

„Annual Report of the Security Information Service (BIS) for 2003“

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1. Word of introduction by BIS Director

Dear reader,

We wish to use this opportunity to provide you with information about the activities of the Security Information Service in 2003. With the purpose to make it clear and easy to understand, we are presenting it in a somewhat different format comparing with our previous Annual Reports. First of all, we concentrate on the most essential and characteristic element of the work of our Service, which is intelligence gathering. As for other aspects of our activities, we explain them but in presenting the relevant data we confine ourselves to the most important ones, omitting a description of our mission and jurisdiction, as well as quotations from the respective acts of law, because they are available on our web site (www.bis.cz).

Let us begin with a few observations:

Publicizing the outcomes of our intelligence work is always a very difficult and complex matter, involving a number of problems and dilemmas. What I mean to say is - while making it possible to remove the traditional contradiction between the intrinsic nature of a secret service on the one hand and taxpayers' interests on the other, complete openness and transparency would cause BIS serious complications and in many cases it would paralyze its readiness for action.

Even the nature of intelligence alone represents a major obstacle to its disclosure. Our primary mission is not to gather evidence which would subsequently – and as quickly as possible - make it possible to arrest offenders, press charges against them and bring them to before court. Our chief task is to identify threats and issue a timely warning – before they are carried into effect. Disclosing intelligence which – however credible – does not have the form of “tangible evidence”, could thus result in very complicated disputes.

Another and equally serious problem obstructing openness relates to the protection of our sources, that means people who provide us with extraordinarily precious information and constitute the greatest asset for every intelligence agency. In reward for serving the wellbeing of our country, these people deserve to be protected, and therefore the law binds BIS to do so and keep their identity secret. And there indeed are situations when even the slightest, unwitting mention, made in a certain context, might expose them and put them in jeopardy. This is yet another reason why BIS often has to let speculations be what they are and prefer facing criticism on the part of the media and the public, rather than boasting of having acquired a specific piece of information.

Therefore I am sure you will understand that in this Report we cannot give you more information which would enable you to evaluate our work objectively. Those who, on the other hand, can make its informed assessment, include the Government and the President of the Czech Republic, whom we provide with confidential Annual Reports and dozens of other communications in which we openly and specifically inform them of our findings on an ongoing basis.

I do admit that inside our Service we have often wondered whether there is any point at all in presenting messages so “vague” and “unspecific”. And we have agreed that even a communication of this sort has an informative value and helps to shape the image of our Service and its work. To sum up – I will be happy if you accept this Report as an expression of the good will and the intention of BIS to “play fair” with the people of this country. On our part, this is not an empty gesture: we regard communication with the public as our natural informal obligation.

Jiří Lang, Director
Security Information Service

2. Intelligence activities and findings

2.1. Terrorism

The threat of terrorism is far from negligible for the Czech Republic, and in 2003, combating terrorism ranked among the chief goals and top priorities of the Czech Security and Information Service. On a global scale, the greatest threat is currently posed by the activities of militant Islamic radicals. Their ideology spurns the political principles and the system of the Euro-Atlantic civilization, and seeks an arrangement of society on a strictly Islamic basis. In the name of this ideology, its proponents assume an irreconcilable confrontational attitude to the entire Western world, and in enforcing their beliefs they feel justified to use violence. This is a conflict between supporters of diversity in the perception of the values of human existence and freedom, and militant radicals whose guiding motives are fanaticism, hatred and intolerance.

In the course of 2003, BIS gathered no evidence to the effect that any person demonstrably intending or participating in a scheme designed to carry out a terrorist action (and therefore put on the international list of wanted terrorists) attempted to enter the Czech Republic. Nor was it proved that any individuals or groups staying in the Czech Republic were involved in preparing or planning to engage in the execution of a terrorist action.

In order to intercept potential threats, BIS has been constantly monitoring the situation in high-risk environments, such as that of organized crime. Our Service has been keeping under surveillance various facilities and locations which might serve as safe havens for terrorists or bases of logistic and financial support for criminal operations. It has also been monitoring locations and environments which might be used to recruit supporters and potential perpetrators of violent crime. In this context BIS has discovered an attempt to register in the Czech Republic the so-called Third World Relief Agency (TWRA), posing as a humanitarian non-governmental organization but suspected that in the actual fact it is involved in financing terrorism.

In 2003, BIS participated, together with its partner Services of other countries, in intensive international cooperation aimed to expose Al Qaeda's plans to hijack airliners on flights from some European cities and use them to attack ground targets. In the terrorist schemes, airports play a key role as either potential targets or places of strategic importance in other operations, and it has been established that civilian air transport remains a permanent object of Al Qaeda's interest. In collaboration with the police, BIS has been therefore devoting extraordinary attention to all relevant information regarding the traffic and security precautions at Czech airports.

Intensified activities of our Service in the first half of last year were connected with the intervention of the allied forces in Iraq. When the Iraqi operation was under way, it was necessary quickly to gather reliable information about potential hostile activities of the supporters of Saddam Hussein, with a view to their elimination. At the end of 2003, BIS also focused on ensuring a safe course of the World Ice-hockey Championship held in Prague.

A great deal of our efforts was devoted to analyzing and correctly assessing the current potential threats and forecast their short, medium and long-term development. The analyses produced are in agreement inasmuch as they point out that the Czech Republic definitely cannot be regarded as a safe island in a rough sea. Our country is a member of NATO, a part of a broad international counter-terrorist coalition, its soldiers are in Iraq and other crisis regions of the world. The fact that in Iraq they do not directly engage in combat operations does not mean that the threat of terrorist actions on the territory of the Czech Republic is negligible or very low and that it can be played down.

BIS confronted the danger of violent acts inter alia by gathering and examining advance information suggesting potential threat to facilities of a nature which makes them suitable targets of terrorist attack, such as the embassies of the countries which have declared their support for and participate in the international struggle against terrorism, Czech central government institutions, Jewish monuments etc. Further potential targets include industrial plants, power stations, energy distribution networks or water reservoirs. The recent experience from Madrid also points to the so-called “soft targets”, such as railways, metro stations, shopping malls, sports stadiums and other places where large numbers of people tend to concentrate.

The security threat connected with the broadcasts of the Prague-based Radio Free Europe/Radio Liberty (RFE/RL) persisted in 2003, as it did in the previous years. A major role is played in this respect by the location of the editorial office in the city centre as well as the current developments in Afghanistan and Iraq. BIS has been evaluating the threat of a potential terrorist attack against RFE/RL on an ongoing basis.

In connection with the threat of terrorist actions against the above-described targets, our Service participated in proposing and planning various security precautions. The efforts to avert the danger and limit the security threat to the minimum required – mainly in Prague – some unpopular curtailments of transport and movement of people. Therefore we feel it necessary to point out that the only purpose and objective of all these measures is to guard the safety of the inhabitants and visitors of the Czech Republic.

As has been stated above, an inseparable part of our work aimed at protecting the Czech Republic against the threat of terrorism is broad international cooperation of intelligence agencies. In the course of 2003, BIS held dozens of work meetings and exchanged hundreds of sets of information with its foreign partners. Our Service regards this cooperation as the most effective form of struggle against the global terrorist threat.

At the end of 2003, some Czech media published information presenting the Czech Republic as a peaceful, safe country which attracts terrorists who seek a place to rest and summon their strength for further action, to establish new contacts and find business partners. Concrete names of people and organizations operating in our country were mentioned. In this context it needs to be stressed that there often is an abysmal difference between information spread by the media and intelligence gathered by a special service on one and the same topic.

The Czech Republic definitely is not a safe haven for terrorists to come unnoticed and operate undisturbed. It has been constantly developing ever more reliable mechanisms to make sure that anyone known to the security agencies, on the basis of clear evidence they possess, to be involved in any terrorist activity and appear on the international list of wanted terrorists, is detained on entering our country. On the other hand, there are many suspects, too, about whom such evidence is not available, and in a democratic country, mere distrust and suspicion do not constitute grounds for restricting their human rights and liberties. But when such persons cross the Czech borders – or have already been living in this country – and engage in activities which are in conflict with our law and aimed against the security of the our country, they do not escape the attention of our Service, and steps are taken, in collaboration with the police, to eliminate the threat which their conduct may pose.

2.2. Protection of important economic interests of the state

Protecting the economic interests of the Czech Republic – a role of essential importance for the functioning of the state – ranked among the priorities of the Security Information Service in 2003. The focus of BIS intelligence work was in collecting and verifying information on potential threats connected with completing the privatization of strategic companies. Within the scope of its jurisdiction, as defined by law, BIS fulfilled

specific tasks with which it was charged by the Government, and provided its clients with findings which enabled them to make informed decisions.

In public procurement, of key importance in assessing the eligibility and quality of participants in tendering procedures is for instance the finding that an entity competing for the position of the strategic partner of a major Czech company draws its funds from illegal activities, and in an effort to conceal their source obscures the true structure of its business. BIS therefore seeks to gather and pass on information designed to reveal the ownership structures of firms interested in purchasing property to be privatized and the origin of their capital. Our Service has been answering questions such as whether there perhaps is, behind certain offers, some hidden agenda and potential risks which in their consequences might result in economic losses or have other negative impacts on Czech economy and hence also the reputation of the Czech Republic. Of utmost importance also is to know beforehand whether the new owner will keep the purchased business running – i.e. preserve employment – and whether together with his investment he will not also lumber the Czech economic and business environment with organized crime. It is equally important to examine whether the investor will or will not act in a way which might have an adverse effect on a whole branch of Czech economy.

Of a series of warning intelligence findings, let us mention some examples from the privatization process. In one case, several major firms seriously interested in investing into an important Czech company were found to have rather opaque ownership structures, dubious origin of capital, and far-from-clear objects of business. Furthermore, they appeared to be guided by purely speculative motives, and there were signals to the effect that after the take-over, the Czech company would hardly survive. Another case of similar nature concerned a couple of firms which managed to become short-listed in a competitive tender for the sale of the state share in a certain Czech company: BIS found and warned that none of the two prospective purchasers would be able properly to operate the company.

A no small part of BIS intelligence capacity was devoted to finding out whether the operation of the Czech Consolidation Agency (ČKA) was not subject to external influences which might frustrate its efforts for effective management of large state property. The findings made enabled our Service to define the problems involved in the sale and management of claims transferred to ČKA and the threat these problems represented for the economic interests of the state. BIS drew the attention of its clients to hazardous activities which might result in distorting the results of public procurement and in their ultimate effect to undermine ČKA's endeavour to make the sale of claims as profitable for the Czech Republic as possible.

Our Service also monitored developments concerning the bankrupt Union Bank (UB), and ascertained, among other things, that several persons intended to make use of the situation which had arisen after UB's banking licence had been seized for taking control over the entire assets of the bank. Other persons were found to be planning to assume control over the bank by registering its head office at a new address and subsequently influencing the process of bankruptcy and composition.

In the course of last year, BIS also dealt with a case of dissemination of false news (mischievous deception) regarding alleged problems of some Czech banks. The alarming information was spread over the internet, in the form of e-mail and mobile phone text messages (SMS's) from anonymous senders. Our Service found that this was not a systematically organized action directed by a single person or group of persons. There are many indications that the intention of the "culprits" may have been to check and test clients' trust in selected banks, and assess the financial situation of the banks on the basis of their reaction.

In the economic sphere, where the strategic interests of the state are at stake, the law places upon BIS the duty to monitor on an ongoing basis a variety of phenomena, and the

Government may – and indeed does – commission the Service with specific tasks in this context.

The conclusions reached by BIS are based on findings made in the respective environments. The outputs passed to the clients of the Service, i.e. the Government and the President of the Czech Republic, are verified using several sources, and therefore are highly trustworthy. A number of intelligence findings however cannot be supported by evidence, because supplying evidence is not a priority task of the Service. Publication of the names of companies and people would thus result in considerable complications and intricate disputes, as has been pointed out in the introduction to this Report.

The communications passed by BIS to their addressees help them to have a good-enough grasp of the issues in question to be able to make informed decisions when choosing one or another alternative course of action. The BIS reports usually state what the Service has found out about a given issue or a particular entity, and highlight existing gaps and problems. The final decisions, taken in a broad context and with regard to a variety of factors, are the exclusive prerogative of the Government.

2.3. Counter-intelligence activities

Counter-intelligence work, the purpose of which is to protect the Czech Republic against the efforts of other countries to acquire information which is of a confidential nature and labelled as classified in keeping with Czech legislation, constitutes a relatively large and important part of the “job description” of BIS. It is a well known fact that the activities of some foreign intelligence agencies operating in our country are aimed at asserting and supporting the political or economic interests of other states and might directly or in their ultimate effects damage those of the Czech Republic. Our Service monitors such activities, exposes the intelligence officers of foreign services, and devotes special attention to the services of states suspected (and it is an internationally shared suspicion) of latently supporting terrorist organizations. BIS also has its eye on the intelligence activities of countries which frown upon the Czech Republic’s membership in the North Atlantic Alliance and the European Union.

2.3.1. Intelligence service of Iraq

In the first few months of 2003, when the tension around Iraq escalated, Iraqi intelligence officers operating in the Czech Republic attempted to influence, at least to some extent, the public opinion in our country in favour of Saddam Hussein’s regime. Their aim was to stir up sentiments condemning the planned military intervention of the United States in Iraq. In March 2003, five Iraqi diplomats were expelled from the Czech Republic, and the remaining ones left Prague after the allied operation which resulted in the overthrow of Saddam Hussein’s government. With the departure of the diplomats, all Iraqi intelligence activities in our country ended.

2.3.2. Intelligence services of Iran

The Islamic Republic of Iran is as interested in the developments in the Czech Republic as it has ever been, and even more so after our country joined NATO and the European Union. Iranian intelligence services seek to create conditions for themselves to be able to collect on our territory strategic military and economic intelligence, information concerning nuclear power generation and related technologies, and to acquire commodities which are subjected to international control regimes.

The chief threats posed by these efforts to satisfy Iranian interests include:

- penetration into important branches of Czech industry with the aim to acquire strategic technologies or technologies usable for military purposes;
- acquisition of components or technologies which could be used in the Iranian nuclear programme.

Czech-Iranian relations have been strained for quite some time already by Iran's disapproval of the Persian broadcasts of the Prague-based FARDA (RFE/RL) radio, which Iran perceives as an attempt at interference in its internal affairs, and also as a tool of promoting United States interests in relation to Iran.

2.3.3. Intelligence services of North Korea

In recent years, the Democratic People's Republic of Korea has been observed to be trying to raise the level and improve the quality of its diplomatic relations with the Czech Republic. Apart from diplomats and embassy staff, the North Korean community in our country is composed of members of several business companies active in this country and workers employed in several Czech textile and footwear firms. The intelligence services of North Korea seek to collect in the Czech Republic information of business character, and to explore opportunities for purchasing commodities and technologies which could be used in the North Korean armaments industry. Their tasks further include monitoring the behaviour and contacts of North Korean nationals temporarily staying in the Czech Republic, and supporting members of the local North Korean community as well as state and trade delegations visiting the Czech Republic.

2.3.4. Intelligence services of the Russian Federation

The leadership and structure of the Russian special services underwent extensive and essential changes in 2003. They emerged from the re-organization, carried out at the direction of the Russian leaders and concerning all their armed components as well as the respective ministries, stronger than before. The chief purpose and motive force of the changes was to enhance the economic and military potential of the Russian Federation and regain for Russia a strong position among world powers.

Apart from combating terrorism and trying to eliminate proliferation of weapons of mass destruction (WMD), the Russian services increasingly concentrated last year on the acquisition of economic and scientific-technological intelligence, in full accord with the above-described focus on economic growth as the main government priority. They continued to be one of the pillars supporting the long-term political goals and intentions of the Russian state, which seeks to maintain, renew or gain influence in different sectors of its sphere of interest.

The Czech Security Information Service, just as a number of its foreign partners, cooperates with the intelligence services of the Russian Federation in fighting against terrorism and eliminating many other threats to our civilization. However, considering the intensity of the activities developed by Russian intelligence officers in the Czech Republic, it is the duty of our Service to be aware of such activities, monitor them, have a proper grasp of them, and protect the legitimate interests of the Czech Republic.

Russian special services operating on Czech territory include SVR – civilian intelligence; GRU – military intelligence; and to some degree also FSB, which has the status of a counter-intelligence agency.

As regards SVR, the civilian intelligence service, Russian law binds it to provide the Government with information needed for making essential decisions in matters of politics, economy, defence, science, technology and environmental protection. At the same time, SVR is responsible for the safety of Russian nationals working abroad. In the Czech Republic its

officers also collect a wide range of information relating to the Chechnian community living in our country.

The principal object of attention of GRU, the military intelligence agency, in the Czech Republic are issues relating to our NATO membership. Its tasks are of course much broader and often overlap with those of SVR.

The Russian counter-intelligence agency FSB (Federal Security Service) concentrates in the Czech Republic – as it does in other countries – mainly on protecting Russian diplomatic and trade missions and the facilities they use.

In pursuit of their tasks and goals, the Russian intelligence services build up the necessary information basis on our territory. They start with identifying and subsequently establish suitable contacts which enable them to penetrate into the public as well as private sectors and collect information regarding economic and political developments in the Czech Republic. Apart from using the traditional cover as diplomats or members of the technical and administrative staff accredited at Russian embassies, Russian intelligence officers also handle sources (agents) and operate under deep cover as the so-called illegals, which makes it possible for them to “immerse” into the environment of their interest.

Russian intelligence officers also use as sources of information people who constitute a potential base of collaborators, which the former Soviet KGB developed in our country between 1948 and 1989. Apart from members of the Russian community in the Czech Republic, they include for instance one-time members of the Czechoslovak Communist Party nomenclature, or employees of companies with Russian capital involvement. The Russian services also show certain interest in Czechs who studied at Russian universities, especially those among them who have reached important positions in public life, the social, political and economic spheres. The reasoning behind this interest is that these people are likely to be grateful to the former Soviet Union for giving them education and therefore have a positive attitude to present-day Russia as well, are willing to contribute to the development of Czech-Russian business relations, to assist Russia in acquiring information and winning various orders, to help with the actual conclusion of contracts and in other ways. BIS has identified persons with various links to and contacts with Russian intelligence services among Russian entrepreneurs active in the Czech Republic, people of Russian descent and the relatively large community of Russian nationals living and working in our country.

Besides SVR and GRU officers, BIS also pays attention to some ex-KGB members who have left the ranks of intelligence services. Many of them visited the Czech Republic in 2003, others have been living in our country for quite some time and engage in business activities. The “common denominator” of former intelligence officers is their tendency to make use of their old contacts and experience in their own businesses and maintain links with the former as well as the current Russian intelligence elite. They continue meeting on various social occasions, helping one another and collaborating in a variety of ways.

2.3.5. Intelligence services of some other CIS countries

The activities of the intelligence services of other CIS countries to a large degree derive from the efforts of the Russian Federation to keep the successors of the Soviet Union within its sphere of influence, thus preserving a certain counterbalance to the expanding North Atlantic Treaty Organization. Russian special services therefore seek to maintain their dominant and coordinating role in relation to other intelligence agencies in the post-Soviet space. Those cooperating with their Russian counterparts include the services of Byelorussia, Ukraine, Kazakhstan, Uzbekistan, Turkmenistan and Georgia, and since recently the intelligence agencies of Moldavia and Azerbaijan. Starting in 1995, the heads of the CIS special services meet at the FSB headquarters in Moscow.

As regards Ukraine, intelligence (foreign espionage) operations are the responsibility of two services: SBU (civilian intelligence) and GURMO (military intelligence). In 2003, BIS

acquired no information about any of the two which would indicate security threats ensuing from their potential operation on our territory. Just as in case of the Russian services, BIS has been trying to cooperate with the Ukrainian services in some areas.

In Byelorussia, the special services have retained, even after the dissolution of the Soviet Union, the structure of the KGB, including the name (B KGB). When operating abroad, B KGB seeks to get under its control Byelorussian opposition organizations which are either active already or in the process of formation outside Byelorussia.

2.3.6. Prevention

An important counter-intelligence task is to keep out of the Czech Republic officers of foreign intelligence services who, if granted entry, might act against its interests. An important role in averting this danger is exchange of information and cooperation between and among security organizations of all democratic states. Where the necessary findings are available, BIS seeks to prevent the arrival of such people by informing the respective government bodies. Prevention also includes advance warning – meaning that if the presence of foreign intelligence service officers operating under cover and potentially representing a security threat in the Czech Republic cannot be avoided, BIS informs its clients of their double role, the forms and methods of their work, and warns against contact with them – as it did in several cases in 2003.

If foreign intelligence officers only observe the social, economic and political development in the Czech Republic, making use of open sources, and do not attempt to access classified information, there is no reason to intervene. It is quite a different matter, though, when they start work against the interests of our state, jeopardizing its security and democratic system, and recruiting our citizens as their agents. Such cases, if supported by clear and specific evidence, may be passed to law enforcement bodies to handle. Criminal proceedings may be started against foreign nationals or Czech citizens operating as officers or agents of foreign intelligence services, and may result in conviction and (in case of foreign nationals) expulsion from the Czech Republic. Proving the criminal activity of an intelligence officer, detaining such person, investigating the offence and convicting the offender is of course immensely difficult and complicated. During the special training which they receive before being sent on a mission abroad, professional intelligence officers also learn how to make sure that their criminal activity is not proved and to avoid conviction..

But the conviction or expulsion of a foreign intelligence service officer has yet another dimension, which explains why spy trials are not very frequent, or more precisely, rather exceptional. The reason is that the purpose of counter-intelligence is not to arrest spies and pass them to investigators and judges, but to expose them and get their activities under control without raising their slightest suspicion; to handle and make use of them – for instance by planting on them data and reports adapted in such a way as to misinform and confuse them. Sometimes the other side even manages to “convert” an exposed spy and recruit him/her into its own service. From the viewpoint of counter-intelligence, arresting a spy thus may not always be the most useful outcome of exposure. It is almost certain that the arrested or expelled intelligence officer will be replaced by another “colleague”, who and his/her new contacts will have to be identified (in the first place), which may take months or years. It is of course understandable that in the eyes of the public, a court trial and punishment of a convicted spy are a visible result and the clearest proof of the meaningfulness of counter-espionage.

2.4. Extremism

In 2003, a relatively easily discernible common denominator of Czech extremists, who typically assume resolute attitudes hostile to the democratic system, was their opposition against the membership of the Czech Republic in the European Union. Attempts continued on the right as well as the left of the wide-ranging extremist spectrum to develop and strengthen international cooperation. In some cases, a tendency was observed inclined towards greater radicalization and deliberate violence, which cannot be underestimated, especially with regard to further developments.

2.4.1. Right-wing extremism

Two basic streams can be distinguished in the Czech right-wing extremist environment. The first is represented by supporters of nationalism with a certain admixture of conservative Catholicism, mostly organized in political parties or unincorporated civic associations. The second includes adherents to the skinhead movement, strongly influenced by neo-Nazi ideology, who are not officially organized.

The position of the “classical” skinhead movement as an expression of life attitude has been almost totally insignificant for several years already. This is due to earlier politicizing processes in the movement, which resulted in a split, with one part of the movement choosing nationalism as their preferred ideology and the other joining neo-Nazis. The current state of affairs can be regarded as permanent.

Two organizations had decisive influence among the supporters of nationalism last year: the Patriotic Front (Czech acronym VF), and the National Unification (NSJ). But none of the two gained a dominant position. Further major representatives of this stream included the National Restoration Action (ANO) and the National Party (NS). Starting in March 2003, they have been concentrating on the presentation of their legitimate political attitudes, directed against Czech EU membership. Their rejection of the Czech Republic’s integration in European structures even led the right-wing nationalists to start cautiously cooperating with left-wing extremists, who hold similar standpoints.

The consensus of extremists based on opposition against EU membership of the Czech Republic manifested itself during the international Euro-critical congress held in Prague in February 2003. Together with official Euro-sceptical initiatives, such as the association of Citizens Against EU (OPEU), and ultra-rightist organizations including the Czech Right Wing, the National Democratic Party or the Right Alternative, groupings linked with the extreme left - the Czech Borderlands Club, the League for the Advancement of the Peoples of Bohemia, Moravia and Silesia and the Christian-Social Movement - were also represented at the congress.

Following the failure of their campaign designed to frustrate the referendum on our country’s EU membership, the organizations of nationalistic orientation – headed by the National Party – started preparing their own ballots for the elections to the European Parliament and tried to form a coalition which would act as their umbrella during the elections. Their schemes however failed once again.

After a period of keeping a low profile, the second stream of Czech right-wing extremism – represented by supporters of neo-Nazism - also stepped up its activities in 2003, and organized a series of major or minor events. This movement, though fragmented into a large number of small autonomous groups, definitely is not paralyzed. The decentralization of the neo-Nazi scene and the emergence of small independent units which coordinate their activities and cooperate to a varying extent is a result of a strategy taken over from German extremist groups, which function in a similar manner. This fragmentation and decentralization protects them in a substantial measure against potential intervention on the part of government authorities.

Last year the most visible activities of Czech neo-Nazis included concerts, demonstrations, various meetings and sports events – for instance football, mini-football and paintball tournaments. Some were presented as celebrations of birthdays and personal anniversaries, others – for instance the Ian Stuart Memorial – as tributes to major figures of the international right-wing extremist movement. The extremists also used the anniversary of the foundation of independent Czechoslovakia (28th October) for publicly promoting their positions.

The organization of these gatherings was increasingly conspiratorial. For instance, only a very small group of organizers knew beforehand the venue of the concerts and the names of the performers, and not until the day of the concert had the “rank-and-file” participants been informed by means of mobile phones. Deliberate misinformation was sometimes spread – such as giving as the venue the name of a different district than the one where the event was actually held. Apart from Czech music bands, the performers at the concerts last year included groups from other countries as well, mainly from Slovakia, Poland, Hungary and, unlike before, also from Russia.

In the course of 2003, BIS intercepted certain signals indicating neo-Nazi tendencies toward radicalization and potential violence. For example, in the middle of last year our Service exposed the plan of several extremists to steal weapons and ammunition. Appeals for armed struggle were registered, too, which however did not meet with any response. The growing readiness to use violence is also confirmed by several collisions between supporters of the left and the right sectors of the extremist spectrum which took place at the end of last year. Thus there are reasons to assume that at least a certain part right-wing extremists will continue leaning toward radicalism.

2.4.2. Left-wing extremism

In very much the same way as in case of right-wing extremism, two basic streams can be discerned on the left side of the extremist spectrum: the anarcho-autonomist movement, based on anarchism, and a more or less dogmatic stream professing the ideology of Marxism-Leninism.

In 2003, Czech anarcho-autonomists focused on protests against the military intervention of the United States in Iraq. On their internet pages they called upon their sympathizers to take more radical, direct action, including sabotage, but their appeals met with little response. Comparing with the protests which took place in Western Europe, their rallies attracted low participation, were unimpressive and passed almost unnoticed by the public. Their few attempts at radicalization were mostly directed against their ideological adversaries representing the opposite pole of the extremist spectrum.

To sum up, it can be noted that the manifestations and activities of the anarcho-autonomist movement continued declining in 2003, as a result of its fragmentation and lack of strong leaders. In this respect a certain role is probably played by the inter-generation problem, and it cannot be ruled out that in the future anarcho-autonomism will be revived and become more radical.

On the left bank of extremism, much louder than anarcho-autonomists were Marxist-Leninist groups, which briskly engaged in developing and strengthening international cooperation. Most conspicuous was their presence at the second anti-globalization European Social Forum (ESF) in Paris, attended by members of various leftist groups, mainly those of Trotskyist and communist orientation. The Czech participants included representatives of the Socialist Solidarity (SOCSOL), the Revolutionary Youth (REVO) and the Socialist Workers' Organization (Czech acronym SOP). Delegates of the Communist Union of Youth (KSM), the Party of Democratic Socialism (SDS) and of course those of the Communist Party of

Bohemia and Moravia (KSČM), which provides the ESF with promotional and financial support, also did not miss this opportunity to meet their comrades.

The participation of the Czech delegates in the ESF subsequently culminated in a meeting held in Prague in November 2003, at which it was agreed to organize a conference on creating a joint platform for left-wing groups, with the working name “Social Forum Initiative”. Its goal was defined as offering cooperation also to political parties, environmentalist movements and trade unions.

The involvement of Czech extreme left-wingers in the international “social movement” is masterminded by ultra-left Trotskyists. The anarcho-autonomists do not participate in the “Social Fora”, and instead ally themselves with the anti-authoritarian stream of anti-globalism.

In the course of last year, some groups adhering to Marxism-Leninism were observed to incline towards radicalism. The most evident example is the Communist Union of Youth, whose members mostly take rigid ideological stands. They publicly appealed to the parliamentary Communist Party of Bohemia and Moravia (KSČM) to become “more revolutionary”, and called for increasing the action potential of the communist movement through a unification of KSČM with another two parties which the attribute “communist” in their names - the extreme-left Communist Party of Czechoslovakia headed by Miroslav Štěpán and Zifčák’s Communist Party of Czechoslovakia-Czechoslovak Labour Party.

2.5. Proliferation of weapons of mass destruction (WMD)

Illicit spreading of mass destruction weapons, today mostly referred to briefly as “proliferation”, represents another serious global threat to our civilization. Therefore any sort of handling components, manufacturing technologies and carriers of nuclear, biological and chemical weapons is the object of interest and attention of the intelligence services in all democratic countries.

Of extraordinary gravity is the threat that mass destruction weapons might be acquired and used by terrorist groups. The danger that they could fall into the hands of expansive and dictatorial regimes which employ them to carry out their ambitious plans and achieve their goals is considerable, too. Special concern is caused by the interest of some Near and Middle East countries in mass destruction weapons, and often also by the inconsistent behaviour of states which already possess means of total ruination.

The situation regarding the proliferation of all kinds of mass destruction weapons remains serious, and effective defence is very difficult. International agreements on WMD control and non-proliferation seek to limit illicit trade and transfers of mass destruction weapons to the minimum, but some of their signatories fail to honour their commitments. Absolutely barring access to destructive weapons is practically impossible, and the number of countries which possess or are developing them has been constantly growing. Furthermore, the non-proliferation efforts are very complicated by the fact that many items which can be used for WMD development and manufacture – for instance some products of the engineering, electronic, chemical, agro-chemical, pharmaceutical or food-processing industries - are designated as commodities of dual use, i.e. apart from military applications serving also civilian purposes. A good example are fertilizers: the formulae and technological equipment used for their manufacture can quite easily be adapted and employed to make poison gases.

The situation around chemical and biological proliferation is perhaps even more complicated comparing with nuclear weapons. Quite interestingly, chemical weapons are sometimes called “the nuclear arms of the poor”. As concerns biological weapons, the greatest problem is to reveal their production. The amount of micro-organisms needed to kill the

population of a large region can be obtained in small, well hidden laboratories within a few days.

The main focus of intelligence work designed to prevent proliferation is on exposing and monitoring entities interested in the acquisition of mass destruction weapons or components for their development and production, and on collecting information about the end recipients, the purposes and places of use of the particular equipment, substances, raw materials, technologies and production methods. In this sense, intelligence gathering is the front line of defence.

The signals available to BIS in 2003 make it quite obvious that the Czech Republic is a permanent object of interest as a potential source of the acquisition of some components. In the fields of medicine, engineering, chemical and pharmaceutical industries, it possesses sophisticated, state-of-the-art technologies, the quality of which and their potential application for military purposes is well known to and appreciated by the “rogue countries”, whose attention is drawn especially to special equipment made in some Czech engineering plants. The possibilities of Czech exports of such equipment are being explored by various companies from those states, which might act as intermediaries for research and manufacturing organizations able to provide part of their capacities for the development and construction of mass destruction weapons. Interest has also been observed in the services of Czech nuclear engineers, university teachers and specialists with expertise in the area of advanced technologies.

Last year BIS was instrumental in the confiscation of three kilograms of uranium in Hotel Voroněž in Brno. Analyses and expert judgements however showed that this material was not usable for arms production or a terrorist attack of any form. Only isolated and quite insignificant cases of the smuggling of various radioactive substances have been registered in the Czech Republic in recent years.

2.6. Trade in conventional weapons, explosives and military material

The problems of trade in conventional weapons have a number of points of contact with those of proliferation – including the threat that just as weapons of mass destruction, conventional arms and advanced military technologies will be used in terrorist actions and organized crime, and in various local conflicts in neuralgic regions of the world.

It is illicit trade in weapons, explosives and military material which represents the most complicated problem. Because it is a very lucrative business, it attracts not only organized criminals but also diplomats and intelligence services of certain countries: for some states, the proceeds from arms re-exports (reselling legally imported goods to another country) even account for an appreciable part of budgetary revenues. Frustrating trade in weapons on the Czech black market, their illicit exports and transfers via the Czech Republic therefore ranks among the important tasks of the Security Information Service.

Prevention of illegal trade in conventional weapons and military material is the object of a set of international control regimes. The Czech Republic has signed and ratified many international agreements, conventions and treaties of this nature. But none of them – and no directive or regulation – can prevent attempts to bypass such international documents and look for various devious means.

About 200 Czech firms (including some consisting of only two or three persons) engage in arms exports – quite a few, considering the size of our country. Each is required to obtain a licence from the Ministry of Industry and trade. BIS monitors and checks whether the people working in such companies are not linked to organized crime or foreign intelligence agencies. In the same way, our Service follows all cases of individual export deals, which are also subject to the approval of the Ministry, this time in the form of an individual licence.

Applications for individual licences cannot be granted unless supported by various certificates. Of extraordinary importance is the so-called End User Certificate (EUC), based on the affirmation that the goods delivered will not be re-exported to a third country.

Contrary to the situation of four to five years ago, when illegal arms trade was relatively straightforward and not too difficult to monitor, today it is very cleverly designed and complex. The business deals are for instance split into chains of transactions, executed through the agency of several companies; the equipment is dismantled, sold by parts and re-assembled at its end destination. But above all, it is difficult at first sight to identify such transactions as illegal. Equipped with a licence and all the necessary permits, the firms involved often do not even suspect that something is amiss, and have no idea of what is taking place behind the scenes. When the first seller in the chain exports to a country declared as the end user (and not subjected to embargo), which re-sells the delivery to another country, it is extremely difficult to determine whether he has acted in good faith, not expecting the buyer to break the contractual terms, or whether the transaction has been deliberate export with pre-negotiated re-export right from the start.

In 2003, BIS warned its clients of the risks involved in several cases of application for an individual export licence. Several times it also recommended to government authorities to devote increased attention to certain business activities. It also identified several attempts at exporting arms and military material on the part of entities which did not have a licence. It was established that several firms planned exports even though they were aware of the real risk of subsequent re-export. A small number of dubious export deals, made possible by lack of regulation of the domestic trade in military materials, was registered as well.

The interest of our Service was also attracted by the issue of “environment-friendly” disposal of ammunition discarded by the Czech army. If it were not destroyed, it would present a considerable security threat.

2.7. Organized crime

Organized crime represents a high security threat, which in its effects can undermine the stability of democratic systems. It relies on a firm hierarchical structure, totally ignores laws, corrupts law-makers and government institutions. The only “ideology” it respects is the rule of money and the power it generates. To enforce it, organized crime creates its own laws and rules and has its own means. It operates internationally, is characterized by exclusivity and brutality, regarding human beings as mere things. It knows no geographical frontiers and no moral limits.

In the world of today, in all countries and on all continents, organized crime abuses the openness of the democratic societies for achieving its aims. Apart from economy and politics, it seeks to infiltrate the legislative, executive as well as judicial systems. It looks for contacts among members of parliament, civil servants, police officers and judges. Ignoring or condoning its efforts could put an end to the free competition of political parties as one of the leading principles of democracy, replacing it by a perfectly manipulated, absolutely formal process with a pre-determined outcome.

The source of the money on which organized crime bases its rule of economic power is a wide range of lucrative illegal activities: trafficking in narcotics, weapons, antiques and precious metals; illegal migration; prostitution; blackmail and extortion; car thefts and so on and so forth. Combating all these overt criminal offences is the task of the police. The aim of BIS, on the other hand, is to penetrate into the highest tiers of the criminal structures, where criminal offences are hidden behind “clean” business, and the dirty money, after being laundered by passing it through bank accounts, is re-introduced into the standard business

environment. When its source can no longer be traced, and its criminal origin proved, it is necessary at least to reduce its volume in grey economy and restrain its corruptive potential.

The role of BIS thus consists in timely exposure of the goals and objectives pursued by the managerial structures of organized crime and identification of its strategic activities, followed by passing the findings made to the law enforcement bodies, while the Government receives from BIS generalized information about the forms of corruption and the factors of systemic nature which make it possible.

In 2003, most active on the territory of the Czech Republic was organized crime linked with people from countries of the former Soviet Union. It tried to infiltrate the economic structures of our country in the context of the privatization process, making use of above-standard contacts with some bankruptcy trustees, liquidators, distrainers, lawyers and notaries. Our Service registered cases when Czech partners were placed in companies attracting the interests of organized crime, and attempts were made to find people inside selected firms who would leak confidential information. Just as in previous years, it identified suspicious investments into real property – family houses, office buildings, hotels and restaurants – subsequently rented to various entrepreneurs who might as a result be drawn into the sphere of influence of organized crime.

The efforts of organized crime to settle in the Czech economic structures are substantially facilitated by the existence of a large network of paid collaborators who provide it with information and other forms of support. Of considerable value for criminal organizations are the so-called contactors and planners – people who possess specialist knowledge and have many influential friends, whose help they use in designing, planning and standing guarantor for particular operations. A certain role is also played by using or abusing lobbyists active at different levels of public administration.

With a view to maximizing its influence, organized crime naturally does leave aside the political sphere in its strategic plans. Organized crime looks for “friends” not only among prominent politicians but also people at the start of their political career but with the prospect of ascending to higher positions. Local self-government officials, who could be used as a tool of influencing the solution of different issues and problems within their jurisdiction, are also an interesting target for criminal organization. What BIS however regards as the most dangerous trend, meriting utmost attention, are the intentions of organized crime to infiltrate the police and the judiciary and interfere with or totally paralyze the operation of their components and institutions.

2.8. Illegal migration

BIS concerns itself with the issue of illegal migration mainly from the viewpoint of potential involvement of international terrorist groupings, foreign intelligence services and criminal organizations. Criminal organizations parasite on illegal migration, as it fits very well into their designs as a source of good profit

As concerns the Czech Republic, in 2003 the best illustration of the gravity of the problem of illegal migration was the influx of migrants from countries of the former Soviet Union (mostly Chechens coming via Poland) and Chinese nationals, and organized smuggling of people to Austria across the state borders in South Bohemia.

Some 5000 Chechens came to the Czech Republic in 2003 to apply for asylum. Most had previously done so but failed in Poland, some came on the basis of tourist visas. After applying for asylum in our country, they mostly tried to cross the Czech border to Austria. Judging by the available information, these transfers were probably organized by the Chechen community itself, without employing an outside agency to smuggle the asylum-seekers across the frontier. In all likelihood, the influx of refugees from the Caucasian region to Central and

Western Europe will continue. This situation is largely due to the enlargement of the European Union and even more so to the overall situation in the Trans-Caucasian region

The immigration of Chinese nationals to the Czech Republic sharply increased already in 2002, and in 2003 the Chinese represented about one-third of all migrants detained when attempting to cross the Czech border. A steady flow of migrants via the overland “Eastern route” (across Russia and Ukraine to Slovakia) was registered in this context. A growing number of Chinese refugees also transit the Czech Republic by air. Typical features of the Chinese illegal migration in 2003 were a high percentage of young men in active age among the migrants, and the fact that a relatively lower number of the refugees sought asylum in the Czech Republic. In many cases they had not applied for asylum until after they were detained by the police – in order to avoid being remanded in custody or placed in a refugee facility. There are many indications that the Chinese migrants regard the Czech Republic as a transit country.

In the first two months of last year, an increase was observed in the number of migrants who came to the Czech Republic from Palestine, where they had lived in Lebanese refugee camps. They arrived by air on lines from Beirut to Russia and proceeded to Prague, where they stopped over to apply for asylum. Because they may include people linked to radical Islamic groups, the migrants and visitors from Arab countries represent a security threat which should not be ignored.

Specific intelligence operations in this area included the exposure of a group of smugglers of people who tried to profit from the spontaneous migration of Slovak Romanies to Britain via the Czech Republic. This operation was carried out in collaboration with foreign partners, led to the arrest of several persons, and resulted in the preservation of the practice which allows Czechs to travel to the United Kingdom without a visa, (as British nationals can to our country).

In the context of illegal migration – and with special regard to the potentiality that the migrants include persons from the Middle and Near East who might represent a security threat - BIS also monitored the situation in facilities where the asylum seekers are placed while waiting for their application to be dealt with.

In general terms it can be said that illegal migration will become increasingly complicated and costly for refugees throughout the world. Therefore it is highly probable that new structures will emerge for smuggling people, and new methods will be invented to get them across state frontiers, which are now better protected.

In 2003 BIS coordinated its activities in this area with the police and cooperated with the Ministry of the Interior and Ministry of Foreign Affairs. It was active in a broader inter-departmental initiative aimed against illegal employment of foreign nationals, and participated in the work of a group for cooperation in the frame of the Schengen agreement. Many findings which BIS made regarding this issue were exchanged and consulted with partner services in other countries.

3. Protection of classified information and security screening

In the area of protection of classified information, BIS fulfilled tasks defined in Act no. 148/1998 Coll., on the protection of classified information and on the amendment of some acts of law, as amended by later regulations.

In conducting the security screening of natural persons and organizations, BIS closely cooperated with the National Security Authority (Czech acronym NBÚ), with other Czech intelligence services, government authorities and organization, as well as its counterparts abroad.

In 2003 BIS received from NBÚ a total of 194 new requests for the screening of natural persons designated to handle information classified as “Top Secret” and “Secret”, and

completed screening in 296 cases. Furthermore, it received 3390 new requests for screening to the level of “Confidential” and completed 3468 cases. As concerns the security screening of organizations, BIS received 144 new requests in 2003 and completed screening in 187 cases.

The validity of the first clearance certificates, issued in keeping with the respective law, will expire in 2004, and mechanisms were therefore finalized during September and October 2003, in collaboration with NBÚ and other intelligence services, to be used in carrying out investigation for the purposes of repeated screening of natural persons to be cleared to handle information classified as “Secret” and “Top Secret”.

4. Reporting and tasking

BIS is tasked in compliance with § 8 of Act no. 153/1994 Coll., on the intelligence services of the Czech Republic, as amended by later regulations.

The tasks with which BIS is charged by the Government and President are in compliance with the priorities of the activities of the Service. They mostly concern intelligence work designed to protect important economic interests of the state, fight against terrorism, extremism and organized crime..

Apart from direct, specific assignments from its clients, BIS fulfils on an ongoing basis tasks defined by law (see the chapter on intelligence activities). 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 2003 BIS passed a series of information to the President of the Republic and individual members of the Government, and some to the State Authority for Nuclear Safety and the Czech Mining Office. The Ministry of the Interior was also provided by BIS with background information for government discussions of different issues (such as migration, corruption or internal security) – a total of 362 documents. Some information of intelligence value was passed directly to the Czech Police, the Office for Foreign Relations and Information (civilian intelligence service) and the Military Intelligence Service (a total of 169 documents). Summarized information about “intelligence situation on the territory of the Czech Republic” was discussed by the Committee for Intelligence activities, a working body of the Security Council of the State.

At the request of the respective authorities, BIS comments on applications for Czech citizenship, for diplomatic entry visas, permanent residence permits or refugee status. In 2003 it did so in a total of 2183 cases. In 42 cases it commented on 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 is involved in the visa granting process (under a government resolution, BIS is the guarantor acting on behalf of all intelligence services). A total of 514 861 commentaries on visa applications were produced in 2003.

5. Cooperation with other Czech intelligence services and government bodies

In 2003 as in previous years, BIS continued improving its cooperation with other intelligence services of the Czech Republic and Czech police. This cooperation benefited from the experience made by the “Coordinating and Information Group” set up ad hoc on the occasion of the NATO summit held in Prague in 2002, and the work of another ad hoc body, the “Inter-departmental Coordinating and Information Group” formed in connection with the situation in Iraq in the spring of 2003. Useful inputs are contributed to the coordination of

intelligence activities at working level by the “Intelligence Group”, composed of representatives of all Czech intelligence services, Czech Police, Ministry of the Interior and Ministry of Foreign Affairs. As the security situation is constantly changing, the dividing line between civilian and military intelligence and counter-intelligence is being obliterated, and on ever more frequent occasions it is necessary to compare a wide spectrum of information about particular problems, gathered both inside the Czech Republic and abroad.

6. Cooperation with intelligence services of foreign powers

The cooperation of the Security Information Service with intelligence services of foreign powers is regulated by §10 of Act no. 153/1994 Coll. Last year BIS maintained contacts with 68 services of 42 countries, and exchanged information on a regular basis with 54 services of 38 countries. Most active was communication with the services of neighbouring states – which the Czech Republic shares common problems and experience – and with the services of NATO member countries. As a result of cooperation within the framework of the North Atlantic Alliance, especially in connection with international terrorism, the focus of our Service has shifted, and today our Service concerns itself also with issues which once seemed to us rather “distant” and were not at the forefront of our attention.

The principal topics of our broad international contacts included terrorism, proliferation, trade in military technologies and conventional weapons, counter-intelligence and illegal migration. In the context of this cooperation, BIS provided its foreign partners with 1341 reports, received 2873 communications, and its representatives took part in 472 personal meetings and discussions.

In 2003 BIS placed main emphasis on deepening and improving the quality of cooperation with foreign partner services. Bilateral basis is most suitable for the exchange of sensitive intelligence. International cooperation also involves helping the partner services of countries joining NATO and the European Union.

In general it can be noted that our cooperation with the intelligence services of foreign powers has been constantly deepening and improving. It is characterized by stability, high quality, openness, mutual trust and purposefulness.

Multilateral cooperation

The NATO Special Committee (AC/46)

In the frame of the North Atlantic Alliance, BIS participates in the work of the NATO Special Committee, of which it is a member. This Committee advises the North Atlantic Council in matters of civilian security threats, such as espionage, terrorism and related non-military threats, including above all proliferation of mass destruction weapons. The Committee is composed mainly of civilian counter-intelligence services. BIS has been taking an active part in its activities, as the representative of the whole Czech intelligence community, ever since the Czech Republic joined NATO,

The member countries take turns at the head of the NATO Special Committee on the basis of the principle of annual rotation. In 2003 this function fell to the Czech Republic and the Director of BIS assumed the chairmanship of the Committee. Hence BIS was charged last year with the task of managing the work of the Committee, drafting its annual working programme, organizing its fulfilment as well as the execution of routine tasks ensuing from the status of the Committee, providing guidance to specialized working groups, and closely co-operating with other NATO bodies and officials, including the North Atlantic Council, NATO Secretary General and Office of Security (NOS), the Permanent Mission of the Czech

Republic at NATO, and the respective authorities and institutions of countries with which NATO maintains partnership and special relations of different international formats.

The Middle Europe Conference – MEC

MEC is an international organization, which in 2003 associated seventeen intelligence and security services of thirteen European countries; another five countries have been offered membership. BIS is an active member of the Evaluation Committee (group of service Directors), which proposes ways of improving MEC activities and their specification.

7. Internal security

On the basis of new experience and the results of internal audit, different types of emergency and crisis plans regarding the operation of BIS facilities have been updated.

The steps taken to ensure permanent security of facilities concentrated on the completed relocation and new layout of BIS operating premises, on the storing, processing and handling of classified information.

The BIS information system is being upgraded on an ongoing basis with regard to new technologies in such a way as to ensure not only its functionality but also the implementation of various multi-tiered and mutually complementary security mechanisms. The extent of the gradual upgrading is however permanently limited by the level of funding from the state budget.

8. Oversight, audit and inspection

8.1. External oversight

Under Act no. 154/1994 Coll., responsibility for overseeing the activities of BIS lies with the Chamber of Deputies (lower house) of Czech Parliament – the Standing Oversight Commission set up specifically for this purpose. In 2003, BIS Director participated in eight of its meetings. Act no. 153/1994 entrusted the supervisory task to the Parliament of the Czech Republic. From the viewpoint of our Service, it should be no problem in the future to extend the supervisory function also to the Senate (upper house of Parliament), which had not yet been constituted when the above-mentioned legislation was adopted. The scope of oversight has to be in compliance with the jurisdiction of the Service and the authority it has or can be expected to acquire as a result of the development of new technologies and emergence of new threats.

BIS is accountable to the Government, which also supervises its activities. The law defines neither the scope nor the manner of governmental oversight. The Government supervises the activities of BIS in terms of their substance (subject matter) on an ongoing basis, by means of the outputs received from and tasks accomplished by the Service. The operational aspects of BIS are audited by the respective government authorities.

Oversight regarding the management of funding allocated to the Service from the state budget and the property at its disposal is regulated by Act no. 320/2001 Coll., on financial audit in public administration and the amendment of some related laws, as amended by Ministry of Finance Regulation no. 64/2002. These legal provisions are applied in BIS through an internal regulation. In 2003, the Supreme Audit Office (NKÚ) carried out in BIS an audit of accounts and management, the first from 1993, which greatly helped the Service to verify the adequacy and appropriateness of its methods and procedures. The Government

discussed and noted the conclusions from the audit, together with the standpoint of BIS, on June 2, 2004.

The Prague Social Security Administration audited the payment of social insurance premiums and contributions to the state employment policy, the payment of health insurance and fulfilment of liabilities regarding the pension insurance of the civilian employees of BIS, and found no faults. The same kind of audit in relation to BIS officers was carried out by the Social Security Department of the Ministry of the Interior. In this case, too, no defects were identified.

Observance of labour safety and fire protection regulations is inspected (on the basis of a coordination agreement) by the Asset Management Department of the Ministry of the Interior, hygienic inspection (including inspection of BIS recreational facilities, catering and accommodation premises, drinking water wells etc.) is carried out by the Health Protection Department of the same Ministry. A total of 9 inspections were made in 2003, and no gross defects of breaches of regulations were identified.

BIS regards external oversight and inspection, broad enough and credible, as an important prerequisite of its activities, without which it could not be granted adequate jurisdiction for the fulfilment of its tasks. Therefore it has been actively involved in the drafting of the new law on the oversight and supervision over intelligence services.

8.2. Internal audit

8.2.1. Internal audit activities

Internal financial audit is the responsibility of the BIS Internal Audit Department, whose jurisdiction is defined in 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, as amended by Ministry of Finance Regulation no. 64/2002.

Some 30 internal financial audits were carried out in 2003. They concentrated on the observance of BIS internal regulations, regarding for instance the management of special funding; public procurement; bonuses for representation, for night, weekend and overtime work and work during national holidays; compensation for being on call; accounting practice and related documentation; weapons and ammunition; the use of service cars etc. Measures taken to remedy identified shortcomings are monitored by audit groups.

8.2.2. Administrative security

The audit of administrative security focused above all on the completeness and essential elements of classified documents, and on the accuracy of records. Most of the identified shortcomings were removed still in the course of the audit or immediately afterwards. In several cases, workers of the filing service proposed that detailed checks be made in the respective organizational units or the Inspection Department be notified.

A total of 49 procedures aimed at safe destruction of documents were carried out in the context of the filing service audit, including 41 regular, 3 extraordinary (connected with the dissolution of an organizational unit) and 2 complementary ones. The remaining destruction procedures concerned registers of classified information. All existing organizational units of BIS were subjected to audit.

8.2.3. Activities of the Inspection Department

The Inspection Department reports directly to BIS Director. In its auditing activities, it respects the basic principles formulated in Act no. 552/1991 Coll., on government audit.

The Inspection Department proceeds in its work from the BIS Rules of Internal Governance and an internal regulation. Its jurisdiction includes:

- acting as the BIS police body, as defined by § 12, par. 2 of Act no. 141/1961 Coll., on Rules of Criminal Procedure, as amended by later regulations (pre-trial criminal proceedings), in cases when a BIS officer is suspected of having perpetrated a criminal offence BIS;
- investigating cases of BIS officers being suspected of breach of discipline, including investigation of extraordinary events;
- investigating complaints and notifications made by BIS members as well as outside entities.

The frequency of the above-described activities (comparing with previous years) is shown in the below table:

Type of activity :	2000	2001	2002	2003
Acting as BIS police body	26	16	12	10
Investigating administrative infractions	97	96	113	110
Investigating complaints and notifications	118	115	79	88

In keeping with the provisions of § 55, par. 1 of Act no. 154/1994 Coll., after investigating cases of breaches of discipline, the Inspection Department passes them for decision to members of the management with disciplinary authority. As a rule these cases can be dealt with in compliance with § 55, par. of the Act quoted above. In other cases, disciplinary sanctions were imposed.

Inspection Department function as the BIS police body

The following overview of the Inspection Department activities in the capacity of the BIS police body is broken down according to the character of the cases and the manner of their resolution.

	Criminal offence:	Doc no.	No. of offences	Discontinued - § 159a of the Rules of Criminal Procedure		Not completed	Passed to prosecutor	Disciplinary proceedings used to deal with case
				/par. 1	/par..4			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
1	Sabotage § 97 of Penal Code	1	1	1				
2	Jeopardizing classified inform. in - § 107 of Penal Code	1	1					1
3	Abusing powers of public official - § 158 of Penal Code	1, 5, 7, 9	4	3			1	
4	Negligent maladministration - § 159 of Penal Code	1	1	1				
5	Forgery and fraudulent alteration of official instrument - § 176 of Penal Code	10	1	1				
6	Criminal libel - § 206 of Penal Code	1	1	1				
7	Causing bodily harm - § 221 of Penal Code	6	1					1
8	Causing bodily harm - § 224 of Penal Code	2	1	1				
9	Embezzlement - § 248 of Penal Code	4	1	1				
10	Breach of duties of officer of the day - § 286 of Penal Code	3	1					1
Total :			13	9			1	3

Commentary:

- col.(2) Legal qualification of offence which was the object of investigation, when perpetrated by BIS officers
- col. (3) Numbers of the documents of the case (investigation files)
- col. (4) Number of offences according to the respective provisions of the Penal Code
- col. (5) Cases discontinued by resolution of the BIS police body, in keeping with § 159a/1 of the Rules of Criminal Procedure – i.e. the act investigated was not classified as criminal offence, or it was not possible to deal with the case in another way, or it was found that the act had not been committed at all
- col. (6) Cases discontinued by resolution of the BIS police body, in keeping with § 159a/ of the Rules of Criminal Procedure, because the offender had not been identified
- col. (7) Cases not yet completed – to be dealt with in 2004
- col. (8) Offences passed to a State Prosecutor for starting criminal prosecution
- col. (9) Offences dealt with in disciplinary proceedings in keeping with § 51 and subsequent of Act no. 154/1994 Coll.

Investigation of administrative infractions

This category includes mainly traffic accidents in which BIS members were involved, meritoriously investigated by Czech police bodies with the respective local jurisdiction. The input of the BIS Inspection Department consists in providing them with findings which they cannot obtain themselves.

Furthermore, it includes cases of extraordinary events in the sense of the applicable internal norms, or other matters where there is a suspicion that BIS members have broken both generally binding and internal legal norms.

Where the culpability of a BIS member is established, such case is handed over for disciplinary proceedings under §§ 51 – 59 of Act no. 154/1994 Coll.

In the course of 2003, the Inspection Department dealt with a total of 70 cases classified as extraordinary events. Comparison with previous years shows a stable trend. Most usual among extraordinary events (50 cases) were traffic-related events, i.e. traffic accidents (while BIS members were not always found to be at fault), damage caused to parked cars, breaking into cars and stealing their accessories or transported objects.

Investigation of complaints and notifications

Complaints and notifications, whether concerning members of BIS or persons and institutions outside it, are investigated in keeping with the still valid Government Regulation no. 150/1958 Ú.l., “on dealing with complaints, notifications and suggestions submitted by the working people”. Out of the total of 88 submissions made in 2003, nine (i.e. 10.2 %) were complaints and 79 (89.8 %) were notifications.

All the 9 complaints were found to be unjustified. The complainants were notified of the result of investigation. Some are however still unsatisfied with the verdict and lodge repeated complaints, which are either investigated again or, if they contain no new, as yet uninvestigated facts, are filed and no further action is taken. This approach is in accord with § 6, par. 7 of the above-mentioned Government Regulation no. 150/1958 Ú.l.

The Inspection Department investigated all the notifications submitted, and adopted adequate internal measures; some cases were however discontinued. In six cases of suspicion that a criminal offence had been committed, the matter was passed to the respective police body. Where the investigation revealed that the matter was outside the jurisdiction of BIS, it was handed over without delay to the authority within the jurisdiction of which it belonged.

9. Conditions for BIS activities

9.1. Legal framework

The activities, status and jurisdiction of the Security Information Service, as a counter-intelligence agency of a democratic state, are regulated by the following legislation: Act no. 153/1994 Coll., on the intelligence services of the Czech Republic, as amended by Act no. 118/1995 Coll. and Act no. 362/2003 Coll.; and Act no. 154/1994 Coll., on the Security Information Service, as amended by Act no. 160/1995 Coll., Act no. 155/2000 Coll., Act no. 309/2002 Coll., and Act no. 362/2003 Coll. In its activities BIS follows the Constitution of the Czech Republic and other relevant laws and legal regulations of this country.

The non-adoption of the new bill designed to amend Act no. 154/1994 Coll. in 2003 had a negative impact on the work of the Service. The bill was rejected by the Chamber of Deputies of Czech Parliament in the third reading. The purpose of the amendment was to restore the status of legislative regulation from before July 1, 2000, when Act no. 151/2000 Coll. on telecommunications and on the amendment of other relevant laws became effective.

The current situation in which BIS operates is well illustrated by the fact that it does not have access to the database of public telephone network subscribers. In practice it means that while knowing of a certain telephone station, it cannot identify its owner, and on the other hand, though knowing a subscriber, it cannot find out what his/her telephone number is. This is a serious constraint, which limits the Service in discharging its responsibilities as defined

by law. It may not be common knowledge that the Czech legal order does provide for the authority to access the database of public telephone network subscribers, and this provision has been in use for a number of years, in keeping with Act no. 67/1992 Coll. on military defence intelligence..

Another serious problem concerns the so-called active and passive billing – acquisition of localization and operational data relating to the provision of telecommunication services. In this respect BIS has the necessary authority (and the Prague High Court confirmed it by its decision). But this authority is not projected into the duties of the service operator, which makes it possible for the operator to refuse responding to BIS requests. (Act no. 151/2000 Coll. on telecommunications mentions the relation to Act no. 154/1994 Coll. in a footnote, which – as the Constitutional Court has ruled – does not have the nature of interpretation of a provision.)

9.2. -Budget

The basic budgetary incomes and expenditures of Chapter 305 – BIS were approved by Act no. 579/2002 on the state budget of Czech Republic for 2003. But with respect to the development of the overall conditions of budget management, the Ministry of Finance reduced the original level of expenditures in the amount of 954 194 thousand CZK by 4 459 thousand CZK. In keeping with the adapted budget, BIS thus managed a total of 949 735 thousand CZK in 2003.

In order to be able to discharge its main tasks, the Service needs to maintain an adequate operational base and invest into its upgrades (at least the most necessary ones). All the routine operational needs of the organization have to be satisfied, and it is also necessary to respond to heightened security requirements. This has an impact on most expenditures.

In financial terms, all special technology ranks among the most demanding expenditure items. Funding is channelled mainly to priorities which in the future will secure effective communication, protection of data and operation in compliance with the respective regulations. Shortage of funding is most severely felt in the area of intelligence technologies. The aggregate expenditures on the material equipment of the Service dropped by more than 27 % in 2003 comparing with 2002, while in 2004 the budget for these purposes is below 50 % of the 2002 level in absolute figures, not to speak of the effects of other external influences. Continuation of the trend of downsizing the funds available would become a limiting factor for the activities of the Service.