

Annual Report of the Security Information Service (BIS) for 2006

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1. INTELLIGENCE ACTIVITIES AND FINDINGS

1.1. TERRORISM

In the course of 2006, BIS gathered and evaluated information on terrorism, and more specifically, on terrorist threats faced by the Czech Republic

Terrorism is a boundless and a truly global threat, as it ignores national frontiers and is defined neither geographically nor in terms of the aims it seeks to attain. It cannot be combated by traditional means available to individual countries or their limited groups. Combating this asymmetric threat requires a multidisciplinary and integrated approach, which combines political, economic and financial instruments, making use of new technologies and an effective organizational structure. The intelligence and security services can only grasp and confront the phenomenon of terrorism, on the basis of a relatively homogenous knowledge of all its aspects, if they closely cooperate at international level.

In the frame of such cooperation, BIS analyzes information supplied by foreign partner services, from the Office for Foreign Relations and Information (Czech external intelligence service), the Military Intelligence agency and the police of the Czech Republic. It was precisely thanks to international cooperation that BIS made important findings on the basis of which the threat of terrorist attack targeted against the Czech Republic, and Prague, its capital city, in particular, was assessed as real, and the necessary security measures were adopted in collaboration with all other security bodies of the Czech Republic.

Threat of a terrorist attack in Prague in September and October 2006

At the end of September and beginning of October 2006, security precautions were stepped up as a result of trustworthy information which the Czech intelligence services received from their foreign partners, with whom they coordinate their activities. Our services did not have their own, concrete information specifying the threat. The threat of a terrorist attack concerned Jewish or Israeli targets in Prague, and the time of Jewish festivals, when a many tourists from Israel and other countries come to Prague and concentrate in large numbers in the historical centre, including the Jewish Quarter. All the security agencies jointly evaluated the situation and proposed preventive measures. A strategy of open action against potential attackers was adopted, and the public was duly informed.

Although no attack took place in the autumn of 2006, the threat of a terrorist attack in the future persists.

Community of persons of Near-Eastern and North-African descent in the Czech Republic

As part of the evaluation of the threats posed by international terrorism, BIS also devoted attention to the behaviour of persons coming especially from countries on the North and Middle East, northern Africa and other Muslim states. This community numbers around 8000 people.

In the course of 2006, BIS did not register any major manifestations of radicalization nor any tendencies towards violence in the Muslim community living in the Czech Republic. Its members wish to live in harmony with the Czech non-Muslim society, and seek a dialogue with it. Its leaders make an effort to familiarize the majority of Czech society with Islam and its value system, with emphasis on the non-violent character of their religion.

As far as Islamic radicalism and terrorism are concerned, rather than the Muslim community as a whole, it is individuals who arrive to the Czech Republic from abroad with the aim to support, organize or carry out terrorist acts, that may represent a potential threat.

The Czech media encouraged an open discussion on the Islamic issue on several occasions. Some participants in the debate automatically linked terrorism with Muslims. The representatives of the Muslim community however reject information on which such attitude is based as distorted and aimed against Islam in general. An example of their disapproving response to attempts at discrediting Islam was a letter handed over during a peaceful rally to the Danish Embassy in Prague, protesting against the caricatures of the prophet Mohammed which had appeared in the Danish press.

Czech Muslims closely observed the major unsettling world developments in 2006, such as the conflict in the Near East, the thwarted terrorist attacks against the Heathrow airport in London, and the abortive attempt to attack commuter trains in the Federal Republic of Germany. These events however did not meet with any noteworthy response in their community.

Some Muslims living in the Czech Republic reacted to the conflict between Israel and Lebanon in August 2006 by organizing several peaceful demonstrations in support of Lebanon.

Czech Muslims also maintain contacts with Muslim representatives in other countries. BIS is aware of the fact that some Muslims arriving in the Czech Republic were adherents to the fundamentalist interpretation of Islam, but in our country they mostly showed restraint and their behaviour did not show any signs of extremism.

The Security Information Service however identified cases of organized illegal migration, connected with the acquisition of illegal Czech visas for Iraqi citizens. It cannot be ruled out that such migrants are linked with the former regime of Saddam Hussein, and thus also with the perpetrators of the current armed attacks in Iraq.

According to the findings made by BIS, it is possible that the organizers of illegal migration of Iraqi nationals to countries of the European Union abuse for this purpose also business and cultural events held under the aegis of compatriot associations whose aim is to develop international activities.

Protection of Radio Free Europe (RFE)/Radio Liberty (RL)

Since the Radio Free Europe/Radio Liberty broadcast also to Iraq and Afghanistan, it is perceived by Islamic extremists as a symbol of the USA and the West. The RFE/RL building in Prague thus continues to be regarded as one of the potential targets of extremist Islamic groupings operating in Europe.

In connection with the developments in the crisis regions of the Near and Middle East and the activities of Islamic terrorists in Europe, BIS analyzed information pointing to the possible threat to the RFE/RL facilities and personnel. Intelligence findings available to BIS however do not indicate any direct security threat for the radio stations.

Activities of intelligence services of states suspected of supporting terrorism

BIS perceives the activities of the intelligence services of states supporting terrorism on the territory of the Czech Republic as a potential security threat. The official list of the “rogue” states, compiled by the USA and recognized at international level, currently includes Cuba, Sudan, North Korea, Syria and Iran.

The operation of their intelligence services abroad, the Czech Republic not excepting, is influenced by both the development of the situation in the Near and Middle East and efforts to further the interests of the countries of that region, and on the other, and the ever more intensive reaction of the international community to some of their activities, such as pressure for the termination of the Iranian nuclear programme.

The Syrian regime has been placed on the list because its intelligence services maintain contacts with representatives of Palestinian groups rated as terrorist, as well as with the organizers of the bomb attacks in Lebanon and persons organizing the smuggling of people across the borders between Syria and Lebanon with the purpose to use them as fighters in the armed conflict in Iraq.

On the other hand, the Syrian security agencies investigated several planned as well as executed terrorist attacks in Syria. It is not yet quite clear whether Syrian Sunnite fundamentalists are really becoming radicalized, or the Syrian intelligence services, seeking to win the favour of the international community, have the situation under control.

1. PROTECTION OF IMPORTANT ECONOMIC INTERESTS OF THE STATE

The Security Information Service collected and evaluated information about activities which, whether deliberately or in their aftermaths, had a negative impact on the management of state property. Its investigations focused particularly on activities the final consequences of which might put in jeopardy important economic interests of the state. Special attention was devoted to the transparency of the financial management of public administration institutions, potentially corrupt behaviour of their employees, and non-standard activities of various interest groups (lobbies).

With regard to the international developments, BIS evaluated the status of energy security of the Czech Republic, within the overall context of EU policies in this area. Authorized recipients were provided with information about the efforts of some entities to limit the diversification of the supplies of strategic raw materials for the Czech Republic and achieve a change in the structure of energy consumption. In collaboration with its partners, it identified possibilities of diversifying the routes of transporting such materials, monitored ownership relations in the power sector, and warned against risks ensuing from their change.

Proceeding from an analysis of the gathered information, it can be noted that a threat to the management of state property is mainly posed by a variety of lobbies. Last year they continued systematically establishing contacts in government institutions and organizations, with the purpose to gain influence on their operation and achieve special advantages for their own business ends. Specific findings of this sort (regarding both natural persons and legal entities) were passed by BIS to the respective authorized addressees.

Monitoring of negative phenomena with an impact on the management of state property included collection and evaluation of information concerning phenomena influencing the operation of the Czech Consolidation Agency (ČKA), which will terminate its activities at the end of 2007. They included inadequate internal control mechanisms, corrupt behaviour of entities showing interest in the acquisition of certain unsettled claims, selective approach to outstanding debts with legal fault, and also failures of the human factor.

BIS also investigated the complicated situation of the SETUZA company, which has yet another aspect, apart from its indisputable economic consequences, including last year's execution proceedings. The problem is that the post-1989 SETUZA is linked, through the

Český olej (Czech Oil) firm, with the group around Tomáš Pitr (convicted under final judgement) and the murdered entrepreneur František Mrázek. This group attempted (not only in connection with SETUZA) to influence the discharge of government for its own benefit. For this purpose it made use of all its contacts and through the agency of disloyal civil servants, including high-ranking ones, infiltrated many and varied areas of public administration.

Thanks to information about its activities relating to the SETUZA case, which BIS passed to recipients defined by law, its several attempts to acquire the claim against SETUZA under terms unfavourable for the state were foiled.

Furthermore, our Service collected and evaluated information on companies of strategic importance for Czech economy, currently still owned by the state, but possibly to be privatized in the future, such as the Czech Airlines, Prague Airport, ČEZ (the Czech Power Board) and ČEPRO. The intelligence gathered gives reasons for suspecting that in the past their economic results were distorted with the purpose to prettify their true status. In other cases, the company managements took decisions which put short-term positive economic outcomes above long-term sustainability or increase of the companies' market value. These impacts might however manifest themselves during the process of their contemplated privatization, or even not until their sale to new owners. In one case it was revealed that both tactics were used in the management of certain companies.

BIS also detected an attempt by a certain private entity to have an "uncomfortable" official of a state-owned company removed and replaced by one who would promote its own interests.

The interest of various financial and business groups in ongoing and planned privatizations of companies in which the state has a property interest did not subside in 2006. The findings made show that these groups rely more than before on the intermediating services of lobbyists in their endeavour to acquire above-standard information on the current public procurement purchasing, influence the decisions of public administration bodies by means of corruption and unequal treatment of bidders, and make use of the disloyalty of some civil servants. They also try to prejudice the law-making process with the intent to further their own interests, instead of those of the state.

BIS continued collecting information on negative phenomena accompanying the allocation of money from EU resources, especially the Structural Funds. The danger that the selection of projects competing for EU support may be influenced through civil servants responsible for the project evaluation has been borne out.

1.3. COUNTER-INTELLIGENCE ACTIVITIES

Intelligence services of the Russian Federation

In 2006 the intelligence services of the Russian Federation continued to be active in the Czech Republic continued mainly on a legal basis, but also under various kinds of cover. A specific category is represented by special service members or secret associates in diplomatic positions. Their share among diplomats and the technical and administrative personnel of the Russian Federation in the Czech Republic has for a long time been high.

Apart from the diplomatic environment, Russian intelligence officers and their informers can be found among Russian-speaking journalists accredited in the Czech Republic (which is a traditional cover), and the staff of Russian economic entities active in our country (untraditional cover). Another specific category is formed by ex-members of Russian special services – though leaving aside defectors, the prefix “ex-“ is in fact misleading, because Russian intelligence officers maintain contacts with the secret service community even after they retire, and are always at its disposal when the need arises. Very often they join private and state companies or take up posts in Russian politics or public administration. Even such persons were active in 2006 in the economic sphere (on a permanent basis) or occasionally participated in Russian official delegations. The most serious security threat is posed by the high potential of these people, who mostly use untraditional cover, to establish contacts in the Czech environment.

The Russian special services are well aware of the fact that despite marked advancement of modern technologies, people are still the most important intelligence source.

An example of the Russians’ efforts to recruit agents in the Czech Republic is the case of a former intelligence officer who operated in Prague under diplomatic cover. He was interested in major research projects concerning the development of highly dangerous substances, and in contacts with officials of an important Czech institution active in the area of nuclear, chemical and biological protection of the population.

Given the current status of knowledge about the activities of the Russian intelligence services in the Czech Republic, it can be noted that their priorities continue to lie in the economic sphere. They seek to reach and maintain a strong position in economic relations between the Czech Republic and the Russian Federation, and gain control over Czech entities wishing to enter Russian markets. In this context it is necessary to draw the attention of Czech citizens to security threats represented by some business chambers or associations whose declared goal is to develop trade and cultural relations with the countries or nations of the former Soviet Union.

It is precisely along the economic line that officers and collaborators of the Russian secret services are gaining an ever-wider, unproblematic and completely legal access to politicians at national and regional levels.

Another priority field of interest of the Russian intelligence services operating in the Czech Republic is the political one. Here their activities include mainly attempts to manipulate media reporting, and the use of cultural and social events for the promotion of Russian power interests. They also show above-standard interest in nationals of the former USSR resident in the Czech Republic.

BIS registered several cases of contacts established by Russian intelligence officers in the Russian-speaking environment of organized crime.

It can be summed up that the number of Russian intelligence officers in the Czech Republic remains high. Persons continue to be sent to Russian official missions in our country who were expelled from other democratic states, or were involved in intelligence or other illegal activities in the Czech Republic in the past. Their presence on our territory would clearly represent a security threat. When they are denied entry, the Russian side usually reacts inadequately and from the position of power – for instance by threatening with economic and political sanction or other “reciprocal” measures.

Intelligence services of North Korea

All North Koreans sent to the Czech Republic on short- or long-term basis are tasked by the special services of their country in various ways and used for the collection of intelligence. They report either directly to the headquarters in the People's Republic of Korea or the North Korean Embassy in Prague. They are instructed to carry out economic espionage, acquire strategic material and technologies for the North Korean armament programmes, gather information about the structure, areas of operation, weaponry and actions of NATO, to spread propaganda and influence Czech public administration bodies and public opinion in favour of North Korea. But their possibilities in all these spheres are limited.

In relation to the Czech Republic, specific tasks of the North Korean intelligence services include providing support to visiting North Korean state and trade delegations and keeping a watch on the activities and contacts of the local North Korean community, which is composed, apart from diplomatic personnel, also by workers employed in several production plants and university students – holders of scholarships granted by the Czech Government in the frame of development aid programmes.

Last year North Korean diplomats in the Czech Republic carried out intelligence assignments and coordinated activities of similar nature performed by some members of the North Korean community. They sought to acquire information of business character and identify opportunities for trade in commodities and technologies usable in North Korean industry, including the armament sector.

1.4. EXTREMISM

Right-wing extremism

Within the frame of its jurisdiction as defined by law, BIS monitored in 2006, as it had done in previous years, the situation at the right end of the extremist spectrum, especially its neo-Nazi segment.

Czech adherents to neo-Nazism proceed to various degrees from the ideas of the “White Power” international neo-Nazi movement, and the traditions of historical Nazism (national socialism). The trends observable in 2006 in fact emerged already at the end of 2005: the structure of the right-wing extremist scene remained the same, but what did change in some respects was the character of its activities.

The neo-Nazi movement in the Czech Republic is decentralized and operates according to the concept of so-called autonomous nationalism, typical of the current neo-Nazi movements in a number of European countries.

One of the basic principles professed by neo-Nazi organizations is so-called resistance without a leader. In practice this means they have neither a hierarchical structure nor a national leadership. The most typical protagonists of neo-Nazism are individuals or autonomous small, usually regional groups acting at their own initiative and communicating with one another through “leading” figures, mostly local activists with natural authority. One of their main themes, shared by all groups, is struggle against left-wing extremists.

The model based on autonomy is discernible mainly in the most important Czech neo-Nazi organization National Resistance. It consists of independent regional branches, which mostly develop activities of local nature, and only a few times in the year meet at joint events of national scale. The largest public rally of National Resistance members, with higher turnout than any other neo-Nazi gathering in recent years (about 400 people), took place on the 1st of May, 2006 in Prague.

A major actor that influenced the development of the Czech neo-Nazi scene in 2006 was an unregistered organization which calls itself National Corporatism. Because its ideological points of departure are of ultra-nationalistic nature, at least judging by the proclamations of its leading representatives, it cannot be described as clearly a neo-Nazi one. But apart from ultra-nationalists, its rallies attract also supporters of neo-Nazism. National Corporatism is thus becoming a sort of link between ultra-nationalists and neo-Nazis.

BIS also gathered and analyzed information about the neo-Nazi groupings Blood and Honour Division Bohemia, Combat 18 and Bohemia Hammer Skins. On the basis of inconclusive information, they were presented, particularly in the media, as major and dangerous ones, but findings made by BIS showed that currently their activities are minimal, or have the character of actions of individual from the ranks of right-wing extremists.

Both the number of and turnout¹ at right-wing extremist events connected with music productions slightly declined in 2006, and their character has somewhat changed. Their scale was often smaller, too, and their organizers did not advertise them as concerts but as private, for instance birthday parties. As a result of the possibilities offered by the Internet and digital technologies, the sale of various items with right-wing extremist symbols and themes at these events dropped as well. Spreading neo-Nazi songs on CDs has been replaced by their offer for downloading from the web sites of these organizations and copying of multimedia files, and the sale of clothing with Nazi symbols has moved from concerts to various on-line forwarding agencies and retail shops.

While the number of neo-Nazi concerts has decreased, the number of public events with political implications (rallies, demonstrations, marches or gatherings held in commemoration of events from Nazi history, birth or death anniversaries of Nazi leaders etc.) has grown. For some neo-Nazis they have become a relatively safe way of publicly presenting their attitudes and drawing attention to their existence, as in all cases the organizers complied with the formal requirements (such as the duty to announce the event beforehand within the legally defined deadline), the participants behaved in a disciplined way and did not break law during the events. Unlike their left-wing counterparts, right-wing extremists seek to create the impression that they are orderly and law-abiding young people. In 2006, most active in this respect was National Corporatism, whose public events were attended by 100 persons on average.

In the course of 2006, BIS registered attempts of some individuals to revitalize the neo-Nazi environment. The most visible manifestation of such efforts was an application for permission to serve in the Iranian army sent in mid-August 2006 by 41 Czech right-wing extremists to the Office of Czech President. An indirect follow-up was a demonstration outside the Israeli Embassy in Prague, attended also by some of the applicants. With respect to findings which indicated a high risk of occurrence of provocations and excesses during the demonstration², the police stopped the demonstrators before they reached the Embassy building. Although BIS evaluated both these events as symbolic expressions of anti-Jewish attitudes and pretentious gestures of a neo-Nazi group trying to make itself visible, the demonstration could have damaged diplomatic relations between the Czech Republic and Israel. Though presented as “nation-wide”, both actions were individual initiatives of several National Resistance members and sympathizers of radical leaning.

¹ In 2006, the average turnout at neo-Nazi concerts was between 50 and 100 people.

² Police check-up revealed three gas guns and a large number of „cold“ weapons carried by the demonstrators.

The neo-Nazis' interest in revisionist ideology,³ apparent already at the end of 2005, further intensified in the course of 2006.

Czech neo-Nazis communicate and cooperate with their fellow believers abroad mainly through individual contacts. Several of their concerts in the Czech Republic were attended by neo-Nazis from other countries, mainly Germany and Slovakia. The participation of Czech neo-Nazis in similar events abroad is low – with a few exceptions, it stays at the level of several individuals.

Extreme nationalist groupings

Another element of the right-wing extremist spectrum are groups of extreme nationalistic and xenophobic orientation.

They include mainly duly registered political parties and unincorporated civic associations. Although their representatives often hold highly radical views, in public they mostly practise a strategy of moderation. Most active in 2006 were the ultra-nationalistic National Party, the political movement Law and Justice – Yes to Traditional Family, No to corruption and Crime,⁴ and the unincorporated civic association Patriotic Front. Comparing with neo-Nazi organizations, the cooperation of extreme nationalistic entities with foreign “brothers in the faith” was minimal; in 2006 they participated above all in domestic political life and busied themselves with their internal problems.

In 2006 the attention of most ultra-nationalistic groupings focused on the parliamentary and municipal elections, which they perceived as a chance to strengthen their position on the Czech political scene and lawfully gain a share in political power. In the elections to Czech Parliament they did not succeed, in the municipal ones they managed to win some seats in local self-government bodies but the overall results were disappointing for them, staying far behind their expectations. Their minimum election gains confirm that extreme nationalism currently does not enjoy major support of the public.

As in previous years, in 2006, too, BIS concentrated on monitoring the cooperation between ultra-nationalists and neo-Nazis. Extreme nationalistic groupings include some which openly dissociate themselves from neo-Nazism, but also others which make no secret of their collaboration with neo-Nazis. An important role in developing such cooperation is again played by the National Corporatism organization.

Most “visible” in the course of last year was the National Party, which organized a number of controversial events.

In January 2006, it National Party drew attention to itself by mounting a plaque “in memory of Czech patriots” on the site of a war-time concentration camp for Romanies, giving rise to extensive media response and a discussion in the circles of Czech historians and politicians.

On the anniversary of the creation of independent Czechoslovakia (28th October), the National Party planned to organize a demonstration under the motto “Let us burn hatred”, during which a gallows was to be erected on Wenceslas Square in central Prague and a dummy of the prophet Muhammad hanged on it and burnt. As the adherents to Islam are very

³ Revisionism is based on representation of the history of national socialism in a way which is in sharp contrast with generally recognized research findings about the period of the Third Reich. It is a politically motivated attempt to exempt the German national socialist regime from moral responsibility. In a broader sense, revisionism includes all right-wing extremist endeavours to acquit national socialism, and in a narrow sense, it represents a denial of the mass extermination of Jews in the gas chambers of concentration camps.

⁴ In the 2006 municipal elections, the candidates on the ballot of the Law and Justice movement included, apart from members and sympathizers of the National Unification Party, also several people with no party affiliation, representatives of smaller political parties and supporters of National Corporatism and the neo-Nazi National Resistance.

sensitive any expressions of disrespect of the prophet, such open derogatory act could have resulted in a serious security problem. Estimating the reaction of Islamic believers was difficult, but it was anticipated to be similar to that provoked by the caricatures of Muhammad which appeared in the press in September 2005. It threatened that this act of the National Party would trigger off a wave of violence aimed against Czech embassies and Czech nationals abroad, and increase the probability that the Czech Republic would become the target of a terrorist attack. In view of these security threats, Czech police detained the chairwoman of the National Party upon suspicion of committing administrative infraction in the field of freedom of assembly, and another four members of the Party on suspicion of committing the criminal offence of defamation of nation, race and belief. The dummy was confiscated.

Left-wing extremism

The left-wing extremist scene is relatively subdued on the whole. While the supporters of the anarcho-autonomist movement became somewhat more active again in 2006 in connection with the struggle against their extreme right-wing opponents, the activities of groups professing the ideology of Marxism-Leninism were insignificant (with few exceptions). It has been confirmed that despite certain subtle ideological differences, these two groups are able to cooperate on occasions.

In response to the intensification of neo-Nazi activities, a trend has emerged in the anarcho-autonomist movement which, according to BIS findings, might lead in the years to come to its revitalization and growth of its membership base. It takes mainly the form of militant anti-fascism, including open protests against events organized by right-wing extremist organizations and even violent confrontations with their members. This phenomenon is becoming the dominant and essentially the single characteristic of the anarcho-autonomists' public and private activities. Anti-fascists increasingly associate at local level: groups of various names⁵ are being founded particularly in towns and cities where neo-Nazis are active, and are gradually gaining strength. Militant anti-fascism and its method of so-called direct action attract new members even to anarchist organizations which stagnated in recent years.

Despite its activation at regional level, from a global point of view the anarcho-autonomist movement lost momentum in 2006. Apart from some street clashes with neo-Nazis, it staged several protests indicating a higher degree of their organization and radicalism against public rallies of right-wing extremists.

The largest anti-fascist action, with the highest turnout, in 2006 was the May Day demonstration in protest against the march of right-wing extremists through Prague. It was designed as an open public rally, duly announced beforehand and held with the consent of the municipal authority.

Militant anti-fascism characterized also various social events in 2006, such as concerts organized under the heading of the ongoing campaign "Good Night White Pride". In the summer of 2006, anarcho-autonomists launched another campaign under the motto "We Will Rock You", with the aim to obstruct the sale of clothing with right-wing extremist symbols.

In the same way as right-wing extremists, anarcho-autonomists extensively use the Internet, which has an irreplaceable role for them. They communicate mainly with activists in

⁵ Apart from AFA and AFA-FAS, also Antifa, Autonomous Antifa, Anti-Fascist Resistance and others.

Slovakia, Poland and Germany. Practically only individuals among them maintain contacts with anarcho-autonomists in other countries.

With few exceptions, the public activities developed by groups of Marxist-Leninist inclination are evaluated as insignificant by the Security Information Service. The most active grouping of this type is the Communist Union of Youth (KSM), an unincorporated civic association. In November 2005, the Ministry of the Interior threatened to discontinue the activities of the Union, in actual fact political, unless it changes its goals and the methods of their achievement,⁶ because they are in conflict with the Constitution of the Czech Republic and the Charter of Fundamental Rights and Freedoms. The Union therefore made certain amendments in its official documents and toned down its rhetoric. Its goals⁷ however remained the same, and in October 2006 the Ministry of the Interior decided to dissolve it. The young communists appealed against the decision and expressed readiness to oppose it by all legal means available. They launched a “media counter-attack”, describing the Ministry decision as unlawful and ungrounded, and tried to challenge the impartiality of the Ministry. They made use of the all-European meeting of communist youth held under the aegis of KSM in Prague at the end of October 2006 for winning support abroad. At the final press conference, they called the KSM dissolution “a political decision in the interest of the capitalist system”, and in November the Communist Union of Youth filed suit against it, accusing the Ministry of proceeding “in conflict with freedom of speech guaranteed by the Constitution, the right to seek after and spread information” and in breach of freedom of association.

For the Communist Party of Czechoslovakia (KSČ), which openly regards itself as the successor and upholder of the tradition of its pre-November-1989 namesake, the most important event in 2006 was its 21st Congress (in February), also attended by guests from Cuba and North Korea. According to BIS findings, it was a formal affair (as had been its predecessors), the main purpose of which was to confirm the Party officials in their current positions. Though the Communist Party of Czechoslovakia has somewhat watered down its rhetoric (which is evident also in some documents adopted by the Congress), it still rejects parliamentary democracy as a means of ascension to power and calls for socialist revolution.

Very much similar views as those held by KSČ members are championed by representatives of the unregistered organization calling itself Communist Party of Czechoslovakia – Czechoslovak Labour Party (KSČ – ČSP). In 2006 its activities stayed confined to promoting communist ideology on its web site. None of these two parties is able to address a wider public at present.

As concerns Trotskyist organizations, the most active was the unregistered Group of Revolutionary Youth (REVO), which is closely linked with the Socialist Workers’ Organization (SOP). The most important event organized by REVO was a traditional summer meeting Revocamp 2006. Other Trotskyist organizations kept a low profile in 2006.

Marxist-Leninist groups cooperate with their comrades throughout the world.

⁶ Specifically to refrain from activities defined as unlawful by § 4 of Act no. 83/1990 Coll., on freedom of association, as amended by later regulations, especially paragraphs a) and b) of the quoted section.

⁷ Implementation of the goals defined in the „Political Programme“ of the Communist Union of Youth would lead to restoration of a totalitarian regime in our country, abolition of private ownership of production means and their nationalization, inevitably accompanied by suppression of the rights and freedoms of one part of the population for the benefit of another, and termination of pluralistic democracy.

1.5. PROLIFERATION AND TRADE IN MILITARY MATERIAL

Last year the priorities of the Security Information Services again included monitoring of the handling of weapons, military material, explosives and dual-use commodities, and of attempts at illicit spreading of weapons of mass destruction (WMD) and their carriers (today briefly referred to as “proliferation”). Preventing proliferation represents a long-term task and goal of the international community, which subjects the handling of dual-use commodities, conventional weapons, materials, technologies and know-how prone to unauthorized use, to strict control regimes.

In 2006 the primary aim of applying the control mechanisms was to eliminate the threat of such commodities being misused by organized crime or terrorists.

BIS participated in projects of preventing the proliferation of nuclear, chemical and biological (bacteriological and toxin) weapons and their carriers usable in the armament programmes of the “rogue” countries. It focused on the application of the control mechanisms to exports of dual use goods and technologies, especially to North Korea and Iran, upon which the UN Security Council imposed sanctions in 2006. North Korea, Iran and Syria continued developing their missile and WMD programmes, using the front of companies active in the civilian sector to cover their trading with dual use items.

Business and official representatives from North Korea, Iran and Syria, suspected with good reason of being linked to entities implicated in WMS research and development programmes, who came to our country in 2006 were interested in purchasing certain kinds of engineering equipment. BIS reacted to their concrete interest in control units and high-precision machine tools.

BIS devoted equal attention to the danger of re-exports of used machines and equipment and to potential deliveries of new, original Czech technologies and know-how to countries which pose a security threat. Last but not least, BIS paid attention to foreign companies with Czech involvement the products of which are subject to control mechanisms applied in the Czech Republic.

Further tasks fulfilled by BIS in 2006 included acquisition and evaluation of information on the observance of the Czech Republic’s commitments in the area of control over the handling of conventional weapons, military material and explosives. The chief instrument of the national control regime continued to be the legislation on foreign trade in military material; its proposed amendment, and the amendment of the law regulating the handling of explosives designed for civilian (industrial) purposes, were not adopted in 2006.

The sanctions defined by the new legislation on handling certain commodities usable for defence and security purposes on the territory of the Czech Republic could not be applied in 2006, due to certain transitory legal provisions. The unresolved issue of incomplete legislation in this area made it possible for some exports and imports to be declared as civilian, while in actual fact they may have involved exchange of military material.

Even though in 2006 BIS registered efforts of some exporters to bypass the control regimes, thanks to good cooperation of the respective government institutions no trade exchanges violating Czech laws or obligations ensuing from international control regimes took place, and the credit of the Czech Republic did not suffer any harm.

In relation to foreign trade in military material, BIS participated on an ongoing basis in the permitting and licensing procedures. It identified risks of potential re-exports to countries which do not provide sufficient guarantees that such material will not be used for unauthorized manufacture of conventional weapons and explosives. In 2006 the international community imposed embargoes or other sanctions on a number of countries, in keeping with resolutions of the UN Security Council, EU, OSCE and the ECOWAS community of West

Africa. As concerns trade in military material, weapons and ammunition, apart from North Korea, Syria and Iran the list of countries posing a security threat included in 2006 also some countries of South-East Asia and Africa, and concerning potential re-exports, it included China, on which the EU imposed arms export embargo.

BIS also monitored changes in the ownership structure of companies which are holders of permits to trade in military material, particularly AERO Vodochody, a.s. (joint-stock company), TATRA a.s., and ERA a.s. (active in the radar technology sector), in which foreign entities have property interest. It analyzed the potential impacts of the privatization of AERO Vodochody on the programme of the L 159 Alca combat aircraft.

1.6. ORGANIZED CRIME

BIS concentrated on such organized crime groups whose activities exceed the limits of common violent criminal offence against persons and property, which seek to establish themselves in Czech society as “law abiding” and to legalize their profits.

Long-term monitoring of the development in the security field makes it clear that the unlawful activities of Russian-speaking and Balkan groups involving the use of brute force (extortion, collect protection money, trade with people, illegal migration, violence against persons and property) are gradually declining and giving way to “legal” business. Representatives of these groups set up business companies, in which they often employ Czech citizens or aliens staying in the Czech Republic on the basis of a long-term residence permit, and use them for laundering capital from abroad and returning it to the country of its origin.

In 2006 various ramified lobbies of regional and national stature, with a strong financial background, increased their pressure on central and local government authorities with the aim to be given preferential treatment in public procurement purchasing, grant allocation proceedings etc. With the intention to win certain advantages, they tried to influence the decision-making of some public administration institutions, legislative and even law enforcement bodies.

Activities of the so-called Armenian group

In the course of time this group engaged in organized crime has become so firmly established in the social structures that most of its illicit activities now take place under the cloak of routine, “clean” commercial undertakings. Its representatives develop contacts with senior public administration officials, company managers, politicians and other influential people with the aim to create favourable conditions for their business.

They draw a part of their incomes from running agencies which offer security guards and protection of property, but the imbalance between their high turnover and low volume of output justify the hypothesis that they launder dirty money.

Caucasian organized crime groups

Several smaller groups were clearly discernible in the environment of organized crime in 2006 whose members come from the Caucasian region and apart from violent acts against persons and property profit also from businesses which they set up, register and run in keeping with Czech law.

These groups “specialize” in violent debt recovery, extortion, provision of security guards, organization of illegal migration from the Caucasus to EU countries, trade in cars,

money counterfeiting and altering etc. In some areas they cooperate with Russian and Ukrainian groups.

In the future they might represent a serious threat if persons with radical religious views, military training and combat experience from armed conflicts in the Caucasian region prevail among their members. Such persons are very dangerous because they lose all inhibitions, can be very cruel and are ready to use brutal force whenever they deem it necessary. They might have a negative, radicalizing influence on the Muslim community in the Czech Republic.

Russian-speaking organized criminals

BIS also monitors the activities of Russian and Ukrainian groups perpetrating violent criminal offences against persons and crimes against property.

In 2006, high-ranking representatives of Russian, Ukrainian and Caucasian groups met several times in the Czech Republic and in Moscow to negotiate on the division of the territories and spheres of their activities and the establishment of a single authority (so-called *vora v zakone*) for the Prague region and the whole of the Czech Republic. The role of this person is to coordinate and supervise the activities of all Russian-speaking groups on Czech territory involved in organized crime. The submission of all of them to a single authority can be expected to increase their strength, profits and readiness for action, and thus also the threat they represent for the security and internal order in the Czech Republic.

Judging by the findings made by BIS, it does not seem that the Solntsevo group has become active again in the Czech Republic. In 2006 our Service nevertheless registered an increase in the amount of intelligence regarding the international activities of the gang. BIS received information from its foreign partners about certain persons linked to the Solntsevo group who live outside Russia. In Spain repeated intervention of the security forces paralyzed to some extent the Georgian structure of Russian-speaking organized crime maintaining close contacts with the Solntsevo gang, and some of its representatives were detained.

Organized crime infiltrating central and local government structures

Penetration of organized crime into central public administration and local self-government structures belongs to the most serious security threats. BIS collects and evaluates information with the aim to reveal serious cases of organized crime groups influencing the work of the judicial system, police and public institutions, by means of corruption, exposing public officials to disrepute, pressure and extortion.

Organized crime representatives lobby mainly among officials who make decisions on public procurement purchasing, the use of public funds and budgets, the sale of state or municipal property, land use planning etc., that means people who have access to strategic information and can act (directly or indirectly) as bidders in public tenders, thus getting into a situation of conflict of interests. BIS made findings to this effect especially in North Bohemia.

In this context BIS also examined the behaviour of various lobbies, particularly those linked to some controversial Czech entrepreneurs. It found out their members tried to infiltrate the justice system and influence its performance in cases of their interest.

In the course of 2006 BIS also evaluated older as well as up-to-date findings concerning the so-called “controlled bankruptcies”. The suspicion that there exists a wider illegal structure which profits from “controlled bankruptcies” and uses them for infiltrating the civil service and the judiciary has not been confirmed. On the other hand, informal groups

have emerged which show interest in bankruptcy proceedings at different levels, cooperate and utilize the imperfection of the legal framework to achieve personal gains.

They also look for future associates among students of private universities and institutions of higher learning established by regional authorities who train for jobs in public administration, the educational system, for the legal profession etc.

BIS has also registered signals of contacts between persons linked with organized crime groups and some police officers, and passed this information to the respective authorities.

1.7. ILLEGAL MIGRATION

The security situation in the area of migration did not change in 2006 comparing with the previous years. The Czech Republic is a transit country rather than the end destination of the migrants. The largest number of illegal migrants come from the Ukraine, China, the Russian Federation, Moldavia, Vietnam, Iraq, Mongolia and India.

Migration to or transit through the Czech Republic in 2006 was characterized by the combination of legal channels with illicit ones. BIS has found out that agencies are being set up in the Czech Republic which specialize in the provision of services for the migrants, such as helping them to obtain visas of all sorts, find employment, start business, conclude formal marriage with Czech nationals with the purpose to obtain a permanent residence permit, applying for protection under international law etc. In doing so they often bypass or misuse Czech legal norms. In collaboration with other Czech authorities BIS therefore centred its attention on the legal aspects of the stay of aliens on our territory – i.e. their right to ask for international protection – and the impacts of their presence in the Czech Republic on the protection of its frontiers, especially the security of international airports on its territory.

In 2006 holders of entry visas issued by target countries other than the Czech Republic often made use of international flights stopping over in Prague, disembarking and applying for asylum or international protection with the purpose to legalize their stay in the Czech Republic and subsequently illegally crossing the Czech borders to other EU countries. Most illegal migrants using this method came from Kazakhstan and Egypt. BIS therefore supported the inclusion of migrants from these two countries into the category of aliens who are allowed to stay within the transit premises of international airports in the Czech Republic only on the basis of special visas. This step has proved to be highly effective.

Egyptian illegal migration

Egyptian illegal migrants started coming to the Czech Republic in increased numbers in May 2006 on flights from Cairo to Moscow, Kiev and Minsk stopping over in Prague. As the capacities of the reception centre at the Ruzyně airport of Prague are limited, some of the refugees were placed in asylum facilities in Velké Přílepy and Vyšní Lhoty. The situation became critical at the end of August, when some of the Egyptian asylum seekers fled from the reception centre at Prague airport,⁸ in reaction to misleading information spread by the organizers of illegal migration, who subsequently helped them to cross the western borders of the Czech Republic and proceed to other EU countries. In the frame of the so-called Dublin proceedings, some of them were returned to the Czech Republic.

⁸ as well as the reception centre at Vyšní Lhoty,

After the placement of Egypt on the list of countries whose citizens cannot stay in the premises of Czech international airports reserved for passengers in transit unless they have a valid visa, the influx of Egyptian migrants stopped. The security measures taken in connection with the threat of a terrorist attack against targets on our territory also helped to curtail illegal migration of Egyptians and the activities of its organizers.

BIS has found out that all the time this migration was controlled from Egypt by a person who had accomplices in the Czech Republic (who in turn cooperated with contacts in other countries), whose task was to take care of smuggling the migrants across the Czech borders.

Illegal migrants from Iraq

The increase in the number of illegal migrants coming from Iraq in the last quarter of 2006 was probably due to the persisting precarious security, economic and social situation in Iraq.

These migrants mostly use forged EU passports and other identification documents or possess none at all. Their effort to conceal their true identity is regarded by BIS as a security threat for the Czech Republic, as it makes it impossible to expose potential members of radical and militant Islamic groups.

Chinese illegal migration

Organizers of Chinese illegal migration established contacts and collaborated in 2006 with persons organizing illicit migration from Vietnam.

The Security Information Service monitors the migration of people of Chinese descent for whom the Czech Republic still is a transit rather than a target country. The migrants are flown to Moscow, from where they are transported via Ukraine, Slovakia and the Czech Republic to Italy, France, Spain and the United Kingdom. During stopovers on the long transport route, their smugglers hide them at many places, mainly in Prague and its close vicinity.

Information gathered by BIS indicates that the organizers of illegal emigration from China operating in their home country collaborate with organizers and smugglers of migrants in the transit and target countries.

Illegal migration from countries of the former USSR, India and Mongolia

Illegal migration of refugees from Central Asia is organized mainly by nationals of the former Soviet Union. Last year the migrants from the post-Soviet countries mostly used the direct train connection between Ukraine and the North Moravian city of Olomouc or the bus connection to Brno and Ostrava. Some were subsequently smuggled across the border in South Moravia to Austria, others crossed the border to the Federal Republic of Germany, with the help of German nationals.

Groups were also active in the Czech Republic last year which organized illegal migration from India. Lower-ranking positions in them were held by Czech nationals who had cooperated in the past with similar groups in Slovakia and other countries, smuggling refugees across the green border between Slovakia and the Czech Republic and on to Austria and Germany. Some of the organizers were detained by Czech Police in 2006.

Illegal migrants from Armenia

Illegal migrants from Armenia travelling to EU countries use legally obtained Czech short-term tourist visas or altered Czech travel documents. The reason for their interest in obtaining them is precisely their easy misuse within the European Union, of which the Czech Republic is a member.

Several groups organizing illegal migration from the Caucasian region were active in the Czech Republic in 2006. But also involved in its organization were members of the Armenian community who had been active in the past in other spheres of organized crime.

Some persons of Armenian descent fly to target destinations in the EU with forged “green” Czech travel documents. Altered documents are mostly designed for single use; their holders present them only once and usually destroy them while still on board of the plane.

Chechen migration

Migration of citizens from the Russian Federation across Central Europe declined by about 40 % comparing with 2005. The Czech Republic nevertheless remains a country through which hundreds of Chechen refugees pass from north to south every month. This conclusion corresponds with findings about the existence of several groups which organize smuggling of people from countries of the Commonwealth of Independent States.

Misuse of the Czech legal order for legalization of residence in the Czech Republic

Aliens seeking permanent residence in the Czech Republic make use of some gaps in the Czech body of law. Our legal system facilitates conclusion of formal marriages with Czech nationals, or recognition of paternity of men who are not biological fathers of children of Czech mothers. This has an impact on administrative proceedings in matters of granting permanent residence permits which give their holders the right to freely move within the whole European Union. Permanent residence permits issued by Czech authorities are used for this purpose by members of large ethnic minorities settled in the Czech Republic for quite some time already, for instance the Vietnamese, Chinese and Albanian ones.

Counterfeiting and altering of travel documents

BIS focuses on and cooperates with foreign partners in exposing organized groups producing and distributing counterfeited or altered identification documents which may be repeatedly misused by illegal migrants or persons linked to organized crime or terrorism.

1.8. NEGATIVE PHENOMENA IN INFORMATION AND COMMUNICATION SYSTEMS

In parallel to the advancement of information society and increasing dependence on information and communication technologies, these systems are becoming more vulnerable and the extent of their potential and real damage is growing. New threats are emerging which may have a substantial impact on the security and economic stability of democratic countries, their ability to defend themselves, and in the ultimate effect on their political system. Cybernetic security has therefore become an inseparable part of the security policy of every modern state.

The Security Information Service collects and analyzes mainly information about threatening security incidents and those which have occurred, about their preparation and supporters. It concentrates on threats of attack against information and communication systems the damage or destruction of which would seriously affect the security and economy of the state and the execution of the basic, indispensable range of its functions.

The subjects of interest of BIS included for example cyber-terrorism, and its tasks in this area – protection against cybernetic espionage (preventing agents of foreign powers from infiltrating the information and communication systems of the Czech Republic), and last but not least, protection against attacks by organized criminals.

The Security Information Service also focused on monitoring the development and new trends in information and communication technologies, devoting special attention to identifying such means and technologies which might result in new threats and potentially endanger the interests of the Czech Republic.

In view of the generally rapid global development of these technologies, but also with regard to some significant aspects of electronic attacks (such as their speed, anonymity, availability of the means used etc.), the Security Information Service puts emphasis on effective cooperation with both the other security bodies of the Czech Republic and the intelligence services of other countries.

2. PROTECTION OF CLASSIFIED INFORMATION AND SECURITY SCREENING AT THE REQUEST OF THE NATIONAL SECURITY AUTHORITY (NBÚ)

With effect from 1st January, 2006, Act no. 148/1998 Coll., on the protection of classified information and on the amendment of some acts of law was in essence replaced by new legislation – namely Act no. 412/2005 Coll., on the protection of classified information and security competence, and with the exception of some provisions, Act no. 413/2005 Coll., on amendments connected with the adoption of the Act on the protection of classified information and security competence.

One of the chief amendments concerns security proceedings applying the principles of administrative law, particularly observance of the time limits established for the proceedings, including those regarding investigations conducted by the intelligence services. The new legislation also introduces the duty for the intelligence services to report without delay to the National Security Authority (NBÚ) such findings which indicate that a holder of a security certificate no longer complies with the conditions for its issue.

In conducting security screening, BIS closely cooperates with NBÚ, other intelligence services of the Czech Republic, government bodies and organizations. It also collaborates with partner foreign services with which it coordinates its activities in keeping with the government resolution on international cooperation.

In 2006 BIS carried out at NBÚ's request security screening of natural and legal persons applying for security clearance and individuals applying for a certificate of security competence. In the course of the first half of 2006, it ascribed priority to the completion of investigation requested by NBÚ in keeping with the provisions of the previous legal norm (Act no. 148/1998 Coll.).

During the period in question, BIS received from NBÚ a total of 258 requests for the screening of natural persons designated to handle information classified as "Top Secret" and "Secret", and completed the screening in 327 cases. Furthermore, it received 195 requests for security screening of business companies, and completed the screening in 205 cases. As regards verification of the security competence of natural persons, it received 204 NBÚ requests and completed its investigation in 380 cases. At the same time, it carried out checks

at the request of the National Security Authority on the security status of 538 natural and 228 legal persons in its databases.

3. REPORTING AND TASKING

The tasking of the Security Information Service is regulated by § 8 of Act no. 153/1994 Coll. The tasks with which it is charged by the Government and President correspond with the defined priorities of its work. The tasks mainly concern intelligence work designed to fight terrorism, extremism and organized crime, and protect important economic interests of the state.

Apart from direct, specific assignments from its clients, BIS fulfils on an ongoing basis tasks defined by law. If it makes findings on matters which allow no delay, it passes them to the respective bodies or institutions who have the authority to take a decision or action.

In 2006 BIS passed a series of information both to the President of the Republic and individual members of the Government. It also provided different government departments with background materials – altogether more than 800 documents - for the discussion of various issues (such as corruption and internal security) by the Government. Specific information was passed to the State Authority for Nuclear Safety and the Czech Mining Office, and some was passed directly to Czech Police, the Office for Foreign Relations and Information (civilian intelligence service) and the Military Intelligence Service (a total of almost 250 documents).

At the request of the respective authorities, BIS comments on applications for Czech citizenship, for diplomatic entry visas, permanent residence permits, refugee status etc. Last year it did so in about 300 cases, and commented on more than 1400 applications for licences to trade in military material.

In collaboration with the Directorate of Aliens' Registration Service and Border Police and other Czech intelligence services, BIS participates in the visa granting process (under government resolution it is the guarantor acting on behalf of all intelligence services). A total of 678 493 commentaries on visa applications were produced in 2006.

4. COOPERATION WITH OTHER CZECH INTELLIGENCE SERVICES AND GOVERNMENT BODIES

As in previous years, in 2006 BIS closely cooperated with other intelligence services of the Czech Republic and Czech Police, focusing on fight against international terrorism. The basic coordinating element in this area was the Joint Intelligence Group, a permanent working body of the Committee for Intelligence Activities. The work of the Joint Intelligence Group again consisted mainly of comparing and evaluating information and proposing further measures designed effectively to eliminate security threats ensuing from the active participation of the Czech Republic in projects of the NATO allies.

This cooperation included further included exchange of information regarding the activities of intelligence services of foreign powers on the territory of the Czech Republic, extremism, organized crime, illegal migration and threats to the economic interests of the Czech Republic.

The recipients of the findings made as a result of the work of the Joint Intelligence Group included the Prime Minister, the Directors of the Czech intelligence services, Ministers

of the Interior, Defence and Foreign Affairs, President of the Police and Chief of the General Staff of Czech Army.

Cooperation with the Office for Foreign Relations and Information (civilian intelligence service)

Cooperation with the Czech external intelligence service has the standard form of mutual exchange of information. Discussions and specialist consultation are held when the need arises, and the services exchange analytical and intelligence data concerning mainly international terrorism, illegal migration, extremism and operation of the intelligence services of foreign powers on Czech territory.

Cooperation with the Military Intelligence Service

As a rule, BIS cooperation with the Military Intelligence Service takes the form of mutual exchange of information and coordination of the two services' activities. Of particular importance is cooperation on specific joint operation of counter-intelligence nature.

Cooperation with Czech Police

BIS cooperate with Czech Police in practically all areas of its jurisdiction defined by § 5, par. 1 of Act no. 153/1994 Coll., on the intelligence services of the Czech Republic, as amended by later regulations.

Individual BIS departments cooperate with the respective police bodies on the basis of the Framework Cooperation Agreement concluded by BIS with the Ministry of the Interior and Czech Police in 1995, which provides for joint action in the areas of intelligence gathering, information technologies, health protection, education, protection of premises, crisis management and staff training.

The cooperation involves mainly exchange of information, and when the situation requires it, joint crime prevention actions. BIS also cooperates with Czech Police in dealing with requests for the provision of information about persons and entities which are the subject of interest of either of the parties.

Cooperation with other entities

In all areas within its responsibility, BIS cooperates with a number of other government bodies at practically all levels.

Concrete and assessed as good by both parties is its cooperation with the General Customs Directorate and the Financial Analysis Unit of the Ministry of Finance, the Prison Administration of the Ministry of Justice, the Administration of Refugee Facilities and the Department of Asylum and Migration Policy of the Ministry of the Interior, the State Authority for Nuclear Safety (SÚJB) and others.

BIS also continued to cooperate with law enforcement and other public administration bodies (e.g. regional authorities, employment offices and District Social Security Administrations).

In the field of protection of classified information, it cooperates with the National Security Authority (NBÚ).

5. COOPERATION WITH INTELLIGENCE SERVICES OF FOREIGN POWERS

The cooperation of the Security Information Service with the intelligence services of foreign powers is regulated by § 10 of Act no. 153/1994 Coll.

Most active in 2006 was cooperation with the intelligence services of the neighbouring countries and services of NATO and EU member states. The logical reason for cooperation with the neighbouring countries is the territorial overlap of the problems dealt with by the intelligence services, and as concerns other states, its main impetus is struggle against terrorism, EU membership and efforts for integration in international structures. The principal themes of wide international contacts in 2006 included, apart from terrorism and proliferation of mass destruction weapons, also trade in military technologies and conventional weapons, counter-espionage and illegal migration.

In general terms it can be noted that cooperation with the intelligence services of foreign countries has been constantly deepening.

5.1. MULTILATERAL COOPERATION

5.1.1. EU Counter– Terrorism Group (CTG)

BIS takes an active part in all expert debates, contributes background materials to permanent projects and joint analytical reports produced by the group. BIS representatives attend its plenary sessions, specialist seminars and conferences and participate in discussions at the level of Directors of the intelligence services of EU members.

In 2006, BIS started making preparations for assuming CTG presidency in 2009. In the first place, it increased its share in CTG projects, as a pre-requisite for successful execution of its presidential role. A series of bilateral discussions will take place in 2007, with the aim to gain experience with organization of the CTG agenda. The commission set up for this purpose will prepare the necessary conditions of organizational, budgetary and personnel nature.

5.1.2. The NATO Special Committee

BIS actively participates in the work of the NATO Special Committee, which advises the North Atlantic Council in matters of civilian security threats. The Committee is composed of mainly of civilian counter-intelligence services. BIS represents in it the whole intelligence community of the Czech Republic.

BIS also participates in the work of other international bodies, such as the Middle Europe Conference, which coordinate the cooperation of security and intelligence services of democratic states.

6. INTERNAL SECURITY

In the area of personnel security, screening was carried out of BIS officers and employees before the expiration of the validity of their security certificates, as well as screening of applicants for service or employment in BIS.

As concerns physical security, priority attention was devoted to the fulfilment of tasks in securing the development and operation of the technical protection systems, in keeping with the relevant legislation. Activities in this sphere reflected the need to safeguard classified

information in connection of the completed reorganization and relocation of some BIS workplaces.

The information system was further developed and new information and communication technologies were introduced. This change not only contributed to more effective data processing, but also increased the level of security of the information system.

In the field of cryptographic protection of classified information, a new communication system with certified cryptographic elements ensuring the protection of transmitted voice and fax messages was put in routine operation.

BIS officers and staff members, including newly recruited ones, are instructed on an ongoing basis about legal regulations governing the protection of classified information.

7. OVERSIGHT, AUDIT AND INSPECTION

7.1. EXTERNAL OVERSIGHT

Under Act no. 153/1994 Coll., BIS is accountable for its activities to the Government and Parliament of the Czech Parliament. The Government also supervises the fulfilment of the tasks with which it charges the Service. BIS Director reports to the Government.

The Government oversees all areas of BIS activities in terms of their substance (subject matter), by means of the outputs received from and tasks accomplished by the Service. The operational aspects of BIS work are audited by the respective government authorities.

Oversight by the Parliament of the Czech Republic is regulated by Act no. 154/1994 Coll., on the Security Information Service, which defines in §§ 18 to 21 the functions of the Standing Oversight Commission of the Chamber of Deputies, set up specifically for this purpose. This act of law sets out the scope of the jurisdiction of the Standing Commission and the duties of BIS Director in relation to it.

Oversight regarding the management of funding allocated to the Service from the state budget and the property at its disposal is subject to the provisions of Act no. 320/2001 Coll., on financial audit in public administration and the amendment of some related laws, as amended by later regulations and the Ministry of Finance Regulation no. 416/2004 Coll., serving as administrative guidance in implementing the law.

Observance of labour safety, fire protection and hygiene regulations is inspected (on the basis of a coordination agreement) by the Ministry of the Interior. A total of six inspections were made in 2006, and no gross defects or breaches of regulations were identified.

In some areas of financial and asset management, oversight authority lies with the Supreme Audit Office (NKÚ).

The use of intelligence technologies is overseen by the President of the High Court in Prague.

7.2. INTERNAL AUDIT

7.2.1. INTERNAL AUDIT ACTIVITIES

Internal financial audit is the responsibility of the BIS Internal Audit Department, whose jurisdiction is defined by the Rules of Internal Governance and an internal regulation of the Service Director. From the legal point of view, it is regulated by Act no. 320/2001

Coll., on financial audit in public administration and the amendment of some related laws, and the Ministry of Finance Regulation no. 416/2004 Coll., serving as administrative guidance in implementing the law. Some internal audit tasks are carried out by specialized BIS departments.

A total of 45 internal audits were carried out in 2006. They concentrated on the observance of BIS internal regulations, regarding for instance periodical stocktaking (inventory appraisal), management of funding earmarked for research and development, agreements on material responsibility (liability of employees to indemnify the employer for damage caused by them), communal catering provided by the Service for its employees, management of special funding, clearance of advance payments for goods and services, keeping accounts and related documentation, use of service cars etc.

7.2.2. AUDITING PROTECTION OF CLASSIFIED INFORMATION

Checks were made in the course of 2006 on selected departments and workplaces handling classified information with the aim to determine whether the available technical means are used in keeping with the defined principles and security measures are observed in the operation of the information system. The manner of discussing, processing, transmitting and storing classified information was inspected. Further checks concerned physical security of BIS facilities and functionality the technical protection systems.

Checks focused on the security of the information system did not reveal any serious shortcomings.

7.2.3. ACTIVITIES OF THE INSPECTION DEPARTMENT

The jurisdiction of the Inspection Department includes:

- acting as the BIS police body, as defined by § 12, par. 2 of the Rules of Criminal Procedure, in cases when a BIS member is suspected of having perpetrated a criminal offence;
- investigating cases of BIS members being suspected of committing administrative infraction or breach of discipline, including investigation of extraordinary events, on the basis of a service regulation defining uniform course of action to be taken when an extraordinary event occurs and is investigated;
- investigating complaints and notifications made by BIS members and outside entities.

The Inspection Department also deals with requests from other law enforcement bodies (mainly Czech Police), in compliance with the Rules of Criminal Procedure.

In keeping with the provisions of § 55, par. 1 of Act no. 154/1994 Coll., on the Security Information Service, after investigating cases of breach of discipline the Inspection Department passes them for decision to members of BIS management with disciplinary authority.

Inspection Department function as BIS police body

Two criminal proceedings were conducted last year in connection with traffic accidents involving BIS members, two concerned incorrect handling of classified information, one a criminal offence against public order, and one a criminal offence against property. Comparing with 2005, their number increased by two.

One inspection in 2006, carried out at the instruction of BIS Director, focused on the use of residential and non-residential premises owned or leased by BIS. It revealed no facts or practices showing signs of criminal offence, administrative infraction or breach of discipline.

Investigation of administrative infractions

This category includes mainly traffic accidents in which BIS members were involved, meritoriously investigated by Czech Police bodies. The input of the BIS Inspection Department in such cases consists in providing the police with findings which they cannot obtain themselves (regarding for instance authorization to use a service car).

Also falling within this category are the so-called extraordinary events, in the sense of an internal BIS regulation (which also defines a uniform procedure to be followed in dealing with them); and other cases of BIS members suspected of having broken both generally binding and internal legal norms.

Where the culpability of a BIS member is established, the case is handed over for disciplinary proceedings under § 51 et seq. of Act no. 154/1994 Coll., on the Security Information Service, as amended by later regulations.

Investigation of complaints and notifications

The Inspection Department makes investigations necessary for the assessment of complaints and notifications submitted by BIS members and outside entities. Of the total number of 39 submissions made last year, 37 (94.9 %) were notifications and 2 (5.1 %) complaints. Both complaints were found unjustified.

8. CONDITIONS FOR BIS ACTIVITIES

8.1. LEGAL FRAMEWORK

The activities, status and jurisdiction of the Security Information Service, as a counter-intelligence agency of a democratic state, are regulated by Act no. 153/1994 Coll., on the intelligence services of the Czech Republic, as amended by later regulations, and Act no. 154/1994 Coll., on the Security Information Service, as amended by later regulations. In its work BIS conforms to the Constitution of the Czech Republic, the Charter of Fundamental Rights and Freedoms and other relevant laws and legal regulations of this country.

8.2. BUDGET

In order to be able to discharge its main tasks, BIS needed to maintain an adequate operational base and invest into its upgrading. All the routine operational needs of the Service had to be satisfied, and it was necessary to respond to heightened security requirements. This had an impact on the level of most expenditures.

As in previous years, great attention was devoted to satisfying needs in the field of protection of classified information, i.e. application of Act no. 412/2005 Coll., on the protection of classified information and security competence. In this area funding from BIS budget was expended for instance on securing the operation of the communication systems, with the aim to further enhance information and physical security, on the upgrading of the

technical means which BIS needs for the execution of its tasks and certification of the technologies it uses. Security requirements in this sphere are expected to grow in the future.

Thanks to a partial stabilization of the budget, expenditures on the material and technical base stayed at a level sufficient for satisfying the specific needs of BIS in 2006. Most funding was traditionally channelled to the areas of communications, computer and intelligence technologies which represent the basic material means for BIS to discharge its duties.

A priority ensuing from the Czech Republic's NATO and EU membership and its participation in the global struggle against terrorism is compliance with European standards relating to the activities of intelligence services.

The basic budgetary incomes and expenditures of Chapter 305 – Security Information Service were approved by Act no. 543/2005 Coll., on the state budget of the Czech Republic for 2006. Expenditures were set at 1 182 696 thousand CZK, and incomes at 105 000 thousand CZK.

With respect to the development of the overall conditions of budget management, the Ministry of Finance adopted corresponding measures.

After all adjustments, BIS budgetary expenditures in 2006 were set at 1 178 261 thousand CZK, while actual spendings amounted to 1 179 657 thousand CZK, including 17 902 thousand CZK drawn from the reserve fund of the previous year and 58 700 thousand CZK transferred to the reserve fund for the current period. Budgetary incomes reached 140 982 thousand CZK.

Management of the funds allocated to BIS from the state budget in the course of 2006 was in compliance with the basic needs of the Service.

