

II. THE BACKGROUND: ORIGINS OF TRANS-BORDER CRIME AND CORRUPTION IN SEE

The problems, related to corruption, which have been troubling the Southeast European countries during their transition to democracy and market economy, are not unique and specific only to this region. The long list of problems, described and analyzed in detail in the second section of this work, could be compiled for virtually any transitional country, regardless of its geographic location. The situation regarding corruption in state administration, judiciary or in the economy in Southeast Europe is in principle not that different from the situation in Central Europe or in Latin America. The main difference is in the scale of this phenomenon and in the circumstances which fostered its exceptional permeability in the Balkan societies. This, however, might be to an enormous extent a consequence of a very specific set of circumstances the Southeast European countries (unlike the ones in Central Europe) faced, especially during the first half of the 1990s.

The war in the former Yugoslavia and the sanctions and embargo regimes, imposed on the warring republics (especially the sanctions imposed on the Federal Republic of Yugoslavia, which, due to the fact that FRY borders on all Southeast European transitional countries, directly effected the whole region) **led to proliferation of organized crime**, and especially of smuggling, trafficking and illegal trade in the peninsula. This in turn gave an enormous boost to spreading of corruption. The already high potential for corrupt practices, based on the drawbacks of communist system, non-existent or low-developed democratic norms and values, inefficient and underdeveloped economy and non-transparent decision-making processes, was thus transformed into one of the most important and persistent problems the region faces today.

Due to the character of the processes of appearance of post-Yugoslav states and establishment of their national-state sovereignty, the armed conflict between the central government in Belgrade and the authorities in the seceding republics seemed highly likely. In the name of the higher goals like protection of national independence and sovereignty, the leaderships of seceding republics had to set up and arm the newly created republican armies in the only way possible – illegally, by using existing as well as newly established smuggling channels. The party leaders and high-ranking figures in the Yugoslav army and the Yugoslav secret service largely tolerated these

activities and in their turn contributed to the development of a stable smuggling system. This system was built both vertically (from political leaders to actual smugglers) and horizontally (it included the whole chain of smuggling channels, passing across the new state borders and connecting through common interests the political elites in all post-Yugoslav republics).

The elites in the Yugoslav republics were actively involved in **development and organization of smuggling channels**, and they protected and assisted those who were directly involved in their realization. This prosperous “business” was controlled in close cooperation between politicians, their security forces lobbies and organized crime structures. The Yugoslav experience shows that temporary symbiosis between authorities and organized crime during the process of creation of new states leads to permanent transformation of state/national interests into private ones and fosters the development of corrupt, non-transparent and crime-permeated societies.

The free reign given to the organized crime in the war-ridden Western Balkans, had an impact also on other countries on the peninsula. The connection between the events in the former Yugoslavia and the trans-border crime and related corruption in the Balkans was most clearly visible during the trade and arms embargos, imposed by the UN on post-Yugoslav states. The sanctions and embargos fostered the development of the regional net of smuggling channels, with the organized crime structures in countries like Bulgaria, Romania and Albania playing a crucial role in this process. Furthermore, smuggling of goods under embargo to post-Yugoslav countries became an important source of income for people of all social groups, ranging from political leaders to people, living in the border areas. As a result, corruption permeated law-enforcement agencies and political elites in these countries.

Understandably, the Yugoslav conflicts and the interweaving of political-ethnic and criminal interests in the Western Balkans are not the only reasons for the creation and growth of the regional criminal infrastructure, based on permanent smuggling channels and systemic corruption. There are at least two more important factors, which contributed to the criminalization of trans-border traffic and the ensuing corruption.

The first is the **liberalization of movement of goods and people** and the lifting of visa and other restrictions in the regional post-Communist countries. In combination with the weakening of the state control, this has created favorable conditions for trans-border crime. In particular, the withdrawal of the state from strict control over the movement of people and goods across the borders encouraged the processes of privatization of both old and the newly-created smuggling channels. These channels were thus taken over by the criminal and semi-criminal groups in close cooperation with former agents of security services. State administrators, employed in key institutions like customs, police and other services, involved in border control, also got included in the scheme through the expanding corruption networks. It can be said that to a great extent **border control** passed from the hands of the state and **became an unlawfully acquired private domain of illegitimate actors**. In addition, most of the borders have not been defined and mutually recognized, and consequently properly controlled, until well into the 1990s. Furthermore, the succession of armed conflicts and ethnic cleansing campaigns in the former Yugoslavia led to creation of quasi-states (Kosovo is the most obvious example of such an entity) and weak states, practically unable to control their borders.

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

Of course, the impact of the **region's geographic position should be also considered**. Balkans have traditionally been the most important European point of entry for the Asian heroin. During the last decade, they also became an important distribution center for the South American cocaine. The region is also the most important land route for hundreds of thousands of illegal immigrants from Near East and Asia, who are trying to reach the EU countries. It is also an important source, transit and even destination region for women and girls, trafficked to be

employed in the sex industry. The Southeast Europe is also one of the most important links in the chain of European cigarette smuggling. All these aspects represent a practically bottomless source of corruption, mostly among the border police and customs officials, but also in the judiciary and the public administration. Furthermore, the scale of these criminal activities also bred political corruption because of the need for political protection of the criminal networks.

The illegal transactions, however, are not limited only to trans-border business (import and export). Their destructive impact can be seen also in the deformed structure of national economies, since the extraction of enormous revenues from the illicit import and export can be possible only if the large enough gray sector exists. After the collapse of the Soviet model of total state control over the economy, illegal transactions performed in the **gray sector came to comprise between 30 and 50 percent of the Balkan national economies**. A common practice is that those who are actively involved in the trans-border crime are also directly or indirectly involved in the conduct of trade operations in the frame of the unofficial economy.

Becoming aware of the true dimensions of the regional trans-border crime and of its impact on the regional corruption patterns requires that a comprehensive approach be adopted. For now, the regional approach in counteracting trans-border crime and corruption is still overshadowed by individual national efforts, which are further fragmented by the artificial division on challenges to internal security on one side, and external security of a particular country on the other. The proposed analysis offers an argument in support of complex programs and efforts for reflecting the new complex challenges, which are facing not only the societies in Southeast Europe, but also the countries of the European Union.

2. 1. The Original Set-Up of Trans-Border Organized Crime Schemes

Three different patterns, along which the trans-border organized crime networks in SEE were developed, can be distinguished:

- In Croatia and Bosnia-Herzegovina, smuggling (predominantly of weapons) was organized by the republican governments in order to secure the independence and sovereignty of two republics. Similar pattern, in organization of Kosovo Albanian political leaders, can be observed later also in Kosovo.

- In the Federal Republic of Yugoslavia (Serbia and Montenegro), governments were also directly involved in organization of smuggling schemes for illegal import of oil, weapons, and numerous other goods.
- In Albania, Bulgaria, Macedonia and Romania, the smuggling and trans-border crime were not a part of the hidden agenda of the governments of the states, but were rather organized and conducted by individuals and groups within or closely connected to the ruling elites.

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

Setting up channels for illegal import of weapons into Croatia in order to arm and equip the newly created Croatian army was a necessary step if Croatian authorities wanted to go through with their plans for secession of Croatia and thus came to be regarded in Croatia as a state-building and not as a criminal act. This illegal operation, despite being a clear violation of a number of the UN Security Council resolutions, which imposed arms embargo on all former Yugoslav republics, is today still generally perceived in Croatia as a legitimate step, necessary for securing republic's independence.

It is impossible to estimate the full quantity and value of weapons smuggled into Croatia while the republic was subject to international arms embargo. No data is available for 1991 and 1992, when majority of the weapons were smuggled into Croatia. In the period 1993 – 1995 alone, **Croatia imported for \$308 million worth of weapons**. The arms trade business offered numerous opportunities for personal enrichment to those involved, especially to the circle of Croats from Herzegovina, centered around the Defense Minister Gojko Susak, and thus signifi-

cantly contributed to the spread of corruption within the Croatian ruling elites.

The smuggling channels in **Bosnia-Herzegovina** were developed in a similar fashion. The crucial role in the smuggling of arms to Bosnia-Herzegovina was played by the **Third World Relief Agency (TWRA)**. TWRA was founded in 1987 in Vienna as a humanitarian agency for Muslims. In 1992 it opened an office in Sarajevo and started to cooperate with the Bosnian government. It became the main financier of the smuggling of weapons for the Bosnian Muslim army. Between 1992 and 1995, around **\$350 million** were deposited on its account, donated by Saudi Arabia, Iran, Sudan, Turkey, Brunei, Malaysia and Pakistan. Most of the weapons supplied through TWRA were Soviet-made and bought in various Eastern European countries. TWRA started to abandon its activities in Bosnia in 1994. The Austrian anti-terrorist police unit raided the TWRA headquarters in September 1995 and confiscated enormous amount of documents, related to arms smuggling and other illegal activities of the agency. After the TWRA's retreat, Iran took over as the most important supplier of weapons to Bosnia-Herzegovina. The investigation showed that the value of weapons smuggled into Bosnia in 1994 and 1995 reached **between \$500 and 800 million**. Illegal business of such a grand scale as a rule represents a breeding ground for corruption, and like in Croatia, those involved in the Bosnian arms trade (for example, Hasan Cengic, a close associate of the President Izetbegovic) became some of the richest people in Bosnia-Herzegovina.

In Kosovo, the arms trade was inseparably linked with the drug trade. Kosovo Albanians have been associated with the European **drug trade** for decades. Their presence has been felt especially on the heroin markets in Germany, Austria and Switzerland. Apart from remittances from abroad, the drug money was the most important pillar the Kosovo Albanian-organized social and health care and education were based on after 1991. By 1994 and especially after the Dayton Agreement (November 1995), which completely ignored the Kosovo issue, Kosovo Albanians started to turn towards the armed resistance. Again, remittances from Kosovo Albanians working abroad (they supplied roughly one third of the funding, setting aside 3 percent of their monthly income for the purpose) and the drug money were the primary sources for funding the arming of the newly-created Kosovo Liberation Army (KLA).

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

The Serbian smuggling channels were developed and ran in cooperation between the state administration, state security service and the criminal underworld. The links between the three are most clearly shown by two people, who played the crucial role in establishment of the Serbian smuggling networks - Zeljko Raznjatovic Arkan (a notorious war criminal, unofficial ruler of the Serbian underworld, and an agent of the Serbian security service) and Mihajl Kertes (first the deputy-chief of the security service and then the head of Serbian Customs).

Apart from oil, **cigarettes** were the most sought-after commodity and cigarette smuggling, for which Montenegro became notorious, brought enormous profits to people involved in it. Cigarette smuggling schemes were developed by people from the top echelons of the Serbian secret service. Part of the profits was used for financing war effort in Bosnia-Herzegovina, but the rest went to private accounts of those involved, including some of the highest Montenegrin officials.



The smuggling channels in Serbia and Montenegro were established to circumvent the international sanctions and as such gave the appearance of serving the interests of the state. Smuggling did in fact generate revenues which were used for financing a number of state services (from security forces to state-owned media) and state-run enterprises, but above all, smuggling financed the ruling regime, since the increasing share of the profits was diverted to various private bank accounts abroad.

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The Southeast European countries which have not been involved in the war nor were they subject to international sanctions were nevertheless strongly affected by both. The proximity to the war zone and the possibilities the sanction-busting offered to the well-placed individuals and groups influenced the rapid development of smuggling and other illegal activities, as well as pro-

liferation of organized crime and corruption in Macedonia, Albania, Romania and Bulgaria.

During the war in Bosnia-Herzegovina, Macedonia was involved in the **illegal arms trade**. According to press reports, three Macedonian ministers of defense, one foreign minister, the head of intelligence service and one MP were involved in the illegal weapons trade. According to estimates of the international organizations, Macedonia was **among the most active violators of sanctions** imposed on the rump Yugoslavia. The Serbian-Macedonian border witnessed the countless not-too-hidden passages of whole convoys of tank trucks, organization of which would have been impossible without the involvement of government officials. Numerous Macedonian "businessmen" participated in a popular scheme used by thousands of Serbian entrepreneurs for side-stepping the sanctions. The scheme involved an establishment of a phantom company in Skopje. The Serbian goods (which could not be legally exported) were smuggled across the porous Serbian-Macedonian border and then exported, branded with the Made in Macedonia label. For few years, this scheme was one of Macedonia's main foreign currency earners. Needless to say, all these activities had an enormous impact on the spread of corruption in Macedonia.

The majority of the **Albanian** smuggling channels were developed by the former agents of the Albanian secret service *Sigurimi*. *Sigurimi* was abolished in July 1991 and replaced with the National Intelligence Service (NIS). As a result of this restructuring, many of the approximately 10,000 *Sigurimi* agents lost their positions and turned to organized crime, often in partnership with the **Italian organized crime**, which has entered Albania almost immediately after the collapse of the country's Stalinist regime. The **smuggling of oil** to the rump Yugoslavia (especially to Montenegro) soon became the most lucrative activity in the northern Albania. The realization of this project would not be possible without participation or at least without the knowledge of authorities in Podgorica and Tirana. According to the source in the Albanian railway company, more than 1 million liters of oil were transported from Durres to Montenegro in September 1994 alone. The involvement of government officials and the former *Sigurimi* agents, who were appointed as the leading figures of the customs and tax authorities, was confirmed by Genc Ruli, the former Finance Minister in Sali Berisha's government.

Channels for **trafficking people** to Greece and Italy were also set up almost immediately after the collapse of the communist regime. The trafficking of people to Italy was developed in cooperation with the Italian organized crime, especially with the Sacra Corona Unita clan. The first contacts were connected with the Italian mafia's purchases of weapons and explosives from their Albanian partners, who had easy access to Albanian arms depots due to their close ties with the former *Sigurimi*. The cooperation soon extended to include drugs and illegal immigrants.

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

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

Romania was also among the largest exporters of arms to all warring sides in the former Yugoslavia

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

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

In the period 1987-1989 certain individuals were granted control over part of these channels and vast authority to dispose with the undercover companies. This allowed them to appropriate former secret funds into personal accounts. Following the collapse of the totalitarian system and the subsequent transformation of the State Security structures in the period 1990-1993, thousands of police officers were made redundant or left the Ministry of the Interior, taking with them a large part of the archive files on agents, connections, and mechanisms for evading border control. At the same time, the ensuing vacuum in the exercise of control functions by the state, as well as the economic recession, especially in 1989-1991, created favorable conditions for **illegal trafficking in goods** intended to meet the domestic demand for a wide range of products. While until November 10, 1989, when the Communist regime fell, the State Security was mostly engaged in trafficking to other countries and transiting of drugs and banned goods, after that date the same smuggling channels came to be used for the illicit import of anything that could be sold in Bulgaria. Evading payment of customs and excise duties and fees, certain circles of former police agents and party activists earned illegal profit and accumulated huge financial resources.

Macedonia, Albania, Romania and Bulgaria had to face numerous difficulties when they started their transition to the market economy. The swift political and economic changes, the rising unemployment, and the rising discrepancy between wages and prices pushed many people into the gray economy and on the black market. The abol-

ishment of tight restrictions on movement of goods and people (especially in the case of Albania and Romania) at the same time removed many obstacles which hitherto prevented people from engaging in the shadow economy. In the first years of transition, smuggling was a nationwide phenomenon tolerated by the authorities to avoid the social upheaval among the pauperized population, which had little choice apart from engaging in small-scale oil smuggling to the rump Yugoslavia and in the "suitcase trading." Of course, the corrupt involvement of numerous high-ranking government officials in the large-scale smuggling operations is another, even more significant reason why in the early 1990s virtually no attempts to counter smuggling - and corruption that made it possible - were made.

2.2. Expansion of Trans-Border Organized Crime and Corruption: Causes and Course

The trans-border organized crime networks, set up semi-officially with the knowledge and often even active participation of the highest state officials, were soon "privatized" by certain well-placed individuals and groups within or closely connected to the ruling elites. The process of "privatization" of the smuggling channels was well underway by 1992 in all the regional countries and largely concluded by 1995 (the only exception was Kosovo where the process could be observed between 1997 appearance of the KLA as an important regional player and the 1999 NATO campaign). During the same period, the channels initially established for smuggling predominantly weapons and oil were expanded to include other goods, such as drugs, stolen vehicles, cigarettes, alcohol and other commodities. The origins of the constantly growing Balkan trade in human beings can also be traced to the 1992-1995 period and to the lucrative business of "assisting" refugees to escape from the war zones to safety. Thus, trans-border organized crime and corruption started to seriously undermine the normal functioning of the states in the region.

While the regimes, which were actively engaged in development and organization of the smuggling channels, remained in power, virtually no attempts were made to stem trans-border crime and the corruption that facilitated it. In Croatia, Bosnia-Herzegovina, Montenegro and Serbia, where due to the specific circumstances (involvement in the war being the most important one) the same regimes remained in power for almost the whole decade, all the attempts to check the flow of smuggled goods were only cosmetic, if made at all. In countries, where governments did

change (Albania, Bulgaria, Macedonia, Romania), some measures to stem proliferation of smuggling were taken. Unfortunately, in most cases these measures were ineffective, and led only to the change of people involved in the smuggling.

The Croatian authorities justified the proliferation of smuggling and their virtually complete inability (or unwillingness) to put an end to it with the fact that Croatia was still engaged in the armed conflict and that more than a third of Croatian territory was not under their control. Liberation of these territories was declared as having the absolute priority and all other issues, including the fight against corruption, organized crime and illegal trade, were conveniently put off to some unspecified future. Little has changed after the war ended. Many of the high ranking individuals engaged in smuggling and other criminal activities enjoyed complete immunity from prosecution, due to their "defenders of the homeland" status.

Before the Dayton Agreement, which ended the war in Bosnia-Herzegovina, any attempt to put an end to illegal trade was unthinkable. No legislation, no police force, no customs services, and even no clearly defined and recognized borders existed. Above all, there was absolutely no willingness on the side of the authorities to tackle the problem. Trans-border organized crime and war formed a closed circle in which the war generated the need for smuggling and the profits smuggling was bringing to those involved generated the need to prolong the war for as long as possible. After the war, the provisions of the Dayton Agreement, which aimed above all to preserve peace and stability in the country, created conditions in which any serious action against organized crime and corruption was made virtually impossible. Complicated political and administrative arrangement, division of the country on two entities (of which the Croat-Muslim federation was further divided into 10 cantons), as well as the more pressing issues like post-war reconstruction, return of refugees and displaced persons, and preservation of peace, sidetracked the fight against organized crime, smuggling and corruption. These issues were not addressed properly until the end of the decade.

In the Federal Republic of Yugoslavia, the international sanctions offered the same excuse the war offered to the elites engaged in the illicit trade in Croatia and Bosnia-Herzegovina. Smuggling was "necessary" to help Yugoslavia survive under the "unfairly" imposed sanctions. While Milosevic's regime was in power, not surprisingly, no attempts were made to fight against the illegal

trade. Furthermore, even the general public, the civil society and the majority of opposition parties hardly ever raised the issue, despite the fact that it was already more than clear that the only survival the trans-border organized crime made possible was the survival of Milosevic's regime. The explanation for this might lay in the fact that huge segment of the population was either directly involved in or dependent on smuggling (predominantly small-scale or so called "suitcase" smuggling).

In Kosovo, the KLA's armed insurrection and the consequent clashes between the KLA and the Yugoslav security forces destroyed even the last vestiges of law and order in the province, giving the drug smugglers an almost completely free reign. The alleged goal behind the drug trade continued to be the "liberation" of Kosovo from the Serbian "occupation" while in fact it served primarily for personal enrichment of the members of 15 clans, allegedly controlling both the drug trade and the KLA. Prior to the UN Mission in Kosovo (UNMIK) taking over the administration of the province in 1999, effectively no authority existed which could possibly try to curb the drug traffic.

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

During the rule of the Party for Social Democracy (PSDR, the former communists) in Romania, which lasted until the 1996 elections, numerous ties were forged between some governing officials and the shadow economy structures. The former provided the latter with easy access to unsecured credits from the state banks (three of the main state banks were driven to the edge of bankruptcy because of this practice), with legal "blessings" for their trading monopolies, and

with the preferential treatment in privatization procedures. The new Romanian “business” class provided their political mentors with funds for their electoral campaigns and other, official and unofficial, needs. In such an environment, the fact that hardly any measures were taken to curb corruption and the gray economy, including smuggling and trafficking, hardly comes as a surprise.

In Bulgaria, where six regular and two interim cabinets were in power in the period 1989-2001, the following pattern could be observed every time the government changed (the situation was very similar also in other countries):

- The electoral campaign, in which promises to fight corruption and organized crime play an exceptionally important role, in fact intensifies the activities of the trans-border organized crime networks, since those involved try both to build up “reserves” for an uncertain future and to take advantage of the ensuing power vacuum between the elections and the inauguration of the new government.
- When the latter takes place, some swift and highly publicized steps are taken – some contraband channels are broken, some of the involved (most often including some customs officers) might be dismissed or arrested.
- The smuggling and corruption, however, are rarely significantly effected. Rather, new people, close to the new authorities, take over the smuggling networks.

2.3. Trans-Border Organized Crime and Corruption in Southeastern Europe

Trans-border organized crime and corruption are intrinsically connected. When something is to be transported out of or into the country in order to avoid payment of customs duties and other fees and taxes, it very often requires the assistance of border and other officials from various government agencies – passport control, immigration, customs, etc. Corruption is particularly common in the case of smuggling of commercial goods.

Smuggling-related corruption is found at every level of the public administration in the region. The claims that corruption only implicates the rank and file of administration while top management levels are supposedly “immune” against it are incorrect. The series of disclosures concerning corruption and personal gains on the part of senior public officials, the striking rise in their standard of living, and the information about funds and property they have acquired all suggest that

corruption exists even in the higher ranks of public officials.

The smuggling of goods has inflicted considerable damage to economies of the SEE countries. It is often accompanied by trafficking in banned or controlled substances and items; criminal acts; competition between the organized smuggling groups, and between traffickers and lawful importers. Moreover, in order to stay in the market, lawful importers are forced to resort to violations of the established foreign-trade regulations.

Trans-border organized crime has a destructive effect not only on the economy, but also on the institutions and the rule of law in a given country. The huge resources accumulated in this manner allow engaging in covert financing and refinancing of various types of legal and illegal undertakings. This is largely due to the fact that the revenues from smuggling do not enter official government statistics; they are never declared and thus never registered with the relevant authorities. Practice shows that all too often proceeds from illegal trafficking serve to finance political parties, labor-unions and other organizations in SEE. Illegal import adversely affects domestic production and harms sectors of strategic importance to the country. In its various forms it is in fact one of the means companies employ to enter a given market. It is also used to monopolize a certain economic or other sector of activity – for instance the trade in alcohol, cigarettes, grain, sugar, video and audio equipment.

The goods most frequently subject to smuggling are those with high import tax rates (cigarettes, alcohol, motor vehicles), goods subject to national bans and restrictions such as arms, narcotic substances and precursors, pornographic materials, subsidized goods, protected animal species and plants, goods and technologies of civil and military use, works of art and objects of cultural and historical value, strategic raw materials, forged goods and products violating intellectual property rights, goods subject to international control, nuclear and radioactive materials, hazardous and toxic substances and wastes, hi-tech products, etc.

Illegal import can be carried out at any time and anywhere along the border, with the actual places of occurrence falling in two main zones – points where customs control is executed (ports, airports, border checkpoints, free trade zones, and others) and points outside customs control – a remote location along the coastline, a minor port or airport.

Depending on the nature of smuggled goods, as well as on the initial and final buyer (destination), citizens of different states are engaged as perpetrators. In a number of cases the citizenship of the person used for the smuggling is of great significance insofar as there are visa restrictions on the movement of persons and goods in certain regions of the world - for instance, the Schengen Agreement. Illegal trade with a final destination in a Schengen country usually involves nationals of these countries, or persons frequently traveling to these countries.

A key factor for increasing or reducing smuggling is the adequacy of customs control in the detection, detainment, and seizure of illegally imported or exported goods. Typical for Southeast Europe is the hierarchical corruption pressure on the officials exercising the border control, the lack of coordination among the various agencies, the lack of established and effectively functioning information systems and information dissemination networks, inefficient internal control mechanisms, and inadequate resources and facilities. When traffickers realize that control is weak, that corruption is rampant among customs officers, and that they run a low risk of being intercepted and punished, the situation in the state is considered favorable to engaging in smuggling. This is mostly been the case in SEE throughout the 1990s.

All forms of trans-border crime that take place with the awareness and assistance of officials involve the commission of a crime – bribery or misuse of public office. In the cases of mass smuggling, and especially in the trafficking in fast-moving consumer goods, there are simultaneous violations of the customs and criminal legislation.

The specific forms of corruption in SEE can be summarized in several more general types of criminal interaction between smugglers and public officials:

- Corrupting the customs administration in order to speed up a certain operation, including the processing of documents, and thus allow a businessperson or organization to conclude a given transaction in the fastest possible way.
- Corrupting officials in order to cover up violations of customs laws and internal regulations.
- Participation of border and customs administration in the setting up and operation of smuggling channels across the border.

Certain enduring and recurrent schemes of combining the interests of traffickers and corrupt officials exist. Moreover, the linking and interaction of interests follow a definite logic. There is a connection between the level of organization of smuggling activity and the officials involved in corruption.

The so-called “suitcase trade,” in which hundreds of thousands of individuals in the whole region are engaged, typically involves one, and occasionally more than one, family member. They establish contact with individual representatives of customs authorities and other control agencies, effecting a corruption deal. Regardless of the actual role of the public official – whether passive or active under criminal legislation definitions – the smuggler pays a certain “fee” to the official authorizing the illegal transfer of the goods.

The use of smuggling channels in SEE involves a more complex chain of corruption deals, including the **redistribution of the bribes received**. This chain implicates officials from different agencies, who supply railway tanks, transport corridors, terminals for the loading and unloading of fuel. All too often public officials illicitly work for the owners of the smuggling channels, which have been “privatized” by semi-criminal and criminal groups. A stable system is thus formed of a dual loyalty of key officials: legitimate, to the state; and covert and illicit, to the group that bribed them.

The third, and most dangerous, form of interaction between traffickers and public officials is the illicit transfer of goods which benefits the political elite of the country and is thus protected by a political “umbrella.” Those instances involve the so-called “grand corruption.”

Below four categories of smuggling and related corruption in SEE are examined in more detail.

Mass Smuggling (“The Suitcase Trade”)

Mass smuggling is a specific form of the illegal trade in goods. Its significance is often underestimated, despite the fact that it constitutes a considerable part of the illegal imports and exports in Southeast Europe. Suitcase traders cross-borders daily (sometimes even several times in the same day). Upon each crossing, they transfer merchandise for which no customs duties and other fees are paid. Instead, a bribe is often paid to the border police and customs officials. Suitcase traders make additional profit due to the price differences of the smuggled goods on both sides of the border. The goods most often smuggled in this man-

ner include gasoline, household consumer goods, foodstuffs and beverages, fruits and vegetables, clothes, medicine, etc. The goods subject to import and export bans may also be involved. Turkey plays the role of the most important regional "shopping center," with suitcase traders from Bulgaria, Romania, Macedonia, FR Yugoslavia and Albania contributing an important share to the enormous turnover the suitcase trade generates in Turkey (according to the Turkish statistical data, **the volume of suitcase trade is between \$8 and 9 billion per year**).

All countries in SEE have been affected with this phenomenon to a greater or lesser degree. In some, however, the suitcase trade reached such proportions that it begun to seriously threaten the local economy. Croatia is such an example. In the second half on the 1990s, Croatia became arguably the most expensive transitional country in which a rapidly growing number of people found it increasingly difficult to get by. The solution was found in the virtually nation-wide phenomenon of "suitcase" smuggling, with scores of Croats daily visiting Bosnia-Herzegovina, Hungary and even Slovenia to buy food and other commodities. The exceptionally high prices in Croatia were partly a result of war and the consequent destruction of industries and infrastructure, and partly of the rampant corruption and the related "tycoonization" of Croatian economy, which resulted in majority of enterprises being plundered and brought to bankruptcy. The resulting corruption of the law-enforcement administration has become extremely difficult to overturn.

For years, Croatian authorities did nothing to curb the "suitcase" trade, despite the losses it was bringing to its domestic production and to the state budget. On the contrary. Viewing the "suitcase" trade as a safety valve for preventing the social upheaval, Croatian authorities even made custom frauds and smuggling much easier by opening around 200 border crossings, of which 108 between Croatia and Bosnia-Herzegovina alone (in addition to numerous official crossings, there were up to 400 unofficial points of entry between Croatia and Bosnia-Herzegovina where goods were smuggled in or out of the country). Only 20 of them were properly equipped for control of passengers and goods. Due to the lack of customs officials, many border crossings were controlled only by the police who rarely did anything but check the identity of the passengers.

Mass smuggling in **Kosovo** represents perhaps even a more pressing problem than anywhere else in the region, because numerous indications

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

Some estimates about the range of suitcase smuggling and customs frauds in **Albania** can be made from the data on collected customs revenues. The reforms in the customs and tax authorities, initiated in 1997 by the new Socialist government with the assistance of international institutions, soon produced some tangible results:

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

One of the ways to estimate the scope of the suitcase trade is the number of "exits" from the country. In **Bulgaria**, such research was conducted by the Center for the Study of Democracy and based on the information supplied by the National Statistics Institute. In 1996 and 1997 more than 3 million exits were registered. Most of the visits of Bulgarian citizens were made to the neighboring countries: about one third of all departures were to the Federal Republic of Yugoslavia, 17 percent

to Turkey and 15 percent to Romania. In nine out of ten cases, "tourism" was the reason cited for the trip. Yet, "tourism" can be regarded (to an extent) as a valid reason only in the case of Turkey, which is in fact a popular tourist destination. In cases of Yugoslavia and Romania, the numbers offer a very good indication of the potential scope of the suitcase trade. According to this estimates, there is reason to claim that between one fourth and one third of 900,000 people engaged in the private sector are involved in the suitcase trade. This makes it the **largest sector of the Bulgarian economy** in terms of the number of people engaged. A large number of small and medium-sized enterprises in Bulgaria depend on suitcase trade.

Smuggling of Excise Goods

The goods which are smuggled most often are mainly those that tend to undergo transformation, or are completely consumed, when used. Such are fuels and lubricants, alcoholic and non-alcoholic beverages, foodstuffs, raw materials for the production of goods, etc. In other words, when they appear in the market and are sold, they are difficult to identify, and since they subsequently disappear they cannot be tracked down should it be established that they were imported illegally. The second important characteristic of most often smuggled goods are the high import tax and duty rates (so-called excise goods). Cigarettes and other tobacco products have both of these two features. It is thus hardly surprising that cigarette smuggling became one of the most profitable and widespread illegal activities in the region.

The cigarette smuggling in the region involves both the locally produced cigarettes and the major international brands. The schemes for smuggling locally produced cigarettes usually involve "export" to a neighboring country, followed by illegal transport of these same cigarettes back into the country of origin. Cigarette smuggling was facilitated with the existence of several borders in the region, which were deliberately kept porous for political reasons (border between Croatia and the Croat-populated Herzegovina, border between Serbia and the Serb-populated Republika Srpska, and the border between Serbia and post-1999 Kosovo). Another popular customs fraud, used in cigarette smuggling, is to present cigarettes as being produced

in a (real or non-existent) domestic factory, and not abroad as it is really the case.

Representatives of the World Bank and the IMF estimate that Bosnia-Herzegovina **loses around \$250 million annually** because of the illegal cigarette imports.¹ For example, every month approximately 280 tons of cigarettes, produced in the Croatian tobacco factory *Tvornica duhana Rovinj*, are sold in the republic. However, only around 100 tons are legally imported every month.

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

- According to the Serbian Prime Minister Djindjic and the head of the Federal Customs Administration Begovic, the share of the illegal cigarettes on the market decreased from 65 to 15 percent by September 2001.
- In 2000, just slightly over \$400,000 were collected from duties on cigarette import.
- In 2001, the sum was 32 times larger (almost \$13 million).
- In 2001, 5,313 tons of cigarettes were legally imported, against the 3,078 tons for the whole period between 1995 and 2000.
- Numerous arrests were made and over 500,000 boxes of cigarettes confiscated.

Still, according to estimates of G17, a Serbian think-tank involving many of the country's top economists, Serbia still loses **\$120 million annually** in revenues due to the illegal cigarette import.²

According to the estimates, **95 percent of cigarettes** smoked in Kosovo were smuggled into the province. Most of these cigarettes entered the province from Serbia.

According to the data of the former Macedonian Interior Minister Trajanov, between June and September 2000 alone, more than 1,300 trucks of cigarettes were exported duty-free to Serbia and Kosovo and then smuggled back into Macedonia.

¹ Elizabeth Sellwood Oxfam. "Policy Recommendations for Sustainable Post-Conflict Reconstruction in South Eastern Europe," *International Security Information Service*. 19 February 2001. <http://www.isis-europe.org/isiseu/conference/conference_3/part_2b_recommendations.html>.

² Tatjana Stankovic. "Reforme iza dimne zavese." *AIM Press*. 30 September 2001. <<http://www.aimpress.ch/dyn/pubs/archive/data/200109/10930-014-pubs-beo.htm>>.

There, they were sold on the market by small traders and street vendors. Trajanov estimates that the organizers of the smuggling (who are, according to him, closely connected to the two ruling parties) pocketed **\$57 million of profits.**

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

According to the most conservative estimates, the annual sales volumes of cigarettes in **Bulgaria** are about \$120 million. The imported cigarettes sales amount to 15 percent of the cigarettes sold (\$18 million). Yet, in 1998 the value of the legally imported cigarettes was only about \$2.5 million, which means that only 14.1 percent of the imported cigarettes, sold in the country, have been registered with the relevant authorities and that the proper taxes have been paid. The situation even worsened in 1999. A comparison shows that the duties paid by October 1999 had dropped by about 35 percent compared to 1998. The cigarette import often involves the most fla-

grant forms of smuggling, with entire shipments smuggled into the country, with documents being forged with false customs seals and with involvement of ghost companies.

The cigarette smuggling in **Montenegro** has reached such proportions in the last decade that the tiny republic has acquired an infamous name of the "Cigarette Empire" in the international press, with allegations of the direct involvement of the republic's highest government officials in this illegal activity often being made. According to the estimates, Italy loses a few hundred millions USD annually in unpaid taxes due to cigarette smuggling. The German government's customs investigator, dealing with the cigarette smuggling, estimates that in the years 2000 and 2001, the **EU lost \$3.4 billion** because of the unpaid taxes for cigarettes smuggled from Montenegro. In December 1999, the former Montenegrin Foreign Minister Branko Perovic was indicted on charges of cigarette smuggling and racketeering by the Public Prosecutor in Naples. In May 2002, the prosecutors in Bari opened an investigation against Montenegrin President Milo Djukanovic in regard with his alleged involvement in a cigarette smuggling ring and links to organized crime.

Figure 2: Heroin smuggling routes through Southeast Europe



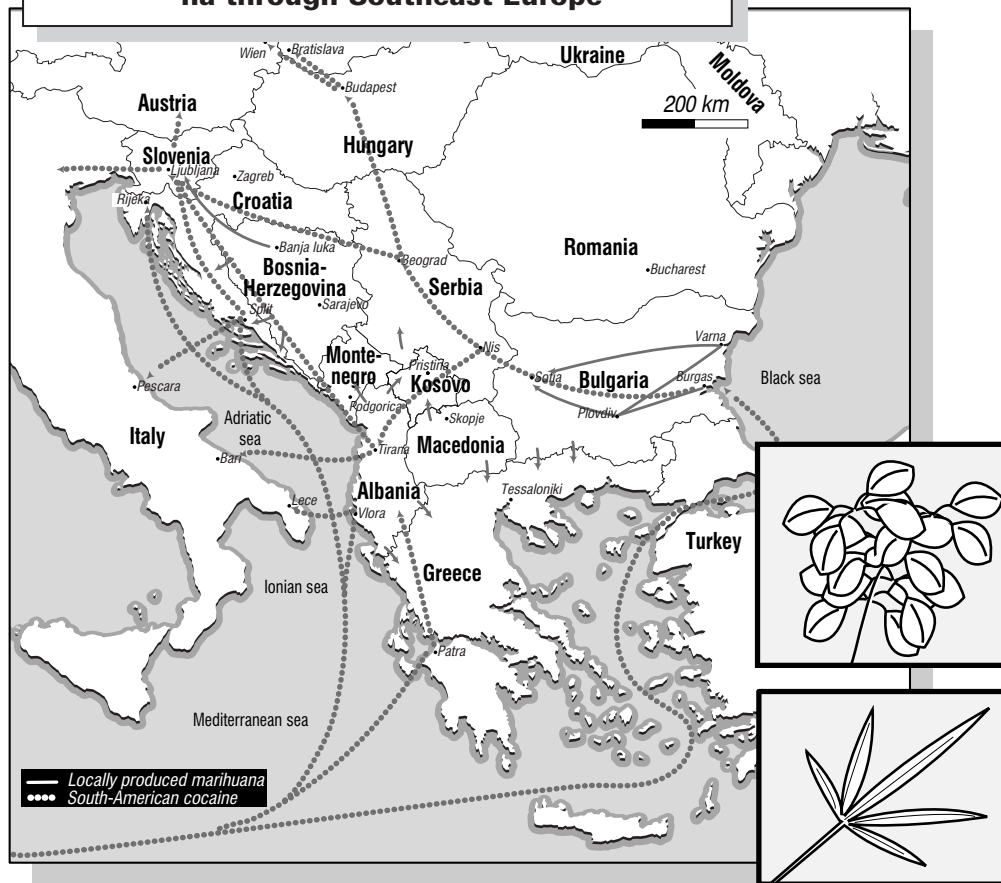
The Smuggling of Illicit Drugs

The Southeastern Europe is a bridge between the Middle Eastern and Central Asian drug producers and the Western European drug consumers. The heroin produced in Afghanistan travels through Iran to Turkey, where it is refined, and then to Bulgaria.

Bulgaria is the crossroads where three main drug smuggling routes through the Balkans separate:

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

Figure 3: Smuggling of cocaine and marijuana through Southeast Europe



One of the consequences of the war in the former Yugoslavia was that now the illegal drug trade encompasses all the countries in the region. Political instability, poverty, corruption, weak democratic institutions, insufficient and poorly equipped security forces and ill-guarded, porous borders made the region ideal for drug smuggling.

The drug trade enabled the international organized crime (especially the Italian mafia, and Turkish and Middle Eastern drug smuggling networks) to

this “classical” route was again revived, and after 1997, a sharp increase in drug traffic through former Yugoslavia was noticed, testified with the increasing number of drug seizures, as well as with a drastic increase in drug consumption in the major urban areas.

establish its presence in the region, adding further incentive to the vicious circle in which corruption and organized crime reinforce each other. Traffic of heroin through the region represents the biggest problem, but it is far from being the only one:

- The northern route leads through Romania and from there either through Hungary to Czech Republic and Slovakia (and from there to EU countries) or through Ukraine to Poland (and from there to EU).
 - The southern route leads from Bulgaria through Macedonia and Kosovo to Albania. After becoming de facto independent from Yugoslavia in 1999, **Kosovo** reaffirmed its “role” as the center of the Southeast European drug smuggling networks. The International Narcotic Enforcement Officers Association estimates that the Kosovo mafia handles between **four and a half and five tons of heroin monthly** now, which is more than double than before the 1999 war. The drug smuggling is closely connected to the 2001 conflict in **Macedonia**. Numerous indications exist that like the KLA, the so-called National Liberation Army in Macedonia was closely connected with the drug trade.
- According to Interpol estimates, over 80 percent of heroin, sold in the EU, has traveled through Balkans.
 - Some of the regional countries, most notably Croatia and Albania, also became the most important European points of entry for the South American cocaine.
 - The Southeast Europe has also turned into an important drug producing region, especially of cannabis and opium poppies.
 - Laboratories for production of synthetic drugs have also appeared.
 - The increased traffic in drugs has led to increased local drug consumption, and especially the pace at which heroin abuse is spreading is alarming.

Trafficking in Human Beings

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

The clandestine leading of people across the border is done by traffickers that are often repeat offenders who continue to engage in this type of activity. The crossing of the border by land is typically done in groups led by a guide who is familiar with the area to be traversed. He is connected to a centre of operations in one of the large cities where the grouping of the potential migrants is carried out. Candidate migrants usually have a meeting point – a railway station, restaurant, or private house. There they are boarded on means of transportation and finally placed in the charge of the guides. The channels for the trafficking in people are controlled by organized crime and the

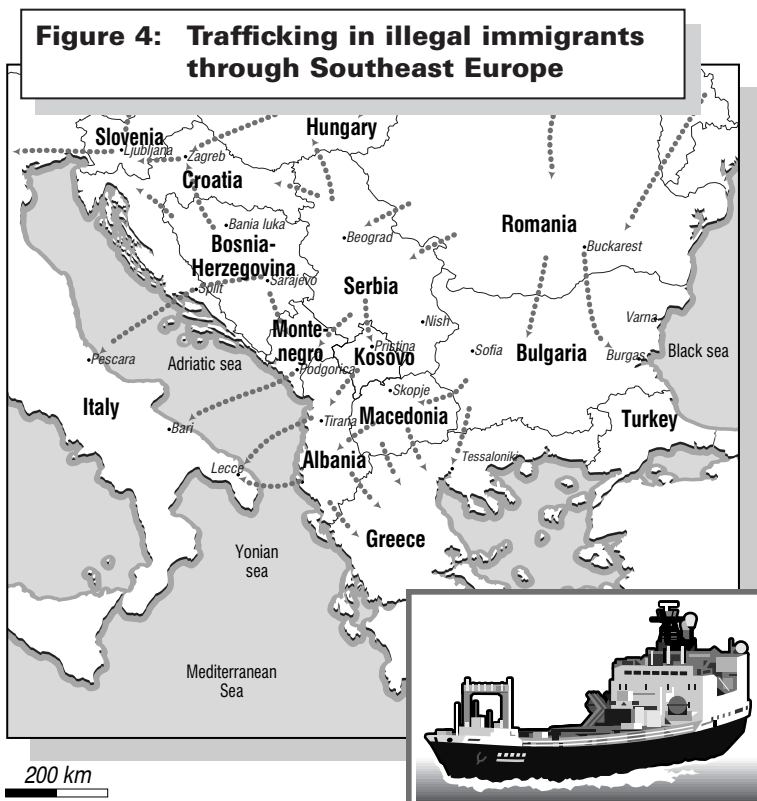
organizers inside the country as a rule get a share of the proceeds.

The trafficking in people is very often done in secret compartments of buses and trucks. Typically the “shipments” are accompanied by the organizers of the channel or other trusted individuals by car. They escort the “shipment” to the border checkpoint and wait until the vehicle crosses the border. The clandestine migrants are often accompanied by their children, have little baggage and carry no money or identification papers with them. Young women who have been kidnapped and forced to engage in prostitution also cross the border illegally.

Trafficking in Illegal Immigrants

According to the UN Office for Drug Control and Crime Prevention, human trafficking is the fastest growing criminal business in the world. Southeast Europe is one of the most important transit regions for illegal immigrants from Turkey, China, Iran, Pakistan, Bangladesh, Iraq, Afghanistan, and other Middle Eastern and Asian countries on their way to the EU. It is also an important source region, with Romanians, Albanians and Roma being among the most numerous groups of illegal immigrants in the EU. Among the reasons for the exceptionally fast growth of human trafficking business is that the profits are incomparably higher than risks and costs involved. Unlike drug smuggling, human trafficking is considered in most countries as a minor infraction which carries light sentences. No special equipment is needed and no organized network for distribution (like in the case of drugs) is essential. In case of danger, the immigrants (who pay in advance for the “service”) can be easily abandoned by their guides, and in practice, they often are. The financial gains made through the trafficking are enormous. Estimates, based just on the recorded cases (40,000 immigrants) only in Austria only for the year 1999, gave figure of \$100 million. For the whole EU, estimates are that **traffickers earned \$3 billion in 1999.**

Due to their location, Bulgaria and Romania are the most important entry points for illegal immigrants. Until recently, Bosnia-Herzegovina and Serbia were also significant entry points for numerous immigrants –



most notably for Iranians (Bosnia) and Chinese (Serbia). The most popular land route leads from Bulgaria and Romania through Serbia, Bosnia-Herzegovina, and Croatia to Slovenia, and from there to Italy and Austria. Many illegal immigrants travel also across Hungary. Equally important is the route across the Adriatic Sea. Numerous routes from Bosnia, Serbia and Bulgaria (via Macedonia) therefore lead to Montenegro and Albania, where well-established channels for clandestine traffic across the sea exist.

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

caught immigrants with heroin in their backpacks. The explanation for this is that they are forced to act as couriers to pay for their passage.

Trafficking in Women and Girls for the Sex Industry

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

Figure 5: Trafficking in women through Southeast Europe



In recent years (after the end of the war in the former Yugoslavia), trafficking in women from, into and through Southeast European states rapidly increased. The successor states of the former Yugoslavia (especially those with the significant international presence) have become important destination countries for women and girls from Ukraine, Russia, Moldova, and Romania. Belgrade became one of the most important transit centres. Due to their location, Bulgaria, Macedonia, and Albania also became crucial transit countries for trafficked women.

Considering the alarming pace with which trafficking in women and girls is spreading, and the horrifying ordeal the victims of trafficking have to go through, the realization of how little has actually been done by the

regional governments to fight trafficking comes as a shock. In most of the countries, trafficking is still considered as having a lower priority as compared to the fight against more “serious” crime like the drug smuggling.

* * *

The above should be ample evidence that the most potent source of corruption pressure in the countries of Southeast Europe occurs on a transnational basis, mostly from cross-border crime. This has its roots in the particularly violent transition from communism to democracy which allowed well-integrated regional criminal net-

works to emerge, primarily with the support of political elites in these countries.

This process has affected **all** countries in the region, albeit through different mechanisms – either as part of the achievement of state independence or as abusing the opportunities provided by the international embargoes. Nevertheless, transition developments in the countries have taken different shape and were implemented with varying speed. Thus, while this section reviewed the **regional** sources of corruption, the rest of the report will summarize the **national** institutional and legal environments against which these regional processes develop.