

Annual Report of the Security Information Service for 2007

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1 Intelligence activities and findings

1.1 Terrorism

In the course of 2007, similarly to previous years, the activities of the Security Information Service in combating terrorism centred on problems of Islamic extremism and terrorism. Although Islamic radicals operating on the territories of Western states did not accomplish any major terrorist act, the thwarted attempts e.g. in Germany¹ and the United Kingdom² show that these states are constantly threatened by Islamic terrorism.

Local Muslim communities provide a natural environment for Islamic radicals in Europe. European intelligence services therefore focus on certain activities of these communities which represent a security threat and are identified as potential stimuli of radicalizing tendencies within them. Members of Muslim communities feel discriminated by majority populations, which aggravates the security situation in the world, especially in countries of the Middle East, Iraq and Afghanistan.

In the context of Islamic extremism in Europe, the Pakistani diaspora is assessed to be the most serious threat, as confirmed by information about the important role of some members of Pakistani communities in Europe in disseminating radical Islamic ideology and supporting Islamic terrorism. However, in the Czech Republic, no activities which would indicate a direct threat of terrorist attack by members of the local Pakistani community or its radicalization have been registered yet.

Reactions of the Muslim community in the Czech Republic to events in Islamic countries and elsewhere in the world have been moderate so far, without any notable manifestations of radicalism.

In 2007, BIS collected information about several persons whose activities were evaluated as a potential security threat connected with Islamic extremism and terrorism. On the basis of the findings made, it was possible to rule out, for the time being, that the actions of these individuals might put the Czech Republic in an immediate danger of becoming the target of a terrorist attack.

For instance, in July 2007 the Czech Police detained two Yemeni nationals of Somali descent who showed suspicious interest in the building of Radio Free Europe/Radio Liberty in Prague. They had been previously detained at a Czech-Austrian border crossing, where they showed forged identification documents. Their attempt to cross the border illegally and their subsequent interest in the RFE/RL building, suggest a possible security threat ensuing from the activities of networks linked to the Islamic Jihad Union in Somalia.³ However, a threat of a potential terrorist attack connected with the activities of these persons in the Czech Republic has not been confirmed.

Gravity of the threat ensuing from the activities of intelligence services of states which support global terrorism depends particularly on the situation in the Middle East. In this respect, Iran is the most controversial country, with a tendency to use its nuclear programme

¹ In September 2007, Turkish national Adem Yilmaz and German nationals Fritz Martin Gelowicz and Daniel Martin Schneider were arrested in Germany upon suspicion of preparing a terrorist attack. They had ties to the terrorist group of the Islamic Jihad Union (IJU) in Pakistan, and were detained in the final stage of the preparations.

² In June 2007, a group of terrorists attempted to carry out a series of attacks in London and at Glasgow airport, using explosives brought in cars. A total of 8 persons were arrested.

³ The threat ensuing from the activities of Somali Islamists in the frame of the global Jihad is characterized by the fact that many aliens coming to Somalia to participate in the civil conflict on the side of the Islamists have been exposed as members of Al Qaeda of Eastern Africa (AQEA), which, together with the Jihad faction of the Somali Islamic militia al-Itihaad al-Islamia (AIAI), ranks among the most active Islamic groupings in Somalia.

for developing nuclear weapons and supporting certain militant Islamic groups which jeopardize internal stability especially of Lebanon, Iraq and the State of Israel.

1.2 Protection of important economic interests of the Czech Republic

As in previous years, in 2007 BIS concentrated on protecting important economic interests of the Czech Republic in the management of state property, especially the transparency of decision-making in individual public administration institutions, cases of non-standard or corrupt behaviour of public officials, and attempts of various interest groups to profit at the cost of the State.

BIS devoted its attention especially to the phenomena which had a negative impact on the management of property in the ownership of the Ministry of Agriculture, including the resolution of disputes between the SETUZA company and the Support and Guaranty Agricultural and Forestry Fund (PGRLF). It investigated e.g. misuse of subsidies, below-limit public purchasing in the areas of advertising and PR activities. In general these activities are a breeding ground for non-transparent asset stripping intermediated by related PR agencies in this case. It is difficult to evaluate and monitor the effectiveness and efficiency of such campaigns, especially from a longer distance of time.

BIS also monitored the process of terminating the activities of the Czech Consolidation Agency and management of state material reserves, which various entities tried to influence for their own benefit.

Furthermore, BIS gathered information on activities which may adversely influence the management of companies of strategic importance in which the State holds its majority interest. Attention was devoted to phenomena which potentially threaten to reduce the privatization yield in case of companies the privatization of which is in the preparatory phase or is expected to take place in the future. Some bidders for their purchase use non-standard methods in an effort to create more advantageous conditions for themselves in the anticipated privatization procedure.

Further threats are connected with changes of the legal status of companies being or to be privatized.

BIS analyzed findings concerning the allocations of finances provided by the EU Structural Funds. There still persists a risk of preferential treatment of some of the projects applying for EU funding by persons responsible for the project evaluation.

Trustworthiness of the implementation structure for drawing money from European funds may be endangered by non-transparent behaviour of some of its entities.

BIS evaluated findings on non-standard phenomena accompanying investments projects undertaken by certain financial groups. In an effort to forward their interests, these groups control and fund activities of lobbyists through whose agencies they plant their “partisans” in high-ranking positions in central and local public administration bodies, thus influencing their activities in favour of private entities, with negative impacts on the management of public finances.

Some financial groups representatives also utilize former officials of the pre-1989 Communist Party and Communist Youth Union who, thanks to their contacts, form a powerful lobby which influences or tries to influence not only public administration at central and local levels, but also the legislative process and the work of legislative bodies.

As regards energy security of the Czech Republic, the most serious problems still include excessive dependence on supplies of raw materials for the power industry from a single source or by a single transport route, and a limited possibility to secure deliveries from a number of independent suppliers. BIS pointed to the risks connected with the involvement of foreign entities in the Czech energy sector. It also paid attention to the future structure of

resources for electricity generation, because there were noticed attempts of a foreign entity at influencing the choice of the technology to be used for this purpose in the future.

Potential higher dependency on imports of raw materials for the power industry is considered to be a risk factor for the Czech Republic. One of the possible solutions is to maintain control over the extraction of uranium ore.

In sum the important economic interests of the Czech Republic are threatened mainly by undesirable influencing of the execution of public administration. As in the past, various Czech and foreign businesses, financial groups, lobbies and also individuals seek to profit at the expense of state property and influence the activities of companies in which the State has interest. In order to attain their aims, they make use of internal information in the possession of public administration bodies obtained in a non-standard manner or direct or intermediated contacts with public officials who have decision-making authority or both.

1.3 Counter-intelligence activities

Intelligence services of the Russian Federation

In 2007, the most active of foreign intelligence services operating in the Czech Republic were again those of the Russian Federation. The number of Russian intelligence officers using diplomatic or other cover did not change significantly last year.

The resumption of intelligence activities typical of the Soviet era and interrupted by the disintegration of the Soviet Union can be traced back to the start of negotiations on NATO membership of East European countries and enlargement of the European Union.

Last year's operations of the Russian services in the Czech Republic were mainly related to the plan of building components of the US anti-missile defence system in our country, and to Russian disputes with Baltic states. Efforts to set up concealed channels of influence in the frame of Czech government and political structures continue unabated.

In the first place, the Russian services attempted to establish contacts with public opinion-makers, political circles and the media and infiltrate organizations influencing public opinion to win them over for supporting Russian interests in debates on the issue of locating an American radar in the Czech Republic. Seen in a wider context, their aim is not only to feed opposition against the radar, but also to create an impression that under the patronage of the EU and NATO the Nazi ideology is being rehabilitated in Europe and the decisive contribution of the Soviet Union to the defeat of Nazism in the World War II is being denied.

According to BIS, the operations of the Russian services targeted at the Czech Republic and its allies may be a part of a broader and prolonged campaign designed to undermine the EU and NATO integrity, isolate the United States (or encourage isolationist moods in the USA) and regain control over the security of the once Soviet-ruled territories in Europe, irrespective of the results of the anti-missile radar negotiations.

Another priority of the Russian special services in 2007 was collection of economic intelligence, promotion and protection of Russian economic interests in the Czech Republic. A major continual threat is represented by the fact that active as well as retired Russian intelligence officers hold diplomatic posts and important positions in Russian state and private companies and specialized chambers of commerce.

A wealth of information leading to the same conclusions can be found in open sources, for instance:

- The Russian newspaper Kommersant revealed that Russian executive Oleg Švarcman managed funds worth 3.6 billion USD for owners linked with the Russian intelligence services SVR and FSB. Švarcman also cooperated with Western investors,

and owned up to collaboration with Russian special services in this context.⁴ This case disquieted Western investors and provoked a debate on the role of former Russian intelligence officers⁵ in the commercial sphere and the risks involved.⁶

- When President Putin was installing in office the new head of the Russian civilian intelligence service, he said inter alia: *“It is necessary to protect more actively the economic interests of our [Russian] companies abroad”*.

- In December 2007, the Russian media informed about a speech delivered by President Putin at a session of the Council for Science, Technology and Education attached to the Office of President. He pointed out that technological intelligence must be more active, and in the near future it would be necessary to channel efforts in this direction and define priorities. In response to the President’s speech, the Director General of the Russian Chamber of Commerce and Industry and ex-Director of SVR said the Russian technological intelligence would “act in favour” of the new Russian state company Rostekhnologia, and a body which would pass information acquired by the intelligence service to Russian private entrepreneurs and companies should be set up.

In the light of the obtained information, it is necessary to stress that the threat represented by economic espionage is not only loss of a market or competitive advantages. Economy and business groups may be and are used as instruments of political pressure.

According to BIS, current Russian intelligence activities in the Czech Republic are extraordinarily intensive.

1.4 Extremism

Neo-Nazism

Neo-Nazi organizations in the Czech Republic continue to operate along the lines of the so-called autonomous nationalism. In 2007 a prominent place on the neo-Nazi scene was still held by the National Resistance, whose activists participated in the organization of two largest neo-Nazi events of the year – the May Day procession in Brno and a march through the Jewish Quarter in Prague on 10th November, 2007. Although neo-Nazis tried to meet all formal legal requirements, their rallies were banned because of their true purpose.

Apart from the marches in Brno and Prague, a series of minor, officially permitted, public events involving neo-Nazis took place in the course of 2007 in towns all over the Czech Republic. They were organized under various pretexts (such as rejection of positive discrimination, re-introduction of death penalty, disapproval of the plan to build a radar base in the Czech Republic, commemorative events etc.).

Most of them were organized by the extremist right-wing grouping National Corporatism (NK), which is unregistered, vaguely profiled, and oscillates between neo-Nazism and ultra-nationalism. The turnout at its rallies in 2007 (mainly of adherents to the extreme right wing) was relatively high (around 100 people per rally).

The so-called black-bloc dress style of the participants, copying that of left-wing extremists was characteristic for all these demonstrations. As a result, when they clashed with

⁴ Švarcman was interviewed by Kommersant journalist Maxim Kvaša, and after the interview was published, he declared that in transcribing it Kvaša made use of „literary licence“. In a subsequent interview for the Echo of Moscow radio he even said that Kvaša should poison himself.

⁵ After all, one of the traditional Russian truths is that *„one never retires from [secret]service“*; and Vladimir Putin himself paraphrased it during his presidential campaign in 2000, declaring *“a former chekist doesn’t exist”* (Cheka was the first bolshevik secret service, and FSB and SVR are still commonly referred to as “chekists”).

⁶ See the title of an article in one of last-year issues of the Russian mutation of the Smart Money periodical: „KGB is better than MBA“.

militant anti-fascists (whose number increased comparing to previous years), it was more difficult for the police to identify and separate the members of the two antagonistic groups. BIS does not rule out that this dress style, contributing to higher anonymity of the activists and putting the police at a disadvantage, will grow in popularity among right-wing extremists and the security forces will face this problem more and more often.

BIS has registered increasing frequency of the presence of Czech neo-Nazis at neo-Nazi concerts abroad. They were mostly among the audience. The Czech neo-Nazi band Conflict 88 played at Fest Der Völker in Jena. Due to the fact the Czech Republic is part of the Schengen area, this trend is expected to continue.

The popularity of the Internet as a relatively anonymous, easily accessible and fast means of communication has been steadily increasing among extremists. They use it for a variety of purposes, most frequently for presentations of their ideas and attitudes, mutual communication, sale of goods with extremist symbols, but also for establishing contacts with individuals and groups of similar beliefs in other countries. In 2007 it played an important role in organization of major events of neo-Nazis and mobilization of their opponents. It is highly likely it will also be used as a platform for confrontations in the future.

Ultra-nationalism

In 2007 BIS monitored the activities of political parties and unincorporated (civic) associations regarded as the chief representatives of the ultra-nationalistic scene. They include groups of anti-Semitic, racist or xenophobic leanings and their members assume very radical standpoints, while in public they mostly try to appear moderate and avoid conflicts with the law. Though publicly disavowing from neo-Nazis, some maintain contacts with them and use their support. Because the ultra-nationalists seek to draw attention to themselves especially before elections, they were not significantly active in 2007.

The National Party (NS) was an exception. As in previous years it was involved in a whole series of controversial events the purpose of which was to attract the attention of the media and raise awareness of its existence and ideology among the wide public.

The foundation of the National Guard (NG), a paramilitary organization of the National Party, officially announced at a rally on Wenceslas Square on 28th September, 2007, can be described as premeditated provocation. The fact that the National Party made the establishment of NG part of its 2006 political programme indicates that the creation of the National Guard in Hungary was not the immediate stimulus. But it is highly probable that the attention devoted to the Hungarian NG by the media speeded up the decision to set up similar paramilitary “unit” in the Czech Republic. At the moment the Czech National Guard has little in common with its Hungarian counterpart, and represents rather a virtual than functional project.

The second most active Czech ultra-nationalistic grouping was the Patriotic Front (VF). It has the legal status of civic association and operates as a “supporting” political and “public enlightenment” organization. In 2007 its adherents met at several public events, the most confrontational of which was the May Day rally in Prague, organized in collaboration with the ultra-nationalistic political party of National Unity. First the ultra-nationalists clashed there with members of the organization of Young Social Democrats and then were attacked by a group of militant anti-fascists.

Other ultra-nationalistic organizations kept a low profile in 2007.

Anarcho-autonomist movement

In 2007 the Czech anarcho-autonomist movement was revitalized, not only because it was joined by a new generation of anarcho-autonomists, mostly inclining to militant anti-fascism, but also as a result of some important domestic and international events.

Though the new generation of young people of alternative beliefs accept the general principles of anarchism. They are not interested in details of its ideology, which they reduced to a single “political topic”, namely anti-fascism, struggle against their ideological adversaries. It is manifested inter alia in the new activists’ persistent lack of interest in formal membership in anarchistic organizations.

The Anti-fascist Action (AFA) has been the most prominent representative of militant anti-fascism in the Czech Republic for several years. At a local level it tries to operate as an umbrella organization for radical anti-fascists. Apart from promotion and information activities, AFA develops practical activities as well. Militant anti-fascists consider physical confrontation a legitimate means of struggle against their opponents.

Confrontations occur between individual anti-fascists and right-wing extremists or their smaller groups as well as large groups gatherings at public rallies. Increasing tension between the devotees of these antagonistic ideologies in 2007 led to radicalization on both sides. Several major conflicts took place especially in the course of beforehand notified demonstrations and marches organized by right-wing extremists.

Utmost mobilization of anti-fascists was registered by BIS in connection with the planned neo-Nazi march through the Jewish Quarter in Prague. On 10th November 2007, a group of anarcho-autonomist gathered at a rally notified to the authorities in advance and proceeded to the place of the planned neo-Nazi meeting. As the police concentrated on right-wing extremists, the militant anti-fascists, equipped for street fighting, had little difficulty getting to the immediate vicinity of the Jewish Quarter, taking full advantage of their numerical superiority over the small neo-Nazi groups. Apart from individual right-wing extremists, they also attacked police officers, who were thus paradoxically forced to intervene mainly against them.

Even though in 2007, similarly to 2006, the predominant topic of the Czech anarcho-autonomists’ activities was anti-fascism, they also organized several public events of different focus, inspired by developments in the Czech Republic and abroad. On several occasions they supported rallies of other left-wing groupings. They also organized a mobilization and promotion campaign in connection with the G8 summit in Heiligendamm in Germany, but this event was not in the centre of their attention.

Marxist-Leninist groups

Major domestic and international events in 2007 had an impact not only on the anarcho-autonomist movement but also on the activities of some groups of Marxist-Leninist groups inclining to the extreme left wing. While some made full use of the current debates on social issues for promoting their ideology, others kept a low profile.

For quite a long time the Marxist-Leninist groups have been grappling with the problem of low membership, which makes them overcome ideological controversies within their ranks and cooperate with larger and more influential organizations beyond the left-wing extremist spectrum. This trend was obvious in the Czech Republic already in previous years, when extremists as well as more moderate left-wingers cooperated in the so-called anti-globalization movement and its concept of social forums. In 2007 this movement retreated to the background and left-wing extremists engaged in the activities aimed against building the American radar base in the Czech Republic (the anti-radar movement).

BIS regards involvement in the anti-radar and anti-globalization movements as completely legitimate in democratic society. The reason why BIS devoted attention to the activities of these movements is the fact that they are also joined by left-wing extremist groupings, representatives of which may take advantage of such activities to make themselves more “visible”.

In 2007 the Marxist-Leninist groups continued collaborating with groups of similar leanings abroad, particularly with “colleagues” in Germany and Slovakia. The G8 summit in Heiligendamm was a challenge not only for anarcho-autonomists, but also for adherents to Marxism-Leninism. Yet mobilization in that environment was low. If proponents of Marxism-Leninism took part in protests in Heiligendamm, they very likely did so as individuals.

1.5 Proliferation, handling and trade in military material

As concerns proliferation of mass destruction weapons (WMD) and their carriers, including technologies of dual use, a long-term priority of the Security Information Service has been the monitoring of the exports of these commodities to North Korea, Iran, Syria and some other countries from which they could be re-exported.

In 2007, the UN Security Council widened its ban of trade in materials and technologies which may be misused in the nuclear and missile programmes of Iran. The European Commission projected this fact into a regulation on restrictive measures regarding Iran, which is binding to the full extent and directly applicable in all EU member states.

Last year BIS informed the designated authorities inter alia about the interest of countries posing a security threat in a control unit, equipment for precision machining and some special materials or instruments of Czech make. The information concerned preparations of business deals with dual-use goods declared as designed for civilian purposes. Implicating business entities with links to the nuclear, biological and missile programmes of the above-listed countries serve as a cover.

BIS also noticed some exporters’ attempts to bypass control regimes, especially those imposed on exports of technologies for civil as well as military use to the third countries. In this context it also focused on problems of new and original Czech technologies and know-how in relation to foreign companies with Czech involvement producing equipment liable to Czech control mechanisms.

BIS analyzed security threats stemming from the operation of nuclear facilities and transfers of nuclear materials for the Temelín and Dukovany nuclear power plants, but discovered no signals of potential risk.

Certain imperfections of Act no. 38/1994 Coll., on foreign trade in military material, together with specific provisions of Act no. 61/1988 Coll., on mining activities, explosives and the State Mining Administration, as amended by later regulations, which regulate the handling of industrial (civilian) explosives, were the subject of inter-departmental discussions. These legal shortcomings made it possible for some exports and imports to be declared as civilian, while in fact they may have involved trade in military material.

By formulating its standpoints drawing attention to expedient practises used by applicants for licences in the sense of the provisions of Act no. 38/1994 Coll., on foreign trade in military materials, BIS took part in licensing procedures under this Act. In the licensing process itself, BIS pointed to the risk of exporting military materials to countries representing a security threat.

BIS participated in the amendment drafting of Act 61/1988 Coll, on mining activities, explosives and the State Mining Administration, as amended by Act no. 376/2007 Coll., which should facilitate resolution of problems connected with the design of the so-called improvised explosive devices (booby traps). Instructions for their construction are still relatively easily accessible e.g. on the Internet.

Last year BIS also monitored changes in the ownership structure of companies in which the state has property interest, e.g. the planned privatization of Škodaexport, a.s. (joint-stock company).

In 2007 BIS registered certain problems accompanying completion of the project of environment-friendly disposal of a significant amount of discarded (redundant) army

ammunition. It was implemented for the Ministry of Defence on a contractual basis by companies led by Poličské strojírný (engineering works), a.s. The problems included non-compliance with regulations on the storage of ammunition by the STV Group, a.s. in Hajniště near Nové Město pod Smrkem, and explosion of ammunition processed in Excalibur Army, s.r.o. (Ltd) and Poličské strojírný. Despite these shortcomings, no findings were made to confirm the fact the project represents a serious security threat.

1.6 Organized crime

Russian-speaking, Caucasian and Balkan groups were the most active among organized criminals operating in the territory of the Czech Republic in 2007.

The traditional targets of their interest are public administration bodies, the police and the judicial system. Their contacts in these environments serve them to legalize their activities and profits. Corruption is their most frequently used means for establishing the contacts. Apart from extensive contacts in the Czech criminal circles, in forwarding their interests they also cooperate with professionals, such as lawyers, financiers and advisors of various specializations.

With the purpose to influence decision-making and execution of public administration, the organized crime groups also make use of ties with different special-interest groups, lobbies, entrepreneurs, government officials' advisors etc. To establish and maintain such ties, they plant their members in a variety of business companies and foundations.

It can be assumed that organized crime groups are not only able to legalize their profits from illegal activities, but also offer their services to other persons.

Russian-speaking and Caucasian groups of organized crime

From the viewpoint of the overall development of organized crime in the Czech Republic, probably the most important phenomenon in 2007 was an effort to subordinate all the different Russian-speaking groups to a single authority – the so-called *vor v zakone*.⁷ It was, however, complicated by a violent conflict between the Chechen and the Armenian groups, which culminated in an assassination attempt against one of the leaders of one of the groups. On the basis of information supplied by BIS, the contract killer was detained by the Czech Police.

The tension between these groups, caused by an unresolved dispute about control over the territory of the Czech capital, remains high. The security threat is posed by the fact that both groups have considerable financial, material and logistic means at their disposal.

With the purpose to legalize their profits, the Russian-speaking organized crime groups look for associates among financial experts and persons linked to some former as well as current politicians and high-ranking civil servants. They launder their dirty money in casinos and catering facilities owned by persons linked to the environment of organized crime, or trade in luxury goods.

While the methods used especially by the Chechen groups include extortion, leasing frauds, drug trafficking, crime against property and organizing illegal migration, the Armenian groups traditionally engage in “clean” business (they run security agencies, the clients of which are also important Czech companies) and investment activities. The findings made by BIS also confirm their interest and engagement in business dealing with transport and trade in fuels.

⁷ “*Vor v zakone*” . “*thief under law*” – the supreme criminal authority on a particular territory or in a particular field of business (equivalent of “boss” or “don” in the USA); “law” is taken to mean the “thief law of traditional Russian underworld”. Today the expression is used mainly as a sign of respect for tradition – its contents has been modernized.

Balkan organized crime

Groups from Albania, Kosovo and Macedonia, characterized among others by the fact they are a part of international structures, are particularly active in the Czech Republic. They are involved mainly in drug and people trafficking, money laundering, forging documents and intermediating illegal stay of aliens in our country.

These groups legalize their profits through a network of legal businesses, especially casinos.

Considerable security threat is posed by their activities in intermediating legalization of stay in the Czech Republic for aliens linked to criminal circles, mainly Albanians from Kosovo and Macedonia, Serbians and people of Arabian descent.

It can be assumed that the efforts of Balkan organized crime to find a foothold in the Czech Republic will intensify in the future not only because of the complicated political situation in the Balkans, but also the increasing extent of “grey economy”, growing volume of illegal profits and search for opportunities of their legalization and investment.

Ukrainian organized crime

The so-called Luhan group operates mainly in Brno but also in some parts of North Moravia and in Prague. Ukrainian organized criminals engage particularly in trade with weapons, extorting money, collecting protection money, supplying prostitutes from Ukraine, kidnappings and murders.

According to the information available, the influence of this group is steadily growing, and the Ukrainians even do not respect the “laws” valid in the environment of organized crime.

Public administration

A variety of special-interest groups try to influence decision-making in public administration of the Czech Republic in their own interest and that of their clients. Some use methods typical of organized crime.

Not all the cases of misuse and manipulation of bankruptcy proceedings registered by BIS can be labelled as acts of organized crime. Rather than that, they represented utilization of legislation gaps which still make it impossible to penalize all negative phenomena arising from social development.

BIS also registered attempts to influence court decisions in matters of a term of imprisonment, for instance by presenting the court with documents (such as health documentation or evaluation of the prisoner’s behaviour, needed for the court ruling) which are forged or acquired by fraudulent means. These signals have not been fully confirmed yet

These findings indicate that some lawyers evidently act in direct conflict with the code of conduct of their profession, taking advantage of their private and professional relations with clients, colleagues and police officers and utilizing contacts in the underworld.

BIS also possesses information on efforts made by some ex-police officers to make use of former professional contacts for their own benefit, especially for influencing investigation of their offences or for their illegal incomes legalization.

BIS has also identified attempts to recruit associates from among civil servants and members of the security forces enrolled in further training at institutions of higher learning. They promise them to make their studies easy, through contacts in academic circles.

1.7 *Illegal migration*

The Czech Republic is still mainly a transit country for most migrants (e.g. Chinese). From the security point of view, the most serious problems arise when the migrants seek to legalize their stay in our country and use the services of various agencies, including certain law and consulting companies, which help them obtain documents, find accommodation and employment etc.

As the Czech Republic is now part of the Schengen area, the only problem for organizers of illegal migration is to obtain Czech visas for their “clients”. Therefore they will probably concentrate on forging and fraudulently altering visas and travel documents and influencing the decisions of Czech authorities on applications for visas and residence permits.

Armenian and Chechen illegal migration

Some Armenian groups of organized crime engage mainly in organizing illegal migration. In order to obtain documents allowing the migrants to enter or pass through the country of their choice, the Armenians use a variety of methods, e.g. forging travel documents, visa labels etc.

Illegal migration is also organized by the Chechen community in the Czech Republic, consisting mainly of refugees applying for international protection. Some of its members are linked to international groups of organized crime which help aliens legalize their stays. Forging and altering documents is again their chief method.

The most frequent clients of these groups are migrants from countries of the former Soviet Union. Some organizers are even able to secure employment for the migrants in the Czech Republic (in the building industry etc.).

In 2007, BIS contributed by supplying information to exposing activities of a group which concentrated on legalization of the stay of former Soviet citizens in the Czech Republic (using forged documents). In autumn 2007, the Czech Police took action against this group.

Asian illegal migration

Vietnamese citizens were the most numerous group of illegal migrants in 2007. They conclude purely formal marriages with Czech women or claim paternity of children who do not have the name of their father stated in their birth certificate to legalize their stay. Then they ask for reunification of the family and a permanent residence permit. Work permits are also used for obtaining residence permits.

Illegal migration from the Near and Middle East

On the basis of information supplied by BIS, the Czech Police detained a group of organizers of illegal migration from North Africa, the Near East and Iraq in May 2007.

Massive migration of Turks and Turkish Kurds via the Balkans and Central Europe to Germany is a long-term phenomenon. One of minor migration channels runs through the Czech Republic making use of layovers of planes going to western countries.

International protection is also sought in the Czech Republic by Kirghiz migrants. Kirghiz illegal migration to the Czech Republic as the final destination or transit country is controlled by bosses of the local Kirghiz community.

1.8 *Negative phenomena in information and communication systems*

The area of cybernetic security has been moving into the focus of intelligence services and security agencies particularly as a result of the global progress of information and communication technologies, which brings not only undoubted benefits but also new threats.

For instance the events in Estonia at the turn of April and May, 2007. In connection with a dispute over the relocation of a Soviet soldier war monument, Estonia, which ranks among the world leaders in computer literacy and computerization of public administration, became, within a few days, the target of countless sophisticated and well organized attacks by hackers, in most cases of Russian origin. Government institutions, banks, mobile operators' systems etc. were hit.

Although Estonia managed to minimize the damage quite effectively, important parts of the Estonian cyberspace were isolated and inaccessible for users for several weeks. These events highlighted the vulnerability of countries in the area of cybernetic security, especially when systems of the so-called critical infrastructure are attacked.

Hackers targeting public institutions and important economic entities in Europe and America also use servers based in China, which deny their involvement in such attacks.

An attack targeted at several hundreds of internet domains was exposed in 2007 in the Czech Republic. Using specially developed code infecting users' stations, the hacker managed to acquire sensitive logging data. The harmfulness of the malware used consisted mainly in its universality and the fact that it was difficult for a common user to discover it

Apart from collecting information about potential threats of attacks against systems important for the security and routine functioning of the state, BIS concentrates on protection against possible efforts of foreign intelligence services or other institutions of the state apparatus, but also private entities, to acquire sensitive or classified information, important technical and technological data. Several attempts to access corporate know-how in this manner were registered last year in Europe and the United States. Czech companies are not still adequately prepared to counter such efforts, and therefore need to receive higher attention.

As the modern society is becoming increasingly dependent on information technologies, real threats are emerging also for common users, such as more frequent thefts of electronic identity and frauds particularly in the areas of electronic banking and internet trading. Though banks react to these security incidents flexibly and introduce stricter security rules, internet attacks of phishing type⁸ were registered in the Czech Republic last year, too.

Despite the fact users are better informed and most providers take an active approach to the protection of the systems they administer, the sophistication and dangerousness of electronic attacks have been growing, and the malware is better secured against detection and subsequent analysis. For this purpose hackers use commercially accessible or their own protection programmes. Another characteristic feature of malware protection is dividing an electronic attack into several phases, thus preventing exposition of the entire functional sample of a harmful code.⁹

Regarding the above-mentioned facts, it can be anticipated that in the nearest future hackers' attacks will be narrowly targeted at specific areas of the cyber space and smaller information systems the protection of which is generally lower due to costliness of high-level security measures.

Effective defence against targeted attacks designed to damage or disable information and communication systems, and against other harmful interference with information and communication networks requires, apart from monitoring up-to-date trends of their development, broad international cooperation of security institutions and developers of new protective technologies.

⁸ Phishing consists in fraudulent acquisition of sensitive data (such as logging name, password etc.) from persons using electronic banking systems.

⁹ The purpose of a harmful code (programmes) is mostly theft of the user's electronic identity.

2 Protection of classified information and security screening at the request of the National Security Authority (NBÚ)

In the area of protection of classified information, BIS carried out tasks defined by Act no. 412/2005 Coll., on the protection of classified information and security competence, as amended by later regulations.

In conducting security screening, BIS closely cooperates with the National Security Authority (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 respective government resolution on international cooperation.

In 2007, BIS carried out at NBÚ's request investigations for the purposes of security screening of natural and legal persons applying for security clearance, including investigations concerning the issuance or termination of validity security competence certificates. It also dealt with NBÚ requests to investigate changes in corporate data.

During the period in question, BIS received from NBÚ a total of 517 requests for the screening of natural persons designated to handle information classified as "Top Secret" and "Secret", and completed its investigations in 478 cases. It received 239 requests for the screening of business entities and completed investigations in 212 cases. As concerns verification of security competence of natural persons, it received 52 NBÚ requests and completed its investigation in all cases. At the same time, it carried out at the request of the National Security Authority checks on the security status of 304 natural persons and 228 business entities, using its own 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 its jurisdiction.

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 that have the authority to take a decision or action.

In the course of 2007, BIS provided the President and individual members of Government with more than 800 documents. Specific information was passed to the respective government bodies, the Czech Police, the Office for Foreign Relations and Information (civilian intelligence service) and the Military Intelligence Service (over 300 documents in total).

At the request of the respective authorities, BIS comments on applications for Czech citizenship, diplomatic entry visas, permanent residence permits, refugee status etc. Last year it did so in more than 300 cases, and also commented on more than 2000 applications for licences to trade in military materials and commodities of dual use.

In collaboration with the Directorate of Aliens' Registration Service and Border Police as well as 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).

4 Cooperation with other Czech intelligence services and government bodies

As in previous years, one of the chief priorities of the Security Information Service in 2007 was struggle against international terrorism. BIS cooperated with other Czech intelligence services and government bodies in the Joint Intelligence Group attached to the Office of Czech Government, set up on 6th June, 2005 under a resolution of the Security Council of the Czech Republic as a permanent working body of the Committee for Intelligence. The main responsibility of the Group is to be a platform for intelligence exchange and coordinate activities of the Czech intelligence services, the Czech Police, Ministry of the Interior and Ministry of Foreign Affairs.

As concerns struggle against terrorism, BIS effectively cooperated with the Unit for Exposing Organized Crime (a specialized body of the Czech Criminal Police), the Police Presidium, the Directorate of Aliens' Registration Service and Border Police, the Military Intelligence Service and the Office for Foreign Relations and Information (civilian intelligence agency), the Ministry of Foreign Affairs and Ministry of the Interior (especially its Security Policy Department).

Cooperation with the Office for Foreign Relations and Information

Apart from standard exchange of information, concerning mainly international terrorism, illegal migration and activities of intelligence services of foreign powers, bilateral discussions and specialist consultations were held as the need arose.

Cooperation with the Military Intelligence Service

Similarly to 2006 the cooperation of civilian intelligence agency, BIS, with the Military Intelligence Service consisted in mutual exchange of information. In 2007, the cooperation was agreed on potential specific joint actions to be taken in 2008, depending on the current situation.

Cooperation with the Police of the Czech Republic

BIS cooperation with different bodies of Czech Police is broad-based and goes beyond the frame of the legal duty of intelligence services to provide police authorities with information and findings falling within their jurisdiction. Apart from information exchange and cooperation e.g. in fighting organized crime and illegal migration, BIS and the Czech Police collaborate on securing technical support for specific operations.

BIS actively cooperates with the Czech Police at national as well as regional levels, with the aim to prevent situations which might represent a security threat and to ensure law and order during events organized by extremist groups.

Cooperation with other entities

BIS cooperates with many other bodies in all areas of its jurisdiction.

In the area of staff development, it cooperates with the units responsible for the protection of the Czech President and other public officials defined by the Constitution.

Cooperation with the Czech Army is bilaterally beneficial mainly in practising management of crisis situations which might arise during transfers of protected persons.

Czech universities and other institutions of higher learning are increasingly interested in cooperating with BIS. Under a contract signed with BIS, the Police Academy has included the subject of "Intelligence Services", taught by BIS lecturers, into the syllabus of a master's degree course. Cooperation with the University of Defence in Brno develops successfully, too.

Specific cooperation between BIS and other government bodies and institutions, such as the State Authority for Nuclear Safety, Czech Statistical Office, Czech Mining Office, National Security Authority, Ministry of the Interior (Department of Asylum and Migration Policy), the General Customs Directorate and others, including exchange of information, has also been developing.

5 Cooperation with intelligence services of foreign powers

The number of intelligence services the Government has authorized BIS to cooperate with grew in 2007 to 94, in 60 countries of the world. The reasons for cooperation are above all the need to exchange information regarding struggle against terrorism, and a higher number of countries associated in multilateral cooperation groups.

Apart from terrorism, the chief areas of cooperation included counter-espionage, proliferation, right-wing extremism and organized crime. In comparison with previous years, many partners obviously put higher stress on counter-intelligence, even in the frame of multilateral cooperation.

BIS provided its foreign partners with more than 1700 information items, received 7000 documents, and its representatives participated in 500 international meetings.

5.1 Multilateral cooperation

Counter-Terrorism Group – CTG

The Counter-Terrorism Group is a special body of the EU security services for struggle against terrorism. BIS contributes to its work within its possibilities and participates in its meetings at the level of directors and heads of counter-terrorism departments. It sends its representatives to expert seminars on relevant topics, though in 2007 it did so less frequently than in 2006. But in 2007 BIS contributed by a larger number of analytical reports and also directly participated in specific projects.

NATO Special Committee

Due to the stagnation of the NATO reform, the position of the Special Committee in the Alliance has not changed. In 2008 the first meeting with representatives of Australia will take place. It reflects the trend of opening the Alliance to further countries in other regions of the world (Australia, New Zealand, Japan).

6 Internal security

In the area of personnel security, screening of BIS officers and employees was carried out, in compliance with Act no. 412/2005 Coll. Access to classified information (issuance of certificate of security competence) was not denied in any case, and there was no case of security clearance being withdrawn or its validity terminated. Several tens of security screenings of applicants for service or employment in BIS were conducted as well.

In compliance with § 22, par. 5 of Act no. 412/2005 Coll., reasons for non-disclosure of information contained in documents produced by the Federal Security Information Service, the Security Information Service of the Czech Republic and the Security Information Service between 1st July, 1991 and 31st December, 2005 were investigated.

As concerns physical security, measures ensuing from threat analysis were implemented. They focused on safeguarding classified information by improving the systems of protection regimes, technical protection and protection of buildings.

The BIS information system has been constantly upgraded and prepared for the Czech presidency of the European Union. In 2007, the communication routes were fortified and equipped with new types of cryptographic means. Changes aimed at ensuring sufficient capacity of the information system are implemented with special regard to the security of the processed 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 Republic. 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 relevant 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.

Oversight regarding the management of funding allocated to BIS from the state budget and of 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, and Ministry of Finance Regulation no. 416/2004 Coll., serving as administrative guidance in implementing the law. In BIS the law is implemented through an internal regulation.

External inspections in BIS are carried out by the relevant bodies and institutions authorized by law to oversee particular activities. A total of 13 checks were made in 2007, regarding for instance keeping of records on the social security of BIS officers and employees, payment of social insurance and contributions to state employment policy, observance of hygienic norms etc. No gross defects were discovered.

In some areas of financial and asset management, the 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

Internal audit activities

Internal financial audit is the responsibility of the BIS Internal Audit Department. The extent of its jurisdiction is defined by Act no. 320/2001 Coll., on financial audit in public administration and the amendment of some related laws, and Ministry of Finance Regulation no. 416/2004 Coll., serving as administrative guidance in implementing the law. In BIS the law is implemented through an internal regulation. Some tasks of internal financial audit are carried out by specialized BIS departments.

A total of 52 internal audits were carried out in 2007. They concentrated on public purchasing procurement, handling of redundant assets, and observance of BIS internal regulations. Audit of anti-corruption measures in BIS was made as well.

In several cases, the internal audit revealed minor shortcomings of formal character, which were subsequently removed within set deadlines. A recommendation was adopted in

one case to complement internal regulations by introducing a further control mechanism. No serious breach of internal regulations was identified.

Auditing the protection of classified information

In the course of 2007, checks of administration security in several organizational units, with focus on physical security of classified documents, keeping records on classified carrier media and records on marking and administrative aids were made.

In compiling background materials needed for completing security documentation, checks of observance of regulations on the storage of classified information were made. Tests of the functionality of the installed technical protection elements, including individual components of locking systems were done as well.

Activities of the Inspection Department

The activities of the BIS Inspection Department are regulated by the Rules of Internal Governance as well as an internal regulation defining the principles of proceedings conducted by members of the Inspection Department as the police body of the Security Information Service.

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, in accordance with an internal regulation;
- 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.

Function of the Inspection Department as BIS police body

In 2007, the Inspection Department investigated six cases of criminal offences involving BIS members. In four cases the proceedings were discontinued, in compliance with § 159a, par. 1 of the Rules of Criminal Proceedings, one case was referred to the respective public prosecutor's body as it did not fall within the jurisdiction of the Inspection Department, and one was referred to a public prosecutor with a proposal to start criminal proceedings.

With the approval of the BIS Director General, the Inspection Department carried out two audits of proper use of service vehicles and material equipment needed for the fulfilment of operational tasks. No serious shortcomings were identified in either case.

Investigation of administrative infractions

This category of activities of the BIS Inspection Department concerns mainly traffic accidents in which BIS members were involved, meritoriously investigated by the Czech Police bodies. The input of the BIS Inspection Department in such cases consists in providing the police with findings of essential importance which they cannot obtain themselves. Another important activity of the BIS Inspection Department is investigation of incidents concerning protection of classified information.

Where suspicion of a BIS member of breach of discipline or behaviour bearing marks of administrative infraction is established, the case is handed over for disciplinary proceedings in keeping with the provisions of Chapter IV (§§ 186 – 189) of Act no. 361/2003 Coll., on service in security corps, as amended by later regulations.

Investigation of complaints and notifications

In 2007 the BIS Inspection Department carried out investigations necessary for the assessment of complaints and notifications submitted by BIS members and outside entities. Of the total number of 43 submissions made last year, 41 (95.3 %) had the character of notifications and 2 (4.7 %) were complaints. Both complains were found unjustified.

7.3 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, other relevant laws and legal regulations of this country. The year 2007 was the first year of effectiveness of Act no. 361/2003 Coll., on service in security corps.

In the course of 2007, BIS actively participated in discussions on the intended reform of Czech security services and related legislative drafts.

7.4 Budget

The basic budgetary incomes and expenditures of Chapter 305 – Security Information Service were approved by Act no. 622/2006 Coll., on the state budget of the Czech Republic for 2007. Expenditures were set at 1 178 276 thousand CZK and incomes at 113 000 thousand CZK.

After consolidation (i.e. transfer from the reserve fund), the approved incomes amounted to 161 073 thousand CZK. As in previous years, the largest income items included social insurance premiums and contributions to the state employment policy. Other incomes, including capital incomes were similar to those of other government bodies. The total incomes of BIS in 2007 represented 114.25 % of those in 2006.

In 2007 the expenditures after all adjustments amounted to 1 188 313 thousand CZK. Real expenditures reached 1 202 995 thousand CZK including the approved exceeding of expenditures as a result of inclusion of 27 784 thousand CZK from the reserve fund. The necessary transfer of 39 966 thousand CZK to the reserve fund is included, too.

With respect to new findings, the development of new means and methods, it was necessary to develop also human resources of the Service and material and technical equipment required for the fulfilment of the set tasks. Apart from routine operational needs, it was also necessary to react to technological development and increased demands on security aspects.

Following partial stabilization of budgetary expenditures in 2005 and 2006, spendings on the material and technical base had to be significantly reduced again in 2007. As some of the means available in the reserve fund could be used for satisfying needs not covered by the budget, this unfavourable impact was mitigated, and it was possible to upgrade the technical equipment in at least the minimum required level. Capital expenditures were also reduced significantly, by about 30 million CZK comparing with 2006.

The largest investments were made into communication, computer and intelligence technologies which constitute the material base for the activities of the intelligence service.

Great attention is permanently devoted to the funding of necessary measures concerning protection of classified information, i.e. the application of Act no. 412/2005 Coll., on the protection of classified information and security competence.