

Intelligence Report

DCI Interagency Balkan Task Force

20 July 1995



UN Sanctions Against Belgrade: Still Biting Despite Waning Enforcement



Waning enforcement by frontline states since January probably has allowed an increased flow of prohibited goods into Serbia and Montenegro (FRY). A notable increase in fuel smuggling probably explains the decline in Serbian fuel prices in recent months. The most serious enforcement shortcomings appear to be in Albania, Macedonia, and Romania:



- *Albania's fuel imports have increased substantially since January, creating a large surplus for diversion to the FRY.*
- *Loaded truck traffic from Macedonia into Serbia has risen steadily this year--trade that is facilitated by senior Macedonian officials.*
- *A large-scale, organized Romanian fuel-smuggling operation has developed along the Danube River.*

UN sanctions continue to suppress FRY trade, however. Sanctions continue to largely deny the FRY access to maritime shipments, barge traffic, and trains for moving bulk imports and exports. Sanctions also continue to discourage foreign banks and firms from working with the FRY.

Sanctions enforcement by states bordering Serbia and Montenegro has deteriorated since January 1995, exacerbating a decline observed in 1994. This has resulted in an increase in the flow of goods, including fuel, into the FRY. Among border states, the worst leakage is through Albania, Macedonia, and Romania. The reported involvement of government officials in violations, the availability of significant smuggling profits, and sanctions fatigue appear to be undermining frontline states' enforcement posture. Many of the violations involve imported consumer products, although goods essential to FRY industry and agriculture also are being traded.

This intelligence report was prepared at the request of Leon Fuerth, Assistant to the Vice President for National Security Affairs, by [redacted] Office of Resources, Trade, and Technology, [redacted]. Comments and queries are welcome and may be directed to Chief, DCI Interagency Balkan Task Force [redacted].

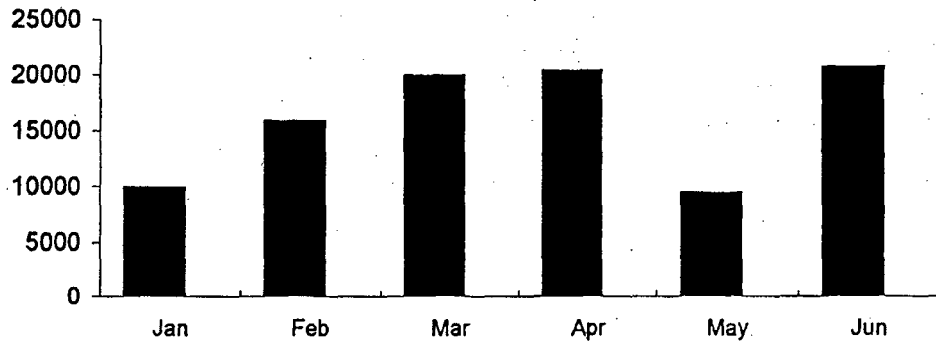
Albania: A Conduit for Greek Fuel Shipments to Serbia

[redacted] Albanian shippers currently are smuggling an estimated 400-600 tons (2,900-4,400 barrels) of oil products per day into Montenegro. Despite Tirane's concern over the fate of ethnic Albanians living in southern Serbia, Tirane probably lacks the will to permanently reduce smuggling. Albanians are poor, making lucrative fuel smuggling very attractive. Moreover, the government derives tax revenue from money generated by fuel smuggling, and corrupt Albanian officials apparently profit personally from the smuggling. Even if Tirane wanted to crack down, it probably lacks the enforcement personnel and resources to significantly reduce smuggling. [redacted]

After a decline in December 1994 and January 1995, Albanian fuel imports have increased. June imports exceeded Albanian needs by at least 16,000 tons (116,800 barrels), which implies nearly 550 tons (4,000 barrels) were sent to the FRY daily¹.

- Tankers from primarily Greece--three-fourths of all tankers--and Italy regularly call at Albanian ports. In June, seaborne deliveries to Albania totaled an estimated 20,756 tons, or a daily average of nearly 700 tons (5,000 barrels).

Estimated Monthly Tonnage of Seaborne Fuel Deliveries to Albania



- Tanker trucks from Greece also deliver oil products to Albania. Greece claims it exports 150 tons per day (about 1,100 barrels) overland to Albania, but the sanctions monitors have incomplete data on this activity.

[redacted]

¹ Albanian oil imports for domestic consumption are estimated at 300 tons (2,200 barrels) per day [redacted]

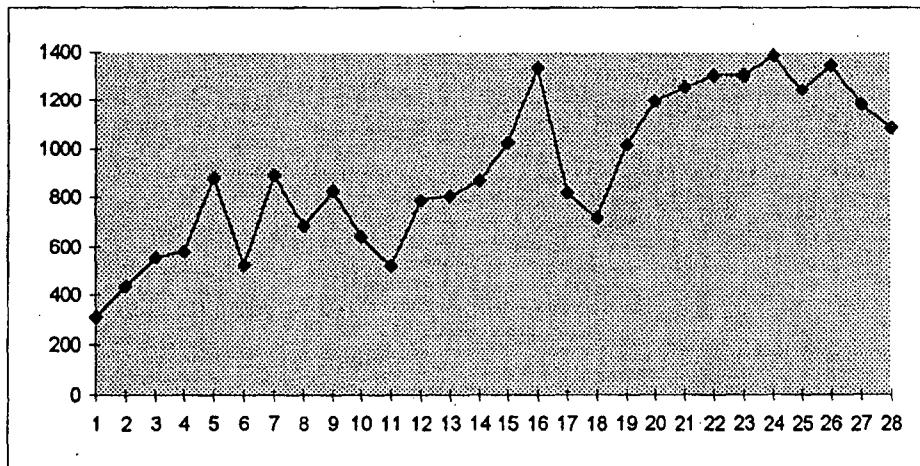
Macedonia: A Major Serbian Trading Partner

[Redacted]

Macedonian enforcement has deteriorated in 1995. Belgrade exploits Skopje's economic dependency on Serbia to continue direct trade with Macedonia and to use it as a conduit for foreign trade. In addition, profits from the illicit trade make it unlikely that Skopje will improve its enforcement of sanctions for any sustained period. Macedonia's Foreign Minister recently admitted to the US Chief of Mission in Skopje that his country could not afford strict enforcement because it needs to maintain economic links to Serbia. Moreover, senior Macedonian officials--including Prime Minister Crvenkovski, Finance Minister Miljovski, and Minister of Transportation Buzlevski--receive payments for providing false documentation and shipping documents, [Redacted]

Many Macedonian firms use false documentation to help Serbia evade sanction, listing themselves as the end recipients of imports actually bound for Serbia and the originator of exports that are from Serbia. For a fee, these firms are responsible for the appropriate paperwork and warehousing or movement of the goods. Despite a slight dip in early July, each week during the past month an average of 1,200 loaded trucks per week--about twice the January-March average of 635 trucks--and about 130 railcars entered Serbia. The leading non-food products being shipped to Serbia are miscellaneous goods, metal, textiles, chemicals, and lubricants. Other notable goods detected since last fall 1994 include machinery, spare parts, computers, and satellite equipment. During mid-July, monitors recorded nine consignments of computer equipment. Serbia earns hard currency by exporting agricultural produce, steel, textiles, and furniture to world markets labeled as Macedonian products. Some Belgrade-based firms maintain branch offices in Macedonia to assist in their foreign trade. [Redacted]

**Loaded Trucks Entering Serbia From Macedonia
(Number by Week, 1995)**



Macedonia also imports some petroleum products for diversion to Serbia, although data are insufficient to quantify shipments. During March and April, 526 rail tanker cars crossed the Serbia-Macedonia border at Tabanovce, according to UN military forces in Macedonia, *most of which were probably loaded with petroleum products*. On 17 April alone, SAM Macedonia witnessed 20 tanker trucks with lubricants enter Serbia. In late December 1994, the Makpetrol oil refinery reported to the government the import requirement necessary to allow for monthly oil product diversion to Serbia of 30,000 tons (7,300 barrels per day) [redacted]

Romania: Widespread Small-Scale Fuel Smuggling

[redacted] Romanian enforcement, despite some government measures, has deteriorated in 1995:

- Minnow trade. Fuel smuggling across the Danube River into Serbia has grown tremendously since April, according to the US Embassy in Belgrade. As of April, the sanctions monitors had estimated that 800-1,000 boats were making multiple trips to Serbia daily. The smuggling operation is fed by regular tanker truck deliveries to new gas stations being built along the border. Entire villages are engaged in smuggling along a significant portion of the Danube.
- Ant trade. Overland smuggling also continues, with sanctions monitors reporting in early July an increase in the number of cars overloaded with smuggled fuel entering Serbia. During late March, a spot check of land border crossings detected jeeps pulling trailers with barrels of fuel entering Serbia.
- Corruption. Some local officials are corrupt. For example, in early April, a border monitor observed local police rejecting tanker trucks at a checkpoint but directing the drivers to use a bypass road.
- Airlines. Daily Yugoslav Airlines shuttle flights returning to Belgrade from Timmisoara, Romania, depart with few or no passengers but full of aviation fuel. [redacted]

Shortcomings in Other Border States Appear Less Severe

Enforcement of the ban on large-scale, direct shipments to Serbia appears best in Bulgaria and Hungary.

- Bulgaria. [redacted] Bulgaria appears to have reduced the number of violations by direct shipment to Serbia--particularly compared to late 1993 and early 1994. At least some Bulgarian shipments, however, are routed to Serbia via Macedonia. Similarly, the Macedonian-

Greek border closure has forced some Greek shippers to send goods through Bulgaria and Macedonia enroute to Serbia. Small-scale smuggling apparently occurs via a steady flow of private traffic transiting Serbia's border with Bulgaria.

- Hungary. The main problem along the Hungarian-Serbian border appears to be ant trade; fuel smuggling by private cars and empty trucks appears to be routine. Earlier this year, sanctions monitors reported that a cattle truck, too clean to have ever carried livestock, had six interconnected fuel tanks inside. Consumer goods smuggling are also being smuggled by bus and auto. One bus loaded with cigarettes, chocolate, cola, and other products, for example, was turned back.

Implications

Despite the extent of deterioration in frontline state enforcement, UN sanctions continue to suppress FRY trade. Sanctions continue to largely deny the FRY access to maritime shipments, barge traffic, and trains for moving bulk materials, forcing many traders to rely on more expensive shipments by auto and truck. Sanctions also continue to restrict FRY trade by:

- Discouraging foreign firms from doing business with the FRY.
- Impeding FRY access to the international banking system needed to support foreign trade, such as letters of credit.
- Denying Belgrade access to most of its frozen funds.
- Preventing investors from making money available to FRY firms.
- Diminishing the potential for profitable FRY exports.