

OBSERVATORY OF ILLICIT ECONOMIES IN SOUTH EASTERN EUROPE

ISSUE **19** AUGUST 2024

Summary highlights



Cyber-enabled crime poses significant risks to South Eastern Europe.

The lack of preventative measures has left South Eastern Europe at an increased risk of cyber-enabled crime, as evidenced by well-orchestrated attacks against Albania and Montenegro. Low awareness of this form of crime, inadequate investment in basic protection, and high levels of corruption and unemployment all contribute to this vulnerability. If left unaddressed, these structural and legislative weaknesses could have serious consequences for the provision of public services and public security in the region.



Operation Black Tie exposes the interface between upperworld and underworld in Bosnia and Herzegovina.

In April 2024, an operation codenamed 'Black Tie' led to the arrest of 23 people in Bosnia and Herzegovina and the freezing of substantial assets. The operation, made possible by the de-encryption of apps used by criminals, shed light on the activities of major criminal figures from Bosnia and Herzegovina such as the head of the Tito and Dino cartel, Edin Gačanin. As well as demonstrating

impressive joint law enforcement cooperation, the operation has unmasked disturbing links between underworld figures and facilitators in the upperworlds of business and politics.



Montenegrins continue to play a role in cocaine trafficking from Peru to Europe.

For the past two decades, criminal groups from the Western Balkans, particularly those from Montenegro, have been active players in the trafficking of cocaine from Peru to Europe. There is the risk that some of these criminal groups could exploit the expansion of coca cultivation in Peru and the deterioration of security in other parts of Latin America to further their own interests.



Western Balkan criminal groups maintain a significant presence in Germany.

Data from German criminal justice authorities shows that criminals from the Western Balkans (particularly Albania) are major players in the country's drug markets, as well as in human trafficking and money laundering. In the past, Balkan nationals have also been members of a notorious motorcycle gang that was banned by German



authorities. This article looks at where and how these groups operate and what police have discovered through de-encryption of apps used by criminal groups.



South Eastern Europe is beset by cash smuggling across its borders.

For criminals, cash is still king. Cash smuggling remains an important means of moving illicit money, for example to repatriate profits from drug deals, while avoiding detection by law enforcement. Recent seizures of cash at border crossings in the region point to the need for a coordinated effort to tackle the problem.



The legalized medical cannabis business in North Macedonia is at risk of criminal diversion.

In 2016, North Macedonia legalized the cultivation of medical cannabis. Since then, the industry has boomed. But legalization has brought with it a number of challenges that have created opportunities for corruption and organized crime, particularly around the issuing of licences and the diversion of legally grown cannabis to the black market.

ABOUT THIS ISSUE

In this issue we focus on a problem that is increasingly affecting the Western Balkans, namely cybercrime. Our concern is that if the risks highlighted by recent attacks and police operations are not adequately addressed at both the national and regional level, the rapid pace of technological innovation threatens to place malign actors beyond the reach of regional law enforcement. This is an issue that requires closer collaboration between the private and public sectors, as well as greater regional and international cooperation.

There have been several shocking revelations in recent months as police sift through information gleaned from the de-encryption of apps once popular with criminals, such as Sky ECC and EncroChat. In Bosnia and Herzegovina, cooperation between the Bosnian police, Europol, the US Drug Enforcement Administration and the Federal Bureau of Investigation has uncovered the activities of notorious criminal groups such as the Tito and Dino cartel, as well as the state-embedded actors who have facilitated and protected them. In this issue we look more closely into this political bombshell and its impact on Bosnia and Herzegovina.

Since the publication of 'Transnational tentacles: Global hotspots of Balkan organized crime' in 2020, we have been monitoring the activities of criminal groups from the Western Balkans abroad. We examine two cases in this issue: criminal groups from the Western Balkans operating in Peru and those operating in Germany. As in other parts of the world, these case studies reveal a high degree of inter-ethnic cooperation among groups from

the Western Balkans, close collaboration with domestic criminal groups, and an ability to adapt and innovate.

While much attention has been paid to the impact of digital currencies on organized crime, it is crucial to note that for many criminals cash is still king. Major seizures at key border points in South Eastern Europe suggest that cash smuggling is on the rise. In this issue we look at the problem and the efforts being made to tackle it, particularly by the EU and the UK.

The evolving legal landscape around cannabis is another issue of interest in the region. Several countries in South Eastern Europe are experimenting with the decriminalization of cannabis or the legalization of medical cannabis. In 2016, North Macedonia became the first country in the Western Balkans to legalize cannabis for medical use and now has several years of experience. The policy has brought financial benefits but has also created several challenges, such as allegations of corruption in the licensing of private companies to grow cannabis and the diversion of legally grown cannabis to the black market. This is a challenge that North Macedonia's new government will need to face, and there may be lessons for other countries in the region and beyond following this path.

We welcome your feedback and suggestions for new stories. If you would like to get in touch or if you have an idea for a story, please contact Vanja.Petrovic@globalinitiative.net.

Cyber-enabled crime poses significant risks to South Eastern Europe.

In our increasingly digital world, cyber-enabled crime is one of the fastest growing threats to individual citizens and governments. South Eastern Europe's vulnerability has been demonstrated by highly damaging cyberattacks allegedly orchestrated by hostile states against the governments of both Albania and Montenegro.¹ Furthermore, poor awareness, low investment in basic protective measures, high levels of corruption and unemployment all feed into vulnerabilities. If these deficiencies are not addressed coherently both at the national and regional level, then the rapid pace of technological innovation risks leaving malign actors beyond the reach of regional law enforcement.

Modern technologies expand the criminal toolkit

The proliferation of digital devices has brought with it immense advances in connectivity, but on the flipside fertile ground for cybercriminals. Cybercriminals exploit vulnerabilities in digital infrastructure to commit a wide array of crimes, including hacking, identity theft and financial fraud. Vulnerabilities in devices connected through the 'internet of things', for example, allow cybercriminals to infiltrate networks, compromise privacy and launch attacks. Machine learning and artificial intelligence are creating powerful new opportunities for criminal minds. Moreover, underground cybercrime forums and dark web marketplaces facilitate the exchange of illicit goods and services, including stolen data, malware and hacking tools.² This underground economy thrives on anonymity and encryption, making it difficult for law enforcement agencies to track and prosecute cybercriminals effectively.³ The intelligence gathered by the decoding of encrypted messaging app Sky ECC has revealed insights into how criminals operate in this otherwise hidden environment.⁴

In addition to using technology, cybercriminals in South Eastern Europe exploit human vulnerabilities through social engineering and psychological manipulation. Phishing scams, for instance, deceive unsuspecting individuals into divulging sensitive information or downloading malicious software by impersonating legitimate entities. Moreover, the proliferation of social media platforms provides cybercriminals with

unprecedented access to personal information which they leverage to craft targeted attacks.

The rapid evolution of cybercrime poses significant challenges for law enforcement agencies and regulatory frameworks in South Eastern Europe.⁵ Traditional policing methods are ill-equipped to combat cyber threats effectively, given the borderless nature of the digital realm and the anonymity afforded by encryption technologies. Moreover, the fragmented regulatory landscape across the region hampers efforts to harmonize cybersecurity policies and enact robust legislative measures. As a result, cybercriminals operate with relative impunity, exploiting jurisdictional loopholes and evading prosecution.

The cybercrime landscape in South Eastern Europe

Malicious software (malware) and ransomware attacks are pervasive in the region. Such attacks target individuals, businesses and government institutions,⁶ often exploiting vulnerabilities in outdated software and operating systems, but also low levels of awareness or professionalism. In 2022 Montenegro reportedly suffered a cyberattack allegedly carried out by a group called Cuba Ransomware.⁷ Several institutions in North Macedonia were attacked by ransomware, including the Health Insurance Fund in February 2023 and both the Ministry of Agriculture and the Ministry of Education in September 2022.⁸ Moreover, at the beginning of 2024 the Health Insurance Fund of República Srpska in Bosnia and Herzegovina suffered a ransomware attack,⁹ taking the Integrated Health Information System offline for 17 days. This system holds the digital health records of all patients in República Srpska, as well as their insurance status.

Phishing and social engineering usually precede malware and ransomware attacks.¹⁰ Phishing attacks, aimed at stealing sensitive information such as login credentials and financial data, are common. For example, in 2022 and 2023 an increasing number of Macedonian websites fell victim to hacking, particularly through phishing tactics.¹¹ A Balkan Investigative Reporting Network article notes that attackers often install malicious content on server operating systems, allowing them to compromise websites.¹² A case that compromised the email accounts of government and public sector

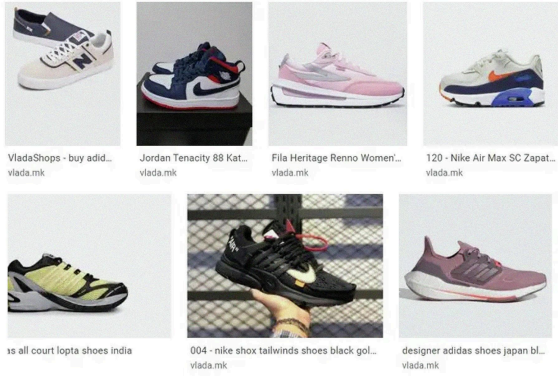
organizations in North Macedonia is of particular significance. Attackers exploited vulnerabilities in mail servers to send phishing emails from compromised official government accounts to government employees and citizens.¹³ Several government institutions fell victim to these attacks.

Insider threats pose a significant risk for South Eastern European economies.¹⁴ Cybercriminals connect with employees or trusted individuals who in turn knowingly or unwittingly hand over access privileges and facilitate system penetration or the theft of data. For example, in September 2022, the North Macedonian government's official website was transformed into a retail webpage where various brands of shoes, bags and other accessories were offered,¹⁵ possibly due to someone gaining access to the site's host servers.¹⁶ A second government website experienced a similar problem. There has also been a case where an insider mined cryptocurrencies from the North Macedonian Public Procurement Bureau's website.¹⁷

During a severe externally perpetrated cyber crisis that hit Albania in 2022, insider threats played a contributory role in affecting government systems via the internet through the process of exfiltration.¹⁸ An attack against Albania's national database, e-Albania,¹⁹ allegedly came through a PDF document sent to the system administrator, who (either knowingly or unwittingly) downloaded the document, which opened a port Remote Desktop Protocol and created free remote access for the hacker. As the administrator had 'full privilege', the hacker accessed the whole 'Enterprise Admin' of the domain and then deleted all the 'virtual machines' (software programmes or servers that run inside the company's computers).²⁰ This can cause significant disruption and enable theft of data.

A severe external cyberattack in Montenegro was also reportedly facilitated by an insider.²¹ An investigative journalist reported that malicious software was uploaded from one of the government's computers.²²

Distributed denial of service (DDoS) attacks are another tool in the cybercriminal toolkit. These attacks disrupt online services by overwhelming servers with a flood of traffic, causing downtime and financial losses for businesses. In some cases, the attacks are simply malicious. In others, they can be linked to ransomware: such attackers either demand a ransom to stop the attack or offer 'protection' services to prevent future attacks.



In September 2022, the North Macedonian government's official website was transformed into a retail webpage where various brands of shoes, bags and other accessories were offered.

Photo: Screenshot reproduced from Vecer

North Macedonia, Montenegro, Bosnia and Herzegovina, Kosovo, Greece, Slovenia and Serbia have all faced debilitating DDoS attacks between 2022 and 2024.²³

Preying on socio-economic vulnerability

Cybercriminals target vulnerable individuals and businesses, taking advantage of economic disparities, unemployment, political instability, cultural diversity, weak cybersecurity infrastructure, and limited awareness and education about cybersecurity.

South Eastern European countries are more vulnerable than their more developed peers in part because cybercriminals suspect these nations have fewer resources to invest in cybersecurity measures. For example, joint research by the UK Cyber Security Excellence Centre and the Balkan Investigative Reporting Network in April 2023 highlighted that Bosnia and Herzegovina lacks adequate computer emergency response teams. This research also cited the prolonged absence of an effective legislative framework as a key problem for the country's cybersecurity.²⁴ Albania,²⁵ Montenegro,²⁶ North Macedonia, Serbia and Kosovo face similar challenges.²⁷

Another pressing socio-economic challenge that offers an opportunity for cybercrime to flourish is the high unemployment rates across South Eastern European economies, especially among young people. Cybercriminals may exploit this by offering job opportunities that seem legitimate but are actually fronts for illegal activities such as money laundering or distributing malware. For example, a Bosnian and

Herzegovinian cybercrime group known as DD4BC was involved in developing software meant to exploit weaknesses in digital Bitcoin wallets for the purpose of theft.²⁸ A young entrepreneur from North Macedonia was identified by Citizen Lab as producing spyware found in the phones of two exiled Egyptians. His company Cytrox was backlisted by the US government, along with its parent company Intellexa.²⁹

On top of this, limited awareness about cybersecurity risks and lack of education about safe online practices make individuals and businesses in South Eastern Europe more vulnerable to cybercrime.³⁰

Law enforcement agencies often lack the resources and expertise to investigate and prosecute cybercriminals adequately.³¹ Political instability also contributes to inadequate legal frameworks and enforcement mechanisms that hamper efforts to combat cybercrime effectively.

Corruption is a significant issue for cybersecurity in most of South Eastern Europe. For example, an attack on the electoral commission in North Macedonia in 2020 revealed a lack of transparency and procurement practices to safeguard information and communication systems. Cyberattacks in Albania and Montenegro are also likely to have been facilitated by corruption.³² Cybercriminals can avoid detection and prosecution, including by bribing officials to turn a blind eye to their activities.³³ Although bilateral donors have invested in human resources development across the region's economies, poor leadership and the politicization of public administration have resulted in cyber capacity being neglected, exacerbating a brain drain to the private sector or to Western Europe.

The intertwining of socioeconomic factors (particularly corruption), organized crime and cyber threats pose multifaceted challenges to the stability, security and development of South Eastern Europe. The pervasive influence of criminal networks undermines governance structures, fosters distrust in public institutions and hampers economic growth. Moreover, the proliferation of cyber threats exacerbates vulnerabilities in critical infrastructure, compromises data security and poses risks to national security, especially in an era of increasing geopolitical fragmentation.

Cybercrime as a threat to national security

The proliferation of state-sponsored cyber operations and espionage activities in South Eastern Europe has geopolitical implications, exacerbating tensions between neighbouring states and undermining regional stability. The weaponization of cyberspace for political ends heightens the risk of diplomatic friction, conflict escalation and wider threats to national security. Attacks may come from outside the region (including from great powers) or from neighbouring states.

Recent attacks suggest that the region's countries are ill-prepared, perhaps due to an insufficient understanding of the risks, particularly in terms of how certain types of cybercrime may be linked to cyberattacks that threaten national security. For example, in some cases, cybercriminals – hired to carry out crime-as-a-service – use DDoS attacks as a diversionary tactic to draw the attention of security teams away from other malicious activities, such as data breaches or network infiltration attempts. Cybercriminals acting in the interest of foreign actors may also launch DDoS attacks to assess the resilience of a target's network infrastructure and identify weaknesses that can be exploited in future attacks or other types of cybercrimes. Such attacks can disrupt essential services, compromise sensitive information, or sow discord within target countries.

Data-rich state security institutions are particularly vulnerable. Attacking these targets enable the attackers to explore grey areas between law enforcement and national security and to gather valuable data to sell on the darknet or to be used as a predicate to other crimes.

According to the US Federal Bureau of Investigation (FBI), in 2021 attackers continuously accessed Albanian government servers to harvest data as a prelude to using ransomware and launching a destructive 'wiper' attack that destroyed public data using disk-wiping malware in July 2022.³⁴ Albania's Prime Minister Edi Rama blamed Iran for the main attack in a televised address in September that year, in common with the analysis of the FBI, US Cybersecurity and Infrastructure Security Agency, the UK National Cyber Security Centre and Microsoft.³⁵ Reportedly, hackers were also able to gather, delete and circulate classified information including the identities of hundreds of undercover Albanian intelligence officers, while also publishing the emails of the director of intelligence, hampering the government's ability to function.³⁶

The compromised information reportedly included more than 17 years' worth of data tracking everyone who entered and exited the country from the government's 'Total Information Management System', as well as data from private institutions such as bank customers' financial records.³⁷ Hackers shut down government websites by using malicious software to encrypt the victims' data and make it inaccessible, enabling them to blackmail the government and causing a cascade of catastrophic effects for Albanian public services that had ironically originally been digitized to circumvent slow and corrupt bureaucratic public processes.³⁸

A month after the attack against Albania began in earnest, Montenegro was hit in August 2022 by a massive cyberattack allegedly perpetrated by Russia.³⁹ The attack 'crippled' state-run transportation services, water and electricity systems, and online platforms for several days.⁴⁰ The severity of these cyberattacks was described by experts as unprecedented in their intensity and the longest in Montenegro's history.⁴¹

While a strong consensus exists over the origins of these major attacks on both Albania and Montenegro, it is often difficult to confirm attribution. Attackers often use sophisticated techniques to obfuscate their identity, such as spoofing internet protocol addresses, utilizing proxy servers, or employing botnets composed of compromised systems in different geographic locations. Additionally, cyber attackers frequently exploit zero-day vulnerabilities and other sophisticated methods that leave minimal traces.⁴²

In digital forensics, the sheer volume and complexity of data, combined with the potential for anti-forensic techniques such as data encryption or destruction, complicate the process of collecting, preserving and analyzing digital evidence in a manner that is reliable and admissible in court. This complexity is further compounded by the rapid evolution of technology and the legal and jurisdictional challenges associated with cross-border cyber incidents. Moreover, authoritarian regimes utilize proxy actors to act on their behalf, ranging from cybercrime freelancers (hackers for hire) to bespoke enterprises that act in the digital domain when instructed to do so.

That said, governments have developed methods to establish culpability for state-sponsored cyberattacks,⁴³ often by combining technical, behavioural and contextual evidence. Technical analysis includes

identifying unique malware signatures, command-and-control infrastructure and attack patterns that are consistent with known state-sponsored groups. Behavioral evidence involves examining the tactics, techniques and procedures (TTPs) that match those previously associated with a particular state's cyber operations. Contextual evidence includes geopolitical analysis, such as the timing of the attack in relation to international events or the strategic interests of the state under suspicion. Additionally, intelligence gathered from human sources, intercepted communications, or insider information can provide direct or circumstantial evidence linking the attack to a state. Collaboration between governments, cybersecurity firms and international organizations also plays a critical role in corroborating these findings and building a comprehensive case for apportioning responsibility.

Reducing vulnerabilities

A basic preventive measure is to invest in robust cybersecurity infrastructure, including advanced firewalls, intrusion detection systems, encryption protocols and security software to protect critical infrastructure and sensitive data.

Promoting cybersecurity awareness and education initiatives among citizens, businesses and government employees can help in building resilience. Educating users about common cyber threats, best practices for securing their devices and data, and the importance of reporting cyber incidents can significantly reduce the risk of successful cyberattacks.

A stronger legal framework is also vital. Enacting and enforcing comprehensive cybersecurity laws and regulations can provide a legal framework for addressing cybercrime and enhancing national security. These laws should cover areas such as data protection, critical infrastructure protection, and cybercrime investigation and prosecution.

Providing training programmes and capacity-building initiatives for law enforcement agencies, cybersecurity professionals and government officials – often funded by donors – can enhance their capacity to prevent, detect and respond to cyber threats effectively, but they are not a panacea. It is also vital for governments in the region to develop their own robust incident response and crisis management plans to mitigate cyber threats. These plans should outline procedures for detecting, containing and recovering from cyber incidents, as well

as mechanisms for coordinating responses across government agencies and stakeholders. Related to this is the need for continuous monitoring mechanisms and threat intelligence capabilities to help organizations identify and respond to emerging cyber threats in real-time. By staying abreast of the latest cyber threats and trends, South Eastern European economies can proactively adapt their cybersecurity measures to mitigate evolving risks.

Because of their transnational nature, addressing cyber threats requires cooperation. This includes public-private

partnerships between government agencies and private sector organizations including information sharing, threat intelligence and collaborative responses. Greater regional cooperation is vital. So too is wider international cooperation, extending to regional linkages with Europol, INTERPOL and the United Nations, to share threat intelligence, coordinate cybercrime investigations, and harmonize cybersecurity standards and best practices. Such partnerships can also help the region's nations keep abreast of developments related to artificial intelligence, machine learning, blockchain and quantum cryptography.

Notes

- 1 The Global Initiative Against Transnational Organized Crime (GI-TOC)'s Global Organized Crime Index 2023 indicates that the threat posed by cyber-dependent crime in South Eastern Europe is high compared to other parts of the world. Albania, Bulgaria and Romania scored 6.0 out of 10 and Montenegro and North Macedonia 5.50 compared to the global average of 4.55. The higher the score, the worse the performance.
- 2 Hotspots of organized crime in the Western Balkans: Local vulnerabilities in a regional context, GI-TOC, May 2019.
- 3 Sheelagh Brady and Metodij Hadji-Janev, Western Balkans security synopsis: Reflections and recommendations from the 8th Regional Security Coordination Conference, Regional Cooperation Council, 13-15 November 2023.
- 4 Observatory of Illicit Economies in South Eastern Europe, Decryption of messaging app provides valuable insight into criminal activities in the Western Balkans and beyond, Risk Bulletin, Issue 13, GI-TOC, September-October 2022.
- 5 Western Balkans: Emerging cyber threats, PricewaterhouseCoopers (PwC) Serbia, 2023.
- 6 Samir Kajosevic, Western Balkans urged to prepare for uptick in cyber-attacks, Balkan Insight, 12 September 2022.
- 7 Montenegro blames criminal gang for cyber attacks on government, Reuters, 1 September 2022.
- 8 Miroslava Simonovska, Побарале ли хакерите откуп за да го одблокираат Фондот за здравство, Ковачевски откри каков бил нападот, Sloboden Peчат, 2023; Sasho Spasoski, Министерството за земјоделство еден месец не може да закрепне од рускиот хакерски напад, Meta.mk, 27 October 2022; Министерството за образование под хакерски напад, Faktor, 10 September 2022.
- 9 Након озбиљног напада криминалних група на ИЗИС презузете све предвиђене мјере, Srna, 5 January 2024; see also Vladimir Kalinski, Рекорден број хакерски напади врз институции, голем дел не пријавуваат, Radio Free Europe/Radio Liberty (RFE/RL), 11 August 2023.
- 10 From social engineering to ransomware: How hackers outsmart us, ProWriters, 2023.
- 11 Vladimir Kalinski, Зачестените сајбер напади на државни сајтови го вклучуваат црвениот аларм, RFE/RL, 21 October 2022.
- 12 Igor Vujic, Battle for Balkan cybersecurity: Threats and implications of biometrics and digital identity, BIRN, 30 June 2023.
- 13 Министерството за одбрана се соочило со фишинг напад, RFE/RL, 3 May 2024; Srdjan Davitkov, Внимавајте, има активен фишинг напад под маска на македонската Влада, IT.mk, 20 May 2024.
- 14 Llausha Zenuni, Who is the 'hitman' behind cyber attacks in the Western Balkans?, LinkedIn, 24 October 2022.
- 15 Патики, Ташни се продавале на Vlada.mk – огромен пропуст на владиниот веб сајт, Vecer, 1 October 2022.
- 16 Vlada.mk 'препродава' патики, дресови, ташни и чевли по поволни цени, IT.mk, 28 September 2022.
- 17 Meri Jordanovska, Од веб-сајтот на Бирото за јавни набавки се копаа криптовалута: Колку се безбедни државните сајтови?, Vistinomer, 21 October 2022.
- 18 Gavin Denis, Insider threats in Albania: Identifying and mitigating risks to cybersecurity, 11 May 2023.
- 19 See e-Albania.
- 20 Aleksander Biberaj et al, Cyber attack against e-Albania and its social, economic and strategic effects, Journal of Corporate Governance, Insurance and Risk Management, 9, 2 (2022), 341-347.
- 21 The cyber attack was an 'inside job', Aktuelno, 2 September 2022.
- 22 FBI juče stigao u Crnu Goru: Sajber napad bio 'posao iznutra', Danas, 2 September 2022.
- 23 With the help and support of the UK's Cyber Security Excellence Centre, Bosnian authorities identified that the most common form of cyberattacks are DDoS. Azem Kurtic, Bosnia lacks capacity to fight millions of cyber attacks monthly, report warns, Balkan Insight, 14 April 2023.
- 24 Ibid.
- 25 Mentor Beqa, Albania must up its game to meet growing cybersecurity challenges, Balkan Insight, 2 March 2023.
- 26 Samir Kajosevic, Western Balkans urged to prepare for uptick in cyber-attacks, Balkan Insight, 12 September 2022.
- 27 A recent look towards cybersecurity in the Western Balkans: How can we improve the cybersecurity level in the region?, Metamorphosis, 2023.
- 28 Igor Spaic, Bosnia and Herzegovina: Crackdown on 'cyber blackmail' group, Organized Crime and Corruption Reporting Project, 13 January 2016.
- 29 Phil Muncaster, US sanctions predator spyware maker Intellexa, InfoSecurity Magazine, 6 March 2024.
- 30 Ornela Sollaku, AI for good governance and cybersecurity in the Western Balkans: opportunities and challenges, Geneva Centre for Security Sector Governance, 16 October 2023. A 2022 study by PwC, supported by the UK Government, indicates that 'a general lack of awareness of cyber risks and threats, across all

- strands of Western Balkan societies, is one of the key obstacles to building more resilient societies in the region'; see PwC and the International and Security Affairs Centre, *Cybersecurity Ecosystem Report*, March 2022. For information on Greece, see: Unveiling the knowledge gap: Why cybersecurity awareness lags in Greece, Stolsch, 11 August 2023; for Croatia, see Croats falling prey to internet scams: an overview, *The Total Croatian News*, 11 May 2023; for Bulgaria, see: Bulgarian companies are most often victims of cyber gangs from Nigeria, *Bulgarian National Radio*, 9 October 2023; and for Slovenia, see: Simon Vrhovec, Igor Bernik and Blaž Markež, Explaining information-seeking intentions: Insights from a Slovenian social engineering awareness campaign, *Computers & Security*, 125 (2023).
- 31 European Fund for the Balkans and Belgrade Centre for Security Policy, *Security issues in the Western Balkans*, April 2018.
 - 32 Albanian IT staff charged with negligence over cyberattack, *Security Week*, 1 December 2022; *Sajber napad mogao bi biti posao iznutra*, *PV Informer*, 2022.
 - 33 The Director of Information Technology (IT) of Albania's State Police, Ervin Muço, was placed under 'house arrest' after allegedly interfering with the system that records the entry and exit of citizens at border points. He also reportedly had a conflict of interest, since he served as an external adviser to the director of the State Cadaster Agency, which the Law on the State Police does not allow. Ervin Muço was arrested after the establishment of the investigative commission at the request of the opposition, *Politiko*, 10 April 2024.
 - 34 Daryna Antoniuk, Wiper malware found in analysis of Iran-linked attacks on Albanian institutions, *The Record*, 8 January 2024.
 - 35 It is also widely believed that the attack was in retaliation for Albania offering sanctuary to members of the Mujahedin-e-Khalq, an opposition group banned in Iran. Ayman Oghanna, How Albania became a target for cyberattacks, *Foreign Policy*, 25 March 2023; Tom Uren, Why Iran's attack on Albania cannot go unchecked, *Seriously Risky Business News*, 15 September 2022.
 - 36 Ibid.
 - 37 Sumeet Wadhvani, Iranian hackers target Albania's border control system in a tit-for-tat operation, *Spiceworks*, 13 September 2023.
 - 38 UK Government, UK condemns Iran for reckless cyber attack against Albania, 7 September 2022.
 - 39 Dusan Stojanovic, Montenegro wrestles with massive cyberattack, Russia blamed, *Associated Press*, 12 September 2022.
 - 40 Julia Dickson and Emily Harding, Russia aims at Montenegro, *Center for Strategic and International Studies*, 13 February 2024.
 - 41 Dusan Stojanovic, Montenegro wrestles with massive cyberattack, Russia blamed, *Associated Press*, 12 September 2022.
 - 42 A zero-day vulnerability is a security flaw in software that is unknown to the software's developer. Because the developer is unaware of the issue, there is no fix or patch available. Attackers can exploit this vulnerability to gain unauthorized access, steal data, or cause other damage before the developer has a chance to address the problem. See Trend Micro, *Zero-day vulnerability*.
 - 43 The role of digital forensics in cybersecurity incident response, *CYFOR blog*; for a perceptive early take, see: Mark Reith, Clint Carr and Gregg Gunsch, An examination of digital forensic models, *International Journal of Digital Evidence*, 1, 3 (2002).

Operation Black Tie exposes the interface between upperworld and underworld in Bosnia and Herzegovina.

The encrypted communication platform Sky ECC was once considered by criminals and their accomplices as a safe way to communicate and exchange sensitive information. However, the de-encryption of the app by police in 2021, a year after the successful unlocking of EncroChat, has shed light on the operations of criminal networks around the world.¹ The uncovered communications have led to a series of revelations about major criminal figures from Bosnia and Herzegovina – such as the head of the Tito and Dino cartel, Edin Gačanin – and their links to the worlds of business, politics and the security sector.²

Gačanin, a native of Sarajevo with dual Bosnian and Dutch citizenship, was arrested in Dubai in November 2022 on charges of drug trafficking, for which he was sentenced to seven years in prison.³ Dubbed the ‘European Escobar’ by US authorities, Gačanin is widely considered to be one of the world’s most prolific drug traffickers.⁴ He is notorious for trafficking drugs across several continents as well as money laundering, and the US Department of the Treasury has claimed that his network is closely linked to the powerful Kinahan organized crime group from Ireland.⁵ According to Bosnian news outlet Fokus.ba, quoting a state prosecutor, information harvested from the Sky ECC app shows that the cartel operated in Bosnia and Herzegovina, the UAE, the Netherlands, Belgium, Germany, South America and South Africa.⁶ Gačanin is allegedly living in the UAE, from where, European authorities believe, he continues to direct operations despite the prison sentence awaiting him in the Netherlands.⁷

In April 2024, the Sarajevo interior ministry teamed up with Europol, the US Drug Enforcement Administration and the Federal Bureau of Investigation to carry out an operation into Gačanin’s affairs code-named ‘Black Tie’.⁸ The operation resulted in the arrest of 23 people in Bosnia and Herzegovina, the freezing of assets worth more than €350 000 and the seizure of firearms, expensive watches and luxury cars.⁹

By June 2024, the Bosnian public prosecutor’s office had secured indictments against more than 70 people in

various cases supported by evidence from the Sky and Anom apps, according to the chief prosecutor, as reported by *Dnevni avaz*.¹⁰ While Gačanin and his Dino and Tito cartel are well known in the world of drug trafficking, information from Operation Black Tie has revealed details of how the network operated and who protected and facilitated its activities in Bosnia and Herzegovina. These details have emerged from court hearings in this specific case released to the public through statements made by the prosecutor at hearings and during press conferences.¹¹ Although the original documentation is not available to the Global Initiative Against Transnational Organized Crime, the allegations against various alleged members of the cartel have been widely reported on in various media and attributed to the prosecution. The following section deals with some of the information that has been reported in the media. It should be noted that, in many cases, criminal prosecutions are ongoing and acquittals for some of the people identified remain possible.

Facilitators across a wide range of professions

The network invested its profits in businesses, projects and political careers. This enabled the criminal group to hide its money while at the same time increasing its patronage and influence.

The most serious revelation from Operation Black Tie is that Gačanin’s cartel seemingly tried to buy protection from state-embedded actors in Bosnia and Herzegovina. Among the 23 people arrested on suspicion of having links to the Tito and Dino clan are employees of the Federal Police Unit and the Intelligence-Security Agency of Bosnia and Herzegovina, who were charged with handing over documents to the cartel without authorization.¹² Another official is accused of allowing three special agents to safeguard Gačanin’s activities in exchange for a Rolex watch.¹³

It has also been alleged that investigations into criminals using the Sky app were obstructed by a senior official in the state prosecutor’s office. Diana Kajmaković, the deputy chief prosecutor previously leading the team on Sky app cases, was designated by

the US Department of the Treasury's Office of Foreign Assets Control in September 2022 for corruption and undermining democratic processes in the Western Balkans.¹⁴ In February 2024, Kajmaković was found guilty of using her position to obtain unjustified personal benefits, according to the High Judicial and Prosecutorial Council of Bosnia and Herzegovina.¹⁵

Radio Sarajevo has reported that, ahead of the 2020 Bosnian municipal elections, Gačanin sent a message on the app saying, 'No matter who wins politically, we win, because we have people everywhere.'¹⁶ The message, which was quoted in the prosecutor's statement, illustrates the extent of the cartel's political connections. Members of his network are even alleged to have discussed having a close associate of a state minister on their payroll.¹⁷

Media reports about the case reveal a wide range of actors from both the private and public sectors who were drawn into the cartel's web. An interesting aspect of Gačanin's apparent recruitment strategy was his selection of individuals who enjoyed the public's trust

and would never have been suspected of criminal activity, such as athletes, young politicians and activists.

As reported by local news portal Klix.ba, the public prosecutor's office revealed during the second court hearing in the 'Black Tie 2' case that a criminal network was allegedly formed between 2016 and 2021 to launder drug proceeds generated by the Tito and Dino cartel.¹⁸ The prosecutor contends that the network was led by Adnan Smajlović, nicknamed Verstappen on the Sky app, who allegedly operated under Gačanin's instructions.¹⁹ The prosecution alleges that in 2020, Smajlović was entrusted with paying cartel members and accomplices from a sum of €255 000 cash held in Sarajevo. Smajlovic has denied his involvement, but is in custody and the trial is ongoing.²⁰ A second amount used for cash payments was allegedly held in the Netherlands and managed by Husmir Gabeljić, whom the prosecutor has accused of involvement in money laundering and being a member of criminal group. The two 'treasurers' were reportedly required to keep detailed accounts of the money paid out and report back to Gačanin.²¹



Bosnia's State Investigation and Protection Agency has targeted suspected associates of cartel leader Edin Gačanin as part of Operation Black Tie.

Photo: State Investigation and Protection Agency

Another person who is alleged by the prosecution to have received money from Smajlović is Aida Halać, a gym owner and cantonal hospital employee in Zenica.²² Prosecutorial information from hearings, as quoted by Faktor, allegedes that Halać went by the nickname Griselda on the Sky app, after the prominent Colombian drug trafficker.²³ Smajlović allegedly gave Halać more than €15 000 to renovate her gym, and covered the expense of her helicopter pilot's licence with the intention of her being able to transport Gačanin.²⁴ She is also accused of receiving money for her campaign to become a member of the city council of Zenica, which was successful.²⁵ In return, as the decrypted communications have revealed, she pledged unwavering loyalty to Gačanin, even reportedly saying that she would be willing to kill for him.²⁶ According to reporting from *Dnevni avaz*, in exchange for her allegiance, Gačanin swore to eventually make Halać the first women mayor of Zenica.²⁷ Halać allegedly played an important role for Gačanin in his money laundering operations, particularly through real-estate purchases. This is thought to have been made possible with the assistance of her close friend, the director of a bank who, according to Hercegovina.info, facilitated the integration of the illicit funds into the financial system.²⁸ Halać has been accused of being part of organized criminal group and is currently in custody. She has denied the allegations against her.²⁹

Adna Helić, a well-known social media influencer and owner of a spa and beauty business, is also suspected of having received money from Smajlović and of having helped launder illicit proceeds from drug trafficking, according to correspondence reported on by Klix.ba.³⁰ Klix.ba has also reported that, according to statements made in the court hearing by the public prosecutor, Helić is also accused of having transported €200 000 in cash from Dubai to Bosnia and Herzegovina on behalf of the cartel, charging 6%–7% commission for her services, which she allegedly used to invest in her businesses in Sarajevo.³¹ Helić has denied the allegations and been released.³²

Besides accomplices in the security sector and the private sector, it appears that civil society was also implicated in money laundering. Fokus.ba has reported that, according to the public prosecutor's case presented at a court hearing, the Tito and Dino cartel had an interest in founding civil society organizations to

influence local politics, for example, through funding community projects and influencing local media, even planning to buy some media outlets.³³

Another co-accused in the Black Tie case is businessman Sančez Jukić, who has been exposed through Sky app messages as one of Gačanin's alleged accomplices. According to reporting by Klix.ba, Sky app messages reveal that Jukić allegedly received more than €25 000 from Smajlović.³⁴ The news outlet notes that Jukic has been accused of international cocaine trafficking in large amounts but has denied all accusations.³⁵ He was allegedly instructed by Gačanin to travel to Durban, South Africa, for a project known as Satwa, which is believed to have involved him handling logistical tasks such as receiving containers of cocaine from Peru and Colombia, and establishing a local server for a communications app named Circle, which the group planned to launch as an alternative to Sky.³⁶

According to the prosecutor's case, as cited by Klix.ba, IT expert Boško Jerković was tasked with setting up the new secure system for communication to help eliminate the group's reliance on the Sky app.³⁷ Jerković, who reportedly maintained direct contact with Gačanin, was allegedly responsible for distributing 14 servers across 12 locations in Dubai and Bosnia and Herzegovina to create a private cloud for secure communications.³⁸ He was also allegedly tasked with recruiting new cartel members with IT and programming skills.³⁹ If the criminal network had indeed launched its secure platform as planned, it would have been extremely difficult for law enforcement to infiltrate.

While Gačanin remains at large, Operation Black Tie has succeeded in disrupting some of the criminal activities of the Tito and Dino cartel, exposing the interface between the underworld and the upperworld of business and politics. Reducing the influence of organized crime in Bosnia and Herzegovina and other parts of the Western Balkans will require not only improved law enforcement and the kind of international cooperation that made this operation possible, but also addressing the enabling factors that have created an ecosystem that is fertile for organized crime. This includes strengthening integrity and anti-corruption measures, reducing illicit financial flows, monitoring political party funding, and increasing vigilance in public institutions against the potential infiltration of criminal actors and illicit economies.

Notes

- 1 Joseph Cox, Belgian police say they decrypted half a billion 'Sky' messages, arrested 48 people, *Vice*, 10 March 2021; Azem Kurtić, Blue barrels, watertight bags: From Bosnian refugee to international drug kingpin, *Balkan Insight*, 29 May 2024; Douwe den Held, Was a super cartel really controlling Europe's drug trade?, *InSight Crime*, 29 November 2022.
- 2 Aplikaciju Sky u BiH je koristilo 2200 političara, biznismena, policajaca..., *Bljesak.info*, 21 May 2023.
- 3 Europol, Heat is rising as European super cartel is taken down in six countries, 15 March 2023.
- 4 Zdravko Ljubas, Bosnia cracks down on international drug cartel; police officials among suspects, *Organized Crime and Corruption Reporting Project (OCCRP)*, 22 April 2024.
- 5 US Department of the Treasury, Treasury targets actors in Bosnia and Herzegovina undermining stability and perpetuating corruption, 15 March 2023.
- 6 Šokantni detalji s ročišta u predmetu 'Black Tie 2': 'Pokušali su preuzeti državu!', *Fokus.ba*, 24 April 2024.
- 7 Europol, Global drug kingpin's inner circle taken down, 23 April 2024; Fatjona Mejdini and Fabian Zhilla, A safe haven in the Gulf: Balkan criminals, and their money, are hiding in the United Arab Emirates, *Global Initiative Against Transnational Organized Crime*, 19 April 2022; Zdravko Ljubas, Bosnia cracks down on international drug cartel: police officials among suspects, *OCCRP*, 22 April 2024.
- 8 A follow-up operation, Black Tie 2, lead to further arrests and seizures.
- 9 Europol, Global drug kingpin's inner circle taken down, 23 April 2024; SIPA blokirala račune jučer privedenim osobama, pretreseni sefovi, 'zamrznute' stotine hiljada KM, *Klix.ba*, 23 April 2024.
- 10 Kajganić: Potvrđene optužnice za više od 70 osoba po dokazima iz Sky aplikacije, *Dnevni avaz*, 29 May 2024.
- 11 Tužilaštvo iznijelo sumnje o ulogama petero uhapšenih u kartelu među kojima je i influenserica, *Klix.ba*, 24 April 2024.
- 12 Predmet 'Black Tie 2': Tužilaštvo BiH tvrdi da je organizovana kriminalna grupa imala namjeru 'preuzeti državu', *Klix.ba*, 24 April 2024.
- 13 Denaída Bašić and Melika Balihodžić, *Do koga nas je sve odvela 'Crna kravata': Od biznismena, policijskih službenika do poznatih doktora i influensera*, *N1 BiH*, 23 April 2024.
- 14 US Department of the Treasury, Treasury targets corrupt state prosecutor in Bosnia and Herzegovina, 26 September 2022; Nermina Kuloglija-Zolj, *Kajmaković bila koordinatorica tima za rad na Sky i Anom predmetima*, *Detektor*, 8 September 2023.
- 15 Emina Dizdarević Tahmišćija, *Nova suspenzija za tužiteljicu Dianu Kajmaković*, *Detektor*, 3 April 2024.
- 16 *Dnevni avaz*, 'Avaz' u posjedu novih Sky poruka / Tito piše: 'Naredbe se prate do smrti', 25 May 2024; *Objavljene nove prepiske iz Sky aplikacije: Kljako, politika – Behram i Tito otkrivaju strategiju*, *Radio Sarajevo*, 16 May 2024.
- 17 *Objavljujemo nove prepiske iz Skya: Behram – 'Neka Kljake nastave raditi za nas, da nismo džaba uložili 50 hiljada'; Tito: 'Ma kakvih 50 hiljada, to je smiješno'*, *Istraga*, 16 May 2024; *Miralem Aščić, Nove šokantne Sky poruke između Gačanina i članova narkokartela: 'Imamo čovjeka u CIK-u!'*, *Dnevni avaz*, 18 May 2024.
- 18 *Predmet 'Black Tie 2': Tužilaštvo BiH tvrdi da je organizovana kriminalna grupa imala namjeru 'preuzeti državu'*, *Klix.ba*, 24 April 2024.
- 19 *Ibid.*
- 20 *Ovo su argumenti odbrane uhapšenih u akciji 'Black Tie 2': Detaljno obrazložili poziciju branjenika*, *Klix.ba*, 26 April 2024.
- 21 *Detalji Tužilaštva o grupi iz akcije 'Black Tie 2': Osnovali firmu u Peuu i za izvoz voća pa izvezili kokain*, *Klix.ba*, 25 April 2024.
- 22 *Denaída Bašić and Melika Balihodžić, Do koga nas je sve odvela 'Crna kravata': Od biznismena, policijskih službenika do poznatih doktora i influensera*, *N1 BiH*, 23 April 2024.
- 23 *Tužilac citirao SKY poruke: Tito je narkonovcem od "Griselde" planirao napraviti prvu gradonačelnicu Zenice*, *Faktor*, 21 May 2024.
- 24 *Ibid.*
- 25 *City of Zenica, Saziv vijeća grada: Šta tužilac kaže o troje osumnjičenih u pritvoru i kako je kandidatkinja za vijeće u Zenici dobila novac za izbore*, *Klix.ba*, 25 April 2024.
- 26 *Sedin Spahić, Aida Halać, 'Griselda' sa Sky-a, pisala narkovodi Titu: Bila sam spremna likvidirati, Allaha mi, mnogo te poštujem*, *Dnevni avaz*, 25 May 2024.
- 27 *'Avaz' u posjedu Sky poruka, Gačanin pisao Aidi Halać: 'Ako Bog da bit ćeš gradonačelnica Zenice'*, *Dnevni avaz*, 21 May 2024.
- 28 *Sky prepiske otkrivaju narko novac se prao kroz gradnju i kupnju stanova, sudjelovala i direktorica banke*, *Hercegovina.info*, 27 May 2024.
- 29 *Ovo su argumenti odbrane uhapšenih u akciji 'Black Tie 2': Detaljno obrazložili poziciju branjenika*, *Klix.ba*, 26 April 2024; *Akcija Crna kravata: Šta su tužioci otkrili u Hong Kongu i Ujedinjenim Arapskim Emiratom?*, *Zurnal*, 21 May 2024.
- 30 *Tužilaštvo iznijelo sumnje o ulogama petero uhapšenih u kartelu među kojima i influenserica*, *Klix.ba*, 24 April 2024.
- 31 *Sud BiH odbio izreći mjere zabrane influenserki Adni Helić*, *Klix.ba*, 20 May 2024.
- 32 *Ibid.*
- 33 *Šokantni detalji s ročišta u predmetu 'Black Tie 2': 'Pokušali su preuzeti državu!'*, *Fokus.ba*, 24 April 2024.
- 34 *Šta tužilac kaže o troje osumnjičenih u pritvoru i kako je kandidatkinja za vijeće u Zenici dobila novac za izbore*, *Klix.ba*, 25 April 2024.
- 35 *Ovo su argumenti odbrane uhapšenih u akciji 'Black Tie 2': Detaljno obrazložili poziciju branjenika*, *Klix.ba*, 26 April 2024.
- 36 *Šta tužilac kaže o troje osumnjičenih u pritvoru i kako je kandidatkinja za vijeće u Zenici dobila novac za izbore*, *Klix.ba*, 25 April 2024.
- 37 *Gačanin je planirao uspostaviti vlastiti sistem komunikacije: 'Za tri mjeseca Sky nam neće trebati'*, *Klix.ba*, 30 April 2024.
- 38 *Ibid.*
- 39 *Ibid.*

Montenegrians continue to play a role in cocaine trafficking from Peru to Europe.

Since the initial years of the 2000s, Montenegrin criminals have played a role in cocaine trafficking from Peru. Recent operations targeting Montenegrin citizens illustrate ongoing cocaine trafficking from Peru to Europe, involving complex criminal networks and clans primarily comprised of Montenegrians, Serbs and Bosnians, but also Albanians. As coca cultivation expands in Peru, there is a risk that some of these organizations could grow their partnerships with Peruvian and Brazilian criminal groups.

Peru ranks as the world's second-largest producer of cocaine, following Colombia.¹ In 2022, 95 008 hectares were under coca cultivation in the country, marking an 18% rise from 2021 (80 681 hectares) and a substantial 54% increase from 2020 (61 777 hectares).² This expansion resulted from coca production extending beyond traditional areas along the Ene and Apurímac rivers into border regions such as Loreto, Ucayali and Puno.³ Cultivation of the coca leaf for unrefined consumption is legal in Peru, in line with traditional customs, but its transformation into cocaine is illegal, and government officials estimate that 90% of Peru's crop now serves illicit purposes.⁴

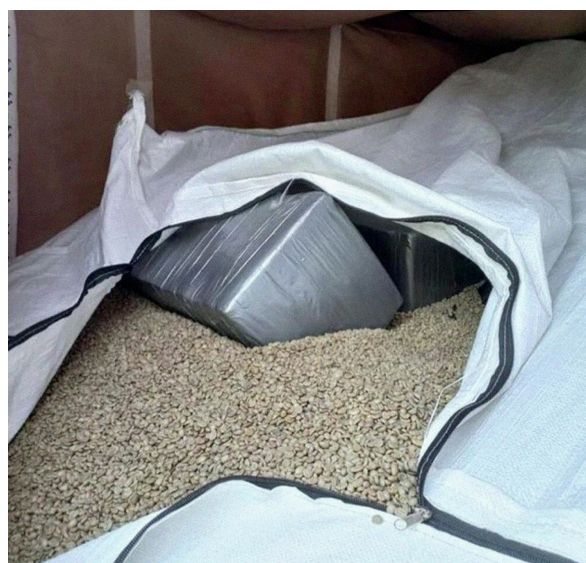
Balkan criminal networks, made up of criminal groups of Slavic origin that speak the Boshnian-Croatian-Montenegrin-Serbian language,⁵ rely on Peru extensively for purchasing cocaine.⁶ These networks of Serbian, Montenegrin, Bosnian and, to a lesser extent, Croatian citizens, excel in moving cocaine from Latin America to Europe, utilizing key ports in Ecuador, Spain, the Netherlands, Belgium, Germany and the Adriatic Sea.⁷ Comprising approximately 50 cells,⁸ according to Europol, the networks operate flexibly and recruit easily.⁹ As a result, Peru plays a vital role as a source country for cocaine for Montenegrin drug traffickers, who mainly supply Western Europe, but also Southern Europe.

The Kavač and Škaljari clans are alleged to be the two strongest criminal organizations from Montenegro involved in transnational cocaine trafficking.¹⁰ In December 2022, the Montenegrin prosecution indicted members of the Kavač clan and its leader Radoje Zvicer. According to the indictment, the clan used Peru to purchase cocaine and transport it by sea to Europe for

further sale.¹¹ Clan members also allegedly distinguished cocaine from Peru by referring to it in the feminine gender and stating that cocaine from this country is whiter and more expensive than cocaine from other countries.¹² They also allegedly packaged the cocaine in rectangular-shaped packs, weighing about one kilogramme each, referred to as 'cubes' in communications.¹³ Many of these packages were wrapped in vacuum-sealed nylon with seals bearing different names indicating their countries of origin, including Peru, according to the indictment.¹⁴

The Škaljari clan was also suspected of involvement in cocaine trafficking from Peru. In August 2021, for example, Peruvian authorities seized over 2 tonnes of high-purity cocaine valued at US\$90 million, which Blic reports is thought to have belonged to the Škaljari clan.¹⁵ The contraband was intended for shipment from Callao to Belgium. The drugs were hidden in an export container among organic coffee, packaged in rectangular parcels with various inscriptions.¹⁶

Darko Šarić, a Montenegrin trafficker who was in 2015 sentenced by a Serbian court to 20 years in prison for smuggling 5.7 tonnes of cocaine across South America and into Europe,¹⁷ was a key early player in making



In August 2021, Peruvian authorities seized over 2 tonnes of cocaine hidden in a container of coffee.

Photo: Prosecutor's Office of Peru via Blic

connections in Peru. According to testimony from a former member of the group, Šarić sourced cocaine from crime groups in Peru along with Colombia and Bolivia.¹⁸ Another former member stated that Šarić's organization was led by Montenegrins and Serbs, and further noted that Croats hold the lowest positions in the hierarchy, dealing largely with transportation.¹⁹

More recently, in October 2023, the Peruvian police conducted a targeted operation against the criminal group Roll Royce, allegedly led by Nikola Berishaj (also known as Baba, a Montenegrin citizen of the Albanian minority).²⁰ He is suspected of working as an intermediary for Albanian drug traffickers.²¹ The operation resulted in the seizure of 114 bricks of cocaine worth over US\$10.4 million. Berishaj, apparently disguised as a reverend in an evangelical church, stands accused of conspiring to ship the cocaine through the Peruvian port of Callao, having allegedly already completed at least one drug shipment to Europe with the assistance of Peruvian associates.²²

The case of Goran Gogić, a former heavyweight boxer from Montenegro, is another interesting example. In October 2022, prosecutors in New York unsealed an indictment against Gogić charging him with three counts of violating the Maritime Drug Law Enforcement Act, after US authorities intercepted 20 tonnes of cocaine on its way from Colombia to Europe.²³ The trafficking operation was intricate, involving loading cocaine onto commercial cargo ships under the cover of night near coasts and ports, using speedboats and the ship's equipment, including cranes and nets, according to

prosecutors. Cocaine was concealed in specific shipping containers with counterfeit seals, and the operation heavily relied on accessing the crew, along with route, manifest, and real-time positioning data, the prosecutors added. Substantial amounts of cocaine linked to this scheme were also seized at ports in Peru.²⁴

There have also been cases of cocaine smuggled by post from Peru to Montenegro. In August 2017, Peruvian cocaine intended for distribution in Montenegro was seized.²⁵ The smuggling operation involved concealing 66 smaller packages of high-purity cocaine inside legal shipments of wooden coasters.²⁶

Looking ahead, there are risks that Balkan criminal groups will further capitalize as coca cultivation expands in Peru and security deteriorates in other parts of Latin America. As in Colombia and Ecuador in the past, Balkan criminal groups could form alliances with local Peruvian criminal groups which could call upon the services of these sometimes violent Balkan gangs. Well-connected Balkan criminal groups might also act as go-betweens for Peruvian and Brazilian groups, including by using their existing ties with Brazil's criminal underworld to exploit the spread of coca production in Peru to the Ucayali region, close to the border with Brazil.²⁷ Increased coca cultivation, enhanced port infrastructure²⁸ and greater criminal activity in Peru as a result of increased law enforcement attention in Brazil, Colombia and Ecuador are all warning signs that Peru could become a growth market for criminal groups from Montenegro and other parts of the Western Balkans.²⁹

Notes

- 1 United Nations Office and Drugs and Crime, Global report on cocaine 2023: Local dynamics, global challenges, March 2023, p 51.
- 2 Comisión Nacional para el Desarrollo y Vida sin Drogas, Perú, Monitoreo de cultivos de coca 2022, June 2023, p 55.
- 3 Ibid.
- 4 Peru's coca leaf cultivation reaches record high in 2022, Al Jazeera, 27 June 2023.
- 5 Other criminal groups from the Balkan region are Albanian-speaking, predominantly composed of Albanian nationals from Albania, North Macedonia and Kosovo. In Montenegro, Albanians form the largest non-Slavic ethnic group, making up around 5% of the total population.
- 6 Furthermore, law enforcement in Peru has detected the presence of the Sinaloa and Jalisco New Generation cartels from Mexico, as well as elements of the Italian mafia such as the 'Ndrangheta and Camorra. See Perú estima que cada año entra medio millón de toneladas de coca pura en Europa, Libertad Digital, 2 November 2021.
- 7 Saša Đorđević, Balkanski kartel – razbijanje mita: Braća po narkoticima, *Vreme*, 13 October 2021.
- 8 Gabriel Stargardter, How Balkan gangsters became Europe's top cocaine suppliers, Reuters, 2 May 2024.
- 9 Ruggero Scaturro and Walter Kemp, Portholes: Exploring the maritime Balkan routes, Global Initiative Against Transnational Organized Crime (GI-TOC), July 2022, p 26.
- 10 Saša Đorđević, A criminal underworld of Montenegro, LinkedIn, 27 April 2022.
- 11 Indictment of the Special State Prosecutor's Office of Montenegro against Radoje Zvicer and 10 other persons, Podgorica, KI-S No. 172/22, 30 December 2022.
- 12 By referring to the cocaine as Peruanka (feminine) instead of Peruanac (masculine), they are implying that it is better or nicer.
- 13 Ibid.
- 14 Ibid.
- 15 2 tone kokaina krili u kafi: Propao plan crnogorske mafije, droga im zaplenjena, od škaljaraca ni traga, Blic, 13 August 2021.

- 16 AFP, Police in Peru seize more than two tonnes of cocaine valued at \$90 million that was to be transported to the seaport of Belgium from the seaport of Callao, Twitter/X, 12 August 2021.
- 17 Serbia sentences Balkan drug trafficker to 20 years in jail, Reuters, 13 July 2015.
- 18 Bojana Jovanović and Stevan Dojčinović, Indictment of Montenegrin businessman details drug trafficking, Organized Crime and Corruption Reporting Project, 8 February 2013.
- 19 Ibid.
- 20 The ethnic composition of Montenegro includes Montenegrins, Serbs, Bosnians and Albanians. This diversity makes criminals in this country quite versatile and well-connected with other criminals in the Western Balkans.
- 21 Buenos Días Perú, Gran operación policial desmantela mafia de narcotráfico, YouTube, 18 October 2023.
- 22 Cae parte de 'Los Roll Royce': mafia de narcotráfico estaba a punto de enviar droga valorizada en 10 millones de dólares, Panamericana, 18 October 2023.
- 23 US Attorney's Office, Eastern District of New York, Montenegrin national charged in Brooklyn Federal Court with maritime narco-trafficking of over 20 tons of cocaine, 31 October 2022.
- 24 Ibid.
- 25 Kokain iz Perua poštom stigao u CG, RTCG, 17 August 2017.
- 26 Ibid.
- 27 Neil Giardino, Peru's cocaine trade overruns remote Indigenous territory, Al Jazeera, 25 July 2023.
- 28 Aakriti Dubey, 5 major ports in Peru, Marine Insight, 4 February 2022; Business News Americas, Peru's port sector in for a busy 2024, 7 February 2024.
- 29 See, for example, Felipe Botero Escobar, Organized crime declares war: The road to chaos in Ecuador, GI-TOC, 2 February 2024.

Western Balkan criminal groups maintain a significant presence in Germany.

Europol's latest assessment of criminal networks, published this April, notes that organized groups from the Western Balkans retain a significant presence in the EU, particularly in Germany.¹ Since 2020 and 2021, the law enforcement takedowns of EncroChat and Sky ECC – encrypted messaging applications favoured by criminals – have spurred arrests,² including of criminals from the Western Balkans in Germany. These and other cases show that criminals from the Western Balkans are active players in Germany's drug markets, as well as in human trafficking and money laundering; a picture corroborated by a deep examination of police statistics.

Thanks to data harvested from Sky ECC, Milivoj Todorovic, from Bosnia and Herzegovina, was arrested in November 2022 in Frankfurt am Main, on suspicion of drug trafficking through connections to Montenegro's Škaljari clan, which N1 reports is a major player in shipping cocaine into and through Europe.³ In another case built on intelligence from the Sky messaging app, in July 2022 Germany extradited Savo Marinković – who was already serving a prison term for drug trafficking – to Bosnia and Herzegovina through an INTERPOL Red Notice, on suspicion of the 2018 murder of two police officers in Sarajevo;⁴ his trial is ongoing.⁵

Statistics from the Bundeskriminalamt (Germany's Federal Criminal Police Office) for 2021 and 2022 show that Albania ranks among the top five foreign contributors of organized criminals operating in Germany, placing the country fourth after Turkey, Poland and Italy. Assessing organized crime groups by the nationality of their leading members, Albanian-led criminal groups rank second to predominantly Turkish groups among foreign criminal networks active in Germany.⁶

The picture is slightly more nuanced if drug-related organized crime is separated from organized crime cases in general. The most prevalent foreign groups involved in drug trafficking-related offences are Turkish, Polish and Albanian. When it comes to cocaine, Albanians constitute the biggest category of foreign offenders (15%).⁷ Albanian groups are also major players in Germany's cannabis market.⁸

One reason for the strong involvement of Albanian and other Western Balkan organized crime groups in the drug business and other criminal enterprises may be the large diaspora of people from the former Yugoslavia and Albania who emigrated to Germany in the 1990s. Another may be the networks that criminal groups from the Western Balkans maintain in Western European ports – a gateway for cocaine – as well as heroin and cannabis trafficked via the Balkan route.

Poly-criminal multi-national networks

Most of the criminal cells from the Western Balkans that are active in Germany appear to be part of wider multi-national networks, dispelling the myth of a monolithic 'Balkan cartel'. When the German national police or joint operations through Europol net large numbers of organized criminals, Balkan citizens often figure among those arrested. For example, in May 2023, Europol coordinated an international operation that resulted in the arrest of 37 people, several of whom were from the Western Balkans, including an alleged kingpin from Bosnia and Herzegovina who was already serving a four-year sentence in Italy.⁹ In June 2023, Eurojust and Europol supported authorities in Germany, Italy and the Netherlands in dismantling a drug trafficking network that authorities say comprised mainly Albanian nationals; 35 suspects were arrested. This criminal network is accused of trafficking cocaine and cannabis with a combined market value of more than €1 billion from South America to Europe.¹⁰

In October 2023, a major drug trafficking ring was broken when dozens of suspects were arrested and several hundred kilograms of cocaine were seized from a network spanning the German federal states of Hesse, North Rhine-Westphalia, Baden-Württemberg as well as Croatia and Poland. Among those arrested were citizens of Croatia, Serbia, Bulgaria, North Macedonia and Montenegro.¹¹ In February 2024, Italian and Albanian authorities, in joint efforts aided by Eurojust and Europol, conducted a major operation that led to the arrest of 59 suspects, including individuals in Albania, Italy, Germany and the UK. This network stands accused of smuggling heroin, cocaine, hashish and cannabis into Germany and Spain using vehicles equipped with concealed compartments.¹² These operations show how

Germany is both a large retail market for drugs as well as an important transshipment point for wholesale transactions in cocaine for distribution within Europe and beyond.

The above-mentioned cases clearly show that criminal networks increasingly cooperate beyond ethnic boundaries, overcoming traditional cleavages to the profit of all networks involved. The cases also show the transnational nature of the networks. For example, in the case of cocaine, organized criminal groups from the Western Balkans have good contacts with criminal groups at the source of supply in Latin America, wholesale distribution points (including through the port of Hamburg) and retail distribution locations in other European countries.

Balkan criminal groups are known to have good links with Italian and Turkish mafia organizations. More generally, they are known as clever entrepreneurs in the drug trade. According to a former US Drug Enforcement Administration official, criminals from the Balkans are 'more than happy to work with the Israelis, the Dutch, the Swedes, the Dominicans and the Chinese ... [They] work with everyone.'¹³

Criminal ecosystems vary considerably across Germany. While in some cities so-called clan-based – usually Arab, Turkish or Kurdish – organized crime networks are dominant (e.g. in Berlin), in others Albanian or other Western Balkan dominated groups control a significant share of profitable illicit markets (e.g. in Hamburg).¹⁴ Even in big cities such as Berlin and Frankfurt am Main, where Balkan groups are junior partners, they are apparently adept at cutting deals with more powerful groups.¹⁵

In Hamburg, Albanian, Serbian and Montenegrin organizations are widely considered the most powerful groups, particularly those engaged in cocaine trafficking, while groups predominantly composed of nationals from Kosovo, North Macedonia and Bosnia and Herzegovina are regarded more as fixers or engaged in transportation.¹⁶ Croatian organized crime groups have a strong presence in Germany, again stemming in part from the large Croatian diaspora that grew as a result of migration during the wars in Yugoslavia in the 1990s.

While criminal groups from the Western Balkans seem to be able to work well with groups made up of people of different nationalities, they also have a reputation for violence. According to 2023 federal data, Albanian



An international law enforcement operation in May 2023 resulted in the arrest across Europe of 37 members of a criminal group, among them Western Balkan nationals.

Photo: Europol

offenders ranked fourth in terms of the number of suspects found to be armed when arrested for drug trafficking-related offences.¹⁷ Organized violence in Germany sometimes stems from disputes between groups from the Balkans, such as the bloody conflict between the Škaljari organization and the Kavač, another Montenegrin clan.¹⁸ In May 2019, for example, two men were murdered in Forst, Germany, in an incident reportedly linked to that clan war.¹⁹

Other types of crime

In addition to drug trafficking, criminal groups from the Western Balkans are alleged to be involved in racketeering and human trafficking, particularly for sexual exploitation. Individuals from the Western Balkans have been active in outlaw motorcycle gangs in Germany.²⁰ Particular media attention has focused on the United Tribuns motorcycle gang, which was founded in 2004 by Armin Ćulum,²¹ a Bosnian-born former boxer. Many of the gang's members originate from Bosnia or other parts of the Western Balkans. The group, also known as the Balkan Brothers Herkunft,²² became notorious for human trafficking, specifically for sexual exploitation, as well as for assassinations.²³ They even competed with local chapters of the Hells Angels and Bandidos. In 2022, Germany banned United Tribuns on the grounds that the group posed a severe public threat and was responsible for a series of criminal acts.²⁴

In February 2022, German police dismantled a network of car thieves from Bosnia and Herzegovina who were suspected of stealing €1.5 million worth of luxury cars, mostly in Lower Saxony, North Rhine-Westphalia and Hesse.²⁵ In April 2023, six Serbs were arrested in Berlin for stealing luxury cars.²⁶

In February 2024, police in Darmstadt broke up an alleged criminal network of Balkan nationals who were involved in smuggling people into Germany for illegal employment, mostly on construction sites. Three Serbians and three Croatian citizens were arrested as

well as a Montenegrin, a German and a citizen of Bosnia and Herzegovina, on suspicion of tax evasion worth €10.4 million in connection with this case.²⁷

Criminal actors from the Western Balkans are also involved in money laundering, either moving money made in Germany back to the Balkans or investing their illicit gains into licit businesses, real estate or cryptocurrencies.²⁸ German authorities have found it difficult to fully understand the scope of money laundering, but they believe it increased between 2021 and 2022. Organized criminal groups in Germany accumulated at least €998 million of illegal proceeds, and invested around 45% of the funds in cryptocurrencies to launder the profits, according to case data compiled by authorities. Additionally, in 2022, out of 19 active national money laundering investigations, one involved an organized criminal group dominated by Albanians and another by individuals from Bosnia and Herzegovina.²⁹

Conclusions

Police have made significant progress following the decryption of the Sky ECC application, and ongoing investigations are expected to result in more arrests of Balkan criminals operating in Germany. However, there remains a need for more joint law enforcement investigations, involving agencies from the Western Balkans, and enhanced collaboration between regional prosecutors' offices. Additionally, the large number of Western Balkan nationals with dual citizenship working in the EU, especially in Germany, complicates law enforcement efforts to track criminal activities, particularly in terms of money laundering and cash smuggling to the Balkans. The need for greater impetus is highlighted by the Global Initiative Against Transnational Organized Crime's Global Organized Crime Index. Germany's resilience to organized crime, while relatively high, is decreasing; the country's score on this metric fell from 7.67 in 2021 to 7.50 in 2023.³⁰

Notes

- 1 Europol, Decoding the EU's most threatening criminal networks, 5 April 2024.
- 2 Europol, Dismantling of an encrypted network sends shockwaves through organised crime groups across Europe, 2 July 2020; Europol, 800 criminals arrested in biggest ever law enforcement operation against encrypted communication, 8 June 2021.
- 3 A drug cartel member from Bosnia arrested in Frankfurt, N1, 8 November 2022.
- 4 U BiH izručen Savo Marinković, osumnjičen za ubistvo sarajevskih policajaca, N1, 27 July 2022; Uhapšen osumnjičeni za ubistvo dvojice sarajevskih policajaca, Radio Free Europe/Radio Liberty, 2 February 2022; Borka Cerić, Advokat Tomić za 'Avaz': Savo Marinković je pucao policajcima u glavu, Avaz, 26 December 2021.
- 5 Marko Trifkovic pleaded guilty in the case of the murder of Sarajevo policeman, Sarajevo Times, 27 May 2024.
- 6 German Federal Criminal Police Office, Organized Crime – National Situation Report 2022, 17 November 2023.

- 7 Meanwhile, 44% of cocaine offenders were German. German Federal Criminal Police Office, *Rauschgiftkriminalität Bundeslagebild 2022*, 24 October 2023.
- 8 Ibid.
- 9 Europol, 37 arrested as violent Balkan criminal cell taken down, 25 May 2023.
- 10 Europol, Strike against an Albanian drug trafficking network in Germany, Italy and the Netherlands, 23 June 2023.
- 11 *Festnahmen und Durchsuchungen bei Razzia gegen Drogenhandels-Netzwerk*, Hessenschau.de, 11 October 2023.
- 12 European police arrest dozens of drug trafficking suspects, Deutsche Welle, 6 February 2024.
- 13 *Balkankartell, Hauptlieferant von Kokain in Europa*, Koha, 10 May 2024.
- 14 Interview with a German investigative journalist, 5 February 2024, by email.
- 15 Interview with a source from the criminal underworld, Frankfurt, 2 April 2024.
- 16 Interview with a researcher, Hamburg, 4 March 2023, online.
- 17 German Federal Criminal Police Office, Organized Crime – National Situation Report 2022, 17 November 2023.
- 18 Walter Kemp, Making a killing: What assassinations reveal about the Montenegrin drug war, GI-TOC, July 2020.
- 19 Bodo Baumert, *Balkanbanden ziehen ihre blutige Spur durch Europa*, *Lausitzer Rundschau*, 30 November 2020; *Mordfall in Brandenburg angeblich mit Kotor-Mafia verknüpft*, *Tiroler Tageszeitung*, 14 May 2019.
- 20 German Federal Criminal Police Office, Organized crime: National situation report 2021, 29 September 2022; German Federal Criminal Police Office, Organized crime: National situation report 2022, 17 November 2023.
- 21 Kate Connolly, Germany bans 1,700-strong ‘rocker’ gang for violent crime links, *The Guardian*, 14 September 2022.
- 22 Viplebenslauf, *Balkan Brothers Herkunft*, 7 March 2022.
- 23 Walter Kemp, Transnational tentacles: Global hotspots of Balkan organized crime, GI-TOC, July 2020.
- 24 Germany raids, bans Hells Angels rival United Tribuns, Reuters, 14 September 2022.
- 25 Europol, Arrest in Germany of 3 suspects involved in theft of EUR 1.5 million worth of vehicles, 23 February 2022.
- 26 Sofija Bogosavljev, *Uhapšeno šest Srba u Nemačkoj – Provaljivali u automobile, jedan se smejao nakon hapšenja i pozirao sa liscama na rukama*, Blic, 1 April 2023.
- 27 *Uhapšeni i državljani BiH: Nijemci razbili bandu koja je utajila 10 miliona evra*, *Nezavisne*, 21 February 2024.
- 28 FBI, What we investigate: Transnational organized crime.
- 29 German Federal Criminal Police Office, Organized crime: National situation report 2022, 17 November 2023.
- 30 GI-TOC, Criminality in Germany, Global Organized Crime Index 2023.

South Eastern Europe is beset by cash smuggling across its borders.

Transporting cash across international borders is one of the oldest forms of money laundering and is still widely used today. Many illicit transactions are cash-based and many types of crime are transnational, so smuggling cash across frontiers fuels criminal activities, including in South Eastern Europe. By transporting large amounts of banknotes in luggage or vehicles, criminals can avoid leaving a paper trail and very largely evade detection by law enforcement and financial institutions. Seizures at key border points across the region indicate smuggling is on an upward trend, and recent EU efforts to tackle the problem risk being lopsided, unless complemented by enhanced efforts in the Western Balkans.

Intensified physical smuggling of cash is indicated by, for example, couriers moving drug profits from the UK to Albania, as well as in both directions along the Balkan route, notably across the border between Bulgaria and Turkey. Since Russia's full-scale invasion of Ukraine in February 2022, there has also been an increase in attempts to move and launder money into the Western Balkans from Ukraine and Russia.

The use of cash has been declining for years, but not for criminals. Despite the growth in electronic transfer channels, including new cryptocurrency services, bulk cash smuggling remains a favoured method for criminals to move illicit funds. Along with the absence of a paper trail, this method avoids the costs of electronic transfer agencies such as Western Union and MoneyGram.¹ To move large amounts of cash, vehicles are often adapted to include special compartments.

Smuggling cash not only enables tax evasion and money laundering, but it can also fund other types of crime, terrorist acts and political corruption. Countries are therefore paying greater attention to going after the proceeds of crime. For example, the EU in April issued Directive (EU) 2024/1260, which includes enhanced powers for cross-border cooperation, streamlines procedures for freezing and confiscating assets, and incorporates provisions to target not just individuals but also legal entities involved in illicit activities.² The UK, meanwhile, has long used the (2002) Proceeds of Crime Act to confiscate undeclared cash.³

Cash smuggling hotspots

Seizures suggest that smuggling of cash to Albania is a problem. On 13 April 2024, four alleged members of an organized criminal group were arrested at the British port town of Dover and approximately £200 000 in cash was seized in a van bound for Tirana. Police suspect that the group operates under the guise of a legitimate courier company to smuggle cash from the UK to Albania.⁴ This is not an isolated incident. According to Albanian customs, about €2 million, £452 000, US\$166 000 and 50 000 Swiss francs were confiscated across the course of 2023, nearly double the amount of cash seized in 2022.⁵ Investigations have revealed that the international airport in Tirana and the port of Durres are the main crossings through which significant amounts of undeclared money have passed.⁶

A considerable amount has also been seized in Serbia. Between 2020 and 2023, more than €13 million in cash was seized at the Serbian border, predominantly from foreign nationals.⁷ The largest cash seizure in the last 10 years came in June 2022, when customs and police thwarted an attempt to smuggle more than €700 000 and two emeralds at the Preševo border crossing between Serbia and North Macedonia.⁸ In another spectacular haul, customs officers at the Kelebija border crossing between Serbia and Hungary in June 2023 confiscated three German bearer bonds worth €5 million, along with foreign currency worth €117 000.⁹ Customs officials highlight various methods used to smuggle money, noting that travellers often conceal cash on their body (including in belts around the waist or underwear), pack it in luggage, or hide it in vehicle compartments.¹⁰

There have been repeated substantial recent seizures of cash along the Balkan route, an established pathway for smuggling heroin into Europe from Afghanistan via Iran and Turkey. For example, on 28 February 2023, a Turkish-registered lorry, travelling from the Netherlands to Turkey, was seized by Bulgarian authorities at the Turkish border with nearly €700 000 in smuggled currency hidden in the vehicle.¹¹ In March 2023, customs officers at the Kapitan Andreevo border checkpoint between Bulgaria and Turkey found undeclared currency worth the equivalent of

approximately €1 million in three vehicles attempting to cross the border.¹² In March 2021, customs officials discovered the equivalent of €741 433 in four trucks at the same border checkpoint. The largest single find was €440 000 in a Turkish truck's refrigeration unit.¹³ Two more Turkish trucks hid Bulgarian levs to the current value of around €205 000 in a refrigeration unit and driver's dashboard drawer.

The Russia connection

Russia's invasion of Ukraine has created additional challenges, ranging from capital flight via cash smuggling from both countries and the laundering of profits by organized criminals who are increasingly exploiting the vulnerabilities of Ukraine's war economy. The Western Balkans is a natural destination for such flight, since illicit capital moves in and out of the region in every direction and on a staggering scale, enabled by an ecosystem of state capture, organized crime and a rampant shadow economy.¹⁴ Some of this capital flight takes place through airports. Belgrade and Istanbul remain key hubs for flights to and from Moscow and transit hubs for the Western Balkans.

Seizures at land borders, meanwhile, have been substantial. A month into the war in Ukraine, the wife of a former Ukrainian MP was allegedly caught by Hungarian border guards at a crossing for refugees carrying US\$28 million and €1.3 million as she tried to enter the country.¹⁵ In another incident, an ex-general of the Security Service of Ukraine, accused of being a Russian collaborator, was detained at the border between Serbia and North Macedonia with €600 000 in cash, a large sum in US dollars, and emeralds and

diamonds of an undisclosed value.¹⁶ In late 2022, two Ukrainians were detained at the Lesovo border crossing with Turkey trying to smuggle gold worth more than €0.5 million.¹⁷ On 3 March 2023, bundles of Ukrainian banknotes worth at least €0.8 million at the time (over 32 million Ukrainian hryvnia) were discovered in a passenger minibus traveling from Turkey to Moldova through Bulgaria.¹⁸

Running out of gas

In many countries, including EU nation states, if an individual carries cash exceeding €10 000 across a border, the money must be declared to a competent authority. In some cases, travelers are genuinely unaware of the rules, making it easier for cash smugglers to feign ignorance, at least when caught for the first time. Donors are working with countries in the region to increase awareness of the problem and strengthen technical assistance. For example, the EU, the Council of Europe and the German government have supported the Albanian customs directorate and state police in launching an awareness campaign to inform travelers about the rules on transporting money into and out of Albania. Donors have also provided a new high-tech luggage scanner as well as a team of dogs specially trained to sniff out cash in luggage as well as drugs.¹⁹

Some countries are also updating their legislation. For example, in September 2023 Bulgaria amended its criminal code introducing two new criminal offences aimed at strengthening the regulation of cash transportation across the national border. For a first offence, individuals failing to declare substantial amounts of cash, exceeding 140 times the Bulgarian minimum



On 13 April 2024, four alleged members of an organized criminal group were arrested at the British port town of Dover and approximately £200 000 in cash was seized in a van bound for Tirana.

Photos: UK National Crime Agency

monthly wage, face imprisonment for up to five years and a fine equating to one-fifth of the undeclared amount.²⁰ Discoveries over this threshold will trigger a pre-trial investigation and enable law enforcement to seize the cash. This is a substantial change from the previous penalty, which imposed only civil fines for amounts exceeding €10 000. For a second offence, individuals face prison terms ranging from one to six years, and the cash would automatically be confiscated for use by the state.

The UK government has been working with countries in the region to highlight the problem and share lessons learned from its domestic experience, for example with non-conviction based civil forfeiture processes made possible by the Proceeds of Crime Act. This Act allows the state to take a civil forfeiture case to court with a lower burden of proof than that required for a criminal case. The state simply has to prove to the judge that on the balance of probabilities the cash in question has either derived from, or will be used in, criminal activity. Factors such as the manner of transport, size of seizure, concealment methods and legitimate income or lifestyle of the owner can all be considered as evidence in a civil case. It is worth understanding that the focus is on the property itself rather than against an individual. In this sense, cash is considered a smuggled commodity more than an illicit financial flow. This process is easier and faster than conviction-based confiscation, which usually

requires that the predicate offence, in other words the illegal source of the funds, be proven.

Finally, under the UK's Asset Recovery Incentivisation Scheme, law enforcement agencies that seize cash are allowed to keep a percentage of it to fund activities in their community and to help victims of crime. In the 2022/23 UK financial year, £339.1 million of assets were recovered from confiscation, forfeiture and civil recovery orders.²¹ 'Money is the fuel that powers the engine of crime,' notes a UK official engaged in promoting this model in South Eastern Europe. 'We may not be able to take out all the drivers, but by confiscating the profits we can make the car run out of gas.'²²

However, in the absence of sufficiently complementary architecture or enforcement in the Western Balkans, the recent EU directive targeting cash smuggling could exacerbate the region's own vulnerability. By creating riskier conditions for criminal operations internally, the new regulations may drive illicit activities away from the EU's borders, most immediately towards the Western Balkans, unintentionally exacerbating instability on the bloc's doorstep. Given the added dimension of illicit capital flight driven by the war in Ukraine, the EU, UK and South Eastern European countries all have a common interest in further extending cooperation on cash smuggling crackdowns beyond their borders.

Notes

- 1 Vanya Petrova, Cash is king: Impact of the Ukraine war on illicit financial flows in South Eastern Europe, Global Initiative Against Transnational Organized Crime (GI-TOC), July 2023.
- 2 European Union, Directive (EU) 2024/1260 of the European Parliament and of the Council of 24 April 2024 on asset recovery and confiscation, April 2024.
- 3 UK Government, Proceeds of Crime Act 2002.
- 4 UK National Crime Agency, Four arrested on suspicion of smuggling money from UK to Albania, 15 April 2024.
- 5 *Mbi 2 mln euro, mijëra dollarë dhe paund të padëklaruar në kufij u sekuestruan nga doganat Shqiptare*, Politiko, 8 May 2024.
- 6 Албанската полиција на граничните премини за шест месеци запленила непријавени 1,5 милиони евра, Vecer, 3 July 2023.
- 7 Anesa Agovic and Dardan Kocani, Illicit financial flows in Serbia, GI-TOC, March 2024.
- 8 *Dva smaragda i više od 700.000 neprijavljenih evra pronađeni na prelazu Preševo FOTO*, Vranje News, 8 June 2022.
- 9 *Istorijska zaplena na Kelebijji, više od 15 miliona evra*, RTS, 15 June 2023.
- 10 Ministry of Finance of the Republic of Serbia, *Krijumčarenje novca: Serijal - Krijumčarenje Top 7*, YouTube, 5 September 2019.
- 11 EUR 699,000 in undeclared currency seized at border with Turkey, Bulgarian News Agency, 28 February 2023.
- 12 Customs officers find EUR1.5 million hidden inside a car, Radio Bulgaria, 24 March 2023.
- 13 Огромна сума валута спипаха в турски камион на ГКПП 'Капитан Андреево', Burgas Info, 23 March 2021.
- 14 Vanya Petrova, Cash is king: Impact of the Ukraine war on illicit financial flows in South-Eastern Europe, GI-TOC, July 2023.
- 15 Jenny Ese Obukohwo, Ukrainian politician's wife caught trying to smuggle \$28m, €1.3m cash into Hungary, The Street Journal, 22 March 2022; Will Stewart, Politician's wife accused of smuggling £22 million in cash out of Ukraine, The Times, 21 March 2022.
- 16 No extradition calls for Ukraine security service ex-chief held in Serbia, Balkan Insight, 6 September 2022.
- 17 Customs intercept undeclared currency worth BGN 400,000 at Lesovo checkpoint, Bulgarian News Agency, 23 February 2023.
- 18 Откриха недеklarирана валута за над 850000 лв. на границата с Турция, Хасково.НЕТ, 10 May 2023.
- 19 Council of Europe, Travelling with more than €10,000 in cash? Declare it!, 11 December 2023.
- 20 The minimum wage in Bulgaria equated to around €460 per month in 2023.
- 21 UK Government, Asset Recovery Statistical Bulletin: Financial years ending March 2018 to March 2023, 2023.
- 22 Interview with a UK official, 23 May 2024, online.

The legalized medical cannabis business in North Macedonia is at risk of criminal diversion.

North Macedonia legalized the cultivation of medical cannabis in 2016. Since then, the industry has boomed. As of March 2024, there were nearly 70 privately owned companies in North Macedonia registered for the cultivation of cannabis for medical use and the production of both cannabis buds and oil.¹ But Macedonia's cannabis business is vulnerable to corruption surrounding the issuing of licences and in the form of diversion of legally grown cannabis onto the black market.

While there is a steady yet limited demand for medicinal cannabis products in the Western Balkans, there is a significant illegal market for dry cannabis buds in the region. Indeed, cannabis is the most consumed drug in the Western Balkans.² North Macedonia is also a major transit hub for the trafficking of cannabis produced in Albania.³

There is concern that some of the market for illegal cannabis is being supplied from companies with licences to grow cannabis legally for medical use. Under the current Law on Control of Narcotic Drugs and Psychotropic Substances, cannabis grown in North Macedonia that is not used for medical purposes cannot be exported.⁴ Yet it seems that in many cases more cannabis is grown by licensed companies than is needed for legal export. An over-supply of a legally grown product for which there is a large black market creates obvious risks.

In the past few years, police in North Macedonia have taken actions against licensed companies for various transgressions, including the diversion of their produce for smuggling. In some cases, the actions have been taken to enforce the law against companies that have failed to meet required standards. This may either be the fault of the company or the result of lax regulation by the relevant bodies,⁵ namely the ministries of agriculture and health,⁶ along with a five-member special commission that is expected to track production and conduct inspections of each plantation at least twice a year.⁷ In other cases, the police have acted on suspicions that cannabis grown at licensed facilities

was being wittingly or unwittingly diverted onto the black market.

In a recent high-profile example, a police operation in North Macedonia in March 2024 targeted dozens of suspected criminals allegedly involved in the illegal production and distribution of drugs. Among those arrested was Boro Stojchev, also known as 'Boro Marlboro', a former mayor of Novo Selo.⁸ Stojchev's alleged involvement in cannabis smuggling drew public attention, not least since his son's company obtained a cannabis cultivation licence in 2020. Police raids as part of this operation in locations including Strumica, Gevgelija, Demir Kapija, Struga and Prilep seized over 100 kilograms of marijuana, leading to charges related to the unauthorized sale and distribution of the drug.⁹ Stojchev pleaded guilty and was sentenced to five years and three months in prison.¹⁰

Other raids and seizures have taken place based on business irregularities. In February 2022, for example, police raided a company legally growing cannabis for medical purposes in the town of Strumica and seized around 1.5 tonnes of cannabis due to 'irregularities' in the firm's operation. No arrests were ever made.¹¹

In the European summer of 2022, within a span of 48 hours, North Macedonian police conducted raids on two cannabis plantations near Lake Ohrid.¹² These plantations were licensed for medical cannabis cultivation, but police raids uncovered regulation violations that, according to an investigation by the Balkan Investigative Reporting Network, indicate that some of the legally grown cannabis may have been entering the illegal market.¹³

In April 2023, police intercepted 100 kilograms of premium-grade cannabis that, according to the interior ministry, is likely to have originated from a legitimate factory producing cannabis oil for medical use.¹⁴ Authorities estimated the street value of this haul, which they suspected was destined for the black market, at up to €600 000.¹⁵ The contraband was discovered in and seized from a car with Skopje licence plates; the vehicle



euros from a medical cannabis-producing company.¹⁷ Police reports cite suspicion of illegal activity centring on alleged attempts by company personnel to distribute drugs on the black market.¹⁸

In September 2023, authorities revoked the permits of three medical cannabis companies after a police inspection of a licensed cannabis cultivation facility in the village of Vrapchiste uncovered numerous irregularities.¹⁹ Security and surveillance cameras were absent, the perimeter fence was damaged, and the premises lacked electricity. Instead of registered employees, two unauthorized Albanian citizens were found. Inside the secure storage area, police seized 327.3 kilograms of dried cannabis flowers, packed in aluminium bags, which exceeded the legal limits. Additionally, 23.3 kilograms of excess cannabis were noted.

Also in Vrapchishte, on 15 December 2023, police seized 4 341 tonnes of cannabis, valued at over €10 million, from a legal entity. This seizure followed a government decision to revoke the licence of the company due to several irregularities uncovered during an inspection of the size of the area under cultivation, equipment and staff.²⁰

The cultivation of cannabis for medical use is booming in North Macedonia, but there is a risk that excess supply is being diverted to the black market.

Photos supplied

was stopped in Negotino and the driver allegedly attempted to flee before he was apprehended.¹⁶

On 6 July 2023, in the village of Sopot close to the town of Kavadarci, authorities confiscated 225 kilograms of cannabis and 1 000 cannabis buds worth half a million

In 2023, the police revoked eight licences of companies producing medical cannabis, according to data from the interior ministry.²¹ That year, 4.6 tonnes of cannabis were seized alongside 3 799 cannabis sativa plants.²² In 2022, the police revoked seven licences for companies operating in the industry, and in police operations actions against legal companies, 561.1 kilograms of cannabis were alongside 8 723 cannabis sativa stems.²³

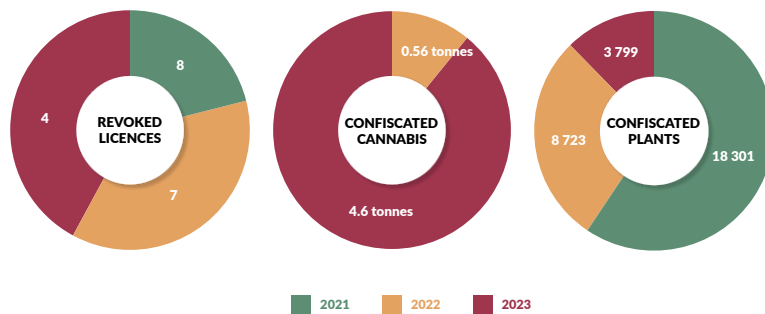


FIGURE 1 Revoked licences and confiscated items, 2021–2023.

Ministry of Internal Affairs, Annual reports 2022 and 2023

Year	VAT tax paid	Profit tax paid
2022	129.3 million denars (€2.1 million)	3.4 million denars (€53 800)
2023	181.3 million denars (€2.9 million)	33.9 million denars (€542 100)
Total	310.6 million denars (€5 million)	37.3 million denars (€595 900)

FIGURE 2 Taxes paid by medical cannabis companies in North Macedonia, 2022–2023.

Data collected from the Public Revenue Administration, 20 February 2024.

Issuing of licences vulnerable to corruption

Another weak link is the issuing of licences. While cultivation of medical cannabis was legalized in 2016 through amendments to the Law on Control of Narcotic Drugs and Psychotropic Substances,²⁴ it was only after former prime minister Zoran Zaev came to power in 2017 that the industry began to boom. He predicted that it would bring in revenues of €250 million and help boost employment.²⁵

The cannabis business has indeed been a cash cow for private companies and the state. Data from the Public Revenue Administration shows that in 2022 and 2023 companies in North Macedonia engaged in the cultivation of aromatic and medicinal plants and plants (for use in pharmacy) paid approximately €5 million in value added tax.²⁶ It is predicted that the market will continue to expand at an annual rate of 4.76% from 2024 to 2029, resulting in a sales volume of US\$37.90 million in five years.²⁷

At the same time, it appears that the granting of licences has also been a lucrative business, with state officials sometimes implicated.²⁸ According to a high-ranking police officer in Skopje, political connections are often required to obtain a licence and that this can be facilitated by bribes or political donations.²⁹

Implications for North Macedonia and beyond

North Macedonia's decision to legalize the cultivation of medical cannabis has brought lucrative rewards to the government and those involved in the business, but also risks, especially in terms of corruption surrounding the process of granting licences and the diversion of cannabis onto the black market, whether by insiders or third-party theft.

North Macedonia's experience highlights a central challenge of drug control at a time of growing liberalization of laws and attitudes towards cannabis use: how to regulate the difference between licit and illicit markets; and how to enforce the law when different countries have different laws, even within the same region, especially the size of the Albanian black market.

The country's situation also highlights a paradox in which some ministries profit from cannabis cultivation while the police spend time and resources on dealing with repercussions generated by the same business. This is a challenge that will be faced by North Macedonia's new government, following an election in May won by the centre-right, but the problem is not unique to this Balkan country.

Notes

- Who controls the cannabis factories?, *Vecer*, 4 March 2024.
- Observatory of Illicit Economies in South Eastern Europe, Lessons learned from cannabis legalization in North Macedonia, *Risk Bulletin*, Issue 5, Global Initiative Against Transnational Organized Crime, March 2021.
- Ibid.
- Marija Mitevska, How did legal marijuana end up in the hands of criminals?, *Radio Free Europe/Radio Liberty (RFE/RL)*, 23 December 2020.
- Interview with a North Macedonian underground figure, Skopje, 2 May 2024.
- North Macedonia Ministry of Health, Law on Control of Narcotic Drugs and Psychotropic Substances, *Official Gazette of Macedonia*, No 37/2016, Article 29-c.
- According to Article 29-b, paragraph 5, the commission is formed by the health minister. It is composed of two representatives from the Ministry of Health, one representative from the Ministry of Agriculture, one representative from the Agency for Medicines and Medicinal Products, and one specialist in the field of medicinal plants.
- Prosecutor's office: Detention for all those arrested in the 'Chibuk' action, two were already in prison, *Faktor*, 3 March 2024.
- Ibid.
- Srdjan Stojanchev, Боро Марлборо веќе осуден, а им скрои капа на врховен судија и член на Советот на јавни обвинители, *Telma*, 21 May 2024.
- N. Macedonia medical marijuana firm raided, 1.5 tons seized, *Associated Press*, 9 February 2022.

- 12 Vlado Apostolov, Jelena Veljkovic and Besar Likmeta, Crime ties exposed in North Macedonia medicinal cannabis boom, *Balkan Insight*, 28 March, 2023.
- 13 Ibid.
- 14 The Ministry of the Interior seized legal marijuana destined for the black market, RFE/RL, 6 April 2023.
- 15 Ibid.
- 16 Ibid.
- 17 The Ministry of the Interior seized 225 kilograms of drugs worth half a million euros, A1on, 6 July 2023.
- 18 Ibid.
- 19 Miroslava Simonovska, Companies for medical cannabis were left without permits, *Sloboden Pečat*, September 2023.
- 20 Ivan Kolekevski, Police seize over 4.3 tons of marijuana in Gostivar region, MIA, 15 December 2023.
- 21 Ministry of Internal Affairs, Annual report 2023, 20 March 2024.
- 22 Ibid.
- 23 Ministry of Internal Affairs, Annual report 2022, 17 March 2023.
- 24 David Segal, North Macedonia waits for a green light, and a lucrative high, *The New York Times*, 9 September 2021.
- 25 Vlado Apostolov, Jelena Veljkovic and Besar Likmeta, Crime ties exposed in North Macedonia medicinal cannabis boom, 28 March, 2023.
- 26 Data collected from Public Revenue Administration, 20 February 2024.
- 27 Ibid.
- 28 The legalization of cannabis production for medicinal purposes is being abused, *Nova Makedonija*, 4 March 2024.
- 29 Interview with a former high-ranking police officer, Skopje, 4 June 2024.

Acknowledgements

This Risk Bulletin is an output of the Global Initiative Against Transnational Organized Crime's Observatory of Illicit Economies in South Eastern Europe. We would like to thank Safet Mušić and Metodi Hadji-Janev for their valuable contributions.

Risk Bulletins are regular outputs of our regional observatories, which draw on civil society networks to provide new data and contextualize trends related to organized-crime networks, illicit trade and state responses to them. If you would like to subscribe to future editions of the Risk Bulletin, please sign up here or email Vanja.Petrovic@globalinitiative.net.

ABOUT THE GLOBAL INITIATIVE

The Global Initiative Against Transnational Organized Crime is a global network with 600 Network Experts around the world. The Global Initiative provides a platform to promote greater debate and innovative approaches as the building blocks to an inclusive global strategy against organized crime.

www.globalinitiative.net

This publication was produced with the financial support of the United Kingdom's Conflict, Stability and Security Fund. Its contents are the sole responsibility of the GI-TOC and do not necessarily reflect the views of the United Kingdom.



**GLOBAL
INITIATIVE**
AGAINST TRANSNATIONAL
ORGANIZED CRIME