, for example, the judiciary is still believed to be affected by political influence,<sup>34</sup> and the American Bar Association notes that “judges over the years have developed an acute ability to sense the wishes of the ruling power and to act in a way that avoids conflict and carries favour with such forces.”<sup>35</sup> This may result in a reluctance to prosecute prominent suspects with establishment links.<sup>36</sup>

The judicial appointment process has also been the subject of reform. In Bulgaria, the Supreme Judicial Council has, in the past, appointed minors and relatives of prominent jurists as judges.<sup>37</sup> Prosecutors are considered magistrates and serve on the Supreme Judicial Council responsible for appointing judges, creating a closeness that might be deemed unhealthy.<sup>38</sup>

In addition, as with many areas of public administration in the Balkans, the system is inefficient. In Croatia, the number of pending cases was 1.23 million at the end of 2006. This is despite the fact that, at 1,935 judges and 248 courts, Croatia is under pressure to rationalise its justice system.<sup>39</sup>

Corruption is believed to be widespread. Trial monitors in Albania, for instance, have documented numerous instances of judges accepting money and other consumer items from accused persons in return for a diminished sentence or favourable court decision.<sup>40</sup> In Bulgaria, some 60% of people surveyed in November 2005 believed that nearly all or most judges are involved in corruption.<sup>41</sup> Overall, the judiciary was rated the most corrupt sector society in South East Europe in the 2006 Transparency International Global Corruption Barometer survey, earning poor scores in Bulgaria, Croatia, and the former Yugoslav Republic of Macedonia.<sup>42</sup>

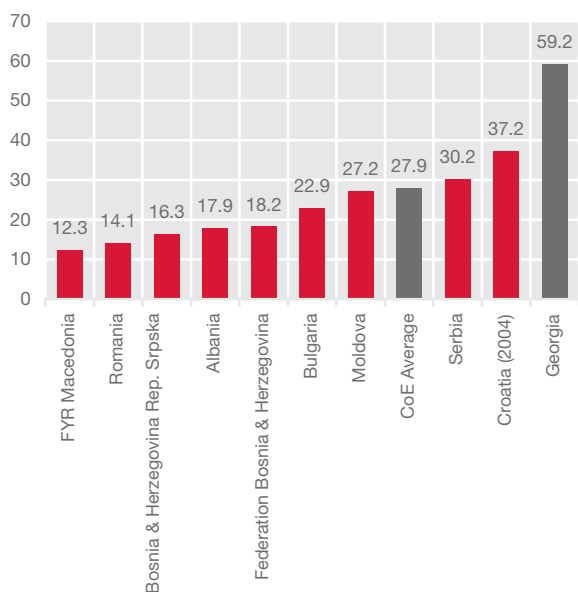


- While income levels are lower than in Western Europe, most of the people of South East Europe do not face life-threatening poverty.
- Wealth is distributed relatively evenly within South East European societies.
- Many countries in the region are highly rural and rates of urban growth are moderate.

- Criminal justice systems are generally adequately staffed and, apparently, efficient in processing murder cases, at least.

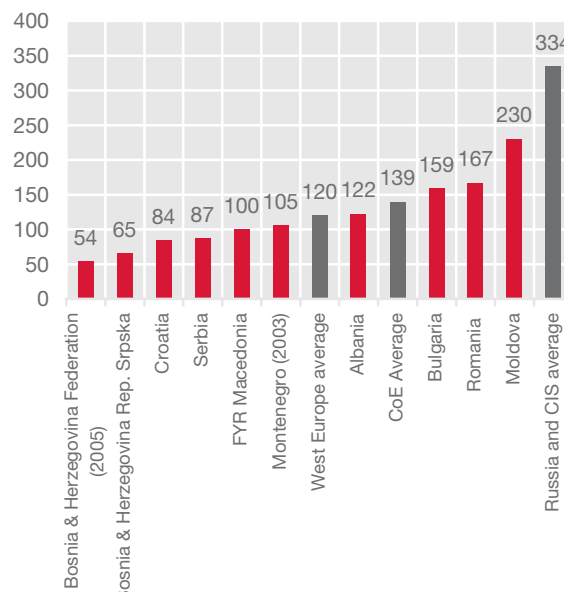
There are exceptions to these generalisations. Albania is younger than the rest of the region and is experiencing rapid urbanisation. Moldova is considerably poorer, younger, and less developed than any other country in South East Europe.

**Figure 22: Share of prisoners who were un-sentenced on 1 September 2005**



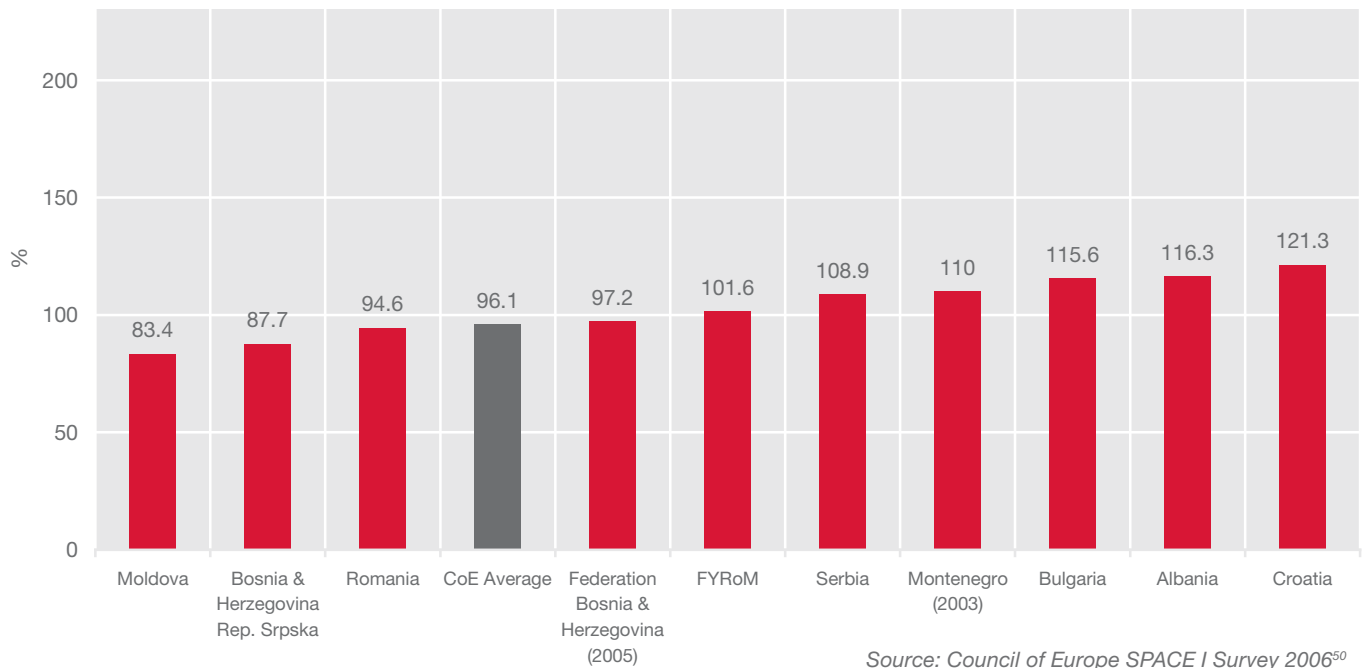
Source: Council of Europe SPACE I Survey 2005 <sup>48</sup>

**Figure 23: Prisoners per 100,000 population on 1 September 2006**



Source: Council of Europe SPACE I Survey 2006 <sup>49</sup>

**Figure 24:** Percentage of prison spaces filled on 1 September 2006



Income distribution is less even and unemployment is higher in the former Yugoslav Republic of Macedonia than in the other countries. Bulgarian conviction rates for murder are disturbingly low. Any one of these factors could have an impact on local crime rates.

Overall, however, there do not appear to be any deep structural reasons why this region should experience high rates of crime. The following section looks at the way crime manifests itself in terms of the local crime statistics.

## The Balkans do not have a conventional crime problem

The previous section argued that South East Europe should not suffer from high levels of crime, based on the socioeconomic correlates of crime. This section suggests that, in fact, South East Europe *does not* suffer from high levels of crime, at least not in terms of the conventional crime statistics or the available survey data. This simple fact is often omitted from discussions of crime in the region.

Many forms of crime are not captured in the conventional crime statistics. Detection of most kinds of organised crime, for example, is almost entirely reliant on the proactive work of the police. The extent of organised crime in the region, its causes, and its links to corruption, are all topics discussed in subsequent sections of this report. But it appears that in terms of conventional crime (such as murder, assault, rape, domestic violence, robbery, theft, etc.), South East Europe is relatively safe.

The measurement of crime is controversial. The number of crimes reported to the police do not give an accurate representation of the level of crime in a society. There are many reasons people do not report crime to the police, one of the most important being that it is simply not worth the effort given the results expected. As a result, many forms of property crime, such as the theft of uninsured items, are highly underreported, as victims are rarely able to identify the perpetrator and hold little hope of recovering their goods. Since high levels of crime tend to erode confidence in the police, levels of reporting should be lowest in precisely those countries where the problem is worst. Consequently, the highest total recorded crime rates in the world are generally in highly developed countries known for their safety, where peo-

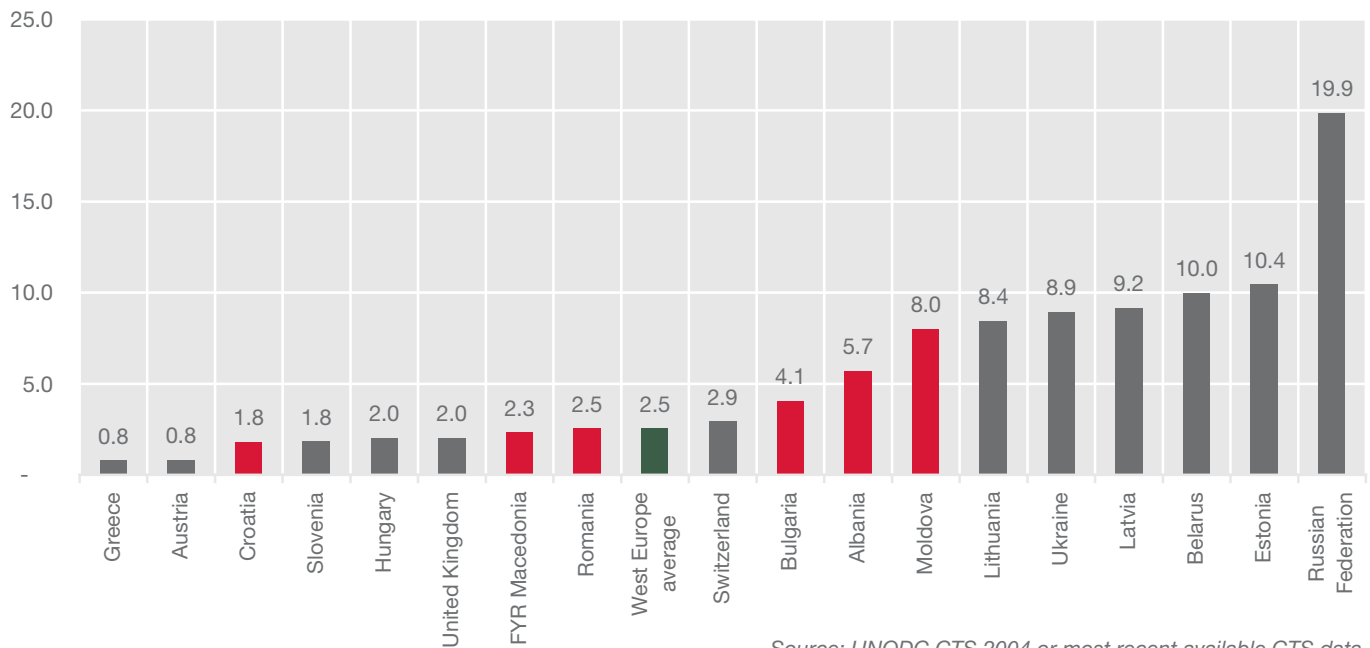
ple report even relatively minor incidents due to a sense of civic duty and high rates of insurance coverage.

There is one form of crime, however, that almost always comes to the attention of the police: homicide. There are many reasons for this. The death of a person is an event of considerable legal importance, involving a range of administrative actors, from insurance agents to welfare officials to those in charge of the hygienic disposal of bodies. For many of these interests, the cause of death is important. Dying people are often given medical attention, and medical professionals draw conclusions on the cause of death. When these are suspect, such as bullet wounds, these concerns are registered. Surviving family members may demand attention for these cases. Based on these combined inputs, most suspected murders are registered as such, although there may be some undercount in countries where state control over territory is limited or where strong cultural or political factors favour concealing violent deaths.

In contrast, non-lethal violence is generally highly underreported. Domestic violence, drunken brawls, gang skirmishes – unless the wounds require immediate medical attention and cannot be passed off as accidental, most of these forms of assault go undetected. As a result, the homicide figures provide the best single indicator of the violent crime situation in a country.

But even murder figures can be misleading when used for cross-national comparison. Definitions of crime vary greatly between countries. Even for what seems like an easily defined offence, such as murder, definitions vary widely. Murder is a crime of intent, and the determination

**Figure 25: Police recorded rates of murder per 100,000 citizens**



Source: UNODC CTS 2004 or most recent available CTS data

of intent is a matter of judgement, not fact. Killings performed in self-defence or the defence of others (including most killings by police) are not registered as murders. Killings that occur by accident vary in culpability depending on the degree of negligence of the perpetrator – freak accidents are less blameworthy than acts of wanton recklessness. In many jurisdictions, attempted murder is considered equal to the completed act; the would-be killer should not be treated differently simply because he failed to do what he intended. The way these intent issues are understood varies substantially between jurisdictions.

The UNODC attempts to overcome some of these difficulties through its periodic crime trends surveys, or CTS. A questionnaire is sent to all United Nations Member States giving standardised definitions of each crime type and asking the respondents to fit their crime figures into the appropriate categories. This is a difficult exercise, but it does provide a better basis for comparison than the figures published by the national police forces. Many countries respond to the survey sporadically, and much of the data are somewhat dated. Still, the standardised homicide figures are the single best comparative indicator available for gauging the severity of national crime problems.

### Murder

A quick look at the most recent European murder figures reported in the CTS show that while some countries in South East Europe are more violent than the Western European norm, many are not, and their murder rates are by far the lowest in Eastern Europe. Moldova had

the highest rate in the region in 2002, but it is the lowest of the European former Soviet Socialist Republics for which data are available. Albania’s 2002 murder rate of six per 100,000 was about the same as the United States at the time. Among the less violent countries in the region, Croatia has a lower murder rate than the United Kingdom. The former Yugoslav Republic of Macedonia had less homicide per capita than Portugal or Sweden. Romania was safer than Finland or Switzerland.

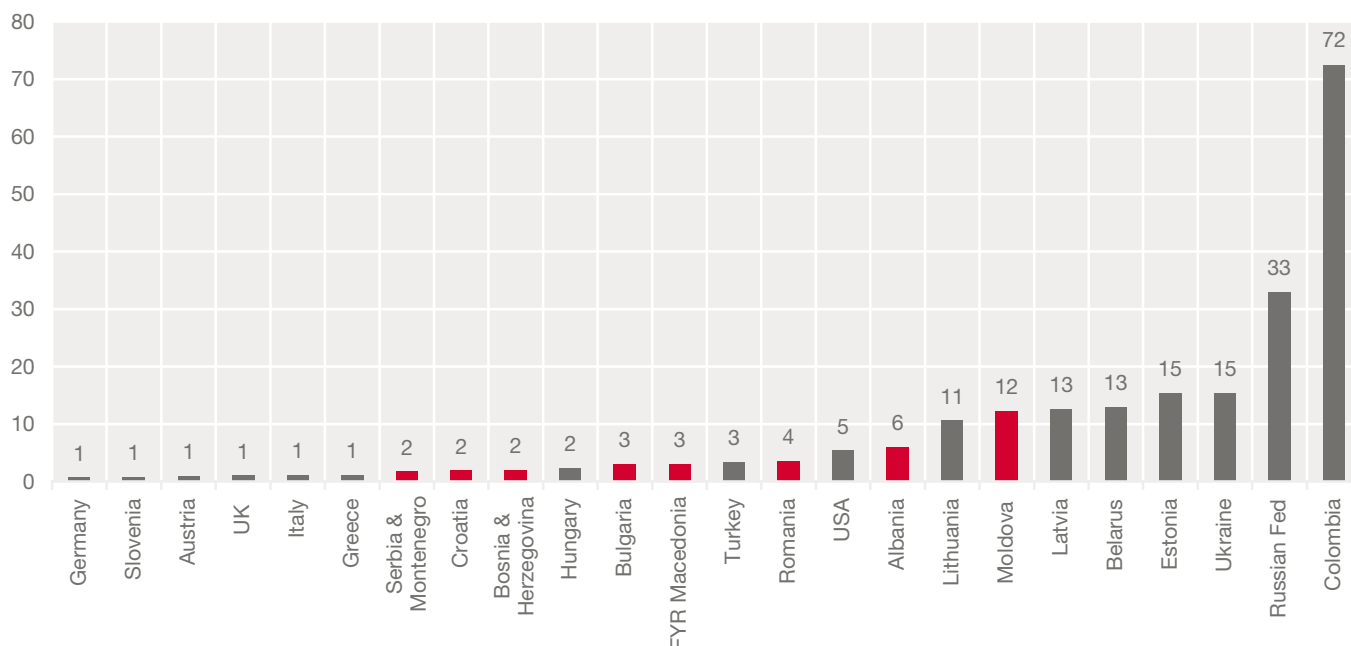
Standardised definitions are also applied by the compilers of the European Sourcebook of Crime and Criminal Justice Statistics.<sup>51</sup> Similarly to the CTS figures, these statistics show most have murder rates at or below the European average. In addition, Bulgaria, which scored above average in the CTS standings based on dated data, shows a consistent decline in recent years. Only Albania stands out as having a relatively high murder rate.<sup>52</sup>

Another source of standardised murder figures are the public health statistics, as compiled by the World Health Organization. These figures support the contention that homicide levels are not high in the region. For the bulk of the countries, they are slightly higher than in most Western European countries, but significantly lower than in Eastern European countries. The figures also suggest that countries not available in the CTS data set (Serbia and Montenegro, Bosnia and Herzegovina) are similar in their levels of homicide to the other countries of the former Yugoslavia. As in the European Sourcebook figures, limited time series data suggest rates of murder in Bulgaria are in decline.

So, based on at least three independent standardised data sources, it seems that murder rates, the single



**Figure 26: Public health rates of murder per 100,000 citizens**



Source: WHO 2002

most reliable crime indicator, are relatively low in South East Europe. In addition, limited time series information within these data sets also suggest that the situation may be getting better. For time series analysis, though, we have an additional data source: the police statistics of the national governments of this region.

While comparing non-standardised national police data can be misleading, they are very useful for discussing trends within countries, so long as the legal definitions of crime and data collection methods do not change over time. Absent evidence that officials are increasingly manipulating the data, trends in the police homicide figures should reflect real trends in the incidence of murder. In all of the countries in South East Europe for which extended time series data are available (Moldova, Albania, Croatia, Romania, Bulgaria, and Serbia – comprising most of the population of the region), homicide has been in decline in recent years.

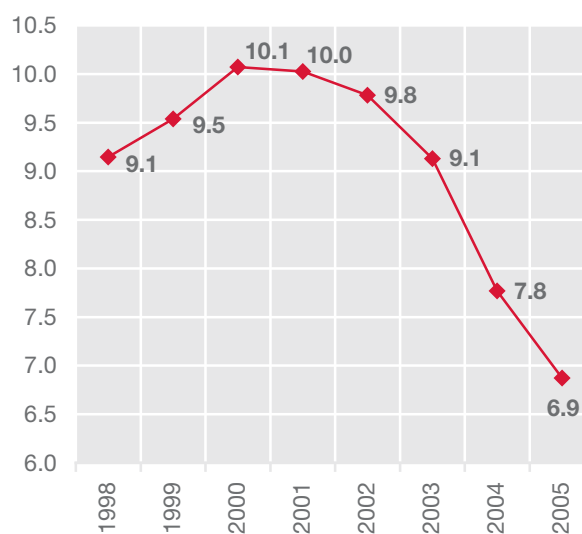
**Moldova**

Moldova’s murder statistics are the worst in South East Europe, according to all standardised sources. But these are based on figures from the early 2000s, and, according to the national statistics, there has been a dramatic reduction in the number of murders since that time, from 413 murders in 2000 to 268 in 2005. Even taking into account Moldova’s shrinking population, this translates into a sharp reduction in the murder rate.

**Albania**

The murder rates cited for Albania in both the criminal

**Figure 27: Intentional homicide per 100,000 in Moldova 1998-2005**

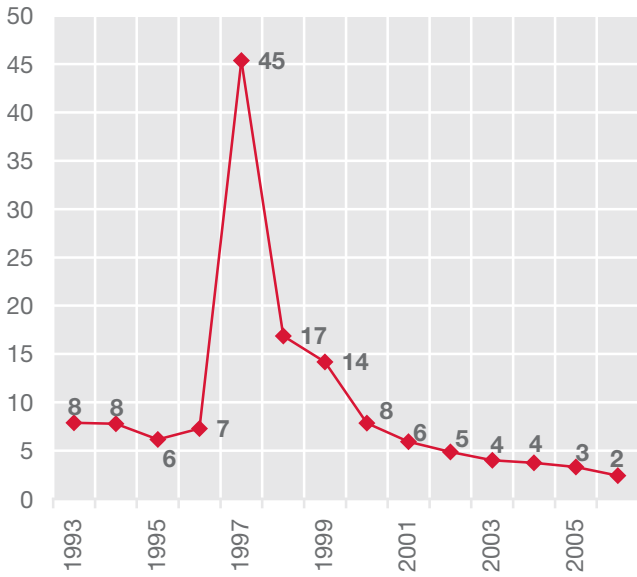


Source: Elaborated from data of the Bureau of National Statistics Moldova<sup>53</sup>

justice and public health data discussed above refer to data at least five years old. In the years that have passed, according to the Albanian Ministry of Public Order, things have improved considerably. According to the official statistics, murder rates declined by two thirds between 2001 and 2006, from six per 100,000 to two per 100,000. The number of murders committed in Albania in 2006 is only 5% of what it was after the collapse of government in 1997.

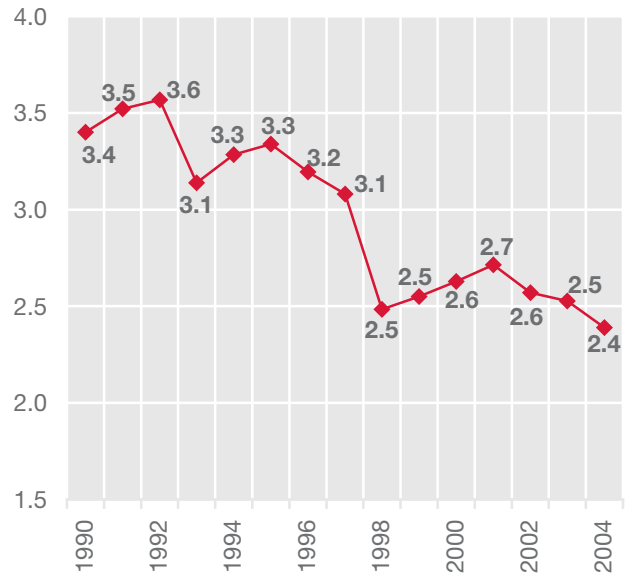
Concerns have been expressed about possible under-recording of crime in Albania. According to the 2007

**Figure 28: Albanian murder rates 1992-2006**



Source: Elaborated from the Albanian Institute of Statistics and the Albanian Ministry of Public Order<sup>64</sup>

**Figure 30: Intentional homicides per 100,000 in Romania, 1990-2004**



Elaborated from data of the Romanian National Institute of Statistics<sup>58</sup>

Progress Report by the European Commission, “Police capacity for... accurately recording crime remains weak.”<sup>55</sup> But even if only half or a third of the murders were being captured, the overall murder rate would still be low. And unless the share of un-recorded murders is increasing, the downward trend would be the same.

**Croatia**

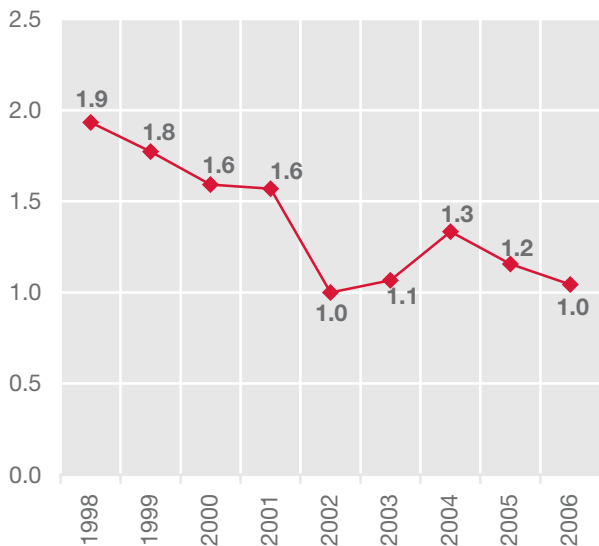
According to Croatian police statistics, murder in that country has been in decline over the last nine years, starting from a very low base. If the national police fig-

ures were comparable to the standardised figures, the murder rate in Croatia would be currently about one third of the European average, close to that of Japan. In 2006, the police recorded just 68 murders, in a country of some 4.5 million people.<sup>56</sup>

**Romania**

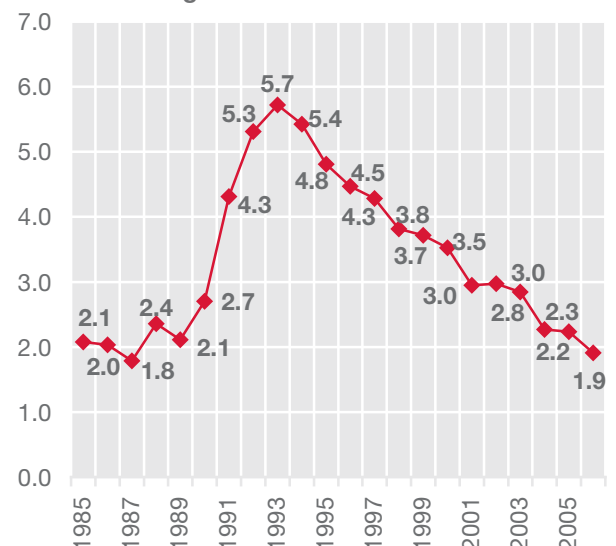
Romania’s murder rate has not been high in the last 15 years and appears to be in a general decline. Since 1998, it has settled at a level that, on its face, appears to be about average for Europe.

**Figure 29: Croatian murder rate**



Source: Elaborated from data of the Ministry of the Interior of Croatia<sup>57</sup>

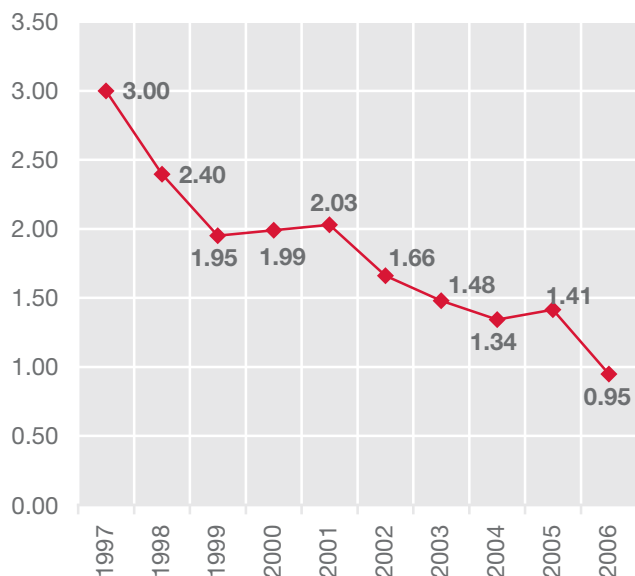
**Figure 31: Intentional homicide per 100,000 in Bulgaria 1985-2006**



Source: Elaborated from data provided by the Institute for the Study of Democracy

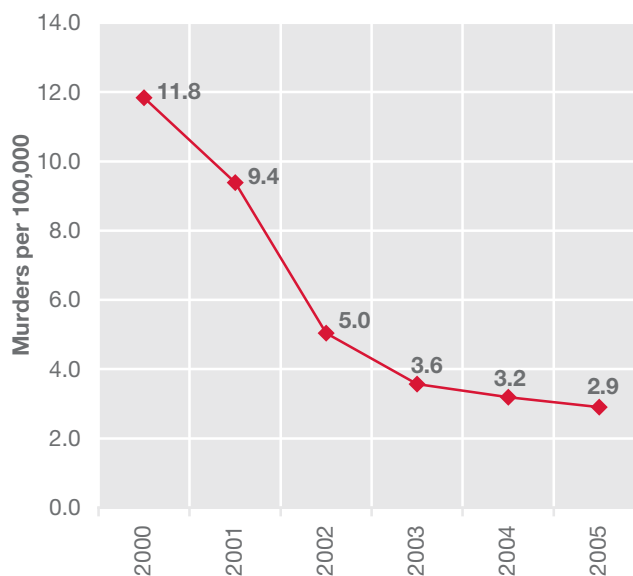


**Figure 32: Intentional homicides in Serbia 2004-2006**



Source: Serbian Ministry of Interior

**Figure 33: Intentional homicides in Kosovo (Serbia) 2000-2005**



Source: UNMIK<sup>61</sup>

### Bulgaria

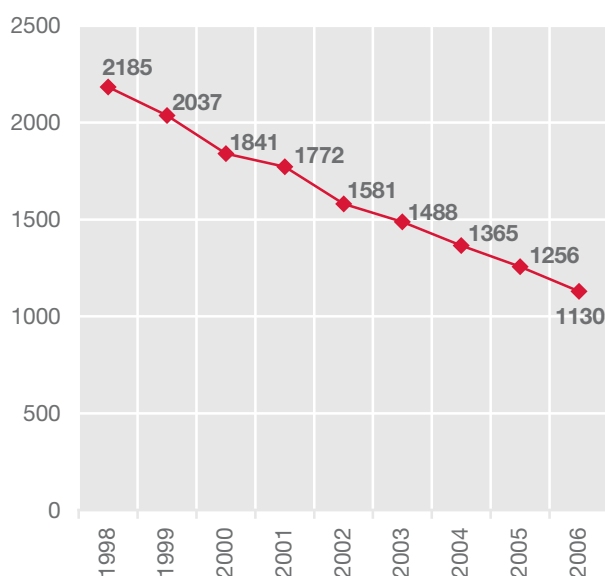
The rate of murder in Bulgaria declined steadily from its peak in 1994, from almost six per 100,000 to a third of that today. In 2006, the rate is the lowest it has been since 1987, when the country was still under authoritarian government. If these figures were comparable, this would be well below average for Europe. A large share of these murders were contract killings: around 10% between 2003 and 2005, declining to 7% in 2006.<sup>59</sup>

### Serbia

Homicides in Serbia appear to have been in decline for some time. From peaks in 1994 and 1997, the murder rate has dropped by two thirds. Official figures from the last three years are unbelievably low, with fewer than 100 murders in 2006, giving Serbia a rate of less than one murder per 100,000 citizens.

Murder rates in the province of Kosovo have also been in decline, dropping by 75% in five years. Based on population projections from a 2001 estimate made by OSCE (2.4 million), the police recorded rate today is under three per 100,000. As in Albania, there may be some under-reporting, and according to the 2007 Progress Report on Kosovo by the European Commission, "The format and the content of key crime data are inconsistent at regional and central level."<sup>60</sup> But the Kosovo Police Service is receiving highly competent help from international experts, and it is unlikely that many murders are missed, given the proliferation of security personnel. If anything, the rate of under capture should be declining, meaning the nominal decline could actually be concealing an even more dramatic decrease.

**Figure 34: Regional murder count**

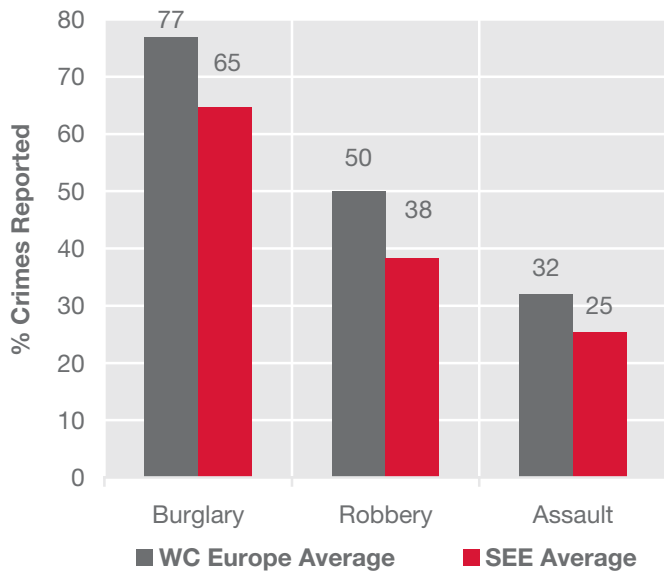


Source: National data sources<sup>62</sup>

In summary, available data suggest that murder rates in South East Europe (with the likely exception of Moldova) are comparable to those found in Western Europe, and decreasing all the time. In fact, combining the data from Moldova, Albania, Romania, Croatia, Bulgaria, and Serbia, the number of murders in the region essentially halved between 1998 and 2006 (Figure).

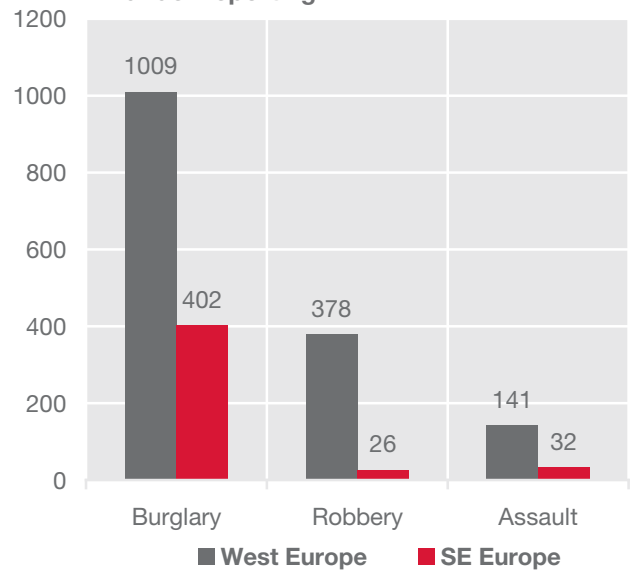
This dramatic, cross-national trend calls out to be explained. There may be some basis for questioning the capacity of some of the poorer countries in the region to collect reliable national statistics, but even if only half

**Figure 35:** Share of crime victims reporting the incident to the police



Source: ICVS, various years

**Figure 36:** Total recorded robbery and assault victimisation rates per 100,000 adjusted for under-reporting



Source: CTS and ICVS, various years

the murders committed were recorded, the rates would remain relatively low. And this possible deficiency would not explain the fact that every single country for which published time series data are available is showing the same downward trend. All the countries of the region are under pressure to show progress in fighting crime, but, given that the press, opposition parties, and the international community are vigilant in most, coordinated misdirection of the scale necessary to change the overall picture is highly unlikely. The only conclusion that can be drawn is that South East Europe is one of the safer areas of the world, and that progress is being made in making the region even safer.

### Under-reported crimes

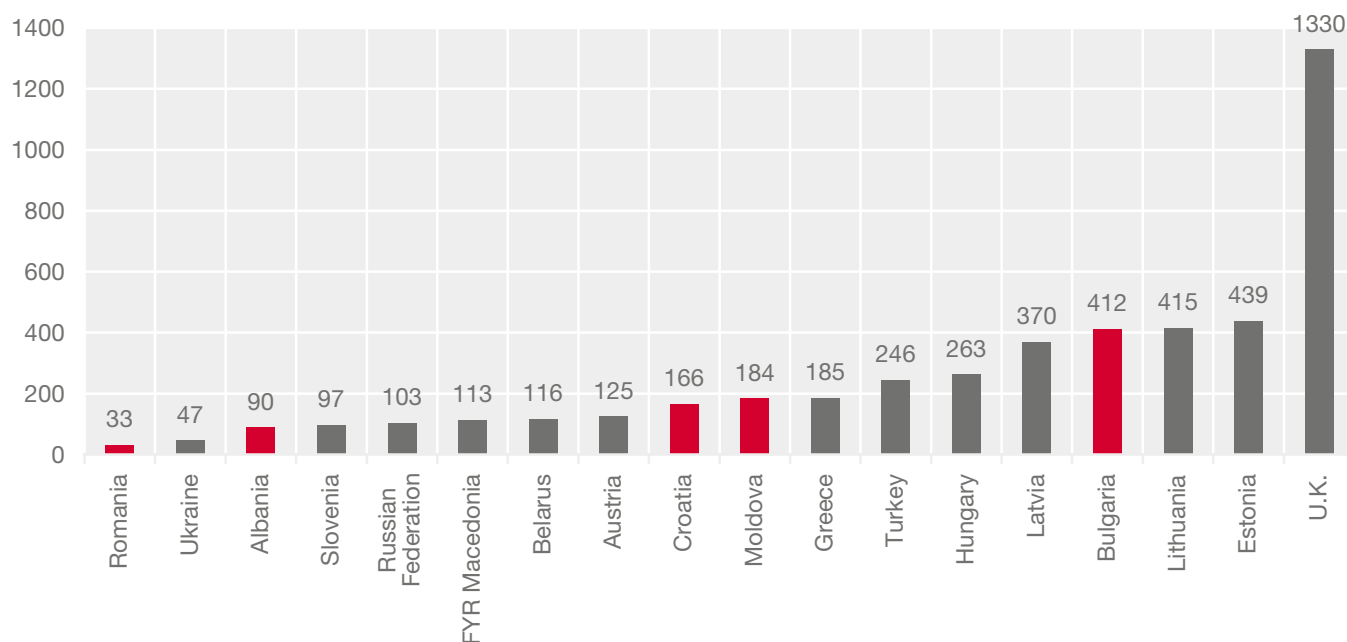
In contrast to murder, other forms of crime are subject to substantial under-reporting. The best way to directly assess the prevalence of these under-recorded crimes, as well as the extent of under-reporting is through victim surveys, such as those carried out under the aegis of the International Crime Victims Surveys (ICVS).

Data gathered from crime victim surveys in the region suggest that while rates of reporting robbery and assault have historically been less in South East Europe than in West Europe, they have not been drastically so. In West Europe, over three-quarters of all burglary victims, about a half of all robbery victims and a third of all assault victims polled said they reported the crime to the police. In South East Europe, two-thirds of all burglary victims, some 38% of robbery victims and a quarter of assault victims said they had reported the crime.

Adjusting the CTS figures for these under-reporting rates, West Europe is seen to have over twice the burglary, over four times as much assault, and 15 times as much robbery as South East Europe. In order for under-reporting to explain this difference, reporting rates in South East Europe would have to be miniscule – about 3% for robbery, for example. While making this comparison requires using CTS and ICVS data from different years, there can be little doubt that robbery, and probably burglary and assault, are more common in West Europe than in South East Europe.

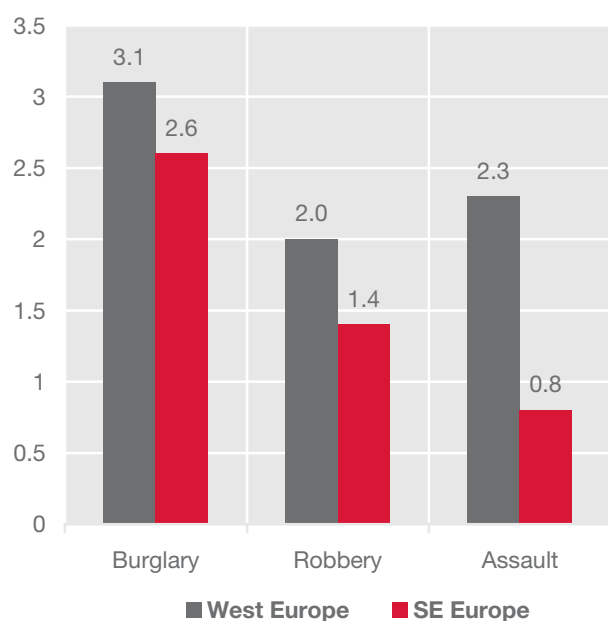
These police recorded figures are backed up by the survey data, which show South East Europe has less crime than West Europe in every crime category except fraud and corruption. Only 2.6% of respondents in the latest ICVS in South East Europe said they had been experienced burglary in the previous year, 1.4% had been robbed, and only 0.8% said they had been assaulted, compared to 3.1%, 2% and 2.3% respectively in Western Europe. Burglary, robbery and assault are not unique in this respect. Both CTS and ICVS data show that South East Europe has less crime than West Europe across crime types. This fact is also reflected in other survey data. A 2006 survey in Kosovo found that only 2% of respondents mentioned “fighting crime” when asked about the biggest problem facing their municipality,<sup>63</sup> and another survey in Kosovo found that the major crime concerns of respondents were: speeding, bad driving, drunk driving, burglary, illegal weapons, vehicle theft, assaults, organized gangs, prostitution, drugs, property crime, domestic violence and vandalism.<sup>64</sup>

**Figure 37: Vehicle thefts per 100,000 vehicles**



Source: UNODC CTS, 2004 or most recent CTS data; World Bank World Development Indicators 2006<sup>66</sup>

**Figure 38: Share of respondents who have suffered each crime in the previous year**



Source: ICVS, various years

The single best reported property crime universally is vehicular theft. This is because these assets are generally insured, and, even if they are not, represent a high value asset that can be identified with documented serial numbers. The recovery rate for stolen vehicles is often high, even in developing countries, so there are strong incentives to report. Used comparatively, vehicular theft rates can be misleading, however, as different countries

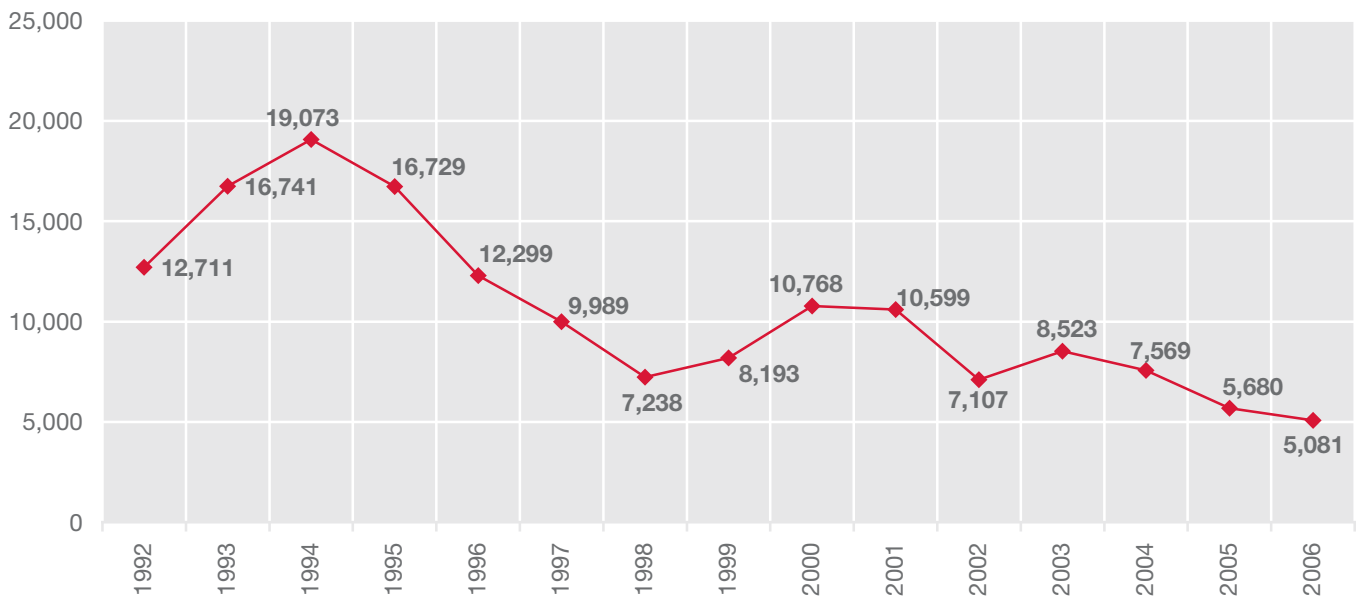
have different levels of vehicle ownership. For example, there is slightly more than one motor vehicle for every two people in the United Kingdom, but only one for every 14 people in Moldova and Albania. Countries with more vehicles present more opportunities to steal and a larger market for their re-sale.

Even taking this into consideration, and expressing the number of vehicular thefts in terms of the number of vehicles present in the country rather than the number of people, most countries in the region still display very low rates of vehicular theft by European standards (Figure). Very similar figures can be derived from the European Sourcebook data. The number of cars stolen in countries like Bulgaria, which used to have a very serious problem and still leads the region, are currently just over one quarter of their level in the mid-1990s (Figure).<sup>65</sup> While this finding cannot be generalized to all forms of property crime, it gives credibility to the assertion that property crime in this region is rather low. The low rate of vehicular theft in the region does not exclude the possibility that large numbers of stolen vehicles are imported into the region, and those who possess stolen vehicles are probably less likely to report if these vehicles are stolen again.

## Violence against women and children

One area of crime that is typically under-reported is violence against women and children. These crimes occur everywhere, and South East Europe is no exception, but the available data suggest that the problem is not as severe in this region as it is in some other parts of the

**Figure 39: Number of vehicles reported stolen in Bulgaria**



Source: Data provided by the Center for the Study of Democracy

world. Given the high rates of under-reporting, the best way of gauging the extent of the problem is through specialised survey work.

One key problem with domestic violence survey research is that data are rarely comparable between countries, due to differences in the ways questions are phrased and in survey methodology.<sup>67</sup> The most important exception is the 2005 World Health Organisation Multi-country Study on Women’s Health and Domestic Violence against Women, which included comparable surveys in 10 countries. In South East Europe, the city of Belgrade participated. It consistently ranked among the bottom two regions across indicators of the prevalence of domestic violence (Figure). While many victims may be hesitant to discuss domestic violence in a survey context, there is no reason to believe that women in Belgrade would be more hesitant than women in other cities in this regard.

Other data suggest that these low levels of domestic violence are found throughout the region. The WHO study found that just over a fifth (24%) of women surveyed in Belgrade had experienced violence at the hands of an intimate partner in their lifetimes, which was the second lowest rate in the study, after Yokohama. Other recent studies in the region have produced similar figures of lifetime exposure, although, strictly speaking, these figures are not comparable across countries due to methodological differences. In Moldova, 22% of women in Moldova reported having been abused by a partner or former partner at some time in their lives.<sup>69</sup> Figures of 24% of women in the former Yugoslav Republic of Macedonia, 21% in Croatia, and 23% in Bosnia and Herze-

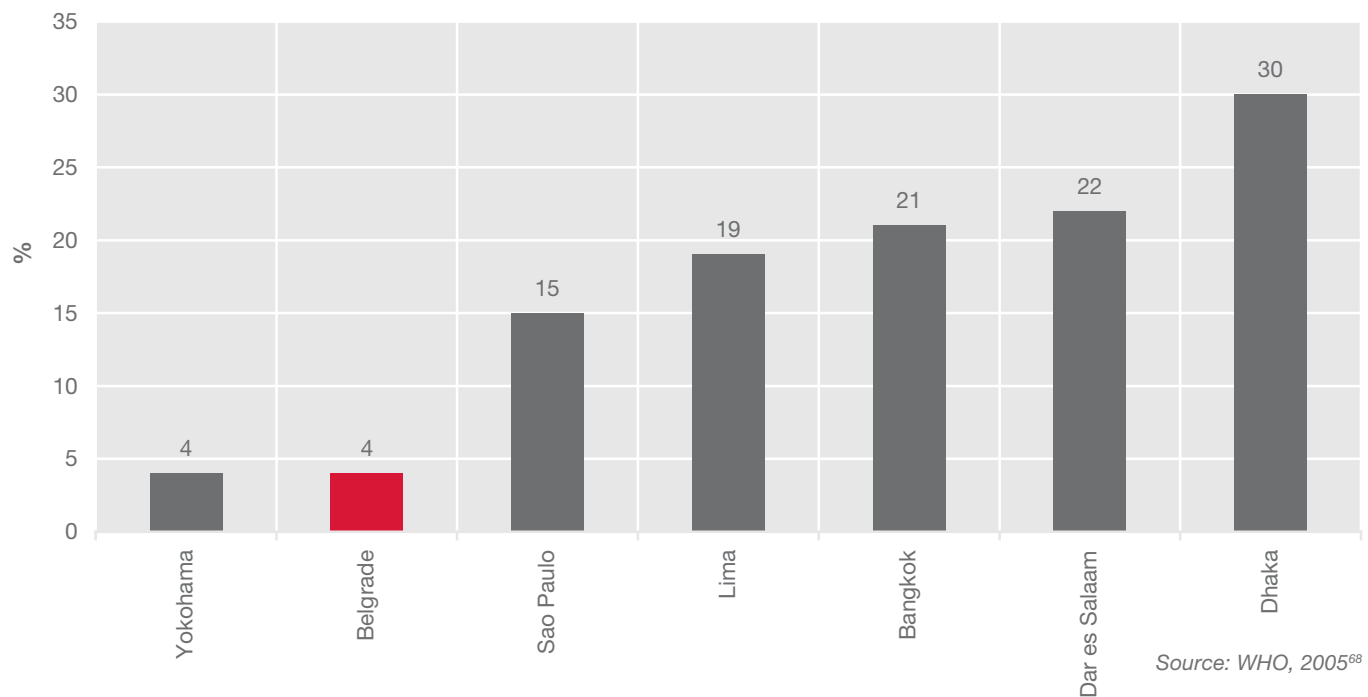
govina are also to be found in the literature.<sup>70</sup>

Albania appears to be exceptional in this regard. In one study, 37% of women surveyed in Tirana reported at least one episode of spousal violence in the past year.<sup>71</sup> Additionally, some 8% of child carers in Albania indicated that they made use of ‘severe physical punishment’ against children aged two to 14.<sup>72</sup> The 2002 Public Health and Health Promotion Strategy of the Albanian Ministry of Public Health states: “*violence at home (almost always against women, children or older people) and the abuse of people in institutions often goes unreported and uncorrected.*”<sup>73</sup> Some 80% of health care workers surveyed in Albania reported that they had failed to register at least one gender-based violence case, and that of those that did, 46% did not register the cause of violence.<sup>74</sup> Legislation has been passed requiring various institutions and caregivers to report this crime, however.<sup>75</sup>

### Low levels of conventional crime

The discussion above shows that the crime statistics in the region are generally low, lower in many instances than in West Europe:

- Murder rates, the most reliable crime indicator, are comparable to those of Western Europe, and much less than those of the CIS countries. Moldova has the highest rates of murder in the region, and the lowest rates among the CIS countries, according to the CTS.
- Long-term trends show that murder rates are declining in every country in this region for which data are available, in some cases quite dramatically in recent years.

**Figure 40:** Share of women who have experienced violence by an intimate partner in the last 12 months

- Based on both survey and police data, South East Europe has less assault, robbery, rape, burglary, and car theft than West Europe. This fact cannot be easily explained away by under-reporting.
- Surveys suggest that crimes against women and children not especially prominent in this region, with the possible exception of Albania.

To those who have worked or lived in the region, these findings may come as no surprise. The problem in South East Europe is organised crime, not conventional crime. Still, to international observers, it is remarkable that organised crime could flourish in an environment where conventional crime is so low. Many forms of organised crime are reliant on violence, or at least the credible threat of violence. Organised crime in South East Europe must be organised crime of a very special type. Just what makes Balkan organised crime special is the subject of the following section.



# The real problem: Organised crime and corruption

If South East Europe does not fit the profile of a high crime area and does not, according to the crime statistics, have a particularly serious crime problem, why have crime issues figured so prominently in discussions of the region in the past?

The issue that makes headlines in South East Europe is not conventional crime (as manifest in the common law crimes of murder, rape, robbery, burglary, theft, and so forth) but *organised crime*, and in particular the role that groups from South East Europe have played in organised crime in West Europe. This problem needs to be distinguished from the impact that organised crime has had on the region itself, although the two issues are related. Both are discussed in the following sections.

Organised crime is difficult to define.<sup>76</sup> The term is used to distinguish more systematic and sophisticated forms of illicit enterprise from conventional criminality. It encompasses a wide range of profit-motivated criminal activities, particularly transnational smuggling. In some manifestations, however, organised crime also has a domestic focus, profiting from protection rackets, embezzlement or fraudulent acquisition of state funds, and regulation of local vice markets.

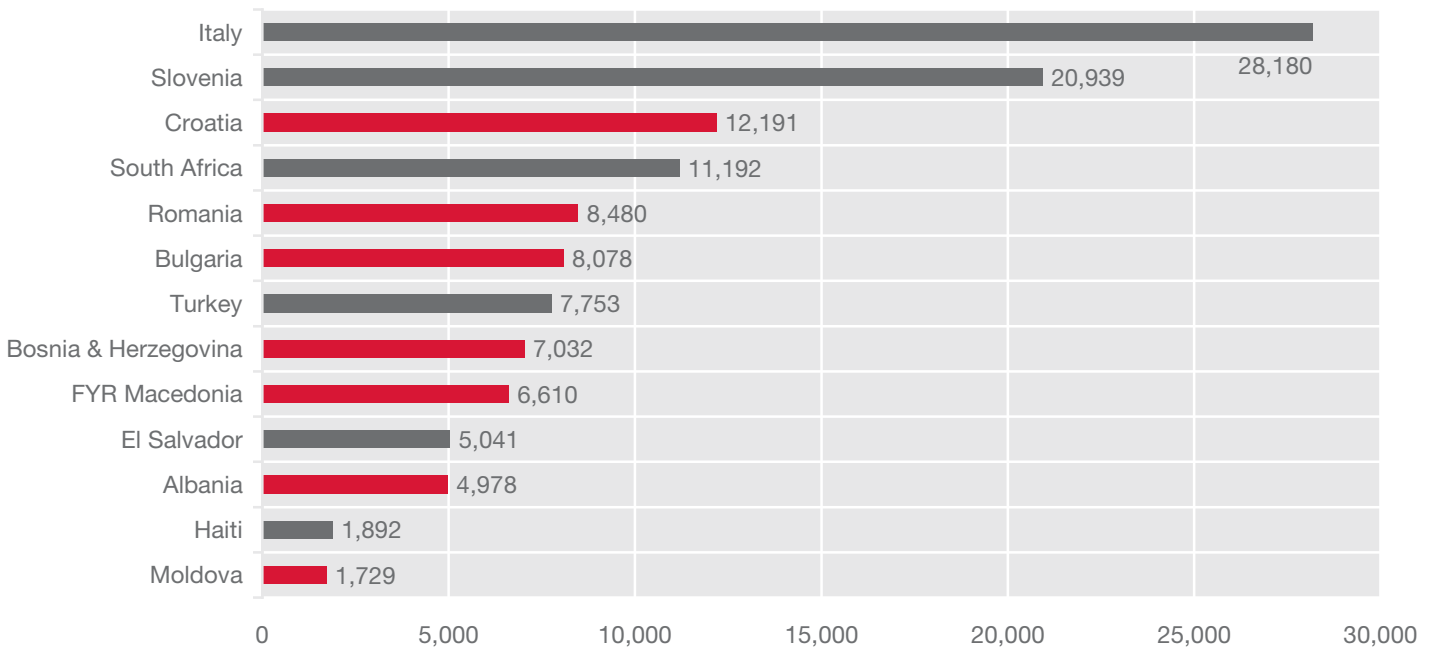
There are a number of reasons why this region is vulnerable to organised crime rather than conventional crime. As noted in section 1.1 above, income inequality is not egregious in the region because of the socialist past. But due to the high levels of international mobility and large diaspora populations that characterise the region, it might make sense to look at inequality from an international, rather than a local, perspective.

## Transnational inequality

A good share of South East Europeans live outside South East Europe, at least seasonally, and may base their sense of relative deprivation on experiences abroad, rather than in their home countries. There are many well-established pockets of South East Europeans scattered around the world, comprised of people who fled during two World Wars and communism. Since the end of the Cold War, South East Europe has sent several additional outflows of migrants to the West, where there has been great demand for unskilled and semi-skilled labour. Some went under official guest worker programmes, some went illegally. This migration was greatly enhanced by the conflict that afflicted the region. Following the conclusion of the war, many people returned home, and, today, many workers engage in seasonal or circular migration. The result is both a large and permanent South East European diaspora in West Europe and beyond, and a revolving population of those who make their money in the West (especially Greece, Spain, and Italy) and bring it home to the region.

A total of 720,000 Albanians are estimated to have emigrated between 1989 and 2001, the vast majority to Italy and Greece.<sup>77</sup> The number of Albanians permanently or temporarily resident in Greece, Italy, the United States, and Germany was estimated, in 2001, at 438,000, 173,000, 45,000 and 12,000 respectively.<sup>78</sup> In 2005, the Ministry of Interior of Greece placed the number at 362,472.<sup>79</sup> Between 1992 and 2002, some 800,000 persons are estimated to have left Romania for Western European countries, the United States and Canada.<sup>80</sup>

**Figure 41: GDP per capita (PPP US\$)**



Source: UNDP, Human Development Report 2006

A 2005 survey revealed that around nine percent of Romanian households had one member abroad at any one time, amounting to some 850,000 people.<sup>81</sup> Bulgaria experienced an outflow of around 474,000 persons between 1988 and 1993, primarily of Turkish-speaking Bulgarians to Turkey, but matched emigration with immigration between 1994 and 1999.<sup>82</sup> It is also a prominent source of labour migrants. As of 2002, some 600,000 Moldovans are estimated to be outside of the country.<sup>83</sup> In 2005, an estimated 190,000 persons from Serbia or Montenegro were outside of the region as a result of refugee or asylum seeking status alone, 100,000 of which were resident in Germany.<sup>84</sup> Some 300,000 Bosnians live abroad.<sup>85</sup>

As a result, there are plenty of people in South East Europe who know how the other half lives, and the income differences are stark. Croatia, the richest country in South East Europe, has per capita income levels that are not much better than South Africa, and in Albania, income levels are less than half as high. At least in terms of the officially recorded economy, Moldova's per capita income is less than Haiti's. Even within Central and East Europe, the inequalities are striking. The Albanian GDP per capita adjusted for purchasing power parity is less than one sixth that of Austria. These regional contrasts are not new, and have been evident historically. In the time period 1996-1999, 22% of the Bulgarian and 23% of the Romanian population lived on less than US\$4 per day. In Slovenia and Hungary, in contrast, the corresponding proportion was less than 1%.<sup>86</sup> As noted above, income figures in this region can be deceptive in light of unrecorded remittances and a large informal

economy. Still, the wealth differential is there, and people in the region are well aware of it.

As Section 1.1 argued, inequality can feed criminality, and since local income levels have been very even (a legacy of communism), this serves as a protective factor against conventional criminality. Since everyone experiences similar economic challenges locally, there are few obvious targets for acquisitive crime or expressive violence. It stands to reason that stark international inequities would, in contrast, promote transnational criminality, which requires some degree of organisation. The presence of diaspora populations in the richer countries facilitates this process.

**Geographic vulnerability**

Also key is the geographic placement of the Balkans. Throughout history, South East Europe's position between the markets and powers of the East and the West has been both a blessing and a curse. From the middle ages, South East Europe represented a kind of a rural buffer zone between competing interests, which gave it great strategic importance but generated few incentives for its development. Even when these powers were at war, trade continued, and one of the region's main sources of income has always been its borders. But it remained a place to be passed through for the great powers, important mainly as a shield and a conduit.

In more recent times, the region has become a transit zone for a wide range of criminal commerce, from the flow of counterfeit goods to the trade in human beings. Most importantly, South East Europe has had the mis-



fortune to be placed between the world's main supply of heroin and its most lucrative destination market. Due to sources of supply and demand located entirely outside the region, the region was destined to suffer the effects of being a transit zone for contraband.

These geographic vulnerabilities are important, but the particular character of organised crime in the Balkans was greatly influenced by the dramatic political events that have shaken the region in the last few decades. The successive shocks of communism, conflict, and the transition to democracy have created great opportunities for organised crime groups, both within the region and in the diaspora. The following section traces some of these developments.

## The origins of organised crime

In some other important drug transit zones, such as Central America and the Caribbean, trafficking is reflected in high levels of violence, but this does not seem to be the case in the Balkans, where the value of the heroin flow exceeds that of some of the national economies of the region. What is it about South East Europe that allows it to provide passage to such significant contraband without attendant violence? The section below argues that organised crime groups in the region have taken advantage of the historical shocks of transition and conflict to create links to some members of the commercial and political elite. These links have ensured that select Balkan organised crime groups have traditionally encountered little resistance from the state or rival groups.

The emergence of well-connected criminals is not a problem unique to the Balkans, however. Similar trends can be seen in many countries recovering from periods of totalitarian rule or local wars. What is unusual about South East Europe is that it has recently experienced both: it underwent the transition to democracy at the same time that an especially violent conflict was being waged in the region. The simultaneous impacts of these tectonic shifts in the socio-political landscape – both of which have been independently associated with rising crime – gave Balkan organised crime the distinctive character it has today.

First, the transition from communism or other forms of totalitarian rule to democracy has been shown to increase vulnerability to the growth of organised crime. An early analysis of this phenomenon suggested at least five reasons for this:

- Problems associated with the diminished capacity of law enforcement agencies undergoing reform;
- Criminal opportunities associated with changes in the regulation of economic activity;

- An immediate deterioration in the economic circumstances of many;
- The incomplete nature of some economic reforms; and,
- The psychological impact of rapid social change.<sup>87</sup>

Typically, some members of the former elite take advantage of the period of policy uncertainty to convert their political power into economic power, to the degree that they do not already hold it. The process of privatising state assets is often a key point of insertion in this regard. The loss of control over the powerful totalitarian security establishment is compensated for by forging links with the underworld, which also quickly absorbs surplus security personnel. Routes used for smuggling consumer goods under the old regime can be used for other forms of smuggling in the new.

Conflict and post-conflict situations also represent a period of acute vulnerability to crime. In a war zone, social controls are often lost entirely – criminal acts can be committed with impunity, and local predators enrich themselves through profiteering. The regular economy may collapse, and armed strongmen can become the only source of sustenance for some communities, enhancing their wealth and power. Insurgent groups must smuggle supplies, as must the state itself if sanctions are imposed, and may smuggle other forms of contraband for fundraising purposes. If these activities prove to be sufficiently lucrative, they may carry on in the post-conflict period.<sup>88</sup>

Experiencing both transitional and post-conflict dynamics at the same time appears to have produced both synergistic and antagonist effects. For example, those who had made fortunes in war profiteering were able to use the political capital they had accumulated to magnify their wealth in the privatisation process. In contrast, it has been observed outside the Balkans that low levels of conventional crime are found in precisely those transitional countries which experienced the most violent conflict.<sup>89</sup>

The specific ways transition and conflict manifested themselves in crime in the Balkans varies substantially between countries, but there are some common themes. The following discussion starts with the communist period and traces the transitional and conflict effects up to the present day.

### The communists and clandestine operations

After WWII, every country in the region fell under the control of authoritarian communist regimes, although of distinctly different characters in Albania, Yugoslavia, Bulgaria, Romania, and Moldova. While Tito's Yugosla-

via was relatively affluent and liberal, the regimes in Romania and Albania were among the most austere in the communist world.

Communism promoted two groups whose interests would later merge: black marketeers and the security services. Many communist countries relied on a thriving black market to supply the consumer needs unmet by the official economy. Smuggling of all manner of goods was essential, as was corruption among border officials. In addition to creating the channels through which other forms of contraband could be smuggled, this powerful shadow economy empowered a criminal class on which common people depended. It also generated cynicism about the rule of law and tolerance for shady entrepreneurs.

In addition, a key part of absolutist communist governance was the internal security police and related intelligence agencies. Due to the importance given to their work and the power they wielded, the state security police were essentially immune from oversight and operated largely above the law. As with similar structures in other parts of the world, this autonomy left considerable room for corruption. Supplementary funds were raised through profit-generating clandestine activities, including, in some instances, smuggling. Some of this money was used for off-the-books operational purposes, and some for personal enrichment, particularly when the changing fortunes of communism became evident.

Underground operators and the security services joined forces through the creation of an extensive informant apparatus. Becoming associated with the secret service had many advantages. As one report says of communist Yugoslavia, “Nepotism and connections (“veze”) were the primary mechanisms of obtaining jobs or higher-quality services.”<sup>90</sup> It also became common practice among these agencies to informally retain professional criminals as informants or operatives, including many based in Western Europe and elsewhere in the world. These men were used for a variety of state security tasks where deniability was important, such as smuggling and the assassination of expatriate dissidents.

In the former Yugoslavia, the secret service underwent a series of transformations and reorganisations. Given the sizable Yugoslav diaspora, many ‘internal’ security issues actually emerged overseas, and it was here that criminal contractors were particularly attractive. Under Tito, the decision was made to:

*recruit promising young career criminals, straight out of prison, to do the dirty work of spying and occasionally killing overseas... They specialised in extortion, robbing banks and jewellery stores, stealing art and trafficking in women.*<sup>91</sup>

These contractors, as well as less well-connected criminals, were benefited by Tito’s strategic positioning of Yugoslavia between NATO and the Warsaw Pact. Yugoslav citizens (including the Albanian-speaking peoples of Kosovo) were able to travel freely to both East and West, ideally positioning them as smugglers.

The situation was similar in Bulgaria, where former Interior Minister Bogomil Bonev has remarked, “One of the reasons our criminal groups became so powerful is that they were organised by the state itself.”<sup>92</sup> The secret police were referred to as the Committee for State Security, popularly known as the *darzhavna sigurnost*, or DS. The DS was intimately tied to the KGB, and so became embroiled in political intrigue far beyond its borders. Under direction from Moscow, the DS engaged in state-sponsored smuggling, allegedly including drug smuggling.<sup>93</sup> Also key were the acquisition and reverse engineering of security-related and other forms of technology, much of which occurred under the heading of the top-secret “Neva Project”.<sup>94</sup> As a result, Bulgarian organised crime has had an advantaged position in many areas of technological crime once communism fell, from the pirating of compact disks to counterfeiting and virus writing. Bulgaria was among the most important sources of weapons to Eastern Bloc sponsored conflicts, and so the DS also acquired experience in arms smuggling.<sup>95</sup> All this expertise would prove extremely useful in sanctions-busting during the Yugoslav break-up, and throughout the post-communist period.

In Romania, the secret police were known as the *Securitate*, and were the largest such group in the Eastern Bloc, with some 14,000 agents and an informant network estimated at 500,000.<sup>96</sup> Similar to Bulgaria, *Securitate* agents were actively involved in smuggling of drugs, guns, and cigarettes to fund their operations and for personal enrichment.<sup>97</sup> According to one analyst:

*the shortages created by the command economy led, by the end of the Ceauşescu regime, to a whole class of profiteers, large and small state-owned enterprise managers who were experts at buying and selling under the table ... many were officers or at least informants of the Securitate, Ceauşescu’s secret police.*<sup>98</sup>

The relations between the Albanian secret police (known as the *Sigurimi*) and organised crime are less well documented, at least during the communist regime. *Sigurimi* members were kept very busy repressing suspected internal dissidents, but would emerge as important figures after the death of Hoxha in 1985, and many were later associated with the Kosovo Liberation Army (KLA).

## Privatisation and profiteering

When communism fell in the late 1980s, members of the secret police and their criminal allies were well placed to profit off the new capitalism. This was accomplished via the so-called ‘nomenklatura privatization’, in which party functionaries were awarded state-owned companies, finance, and concessions at non-competitive rates.<sup>99</sup> In South East Europe, these functionaries were often secret policemen, who teamed their clandestine skills with their criminal contacts to create local monopolies and shady multinational conglomerates. To protect their advantage, they maintained their links with those in political power. And when conflict emerged in Yugoslavia, these elements were well positioned to exploit international sanctions as a money-making opportunity. But the ways this trend manifest itself differed between countries.

Bulgaria provides one of the clearest examples. After the fall of the Berlin Wall, many state security agents in Bulgaria assumed positions of leadership in industry, using their connections, asymmetric information, and coercive power to dominate privatisation. In the first year after Decree 56 took effect in 1989, which allowed the creation of private companies, members of the DS founded some 90% of the registered enterprises. Many of these converged in diversified conglomerates, such as the notorious Multigroup of former wrestler Ilya Pavlov, which were associated with organised crime and even political assassination. This led to an unhealthy relationship between members of the former secret police, criminal groups, and private industry. In addition, many DS members retained positions of authority in the new government. And while military control of the borders was common throughout much of the region, Military Counter Intelligence, the Second Directorate of the DS, retained control over the borders until 1997.<sup>100</sup>

At the same time, the rapid retrenchment of much of Bulgaria’s security structure, including the disbanding of the DS, led to rapid growth of the private security industry. By 2006, about 9% of all employed males were engaged in private security related activity.<sup>101</sup> Private security involved many criminal elements, which operated as a kind of formalised protection racket, largely creating the threat they were designed to address.

Other individuals absorbed into the Bulgarian security/organised crime industry were professional athletes. After communism, wrestlers, boxers, weightlifters, and martial artists who were no longer assured of a state subsidised career, found alternative employment as enforcers for organised crime, with some rising to the highest ranks.<sup>102</sup>

When legislation was passed banning those with criminal backgrounds from registering private security com-

panies and otherwise regulating the industry, a number transformed into ‘insurance companies’. The most prominent of these were two rival syndicates – VIS and SIC. Vehicles insured by either of these syndicates would receive a membership sticker and would not be touched, while uninsured vehicles would quickly be stolen. If an insured vehicle were stolen, these companies would take swift action against the thieves, compensating the owner with another stolen vehicle if theirs was not recovered.<sup>103</sup> These stickers were later banned<sup>104</sup> and the rackets largely disbanded.

Similar patterns emerged in other countries of the region. Like their Bulgarian counterparts, Securitate members took advantage of privatisation in Romania, with some securing positions of economic discretion within the government and others deploying in private business:

*In August 1993, the Ministry of Foreign Affairs, the Ministry of Foreign Trade, and the Ministry of Tourism appointed 17 former high ranking officers of the Securitate as military attaches or commercial representatives abroad. Another 11 were transferred to leading positions in the Ministry of Foreign Trade, strengthening the ranks of former Securitate officers already present in these structures. Many parts of the “new” structures thus remained dominated by agents and networks of the past. Many of those Securitate officials who were not “reintegrated” in this way entered into the world of business. They became a sort of elite force dealing with anything profitable - from the bankrupting of fake enterprises and overvalued supply and sales contracts to large-scale import and export operations and the control of privatisation.<sup>105</sup>*

The links between state security, the criminal underworld, and the emerging private industry were cemented through nomenklatura privatization. In the new economy in Romania “the grey economy barons... semi-criminal kingpins received everything they needed: easy and unsecured loans from state banks, ‘legal’ trade monopolies, and the like, all in exchange for generous bankrolling of party politics.”<sup>106</sup> Working with Romanian criminal groups, they would later profit off circumventing the sanctions imposed during the Yugoslav conflicts.<sup>107</sup>

In Yugoslavia under Milosevic, there was a substantial merger of the political, the commercial, and the criminal. As one commentator noted in 1997:

*At the top sit functionaries who are unequivocally loyal to Milosevic ... They distribute monopolies for the import of gas, cigarettes, and other profitable merchandise among various businessmen, while taking their own cut. Policemen and customs officers, whose job is to shut their eyes when necessary, also get a piece of*

*the action... Since these businesses are wholly unregulated by law, rules for settling conflicts have not been established, and if one cannot negotiate a compromise, guns are drawn ... the Yugoslav Secret Police has been known to cooperate in these shady affairs. During the Tito era, many criminals found that Yugoslavia was too confined a playground, so they moved abroad during the seventies and the eighties in search of a better life. In recent years, they have come home to "perform particular services" for the Secret Police... members of the mafia are "legally" establishing private firms... Thanks to the services they rendered to the Secret Police during the war and at other times, some of these criminals have managed to make their way into the circles of privileged importers of highly profitable merchandise, hand in hand with numerous state officials and with many former and current functionaries of the State Security Service.<sup>108</sup>*

In Albania, those involved in transnational organised crime were among the few that could afford to secure state assets as they privatised. Writing in 1996, one analyst noted:

*Liberalisation had brought with it corruption and profiteering by ruthless men... It has been these men who continue to profit, and now have the means to travel in and out of Albania with relative ease. Establishing themselves as legitimate businessmen, they easily obtain travel visas from the Albanian government... [In 1992-1993] the Albanian government removed nearly two-thirds of [Sigurimi] personnel... many of the ex-Sigurimi agents, once in feared positions of power, now found themselves unemployed, stripped of their state pensions. Antagonistic towards the new government, these personnel offered their services to those willing and capable of paying for them, organised crime. In a situation akin to former East German Stasi agents assisting the Russian Mafia, ex-Sigurimi personnel know the system all too well... These ex-agents can train, brief, and assist in circumventing state-controls, all for payment in hard currency and a comfortable life in the West...<sup>109</sup>*

### Crime and conflict

It was during the Yugoslav Wars that organised crime really began to boom, both within Yugoslavia and throughout the region. In addition to the warfare conducted by traditional militaries, many of the distinctive features of the Yugoslav conflicts are attributable to the use of irregular combat groups by all sides. These criminal combatants in turn protected and exploited their co-ethnics, while alternately trading gunfire and consumer goods with their peers on the other side. International sanctions provided opportunities to criminal groups throughout the region, and even the deployment of peacekeeping forces was exploited, as a source of demand for human trafficking.

### The Yugoslav wars of succession

1991:	Slovenia secedes after a 10-day conflict
1991-1995:	Croatian War of Independence
1992-1995:	Bosnian War
1996-1999:	Kosovo War

As Yugoslavia began to crumble, many criminal secret service operatives returned home from West Europe to participate in conflict, usually in 'paramilitary' groups organised by their patrons. These extraordinary groupings were not part of the official armed forces of the countries concerned, but nonetheless donned improvised uniforms and were allowed to operate alongside the regular armies. They were literally staffed by common criminals, with units built in some cases around groups of soccer hooligans and the like, and in some cases by serving convicts, released from prison specifically for this purpose.

Some of the paramilitary groups had their roots in the efforts of the intelligence service to promote rebellion in pockets of their co-ethnics that were situated in disputed territory. But these groups soon evolved into something quite different. At the opening of the conflict, national militaries were of limited use. First, many of the emerging states and sub-state interests (such as the Bosniacs) had little standing military capacity. Even at their peaks, only a fraction of nominal fighting strength was armed and ready for deployment to the field. Military commanders had little or no field experience, forcing the breakaway republics to recruit from the shadier elements of the diaspora community. Secondly, the largest standing force, the Yugoslav army, was ethnically mixed and less than enthusiastic about the war. Only 15% of conscripts in Belgrade turned up for service, and troops often refused to leave the cover of their armoured personnel carriers, or deserted *en masse*.<sup>111</sup> As a result, all parties to the conflict began to see the use of paramilitary or volunteer units, and they proved more effective than the traditional forces in achieving one of the key objectives – 'cleansing' disputed territories of residents of objectionable ethnicity. The mere rumour that one of the more notorious groups was approaching was enough to cause mass panic and flight.

There were two broad types of paramilitaries: those mobile formations that fought on a number of fronts under the leadership of a well-known charismatic leader, who was answerable only to the secret police and the national executive, and private militias organised under local political leadership. But many local groups received training or support from the mobile groups, so the two are not always easy to distinguish. So-called 'week-enders', temporary volunteers from outside the combat



### The Convicts Battalion

In Bosnia, a Croat volunteer unit known as the Convicts Battalion was manned by genuine convicts and led by Mladen “Tuta” Naletilic and Vinko “Stela” Martinovic, both later convicted of war crimes by the International Criminal Tribunal for the Former Yugoslavia. Paragraph 169 of the judgement of Naletilic and Martinovic reads, “According to a Central Military Prison Report, dated 21 September 1993 and signed by the warden of the prison Stanko Bo’ic, 24 detainees were released on 20 and 21 September 1993 on foot of an order from Mladen Naletilic, who needed them because of a lack of manpower at the frontline. A letter of the Head of the Military Police Crime Department-Mostar Centre addressed on 29 September 1993 to the Head of the Defence Department Bruno Stojic, complains that amongst the chosen detainees, who were all of Croatian nationality, four were murderers.”<sup>110</sup>

area, were also allowed to contribute to the war effort on an informal basis. All these groups apparently operated under the cover of, but with substantial autonomy from, the regular military, and there was considerable mobility of officers between regular and irregular forces. Local police were also often involved in some areas, so it became very difficult to discern the chains of command, even for insiders.<sup>112</sup>

These *ad hoc* groups were heterogeneous, with the only real prerequisite for participation being appropriate ethnicity and a willingness to commit atrocities. Their motivations appear to have been looting, profiteering, racism, and undifferentiated sadism, and their rampages were fuelled with alcohol. In response, local communities relied on home grown criminals for protection. Like defensive gangs everywhere, these groups used their unlimited authority to victimise the populace they initially protected. One such character was “Juka”, a small-time Sarajevo racketeer who rose during the war to become a leader of the resistance and war profiteer (Box).

In addition to looting, the paramilitary groups found many other ways of making money off the conflict. International aid was stolen, extorted, or bought and resold to desperate communities who, ironically, saw their exploiters as lifelines. There are indications that some international peacekeepers were complicit in this activity. The best known example of this was the siege of Sarajevo, where for three and a half years the city was slowly bled. Goods were smuggled through a tunnel running under the UN-controlled airport and sold at extortionate prices. This supply line prolonged the siege and maximised the profits for the smugglers. According to one authority:

### Juka of Sarajevo

Jusuf Prazina, known as ‘Juka’, was a repeat offender who ran a collection agency/extortion scheme in Sarajevo. He was able to employ a staff of some 300 men in this racket, who would become the basis of his paramilitary unit (the ‘Wolves’) during the siege of the city. He was widely praised for his valour, becoming the subject of war-time songs, and some still regard him as a hero. Due to the effectiveness of this group, Juka was given command of the Special Forces of the Army of Bosnia and Herzegovina, but was discharged and arrested for insubordinate behaviour and continued criminal activity. He was released on the demand of his followers and fled to the mountains outside the city. Here he faced growing conflict with his former colleagues, eventually moving to Herzegovina and aligning himself with the Croat forces there, including Tuta’s Convicts Battalion. After engaging in ethnic cleansing of Bosniaks in Mostar, he retired to a villa provided by the Croatian government on the Dalmatian coast before moving on to Belgium, where he was eventually murdered, apparently by his own men. Throughout his career, Juka and his men were involved in many acts of arbitrary violence, rape, and other war crimes, as well as looting, extortion, and profiteering (including the re-sale of stolen humanitarian aid).<sup>113</sup>

*Some UN troops also earned side income by contributing to the city’s clandestine supply lines. The UN’s Ukrainian soldiers were especially notorious black marketeers, specializing in selling gas siphoned from their armoured personnel carriers... Some Ukrainian military officers reportedly even returned to Bosnia after the war to continue their role in the smuggling economy.*<sup>114</sup>

In addition, natural resources were appropriated, including timber and oil. Arms and ammunition were sold to both sides. “Rape camps”, which also served as brothels, were established.<sup>115</sup> Some of these formed the basis for brothels staffed with trafficking victims and tailored for the use of international peacekeepers (Box).

But it was the international sanctions against Yugoslavia (comprised essentially of Serbia and Montenegro) that catapulted war profits to new levels. According to former Bulgarian Interior Minister Bogomil Bonev, these sanctions were a boon to organised crime in the region comparable to Prohibition in the United States.<sup>117</sup> Since it inherited the former Yugoslav army, there was no need to import arms, and the largely agrarian Serbia was self-sufficient in terms of food. What the war machine lacked was oil, and fortunes were made importing it illegally from Albania, Bulgaria, Romania,

and the region that constitutes the former Yugoslav Republic of Macedonia under the coordination of the secret police.<sup>118</sup> This partnership between the political, commercial, and criminal elites further cemented the bonds between them. As a recent report on corruption in Serbia noted:

*...smuggling of weapons, fuel, and other key commodities, including foreign currency... was orchestrated by the state and subcontracted to organised crime groups and "businessmen" in return for a share of the profits. A number of businessmen – many of Serbia's present-day tycoons – built their fortunes on monopoly positions granted by the state in a number of industries, including media and telecommunications, again in return for support of the ruling party and its leadership. After the fall of Milošević, many of these business interests have endeavoured to legitimise and protect their wealth through investments in Serbian industry, including through participation in privatisation processes, and through support of political parties in power since 2000.*<sup>119</sup>

As the wars between Serbs, Croats, and Bosniaks were winding to a close in 1995, the conflict in Kosovo began. Being in one of the poorest parts of the region, the Kosovars were insufficiently armed to take on the Yugoslav army, so rebellion required fundraising. The source of many of these funds is believed to have been heroin trafficking and other forms of organised crime. According to an Interpol statement made before the U.S. Congress in 2000:

*Albanian drug lords established elsewhere in Europe began contributing funds to the "national cause" in the 80s. From 1993 on, these funds were to a large extent invested in arms and military equipment for the KLA (UÇK) which made its first appearance in 1993... Of the almost 900 million DM which reached Kosovo between 1996 and 1999, half was thought to be illegal drug money.*<sup>120</sup>

Links between drug trafficking and the supply of arms to the KLA have also been established in the prosecutions of individual ethnic-Albanian drug traffickers, such as the recent trial of Agim Gashi in Italy.

The conflict in Kosovo was strongly affected by the collapse of the government of Albania in 1997, following the failure of nationwide "pyramid schemes" in which the Albanian public had heavily invested.<sup>121</sup> One of the reasons the schemes were so popular was the common belief that the government was using them to launder money. Some have argued that the collapse was related to the loss of revenues from sanctions busting, particularly the oil embargo, since some of the schemes derived income from this source.<sup>122</sup> In January 1997, as some ten companies ceased payouts, people protested in Tirana against the government, demanding repayment

### Peacekeepers and Trafficking in Persons in the Balkans

In a pattern seen elsewhere, the arrival of the international community in the form of peacekeeping forces was a mixed blessing for the people of South East Europe. They brought with them a demand for commercial sexual services, which was satisfied by organised crime using victims of human trafficking. As the number of peacekeepers increased in the 1990s, so the number of females trafficked to the region jumped. In addition to creating a market for sexual services, cases of international peacekeepers actively facilitating trafficking in Bosnia in the mid to late 1990s have also been reported by human rights organisations. As the number of peacekeepers in Bosnia and Herzegovina and Kosovo decreased, so the number of female victims assisted in these territories significantly dropped.

In 2002, Madeleine Rees, director of UNOHCHR in Bosnia and Herzegovina, said the local client base made up at least 70% of the business, but foreigners accounted for 70% of the revenue. According to data from the Kosovo Centre for the Protection of Women and Children, however, in 2000, 80% of interviewed trafficked victims reported that the men who purchased sex with them were internationals. This number had fallen to 35% by 2002.

The potential for international peacekeepers and staff of international or non-governmental organisations to contribute to the demand for sexual services, and hence to knowingly or inadvertently fuel a market for trafficking for sexual exploitation, led the UNMIK Police Trafficking and Prostitution Unit to establish a list of 'off-limits' locations in Kosovo. It is reported that the August 2004 list of off-limits places showed that brothels were clustered around international deployments. NATO and the United Nations have since developed policy papers on trafficking within the context of peacekeeping operations. The United Nations Division for Peacekeeping Operations policy paper of March 2004 explicitly recognises that the procurement of sexual services from nationals in a vulnerable context by a person in a position of disproportionate power, including within the context of a peacekeeping operation, constitutes an act of sexual exploitation, even where prostitution is not a crime.<sup>116</sup>

of money they had lost. By March 1997, country-wide riots were out of control as Albania plunged into chaos. Some 2000 people were killed as the central government lost control of the southern region of Albania and armed groups took control of most of the major cities south of Tirana.<sup>123</sup>

Many soldiers and policemen deserted and armouries were plundered. In March 1997, over 650,000 weapons and 1.5 billion rounds of ammunition were stolen from more than 280 government armouries, many of which found their way into the hands of the KLA. As one group of analysts concluded:

*Albania in the spring of 1997 represents a classic case of state failure. The structures that should have guaranteed the rule of law failed completely ... There was no judicial system. To the extent that police were found on the streets, they were agents of private violence. A substantial amount of weapons were seized by the population; the state of insecurity was total. The state was neither taxing nor spending.*<sup>124</sup>

While Kosovar and Albanian drug traffickers were already established in a number of West European countries, the chaos in their home countries gave them a strong advantage over the competition during this period. In 1997, a stateless zone was literally a few minutes boat ride from Italy, one of the largest heroin markets in Europe. By 1998, the KLA had increased the scope of its operations and controlled a third of Kosovo's territory, opening new smuggling opportunities. The smuggling of migrants across Kosovo and Albania also increased during this period. Even after the government began to reassert control in Albania, it may have lacked the capacity or the will to prevent what had become a lifeline for many of its people in the absence of alternative livelihoods due to the collapsed economy.

In 2001, conflict emerged in the former Yugoslav Republic of Macedonia between the state and the Albanian-speaking minority living near the border with Kosovo (Serbia). Some have argued that this struggle was motivated, at least in part, by the desire to protect smuggling routes in the north of the country:

*Throughout the 1990s, the international community... praised Macedonia as a success story for conflict prevention and multi-ethnic peace... The armed conflict began in February 2001 with the emergence of the National Liberation Army (NLA) in the village of Tanusevci. In the late 1990s, Tanusevci had become a funnel for arms to the Kosovo Liberation Army... Especially important was the capture of the village of Aracinovo, 10 km outside the Macedonia's capital, Skopje. The village was considered the "hotbed of Albanian mafia activities," and some NLA commanders were the mafia bosses... The leading French criminologist Xavier Raufer emphasizes that the criminal and the rebels were one and the same. He adds that Italy's police intelligence service believes [Albanian rebel groups] are a criminal network linked [to] former members of the Albanian secret service.*<sup>125</sup>

The continued existence of organised crime groups with sufficient strength to challenge the government of the

former Yugoslav Republic of Macedonia was evidenced by the recent seizure of weapons "sufficient to equip a battalion of 650 soldiers. They included laser-guided anti-aircraft missiles, artillery pieces, rocket-propelled grenade launchers, sniper rifles, assault rifles, dynamite, hand grenades, mortars and thousands of bullets..."<sup>126</sup> The police initially described those in control of these weapons as an 'organised crime group', but later suggested political motivations – an adjustment which highlights the difficulties often encountered in distinguishing the criminal and the political in this region.

### The post conflict period

During the conflicts, smuggling was necessary for survival. Smugglers were able to simultaneously enrich themselves and serve their respective causes, rapidly gaining both economic and political capital. They have chosen to assume diverse roles in the post conflict period, with some vigorously pursuing legitimacy in business or politics, some remaining marginal, and some straddling both worlds. The Bosnian case is instructive:

*... in the case of Bosnia, criminal capital accumulated during a criminalized war has been converted to political capital after the war... Some of those who profited the most from war have successfully "cleaned" their wealth, and now present themselves as legitimate economic elites.*<sup>127</sup>

Ironically, one key source of investment was the reconstruction industry, and many war profiteers opened construction firms. Since these men were often the only ones with the capacity in the region to deliver, the international community unwittingly contributed to their further enrichment by contracting them to rebuild what they had destroyed. Old habits die hard, though, and some reportedly chose to defraud the aid agencies rather than earn their money legitimately.<sup>128</sup>

On the other hand, due to their connections with the security services, those who opted to remain in crime were able to operate with substantial impunity. In 2000, the editor of the Sarajevo weekly Dani claimed:

*The mafia leadership is completely untouchable, like the Communist Politbureau. All the mafia leaders are well-known, their names have been published numerous times in various registers. What we have is ten-odd people who have more than a hundred crimes behind them, neatly reported, recorded in files and in the justice system. However, the justice system is definitely the best defense for criminals in Sarajevo...*<sup>129</sup>

Some paramilitary fighters even became members of the state security units, further reinforcing the link between the government and the underworld. Some of the best known examples come from Serbia and the province of



Kosovo. One of the most notorious paramilitary leaders was 'Arkan', whose career included stints as a bank robber, international fugitive, political assassin, cake shop proprietor, paramilitary commander, indicted war criminal, soccer club owner, parliamentarian, and tabloid celebrity (Box). On 12 March 2003, the Prime Minister of Serbia, Zoran Đinđić, was assassinated. Among those later convicted for his murder was the former paramilitary, organised crime boss, and head of the elite Special Operations Unit of the Ministry of the Interior, Milorad Ulemek.<sup>130</sup>

Paramilitary leaders and their criminal associates have also found their way into law enforcement in Bosnia and Herzegovina, as the International Crisis Group wrote in 2005:

*The RS [Republica Srbska] force is filled with war criminals and actively supports persons indicted by the International Criminal Tribunal for the Former Yugoslavia in The Hague... Some criminals cooperate with or act under the protection of the police in their entity... Local politicians cannot be expected to give up control of the police -- one of their instruments of power -- willingly.<sup>136</sup>*

And in 2007, they reaffirmed:

*Although the police in both entities have improved in the past few years... they remain highly politicized... and are heavily involved in organised crime. The RS force is filled with suspected war criminals...<sup>137</sup>*

Participation in the liberation struggle remains an important part of the credentials of many prominent politicians in Kosovo (Serbia). The relationship between the KLA and Kosovo Police Service has been difficult to determine, although intelligence sources suggest that issues other than operational effectiveness inform the decision making process within the organisation.<sup>138</sup> One commentator affirms, "As for promotions, a number of KPS and even UNMIK officers claimed that there is sometimes an incompatibility between the performance and promotion of certain KPS officers, noting that the political affiliation of the officers might be a more important factor than performance in the decision."<sup>139</sup>

It was more difficult for communist-era security officials and their criminal contacts to retain their state positions in Bulgaria due to the passage of strong 'lustration' laws (Box), which banned the continued public employment of persons who were holders of an official position within the previous regime. Screening of security personnel between 1989 and 1992 resulted in the dismissal of between 12,000 and 14,000 former state employees.<sup>140</sup> A second law passed in 1997, aimed to verify whether new appointees to public office had been involved in the former security service during the Communist era. As a result, many of these men moved to the private sector,

### Arkan and his Tigers

An indicted war criminal at the time of his assassination in 2000, Zeljko Raznatovic (better known as "Arkan") personified the ways crime and conflict have been intertwined in this region. Son of a Yugoslav military officer, Arkan was an energetic criminal in a half dozen Western European countries in his youth, serving time in several countries and escaping from prison on multiple occasions. From the early 1970s, he also performed services for the Yugoslav security police in Western Europe, allegedly including the assassination of expatriate dissidents.<sup>131</sup> During the 1980s, he returned to Yugoslavia, where he continued his criminal career under the protection of his security connections. In 1990, he founded a paramilitary unit within the national army called the Serb Volunteer Guard, better known as "The Tigers", staffed largely with football hooligans from the fan club of Belgrade's Red Star football team, of which he was president. This private army would become notorious for the atrocities it inflicted on civilian populations during the conflicts of the 1990s.<sup>132</sup>

Arkan mixed criminal and political activity throughout his life, engaging in gun-running, assassination, looting of conflict areas, protection rackets, and, in particular, oil-smuggling during the international sanctions against Yugoslavia. His domination over illegal trade in Eastern Slavonia was so great that the area was dubbed 'Arkan-sas'.<sup>133</sup> He owned a wide range of businesses, married the turbo folk diva 'Ceca', founded a political party, was a member of parliament, and was active in the soccer and kickboxing worlds. His visibility and notoriety, despite his criminal reputation, reinforced the perception of impunity in the region. After he was murdered in 2000, thousands of people attended his funeral,<sup>134</sup> and many prominent Serbians have sung his praises.<sup>135</sup>

but many of their collaborators remained in public office. Recent investigations have suggested that 150 of the 400 members of the first post-communist parliament were part of the secret police collaborator network, and many party leaders and cabinet members have been proved to be similarly connected.<sup>141</sup>

One of the most important developments of the wars was the creation of new states. Both the novelty and the size of these new national entities leave them vulnerable to criminal infiltration. It will take time before the institutions of the new countries are up to speed and the relations between the various political and economic powers are negotiated. Small populations mean that these powers may be represented by a relatively small



## Lustration

Most European post-communist countries have at least discussed some form of lustration. Albania, in 1991, passed an amendment to the Labour Code stipulating that persons must be removed from any official position held where they had previously served in the communist administration. Similar laws followed in 1993 and 1995, focusing on persons who had held a state or a party position. In 2003, a lustration law was adopted by the Serbian parliament, covering human rights violation occurring after March 1976. Persons affected by the law included deputies, members of the judiciary, and officials of the security information agency. Implementation, however, has been slow. Other countries are at an earlier stage in the process. In the former Yugoslav Republic of Macedonia, in January 2007, the parliament approved a draft lustration law. The aim of the law is to exclude collaborators of the ex-State Security Agency from being elected to senior state posts. In addition to legislative and executive power, the law prohibits also the appointment of ex-collaborators in the areas of justice and media. As of May 2007, an initiative by the National Liberal Party (PNL) of Romania to draft a lustration law is underway. In Croatia, two lustration law drafts were proposed by the 'Croatian Party of Rights' in February 1998 and October 1999 but both were ultimately rejected. Similarly, no lustration laws are in force in Bosnia and Herzegovina or Moldova.<sup>142</sup>

number of individuals and families. Criminal interests need only corrupt a limited number of these people in order to operate with impunity. Small economies also produce small tax bases, leaving the state relatively under resourced in competing with wealthy criminal groups. Some of the poorer parts of this region remain resistant to the governance of national authorities and are essentially run by local strongmen. For example, one area not controlled by any recognised national government is the breakaway region of Moldova known as Transnistria.

Moldova is a poor multi-ethnic state, with limited government capacity to control its territory. Predominantly Romanian-speaking, it is also home to large populations of Russians and Ukrainians, as well as a small group of Turkic people, the Gagauz.<sup>143</sup> The bulk of the country has traditionally been known as Bessarabia, excluding a thin strip of land on the east side of the Dneister River. This area is known as Transnistria, Tran-Dniester, or Pridnestrovie, and contains much of the heavy industry of the country, including its main power supply. In 1991, a group of Russian-speaking Moldovans declared the independence of Transnistria, in response to what was seen as a growing chauvinism on the part of Romanian

speakers, and armed conflict began between the two regions. The conflict was halted by Russian Army troops in 1992, who continue to maintain a presence in the area.

According to the 2006 *National Human Development Report*, "the economy is dominated by clans with very strong political and administrative connections."<sup>144</sup> Igor Smirnof won the presidential elections in 1991, 1996, 2001, and 2006. His eldest son Vladimir runs the customs service. Moldovan President Vladimir Voronin has referred to the leadership of Transnistria as "a transnational criminal group"<sup>145</sup> and referred to the breakaway territory as the "Black Hole of Europe" in which "all types of trafficking" take place.<sup>146</sup>

These conclusions have not been supported by the European Union Border Assistance Mission to Moldova and the Ukraine (EUBAM), which was established in late 2005. The biggest problem this mission has uncovered is smuggling of meat to avoid import duties. As the mission notes:

*... food-stuffs are the most commonly smuggled goods and the losses to the state revenues are large. Taking as an example chicken meat smuggling, the Mission calculates that the Ukrainian budget suffered a potential loss up to € 43 million from October 2005 to May 2006... The role of the Transnistrian region of Moldova as a pivotal transit point for this activity is likely to have added up to € 7 million to its budget in the same period of time... In the six months from October 2005 to March 2006, there were almost 40 thousand tonnes of chicken meat imported into [Transnistria]. This is the equivalent of 67 kilogrammes per person; the average consumption in Germany is almost 5.6 kilogrammes per person.<sup>147</sup>*

The discussion above has necessarily been brief, and has only been able to provide a quick sketch of some of the central dynamics which have combined to give organised crime its unique character in the Balkans. Given the diversity of the region, some aspects of this discussion apply more to some parts of the region than others, and 'organised crime' itself conflates so many diverse activities that generalisation is difficult. To plumb some of this complexity, the following sections take a market-by-market tour of the present state of affairs, focusing on the quantitative indicators of organised crime activity.

## Current trends in organised crime

It is even more difficult to measure organised crime than conventional crime. Much of organised crime involves criminal enterprises where there is no clear victim or where victims are unlikely to step forward, and so the detection of organized crime is almost entirely reliant on the efforts of local law enforcement. Countries with the worst problems may have the lowest detection rates, and so

**Map 3: Organised crime investigators per 100,000 citizens in 2004**



the number of detections is more an indicator of good police work than it is of the level of crime in a society. It is therefore difficult to demonstrate the existence of an organised crime problem in a society, let alone track trends.

Law enforcement investigations, prosecutions, and convictions do provide a kind of ‘floor’ on the organised crime picture, however. With regard to Balkan organised crime, there are two sets of indicators to be consulted:

- Organised crime investigations, arrests, convictions, and seizures within the region
- Organised crime investigations, arrests, convictions, and seizures involving South East European criminals or territory but made in West Europe.

These will be considered in turn.

*Within the region*, it is clear that while law enforcement corruption is an issue (as will be discussed below), it is also clear that remarkable efforts are being made against organised crime. The governments of South East Europe dedicate substantial capacity to organised crime investigations. Romania has nine organised crime investigators per 100,000 citizens, as opposed to Italy’s 0.4 (Figure). All the countries of the region have ratified the United Nations Convention against Transnational Organized Crime (Box).

According to the Council of Europe’s 2004 *Organised Crime Situation Report*, the governments of South East Europe identified over 2,500 organised crime operations in 2003, with just under 9,000 suspects identified or prosecuted. Albania, a country with limited resources to fight or-

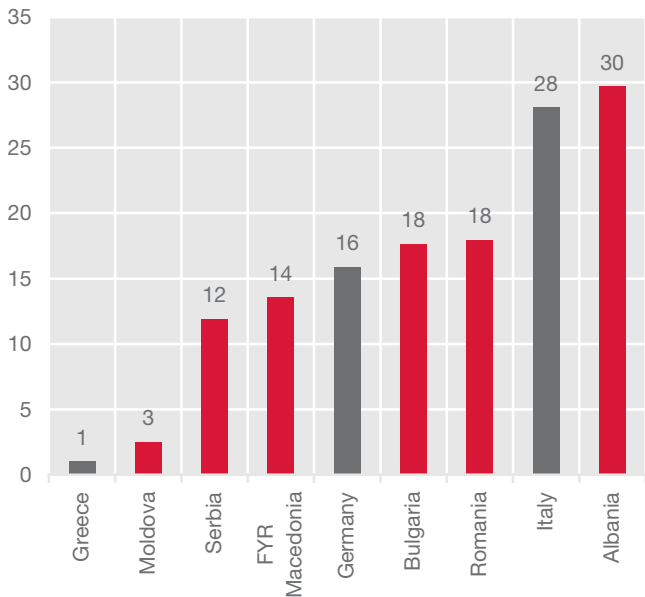
### The UN Convention against Transnational Organised Crime

The United Nations Convention against Transnational Organized Crime, adopted by General Assembly resolution 55/25 of 15 November 2000, is the main international instrument in the fight against transnational organized crime. It opened for signature by Member States at a High-level Political Conference convened for that purpose in Palermo, Italy, on 12-15 December 2000 and entered into force on 29 September 2003. The Convention is further supplemented by three Protocols, on human trafficking, migrant smuggling, and firearms trafficking. States that ratify this instrument commit themselves to taking a series of measures against transnational organized crime, including:

- Criminalising participation in an organized criminal group, money laundering, corruption and obstruction of justice
- Acceding to a comprehensive agreement on extradition, mutual legal assistance and law enforcement cooperation; and
- the promotion of training and technical assistance for building or upgrading the necessary capacity of national authorities.

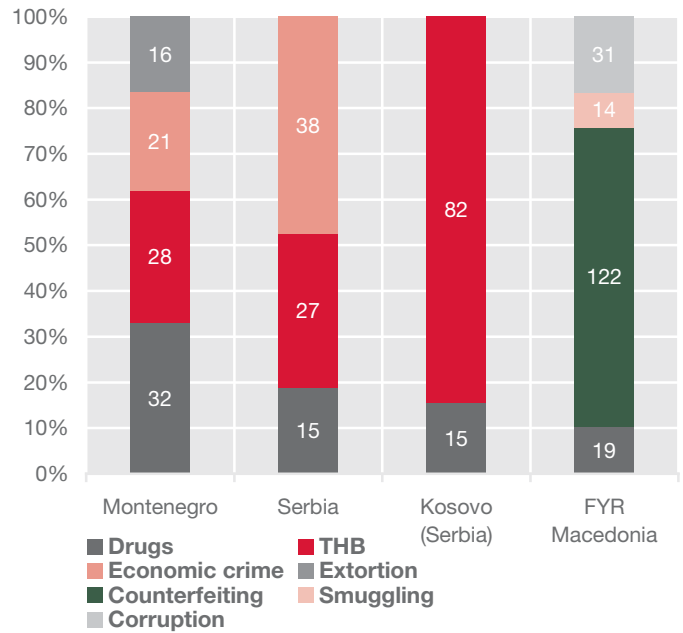
All of the countries of the region have adopted the convention: Bulgaria and Serbia in 2001; Albania, Bosnia and Herzegovina, and Romania in 2002; Croatia in 2003; Moldova and the former Yugoslav Republic of Macedonia in 2005, and Montenegro ratified it in 2006.

**Figure 42: Organised crime suspects investigated per 100,000 citizens in 2003**



Source: Council of Europe, 2004<sup>150</sup>

**Figure 43: Breakdown of organized crime cases prosecuted**



Source: Council of Europe 2005<sup>151</sup>

ganized crime, had more investigations per capita in 2003 than any other country in the region,<sup>148</sup> and the number of investigations increased by over 50% in 2004.<sup>149</sup>

The 2005 Council of Europe Organised Crime Situation Report gave a better sense of the types of crime investigated in these cases, which varied considerably between countries (Figure). For example, a very large share (82%) of organised crime investigations in Kosovo province involved trafficking in human beings, while the single largest category in the former Yugoslav Republic of Macedonia was counterfeiting.

These investigations reveal two things. One is that organised crime problem is there to be detected. The second is that something is being done about it, at least in targeted areas.

Of even greater international concern is the impact South East European criminals are having outside the region. How serious a threat are South East European organised crime groups to West Europe? There remains the possibility that criminals operating within the Balkans may be protected by political connections or corruption, but no one has alleged that these groups have succeeded in subverting law enforcement across West Europe. Consequently, data on the rate at which South East European criminals are arrested and convicted in West Europe should give some insight into the scale of the problem.

With a few notable exceptions, most countries in the world incarcerate far more of their own citizens than foreigners. It is fair to conclude that, globally, the number one crime threat for most countries is domestic. While not

### The CARPO organised crime situation reports

Between 2004 and 2007 the European Commission and the Council of Europe produced a series of situation reports on organised and economic crime in Albania and the former Yugoslavia. These reports were based on a survey of member states and were able to make some important qualitative observations about crime in the region. According to the final report, issued in June 2007:

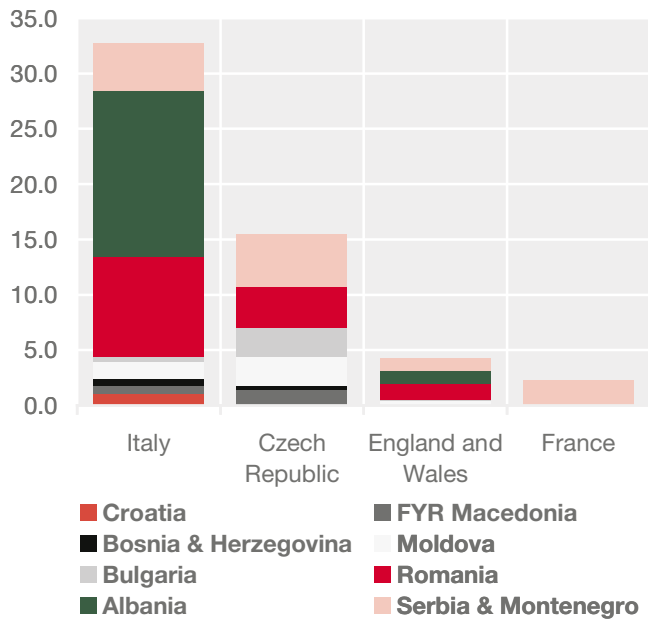
*The traditional Balkan drug trafficking route has become a two-way route with an increasing volume of trafficking. Mainly heroin and cannabis are moving toward the EU, the major consumer market for illicit drugs, while precursor chemicals and synthetic drugs are moving eastwards, increasingly in the form of multi-drug trafficking (“cocktail load”).*

*Trafficking in human beings for sexual exploitation has become more clandestine and sophisticated (“micro-brothels”), but seems to decrease. Victims seem to be receiving a less violent treatment (and more money) but also more psychological pressures (threats to families at home)...*

*Illegal migration is and has been on the top of national and international agendas for some time. Law enforcement efforts and a more effective border control management appear to have made a positive change as figures are decreasing; at least so far [sic] as organised crime groups are engaged.*

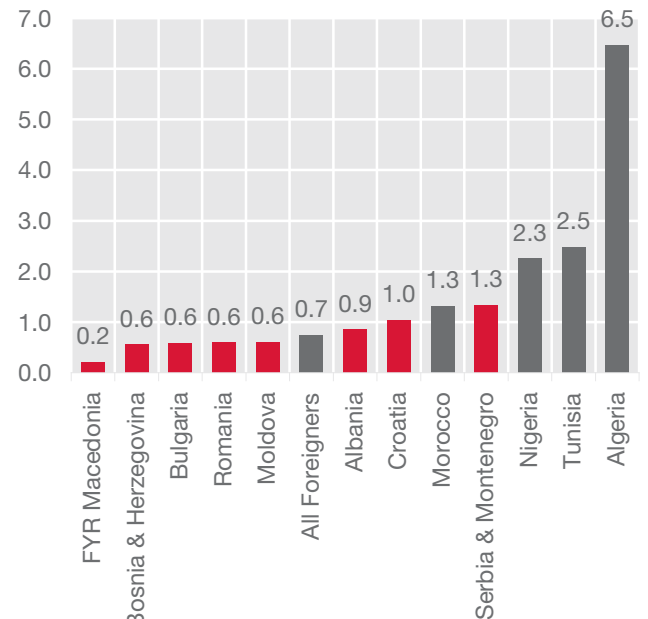
*Economic crime, which affects all project areas continues to evolve but remains fussy [sic] and unclear...<sup>152</sup>*

**Figure 44: SE Europeans as a share of foreign prison population in 2005**



Source: National prison statistics<sup>153</sup>

**Figure 45: Share of the foreign population in Italy that is in detention in 2005**



Source: National prison statistics<sup>154</sup>

all convicts are equally dangerous and foreign criminals can create problems out of proportion to their numbers, it is illuminating to look at the share of prison berths occupied by non-citizens, particularly from a comparative perspective.

Looking solely at the *foreign prison population* of four West European countries, South East Europeans represent a minority of between 2% (France) and 34% (Italy) of the foreigners incarcerated (Figure). Similarly, some 27% of the foreign prison population of Switzerland was from the former Yugoslavia, 8% from Albania, and less than 1% from Romania, Bulgaria, and Moldova, in 2004. In other words, in none of these five countries do citizens of the nine South East European countries represent more than 35% of the foreign crime problem, at least in terms of convict numbers.

In countries where the size of foreign populations is well-documented, it is possible to look at what share of resident South East Europeans find themselves in trouble with the law. Albanians incarcerated in Italy make up the single largest group in the figure above, constituting 15% of all foreigners detained in Italy. At the end of 2005 there were nearly 3000 Albanians in criminal detention in Italy, but there were almost 350,000 Albanians resident in the country, so 0.9% of the Albanian population in Italy was detained. This may sound like a lot, but 0.1% of the general population in Italy is in prison – if one were to control for factors like age and income, the difference may not be so great. And this is just 0.2% more than the share of all foreigners in prison in the country. In other words, Albanians are not much more likely than the average foreigner to find themselves behind bars in

Italy, and are less so than many African groups. Many nationalities from the region are less likely than the average foreigner to be incarcerated.

While this sort of comparison is interesting, these figures include a great number of petty criminals. More pertinent are the data related to the numbers and share of South East Europeans who are arrested for specific organised crimes. These are included in the topical discussions of organised crime below. Recent analysis suggests that organised crime groups are increasingly involved in more than one type of crime.<sup>155</sup> Despite multi-crime organisations, it still makes sense to look at organised crime by categories of offence, and this discussion comprises the balance of this section. Two broad headings of organised crime are discussed: the various forms of trafficking (drugs, human beings, illegal migration, and firearms) and the various forms of economic crime (duty evasion and counterfeiting, corruption and fraud, and money laundering).

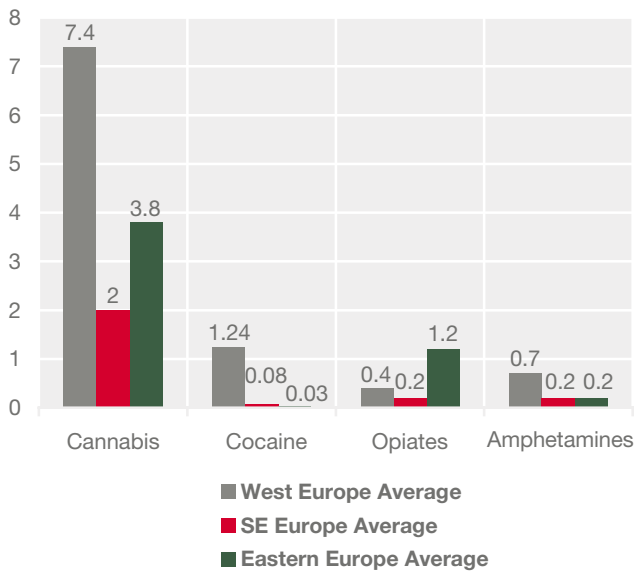
### Trafficking: Drugs

It is generally agreed that drug trafficking is the most important channel of income for Balkan organized crime. There are three ways this is manifest:

- Large volumes of heroin (and some cocaine) pass through the region, and facilitation of this process profits local organised crime structures and corrupt officials to an unknown degree.
- The region produces cannabis and synthetic drugs, as well as precursors, for the European market and beyond.

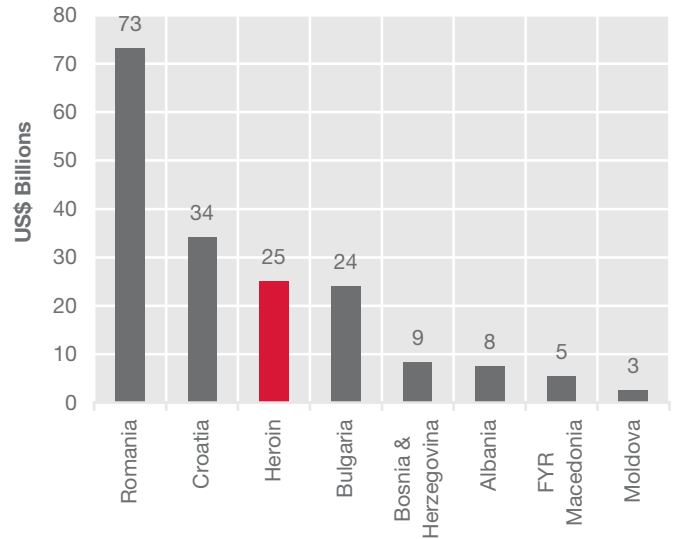


**Figure 46:** Average annual drug use prevalence, 2005 estimate



Source: World Drug Report 2007

**Figure 47:** Regional GDPs versus value of heroin flow to Western Europe



Source: UNDP and UNODC estimates

- South East Europeans resident in West Europe import drugs and retail them there.

Those involved in procuring and transiting the drugs are often linked with those who retail them, so there is some overlap in these three activities. They are each discussed in turn below.

One way of assessing the flow of drugs through the region is to look at any evidence of their presence left behind. Despite the huge volumes of drugs that have transited over the years, South East Europe appears to have very low levels of substance use overall. West Europeans consume drugs at a higher rate in every drug category, often by quite a significant margin. As is discussed below, the ‘Balkan route’ has been the continent’s premiere heroin trafficking route for decades, and yet the share of South East Europeans who consume opiates is half that of West Europe and one-sixth that of East Europe.<sup>156</sup> This suggests the flow has been conducted by highly organised groups determined to command the highest return for their product, rather than by a diffuse network of couriers who might ‘spill’ some of the heroin into their local communities.<sup>157</sup>

### Transit: Heroin

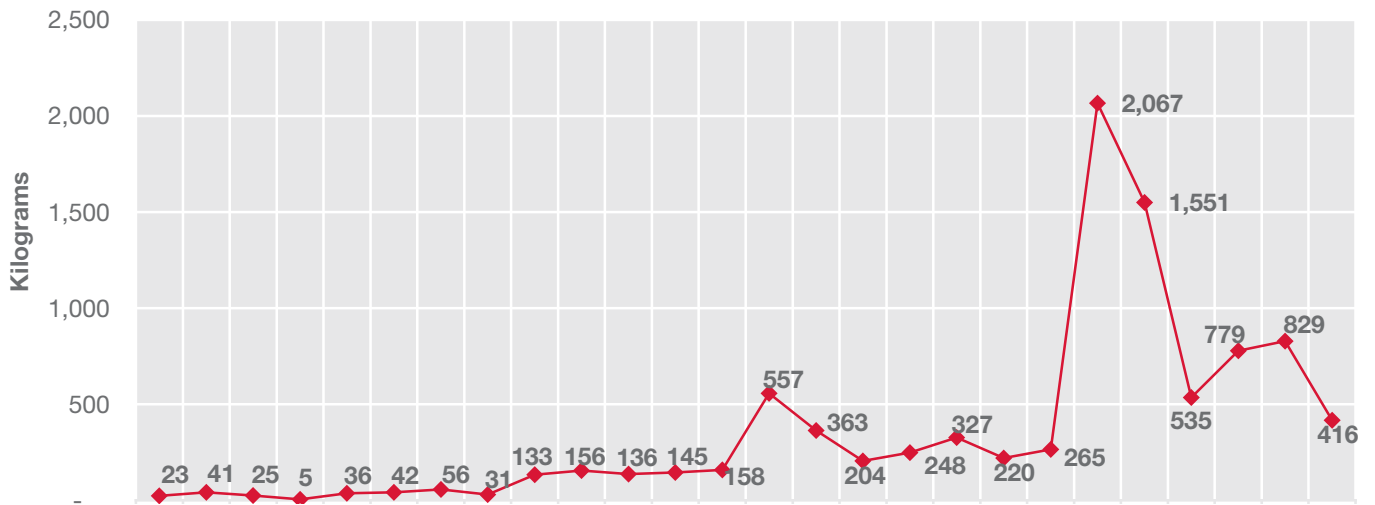
The most valuable form of contraband crossing the region is heroin. South East Europe lies along the most convenient route (the so-called ‘Balkan route’) between the supplier of some 90% of the world’s heroin (Afghanistan) and its most lucrative consumer market (Western Europe). It is estimated that about 100 tons of heroin crosses South East Europe on its way to Western Europe, of which 85

tons eventually makes it to the consumer, a flow valued at US\$ 25-30 billion.<sup>158</sup> This is more than the GDPs of most of the countries of the region, and consequently this flow has great corrupting power.

This retail figure can be deceptive, however, as it does not take into account the costs incurred. Also it remains unclear what share of the profits accrue to residents of South East Europe, to South East Europeans in the diaspora, or to other groups altogether. Further, the share of the local population that is actually corrupted by this flow is highly dependent on the nature of the trafficking. As discussed above, it appears that the flows are highly organised, thus minimising the number of officials who need to be given a cut. Some emphasise the growing importance of ‘roll on, roll off’ traffic, in which containerised cargo mounted on tractor trailers is conveyed intact on board sea vessels and/or railway lines. The impact of these shipments could be scarcely more than that of the over-flight of air cargo, with only a handful of corrupt border officials necessarily involved. Others, however, maintain that countries in the region serve as drug warehouses, with large volume shipments coming in and much smaller parcels going out. This is suggested by the very large seizures made in countries before South East Europe on the Balkan route (Iran and Turkey) and the smaller seizures made in West European countries. If true, a much larger number of local people would likely be involved.

The traditional Balkan route leaves Afghanistan to the west into Iran,<sup>159</sup> which seized 12.5 tons of heroin (and morphine) in 2005, comprising 14% of the world’s heroin and morphine seizures. It then enters Turkey, which

**Figure 48: Heroin (and morphine) seizures in Bulgaria**



Source: UNODC Delta database

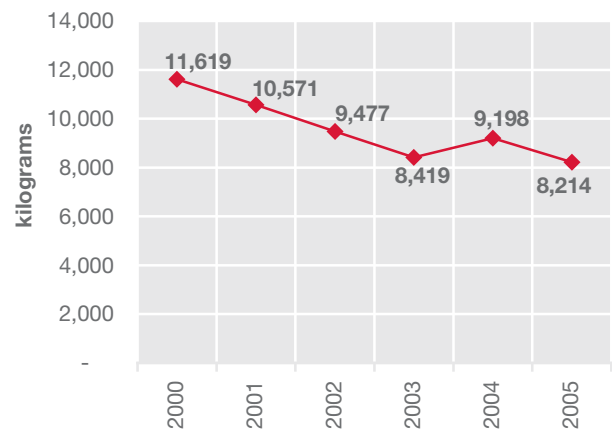
seized 8.7 tons, comprising 10%. Turkey’s seizures are all the more significant given the fact that, in contrast to Iran, it does not have a local opiates use problem. As a result, most of the seizures made are large shipments in transit to Western Europe, and single seizures of 50 kg to 150 kg of heroin are not uncommon in Turkey. Between them, the first two countries of the Balkan route seize nearly a quarter of all the heroin seized in the world, illustrating the importance of this flow.<sup>160</sup>

While some of the heroin entering Turkey leaves the country by sea or by land directly into Greece, the bulk is believed to transit Bulgaria. This is not well-reflected in the seizure figures, however. Bulgaria seized 416 kilograms of heroin in 2005, less than half a percent of global seizures, and less than half a percent of the estimated flow through the country. Heroin seizures have been in decline: in 2000, five times this amount was seized.

Heroin seizures in West and Central Europe also declined by 30% during the first five years of the new millennium, largely reflective of the decline in Bulgaria but going beyond it. There is evidence that heroin has started to lose its appeal in West Europe, as addicts turn to synthetic opiates and the younger generation seems to prefer cocaine. Recent surveys in countries with large heroin user populations illustrate this declining popularity. This is good news for South East Europe, and bad news for organised crime.

In recent years, Bulgaria has had the best heroin interdiction record in the region (Figure). Even taking population into account, Bulgaria seizes more heroin per capita than most of the other countries of South East Europe

**Figure 49: Heroin seizures in West and Central Europe**

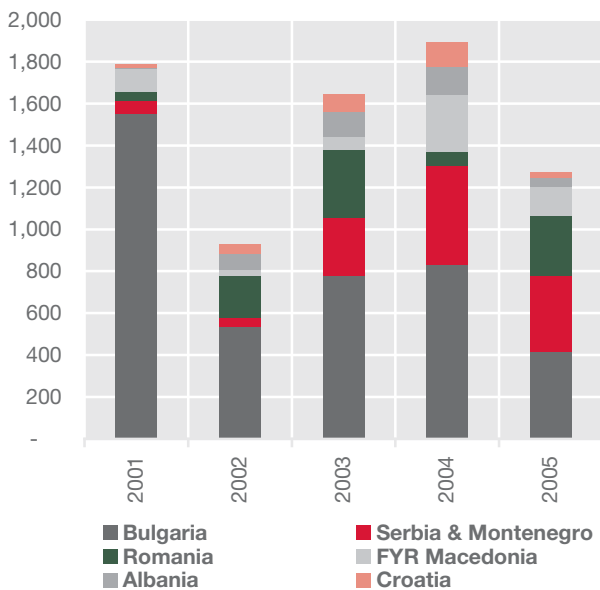


Source: UNODC Delta database

(Figure). This is partly a result of improved interdiction, and partly a result of the fact that, as with Turkey, most heroin routes to West Europe pass through Bulgaria. In any case, seizure levels in most countries are very small in proportion to the amount of drugs believed to be transiting the region.

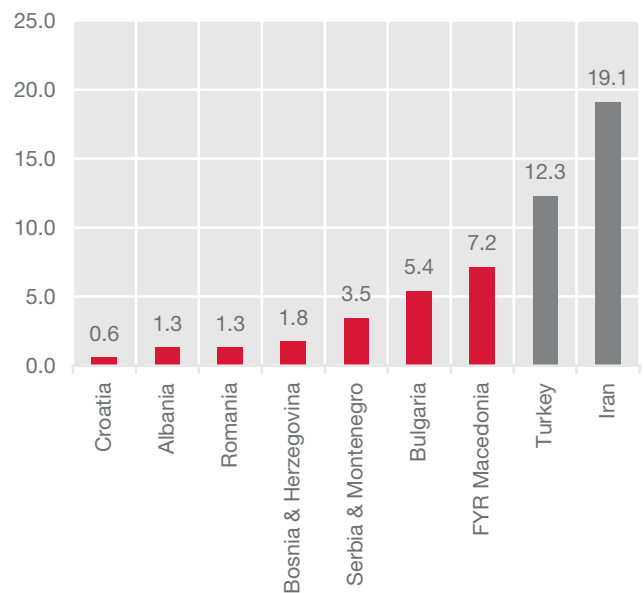
From Bulgaria, the routes taken have changed over time. The original Balkan Route passed directly through the former Yugoslavia. During the Milošević rule, an estimated two tons of heroin per month passed from Asia to Europe through the former Yugoslavia.<sup>161</sup> Apparently,

**Figure 50:** Kilograms of heroin seized per year in South East European countries



Source: UNODC Delta database

**Figure 51:** Kilograms of heroin seized per 100,000 population in 2005



Source: Annual Reports Questionnaire

this was done with the consent and even the participation of the state: a large quantity of heroin was discovered in 2001 after the fall of Milošević regime, stocked by members of state security in the safes of the Komercijalna Banka.<sup>162</sup>

During the wars, this arrangement seems to have broken down. The Balkan route split in two, with the creation of a Northern (Afghanistan-Pakistan/Iran-Turkey-Bulgaria-Romania-Hungary) and a Southern route (Afghanistan-Pakistan/Iran-Turkey-Greece-Albania-Italy). The emergence of the Southern route has been credited with boosting Albanian organised crime groups to their current status.<sup>163</sup> During the war in Kosovo, the route again shifted to the north. Today, there are three main smuggling paths of varying popularity, diverging in Bulgaria:

- Southern path: Afghanistan ▷ Pakistan/Iran ▷ Turkey ▷ Bulgaria ▷ Former Yugoslav Republic of Macedonia ▷ Kosovo or Albania ▷ Italy.
- Central (original) path: Afghanistan ▷ Pakistan/Iran ▷ Turkey ▷ Bulgaria ▷ Former Yugoslav Republic of Macedonia or Serbia ▷ Bosnia and Herzegovina ▷ Croatia ▷ Slovenia ▷ Italy.
- Northern path: Afghanistan ▷ Pakistan/Iran ▷ Turkey ▷ Bulgaria ▷ Romania ▷ Hungary or Ukraine ▷ Slovakia or Poland ▷ Austria or Germany.

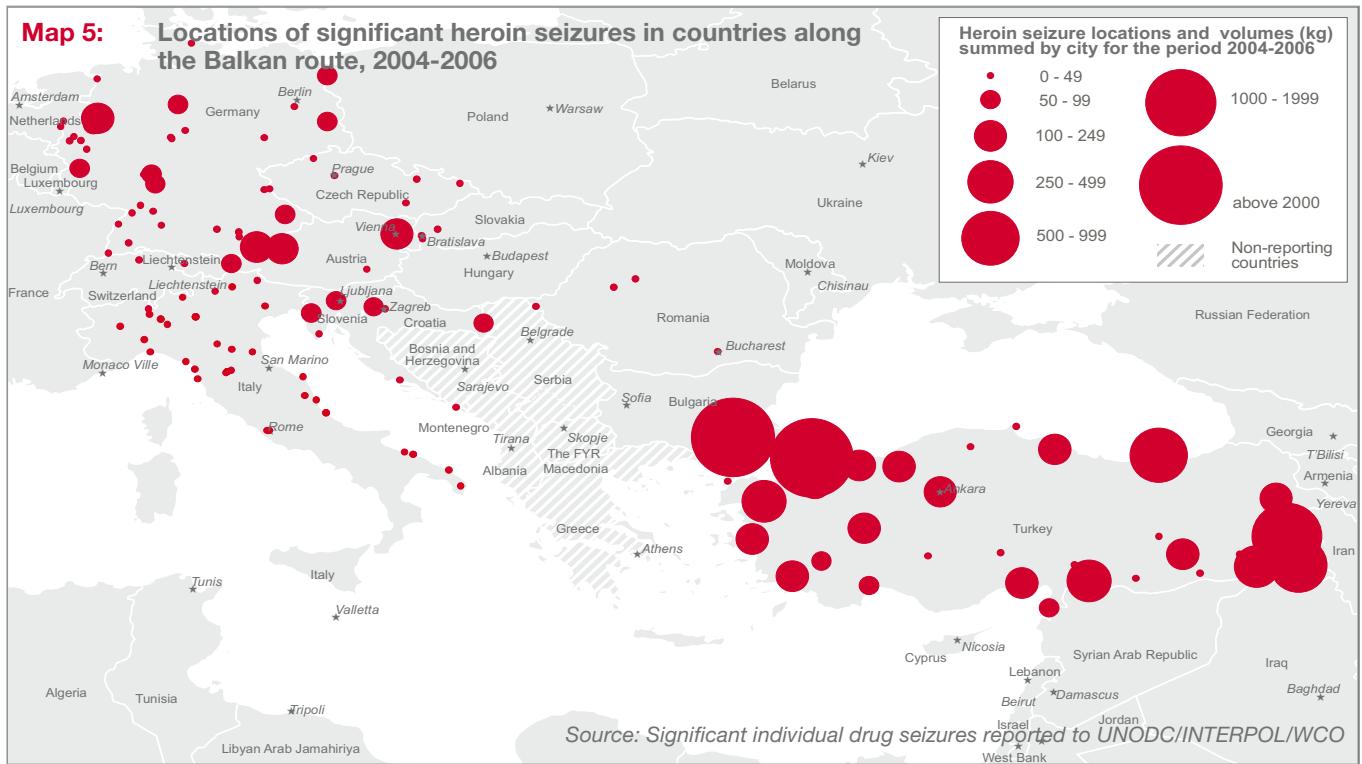
From the mid-1980s to the mid-1990s, Turkish organised crime groups dominated European heroin markets.<sup>164</sup> During the 1990s, however, a new ethnic group began to emerge in heroin trafficking: ethnic Albanians.<sup>165</sup> As noted above, until 1991, the nation of Albania was one

of the most isolated in the world. Albanians living in the former Yugoslavia, however, moved with great freedom to the east and the west, and there are reports of ethnic Albanian involvement in Italian organised crime groups from the mid-1980s.<sup>166</sup> But as discussed above, ethnic Albanian organised crime really got its competitive advantage from a series of regional shocks during the 1990s, starting with the conflicts in the former Yugoslavia, the imposition of sanctions, the collapse of the Albanian pyramid schemes in 1997, and then the conflict in Kosovo. For a period of time, large areas of territory occupied by ethnic Albanians was exempt from the control of any state, and Italy was only a short speed boat ride from the west coast of Albania. No other national group enjoyed such direct access to Western markets. By 2000, Italian chief prosecutor Cataldo Motta went so far as to assert that “Albanian organized crime has become a point of reference for all criminal activity today. Everything passes via the Albanians.”<sup>167</sup> The continued role of diaspora Albanian-speakers and other organised crime groups from the region are discussed in the section on ‘Balkan drug networks in West Europe’ below.

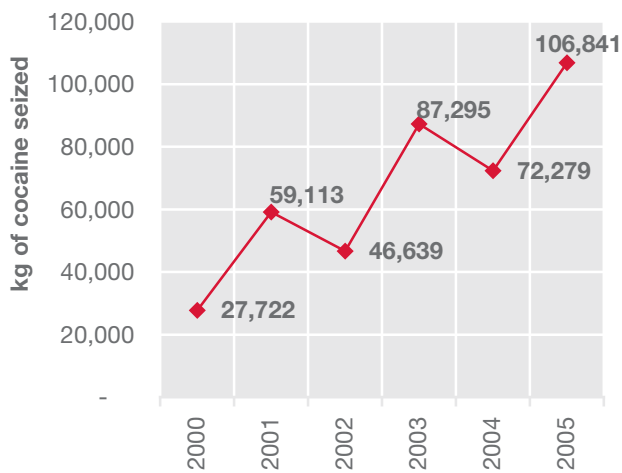
While there are indications that the overall trend for heroin consumption in West Europe is declining, the trend for cocaine is sharply upward in many countries, and this is reflected in rising seizures in West and Central Europe (Figure). The following section addresses this trend.

### Transit: Cocaine trafficking

As the United States cocaine market has been in a slump since the late 1990s, international traffickers have



**Figure 52: Cocaine seizures in West and Central Europe**



Source: UNODC Delta database

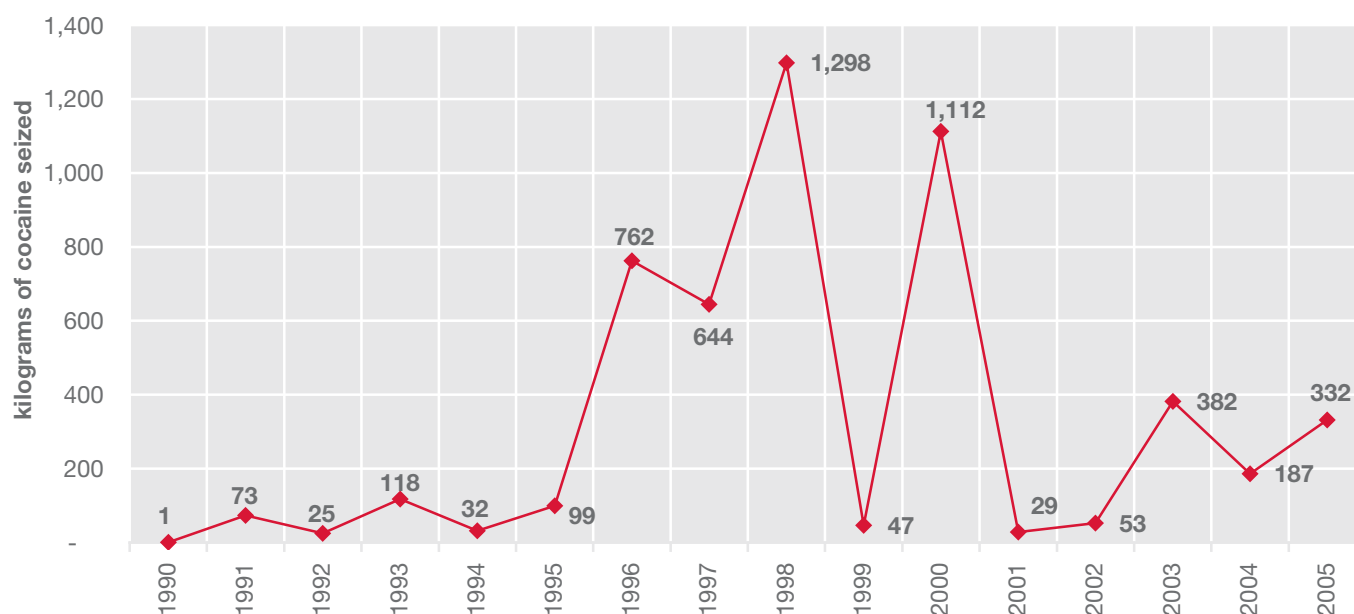
looked for new markets. They found a booming one in West Europe, where cocaine use rates have been on the rise for some time. Enforcement has been stiff, though, and multi-ton seizures are made with regularity recently off the coasts of West Africa and Spain. These seizures do not involve South East Europeans. But traffickers are always looking for new routes to bring this drug to its destination markets. There have long been concerns that the Balkans would emerge as a backdoor to Western Europe for cocaine traffickers, and there have been several large seizures to back up this apprehension.

For example, on 7 January 2007, the police of the former Yugoslav Republic of Macedonia seized 483 kg of cocaine at Blace on the Kosovo border. The cocaine was hidden in cans filled with rubber-tree paint originating from Venezuela, and was offloaded at the port of Bar in Montenegro, a port often implicated in drug trafficking. Police sources indicate that it was intended for transportation to Greece by truck via Serbia, Kosovo and the former Yugoslav Republic of Macedonia. It is believed the shipment was funded by a group of Swiss, Greek and German nationals resident in Greece. Since 1999, there has been evidence of a Greek-Spanish-Colombian cocaine smuggling ring, although the leadership has changed over time. In Greece, there have been several seizures of over 100 kg of cocaine destined for the Balkans over the years.<sup>168</sup>

Large single seizures of this sort have tended to dominate the national seizure totals in the past. This suggests the region is being used mainly as a transit zone, and that the traffic is controlled by well-resourced groups able to handle such large consignments. For example, in Pula, Croatia, 337 kg of cocaine were seized on a boat hidden among car parts on 14 September 2003.<sup>169</sup> This single seizure comprised 88% of the cocaine reported seized in the entire region that year.

Many South East Europeans are arrested trafficking cocaine in West European countries, but this does not necessarily involve transiting the Balkan countries themselves. Indeed, interviews with intelligence sources suggest that most Albanian cocaine traffickers who smuggle the drug to Italy buy it in the Netherlands and transport it directly south, without transiting Albania.<sup>170</sup> Nonetheless,



**Figure 53: Kilograms of cocaine seized in South East Europe**

Source: UNODC Delta database

more Albanians were arrested trafficking cocaine (708) than heroin (394) in Italy in 2006, and more Serbians were arrested trafficking cocaine (77) than heroin (56) in Germany in 2006.<sup>171</sup> This is a product of the fact that cocaine use levels are much higher than opiate use levels in these countries. But the contrast remains striking, if for no other reason than that the geographic positioning of the Balkans is often used to explain the involvement of South East Europeans in heroin markets. Geography is apparently less important than other factors when it comes to smuggling cocaine.

The routes taken by cocaine on its path from South America to the Balkans are unclear. In November 1997, Ukrainian Customs seized 600 kg cocaine seizure at the port of Sevastopol which had transited Varna, Bulgaria. The Serbian government reports that cocaine enters the region through Greek, Montenegrin, Croatian, and Albanian ports. From these countries the drugs are said to be transported to the former Yugoslav Republic of Macedonia, Bosnia and Herzegovina and Serbia. From there, they enter Hungary and Western Europe.<sup>172</sup> The former Yugoslav Republic of Macedonia, on the other hand, reported an “immense increase” in cocaine coming from Bulgaria in 2005, and says 95% of the cocaine entering their country comes from Bulgaria.<sup>173</sup> The Austrian government lists the Balkan route as one of the ways cocaine enters the country, and mention South East Europeans as couriers.<sup>174</sup> According to Europol, there has been growth in a two-way use of the Balkan Route with increased trafficking, in addition to precursor chemicals, of ecstasy and cocaine from Western Europe into Central and Southern Europe.<sup>175</sup>

### Production: Cannabis

Cannabis and synthetic drugs are the only substances of abuse produced in the region. South East Europeans are also involved in trafficking and dealing these drugs in both domestic markets and in West Europe.

Albania must be regarded as a major source of cannabis used in the region, based on the frequency it is listed as a source by other countries in their ARQ submissions.<sup>176</sup> Mass production of cannabis in Albania began in the southern parts of the country in the early 1990s.<sup>177</sup> In particular, Albanian cannabis is trafficked to Greece and Italy, and cannabis production in the southern areas of Albania is believed to be destined almost exclusively for export to Italy.<sup>178</sup> According to the relevant national authorities, some 83% of Italy’s cannabis and 67% of Greece’s cannabis comes from Albania.<sup>179</sup>

The Albanian government disputes these estimates, however, claiming that production in their country has been reduced to a quarter of former levels, and that, as a result, the wholesale price has tripled. They refer to Italian statistics indicating that the share of total cannabis seized in Italy involving Albanian nationals has varied greatly over the years (between one fifth and one half between 2004 and 2006), and that the quantity is greatly reduced from the early 2000s.<sup>180</sup> There is a difference between the share seized from Albanian citizens and the share of seized cannabis that originates in Albania, however, so these figures are not dispositive.

Similar data are not available for Greece, but in late 2007, a single seizure of over two tons of herbal cannabis was made as the drug was on its way to Greece

from Albania, in a country that has seized between five and eight tons annually over the past several years.<sup>181</sup> Flows are also said to go eastward. Herbal cannabis is said to be trafficked by road from Albania through the former Yugoslav Republic of Macedonia and Bulgaria to Turkey,<sup>182</sup> although the Turkish government does not list Albania as a significant source of supply.<sup>183</sup>

There are indications that cannabis is also cultivated on a small scale in most other countries of the region. In Kosovo, fields may be protected with landmines. This provides a significant deterrent to eradication efforts.<sup>184</sup>

In Bulgaria, cannabis is grown in the Southwest (Sandanski, Petrich) and in the North/ Northwest (Silistra, Dobrich). Many of the growers are elderly, paid by people linked to organised crime. Production on public lands has also been reported.<sup>185</sup> About half the herbal cannabis trafficked in Bulgaria is domestic, while most of the balance is Albanian, and this produce may be trafficked on to Turkey and Greece. Some 12 tons of cannabis plants were destroyed in eradication operations in 2003 in a relatively small number of operations (31), suggesting large scale cultivation. The former Yugoslav Republic of Macedonia says it gets 80% cannabis from Albania and 5% from Bulgaria. Even places as far afield as Latvia, for example, say they get some of their cannabis from Bulgaria.<sup>186</sup>

But the trend in Western European countries has been towards consumption of higher potency sinsemilla grown indoors locally, rather than imported product.<sup>187</sup> If this trend continues, cannabis growers in Albania and Bulgaria may see their traditional cannabis markets undercut. Indeed, the most recent EU accession progress report says of Albania “Domestic cultivation of cannabis has dropped by 70% and the price has gone up, indicating some success in restricting supply.”<sup>188</sup> Since a recent law made it a crime for local civil and police authorities to fail to report cultivation, this reduction is likely to be a real one. Whether this is due to law enforcement or a declining market or both remains unclear.

However, hashish production in Morocco has been in decline. According to surveys conducted by UNODC and the Government of Morocco, cannabis cultivation was down from 134,000 hectares in 2003 to 72,500 hectares in 2005. At the same time, UNODC surveys show hashish cultivation in Afghanistan increased from 30,000 ha in 2004 to 50,000 ha in 2005/06 and 70,000 ha in 2007. As a result, the region may be seeing an increased flow of imported hashish along the Balkan route.

### **Production: Synthetic drugs and precursors manufacture and trafficking**

Due to its technological development under communism, Bulgarian criminals have had an advantage in synthetic drugs production. They are best known for production

of Kaptagon (fenethylamine), a synthetic stimulant prized in the Middle East for its alleged aphrodisiacal qualities. Today, most pills sold as Kaptagon are, in fact, forms of amphetamine that are easier to produce, but large quantities of these counterfeits are regularly seized. There have also been reports of false Kaptagon being produced in Turkey, destined largely for markets in the Middle East. According to Europol:

*... amphetamine tableted with the ‘captagon’ logo is produced on a substantial scale in Bulgaria for the domestic market as well as for the export to Turkey and Middle East countries such as Saudi Arabia. More than 900 kg of amphetamine were seized in Bulgaria in 2006, the majority on its way to Turkey. Moreover, Turkey reported the seizure of nine amphetamine production, storage and tableting sites detected in its territory plus more than fourteen million amphetamine / ‘captagon’ tablets as well as 65 kg of BMK. According to Bulgarian information this production is controlled by Bulgarian organised crime.*<sup>189</sup>

But the potential for synthetic drug production exists in other countries as well, such as Serbia. In early 2003, the Serbian police arrested a medical doctor, Milan Zarubica, in connection with a major amphetamine manufacturing operation. It is estimated that the factory had been operative for two to three years.<sup>190</sup> Some methamphetamine production has been reported, and the country is a transit point for ecstasy.<sup>191</sup> In 2006 in Romania, quite a bit of cultivation of either San Pedro or peyote cactus was detected, resulting in the seizure of 92 kg of mescaline.<sup>192</sup>

Although acetic anhydride (a key precursor for heroin production) has been seized in Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia and Bulgaria, none of these countries manufactures nor legitimately imports the chemical, so these seizures represent smuggled loads, from sources as remote as South East Asia and Mexico. Bulgaria seized over seven tons of the chemical in 2004,<sup>193</sup> and Romania seized 11,180 litres in 2007,<sup>194</sup> suggesting the ‘Balkan route’ is functioning in both directions. According to Europol, there have been seizures of ephedrine “in the Balkans” headed for the Czech Republic for the purposes of methamphetamine production.<sup>195</sup> And 1,660 kg of PMK were seized in Croatia, trafficked from China via the United Arab Emirates and Italy, destined for the Netherlands for use in ecstasy production.<sup>196</sup>

### **Balkan drug networks in West Europe**

Whatever the role of organised crime groups in South East Europe, there is round consensus that Balkan organised crime groups, and particularly ethnic Albanian groups, are a hazard in West Europe. This is particularly true with regard to heroin trafficking, the drug that gen-

erates both the most damage and the greatest profits. Arguably, Albanian heroin dealers are the single most notorious Balkan organised crime phenomenon. For example, a decade ago the Council of Europe noted in its organised crime situation report:

*While in former years the [heroin] trade [in Austria] was dominated by Turkish organisations, it was noted in 1998 that ethnic Albanians have now taken over... ethnic Albanian criminal organisations managed to build a Europe-wide network and hold monopolies in urban areas. They maintain operational bases in Austria, Bulgaria, Czech Republic, Germany, Hungary, Poland, Romania, Slovakia, Switzerland, United Kingdom, and in the Nordic countries...*<sup>197</sup>

And in its 2005 situation report, the Council of Europe said:

*Ethnic Albanian criminal groups are reportedly responsible for a large part of the wholesale distribution of heroin in Europe... Ethnic Albanian criminal groups pose a significant threat to the EU because of their involvement in drug trafficking, THB [trafficking in human beings] and money laundering. (emphasis added)*<sup>198</sup>

“Ethnic Albanian Criminal Groups” are the only national group discussed in the 2006 Europol publication *The Threat from Organised Crime*:

*Ethnic Albanian organised crime groups have established themselves in many European Union Member States and beyond... ethnic Albanian crime groups are found to extend their role from facilitators to achieving full control in certain crime areas. They adapt without difficulties to local or changing situations.*<sup>199</sup>

While words to this effect have become standard in both international and national organised crime analyses, the exact role of Albanian networks and other groups from South East Europe in West European heroin distribution seems to have varied substantially between regions and over time. And while difficult to assess, it appears that, overall, the role of groups from South East Europe in heroin trafficking to Western Europe has declined in recent years. The following country-by-country review is a start toward a fresh assessment.

Various estimates have been made over the years as to the share of the total heroin market controlled by Albanian traffickers. In 2000, the Assistant Director of Interpol testified before the US Congress that, “According to some estimations, Albanian networks control about 70% of the heroin market today in Switzerland, Germany, Austria and the Scandinavian countries.”<sup>200</sup> But the basis for making these estimates is unclear. One way of objectively providing a quantitative picture of the extent of Albanian heroin trafficking is to look at the number of heroin arrests made for heroin trafficking of Albanians

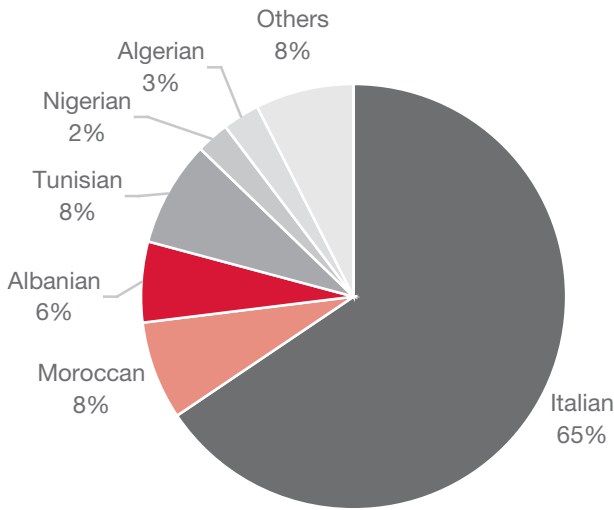
and other groups from the region in Western European countries. This information is collected in the UNODC Annual Reports Questionnaire (ARQ). Another is to look at the location of and the amount of heroin associated with these arrests, which also gives some idea as to whether the Albanians are functioning as importers, wholesalers, or retailers in any particular market. This information is collected in the UNODC Individual Drug Seizures database (IDS).

One problem with analysis of the arrest figures is that ‘Albanian’ can refer to both an ethnicity and a nationality. Kosovo Albanians may, or may not, be recorded as Serbian (or, in some databases even today, ‘Yugoslav’) nationals<sup>201</sup> – about one out of every five Serbians is a Kosovo Albanian. On the other hand, ‘Yugoslav’ could be an explicit reference to ‘South Slavs’, deliberately excluding ethnic Albanians of Serbian nationality. Albanian-speakers also make up about a quarter of the population of the former Yugoslav Republic of Macedonia, and there are small populations of Albanians in most of the former Yugoslav republics. Indeed, since many Kosovo Albanians began emigrating in the 1970s, ‘ethnic Albanians’ may have virtually any nationality, despite retaining a strong sense of Albanian identity.<sup>202</sup>

The various Albanian-speaking populations seem to have played very different roles in regional drug trafficking, however. The Kosovars long enjoyed the benefits of being part of the most open society in the region, while the citizens of Albania were completely isolated until the 1990s. After the collapse of the government in 1997, however, traffickers from Albania had the benefit of controlling a zone of chaos just a short boat ride away from the second largest heroin market in Europe. As a result, Albanian nationals are the most important group in Italy, while in many other countries, the Kosovars dominate. While there was collaboration during war time, intelligence sources suggest that groups in Albania, the province of Kosovo, and the former Yugoslav Republic of Macedonia all operate independently of one another today. For example, the situation in Kosovo appears to be well organised, with perhaps five regional strongmen controlling corners of the territory and distributing to diaspora clan members in specific destination countries. The situation in Albania is more difficult to summarise, and it appears that Albanians based in Italy are at least as important as those situated in their home land.<sup>203</sup>

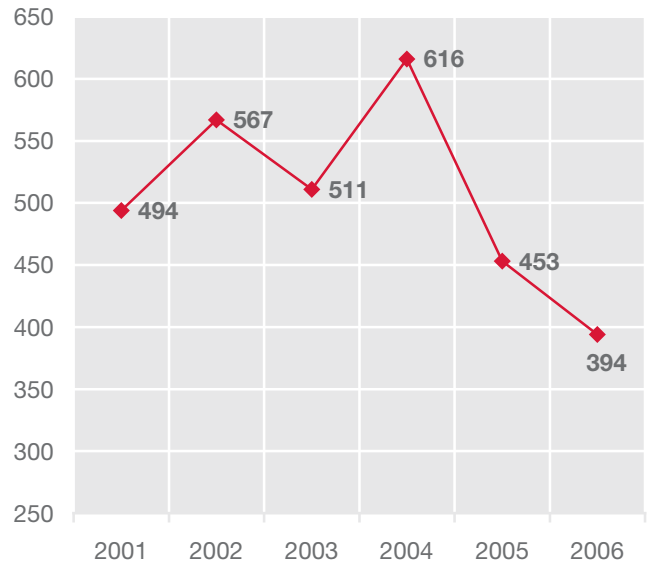
Throughout the discussion below, Albanian nationals will often be lumped with citizens of Serbia, Montenegro, and the former Yugoslav Republic of Macedonia to create a pool of ‘potential ethnic Albanians’, despite the fact that this group undoubtedly includes Slavic people, in order to assess the likely outer limits of ethnic Albanian involvement in drug trafficking. This will inevitably result

**Figure 54: Nationality of those arrested for heroin trafficking in Italy in 2006**



Source: ARQ 2006

**Figure 55: Number of Albanians arrested for heroin trafficking in Italy 2001-2006**



Source: ARQ

in an over-count – in 2004, the German government estimated that only 10% of organised crime arrestees from Serbia and Montenegro were Kosovo Albanians.<sup>204</sup> Even using this expanded definition, however, the share of heroin trafficking attributable to ethnic Albanians presently appears to be much less than the levels estimated in the past.

**Italy**

Given its relative affluence and position directly across the Adriatic, it is not surprising that Italy is the country most affected by Albanian organised crime. There were over 300,000 Albanians living in Italy in 2004.<sup>205</sup> Albanian groups are known to partner with Italian organised crime groups, particularly the Apulian Sacra Corona Unita, in all manner of smuggling activities.

The 2005 Italian ARQ submission, filled out by the Italian Ministry of Social Solidarity, said “it was estimated that in Europe, 40% of the heroin trade is controlled by Albanian nationals.”<sup>206</sup> The 2006 submission, filled out by the Italian Central Directorate for Antidrug Services, said “it was estimated that in Europe, 80% of the heroin trade is controlled by Albanian nationals.”<sup>207</sup> When estimates within a single government are so divergent, and the issue so politically charged, there is a need for an objective and replicable model for making this calculation.

Whatever their European market share, there can be little doubt that Albanian nationals (and not just the broader grouping ‘ethnic Albanians’) do play a substantial role in Italian heroin markets. This is not well-reflected in the number of arrests, however. During 2006, Albanian

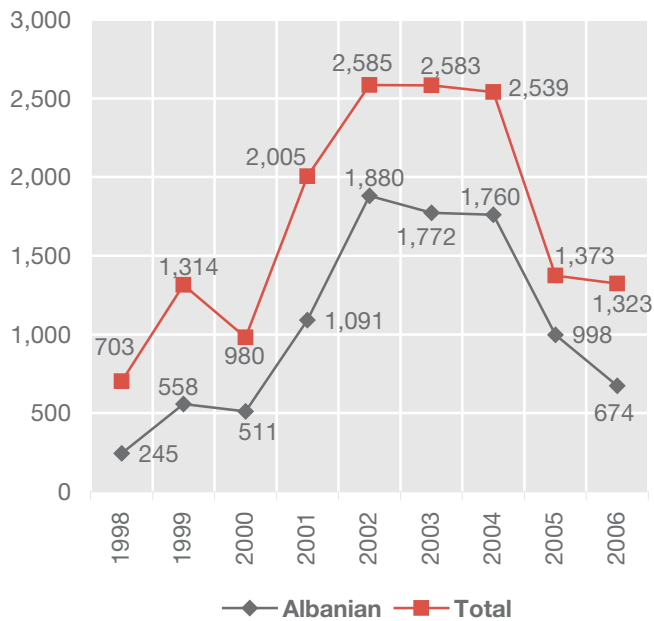
nationals comprised only 6% of all heroin trafficking arrests (Figure). Further, the number of Albanians arrested for heroin trafficking has been in decline in recent years (Figure). This may be due, in part, to the prohibition of the use of locally owned speedboats in Albanian coastal waters in 2006. Interestingly, the number of Albanians arrested for cocaine trafficking during the same period of time increased, although the share of total cocaine trafficking arrestees remained the same (between 5% and 6%). Italian data show that most of the Albanians were arrested in Lombardy, followed by Emilia-Romagna, Puglia, and Venetia.<sup>208</sup>

Despite their relatively small numbers, Albanian nationals are responsible for a large share of the weight of heroin seized, indicating that they are operating primarily as importers and wholesalers in Italy. According to data from the Italian authorities, between 1998 and 2006, police seized 9.5 tons of heroin from Albanian nationals, out of a total of 15.4 tons seized. In other words, some 58% of all heroin seized came from Albanian citizens in that eight-year period, slightly more than the share in 2006 alone (51%). Based on IDS data, adding in all seizures made from Serbians, Montenegrans, and citizens of the former Yugoslav Republic of Macedonia, all of whom could be ethnically Albanian, would increase this share by an average of 6% per year. But while the share is high, the total volume seized in 2006 was less than half that seized two years earlier, in keeping with an overall decline in seizures in Italy.

Importantly, the share of the Italian heroin supply that is believed to transit Albania is not as high as the share seized from Albanian nationals. In 2006, 51% of the

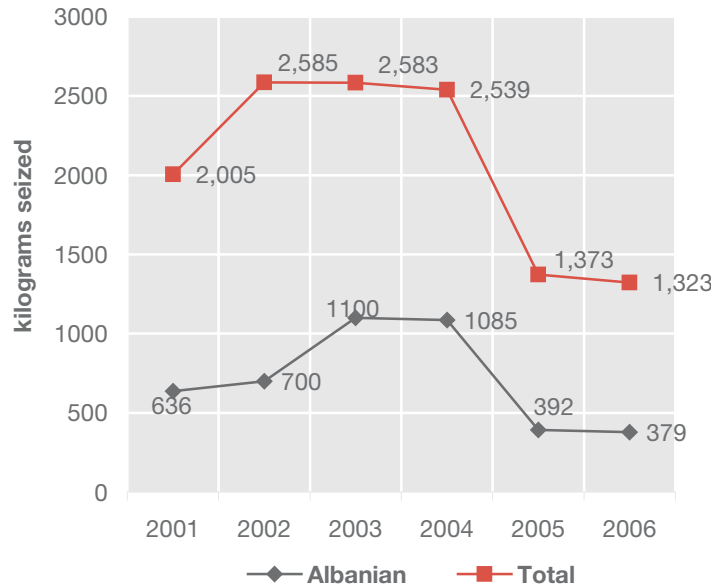


**Figure 56: Heroin seized in Italy 1998-2006**



Elaborated from data supplied by the Government of Italy

**Figure 57: Kilograms of heroin transiting Albania seized in Italy**



Source: Elaborated from Government of Albania (citing Italian sources) and Government of Italy (ARQ)

**Map 4: Location of heroin seizures involving Albanian nationals in 2006**



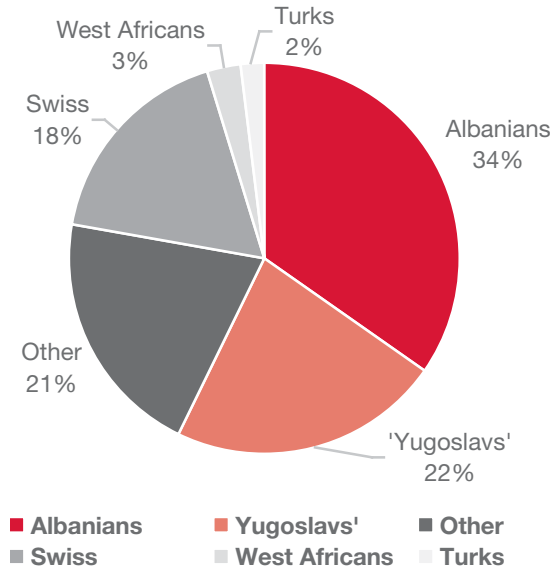
Source: Elaborated from data provided by the Government of Italy

heroin seized in Italy came from Albanian citizens,<sup>209</sup> but, based on seizure-by-seizure statistics, only 29% is believed to have come through Albania.<sup>210</sup> This suggests that the drug is trafficked by Albanians through other countries. In its 2006 ARQ, the Italian government estimates that 40% of its heroin comes through Albania, 43% through Turkey, and 16% through other countries. As with the amount of heroin taken from Albanians, the

amount transiting Albania was down sharply in the last two years (Figure).

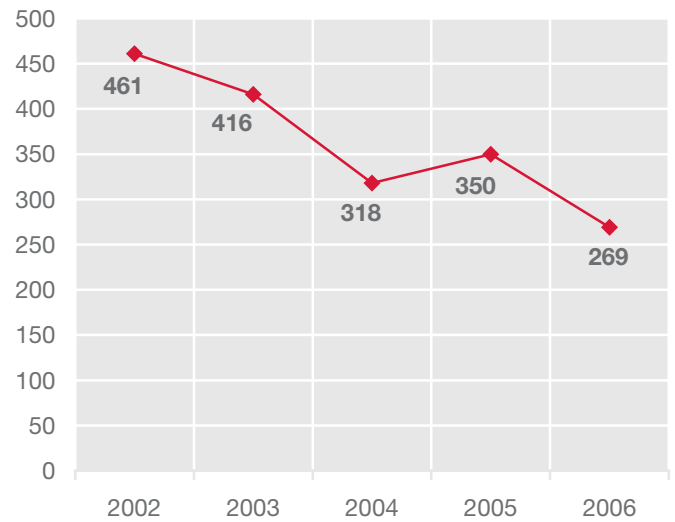
Plotting individual 2006 heroin seizures associated with Albanian traffickers on a map reflects the importance of the port of Bari and other coastal towns in trafficking, but it also highlights the Albanian presence in the north, markets some distance from Albanian territory.

**Figure 58:** Nationality of those arrested for heroin dealing in Switzerland in 2006



Source: Swiss Federal Police

**Figure 59:** Number of Albanians /Yugoslavs arrested in Switzerland for heroin trafficking



Source: Swiss Federal Police

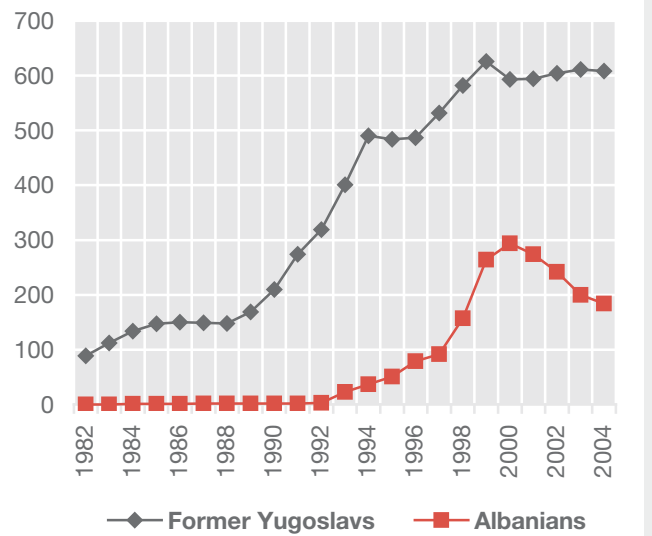
Few seizures are made in the major cities of Rome and Naples.

**Switzerland**

Switzerland has historically been singled out as one of the countries most affected by ethnic Albanian heroin trafficking, due to the large expatriate population there – there were an estimated 94,000 Albanian-speakers in Switzerland in 2000.<sup>211</sup> In the late 1990s, Albanians were blamed for trafficking some 70%<sup>212</sup> to 90%<sup>213</sup> of Switzerland’s heroin supply into the country. In 2006, according to the statistics of the Swiss Federal Police, Albanians comprised 34% of those arrested for heroin trafficking in Switzerland. No Albanians and only one ‘Yugoslav’<sup>214</sup> were arrested for attempting to smuggle drugs into the country, however – all the arrests involved local drug dealing. According to the Swiss government, “Street sale [of heroin] is carried out by addicts living in Switzerland or by ethnic Albanians.”<sup>215</sup> In contrast to Italy, then, Swiss Albanians appear to be heroin retailers.

‘Persons from the former Yugoslavia’ collectively comprised 22% of the dealers, so, in theory, ethnic Albanians could comprise as much as half of the heroin trafficking arrestees. But the Swiss 2006 ARQ states that there are ethnic Serbs involved in the heroin market too, and the number of Albanians and ‘Yugoslavs’ arrested for heroin has declined sharply in the last five years (Figure). In addition, after a rapid rise during the 1990s, the number of Albanians in Swiss prisons have declined since 2000, while those from the former Yugoslavia appear to be stabilising (Figure).

**Figure 60:** Number of Albanians and Yugoslavs in Swiss prisons



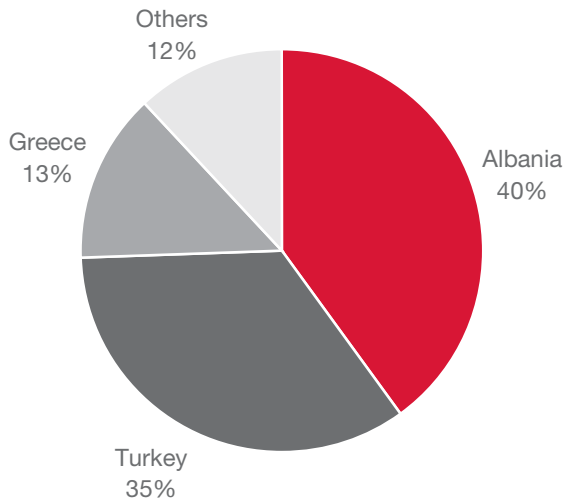
Source: Swiss Federal Police

No data on heroin seizures have been submitted to the UNODC IDS for Switzerland, so it is not possible to make an estimate of the share of Swiss heroin market controlled by ethnic Albanians.

**Greece**

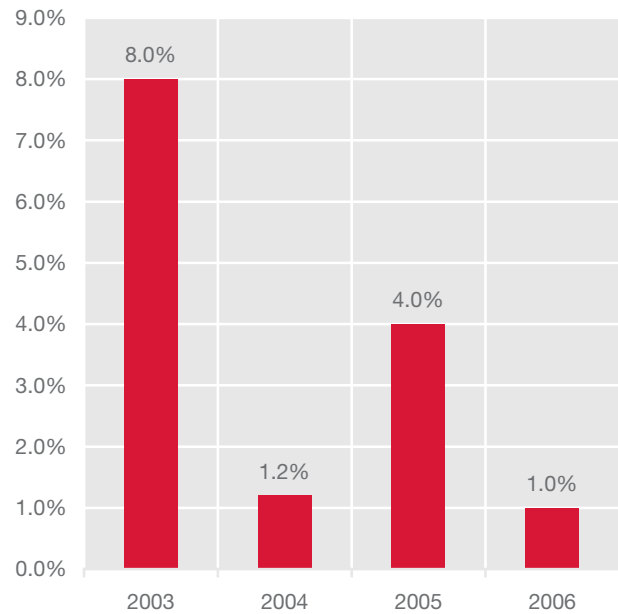
Greece is another country with longstanding connections to Albania and a large expatriate/migrant Albanian diaspora. Albanian nationals comprised about 6% of those arrested for heroin trafficking in Greece in 2003, although they were by far the largest foreign group (fol-

**Figure 61:** Share of heroin (by weight) seized in Greece between 1999 and 2003



Source: UNODC IDS database

**Figure 63:** Maximal share of heroin seizures (by weight) taken from 'ethnic Albanians'<sup>218</sup>



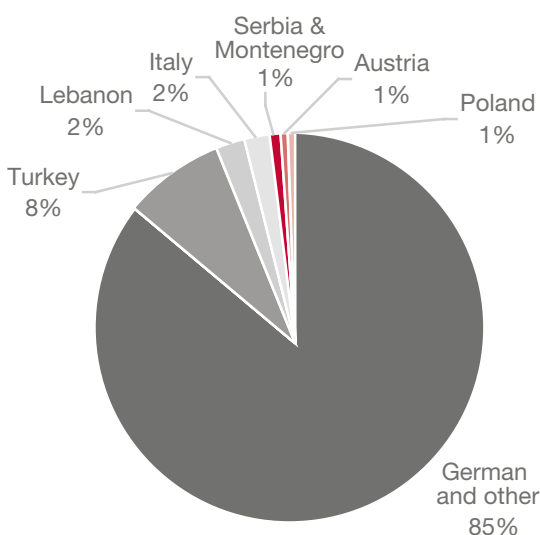
Source: ARQ 2006

lowed by Iraqis and Georgians).<sup>216</sup> But looking at the ISD data from 1999 to 2003, Albanians are responsible for a large share of the heroin seized. Between 1999 and 2003, the Greek authorities took almost 700 kg of heroin off Albanians, out of 1.75 tons seized in large seizures, or about 40%. In the 2005 ARQ, Greek authorities emphasise their role in cannabis trafficking, rather than heroin trafficking, however – heroin use rates in Greece are among the lowest in Europe.

### Germany

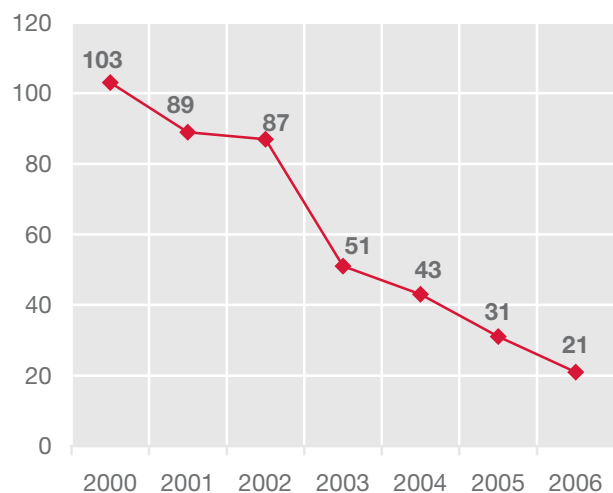
Out of 7819 suspects connected with heroin seizures in Germany in 2006, only 15 were Albanian nationals (0.2%) and 164 were 'Yugoslavs', Serbians, Montenegrans, or citizens of the former Yugoslav Republic of Macedonia (2%). These individuals were responsible for, at the most,<sup>217</sup> 12 kilograms of heroin, out of 879 kg seized in 2006 (1.3%). The German government does not mention Albanians, ethnic or otherwise, in its narrative on heroin in the 2006 ARQ, focusing instead on Germans, Turks and Lebanese, the three largest

**Figure 62:** Nationalities of suspects recorded in connection with heroin trafficking in Germany in 2006



Source: Bundeskriminalamt

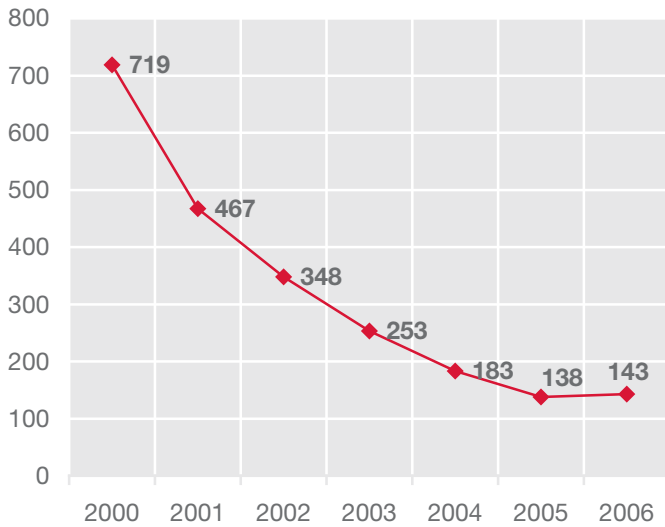
**Figure 64:** Number of Albanian heroin trafficking suspects identified in Germany<sup>219</sup>



Source: Bundeskriminalamt

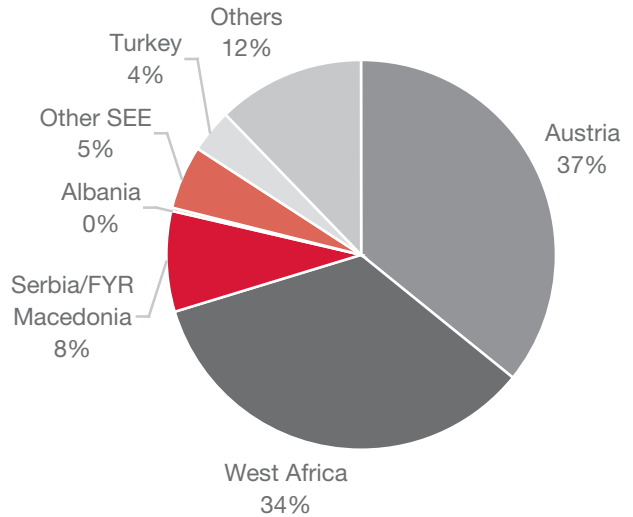


**Figure 65:** Number of Yugoslav/Serbian/citizens of the former Yugoslav Republic of Macedonia heroin trafficking suspects identified in Germany<sup>220</sup>



Source: Bundeskriminalamt

**Figure 66:** Nationality of those arrested for heroin trafficking in Austria in 2006



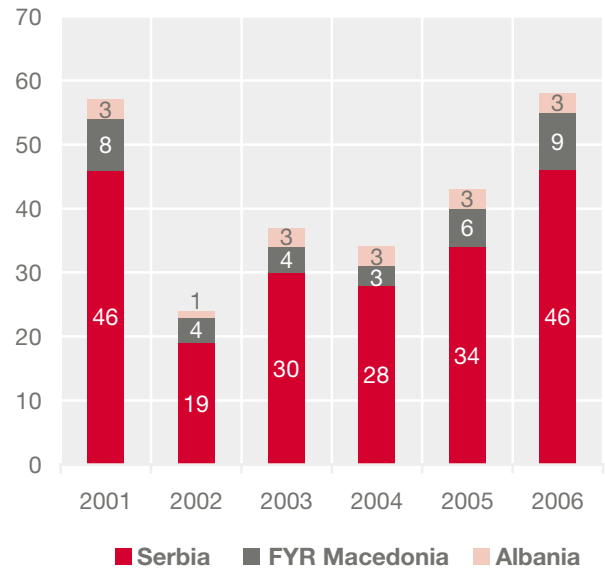
Source: ARQ 2005

groups of heroin suspects recorded in the *German Police Crime Statistics 2006*.

**Austria**

Austria also singled out ethnic Albanians as heroin smugglers in 2006, noting “Criminal groups of ethnic Albanians continue to be responsible for further transport of the heroin from mainly the Kosovo to Austria, and from Austria onwards to Western Europe.” But only three Albanians were arrested for heroin trafficking in 2006, out of 660 heroin trafficking arrests. Indeed, since 2001, not more than three Albanians have been arrested for heroin smuggling in any year. Serbians/Montenegrans and citizens of the former Yugoslav Republic of Macedonia, who could be ethnically Albanian, comprised 8% of all heroin arrestees, but these figures are small considering the size of the expatriate population and the proximity of these countries. The Austrian government estimates that at least 50% of heroin smugglers of Serbian or Montenegrin nationality are ethnically Albanian.<sup>221</sup> If this were true, ethnic Albanians would likely have comprised about 4% of heroin trafficking arrests in 2006. Contrary to other countries, the number of potential ethnic Albanians heroin traffickers has not recently decreased, with the number of Serbians/Montenegrans and citizens of the former Yugoslav Republic of Macedonia increasing in the last three years (Figure). While the Austrian government contributes to the IDS database, it does not specify the nationality of the arrestees, so no analysis in this regard is possible.

**Figure 67:** Number of Albanians, citizens of the former Yugoslav Republic of Macedonia, and Serbians arrested for heroin trafficking in Austria

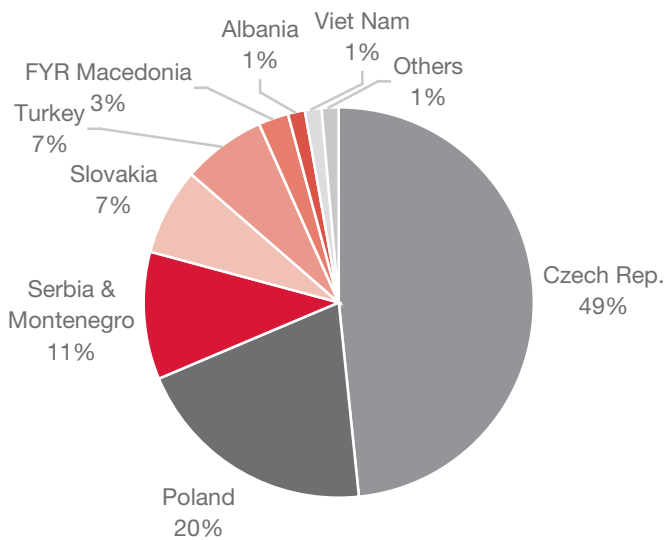


Source: Bundeskriminalamt

**Other countries**

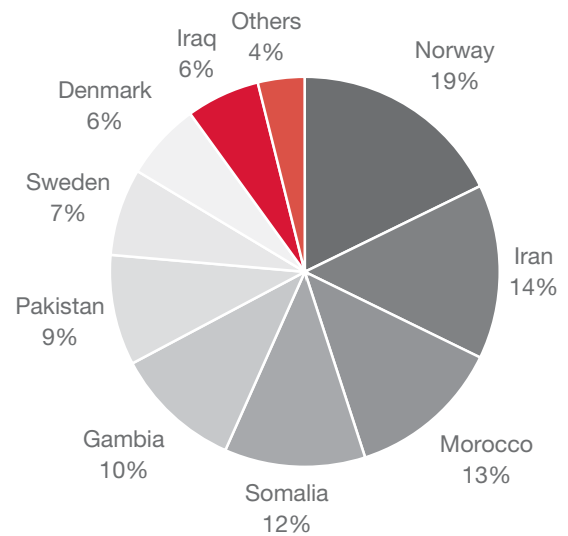
The Hungarian government also singles out Albanian nationals in its 2006 ARQ – in fact, Albanians are the only trafficking group discussed: “The Albanian nationality groups are still playing a leading role in illegal drug trafficking.” In 2005, the ARQ submission states, “Our experience shows that the activity in Hungary of the groups engaged in international drug smuggling is pre-

**Figure 68:** Share of total heroin seized (by weight) taken in Czech Republic 2002-2006



Source: UNODC IDS

**Figure 69:** Nationality of those arrested for heroin trafficking in Norway in 2001-2002



Source: ARQ 2001 and 2002

dominantly linked to the Albanian and Turkish migration.” But no Albanians were arrested for drug trafficking of any type in Hungary in 2005 or 2006 (and only two Turkish citizens, both for cannabis). In 2005, 11 “Yugoslavians” were arrested, five with cannabis, three with heroin, and three with other drugs.<sup>222</sup> In 2006, four “Yugoslavians” and four Serbians were arrested, but only two involved heroin. So, at most, potential ethnic Albanians comprised five heroin arrests over the two years, compared to 698 Hungarians. It is unlikely that these Hungarians were ethnic Albanians with Hungarian citizenship – at least as recently as the 2001 Census, there was no immigrant Albanian-speaking population in Hungary.<sup>223</sup>

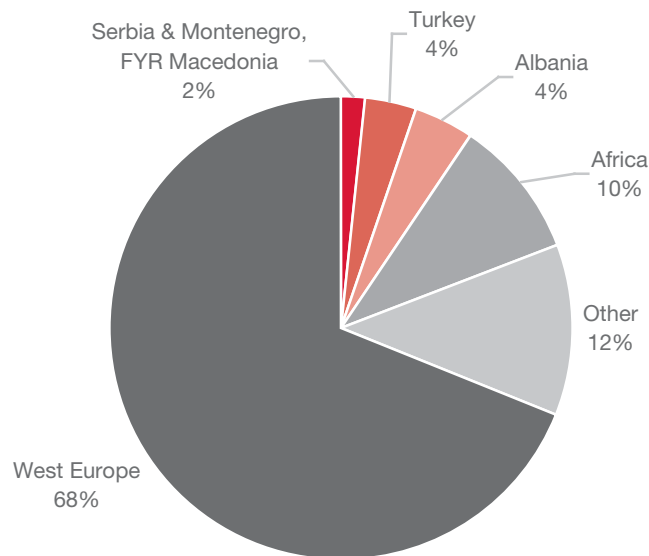
Slovenia reported in 2006, “Organised criminal gangs of ethnical Albanian seem to be the greatest problem. It is difficult to say whether there is only one, or more criminal gangs associated; this is difficult because of their bonding...”. The same statement was made word-for-word in 2002, so it is unclear whether this represents a fresh assessment of the current situation. No Albanians were arrested in 2006, but 48 Serbian/Montenegrans and three citizens of the former Yugoslav Republic of Macedonia were, representing 2% of all drug trafficking arrests. Separate figures for heroin trafficking were not reported.

Similarly in the Czech Republic – ‘Albanians’ are highlighted as being associated with both heroin and methamphetamine, but 2005 heroin arrestees were 70% from the Czech Republic, 16% from Vietnam, 8% from the former Yugoslavia, and 5% from other countries. Albanians did not feature. Only 94 heroin trafficking arrests were made in 2006, but these included no Albanians

and only 10 former Yugoslavians. Although a relatively small number of heroin seizures above 100 grams are made, the IDS data shows Albanians were responsible for 1% of the heroin seized in seizures over 100 grams between 2002 and 2006, with Serbians and citizens of the former Yugoslav Republic of Macedonia collectively representing 14% (Figure).

Available data for the Scandinavian countries is incomplete. Sweden and Norway have not reported the nationalities of their drugs arrestees on the ARQ in recent years. Sweden notes in the 2006 ARQ that criminals from the Balkans are among those responsible for heroin trafficking, alongside Swedes, Turks, and West Africans. The most recent data from Norway are from 2001 and 2002, during which South East Europeans did not feature at all in reported heroin trafficking arrests. Denmark does not collect nationality information in trafficking arrests, but does contribute to the IDS database. Between 1997 and 2003, almost 22% of heroin seized in large seizures came from citizens of Serbia and Montenegro or the former Yugoslav Republic of Macedonia, which could have been ethnic Albanians. No Albanian nationals were arrested, however, and Denmark has less than 2000 heroin users, so the volumes were not large. Finland arrested six “Yugoslavians” in 2005 for unspecified drugs (fewer, for instance, than the number of Iranians (9)), and arrested none in 2006. Iceland made no heroin trafficking arrests in 2006, and no Albanians or former Yugoslavs were arrested for any drug.

In addition, there are many countries where South East Europeans do not appear to be a real factor in the drug trade. Between 2002 and 2006, France, Belgium, Por-

**Figure 70: Nationalities of heroin trafficking arrestees in 15 European countries in 2004**

Source: ARQ, national statistics for Austria and Switzerland

tugal, Spain, Poland, and Ireland did not report South East Europeans to be among the top ten nationalities for trafficking arrests. For example, most heroin trafficking arrestees in France between 2002 and 2005 were French (82%), followed by Moroccans (7%), Algerians (5%) and Congolese (2%). Belgium in particular is interesting, because it had previously been identified as a command centre for Albanian organised crime,<sup>224</sup> and is known to be a major heroin redistribution centre, but 62% of all heroin trafficking arrestees between 2002 and 2004 were Belgian, followed by Moroccans (17%) and French (16%).<sup>225</sup> Spain reported arresting two Romanians for heroin trafficking, but no other South East European countries were mentioned among the top ten.

Two key countries do not submit drug arrests by nationality in the ARQ: the Netherlands and the United Kingdom. The Netherlands is a recognised hub for heroin distribution to other West European countries, but Albanian groups are not mentioned in the 2006 ARQ, which notes instead:

*... imports by land seem to be dominated and/or organised by (Dutch-) Turkish organised crime groups. There is some information to indicate the involvement of Dutch-Turkish, Pakistani and Nigerian couriers when trafficked by air.*

A 2005 report by the Netherlands Police Agency analysed 16 “criminal partnerships” involved in heroin trafficking, of which five were ethnically homogeneous. None of these featured ethnic Albanians.<sup>226</sup>

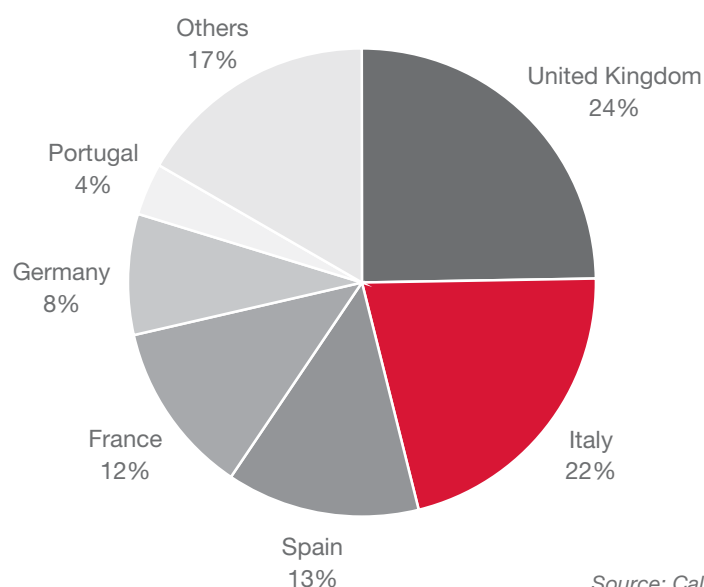
In the United Kingdom, South East Europeans are not mentioned in the national *2006/7 Threat Assessment of*

*Organised Crime*, which notes:

*Bulk importation and distribution of heroin to the UK is dominated by ethnic Turkish organised crime groups, although South Asian (predominantly Pakistanis), and white British criminals are also involved.*<sup>227</sup>

Combining all the data available, among the top 10 nationalities arrested for drug trafficking<sup>228</sup> in the 15 countries for which heroin arrest data were available in 2004,<sup>229</sup> which comprise most of the population of West and Central Europe, Albanians represent about 4% of those arrested for heroin trafficking. About three quarters of these arrests were made in Italy.<sup>230</sup> If the United Kingdom were added in, this share would likely diminish further. Adding in assorted Yugoslavs, Serbians and Montenegrans, Kosovo Albanians, and citizens of the former Yugoslav Republic of Macedonia would increase this to about 6%. In key countries like Italy, Germany, and Switzerland, the number of South East Europeans arrested for heroin trafficking appears to be declining.

But even if their numbers are small, as major smugglers they could still be responsible for a large share of the heroin entering these countries. There are two countries where this appears to be the case: Italy and Greece. The 2007 EU accession progress report says of Albania, “The main markets for drugs remain Italy and Greece...”<sup>231</sup> In both countries, 40%-60% of the heroin seized by the police was taken from Albanian nationals. But no other country comes close to these numbers, so it is highly unlikely that Albanians could be responsible for 40% or more of the heroin supply to Europe. Including potential ‘ethnic Albanians’ (Serbians/Montenegrans

**Figure 71:** Share of total opiate using population in West and Central Europe

Source: Calculations based on Delta database<sup>232</sup>

and Macedonians) doesn't really change the picture that much – about 6% in Italy, and fractionally in Greece.

Further, not all European countries command the same share of the heroin supply. Due to high use levels and/or large populations, just six countries account for 83% of heroin users in West and Central Europe: the United Kingdom, Italy, Spain, France, Germany, and Portugal. As noted above, ethnic Albanian traffickers are not a major source of heroin supply in any of these countries besides Italy. Italy is a major consumer, constituting about 22% of the European heroin demand, but even if two thirds of the market were supplied by Albanians, this would only represent 14% of the European heroin market. Switzerland and Greece combined contain about 4% of European heroin users, and not all their heroin comes from ethnic Albanians. Taking these facts into consideration, a reasonable estimate of the share of the European heroin market supplied by possible ethnic Albanians would be perhaps 10%-20%.

It is possible that Albanians have taken on a more managerial role in recent years, and are directing couriers of differing nationalities. If so, they would have lost much of their traditional advantage in this area, which allegedly revolved around their clannishness and their cultural codes of silence. According to Europol, Albanian organised crime groups: “are often built along strong family ties or clan structures and in carrying out their criminal activities they maintain strong links with their states of origin: Albania, Kosovo and the former Yugoslav Republic of Macedonia.”<sup>233</sup> In addition, they are personally involved in importing heroin to Italy and are reportedly major street dealers in countries like Switzerland. So

if Albanians are operating behind the scenes in some countries, they are taking a more visible role in others, and the reasons for this variation are unclear.

It is also possible that many in the diaspora have acquired the passports of other nations, so they remain ethnically Albanian but their nationality is West European. This possibility is difficult to verify empirically with regard to countries with large diasporas, but ethnic Albanians are blamed for trafficking in countries with little or no Albanian speaking population, such as Hungary. And if indeed these people are citizens of other countries, the propriety of referring to them by their ethnicity is questionable.

This point brings to the fore the problematic nature of the term “ethnic Albanian”. Firstly, the utility of referring to ethnicity in organised crime analysis is that it gives some clue as to cultural and logistics issues that might influence the way the groups are operating. But if indeed the ethnic Albanian groups are now directing transnational and ethnically heterogeneous groups along routes that may not include any Albanian-speaking country, this term has outlived its usefulness as a descriptive category. Secondly, the “ethnic Albanian” problem is, in the end, no one's problem, in the sense that no nation state can be held accountable for it. It vaguely tars Albania for the actions of people over whom it has no control, while seemingly absolving more powerful nations of responsibility for their citizens.

Many of the cultural ‘advantages’ posited for ethnic Albanian traffickers in the past (their clannishness, codes of silence, and predilection for violence) may, in fact, be

their undoing, as groups tend to factionalise and self-destruct.<sup>234</sup> Their focus on issues of honour may cause them to act contrary to their economic advantage, rendering them non-competitive now that the region is stabilising. West African organised criminals, for a contrasting example, avoid violence or other matters that draw attention to their operations, and quickly switch tactics when confronted with resistance. Ethnic Albanian groups may be comparatively rigid, and this could ultimately eliminate them from many markets.

There is evidence for the declining role of Kosovar Albanians in the seizure data gathered by the international administration managing the province. In 2004, loads of 50 kg to 100 kg were seized coming from Turkey to Kosovo. Today these seizures are much smaller, mostly between 5 kg and 10 kg. The largest in 2007 was just 47 kg.<sup>235</sup> This is in keeping with the picture that Kosovar smugglers are withdrawing from the market, although it could simply represent a shift in tactics.

If the Albanians are responsible for only 10%-20% of the heroin trafficking, who is responsible for the remaining 80%? When it comes to heroin markets, there seems to be a lot of variation between countries and over time. In most countries, Switzerland being a notable exception, the majority of arrestees are citizens of that country, and they are also often implicated in cross border smuggling. In Portugal (1997-2006), for example, 83% of all the heroin seized in major seizures between 1997 and 2006 came from Portuguese citizens, and 86% of the heroin trafficking arrestees between 2002 and 2004 were Portuguese citizens. In some countries, there are other national groups that dominate the heroin trade. In Germany, for example, over 40% of the heroin taken in large seizures between 2003 and 2006 involved Turkish nationals. Numerically, West Africans are the most arrested regional group for heroin trafficking in Austria.

Given that the capacity for border enforcement is probably less in the Balkans than in West Europe, the region is likely to remain vulnerable as a gateway for drug trafficking. Further, there is a risk that citizens of the new EU members – Bulgaria and Romania – could be used as couriers due to their enhanced access to the rest of the Union. On the whole, though, it appears the heroin trafficking situation in Europe is a lot more complex than is often suggested, and cannot be laid on the doorstep of South East Europe alone.

### Trafficking: Human beings

While drug trafficking may generate the most profit, international human trafficking (see definition in Box) draws the most opprobrium for the region. Transnational labour movement, including the movement of sex workers, boomed with the fall of the Berlin Wall. This was prima-

rily a market phenomenon – the wages Western Europeans were willing to pay provoked a tide of workers that no border management system could contain. Because such movement was illegal, it was managed by criminals. And for market niches where supply might not quite meet demand, such as in the sex market, organised crime was willing to use guile or force to maximise profits.

#### The Protocol to Prevent Trafficking in Persons

The *United Nations Convention against Transnational Organized Crime* was adopted by General Assembly resolution 55/25 of 15 November 2000. It contained a *Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children*, which entered into force on 25 December 2003. It is the first global legal instrument with an agreed definition on trafficking in persons, which encompasses:

*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.*

Note that transnational movement is not required under the protocol. All of the countries of the region have adopted the protocol: Bulgaria and Serbia in 2001; Albania, Bosnia and Herzegovina, and Romania in 2002; Croatia in 2003; Moldova and the former Yugoslav Republic of Macedonia in 2005, and Montenegro ratified it in 2006. They have also all enacted some form of domestic anti-trafficking legislation: Romania in 2001; Bosnia and Herzegovina and Croatia in 2003; Bulgaria, Montenegro, and the former Yugoslav Republic of Macedonia in 2004, Moldova in 2005; and Albania in 2007.

With regard to trafficking for the purposes of sexual exploitation, the movement was initially similar to the movement of drugs – the greatest sources of supply (the CIS countries) and demand (West Europe) lay outside the Balkans, and the region functioned primarily as a transit zone. But the Yugoslav wars brought with them a source of domestic demand – the international peacekeepers – while increasing the vulnerability of local women. South East Europeans became prominent as victims as well as perpetrators. Even if ultimately destined for the West, many victims reportedly experienced their first exploitation in local markets.<sup>236</sup>



According to a 2006 Europol report, the Balkans are currently the epicentre of human trafficking in Europe:

*There has been a significant increase in trafficking to Europe in recent years...Organised crime groups from Albania, Bulgaria, Lithuania, Nigeria, Romania and the Former Yugoslavia are the most prevalent. The countries they commonly target, the 'source countries', are Albania, Bulgaria, Moldova, Romania, Russian Federation and Ukraine...The main destination countries in Europe are Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Spain and the United Kingdom... The IOM estimates that 120,000 women and children are trafficked through the Balkans alone each year.<sup>237</sup>*

That last figure is striking, and is frequently cited.<sup>238</sup> According to the IOM, the original referred only to trafficking to the European Union, primarily through the Balkans, and it originated around the year 2001. But the IOM notes it no longer endorses this number, cannot say how it was originally generated, and cannot currently provide an updated or alternative estimate.<sup>239</sup> Earlier estimates attributed to the IOM placed the number of women and girls trafficked from Central and Eastern Europe at 500,000 in 1995<sup>240</sup> and 175,000 in 1997.<sup>241</sup> While the geography is broader, this suggests a rapidly declining trend. The basis for these estimates is also unknown.<sup>242</sup>

Advocates have argued that the measurement of human trafficking is more complicated than measuring drug trafficking. Whatever the merits of this argument, human trafficking is certainly less well quantified today. For example, the reliability of the United States government's estimates on the global extent of human trafficking have recently been questioned by its own Government Accountability Office.<sup>243</sup> Regional estimations by less well-resourced organisations are similarly tenuous.

If any region in the world should have good figures on the extent of human trafficking, however, it would be South East Europe. The trafficking of women from East Europe to West Europe for the purposes of sexual exploitation has received more media attention and intergovernmental assistance than any other human trafficking problem in the world. The visibility of this issue was a key impetus behind the passage of the United Nations protocol against trafficking.

So how well do these estimates tally with the other quantitative information available today? There are two main sources of data on the number and origin of human trafficking victims. One is the criminal justice system and the other is the network of agencies offering assistance to victims. Both are flawed, but they constitute the main sources of objective data on the scale of human trafficking.

The criminal justice data capture only a small fraction of the underlying activity. In the past, law enforcement only

came across evidence of trafficking accidentally, in the process of investigating more traditional cases, such as rape, unlawful detention, grievous bodily harm, robbery or theft of documents. But human trafficking is a morally repugnant crime, and international outrage has placed considerable pressure on the Balkans, as a recognised gateway, to do something about the problem. It is near the top of the enforcement agendas in most of these countries, and efforts to stop the trade are only likely to grow.

Many have pointed to the difficulty of detecting a 'hidden market', about which victims are afraid to speak. Investigators may encounter problems with witness cooperation, as victims fear for their own safety or that of their families in the country of origin, so the number of victims identified is typically much larger than the number of successful prosecutions.<sup>244</sup> The 2007 Progress Report issued by the European Commission on Albania says, "In 2006 only 20 out of 227 suspected or identified victims of trafficking were willing to testify against their traffickers, due to weak witness protection."<sup>245</sup> But cooperative witnesses are a luxury in organised crime investigations, and most other forms of organised crime lack any clear 'victim' at all. Organisations that traffic for sexual exploitation are especially vulnerable to exposure due to the fact that they must, in some way, advertise, and are often linked to semi-legitimate enterprises, like massage parlours or other adult entertainment businesses.<sup>246</sup> So while only a small share of human trafficking operations are uncovered, it would be incorrect to say the criminal justice data bear no relation to the scale of the problem at all, and many report on the number of suspects detected, whether or not a criminal case could be made.

Despite the attention given to the issue, a remarkably small number of victims in South East Europe come to the attention of the authorities. According to the Council of Europe, the countries of South East Europe (excluding Bulgaria, Moldova, and Romania)<sup>247</sup> identify about 250 cases of trafficking in the region per year.<sup>248</sup> This number has been steady over the last three years, despite declining detections in Albania and growing detections in Bosnia. The Dutch National Rapporteur on Trafficking suggests that perhaps as few as 5% of human trafficking cases come to the attention of the authorities in the Netherlands, and similar figures have been suggested in other EU member states.<sup>249</sup> If this detection rate could be applied to this region, these 250 cases would represent about 5000 victims in these parts of South East Europe. South East Europe has limited criminal justice capacity compared to the Netherlands, but this number is low.

Romania presents a very different picture, with a reported 2285 trafficking victims identified in 2006 alone, nearly 10 times as many as the other states combined. Of these, 64% were trafficked for the purposes of sexual

exploitation, and 56% were females between the ages of 14 and 25.<sup>250</sup> Romania had about 1.6 million women and girls in this age category in 2006, for an annual victimisation rate of about 80 per 100,000, or about four times the national robbery victimisation rate, adjusted for under-reporting. And these are only the detected cases – at a 5% detection rate, the real rate would be 1600 per 100,000, or 1.6% of the entire young female population trafficked each year. If this were accurate, by the time a Romanian girl grew from the bottom of this age category to the top, her chances of being trafficked would be about one in six. In the end, it is difficult to reconcile these figures with the others gathered in the region or those in West European countries. Either the figures are incomparable for some reason, or the detection rates are much higher, or the problem is truly concentrated in Romania for some reason. These possibilities are discussed further below.

### Operation Mirage

Operation Mirage 2002 was a project initiated by the SECI centre and implemented by member states and international agencies (Albania, Bosnia and Herzegovina, Bulgaria, Croatia, the former Yugoslav Republic of Macedonia, Serbia and Montenegro, Greece, Hungary, Moldova, Romania, Turkey, Ukraine, and UNMIK) to combat human trafficking in the region. According to the project evaluation:

*Operation Mirage began as planned in the evening of Saturday, 7th September 2002. Hotels, discothèques, night-bars, parking lots, border points and other various places known to law enforcement as possibilities where criminal activity takes place were targeted and raids conducted during the first night throughout the region.*

Some 20,000 premises were searched, 13,000 women and children interviewed, and 237 trafficking victims identified, of whom 23 were assisted by IOM or local NGOs.

The operation was such a success that it was repeated in 2003, with 12 nations participating. Once again, over 20,000 premises were searched, over 11,000 people screened, 463 trafficking victims identified, and 65 people assisted. In addition, 207 traffickers were charged.

These numbers are impressive, and show that, at least as of 2003, there were several hundred victims in a dozen countries. But given the scale of the effort, it would be surprising if only 5% of the problem were detected. This would imply that some 400,000 premises would have to be searched in a comprehensive effort. And if only 5% of the victims were detected, this would still imply less than 10,000 victims in the region.

But if the South East European detection rate is low due to resource or corruption issues, these issues should have less impact in West European countries. As with drugs, detection rates related to human trafficking in West European countries should bear some resemblance to the underlying transnational trafficking flows. This is particularly true because most governments keep record of the number of suspected trafficking victims, whether or not anyone is ever prosecuted for the offence. According to Europol, the top destination countries for trafficked victims in Europe are nine: Austria, Belgium, France, Germany, Greece, Italy, Netherlands, Spain and the United Kingdom. Detailed data from four of these (Germany, Greece, Italy, and the Netherlands) are discussed below.

The numbers of detected victims and traffickers from South East Europe are small in West Europe too. Even more surprising is the fact that the primary nationalities of the Balkan victims are Romanian and Bulgarian, the two countries that have recently joined the EU, rather than Albanian and Moldovan, the poor countries often associated with human trafficking in the past.

As the next section shows, many people pay migrant smugglers to transport them across international borders without the promise of a job offer, so the visa regime does pose a real impediment to labour movement. When this barrier is dropped, all transnational workers, including sex workers, cross borders more easily. What is not clear is how this would favour human traffickers, who are able to offer one less service (i.e. cross-border smuggling) as an incentive to their victims. On the other hand, the removal of a visa requirement would be a boon to those who voluntarily wish to work illegally in the EU. It may be that these Romanian and Bulgarian workers are, in fact, voluntary workers, who are being misclassified as trafficking victims for various reasons. This point is discussed further below.

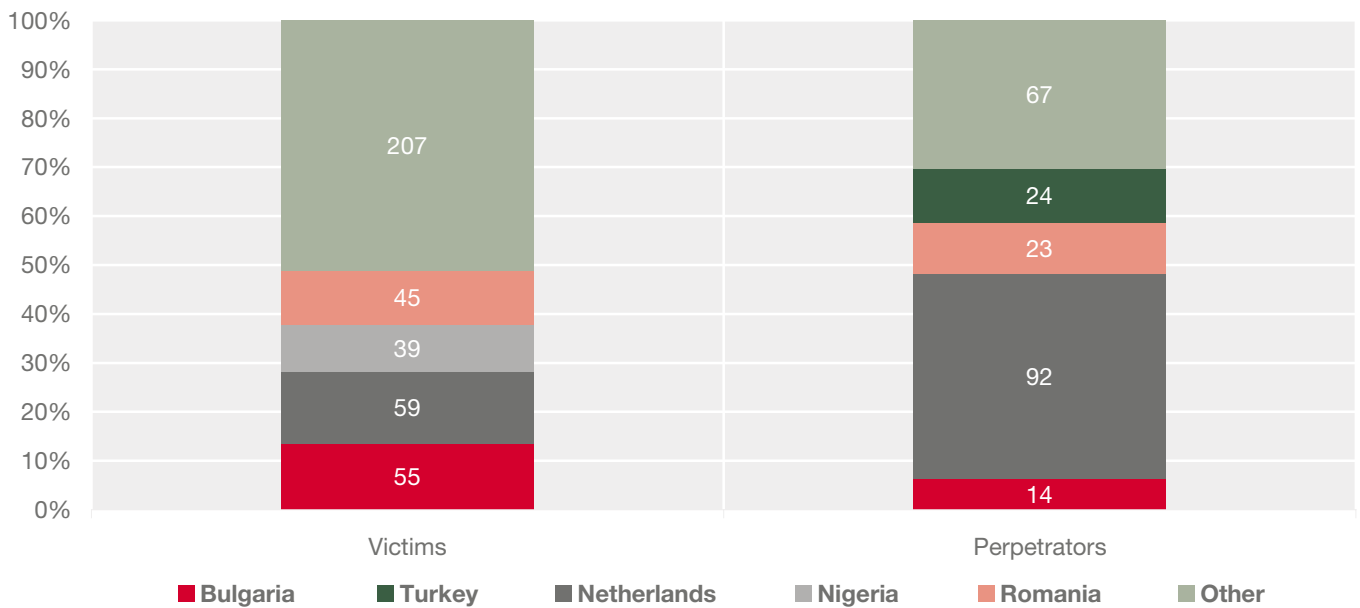
### Netherlands

One clear destination for victims trafficked for the purposes of sexual exploitation is the Netherlands, and the Dutch are one of the leading countries in Europe in the prosecution of human trafficking. In 2004, 55 Bulgarians (14% of the total) and 45 Romanians (11%) were identified as victims in the Netherlands, while 14 Bulgarians (6% of the total) and 23 Romanians (10%) were identified as traffickers (Figure). The dominant victim group was Dutch, however, and the dominant trafficker nationality was Turkish.

Since that time, however, the share of Balkan victims has declined dramatically. Bulgarian and Romanian victims combined represented only 18% of identified trafficking victims in 2005, 13% in 2006, and 15% in the



**Figure 72: Victims and suspects of human trafficking identified in the Netherlands in 2004**



Source: Europol<sup>252</sup>

first six months of 2007.<sup>251</sup> In 2006, Dutch and Nigerian nationals represented the two largest groups of trafficking victims identified, and Dutch and Turkish traffickers the two largest groups of traffickers convicted.

**Greece**

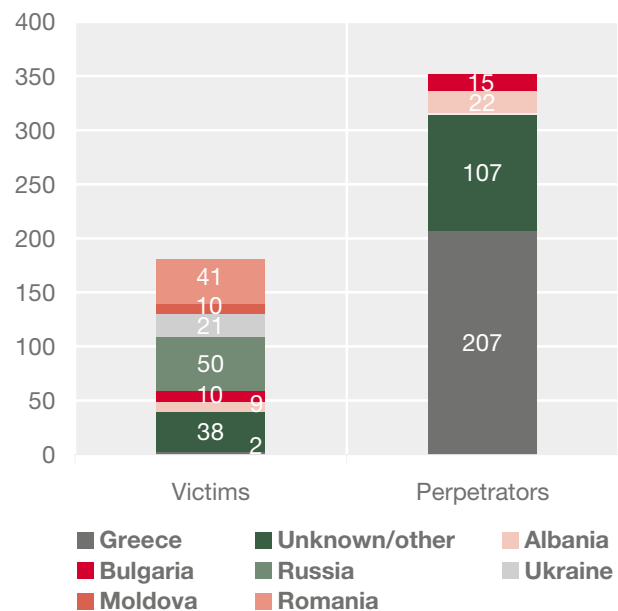
Greece identified 41 Romanian (23% of the total), 10 Bulgarian (6%), 10 Moldovan (6%), and nine Albanian (5%) victims of human trafficking in 2004. Indications are that these ratios have not changed much since that time. That same year, 22 Albanians (6% of the total),

15 Bulgarians (4%), five Romanians (1%), and four Moldovans (1%) were identified as traffickers (Figure).<sup>253</sup> The dominant victim group was Russian, while the dominant perpetrator group was Greek.

**Germany**

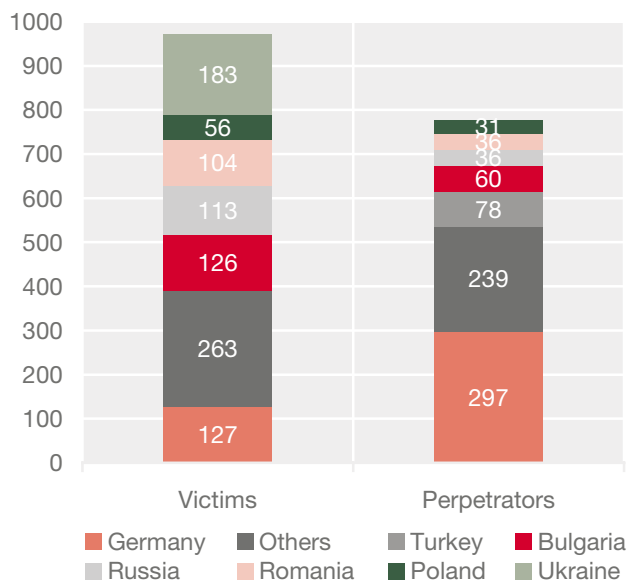
In Germany, 126 Bulgarians and 104 Romanians were identified as victims in 2004. With regard to traffickers, 60 Bulgarian nationals were identified as traffickers in Germany in 2004, the third highest nationality, after Germans and Turks (Figure). The dominant victim group

**Figure 73: Victims and perpetrators of human trafficking in Greece in 2004**



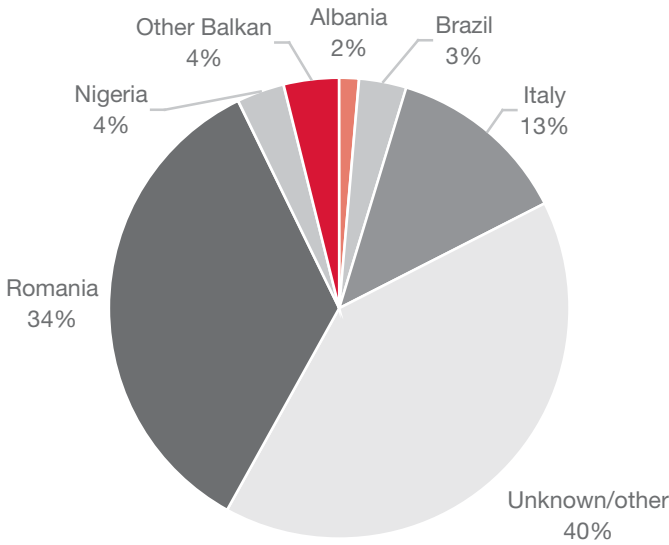
Source: Europol<sup>254</sup>

**Figure 74: Victims and perpetrators of human trafficking in Germany in 2004**

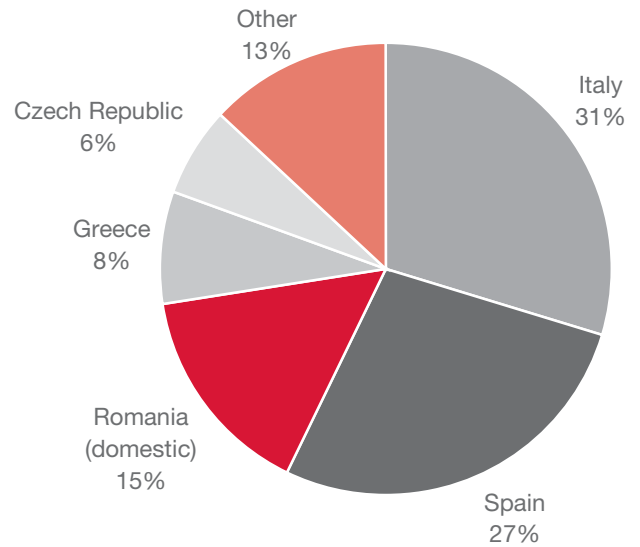


Source: BKA<sup>255</sup>

**Figure 75: Victims of human trafficking (section 601) in Italy from 9/7/2003 – 31/12/2006**



**Figure 76: Destination countries of human trafficking victims identified by the Romanian authorities in the first 10 months of 2007.**



Source: Romanian National Agency against Trafficking in Persons

was Ukrainian, and the dominant trafficker group was German.

**Italy**

According to the official figures of the Italian police, Romanian victims comprised nearly one third of the victims associated with investigations under criminal code section 601, which relates to trafficking (Figure).<sup>256</sup> Between the last quarter of 2003 and the end of 2006, Romanian victims were the dominant trafficked nationality (138 victims). During that three-and-a-quarter year time period, there were also six Albanians and 15 people from other parts of the Balkans detected, for an average of 122 victims from South East Europe per year.

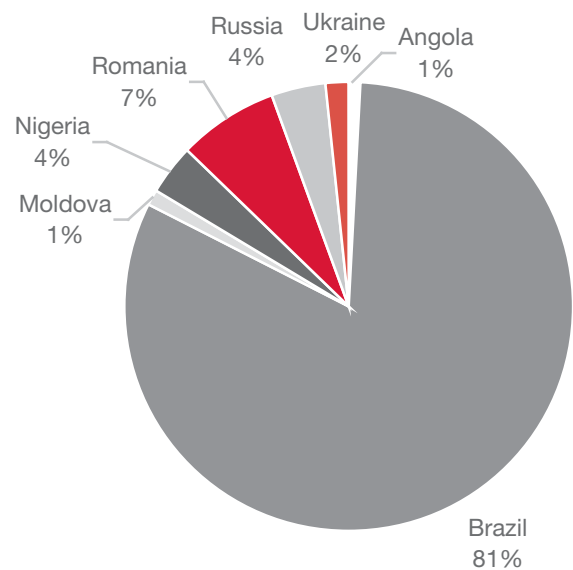
**Other countries**

There is little available data from the other countries identified as key destination sites – Austria, Belgium, France, Spain, and the United Kingdom. Indications are that the United Kingdom has a lower share of victims from the region than the countries for which detailed data are available, while France, Belgium and Austria are likely to have similar profiles.<sup>257</sup> Data from some sending countries suggest that Spain rivals Italy as a top destination for the region. According to the Romanian National Agency against Trafficking in Persons, the majority of Romanian victims identified in 2006 and 2007 were destined for Spain and Italy.

While Portugal is not identified as a prime destination for Balkan trafficking victims, the Portuguese authorities do identify a large number of foreign trafficking victims

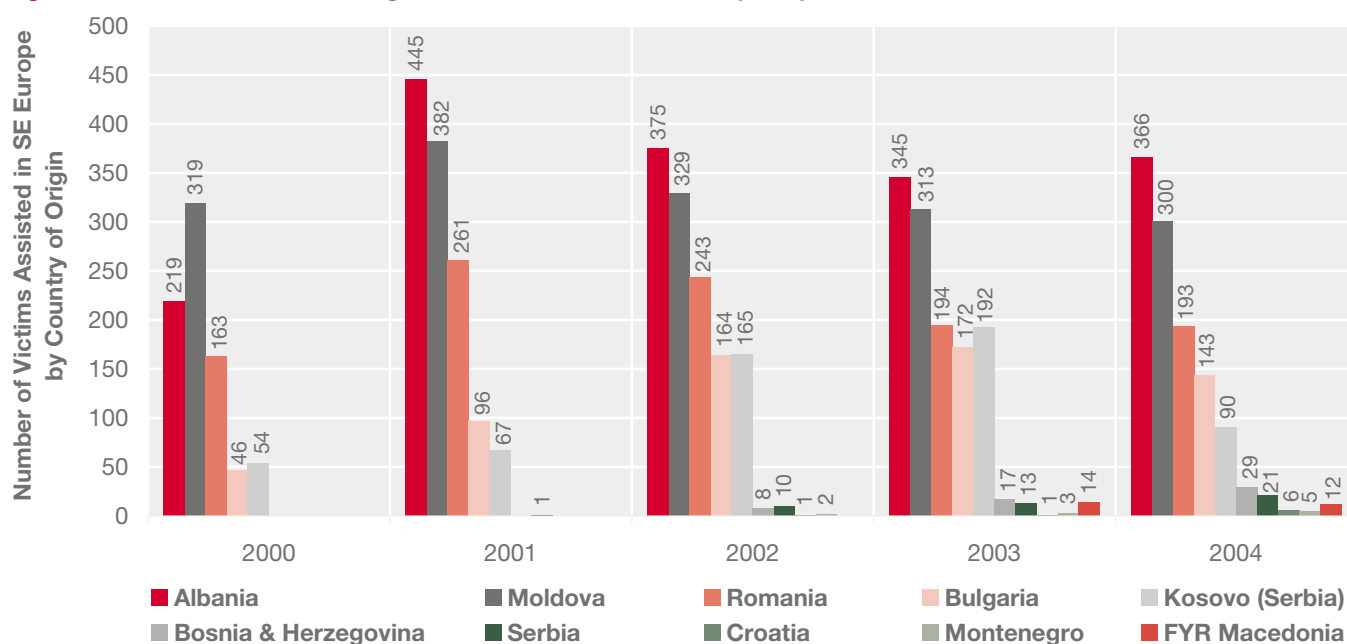
each year. Romanians (70), as well as a few Moldovans (10), were found among the trafficking victims in Portugal in 2004 and 2005 as well, although their numbers pale next to the numbers coming from Brazil (Figure). Between 2000 and 2005, 118 perpetrators of human trafficking were identified, with citizens of Poland (58) being the dominant group. No traffickers from the Balkans were identified.

**Figure 77: Victims of trafficking and exploitation in Portugal 2004 (n = 940)**



Source: Europol<sup>258</sup>

In 2006, 75 Moldovan women were repatriated from Turkey, the largest single national group out of 246 repatri-

**Figure 78:** Number of trafficking victims assisted in SE Europe reported to IOM

Source: International Organization for Migration<sup>262</sup>

ated victims. Two Bulgarians were also repatriated, but no other nationals of South East Europe were detected.

What do these figures tell us about the scale and nature of human trafficking to West Europe? Combining the 2004 figures from the four key trafficking destination countries detailed above (Netherlands, Greece, Italy, and Germany) totals about 557 victims from the region, or about 140 victims per country. Of these 557 victims, a remarkable 59% were Romanian, and 35% were Bulgarian. This is in keeping with the trafficking statistics from within the region, in which Romanian detections are disproportionately high. Moldovan, Albanian, and former Yugoslav victims are conspicuous by their relatively low numbers.

Assuming each of the nine prime destination countries detected 140 victims from the Balkans, that would mean 1260 detected victims per year. At a low 5% detection rate, this would suggest about 25,000 victims annually, not 120,000. If the rate were 10%, the rate used by the International Labour Organisation in their global estimates, the figure would be just 12,600 victims, or about one tenth of previous estimates.<sup>259</sup> Either West European agencies are also failing to investigate the matter vigorously, past figures were inflated, or the scale of the problem has declined considerably from the time of the past estimates.

What trends can be detected from the police statistics? While time series data are limited, the overall number of trafficking victims detected has declined over the long term in a number of important jurisdictions, despite growing enforcement efforts. For example, in 1995 over

1500 victims of trafficking were detected in German police investigations, but by 2004 the number was 972.<sup>260</sup> The police statistics also show a remarkable decrease in the numbers of Albanian victims over time. As might be expected, Italy was a prime destination for Albanian victims in the past. While Albanians constituted some 40% of female victims in Italy in the 1990s, by 2003 they constituted only 15%.<sup>261</sup> Between the last quarter of 2003 and the end of 2006, they comprised just 2%. There are lessons to be learned from the Albanian experience.

### Victim assistance

Data on the victim assistance side show a slightly different picture than the enforcement data, with Albanians emerging as the most assisted group at least as recently as 2004. This may relate to inertia in the geographic distribution of resources for care facilities, however, rather than to the actual distribution of victimisation. About 1200 South East Europeans received assistance as trafficking victims annually between 2000 and 2004. While members of CIS countries (particularly Russia and the Ukraine) used to figure more prominently, in 2004 South East Europeans (including Moldova) comprised some 98% of all trafficking victims assisted in the region.

A number of reports argue that the decreasing number of victims is due to traffickers adjusting their methods of operation in order to avoid detection, with the result that trafficking has become less visible.<sup>263</sup> This may be achieved by treating victims more carefully, use of legitimate but fraudulently acquired documents, and the movement of victims away from visible locations such as nightclubs and bars into apartments, together with the

use of technologies such as the internet for client recruitment.<sup>264</sup> UNICEF, UNOHCHR and OSCE conclude that, in reality, it is likely that both anti-trafficking measures in the region have been to some extent effective, and that new trafficking trends are also being adopted with the potential to push the phenomenon somewhat deeper underground.<sup>265</sup> After nine years of producing organised crime situation reports, in 2005 the Council of Europe argued, “In south-eastern Europe in general, trafficking in human beings appears to be declining – or at least has become less visible.”<sup>266</sup> The 2007 CARPO report on organised crime in the region argues that trafficking for sexual exploitation “seems to decrease”, but, “It is still unclear whether there is a real decrease in the number of persons trafficked from or through South-eastern Europe into the EU or a trend change in that there appears to be more ‘internal trafficking’ in some of the project areas and a more ‘hidden market’.”<sup>267</sup> This ambiguity makes objective assessment of the situation difficult. To clarify matters, it is necessary to look more particularly at the dominant form of trafficking in the Balkans – trafficking for the purpose of sexual exploitation.

There are many forms of human trafficking. Among those victims receiving assistance from the IOM in South East Europe, those trafficked for the purpose of sexual exploitation constituted 65% and 74% of identified victims for 2003 and 2004 respectively. Those who were not sexually exploited but trafficked solely for the purposes of labour comprised 7% (2003) and 4% (2004) of the victims assisted. Those who were not sexually exploited but rather imported for begging or delinquency comprised 4% (2003) and 6% (2004) of the cases.<sup>268</sup> In around 20% of the cases in 2003, the victim was subject to multiple forms of exploitation, usually including sexual exploitation.

If at least two-thirds of the trafficking victims are trafficked for the purposes of prostitution, and some 120,000 people are imported annually into the EU from or through South East Europe, then the annual turnover of this racket would be have been around 80,000 women per year for perhaps the last 15 years. This amounts to 1.2 million women, and there are only about 4.3 million women between the ages of 15 and 25 living in South East Europe today.

Furthermore, this number would necessarily represent only a small fraction of total demand. The Balkan organised crime groups who market sex slaves would have to compete with those who import from other regions, such as those who traffic Brazilian women into Portugal and Nigerian women into a number of countries. They would also have to compete with those who traffic local women into sexual exploitation, a sector that dominates the forced prostitution market in countries like the Neth-

erlands. And they would have to compete with both local and international voluntary sex workers, who undeniably make up the largest sector of the trade.

Even absent enforcement measures, a saturation point in this market must be reached at some stage. It makes sense that a large number of illegal labourers, including sex workers, crossed from East to West in the 1990s, but equilibrium must eventually be attained. Further, the two largest sources of victims – Bulgaria and Romania – are no longer subject to restrictions on their travel to the EU. Women from these countries no longer need ‘help’ to get a visa to enter the EU, for example, which should erode the ability of traffickers to delude or coerce their potential victims. On the other hand, enhanced mobility would make it easier for voluntary sex workers from these countries to access West European markets, which would tend to increase their market share, as appears to be happening. If these Bulgarian and Romanian women had the same access to legal employment opportunities in the West as they do to sex work, it is likely that their involvement would sharply diminish.

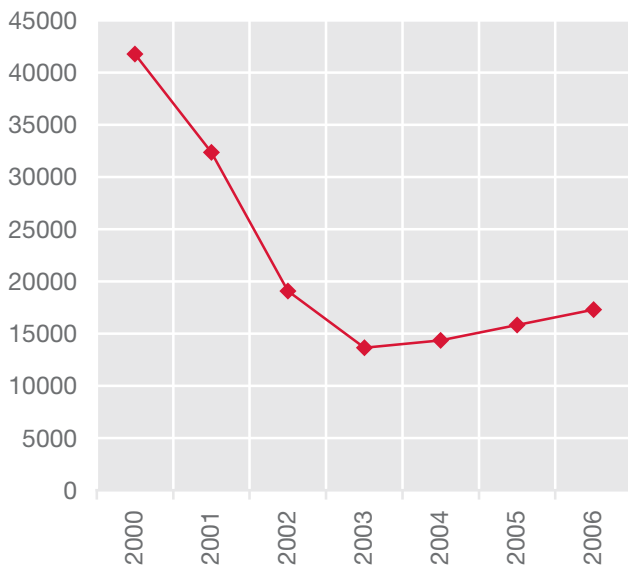
With regard to trafficking into South East Europe, it is roundly agreed that the international forces were previously a key source of demand, but that this has changed as tighter controls were implemented.<sup>269</sup> The international presence in the region has also declined considerably from its peak. This should be reflected in a declining regional demand for forced sexual services.

Finally, according to the 2006 Europol report, “The actual methods used [in recruiting trafficking victims] are varied but in the majority, the common theme is deceit...”

<sup>270</sup> One has to ask, then, how long can these deceptive methods be expected to work? In Kosovo (Serbia), for instance, “the most common method used was the ‘Lover boy’ method with offers of marriage and assistance to leave Kosovo from men who had formed relationships with the victims.”<sup>271</sup> Aside from being an extremely labour intensive way of recruiting the thousands of victims allegedly required, word about such practices and recruiters would eventually circulate in the province. According to the IOM, in 30% of the cases coming to their attention where the relationship was known, the victim and perpetrator were friends or relatives.<sup>272</sup> Whatever the share of the population willing to sell its friends or relations into sexual slavery, this source of supply will eventually burn itself out, particularly as economic conditions improve.

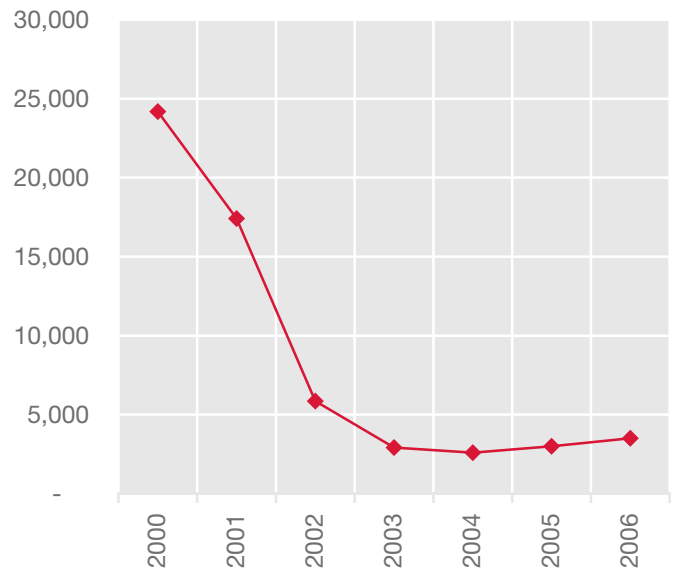
So while the possibility that enforcement efforts have driven the industry further underground cannot be entirely discounted, there is also some sense to taking the declines in the number of victims assisted at face value, as representing a real decline in the extent of human trafficking in the region.

**Figure 79:** Number of migration related border apprehensions in the region (data not available for Albania and Moldova)



Source: International Centre for Migration Policy Development<sup>281</sup>

**Figure 80:** Number of migration related border apprehensions in Croatia



Source: International Centre for Migration Policy Development<sup>282</sup>

## Trafficking: Smuggling of migrants

The smuggling of migrants is mainly distinguished from human trafficking by virtue of the fact that the elements of deception and coercion are not present and cross-border migration is required.<sup>273</sup> It was estimated at the beginning of the decade that the migrant smuggling business brought in an annual income of four billion Euro in Europe.<sup>274</sup> Due in part to tighter controls, it appears a growing share of illegal migrants are turning to smugglers for assistance in accessing their destination countries. For example, Hungarian border guards report that in 1990, only about 20% to 25% of illegal migrants were “assisted”, while by 2005, the figure was 70%.<sup>275</sup> Those involved run the gamut from individual service providers to large and highly structured groups.<sup>276</sup>

### The Protocol against Migrant Smuggling

The Protocol against the Smuggling of Migrants by Land, Sea and Air, adopted by General Assembly resolution 55/25, entered into force on 28 January 2004. It defines migrant smuggling as:

*the procurement, in order to obtain, directly or indirectly, a financial or other material benefit, of the illegal entry of a person into a State Party of which the person is not a national or a permanent resident*

All of the countries of the region have adopted the protocol: Bulgaria and Serbia in 2001; Albania, Bosnia and Herzegovina, and Romania in 2002; Croatia in 2003; Moldova and the former Yugoslav Republic of Macedonia in 2005, and Montenegro ratified it in 2006.

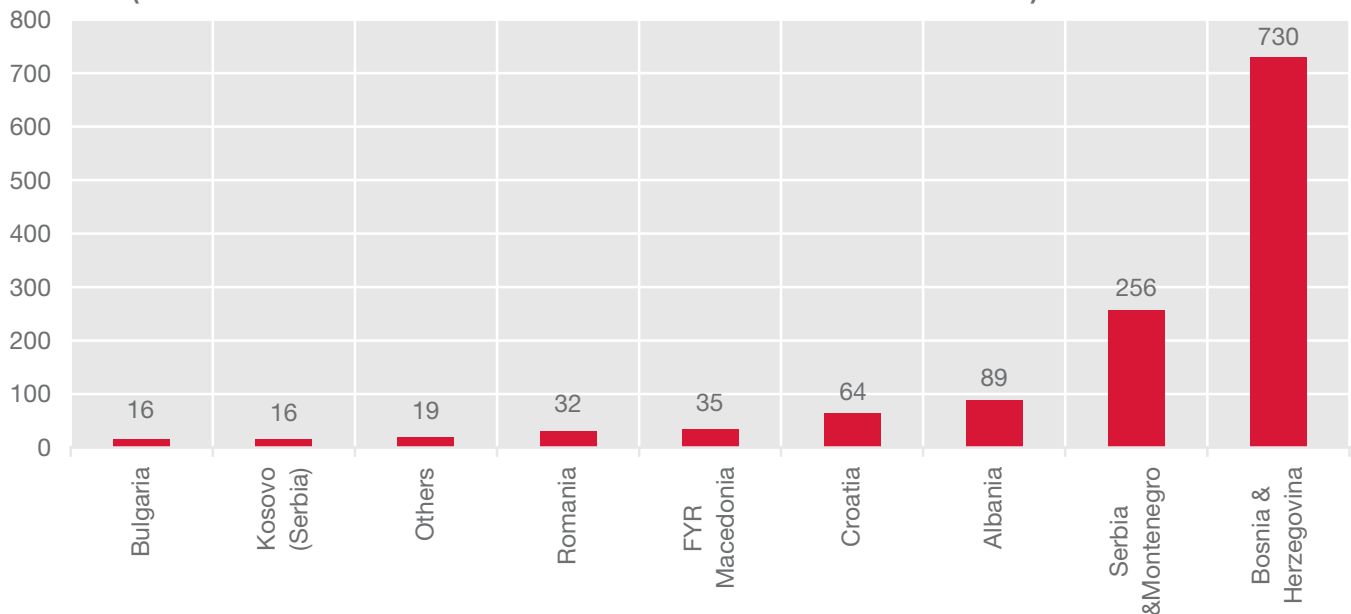
The overall flows of illegal migrants through South East Europe appear to be in decline, however. The CARPO 2007 regional organised crime situation report on the region said with regard to migrant smuggling, “The situation in South-eastern Europe has considerably improved in recent years...”<sup>277</sup> During the 1990s, illegal migration to and from East and South East Europe assumed massive proportions, peaking in 2000, when 270,000 people were apprehended at the borders of the 20 countries in Central, Eastern and South East Europe for which data are available. South East Europe saw a sudden decline in detected illegal migration after 2000, with the number of border apprehensions dropping by 50% in three years (Figure). Croatia shows the most dramatic decrease during this period, with apprehensions since 2003 being a fifth of those in 2000 (Figure),<sup>278</sup> largely due to a sharp drop in illegal Romanian migration following the lifting of visa requirements for that country in 2002.<sup>279</sup>

These declines in apprehensions are very likely to reflect a real decline in migrant flows, as enforcement efforts have increased markedly in recent years, so a larger share of the total flow should be detected. All countries of the region have signed and ratified the U.N. Protocol against the Smuggling of Migrants. Border control systems have been upgraded, often with the financial assistance of the European Union, and criminal investigation capacities have improved.<sup>280</sup>

Today, most migrants apprehended in South East Europe come from within the region. Bosnia and Herzegovina is a case in point: in 2006, 58% of those apprehended for illegal migration in South East Europe<sup>283</sup> were from Bosnia and Herzegovina, and 98% were from South



**Figure 81: Nationality of those apprehended for illegal border crossing in South East Europe in 2006 (data not available from Albanian and Moldovan border control authorities)**



Source: International Centre for Migration Policy Development<sup>287</sup>

East Europe generally (Figure). In the past, Bosnia and Herzegovina had been a major conduit for immigrants from Iran, but the imposition of visa requirements in 2000 changed that.<sup>284</sup> Similarly, once Serbia and Montenegro began to require a visa for visiting Chinese citizens, migrant smuggling organizations quickly changed their methods of entering Europe.<sup>285</sup> The Serbian government also required the state airline, JAT, to cancel the direct flight from Beijing to Belgrade.<sup>286</sup> As a result of these and similar efforts, the region seems not to be a major conduit for migrants from outside Europe at present.

Smuggling routes are not so clear-cut as they used to be, with the use of certain “smuggling hubs” being the only constant in the diverse routes taken by migrants. At these hubs, migrants are pooled and possibly re-grouped, and may be transferred between different smuggling organisations.<sup>288</sup> In South East Europe, Sarajevo and Belgrade are still widely used as smuggling hubs.<sup>289</sup> Since Kosovo (Serbia) has no real visa regime, many migrants from outside the region have entered Europe through Priština airport.<sup>290</sup> There was a particular problem with South Asian migration when the airport was supervised by Bangladeshi peacekeepers, but this has also been corrected.<sup>291</sup>

Over the past few years there is a noticeable shift in the modus operandi of smuggling operations away from clandestine crossings and towards the use of forged documents. The forged documents market in South East and East Europe is flourishing and the quality of falsified documents is often very high. In some cases, facilitators re-use falsified documents with several migrants. Passport pictures are replaced, passport pages

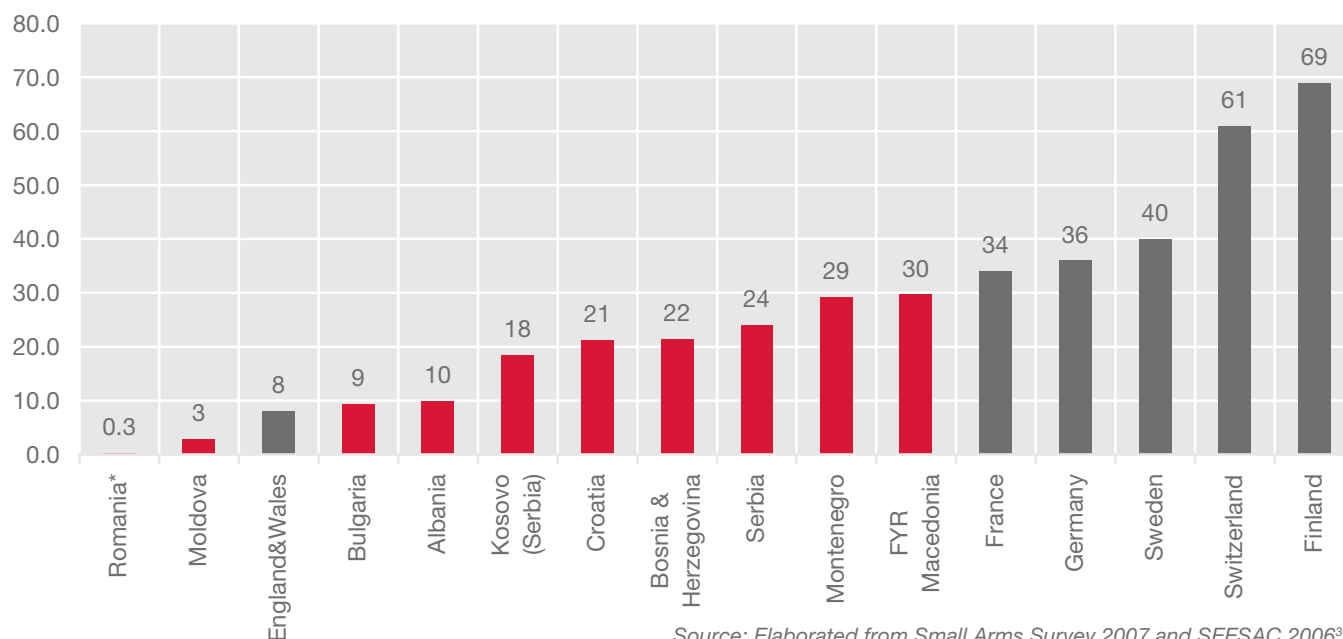
removed or replaced, false stamps and fake visas are issued by embassies, fake invitations and hotel bookings are generated. Passports or visa stamps stolen from embassies are also used.<sup>292</sup> Stevo Pendarovski, the former Yugoslav Republic of Macedonia’s Assistant Minister of Interior, stated in 2000 that some 50% of the illegal migrants entering his country do so with the use of fake documents.<sup>293</sup> There were reports that the criminals who murdered Serbian Prime Minister Zoran Đinđić used Croatian passports stolen from the Croatian Consulate in Mostar. There are even auctions on the web for falsified documents.<sup>294</sup>

In 2006, the border guards of the countries in South East Europe seized around 3500 counterfeit documents from migrants, which is actually somewhat less than in previous years. The documents were mostly detected at border crossing points, and listed their owners as citizens of neighbouring South East European States or EU Member States.<sup>295</sup>

Despite the decline in flows and the added costs of business, migrant smuggling may still be a strong source of income for organised crime. Still, this appears to be a market on the ebb, and it will inevitably dwindle further as relations with West Europe normalise.

### Trafficking: Firearms

As was described above, countries in this region, particularly Bulgaria, were used extensively to traffic arms during the Cold War. Kintex, Bulgaria’s official arms export company was closely aligned with the secret service, and supplied arms to Libya, Syria, and Iraq.

**Figure 82: Registered and unregistered civilian firearms per 100 citizens in 2007 (high end estimates)**

Source: Elaborated from Small Arms Survey 2007 and SEESAC 2006<sup>306</sup>

\* Does not include an estimate of unregistered firearms

Arms production was the cornerstone of the Bulgarian economy, employing over 100,000 people in 1989 and valued at up to US\$5 billion annually.<sup>296</sup> There were approximately 120 arms companies in Bulgaria in the late 1980s and early 1990s.<sup>297</sup> In the 1990s, Bulgaria was accused of exporting artillery guns to Iraq, transferring US\$ 25 million in light weapons to Croatia, violating the UN arms embargo on Rwanda by exporting guns to the Hutu, and arming the Burundian Armed Forces. As late as 2001, Bulgaria sold weapons to Angola's UNITA in violation of the UN embargo.<sup>298</sup>

Outside Bulgaria, other countries in the region were also involved in arms trafficking, sometimes through official government channels. Albanian arms were also sold to the former Rwandan Government forces in Eastern Zaire through a UK firm, during and after the Rwandan genocide.<sup>299</sup> Croatia is believed to have been the most important source of arms for IRA.<sup>300</sup> Romanian firearms were allegedly transferred to Rwanda (1997), UNITA rebels in Angola (1996-1999), and rebels in the Democratic Republic of the Congo (2001).<sup>301</sup> There have also been questions about some recent and large official transfers from Bosnia and Herzegovina to Afghanistan and Iraq, involving hundreds of thousands of weapons.<sup>302</sup>

Great numbers of firearms were imported into the region during the Yugoslav conflicts, and more flooded into Albania and Kosovo (Serbia) after the armouries were looted during the 1997 crisis. At least as recently as 2001, it was said to be possible to buy almost anything in the region, including handguns, assault rifles, explosives, heavy machine guns and anti-tank weapons. The

### The Protocol against Firearms Trafficking

The Protocol against the Illicit Manufacturing of and Trafficking in Firearms, their Parts and Components and Ammunition was adopted by General Assembly resolution 55/255 of 31 May 2001. It entered into force on 3 July 2005. The objective of the Protocol is to strengthen cooperation among States Parties in order to prevent the illicit manufacturing of and trafficking in firearms. By ratifying the Protocol, States make a commitment to adopt a series of crime-control measures and pass legislation:

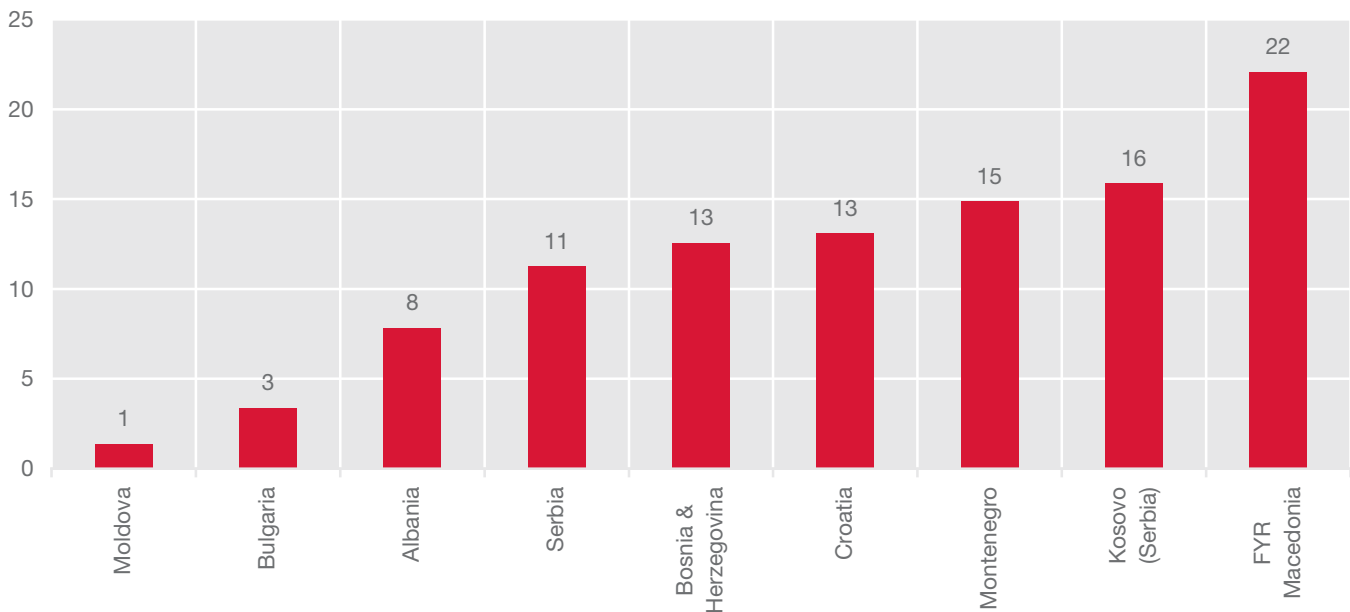
- criminalising the illegal manufacturing or trafficking of firearms
- creating a regulatory system regarding licit manufacturing and dealing in firearms, and
- instituting a standardised regime for marking and identifying firearms

Under the convention, 'firearms trafficking' means :

*...the import, export, acquisition, sale, delivery, movement or transfer of firearms, their parts and components and ammunition from or across the territory of one State Party to that of another State Party if any one of the States Parties concerned does not authorize it...*

Albania, Bosnia and Herzegovina, and the former Yugoslav Republic of Macedonia have not yet adopted the Firearms Protocol, while the other countries all acceded it between 2002 and 2006 (except Montenegro, which ratified it in 2006).



**Figure 83:** Estimated illicit firearms per 100 citizens in 2007 (estimate for Romania not available)

Source: SEESAC estimates

price of AK47 could be as low as US\$ 300, and Bulgarian Makarov pistols were said to have sold for as little as US\$ 100-200 each.<sup>303</sup> But there have also been major weapons destruction programmes in many countries in the region, including Albania (230,000 weapons and 18 million rounds of ammunition),<sup>304</sup> Bulgaria (77,516 sub-machine guns), and Serbia (51,000 small arms and light weapons).<sup>305</sup>

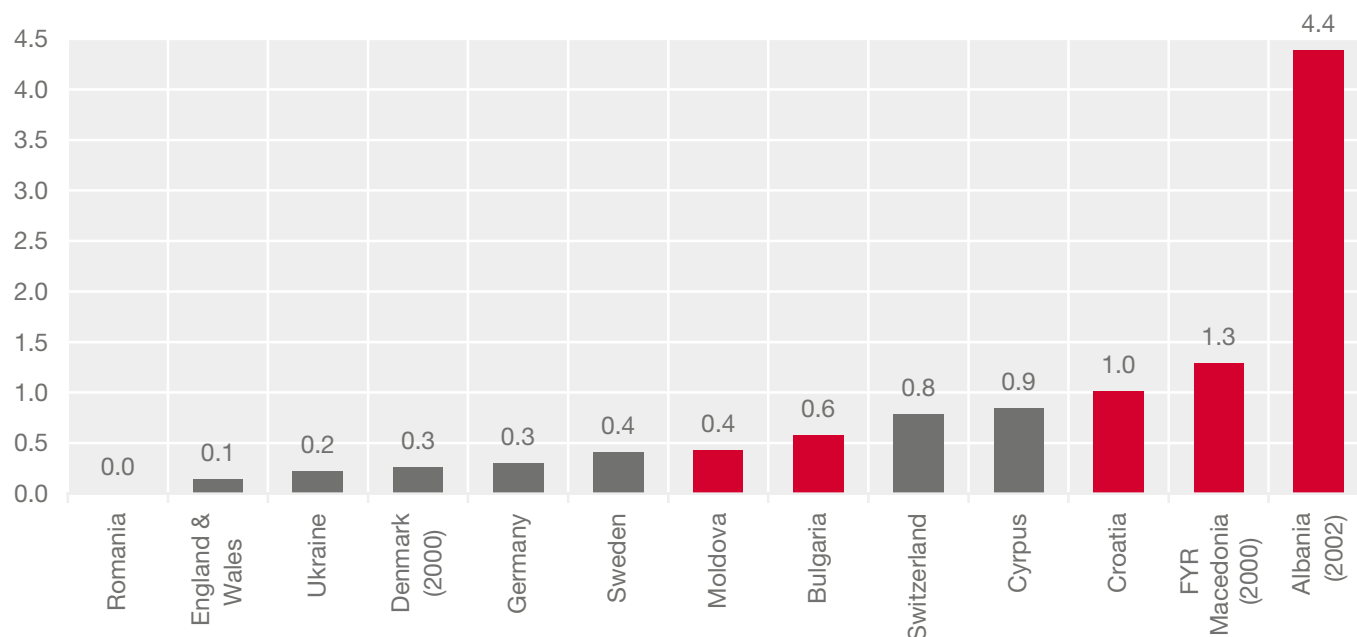
Similarly to the flow of drugs, however, firearms emanating from the region seem to have left a relatively small imprint on it. Estimates of the number of registered and unregistered weapons held by civilians in the region suggest that South East Europe has fewer small arms per capita than many countries in West Europe (Figure). Looking just at illegal firearms, the countries with the highest murder rates (Moldova, Albania) have some of the smallest numbers of illicit firearms (Figure).

The impact of firearms is highly dependent on social context, but as Section 2 above showed, rates of violence in this region remain low, even by European standards.

In addition to low murder rates overall, a large share of the murders that are committed in many countries in the region do not involve a firearm. In Romania, a country of 22 million, only three people were shot to death in 2004. Albania is exceptional in this regard, and has one of the highest rates of firearm homicide in Europe. By global standards, however, this rate is still low – on the order of some of the safer countries in the Americas. Further, the data on the Albanian firearm homicide rate comes from 2002, and indications are that the situation has improved considerably since that time.

Today, there remain many arms manufacturers in the region, particularly in Bulgaria and Serbia, and some firearms trafficking continues. In June 2006, for example, Croatian and Slovenian police forces investigated some fifty firearms traffickers and discovered a factory in Croatia with huge stocks of weapons. Firearms were exported through Slovenia to Austria, Germany, France, the Netherlands, Belgium and Spain.<sup>307</sup> According to SEESAC, “...during 2005/6...some [media] stories alleg[ed] the involvement of registered SALW producers and law enforcement officers in trafficking on more than one occasion.” However, in their 2006 survey of Croatia, they note, “The relative saturation of the Croatian market means there is little domestic demand for firearms from abroad with the partial exception of ‘boutique’ firearms. There is no evidence of high-volume, state-facilitated trafficking with the majority of interceptions classified as ‘ant’ [low volume] traffic.”<sup>308</sup>

The situation has certainly much improved since the time of active conflicts. Firearms trafficking is not even mentioned in the Council of Europe’s situation reports on organised crime in the region. According to an assessment of the Southern Adriatic region (Croatia, Bosnia and Herzegovina, Montenegro) by SEESAC in 2003, “...high levels of weapons are not present in this transit area any more... if weapons are smuggled across the border, it is in small numbers and mainly pistols now.”<sup>309</sup> SEESAC also reports of Romania in 2006, “The Romanian authorities consider the involvement of organised crime in the trafficking of firearms in Romania to be limited, and few cases have been reported.”<sup>310</sup> In Moldova in 2006, volumes of trafficking are low due to “...the cur-

**Figure 84: Firearm murders per 100,000 in 2004**

Source: UNODC CTS 2004

rent lack of appreciable demand in Moldovan government controlled territory and the probability that Moldova is not a significant land transit point...<sup>311</sup> In Kosovo (Serbia), “Improved border control and law enforcement, together with often difficult transport links, make it unlikely that SALW have been transited through Kosovo in large numbers in recent years.”

In the end, the argument made by UNDP and Saferworld with regard to Serbia in 2005 could probably be applied to much of the region:

*A combination of an improvement in the security environment, a reduction in ethnic conflict, weakened demand owing probably to market saturation and an increase in law enforcement capacity has contributed to a decrease in trafficking levels, as witnessed by a decrease in border interceptions.*

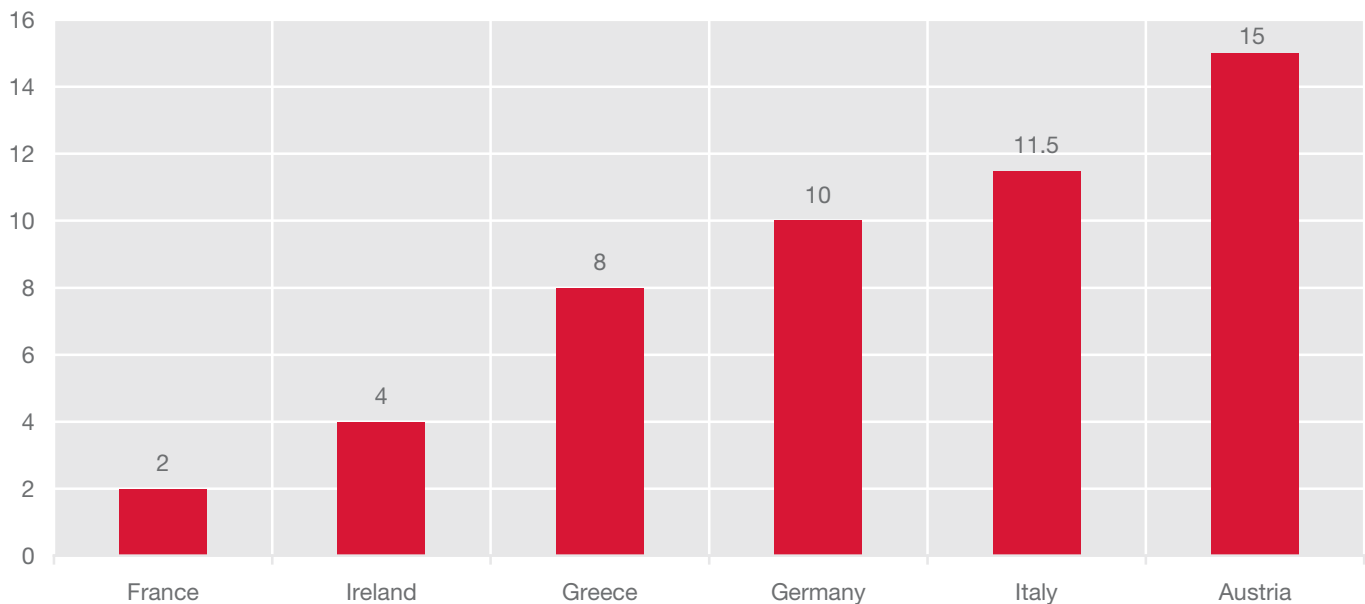
### **Economic crime: Duty evasion and counterfeiting**

The preceding sections have made the case that some of the mainstays of organised crime everywhere – trafficking in drugs, slaves, migrants, and guns – are markets in decline in South East Europe. But as the Council of Europe and European Commission note, “In South-eastern Europe, tax and customs fraud, capital flight, and privatisation fraud appear to be of greater relevance than traditional organised crime.”<sup>312</sup> Much of this hurts only the countries of the region themselves, with relatively minor impact on West Europe.

An area that straddles the line between trafficking and

economic crime is the smuggling of licit goods in order to evade customs duties and other taxes. Tracking trends in the smuggling of licit goods is challenging, because virtually any item can be smuggled to take advantage of differential rates of taxation. Recently, beef has been trafficked to Serbia, for example. As the victim in smuggling cases is usually a national excise department, often that of a wealthy country, many have had few qualms about engaging in this highly lucrative activity. Numerous porous borders (Bosnia and Herzegovina alone has 400 border crossings), diverse systems of taxation, and the large, mobile South East European diaspora have all contributed to the growth of this illicit trade. But according to the most recent report of the CARPO project, “the scale of smuggling has decreased due to the gradual normalisation of the region ...”<sup>313</sup>

Cigarettes are one of the most profitable items to smuggle. Globally, an estimated 320 billion cigarettes are smuggled and an estimated US\$ 20 billion of public revenue is lost every year.<sup>314</sup> A single truck of cigarettes imported into the EU can represent EUR 500,000 in profit. Cigarette smuggling took place in Montenegro, Serbia, Croatia, the former Yugoslav Republic of Macedonia, Kosovo (Serbia) and Bosnia and Herzegovina during the conflict as way of financing war efforts.<sup>315</sup> The Sarajevo Tobacco Industry continued producing throughout the war and during the 1993-1994 siege of the city. Cigarettes were sold for as much as EUR 50 per pack, and were used as currency for barter. Cigarette manufacturing was the only industry to turn a profit during the war in Bosnia and Herzegovina. The profits went to illegal weapons,<sup>316</sup> and into the pockets of the smugglers.<sup>316</sup>

**Figure 85:** Estimates of the share of the tobacco market that was illicit in the mid-1990s

Source: von Lampe, 2005<sup>322</sup>

At the regional level, South East European countries were net exporters of about 44 billion cigarettes in 2000.<sup>317</sup> Net domestic prices have differed quite substantially across the region (from 0.5 US cents per cigarette in the former Yugoslav Republic of Macedonia to 2.4 cents in Croatia, for example). In 2000, net illicit exports for the region totalled US\$ 500 million. These figures are likely lower than the reality, as they do not include off-the-books cigarette production and transit smuggling. In the 1990s, according to Italian sources, up to 60% of the GDP of Montenegro came from the “cigarettes transit business”, which transported cigarettes from Rotterdam through Montenegro to Italy.<sup>318</sup> In 2001, the quantity of cigarettes that officially passed through Kosovo (Serbia) customs during the entire year was only adequate to supply cigarette consumption in the province for one month.<sup>319</sup>

There are three main schemes by which cigarettes are supplied to black markets:

1. large amounts of cigarettes are purchased in low-tax jurisdictions for resale in high-tax jurisdictions
2. untaxed cigarettes marked for export sold domestically, or untaxed export cigarettes are re-imported
3. popular cigarette brands are counterfeited

Smuggling has been allegedly conducted with the consent of major manufacturers – for them, the benefit lay in the expansion of their market shares.<sup>320</sup> For instance, the Rovinj tobacco industry legally exported cigarettes to Bosnia and Herzegovina and then brought them back to Croatia for resale, presenting them as though they had been produced in Bosnia and Herzegovina. This

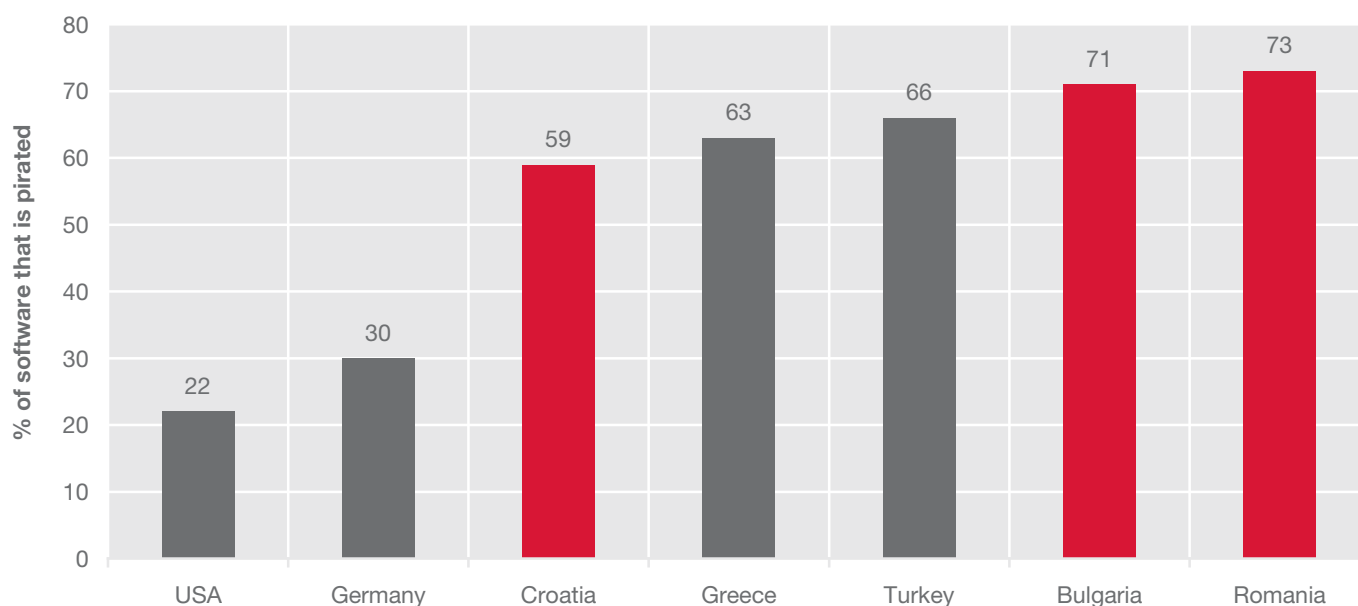
process of ‘re-cycling’ was facilitated through sales of Rovinj’s Slovenian subsidiaries to Cyprus, Liechtenstein or Malta, to companies owned by Serbian, Montenegrin or Croatian politicians. The cigarettes never reached those countries but were instead shipped or trucked from the ports of Koper and Varna to Montenegro, thus avoiding customs duties and state taxes.<sup>321</sup>

In Bulgaria, duty free shops are also said to be involved in cigarette and alcohol smuggling, and are suspected of facilitating other crimes as well. Inspections by the Ministry of Finance have shown that it is virtually impossible to monitor whether duty free shop customers have actually crossed an international border or not.<sup>323</sup>

Another key licit commodity to be smuggled is oil. Imported oil products are declared as low duty items, smaller quantities are registered than are received, or fuel is simply smuggled in. For instance, the total consumption of petrol and diesel in Moldova is estimated at 89,000 tons higher than the amount officially declared for import. As a result, the state budget does not collect annual VAT and excise duties in amount of MDL 119 million (just over EUR 7 million). At the same time, 60% of petrol and diesel purchase transactions for the country were performed through off-shore companies.<sup>324</sup>

Since the 1990s, though, it appears that much of this activity has substantially decreased. As the 2006 CARPO organised crime situation report notes:

*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.*

**Figure 86: Share of all software in use that is pirated**

Source: Council of Europe: "Organised crime situation report 2005", Strasbourg, 2005

*Thus certain opportunities for illegal trade in this region have been removed... The smuggling of oil and cigarettes in the region, prominent during sanctions against Serbia, is still ongoing but at a lower scale.*<sup>325</sup>

Illegal import of other goods (in particular from China) is a major problem for the region's manufacturers, as they cannot compete with these products. For example, between 1998 and 2003, Chinese cargo smuggling became a primary source of funding for the grey economy in Bulgaria. Wholesale markets are run by crime groups and are serving as the main wholesale distribution points for smuggled goods. This illicit trade involves a number of Chinese merchants with family ties to China. They are in control of both wholesale markets and large networks of semi-legal retailers.<sup>326</sup>

Another form of organised tax evasion is fake invoicing. Under-invoicing of imports is done to avoid tariff and VAT collection and as well as non-tariff barriers at the borders. Over-invoicing of exports is done for VAT refunds and export subsidies for certain products, as well as for money laundering purposes. In Albania, illegal imports come from Greece, such as TV sets, cameras and petroleum products. Croatia is believed to be the source of more than US\$ 700 million in illegal exports annually, mainly to Italy, Germany and Austria. The former Yugoslav Republic of Macedonia is estimated to be the source of illegal exports totalling US\$ 600 million annually, to Greece (US\$300 million), Germany (US\$ 140 million) and Italy (US\$ 90 million), mainly petroleum and cars. Croatian, Albanian and the former Yugoslav Republic of Macedonia exports as well imports from Croatia

and the former Yugoslav Republic of Macedonia, have discrepancy figures double the world average. The main products illegally imported or exported are: textiles and footwear, petrol, cars and trucks, ships, sugar, medicine and electronics.<sup>327</sup>

Aside from tax evasion, goods that appear to be legitimate on their face may be tainted due to unauthorised production, or counterfeiting. According to the International Chamber of Commerce, the trade in counterfeit products represents 5% to 7% of world trade.<sup>328</sup> In the EU, an estimated 39% of software sold is unlicensed, as is 16% of audio-visual products, 10-16% of textiles, 10% of music, 5-10% of car spare parts and 5-7% of sport and leisure products. EU customs seized 68 million counterfeit products in 2000, 94 million in 2001, 85 million in 2002.<sup>329</sup>

Most (about 80%) of the counterfeited products in the EU come from China.<sup>330</sup> Counterfeiters favour indirect importation routes in order to deceive customs authorities. The origin of the product is concealed by carrying it through several countries before sending it to its final destination. Routes are constantly changed and genuine and counterfeit products are often mixed. Financial gains are substantial and risks low compared with those for other forms of trafficking. Investments can yield returns of 1000%. For example, the Italian Camorra imports large quantities of fake CDs from Bulgaria or Ukraine. The profit is enormous: one kilogram of pirate CDs is worth more (EUR 3,000) than one kilogram of marijuana (EUR 1,000).<sup>331</sup>

But the ultimate counterfeit good is counterfeit cash.

Between 2002 and June 2006, some 2.2 million counterfeit euro banknotes with a total value of 117 million euros were removed from circulation globally.<sup>332</sup> Bulgarian criminals have long been implicated in counterfeiting schemes, and the country is notable for the quality and volume of its counterfeit euro seizures.<sup>333</sup> Bulgarian police reported in 2004 that they had seized more than 3 million Euros in counterfeit notes since 2001 and dismantled some thirty criminal printing operations.<sup>334</sup>

Many counterfeit notes are produced in print shops that also do legitimate print work. The notes they produce are of reasonable quality and include replica watermarks, holograms and security threads that stand up to casual examination.<sup>335</sup> Other counterfeiters work from remote garages and barns to produce notes of varying quality, using everything from sophisticated high-pressure presses to household PCs, photocopiers and laser printers.<sup>336</sup>

These decentralised operations feed into better organised distribution networks, which purchase the notes for a fraction of their face value. Germany (particularly Bavaria) and Greece are particularly targeted for distribution.<sup>337</sup> Greek police claim that a significant source of such notes are organized crime groups in Bulgaria.<sup>338</sup>

More recently, Bulgarian police have broken up networks of credit card forgers. In one operation, a criminal group of twelve members based in Sofia and southern Stara Zagora were identified following their installation of a skimming device in an ATM designed to copy information from real credit cards. The information was transferred to forged cards and used to draw money from cash machines in Italy, Spain, and Germany.<sup>339</sup> In another operation, three Bulgarians were arrested with counterfeit cards on to which the details of real French credit cards had been copied. The cards had been used to withdraw cash from banks in Athens, Thessaloniki and other Greek cities.<sup>340</sup> Bulgarian police note that whilst euro counterfeiting is still continuing, credit-card forgery has begun to replace money counterfeiting due to lower risk and quicker profits.<sup>341</sup>

### **Economic crime: Corruption and fraud**

Organised crime has only achieved its current proportions because of corruption. In addition, corruption is a profitable crime in itself. Like organised crime, corruption is difficult to define, but generally involves the use of public office for private gain. This can include petty corruption, such as the extortion of bribes by civil servants, and grand corruption, such as major procurement fraud. It also includes embezzlement of public funds at all levels.

Most countries of the region regard corruption to be among their greatest problems. Corruption has been

### **The UN Convention on Corruption**

By its resolution 58/4 of 31 October 2003, the General Assembly adopted the United Nations Convention against Corruption. In accordance with article 68 (1) of the aforementioned resolution, the United Nations Convention against Corruption entered into force on 14 December 2005.

Rather than providing a single definition of corruption, the Convention requires criminalisation of a range of offences, including: bribery of national public officials; bribery of foreign public officials and officials of public international organizations; embezzlement, misappropriation or other diversion of property by a public official; trading in influence; abuse of functions; illicit enrichment; bribery in the private sector; and the embezzlement of property in the private sector.

In a manner similar to the Convention on Organized Crime, it introduces a comprehensive legal regime for international cooperation, including provisions covering money laundering, asset forfeiture, and extradition. Every country in the region adopted the Convention between 2005 and 2007.

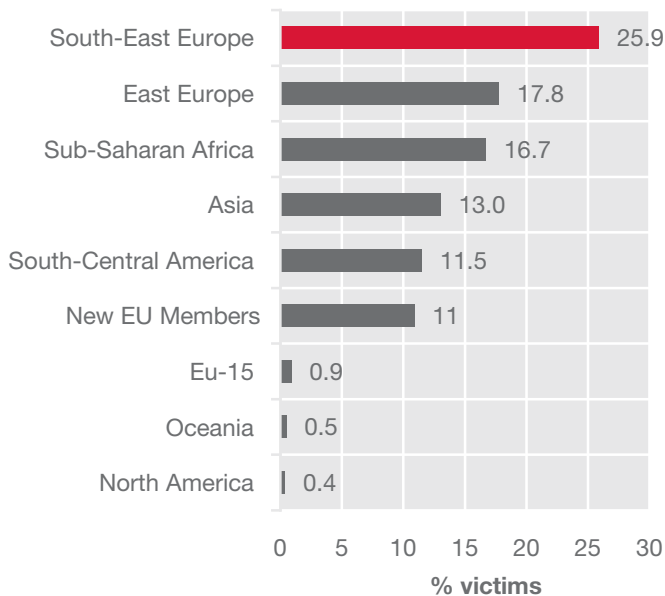
considered the main social problem in Albania and Romania, second in Bosnia and Herzegovina and Croatia, third in the former Yugoslav Republic of Macedonia and fourth in Bulgaria.<sup>342</sup> More recent polls show the issue has moved to the top of the agenda in Bulgaria.<sup>343</sup>

Many are cynical about the chances that corruption will improve in time. A recent public opinion poll showed that 57% of Romanians, 54% of Bulgarians and 66% of Croatians do not believe that corruption will improve in the next five years. Some 72% of Croatians, 74% of Bulgarians and 84% of Romanians think that corruption has increased drastically since the fall of Communism.<sup>344</sup> Serbia's citizens have been among the most optimistic as regards the capacity of their society to cope with the problem of corruption.<sup>345</sup>

Corruption is undeniably a difficult matter to measure. According to the Council of Europe and the European Commission, "reliable and comparable figures on the extent of corruption problems are not available".<sup>346</sup> Petty corruption can be measured, to some degree, by victim surveys. Respondents are generally asked whether they have been required to pay bribes for public services in the past year.<sup>347</sup> In areas where this practice has become normalised, there is a risk of inaccurate response, but victim surveys show that this one area of crime where South East Europe distinguishes itself, with the highest aggregate rates of victimisation of any region. The ICVS survey in Tirana, Albania, recorded the highest corrup-

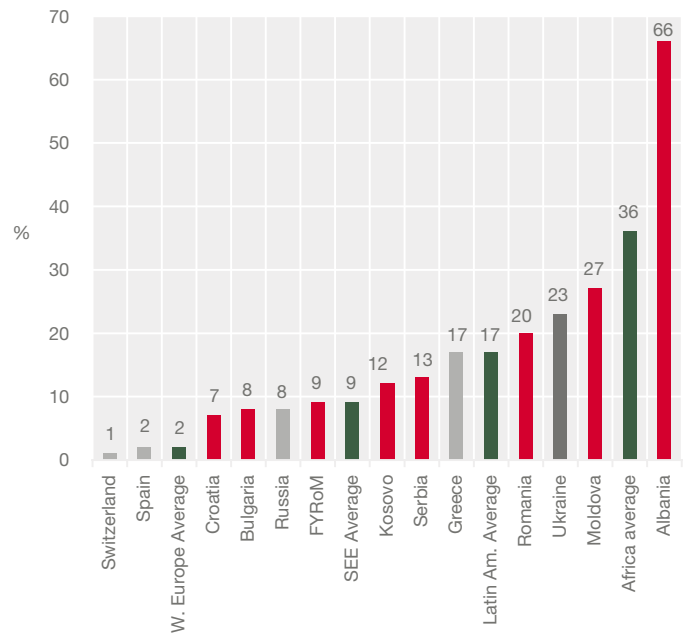


**Figure 87:** Share of the regional population that experienced corruption in the previous year



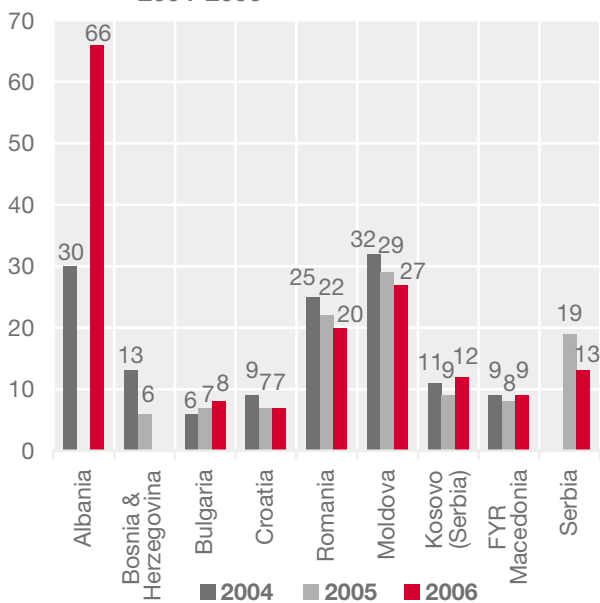
Source: ICVS, 2000 or most recent available data

**Figure 89:** Share of respondents who paid bribes in 2006



Source: Transparency International<sup>350</sup>

**Figure 88:** Share of respondents who paid bribes, 2004-2006



Source: Transparency International<sup>349</sup>

tion victimisation rate in the world by a wide margin – a remarkable 59% of respondents said they had experienced corruption in the previous year, compared to 19% in Bucharest, 17% in Belgrade, 16% in Sofia, 9% in Zagreb, and 8% in Skopje. Much of the survey data are dated.

More recent information is available from a similar question asked by Transparency International in their Global Corruption Barometer.<sup>348</sup> Here, some perplexing trends are seen. While still very high, Moldova and Romania show a convincing decline in corruption victimisation over

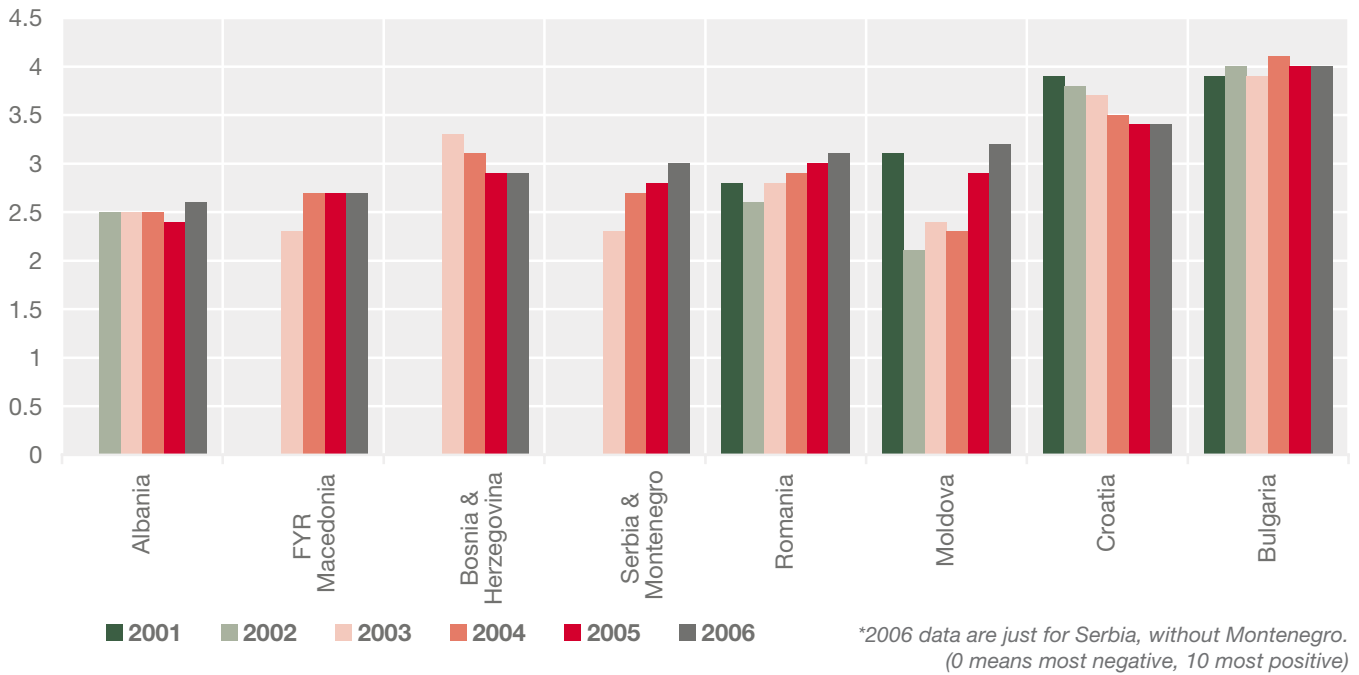
time. The rapid drop in figures in Serbia (6% in one year) is more difficult to explain. Similarly, Bulgaria's moderate rising trend is believable, but Albania's rate more than doubled in two years, to become the highest rate recorded in the survey in the world (Figure). In other countries in the region, the problem is more moderate, worse than the West European average, but mostly better than in other transitional or developing regions (Figure).

Transparency International's other well-known indicator is the Corruption Perceptions Index, which measures the perception, not the experience, of business leaders and others of corruption around the world. Despite the fact that two-thirds of the population reportedly pays bribes each year, Albania is not perceived as being the most corruption afflicted country in the world, and, indeed, its rating improved moderately in 2006. Of the other countries, some have improved since 2001 (Serbia and Montenegro, Romania, Moldova) while others have declined (Croatia, Bosnia and Herzegovina). Serbia's improvement is most pronounced – in 2000, it was given the second lowest in the world, with only Nigeria scoring lower.

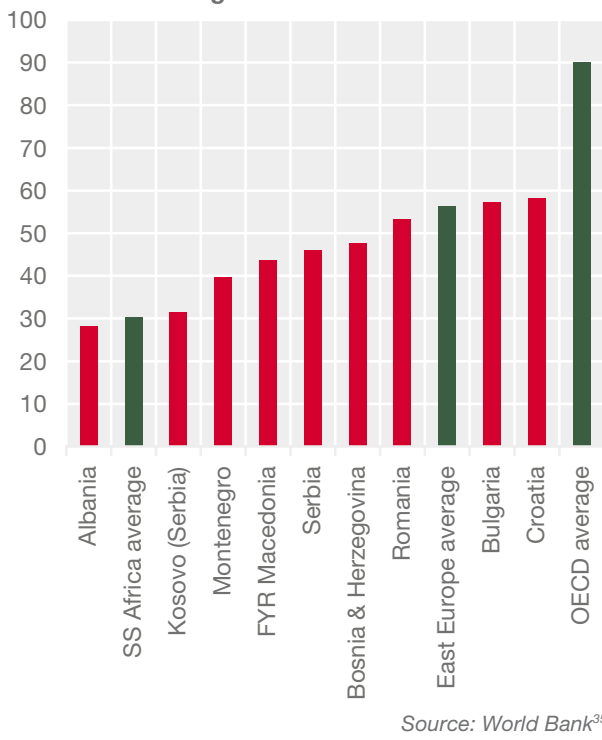
Another NGO to rate corruption in countries around the world is Freedom House. Their rankings show an improvement in corruption levels (low scores indicating low corruption) in most countries, with improvements in Serbia, Bosnia and Herzegovina, and Bulgaria being most pronounced. Like the TI CPI, Serbia has progressed from being considered the country most afflicted by corruption in the region to achieving a rating equal to Croatia. All Balkan countries score above the non-Baltic former Soviet States, but below the new EU members.



**Figure 90: Transparency International's CPI for South East Europe countries**



**Figure 91: World Bank 2006 Control of Corruption rankings**



The Freedom House data are used in composite indices such as the World Bank governance indicators, presented in the figure below. Each bar represents the share of countries which were ranked lower than the country indicated. In terms of control of corruption, all the countries of this region except Bulgaria and Croatia were rated below the East European average, with Albania scoring less than the sub-Saharan Africa average.

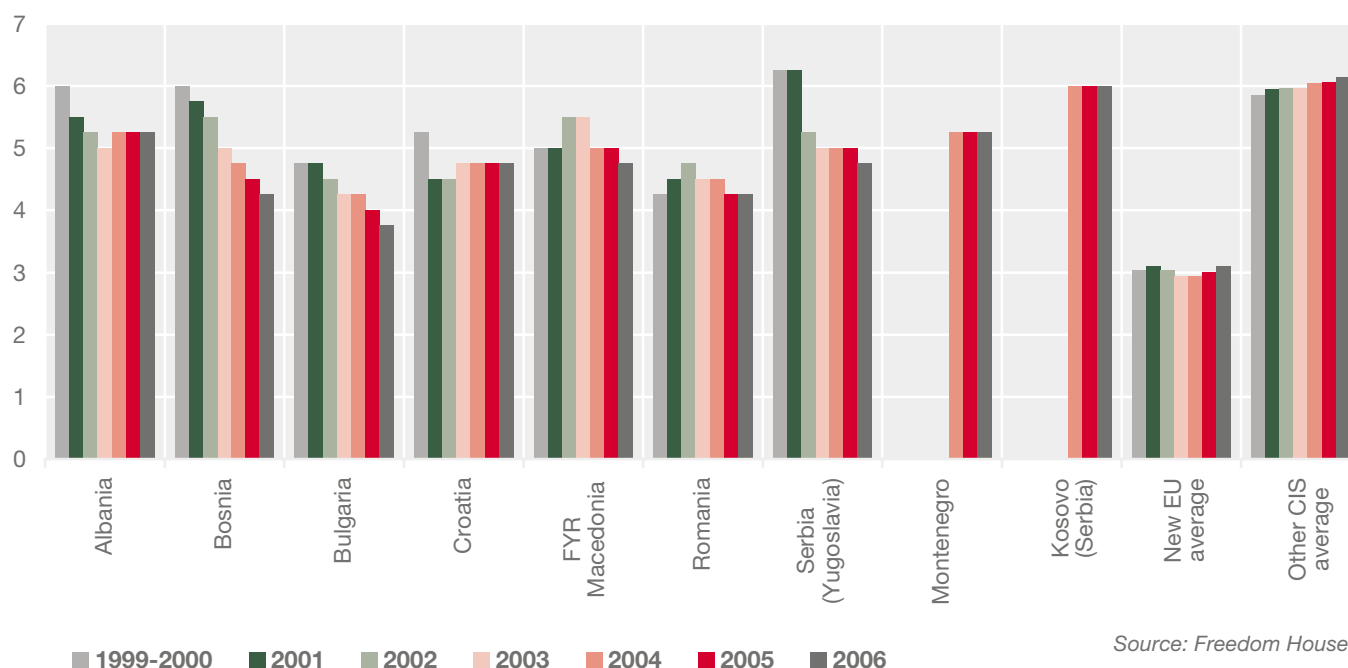
Aside from perceptions data, there are no easy indicators of the extent of grand corruption. The situation with regard to both petty and grand corruption varies substantially from country to country, so each deserves individual discussion.

**Albania** has one of the best legislative frameworks against corruption in the region, but also the largest problem. The annual report of the High State Audit for 2004, released in October 2005, stated that more than US\$ 200 million had been wasted through corruption. The number of public officials convicted for corruption is growing: 58 in 2002, 76 in 2003 and 171 in 2004.<sup>353</sup> This is probably more reflective of growing capacity for prosecution than growing incidence, however. Recent arrests have been made of a number of high officials, including the Deputy Minister for Public Works and Transportation; the Secretary General of the Ministry of Labour and Social Affairs; the Director General of Roads; directors and specialists at the regional agencies of the Tax Office and department of Forests, and others.<sup>354</sup>

Some 60% of the Albanian population considers corruption a more problematic issue than unemployment or low salaries.<sup>355</sup> Surveys differ as to which sectors of government are considered the most corrupt, but the judiciary, customs, the national privatization agency and health services generally rated as the most problematic. Other fields of concern are the tax administration and the police.<sup>356</sup>

One of the most common forms of corruption encountered in Albania is the use of bribery by the business sector to achieve commercial ends, such as avoiding

**Figure 92: Freedom House corruption ratings**  
(1 representing the highest degree of democratic progress and 7 the lowest)



Source: Freedom House<sup>351</sup>

taxes or acquiring favourable judicial decisions.<sup>357</sup> A World Bank survey indicated that private companies surrendered 8% of their income to bribes annually. Approximately 50% of firm respondents admitted having been involved in corrupt activities.<sup>358</sup> According to a survey conducted in 1999, three quarters of businesspeople responded that tax evasion occurred “often to very often”.<sup>359</sup> Albania is believed to capture only a small amount of the taxes due to the state, and this affects its ability to perform as a government. But recent increases in some revenue streams, such as taxes on fuel, cigarettes, and television sets, show that the situation is improving, and overall customs revenues are growing.<sup>360</sup>

As is the case in other parts of the world, foreign aid may have exacerbated the problem. According to Interpol, “The Kosovo conflict and the refugee problem in Albania resulted in a remarkable influx of financial aid. Albanian organised crime with links to Albanian state authorities seems to have highly profited from these funds.”<sup>361</sup>

The people of *Bosnia and Herzegovina* also encounter problems with both individual and commercial bribery. According to one World Bank survey, installing an electrical or telephone line costs 145 euro in bribes, buying a license or permit costs about 230 euro, and bribes to judges can be as little as 110 euro. The survey suggested that for any major business deal to be concluded, 4% of its total value had to be paid in bribes.<sup>362</sup>

At a higher level, misuse of public funds or abuse of power, often in the form of compensating for the losses of public companies and private businesses, is encountered. In Republic Srpska in particular, tax evasion and

nepotism are noted. Transparency International’s Bosnia and Herzegovina Chapter found that 27% to 36% of survey respondents were themselves involved in corruption, and that the most affected professions were customs officials, political party representatives, tax administration personnel, the staff of state-owned companies and local authorities (in Republic Srpska), and representatives of political parties, members of parliament and government, customs officers and the judiciary (in BH Federation).<sup>363</sup> Milica Bisić, advisor to the Prime Minister of Republic Srpska for economic issues, stated that the Republic Srpska budget loses annually KM 300-500 million (EUR 150-250 million) because of corruption, which is half of its value.<sup>364</sup>

Public confidence in government is undermined by high profile corruption scandals. Several prominent politicians have been tried for corruption in the recent past. Ante Jelavić was charged of abuse of authority while he was Federation Defence Minister and Dragan Čović for abuse of authority as Federation Minister of Finance. Party leader Mladen Ivanković was charged with tax evasion.<sup>365</sup>

At the beginning of the 1990s, most cases of corruption in Bulgaria were related to the privatization of state-owned companies, while now they relate mainly to EU funding, public tenders and VAT fraud. A report of the Center for the Study of Democracy (CSD) suggested, in March 2006, that corruption was on the increase, and that the majority of cases (especially those involving high-ranking officials) remained unresolved. The report states: “Soft anti-corruption measures have exhausted

their potential and more effective approaches must be found, especially at administrative and political levels.” Only 17 days after the opening a hotline for reporting cases of corruption by citizens, the Bulgarian Ministry of Interior received more than 800 allegations of corruption. The allegations included information on corruption in 14 ministries, municipalities and other authorities. The largest number of reports concerned the Ministry of Interior itself (more than 100).<sup>366</sup>

A survey conducted in March and April 2004 in **Bulgaria** showed that the general population believes that customs officials are the most corrupt sector of government (46%), followed by the judiciary (40%), police (27%), the health service (27%) and other branches of government (24%).<sup>367</sup> An opinion poll by MBDM carried out in large cities in Bulgaria showed that the respondents considered customs officials (73%), the judiciary (58%), police officers, physicians, tax administration personnel, members of parliament and traffic police officers as most corrupt.<sup>368</sup> According to a poll conducted among Bulgarian businesspeople, corruption is seen as the main obstacle in conducting business. A report by the NGO group “Coalition 2000” showed that customs and police officers and judges were considered to be the most corrupt professions in Bulgaria, followed by prosecutors, lawyers, ministers and tax officers.

But with regard to requests for bribes, surveys conducted in time series suggest a declining trend, with perceptions being affected by media coverage. As one recent study of crime in Europe noted:

*ICVS-type victimisation questions used in surveys carried out in Bulgaria indicated a steady decline of corrupt practices since 1999 while perception-based indicators fluctuated up and downwards in connection to relevant media events.*<sup>369</sup>

According to EBRD’s 2005 Transition report, **Croatia** was among the few transition countries (together with Hungary, Azerbaijan and Armenia) in which corruption in 2005 was higher than in 2002. The Croatian Minister of Justice, talking about the achievements of the Anti-Corruption Strategy, admitted that her Ministry does actually not have an overview of corruption data in the country, since the only data that exist are those about citizens’ perception of corruption.<sup>370</sup> In the period between 1997 and 2001, among 237,754 criminal offences recorded in Croatia, only 0.82% were related to corruption. There were 475 cases of corruption between 1996 and 2000, out of which 71 were dismissed by Public Prosecutor’s Office. The rest, for which criminal proceedings were initiated, resulted in 171 convictions. However, only 11.1% of convictions resulted in imprisonment and many were dismissed because the time limit for prosecution had been exceeded.<sup>371</sup>

Whereas businesspeople in Croatia believe that there have been some improvements in the fight against corruption, citizens still believe that corruption has grown in the last three years, and only 5% believe that corruption has decreased. Some 37% believe that corruption will increase within the next three years and only 14% believe that it will decrease.<sup>372</sup> In a recent poll, more than 90% of Croatians thought that bribing a physician was normal.<sup>373</sup> A public opinion poll conducted in Croatia showed that Croatia belongs to countries with the lowest corruption rate of the civil service but is among the highest as regards the corruptibility of politicians.<sup>374</sup> About 89% of respondents in Zagreb believe that crime is present in the company in which they work, and 77% believe that corruption is the main obstacle to conducting business. In Zagreb, 42% of respondents said they believed the authorities were corrupt. Bribes are given mainly to police officers, custom officers and doctors. Only 1% of cases are reported.<sup>375</sup> Croatia’s National Programme for the Fight against Corruption refers to a public survey, according to which 65.8% of the population believes that corruption is a very widespread phenomenon and that 54% to 82% of the population condemn corruption.

In the **former Yugoslav Republic of Macedonia**, corruption remains a serious problem – it has been estimated that more money is wasted through corruption than the entire amount received through international assistance.<sup>376</sup> According to a 2003 report of the State Audit Office released in January 2005, 18 million euro were spent by public institutions without proper documentation of this expenditure.<sup>377</sup> The Government has not taken action on this, and the Minister of Finance did not recognize this report.<sup>378</sup> International Crisis Group says that “corruption [had] acquired the capacity not only to retard economic progress but also to feed organized crime and, in turn, political and communal instability.” In the 1998 elections, the ruling party lost because of corruption scandals. After they came into power in 2002, the Social Democratic Party of Macedonia (SDSM)-led coalition made a major purge of public and financial institutions, passed a new law on conflict of interest, and established a state commission for combating corruption, which brought charges against several members of the previous governments. The State Commission for Prevention of Corruption in its May 2005 report complained about the lack of cooperation of the public prosecutor. The report says that “there was no real effect of the fight against corruption” and that the “rule of law remains only a political declaration.”<sup>379</sup> Mihajlo Manevski, Chairperson of the Commission, said in May 2006 that there are severe government pressures on the commission, including threats of dismissal. According to the former Yugoslav Republic of Macedonia’s police data, out of the total number of crimes committed in the country in the year 2000, only 0.6 to 1.3 % were related to

corruption. However, corruption constituted 13% to 30% of economic crime.<sup>380</sup>

According to an opinion poll by the International Centre for the Study of the Alternatives in 2001, citizens of the former Yugoslav Republic of Macedonia believed that customs officers, ministers and members of parliament, tax administration personnel, and judges were the most corrupt public servants. The two main problems of the society are considered to be unemployment and low salaries, and then corruption. Political instability was fourth, crime, high prices and ethnic unrest followed.<sup>381</sup> Research has been done by the Centre for Strategic Research and Development into susceptibility of public officials to corruption. It has shown that inspection and customs officers are the most corrupt: 39% of foreign investors had to pay a bribe to inspectors and 37% to customs officials.<sup>382</sup> Some 73% of the former Yugoslav Republic of Macedonia population regards the government as corrupt.<sup>383</sup>

A Transparency International study on bribery in business in **Moldova** shows that the most corrupt areas of government are believed to be health, education, customs, and the police. Some 90% of surveyed victims decided not to report cases of corruption. Moldovan businesspeople view corruption as the second most important obstacle to developing a business, after high taxes. Just over 66% of businesspeople believe a Government contract can be obtained only through bribery.<sup>384</sup>

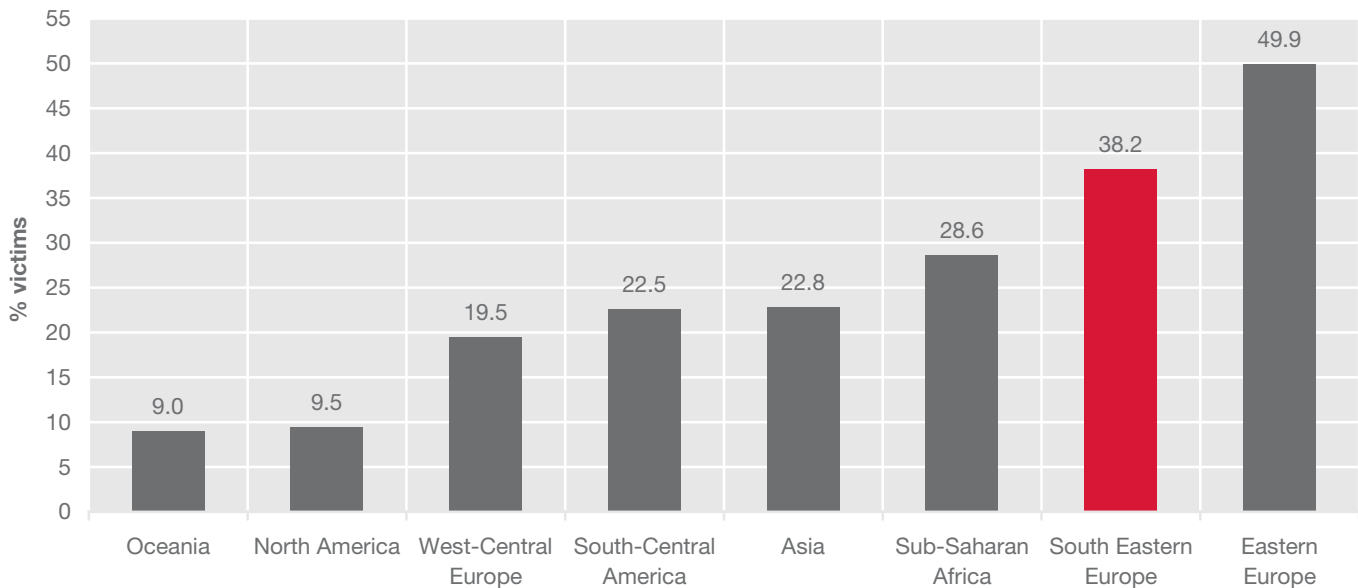
In **Romania**, the Nastase government (2000-2004) was the first to recognise that there was a corruption problem in the country. A National Anticorruption Prosecutor's Office (NAPO) was created in 2002, and the Tareceanu Government continued these efforts. In March 2005, at the request of the EU Commission, an audit was prepared of Romania's anticorruption strategy, which showed that the NAPO was having little effect. The NAPO head was consequently dismissed and NAP was transformed first into a Department and then into the National Anticorruption Directorate (DNA), situated within the Office of Prosecutor General, charged with investigating top officials. The reorganization of the anticorruption prosecution office resulted in a very significant increase in the number of investigations opened and indictments formulated against high level officials, including MPs, ministers, magistrates, high ranking military staff, local administration representatives.

In 2003, for example, out of 758 persons indicted for corruption, 352 had leading positions, including former ministers, magistrates, mayors, directors, high customs officials, etc. In the period between 2001 and 2003, the Minister of Justice approved criminal investigation of 93 public notaries, 69 judges, 20 prosecutors and 52 bailiffs. Of these, 27 public notaries, 15 judges, nine prosecutors and six bailiffs were indicted.<sup>386</sup> At the time,

the government was criticised for not prosecuting high-ranking government officials, but this was to change. In 2005, the department charged 744 persons, including former MPs; four magistrates; six lawyers; 38 employees in law enforcement agencies; eight high-level employees in central administration; and 17 official and high-level employees in local administration.<sup>387</sup> In 2006, DNA indicted the President of the Chamber of Deputies, a former Prime Minister; the Vice Prime Minister; five Members of the Parliament; two State Secretaries, one Secretary General; two Presidents of County Councils; one prefect; four judges; one chief prosecutor; one army general; two high level officers with management positions in an intelligence service, and others.<sup>388</sup>

In a public opinion poll of the Foundation for the Development of Civil Society in Romania, 84.4% of respondents answered that most or all civil servants take bribes. They did not attribute the causes of this problem to structural or institutional reasons (such as low salary) but rather to moral reasons (greed).<sup>389</sup> The World Bank's report on Corruption in Romania from 2001 indicates that 38% of officials were offered a bribe in 2000 and that 42% of respondents who had had contact with public authorities had been asked to pay bribes (16%) or had offered them (22%). About 40% of the population believed there was no sense in making a complaint. A reported 68% of businesses believed that the slowness of the judicial system caused harm to their business, 46% of respondents believed that they were affected by corruption in private sector and 37% believed they were affected by organized crime.<sup>390</sup>

As mentioned above, in 2000, **Serbia and Montenegro** ranked second lowest (ahead of Nigeria) on the TI index of corruption perceptions. Serbia adopted an anti-corruption strategy in December 2005, including an action plan and the creation of an independent supervision body. A national strategy for judicial reform was adopted in 2004, but the Council of Europe found this strategy not to be in line with international standards. It was adopted without being discussed in public or Parliament.<sup>391</sup> In January 2006, major corruption was discovered in the National Bank, with both the current and a former vice-governor being arrested.<sup>392</sup> A Supreme Court judge and Deputy Special Prosecutor were arrested for taking bribes from organized crime. The Minister of Defence had to resign because of bribes paid by a company for delivery of equipment to the army. During three weeks in January-February 2002, 465 reports of corruption were made by citizens using the hotline of the Ministry of Interior. However, only 19 citizens were ready to come to police stations and file the case officially.<sup>394</sup> The head of Serbian customs was recently dismissed for alleged involvement in corrupt activities, and the crackdown on his department continues.

**Figure 93:** Share of the regional population that experienced consumer fraud in the previous year

Source: ICVS, 2000 or most recent available data

In terms of high level public service corruption, the Serbian government has uncovered a long series of ‘mafias’. Rather than engaging in gangland tactics, these networks of corrupt officials seem to limit their activities to embezzlement and kickback schemes. For example, in May 2007, the trial began of 53 former officials (the ‘road mafia’) charged with electronically diverting 6.5 million Euros in road tolls into their personal accounts. In July 2007, Belgrade police filed criminal charges against four former officials (the ‘power mafia’) of Elektroprivreda Srbije (EPS) suspected for abuse of official power that brought a profit of almost US\$ 13 million.<sup>395</sup>

According to Serbia’s citizens, the main causes of corruption in Serbia are: low incomes, greedy authorities, the moral crisis, inadequate legislation, the mixing of private and public interests, the failures of the judicial system and the heritage of the past.<sup>396</sup> Serbians regard corruption is the fifth most important societal problem, after political instability, crime, poverty and low incomes. According to Serbia’s citizens, corruption is most common among customs officers, police personnel, businesspeople, judges, tax administration personnel, physicians, local authorities and politicians.<sup>397</sup>

Despite generally positive views of the government, corruption was the second most mentioned concern of Kosovo Albanians, after unemployment but before poverty. At least as of 2003, survey data showed the Kosovo (Serbia) population perceived the Kosovo Energy Corporation as the most corrupt institution, followed by businesspeople and the Post and Telecommunications Company. Around 40% of the respondents said they believed that all or almost all government officials are

involved in corruption.<sup>398</sup> As of late 2006, the courts in Kosovo (Serbia) received only 10 to 15 cases of corruption per year, however.<sup>399</sup>

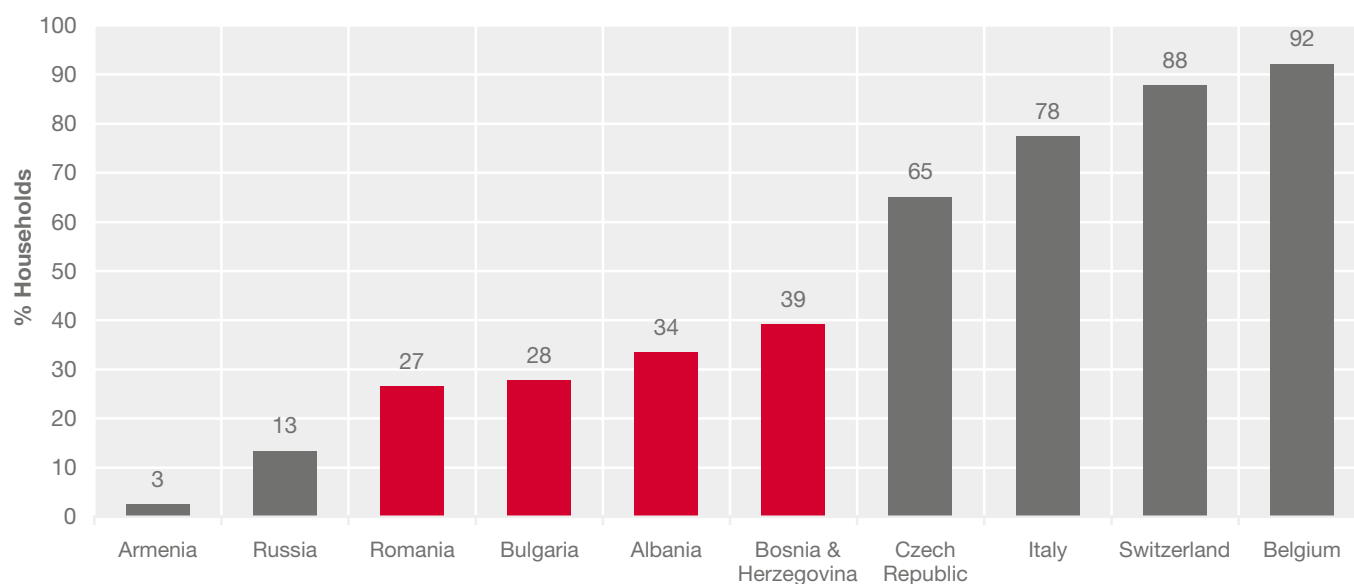
In the private sector, dishonesty in business manifests itself in consumer fraud. The ICVS measures consumer fraud in the question: “has someone when selling something to you or delivering a service [in the last year] cheated you in terms of quantity or quality of the goods/service?” Some 38% of respondents said they had experienced fraud in the previous year, and the region was second only to the CIS states of Eastern Europe in the share of the population that had been victimised by fraud.

## Economic crime: Money laundering

Most organised crime transactions are conducted on a cash basis. Bringing this cash into the legitimate economy requires concealing its origins, and this is where the business of money laundering comes in. It is difficult to estimate the extent or describe trends in money laundering, for precisely the same reason the region is vulnerable: the economies remain largely cash-based, and financial sector regulation remains underdeveloped. Only a minority of households have a bank account (Figure). In many jurisdictions, money laundering was only recently or is incompletely criminalised, and the mechanisms for monitoring compliance are still being implemented. But the presence of organised crime necessitates money laundering, so even if it is difficult to see, it is there.

**Albania** is a country at great risk for money laundering.



**Figure 94: Share of households with a bank account**Source: World Bank<sup>400</sup>

Albania remains highly cash based, and its banking sector is only now recovering from the loss of confidence in institutions engendered by the 1997 crisis. Until 2004, the Government of Albania even paid its own civil servants in cash. At the end of 2004, there were only 76 ATMs in Albania. According to the Albania's Central Bank, 25% of the money in circulation is outside of the banking system (the average in transition economies in Central and Eastern Europe is approximately 10%).<sup>401</sup> The Bankers Association estimates that only 20-30% of transactions with trading partners take place through formal banking channels.

The huge volume of remittances is another point of vulnerability to money laundering. About half of the remittances sent to Albania enter the country unofficially.<sup>402</sup> Customs fails to control large cash inflows and outflows. Money illegally acquired by Albanians abroad is sent back to Albania, where it is easily laundered due to the lack of a strong formal economy and weak controls, through the investment in real estate, the construction sector, hotels, restaurants, fashion shops, travel agencies and trading/purchase of luxury cars and electrical equipment. Under-the-counter operations in foreign currency exchange offices and fictitious shipping insurance are additional problems.

In **Bosnia and Herzegovina**, the economy is also predominantly cash-based. Whereas the non-bank financial sector is not strong and not considered to be a money-laundering problem, official banks are more vulnerable due to weak bank supervision.<sup>403</sup> A special problem in Bosnia and Herzegovina is money laundering by some

non-governmental organizations which use direct cash transfers from abroad as a source of funding. Tax and customs evasion are widespread.<sup>404</sup> According to the 2007 European Commission Progress Report on Bosnia and Herzegovina, "During 2006, the FIU reported to the Prosecutor's Office of Bosnia and Herzegovina 23 money laundering cases involving approximately € 26 million and 40 persons. The FIU froze 23 transactions adding up to some € 1.2 million."<sup>405</sup>

**Bulgaria's** problems relating to money laundering are linked with its geographical position, bordering the Black Sea and strategically located between Western and Eastern Europe and Middle East. It has a well-developed financial sector compared to other South East Europe countries and lenient controls. Financial crime, including bank and credit card fraud, tax fraud, smuggling of persons and goods are the main sources of laundered money, in addition to the illicit trafficking in drugs and precursors. The banking sector, as well as exchange offices and casinos, are vulnerable at the placement stage.<sup>406</sup>

Tourism is **Croatia's** largest economic sector, with more guests per year than Croatia's inhabitants. Money laundering cases are therefore mainly related to domestic financial crime such as privatization fraud and tax evasion, in addition to a recent rise in drug-trafficking related money laundering, extortion, racketeering, theft and smuggling of motor vehicles, prostitution, smuggling of migrants and weapons, and counterfeiting.<sup>407</sup> The proceeds of crime are mainly invested into real estate and luxury goods.



**The former Yugoslav Republic of Macedonia** still has problems with combating money laundering. The main sources of illegal proceeds are from narcotics-related crimes, economic crime, trafficking in weapons, all of which have sharply increased since the Kosovo (Serbia) crisis and the conflict in the former Yugoslav Republic of Macedonia itself. With more foreign capital coming in recent years, economic and financial crime is becoming more widespread (especially fraud and tax evasion). The control over the influx of foreign money is very loose, in particular with regard to cross-border cash transactions but also in the privatization process. Casinos are particularly vulnerable to money laundering.<sup>408</sup>

The **Moldovan** authorities estimate that criminal organizations' income constitutes over half the GNI. It mainly comes from drug, arms and oil trafficking, prostitution, alienation of state and private assets, smuggling of cigarettes and alcohol, bank and financial fraud and tax evasion. Financial losses incurred through economic crime in 1999 were estimated at US\$ 11.3 million.<sup>409</sup> A large part of this illegal income is laundered through official financial institutions and entire sectors of the economy have been infiltrated by criminal organizations. Offshore companies are currently the main source of money laundering, in addition to casinos, insurance companies, and moneylenders.

**Romania's** National Bank estimates the value of financial crimes to range from US\$ 1 billion to US\$ 1.5 billion per year. Tax evasion and VAT fraud constitute approximately 45% (US\$ 500-600 million per year) of this sum. Financial sector fraud, establishment of phantom companies and fraudulent bankruptcy are other types of financial crime. Romania is also one of the main sources of online credit card fraud in the world. The main economic sectors affected by money laundering are: domestic and foreign trade, the banking sector, and capital markets. A special problem is foreign currency exchange. Laundered money comes from domestic criminal activity carried out by international groups. From Romania, most of the laundered money goes to offshore financial centres in the Caribbean (and funds may then be returned to Romania for integration).<sup>410</sup> Romania criminalized money laundering in 1999.<sup>411</sup> According to estimates from the Romanian National Office for the Prevention and Control of Money Laundering, the annual amounts of money laundered reached US\$ 651.7 million in 2003, US\$ 604.5 million in 2004, and US\$ 349.1 million in the first ten months of 2005.

Drug trafficking, smuggling of migrants, weapons and pirated goods, corruption, tax evasion and other criminal activities provide the basis for money laundering in **Serbia and Montenegro**. Some Serbian officials estimated that almost half of all financial transactions in Serbia and Montenegro might be connected with money laun-

dering.<sup>412</sup> Proceeds from illegal activities are invested mainly in real estate. Tax evasion and over- and under-invoicing are other common methods to launder money. Serbia introduced a VAT only in 2005.<sup>413</sup>

Josip Bogić, Head of the Department for the Fight against Organized Financial Crime of Serbia's Ministry of the Interior, argues that many people who were prosecuted for criminal activities in the last 15 years are nowadays successful "business people". They are taking part in the privatization process, trade and real estate business. Predrag Ranković Peconi, owner of the "Invej" company, bought a number of successful food companies in Serbia. According to the "White Book", an official record of organized crime groups, he was directly involved in laundering the money of the Surčin clan, which was involved in the assassination of Prime Minister Zoran Đinđić. "Invej" was proclaimed the most successful private company in Serbia in 2004.<sup>414</sup> Another newspaper report claimed that money was taken out of Serbia from 1992 to 2000 through the Beogradska Bank in Cyprus. At the time of sanctions against Serbia, the Beogradska Bank established offshore companies in Cyprus which were receiving money from Serbia. In the second half of 1992, money (from state funds and citizens' savings) was transported in cash, in suitcases and bags, to such companies. Money was taken on special flights to Larnaca, Cyprus. These cash shipments were used to avoid sanctions but also to launder money. Offshore companies took 3-5% for each transfer. During the sanctions, the Yugoslav national bank had to approve each transaction, but the Beogradska Bank was transferring much more money than authorized.<sup>415</sup> Thanks to the new law, a number of fake firms were discovered. There are still few convictions for money laundering in Serbia.<sup>416</sup>

Investment by foreigners in real estate along the **Montenegro** coast has raised many suspicions of money laundering, in particular with money coming from the Russian Federation. Money laundering was criminalized in 2002 (until then, the 1977 code from the former Yugoslavia was still in force in Montenegro), with new legislation in 2003 which enables the confiscation of assets from criminal activity. The FIU became operational in 2003. Customs are not able to investigate money laundering which comes from customs offences. Until 2004, no money laundering cases were initiated, neither by the police nor the prosecutor's office.<sup>417</sup> In September 2004, Montenegro seized over EUR 1 million in connection with the arrest of two Chinese who were attempting to enter Montenegro, and who transferred over EUR 4 million through Montenegrin banks. However, the charges against them were dismissed by the court, claiming that the Prosecutor did not provide sufficient proof that the funds were illegal.<sup>418</sup> According to the European Commission, "In 2006, 170,000 transactions were reported

to the FIU, of which 29 were forwarded to the police and the prosecutor's office on suspicion of money laundering, along with eight cases relating to other criminal offences. From January to April 2007, 109,000 transactions were reported, with 18 cases being forwarded to the relevant bodies on suspicion of money-laundering, along with four cases concerning other criminal offences."<sup>419</sup>

**Kosovo (Serbia)** is extremely vulnerable to organized crime and thus to money laundering. UNMIK issued a regulation on the deterrence of money laundering and related offences only in March 2004. The regulation provided for seizure of the proceeds and created the FIU, the Kosovo Financial Intelligence Centre (KFIC) within the Police and Justice Pillar, which is functional but still plagued with initial problems. The regulation also limited the receipt by NGOs of currency contributions to 1,000 euros per day from a single source and the distribution by NGOs greater than 5,000 euros to any single recipient in a single day (a problem similar to Bosnia and Herzegovina's).<sup>420</sup> According to the European Commission, "In the fourth quarter of 2006, [the provisional institutions of self government] closed 30 cases and opened 32 new cases of alleged violations of the anti-money laundering legislation. In the first quarter of 2007, 17 cases were closed and 45 new cases were opened. Investigations include banks, foreign currency exchange offices and casinos."<sup>421</sup>

## Declining opportunities for organised crime

There can be no doubt that organised crime, linked to public corruption, is a very serious matter in South East Europe. The heroin trade alone is worth billions of Euros, and the prevailing view is that most of this traffic passes through the Balkans. Whatever the scale of human trafficking, the suffering it causes is profound, as is the risk posed by weapons smuggling. But a sector by sector review of the organised crime markets of South East Europe gives good reason to believe that the situation is changing for the better:

- Heroin demand in Western Europe is in decline, as is the participation of criminals from South East Europe in this market.
- If hundreds of thousands of people were ever trafficked through this region, this does not appear to be the case today, with small numbers of arrests and victims assisted, despite increasing vigilance.
- Migrant smuggling also appears to be in sharp decline, with migration-related border apprehensions down almost 60% in six years, due in part to the inclusion of Romania and Bulgaria in the EU.

- Firearms trafficking appears to be down due to reduced demand and market saturation.

Another reason to believe that the organised crime problem is easing is the conventional crime statistics. The trafficking of drugs, human beings, and firearms often involve some use of violence. If murder rates are coming down, as they seem to be in every country in the region, this is indicative that these crimes are also in decline.

Thus, there is reason for optimism, but a real risk remains. Crime and corruption have caused serious damage to relations between citizens and relations between citizens and the state. The cynicism this has engendered opens the door to all manner of political opportunists, many of whom have an interest in sustained instability, as was the case in the lead up to the conflicts of the 1990s. The nature of this threat is discussed in the closing section of this report.



# The impact of crime on social, economic and political progress

To summarise the report to this point:

South East Europe should not have a crime problem because the social conditions are not well suited to it.

- In fact, it does not have crime problem, at least in terms of violent and property crime within the region.
- One of the legacies of the troubled past is organised crime, as close links were formed between political, commercial, and criminal interests engaged in various forms of trafficking and economic crime.
- In many areas, the organised crime problem is diminishing, as conditions normalise and interventions start to have effect.

This is not to say that South East Europe has no organised crime problem, or that this problem is having no impact. The region remains the primary conduit for tons of heroin bound for West Europe. South East Europeans remain disproportionately the victims and perpetrators of human trafficking and migrant smuggling. Economic crime of all types continues to make headlines. Organised crime figures with links to those in political and commercial power continue their operations with apparent impunity. These activities come at a cost. According to the Council of Europe and the European Commission:

*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 in the region.*<sup>422</sup>

The following section examines the validity of this perception.

## Proposed impact: “Social progress”

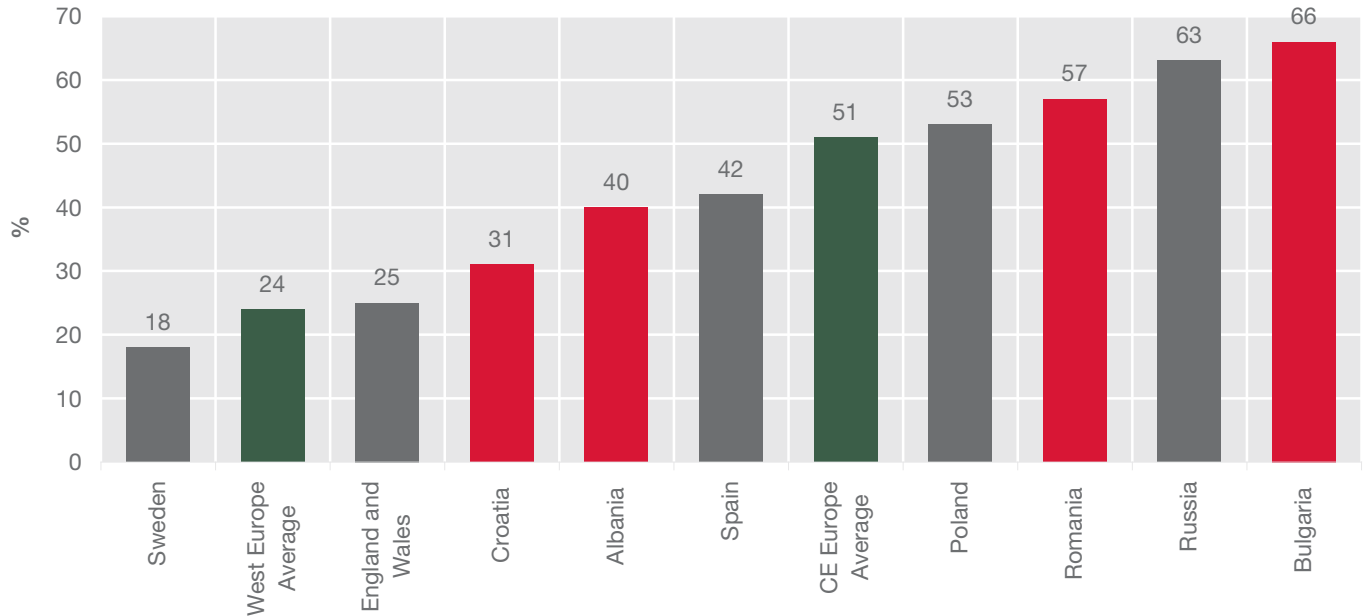
Starting at the bottom, crime has been shown to have a corrosive effect on the social fabric, as citizens limit their interactions in order to avoid victimisation. This withdrawal is generally in response to fear of street crime, and Section 2 above showed that South East Europe is actually safer than West Europe. But fear of crime is often independent of the real risks of victimisation. Survey data are dated (2000), but it appears that many people in South East Europe are far more afraid of walking alone after dark than West Europeans (Figure).

There may be several reasons for this incongruity. In countries undergoing rapid change, fear of social chaos can manifest itself in fear of crime. The role of the media is also key. For example, in Bulgaria, many of the murder victims are prominent figures, and their assassinations receive disproportionate media coverage. Conviction rates are also low in Bulgaria, so people may feel that killers can act with relative impunity. Memories of the conflict could also affect feelings of safety, but, oddly, people in the countries that actually experienced widespread violence are less likely to feel afraid than those that did not.

In addition to fear of physical violence, high levels of consumer fraud and corruption can undermine the confidence of citizens in their countrymen. Survey data show that many in the region feel that only their relatives can be trusted (Figure). This can also result in social withdrawal, particularly with regard to commercial transactions.

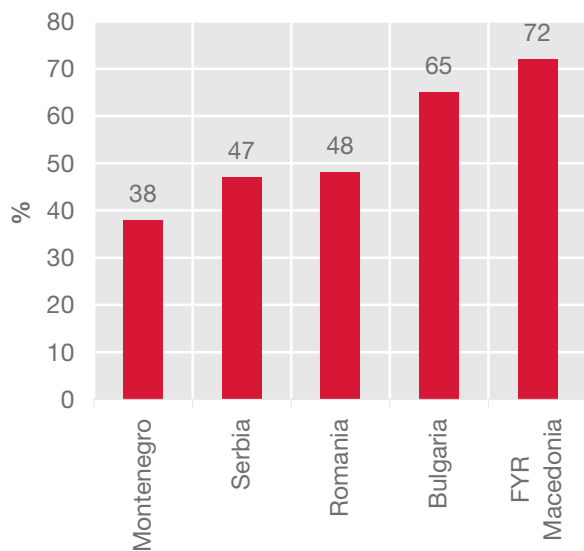
The erosion of social capital can manifest itself in the bottom line, as risk-averse people are unlikely to be-

**Figure 95:** Share of respondents who feel unsafe walking in their area alone after dark



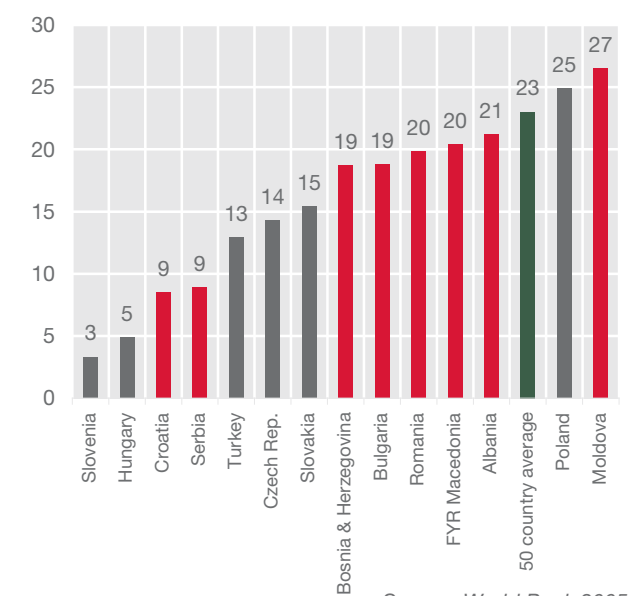
Source: ICVS 2000<sup>423</sup>

**Figure 96:** Positive response to the statement “only kin can be trusted” in 2003



Source: Mungiu-Pippidi 2005<sup>424</sup>

**Figure 97:** Percentage of firms regarding crime to be a major constraint on investment



Source: World Bank 2005

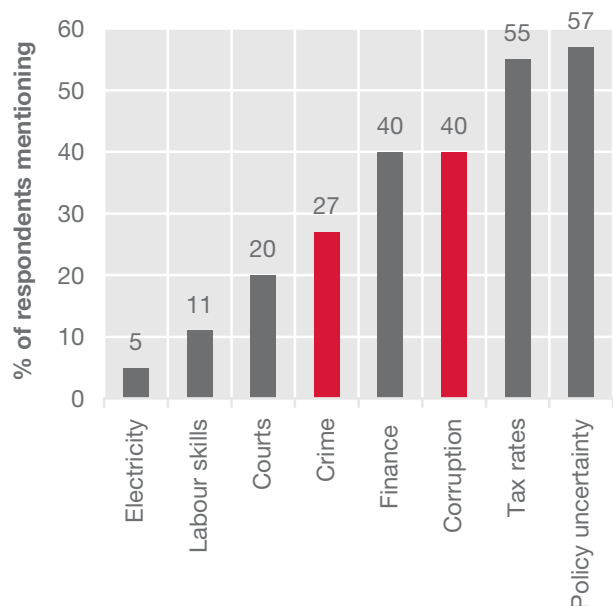
come entrepreneurs, and institutional distrust discourages investment and savings.

**Proposed impact: “Economic progress”**

It would appear that, for the moment, the gains to be made in investing in South East Europe are greater than the risks posed by crime and corruption. In the preparation of the 2005 World Development Report, the World Bank conducted Investment Climate Surveys in 53

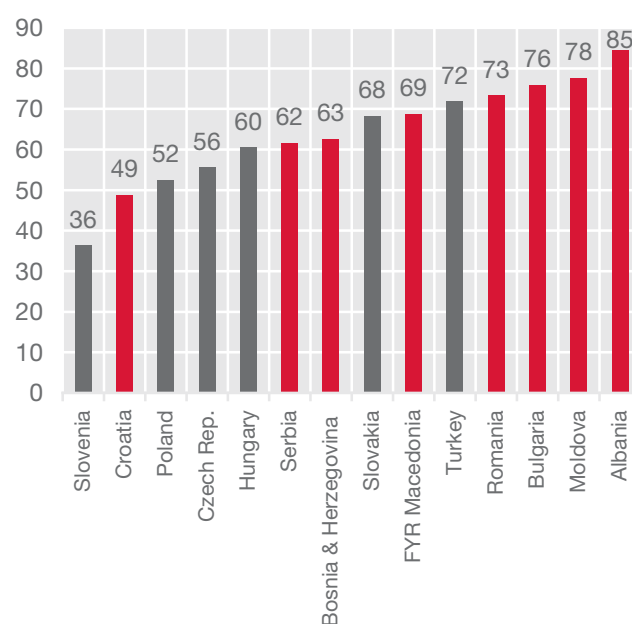
emerging countries around the world, including most of the countries in South East Europe. Businesses were asked whether a number of factors posed a constraint on business investment in the region. In some countries in the region a high share of businesses felt that crime was a major constraint, but this share was below the average of the 50 countries where this question was answered. Even in Moldova, the country with the largest share concerned with crime, other factors were considered more significant, including tax rates and policy uncertainty.

**Figure 98: Factors considered a major constraint on investment in Moldova**



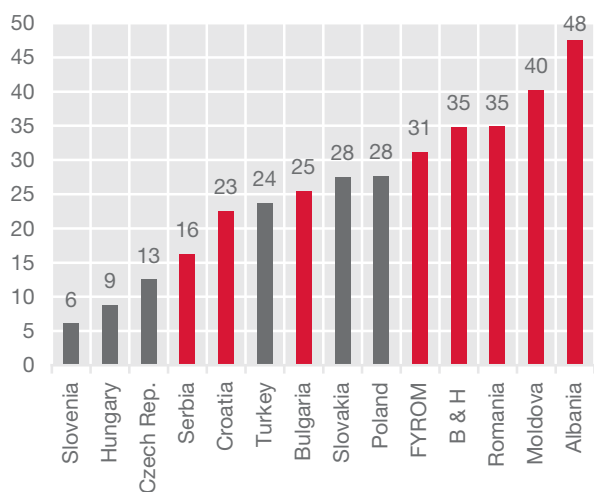
Source: World Bank 2005

**Figure 100: Percentage of firms saying bribes are paid in the normal course of business**



Source: World Bank 2005

**Figure 99: Percentage of firms regarding corruption to be a major constraint on investment**



Source: World Bank 2005

Corruption was considered a more important constraint than crime in every country in the region. The issue was most acute in Albania. Albania ranked second highest among the countries polled in the share of firms reporting that bribes were paid in the normal course of business, with a remarkable 85% so reporting. It was second only to Bangladesh (98%), the country reportedly perceived to suffer the most from corruption, according to the 2005 Transparency International Corruptions Perceptions Index. In most of the countries of South East Europe, over half the firms said bribes were paid. Interestingly,

far more said they paid bribes than said that they felt this requirement was an impediment to business. This suggests that bribery may be driven by the businesses themselves, a technique used by new firms to compete with former state-run enterprises.<sup>425</sup>

The presence of judicial sector corruption is particularly problematic for potential investors, who may have to avail themselves of the courts in order to enforce commercial contracts. Many of the firms from the region responding to the Investment Climate Surveys conducted in the preparation of the 2005 World Development Report said that the court system stood as a major constraint on investment.

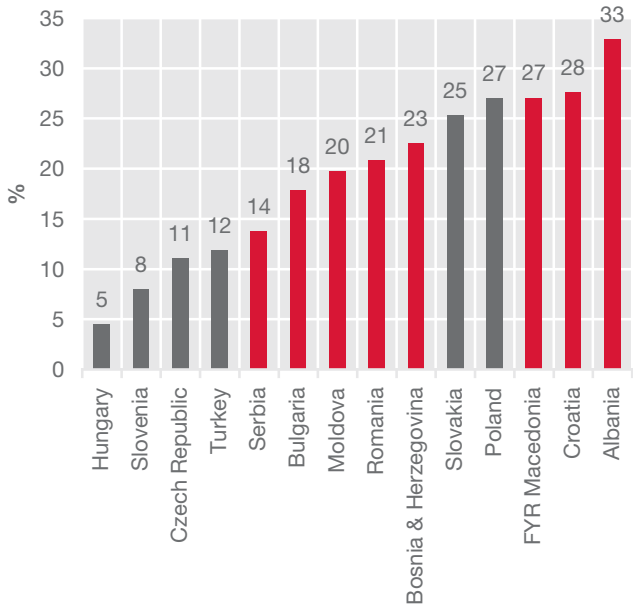
One means of assuring a constant flow of bribes for a wide range of actors is to create an impermeable bureaucracy. In such a system, obeying all the regulations is nigh on impossible, and so 'greasing the wheels' becomes the only practical way of doing business. As one study of the informal economy in Bulgaria concludes:

*The shadow economy is greater in the developing and transition countries due to higher corruption and the low incomes of the population... The licensing and registration procedures impede the business activity, create favourable conditions for corruption of the state and local administration. Surveys of the Institute for Market Economy show that the business regulation and the constantly changing number of regulations are reasons for the firms to prefer the informal sector of the economy.<sup>426</sup>*

The World Bank's "Doing Business" project measures exactly these regulatory barriers in 178 countries around the world. In their 2008 report, Albania was ranked 168th

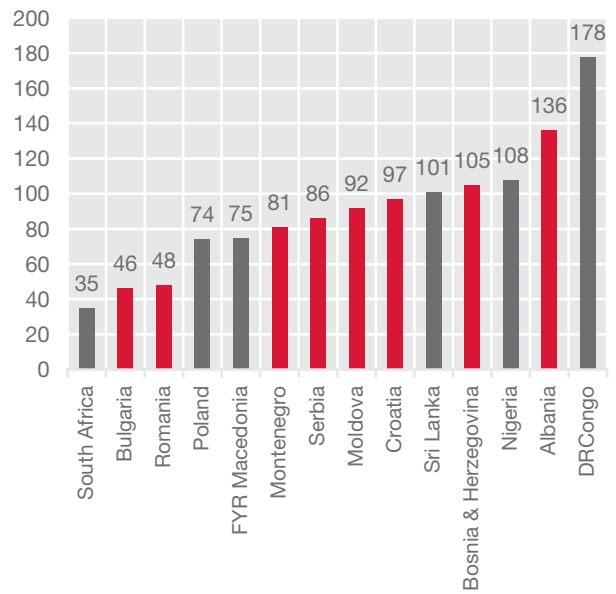


**Figure 101: Share of respondents who felt the courts were a major constraint on investment**



Source: World Bank 2005

**Figure 102: Rank (out of 178) in overall ease of doing business**



Source: World Bank 2007

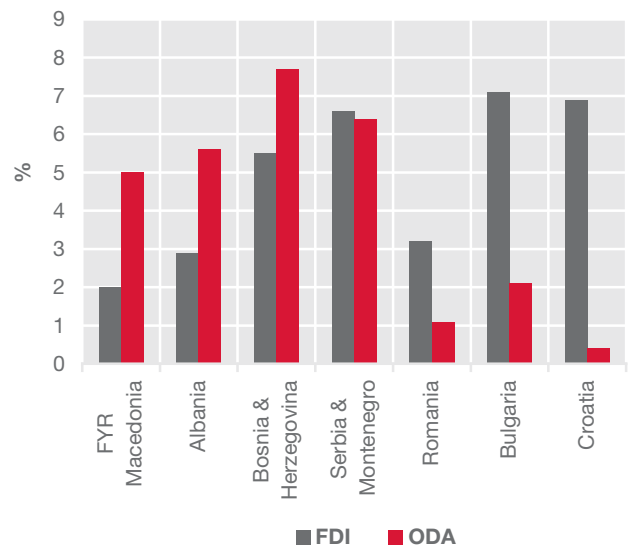
in terms of dealing with licenses, which require an average of 24 procedures and nearly one year to acquire. Albania also has no practice for closing a business, and so is ranked at the bottom of the standings in this regard. Bosnia and Herzegovina presents a mixed picture, ranked 13th in the world in terms of ease to access to credit, but 150th for both starting a business and dealing with licenses. Croatia scored better overall but was weak in terms of the difficulties encountered in employing workers (139th) and, once again, dealing with licenses (162nd). The top rated countries in the area are the two new EU members, Bulgaria and Romania.<sup>427</sup>

While demands for bribes may deter foreign investment and promote capital flight, the domestic business that remain may feel compelled to operate off the books or withdraw into the informal sector. In these instances, the perception of the value of state regulation has become less than its price. As highlighted in Section 1 above, much of the economic activity of this region is off the books. Businesses that opt out of formal registration do incur a significant loss, however. They cannot avail themselves of the benefits of legitimacy, such as access to the dispute resolution mechanisms of the state. Different mechanisms of calculating the size of the informal economy produce different results, but they all agree that it comprises a large share of total production in these countries.

The shadow economy is often supported by organised crime, which is frequently linked with political structures.<sup>428</sup> And all this economic activity is untaxed, further undermining state capacity to deal with the problem.

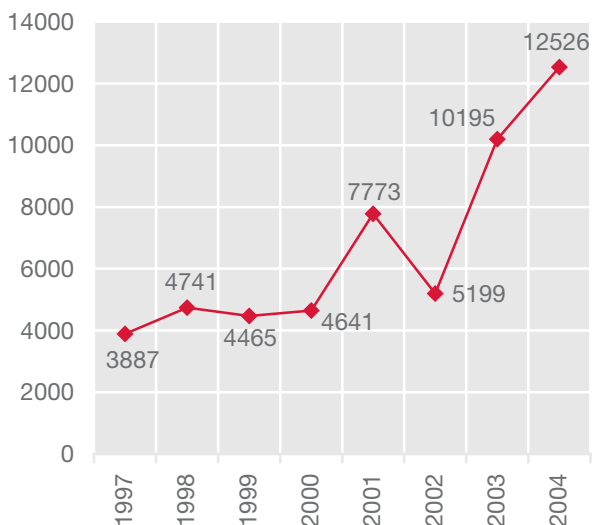
Despite these concerns, investment in South East Europe remains strong. While net FDI fell rapidly in the EU-25 countries between 2000 and 2004, the opposite was true in most of South East Europe, suggesting that these countries are actually becoming more attractive to foreign investors. Given that much of the privatisation process is complete, this money probably represents the drive to get in at the ground floor in a region that will eventually become part of the EU. Long term prospects appear to be outweighing expressed concerns about crime and corruption.

**Figure 103: Net foreign direct investment and official development assistance inflows as a share of GDP in 2003**



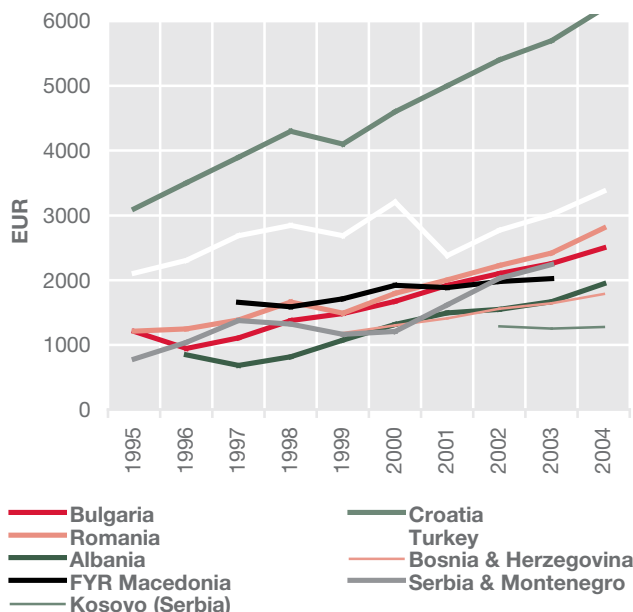
Source: UNDP, HDR 2005

**Figure 104: Regional inflow of FDI in millions of US\$, 1997-2004**



Source: UNECE

**Figure 105: GDP per capita, 1995-2004**



Source: EUROSTAT

For those countries which received the post-conflict reconstruction aid, the amount of grants has now sharply declined, which has an important effect on economies of countries like Albania, Bosnia and Herzegovina, the former Yugoslav Republic of Macedonia, Serbia, and Montenegro. In 2003, however, in all these countries, except Serbia and Montenegro, foreign assistance still outweighed FDI. It is expected that the foreign assistance will continue to decrease, whereas the FDI is hoped to increase.<sup>429</sup>

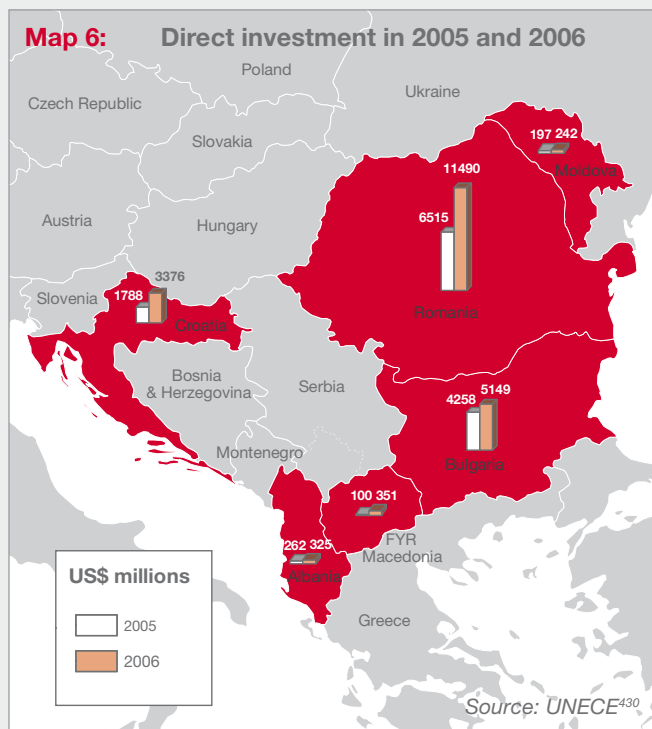
Direct investment in the last two years has been even more impressive, with every country for which data are available showing significant gains.

Partly as a result of this investment, recent GDP growth rates are generally markedly higher in South East Europe than in the EU-25. In 2004, countries from the region experienced growth rates of between four and nine percent. Admittedly, most countries are starting off a very low base, many are still recovering from wartime losses, and the flow of aid to the region remains high. The countries of South East Europe together account for the equivalent of just 3.8% of the EU-25's GDP per capita in 2004. In the region, Croatia has the highest GDP per capita, valued at just over one quarter of the EU-25 average. In many countries, recent growth is modest in comparison to the levels of the development problems confronted. But growth is occurring at a rapid rate, and it appears that fear of crime and corruption are not arresting development.

For example, Albania was long the poorest country in Europe. Even today, Albania's GDP per capita represents only 8% of the EU average. While the economic situation remains grim, real annual GDP growth was about 6% in 2005. If crime and corruption were not issues, growth would likely be much stronger.

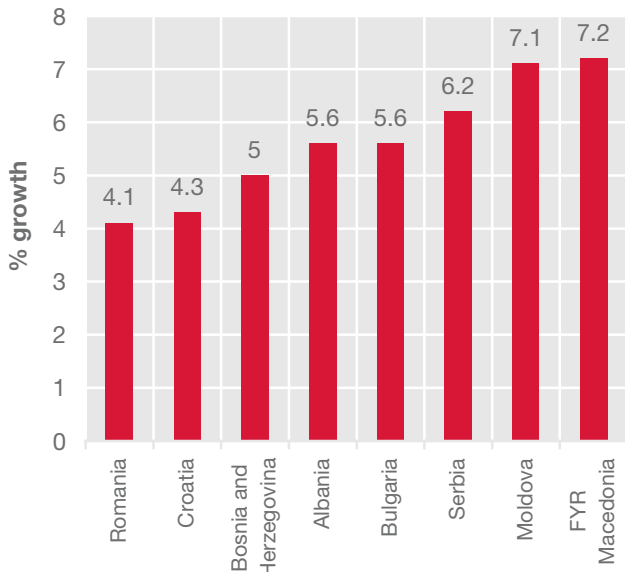
Similarly, during the years of war, GDP in Bosnia and Herzegovina fell by 80%. The country is estimated to have lost US\$ 100 billion during the war, and total output is currently at 60% of pre-war levels.<sup>431</sup> An estimated 20% of Bosnia and Herzegovina's citizens live below the poverty line, and a further 30% are highly vulnerable to

**Map 6: Direct investment in 2005 and 2006**



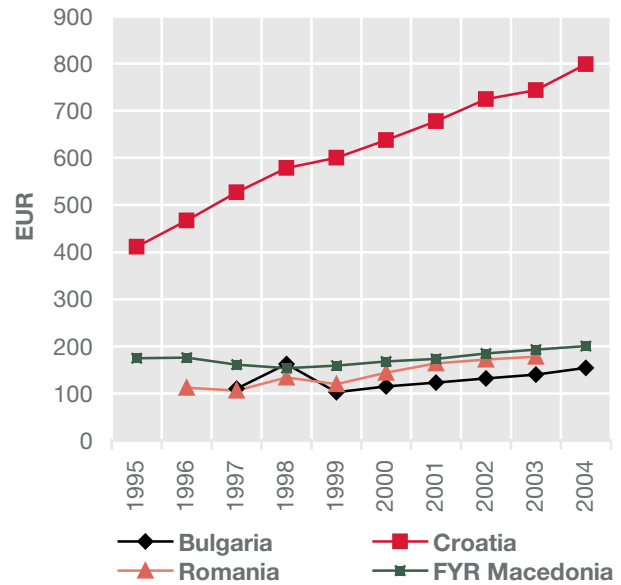
Source: UNECE<sup>430</sup>

**Figure 106: Real GDP growth rate in 2005**



Source: UNECE

**Figure 107: Average nominal monthly wages and salaries**



Source: EUROSTAT

poverty. Still, the economy grew over 5% in 2005.

Only in Kosovo (Serbia) does the economy remain stagnant. Kosovo (Serbia) has the highest unemployment rate in South East Europe. The average salary is just 200 euros per month. There is 50% unemployment, higher among youth, women, and rural people. According to the Ministry of Finance and Economy, households in Kosovo (Serbia) receive more money from remittances than from work. More than half of the people live in poverty, and 30% live just above poverty line.

But economic growth alone does not necessarily translate into a better life for all. In many countries experiencing rapid growth in this region (excepting Croatia), real wages have remained stagnant. Apparently, the benefits of this growth are being experienced by a limited portion of the population. Given that this elite is small and their finances obscure, this has not yet manifested itself in the kind of broad social inequality discernable in income distribution statistics.

Finally, South East Europe has a long way to go to reach the economic level of West Europe – at present growth rates, achieving this goal will take over 50 years. It has been suggested that the key to truly impressive growth rates, such as China’s, is not foreign investment at all, but domestic savings. While most of the countries of the region have higher per capita incomes than China, domestic savings rates are much lower. This could be due to generalised institutional distrust, and could hurt long term growth prospects if local people do not develop confidence in their own economies.<sup>432</sup>

### Proposed impact: “Democracy, the Rule of Law, Human Rights”

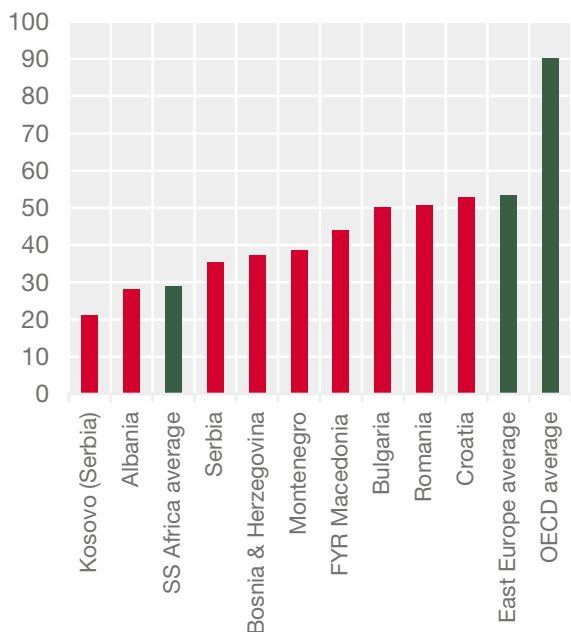
Arguably, the most serious impact that crime and corruption have on the progress of nations has nothing to do with direct losses or even investment, but in the way they damage the relationship between citizens and the state. The primary responsibility of government is to provide for the protection of its citizens. When it fails to do that, or, worse, is seen as complicit in their victimisation, citizens effectively disown their government.

“Rule of law” implies that society is governed by mutually agreed regulations that apply equally to all, and is implicit in the idea of democracy. Citizens who perceive that their society is basically unfair, where they feel that powerful individuals or groups may act as they will with impunity, may lose their confidence in democracy.

Expectations of democracy were high in South East Europe, and some feel they have been disappointed. There is a widespread perception that rule of law has yet to come to some parts of the Balkans. The World Bank provides composite governance figures, which are presented in the figure below. Each bar represents the share of countries which were ranked lower than the country indicated. Regions such as Kosovo (Serbia) and Albania fell lower in the ranking than the average in sub-Saharan Africa. All countries in this region were ranked below the East European average, however, although Croatia and Romania were close. All were ranked much lower than the OECD average.

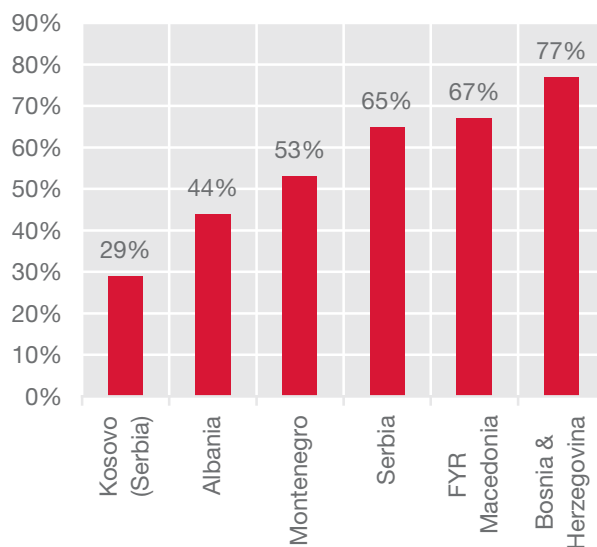
Many South East Europeans feel that privileged indi-

**Figure 108: World Bank Rule of Law rankings in 2006**



Source: World Bank<sup>433</sup>

**Figure 110: Share rating government “bad” in 2004**



Source: International Commission on the Balkans 2005

viduals continue to operate outside the rule of law with impunity, whether these be corrupt civil servants or well-known organised crime figures. Between 68% and 87% of citizens polled in countries of this region in 2003 agreed with the statement that “some people are above the law in this country”.<sup>434</sup>

Partly as a result, confidence in the government and institutions is low. According to a survey conducted by the International Commission on the Balkans at the end of 2004, between half and three quarters of respondents in all areas (except the international protectorate of Kos-

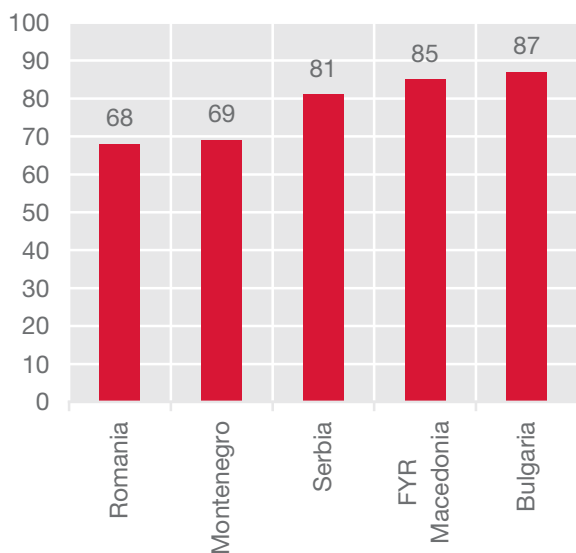
ovo, Serbia) rated the government as ‘bad’ (one to three on a ten-point scale, where 10 is high).<sup>436</sup> According to the Center for Policy Studies at Central European University, writing in 2003:

*At present, public trust in institutions is generally low. The Balkans are seen as corrupt and inefficient, a region where governments only nominally control sizable parts of their territories, and where organized crime is an indicator of state weakness and also a factor for weakening the state.*<sup>437</sup>

This distrust extends not only to government but to commercial elites as well. Under socialism, success came about largely as a result of connections, not merit. During the transition and conflict, the well-connected profited further through privatization and sanctions-busting. While the situation has improved in recent years, one group of analysts concluded, “...the majority...attribute success to corruption and unethical behaviour.”<sup>438</sup>

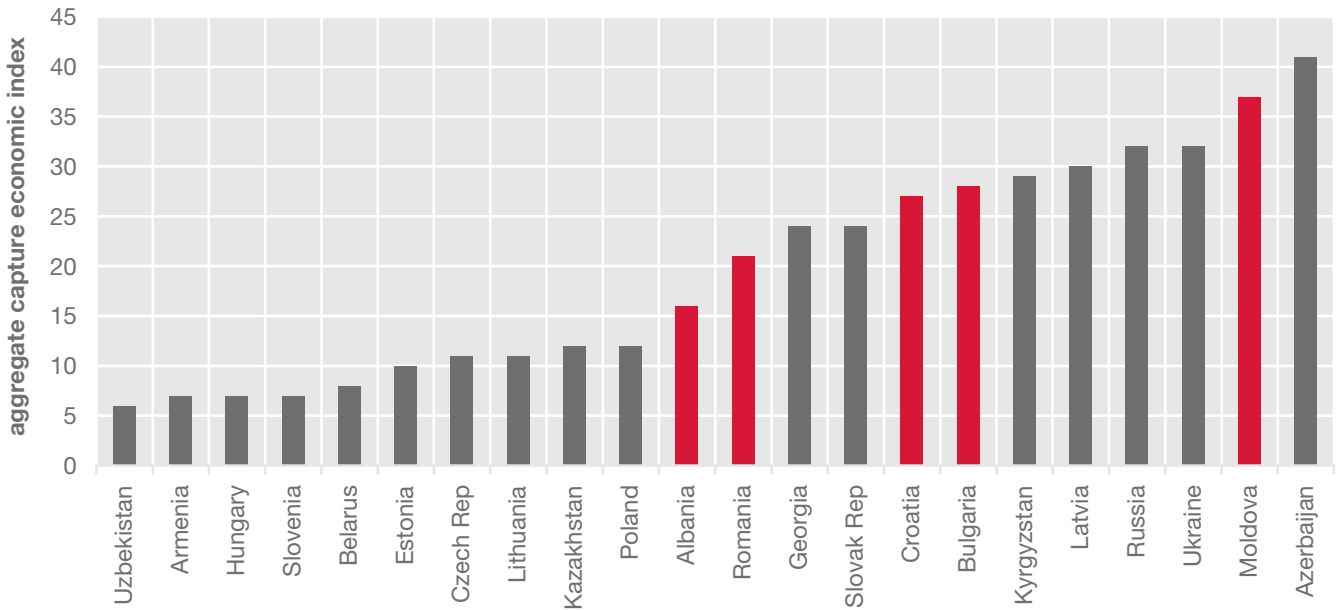
Surveys of firms about their own behaviour has supported the idea that powerful commercial interests have been able to manipulate the government to their advantage during the early years of democracy. Using data from the World Bank Business Environment and Enterprise Performance Survey (BEEPS), researchers have classified transition countries in terms of the degree of “state capture”. As the World Bank researchers define it, “state capture” involves “shaping the formation of the basic rules of the game... through illicit... payments to public officials.” While these data date from 1999, the four countries from this region were classed as having a “high” state capture (Romania, Croatia, Bulgaria

**Figure 109: Positive response to the statement “some people are above the law in this country” in 2003**



Source: Mungiu-Pippidi 2005<sup>435</sup>

**Figure 111: Index of state capture in 1999**



Source: World Bank

and Moldova), with one classed as “low” state capture (Albania).<sup>439</sup> At least historically, then, this region has been vulnerable to criminal subversion of the state by economic interests.

Public reaction to the lack of rule of law varies considerably from region to region. The people of the Balkans have long suffered bad governance, and may have the patience to struggle with democracy until these matters are ironed out. The alternative is to reject the political process in favour of violence, a scenario discussed in the following section.

**Proposed impact: “Stability”**

The World Bank defines instability as “the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism.”<sup>440</sup> Many factors contribute to instability besides organised crime and corruption, but especially in new states, the credibility of the government may be closely related to its longevity. In states with small economies, organised crime groups may have the financial strength to pose a genuine threat, especially if they have historical linkages to political groups. Great fortunes were made off the previous era of instability. There are those who would benefit economically from further political conflict, and some of these may be in a position to generate further disruption.

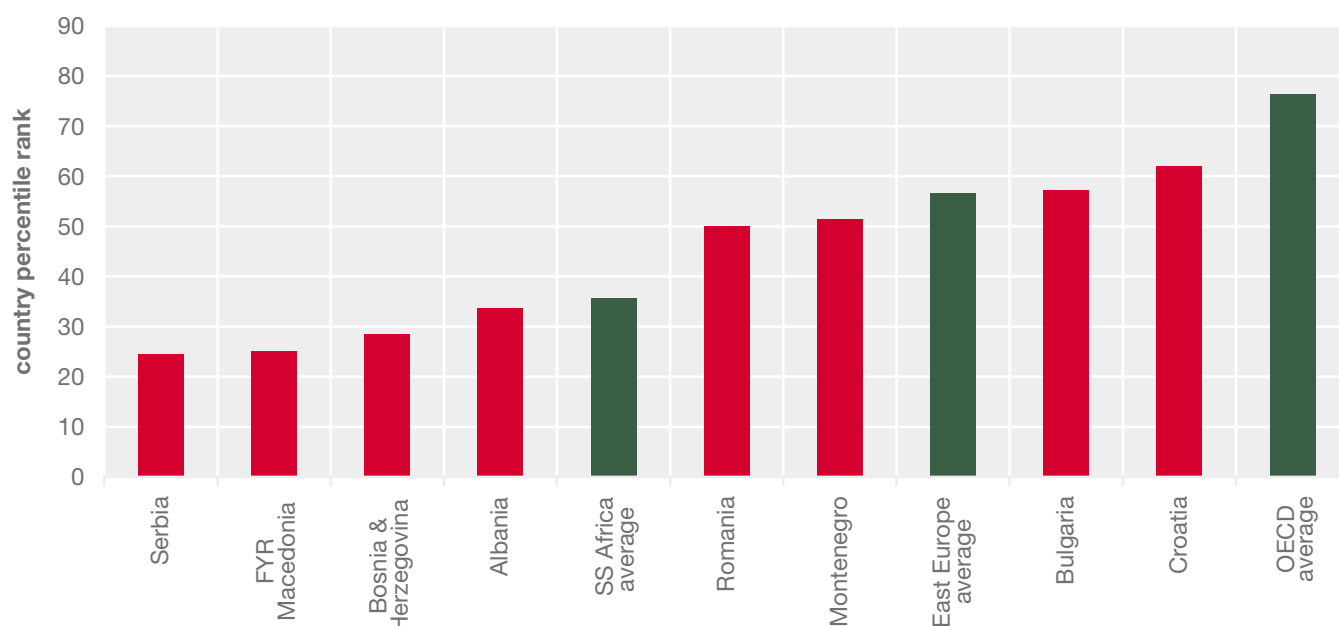
In terms of the World Bank governance indicators, the region shows quite a lot of variation in political stability rankings. On the one hand, Serbia, the former Yugoslav Republic of Macedonia, Albania and Bosnia and Herze-

govina were all ranked lower than the average for sub-Saharan Africa in 2006. On the other, Romania, Montenegro, Bulgaria and Croatia seem to exhibit far less likelihood of such conflict emerging, but these countries would still be greatly affected by regional instability.

Serbia’s low ranking is probably due to the question of the final status of Kosovo (Serbia) and related problems in the south, which have the potential to trigger conflicts in several other parts of the region. It has been argued that, due to the importance of smuggling during the conflict, many of the leaders in the province have a criminal background, and may still be involved in trafficking, or at least providing protection to traffickers. According to one senior UNMIK official, “When we talk of organised crime in Kosovo, we are very much dealing with politicians, [and] ministers.”<sup>441</sup>

These alleged inter-linkages and the incentives they create are complex, so it is difficult to say how this might affect stability. But the case of the ethnic-Albanian National Liberation Army, which sparked off conflict in the former Yugoslav Republic of Macedonia in 2001, is instructive. These rebels/criminals were also tied to the KLA, and it has been alleged that the struggle was as much about protecting trafficking routes as it was about advancing an ethnic agenda. As the International Crisis Group wrote at the time:

*The vision of a “Greater Kosovo” only partly explains the motivation of the NLA. Few ethnic Albanians in Macedonia – as distinct from the diaspora – would want to be part of Kosovo or Albania. Yet, a borderless criminal network already operates freely in Macedonia, Albania*

**Figure 112: World Bank Political Stability rankings in 2006**Source: World Bank<sup>442</sup>

and Kosovo. Keeping Macedonia at risk allows the contraband trade in drugs, weapons, cigarettes, and humans to flourish unchecked. A destabilised Macedonia is profitable both for criminals and for those who dream of a pure Albanian section of western Macedonia.<sup>443</sup>

In the end, the two objectives – the political and the criminal – were probably intertwined in the minds of the rebels, as they were during the time of the Kosovo war. But do criminal groups really have the capacity to take on the states of the region? A recent seizure in the former Yugoslav Republic of Macedonia provides some indication. In November 2007, a major arms cache, sufficient to equip 650 soldiers, was discovered, including anti-aircraft weaponry. It was found in the possession of what was initially described as an “organised crime group” but was later labeled a terrorist cell, a shift in perspective that is telling in itself. The group had been sheltering two escapees from Kosovo prisons.<sup>444</sup> In Albania, the new Deputy Minister of the Interior Gent Strazmiri speaks of criminals, particularly in the border areas, who don a “patriotic disguise” and give “political excuses” for their illicit activity.<sup>445</sup> All this suggests that the overlap between the political and the criminal that was manifest during open hostilities still prevails along the borders of Kosovo, and that these forces have the armament to engage militaries if it proves in their interest to do so.

The risks are not just tied to the regions around Kosovo. The stability of Bosnia and Herzegovina is also at issue. There are elements within Bosnia and Herzegovina’s fragmented political landscape that would profit from a further dissolution of the country, and again, political and criminal motives are difficult to disentangle.

In the end, it is impossible to statistically demonstrate a correlation between the presence of organised crime and instability because neither issue can be satisfactorily quantified. But there appears to be good reason to treat organised crime as a stability threat in South East Europe, due to the role it has played in past conflicts.





## Conclusion

This report argues that there are many encouraging signs that South East Europe is on the path to security, prosperity, and stability. Based on what we know about the social conditions that support crime internationally, this region should not have a conventional crime problem, and all indications are that it does not, in fact, have one. The presence of organised crime in an area without conventional crime is telling. It suggests that there is little competition among the players, which itself implies that the number of actors are limited and that they are organised in such a way that they do not often come into conflict with each other or with the authorities. In other words, organised crime in the Balkans involves a limited number of well-connected individuals. These individuals will eventually be incarcerated, retire, or die. Whether they are replaced depends on the responses of the nations concerned and of the international community.

This narrative is in keeping with the notion that organised crime in this region was a rational response to a specific set of very challenging historical circumstances. The incentives encountered during times of transition and war are different than the incentives encountered today. It may well be that the profiteers of the past are increasingly seeking legitimacy, and that as democracy consolidates, they will be nudged toward more socially productive ways of doing business. Supporting this transition means keeping the incentives, and the deterrents, locked firmly on course.

The fact that both murder rates and the main organised crime markets are in decline provides credence to both trends – for whatever reason, things do seem to be getting better. But serious challenges persist. Tons of heroin continue to transit the region, corruption continues to be encountered at all levels, and judicial reform is crucial. Even more disquieting are the enduring interests who would profit off further instability. Despite progress, the centrifugal forces remain strong.

Bringing these elements into line requires the establishment of the rule of law, and in particular the criminal law. Based on the trends, it appears that interventions in this regard are working, but further support is needed. The problems of South East Europe are complex and inter-twined, but progress in one area is likely to support progress in all others. Barring another major crisis, the trajectory is distinctly upwards.



## Annex 1: Convention and legislative status

COUNTRY	Single Convention on Narcotic Drugs 1961 <sup>1</sup>	Convention on Psychotropic Substances 1971	Convention against the Illicit Traffic in Narcotic Drugs and Psychotropic Substances, 1988	Convention against Corruption	Convention against Transnational Organized Crime	Protocol to Prevent, Suppress and Punish Trafficking in Persons, Especially Women and Children	Protocol against the Smuggling of Migrants by Land, Sea and Air	Protocol against the Illicit Manufacturing of and Trafficking in Firearms, Their Parts and Components and Ammunition
Albania	2001 (a)	2003 (a)	2001 (a)	2006	2002	2002	2002	
Bosnia and Herzegovina	1993 (d)	1993 (d)	1993 (d)	2006	2002	2002	2002	
Bulgaria	1996	1972 (a)	1992	2006	2001	2001	2001	2002
Croatia	1993	1993 (d)	1993 (d)	2005	2003	2003	2003	2005 (a)
Montenegro	2006 (d)	2006 (d)	2006 (d)	2006 (d)	2006 (d)	2006 (d)	2006 (d)	2006 (d)
Republic of Moldova	1995	1995 (a)	1995 (a)		2005	2005	2005	2006 (a)
Romania	1974	1993 (a)	1993 (a)	2004	2002	2002	2002	2004 (a)
Serbia	2001 (d)	2001 (d)	2001 (d)	2005	2001	2001	2001	2005 (a)
The Former Yugoslav Republic of Macedonia	1993	1993 (a)	1993 (a)	2007	2005	2005	2005	

<sup>1</sup> States parties to the Single Convention on Narcotic Drugs of 1961 or as amended by the 1972 Protocol.

COUNTRY	Criminalization of participation in an organised crime group?	Anti-trafficking legislation	Anti-money laundering legislation	Anti-corruption legislation
Albania		<ul style="list-style-type: none"> <li>• Criminal Code 1995, as amended 2007</li> </ul>	<ul style="list-style-type: none"> <li>• Law on the Prevention of Money Laundering 2000, as amended 2003</li> </ul>	<ul style="list-style-type: none"> <li>• Criminal Code 1995</li> </ul>
Bosnia and Herzegovina		<ul style="list-style-type: none"> <li>• Criminal Code of Bosnia and Herzegovina 2003</li> </ul>	<ul style="list-style-type: none"> <li>• Law on the Prevention of Money Laundering in the Federation of Bosnia and Herzegovina 2000</li> <li>• Law on the Prevention of Money Laundering 2001 (Republic Srpska)</li> </ul>	<ul style="list-style-type: none"> <li>• Criminal Code of Bosnia and Herzegovina 2003</li> <li>• Criminal Code of the Republika Srpska 2003</li> </ul>
Bulgaria	Y	<ul style="list-style-type: none"> <li>• Law on Combating Illegal Trafficking in Human Beings, 2004</li> </ul>	<ul style="list-style-type: none"> <li>• Law on Measures against Money Laundering 2001</li> </ul>	<ul style="list-style-type: none"> <li>• Criminal Code 1968, as amended 2003</li> </ul>
Croatia	Y	<ul style="list-style-type: none"> <li>• Criminal Code 1998, as amended 2003</li> </ul>	<ul style="list-style-type: none"> <li>• Law on the Prevention of Money Laundering 2003</li> <li>• Procedures on Implementation of the Law on Prevention of Money Laundering 2003</li> </ul>	<ul style="list-style-type: none"> <li>• Criminal Code 1998, as amended 2004 and 2006</li> <li>• Law on Conflicts of Interests in Performance of Public Duties 2003</li> <li>• Code of Ethics for Civil Servants 2006</li> <li>• Law on Office for the Suppression of Corruption and Organised Crime 2001</li> </ul>
Montenegro	Y	<ul style="list-style-type: none"> <li>• Criminal Code 2003, as amended 2004</li> </ul>	<ul style="list-style-type: none"> <li>• Law on Prevention of Money Laundering 2003</li> </ul>	<ul style="list-style-type: none"> <li>• Criminal Code 2003, as amended 2004 and 2006</li> <li>• Law on Public Procurement 2001</li> <li>• Law on Financing of Political Parties 2004</li> </ul>
Republic of Moldova	Y	<ul style="list-style-type: none"> <li>• Law on Preventing and Combating Trafficking in Human Beings 2005</li> </ul>	<ul style="list-style-type: none"> <li>• Law on the Prevention and Combating of Money Laundering 2001</li> </ul>	<ul style="list-style-type: none"> <li>• Criminal code 2002</li> <li>• Act 900 on Combating Corruption and Nepotism 1996</li> <li>• Act 1264 on the Declaration and Monitoring of the Income and Assets of State Dignitaries, Prosecutors, Public Servants and Certain Persons holding Managerial Positions 2002</li> </ul>
Romania	Y	<ul style="list-style-type: none"> <li>• Law on the Prevention and Combating of Trafficking in Human Beings 2001</li> </ul>	<ul style="list-style-type: none"> <li>• Law on the Prevention and Punishment of Money Laundering 1999</li> </ul>	<ul style="list-style-type: none"> <li>• Criminal Code</li> <li>• Law on the Prevention, Detection and Punishment of Deeds of Corruption 2000</li> <li>• Law on the Declaration and Supervision of the Assets of Senior Officials, Judges, Officials and Managers 1996</li> </ul>
Serbia	Y	<ul style="list-style-type: none"> <li>• Criminal Code 2005</li> <li>• UNMIK Regulation 2001/4 on the Prohibition of Trafficking in Persons in Kosovo</li> </ul>	<ul style="list-style-type: none"> <li>• Act on Money Laundering 2001</li> <li>• Act on Money Laundering and Terrorism Financing Prevention 2003, as amended 2005</li> </ul>	
The Former Yugoslav Republic of Macedonia	Y	<ul style="list-style-type: none"> <li>• Criminal Code 2004</li> </ul>	<ul style="list-style-type: none"> <li>• Law on Prevention of Money Laundering and Other Proceeds of Crime 2004</li> </ul>	

Sources: OSCE Legislationline database; UNODC responses to questionnaires relating to the Prevent, Suppress and Punish Trafficking in Persons; AMLID anti-money laundering database; Council of Europe GRECO Evaluation Reports

## Annex 2: Note on methodology

This report is based on desk research, and involved no primary data collection. A comprehensive literature review was conducted by nationals of the region concerned, involving several hundred electronic documents, which were sorted topically. International, regional, national, and non-governmental sources were utilised, including murder figures from the World Health Organisation and social statistics from the United Nations Development Programme, as well as reports from organisations working on the region, such as SEESAC and OSCE. An emphasis was placed on sources which provided quantitative information on the crime situation in South East Europe. A review of academic articles and authorities on the relevant history was also conducted, primarily using English language sources.

Many of these sources, and thus the data they contain, come from different years. Comparison of data from different years, much of which may be several years old, is standard in development analysis, and is done in benchmark documents such as the World Development Report of the World Bank and the Human Development Report of United Nations Development Programme. A two-year difference between the reference year and the data of publication is also standard in the publication of internationally comparable data. In all instances, the most current data available were sought. The most current data available for comparative purposes may be different from the most current data available for any given country, however.

This background information was used to interpret the data from the proprietary databases the United Nations maintains, which comprises the core of this report:

- the United Nations Survey of Crime Trends and Operations of Criminal Justice Systems (CTS);
- the Annual Reports Questionnaire (ARQ); and,
- the Individual Drug Seizures database (IDS).

The CTS was initiated on 25 May 1984, when the Economic and Social Council, in its resolution 1984/48, requested that the Secretary-General maintain and develop a United Nations crime-related database based on regular surveys of member states. The questionnaire consists of a series of questions asking for data on the incidence of certain types of crime and the statistics on the main components of the criminal justice system for the reference period (normally two years). With regard to crime, standardised definitions of each crime type are given and respondents are asked to fit their crime figures into the appropriate categories. This is a difficult exercise, and there may be differences in the ways in which crime is recorded in different jurisdictions, but it provides a much better basis for comparison than the figures published by the national police forces, particularly when comparisons are drawn between countries with similar legal and administrative systems.

Not all Member States supply this information, or they do so erratically, and so coverage is far from complete. Albania, Moldova, and Romania have responded to all of the last three surveys. Bulgaria and the former Yugoslav Republic of Macedonia have responded to two out of three. Bosnia and Herzegovina, Montenegro, and Serbia have not responded to any of them.

As a result, CTS data from different years are sometimes



Country	Seventh survey (1998-2000)	Eight survey (2001-2002)	Ninth survey (2003-2004)
Albania	+	+	+
Bosnia Herzegovina	-	-	-
Bulgaria	+	-	+
FRY Macedonia	+	-	+
Republic of Moldova	+	+	+
Montenegro	-	-	-
Romania	+	+	+
Serbia	-	-	-

Country	2004		2005		2006	
	Supply	Demand	Supply	Demand	Supply	Demand
Albania	+	+	+	+	+	+
Bosnia and Herzegovina	-	-	-	-	-	-
Bulgaria	+	+	+	+	-	-
Croatia	+	+	+	+	+	+
FRY Macedonia	+	+	+	+		
Republic of Moldova	+	+	+	+	+	+
Romania	+	+	+	+	+	+
Serbia and Montenegro	+	-	+	-	-	-

compared in this report. This comparison is defensible because crime indicators tend to exhibit strong inertia over time. In the case of homicide levels, multiple data sources are used, including criminal justice and public health sources. In addition, only gross prevalence rates and trends are noted – the data are not subjected to any form of analysis incommensurate with their level of precision.

Survey data are also used to weigh and interpret the CTS figures, in particular data from the International Crime Victim Surveys (ICVS). The ICVS aims to provide internationally comparable information on crime and victimization through a standard questionnaire and methodology. Countries in South East Europe have participated in the ICVS in the past, including Bulgaria (1996, 2000, 2005), Albania (1996, 2000), Croatia (1996, 2000), the former Yugoslav Republic of Macedonia (1996), Romania (1996, 2000), and Serbia and Montenegro (1996). While these surveys are dated, only limited use of this information is used in this report, primarily to assess likely levels of under-reporting and to place the CTS figures in perspective.

The ARQ is the primary mechanism through which Member States report to the United Nations on the drug control situations in their respective countries. Like the CTS, the ARQ surveys represent the official statements of Member States, and are additionally vetted with Member States before publication annually in the World Drug Report.

The Individual Seizure Database is comprised of data provided to UNODC by Member States in accordance

with the provisions of article 18.1 (c) of the Single Convention on Narcotic Drugs, 1961, and article 16.3 of the Convention on Psychotropic Substances 1971. The international drug control treaties require States parties to furnish – in addition to information contained in the annual reports on the working of the treaties – reports of cases of illicit drug traffic which are important because of the light thrown on the sources from which drugs are obtained, the quantities involved, the methods employed by illicit traffickers or, in the case of the Convention on Psychotropic Substances, because of new trends. All Governments are invited to furnish reports on significant drug seizure cases to UNODC. The information collected includes details, as reported, on the type of drug, place and date of seizure, quantity seized, origin and destination of drug seized, means of transportation and the number and nationality of traffickers.

These UN proprietary databases are high-value sources, since they represent the official statements of member states to standardised questions, allowing comparison between countries. As with all such internationally comparable data, there is a predictable two-year lag between the publication dates of this information and the years to which it refers, but what this data lacks in timeliness it makes up for in accuracy. National statistics acquired from other sources are used in this report for the purposes of determining trends within a country.

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- pose the democratic coup. After Milošević was extradited to the Hague, rumours began to spread that Legija was also under investigation. His increasingly erratic behaviour lost him his position as head of the JSO, but he continued to wield power through his connections in the state and the underworld. He publicly warned Đindić not to cooperate with the Tribunal. Đindić was assassinated three hours after an arrest warrant was issued for Legija. In 2004, Legija surrendered himself to police, and was later convicted for the attacks on Drašković, Stambolić, and Đindić.
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  - 2) Organised crime groups started contributing to the political cause in 1980s, and to the Kosovo Liberation Army (KLA) from 1993.
  - 3) Since the 1990s, the Albanian state has been too weak to truly govern its entire territory.
  - 4) Some 60% of heroin destined to Western Europe was re-routed because of the conflict in the former Yugoslavia, mainly through Albania to Italy.
  - 5) Embargoes imposed on Serbia and Montenegro by the international community and on the Former Yugoslav Republic of Macedonia by Greece also contributed to the creation of illicit market in Albania, which was, for a period of time, among the few countries free of sanctions in the region.
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- 207 ARQ 2006.
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- 218 Includes all heroin taken from citizens of Albania, plus 10% (based on the 2004 BKA assessment) of that taken from Serbia and Montenegro, the former Yugoslav Republic of Macedonia, and 'ex-Yugoslavia', based on organised crime data from Falldatei Rauschgift.
- 219 Illegal Handel mit und Schmuggel von Heroin nach § 29 BtMG – does not include a small number of cases under § 30 (1) 4 (illegal import).
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- 230 Although the coverage is not even, the Delta database has nationality data for heroin trafficking arrests in 16 countries in West and Central Europe between 2001 and 2005: Belgium, Cyprus, Czech Republic, France, Germany, Greece, Hungary, Italy, Liechtenstein, Lithuania, Luxembourg, Malta, Norway, Portugal, Slovakia, and Spain. Of 76,217 heroin trafficking arrests recorded, 2663 involve 'Albanians' (3.5%), and an additional 1161 involve citizens of Serbia and Montenegro and Former Yugoslav Republic of Macedonia (1.5%) for a total of about 5%.
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