

CORRUPTION AND TRAFFICKING: MONITORING AND PREVENTION

**Assessment methodologies
and strategies for counteracting
transborder crime in Bulgaria**

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INTRODUCTION

The present study derives from a process, known as *Coalition 2000*, which joins together representatives of non-governmental organisations and State authorities, as well as independent experts and journalists. Launched in 1997, this initiative aims at restricting the corrupt practices in our society and establishing control thereover. In this sense *Coalition 2000* forms an intrinsic part of the efforts to proceed with the institutional and legal reforms in the country and to implant civic democratic culture in the context of Bulgaria's much desired accession to the European Union and her integration in the political space based on developed democracy.

Within the framework of the *Coalition 2000* process, the public concepts and attitudes *vis-a-vis* the phenomenon of corruption have been regularly monitored. The outcome of that monitoring has shown that Bulgarians tend to attribute considerable importance to transborder crime and to the corruption related thereto among civil servants. According to the public opinion polls in the country, corruption in the customs system is the most disturbing instance of abuse in social life as a whole and in the state sector in particular. The threats stemming from this type of crimes are also revealed by expert estimates showing that a large share of the shadow economy in the country is connected with the smuggling of goods and with funds resulting therefrom.

The great social jeopardy generated by the interweaving of the interests of these two opposite groups - perpetrators of transborder crimes and corrupted civil servants - has propelled the need to analyse the phenomenon of smuggling and to identify the adequate measures for its monitoring and efficient combating. The significance of this problem was emphasised in the *Annual Corruption Assessment Report, 1999* drafted by *Coalition 2000* which referred to a "thriving trafficking in consumer goods with an openly illicit origin" (p. 19).

This publication offers a summary of the surveys and discussions of a specialised expert group with the **Center for the Study of Democracy**, the latter acting as a secretariat for *Coalition 2000*. The opinions and suggestions submitted below are the sole responsibility of the authors, including Veselin Minchev, BAS Economic Institute, Georgy Boyadziev, head of "Investigation of Crimes Against Monopoly of Foreign Trade and Public Health" department, Specialised Investigation Service, Iovo Nicolov, special correspondent, "Capital" weekly, Krasimir Dobrev, "Sega" daily, Petkan Iliev, University of National and World Economics and Tihomir Bezlov, Center for the Study of Democracy. The analysis is focused on the processes which predetermine the practice of trafficking and the related phenomenon of corruption in Bulgaria. Their most frequent forms have been identified along with the prevention and control strategies applied. An emphasis is laid on the dyad of trafficking *and corruption* in the context of the current criminogenous situation in the country and the ever expanding transborder elements of criminality. The problem has been deliberately discussed as a national one, as if it were isolated from global crime. Thus, the transborder nature of the crimes in question has been actually seen as a stage on the way to transforming

the phenomenon from a national into transnational one, *i.e.* as a last degree of crime globalisation.

In view of the policy of prevention and given the need for control of trafficking and corruption, the authors have taken due account of the principles enshrined in the Political Declaration and the Global Action Plan (Naples, 1994).

In addition, the publication forms part of the efforts of the experts involved in *Coalition 2000*, the representatives of specialised state agencies, scholars and investigating journalists to contribute to restricting the corrupt practices, breaking down the smuggling channels and, hence, cutting off the link between transborder crime and the hidden economy in this country.

1. CORRUPTION AND TRANSBORDER CRIME IN BULGARIA

1.1 THE DYAD OF CORRUPTION AND SMUGGLING: DEFINITION AND GENERAL PRESENTATION

In the following pages, attention is given to those instances of smuggling which take place due to the awareness and assistance of civil servants called upon to combat this phenomenon. In other words, the issue discussed is indeed the combination of smuggling and corrupt practices and the interweaving of the interests of smugglers with those of corrupted public officials. This selective approach takes account of the immense threats generated by such a criminal alliance and of the fact that the “smuggling channels” in Bulgaria operate unambiguously on the basis of the said combination.

In the dyad identified above, *viz.* corruption and smuggling, the first concept is much more difficult to define. In the course of time, and especially recently, the term “corruption” has been increasingly used as a synonym to bribery though it has an inherent general meaning as well, in contrast to the strict legal concept of bribe as defined in the Criminal Code.[1] In our case bribery is not necessarily an international phenomenon but forms part of transborder crime to the extent to which it is connected to smuggling that takes place.[2] It should be mentioned that the corrupt practices involving officials are usually accompanied by other crimes and lesser offences which either facilitate the smuggling or conceal it.

The concept of smuggling is used to denote any importation of goods into, or their exportation from, a country in contravention of the applicable domestic legislation. Consequently, smuggling is resorted to in order to evade the payment of customs duties, taxes and fees due, to derive financial and commercial benefit, to avoid the existing customs, tax, police or any other control and the procedures relating to certain registration or licensing requirements, to circumvent the import and export restrictions, etc.

The term used in Bulgarian - *contrabanda* - is of Italian origin and derives from *contrabando* where “contra” means “counter” and “bando” is “an order of Government”. In English this phenomenon is normally denoted as *smuggling* or *illicit trafficking*. The latter, however, is wider as it also covers the illicit trafficking in people.

From a strictly legal point of view, smuggling qualifies both as a crime which entails criminal liability under the Criminal Code and as an administrative offence for which administrative liability lies under the Law on Customs (State Gazette, issue 26, 1968). The elements of the crime “smuggling” are prescribed in s. 242 of the Criminal Code. On the objective side, the crime consists in transferring goods across the border of the country without the knowledge and authorisation of the customs authorities. The goods could be quite different and the criminal liability actually depends on their type and quantity.[3]

Smuggling is international by nature as it implies violation of the customs regulations by carrying or transporting goods from one State to another, while crossing the border between them. Depending on the type of the goods carried

and on the buyer (point) on departure and arrival, nationals of different States may intervene as perpetrators. In a number of cases the nationality of the actual smuggler is of the essence since various visa restrictions might impede the movement of persons and goods in some regions of the world, e.g. the Schengen Agreement. In order to smuggle goods to a destination in the territory of States Parties to the Schengen Agreement, nationals of these States are normally used. This is one of the reasons why Bulgarian nationals are rarely involved in the illicit export or transit of goods to States Parties to the Schengen Agreement. This conclusion is especially relevant for the transit smuggling of narcotic substances, radioactive and nuclear material, motor vehicles, the trafficking in people, etc.

The objects smuggled are normally goods coming under high rate headings (cigarettes, alcoholic beverages, motor cars), goods subject to national prohibitions or restrictions (arms, narcotic drugs and precursors, pornographic material), subsidised goods, endangered species of animals or plants, goods and technologies with possible dual use, objects of cultural, artistic or historical value, strategic raw materials and products, counterfeit goods or goods linked to intellectual property offences, goods subject to international control, nuclear and radioactive materials, dangerous or toxic substances and waste, hi-tech products, etc.

Albeit smuggling could take place at any time and at any point of a border, there are actually two groups of places where it is concentrated: points where customs control is exercised (ports, airports, land border check points, free trade zones, etc.) and places falling outside the scope of customs control (remote areas along the shore, unpopular ports or airports).[4]

The smuggling of goods and the crimes of corruption relating thereto exist throughout the world. Their scale and the trends in transborder crime depend on the specific circumstances in which smuggling is practised.

The main factor influencing the level of smuggling is the adequacy of the customs control aimed at detecting, seizing and confiscating illegal imports or exports. If the smugglers are aware that the control is weak, that corruption roams at large among the customs officers and they would most probably not be detected and punished, the situation in that particular State is assessed as beneficial to smuggling.

There is a clear link between democratic organisation, good governance, the lacking or limited corruption in the State administration, on the one hand, and the low levels of illicit transactions, on the other hand. The reverse is also true: the more corrupted and/or inefficient the law enforcement or other authorities are, the greater the threat of corruption. In other words, corruption among the civil servants is an essential prerequisite for the vast majority of illicit operations.

In addition, in states with well-rooted democracy and market economy no domestic (economic, social, political and legal) factors exist that could encourage the smuggling of goods and capital. Smuggling there is restricted and controlled at a macroeconomic level, and normally comes down to the importation of prohibited goods like narcotic drugs and precursors or dual use goods which, because of their nature or possible use, are liable to affect the moral foundation of the society, to infringe the public order or threaten the security of the country concerned.

As to the totalitarian states, smuggling there is limited as well but that is achieved through the methods of the police-based party-state, rather than through mechanisms based on the rule of law. If total control exists, the chance to carry out uncontrolled activities, such as smuggling, is close to zero. In such conditions, illicit transactions could almost invariably be carried out as a state policy by using specific "channels" organised by the security services or by other state struc-

tures. Hence, this is a non-classical form of smuggling where the state is not the victim but organises the illicit transfer of goods across the national border.

Smuggling nowadays threatens to become a uncommonly serious problem, especially for the societies of developing countries and of states in transition. The conditions boosting the number of illicit operations flourish in particular in the context of post-Communist reforms. There are different reasons for such interdependence: domestic and international, political and economic, institutional and cultural alike.

The disintegration of the former Soviet block and of its economic organisation (COMECON) disrupted the exchange mechanisms in Eastern Europe. The countries in Eastern Europe, and their domestic production capacities, lost their traditional partners and markets. At the same time, however, the states in Western Europe remained to a great extent closed to most post-Communist countries. Due to the drastic shrinkage of international markets, significant portions of the production of the best developed sectors in Eastern Europe became the object of illicit importation. The subsequent economic crisis coupled with industrial and agricultural decline further exacerbated the imbalances between supply and demand on the domestic markets which, in turn, also fuelled the practice of illicit trafficking and smuggling. On the other hand, the breakdown of the law enforcement and controlling mechanisms inherited from the Communist past and the legal and institutional chaos resulting therefrom, combined with the liberalisation of trade and the opening of the former Communist states towards the world, facilitated substantially the ever growing illicit transactions from and to these countries. Broadly speaking, the landsliding corruption among civil servants has become a condition for, and a mandatory component of, the illicit transactions in the transitional period.

1.2. DEVELOPMENT OF “SMUGGLING CHANNELS” IN BULGARIA

Having described the above overall picture, we should acknowledge that Bulgaria is not an exception to it. The development of smuggling channels in the country is an essential evidence in this respect, as these channels survived the political changes and their functioning were adapted to the novel social and economic realities.

The smuggling channels had been called into being by the Communist state, in particular by the State Security, in order to serve transborder criminality, the latter representing a higher degree of organisation. Regretfully, the proofs of those criminal activities are virtually non-existing. What has remained are the stories told by anonymous participants in these channels and some circumstantial evidence. The latter category comprises, *inter alia*, the accusations addressed by western states concerning the trafficking in weaponry, narcotic drugs, medicines and excise goods.

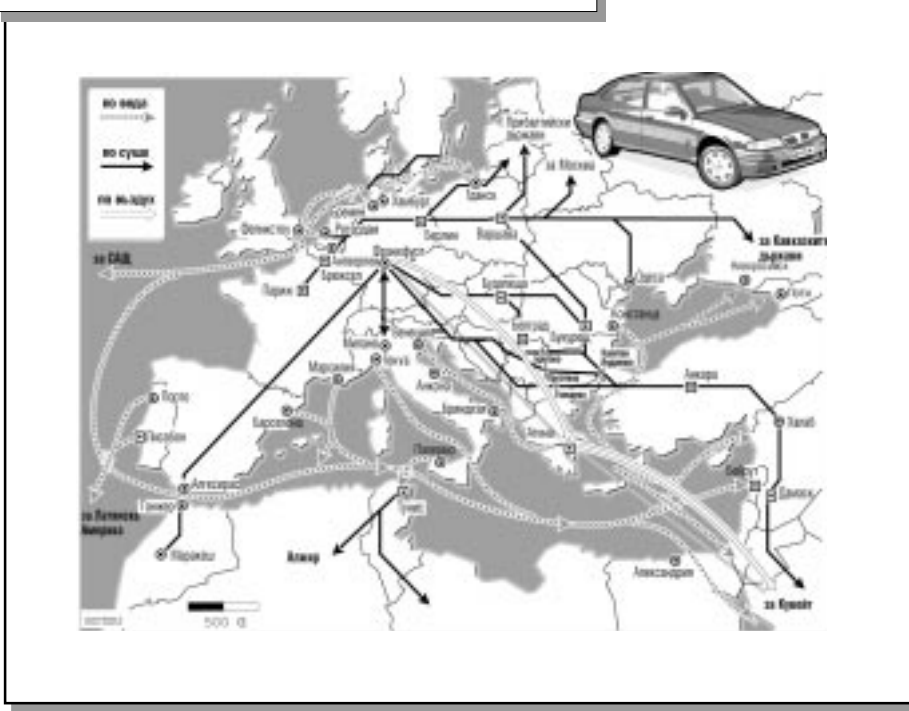
It is well known that at the end of the Seventies a special Directorate called *Hidden Transit* had been set up within the State monopolistic entity dealing with arms export. Its main task was to smuggle arms into third countries. The operational management was entrusted to a group of officers from the Second General Directorate of the then State Security. Besides arms and narcotic drugs, the channels were used for illegal trafficking in people, mainly persons persecuted in their own countries for Communist or terrorist activities. They were even used for trafficking in objects of historical value.

The traffic during that period involved nationals or emigrants of Palestinian, Syrian, Kurdish, Turkish, Iranian and Albanian descent. Most of them had con-

tacts with Islamic, extremist or Communist groups in their own countries and abroad which enabled them to build up reliable channels crossing the borders of several states in both directions - to the Middle East and Asia, and to Western Europe. A number of companies had been incorporated in foreign countries in order to facilitate and regulate the payments. Those companies were used to smuggle equipment and technologies stolen in the West, so one of their functions was to get round the restrictions of COCOM. Entire sectors of the Bulgarian economy were thus developed on the basis of smuggled technologies.

During the period 1987-1989 specific persons were vested with control over some of those channels and with far-reaching rights to dispose with the compa-

МЕЖДУНАРОДНИ КАНАЛИ ЗА ТЪРГОВИЯ С КРАДЕНИ КОЛИ



nies under cover. Such persons easily became the natural successors to the companies in question and were free to divert funds to their private accounts. According to data provided by the Ministry of Interior (Moi), in the beginning of 1991 Bulgaria owned over 250 companies in Germany, Italy, France, Austria, the United Kingdom, India, etc. Those were limited liability companies, joint-stock ventures and limited partnerships concentrating investments of nearly 160 million US dollars. The data from 1989 show that the turnover of those companies amounted to over USD 1.1 billion. In addition, the exports from Bulgarian companies abroad accounted for more than USD 600 million. The destiny of all those companies today is anything but clear.

After the destruction of the totalitarian system and the subsequent staff changes accompanying the transformation of the State Security (during the period 1990–1993), thousands of policemen left Moi or were laid off. They took with them all the files of agents, connections and mechanisms which had been used to circumvent the legislation at the borders.

At the same time, the vacuum in exercising the controlling functions of the state and the economic recession, especially in 1989-1991, were extremely beneficial to the smuggling of items needed to match the domestic demand for a wide variety of goods. Before 10 November 1989 the State Security was mainly involved in trafficking in goods to third countries or transiting narcotic drugs and prohibited goods, while afterwards the existing channels were already used to smuggle anything that could be sold in Bulgaria and only rarely as routes to export goods from the country. By evading the payment of customs duties, fees and excise a group of former policemen and Party leaders were unduly enriched and concentrated enormous wealth in their hands.

The early 90-s saw the upheaval of legal and institutional disorder in the country. That situation was used by former officers from the secret services and representatives of the high-ranking *nomenklatura* of the Bulgarian Communist Party not only to pilfer the state-owned enterprises and banks but also to exploit at

ease the links and the possibilities offered by the smuggling channels. Large quantities of cigarettes, alcohol, sugar, fuel, spirit, etc. were imported in Bulgaria but the state did not receive any revenues from those imports. The inherited links of the former Bulgarian secret services with some terrorist organisations based in the

"ATIA" CASE

In 1993, a smuggling channel for cigarettes worth millions of US dollars was detected at the *Atia* military base. The Greek ship *Vati* which loaded 4500 master boxes from the port of Burgas to Novorosiysk crossed the gulf and unloaded its cargo at the military base on five trucks which re-entered Bulgaria and disappeared. This instance of smuggling alone caused a loss of nearly USD 1 million from unpaid customs and excise duties. Later it became clear that the channel had been in operation for two years before and had been used to unload 10 tankers with fuel. The smuggling in question involved a former officer from the State Security, a Syrian national of Kurdish origin, an agent of the State Security until 1989 and the owner of a company registered in 1988 in Munich. The commander of the military base was also accused. The then Prime Minister Liuben Berov stated that the Greek ship had most probably entered the military base in return for "a few millions" paid to the right person. The file for this affair has not been submitted to court yet. That was a classical example of a privatised smuggling channel involving people from the public administration and the Ministry of Defence.

Middle East, Turkey and Africa were restructured into private smuggling channels which started functioning to the benefit of different groupings serving different political parties. Dozens of examples could be invoked in this respect, one of them being the scandalous disclosure of the smuggling operations in the *Atia* military base near Burgas.

At the same time, an odd integration of the smuggling channels into what is known as the Bulgarian "hidden economy" took place. The link

between smugglers, semi-legal economic operators and straightforward criminal structures was also established by former officers of the secret services, whereas the goods smuggled were distributed through the so-called "shady groupings". The corrupt acts resulting from that type of co-operation often went beyond their traditional route: *power-bribe-license-cover*. At times, that co-operation was taking the typical form of organised crime, with its inherent elements *threat-black-mailing-murder*. Albeit the criminal acts in question had different characteristics, quite often their primary reason lay in the financial threads linking criminal structures with civil servants and created during the exploitation of the smuggling channels.

In the course of the same period, *i.e.* the first half of the 90s, organised crime also took shape. It was connected with an agglomeration of former officers of the State Security, Party and economic leaders belonging to the former *nomenklatura*, sportsmen (who became publicly known as "the wrestlers") and persons with a criminal record. While the so-called "former celebrities" prospered on the basis of smuggling and drainage of state-owned enterprises at the points of entry and exit (the so-called "spider system"), the "wrestlers" and other semi-criminal groupings quickly raised funds from smuggling stolen vehicles, robberies, thefts and racketeering small and middle-sized businesses. In their endeavour to transfer the stolen cars across the borders the "force groupings" formed by former sportsmen started building up parallel smuggling channels. The channels were often duplicated or involved the same customs and border police officers. In practice, these channels took over the channels previously created by others.

That configuration of the business of smuggling reached its peak with the embargo against Yugoslavia during the conflict in Bosnia and Hercegovina. The Government headed by former PM Liuben Berov (1993-1995) failed to take the measures necessary to disrupt the illicit enrichment of a specific group of people. The transgression of the oil embargo, again, was carried out under the control of some officers from the secret services and by using the schemes of the former State Security.

It was an open secret at that time that tank trucks were being convoyed by police cars to the border, that trains were crossing incognito the customs check point at Dragoman and tankers were travelling to the Serbian port of Prahovo. According to data provided by the Council of Ministers (disclosed by then Vice Prime Minister Alexander Bozhkov at a meeting of the Cabinet on 13 May 1999) during the first embargo against Yugoslavia over 400 major deals for various goods designed for Yugoslavia had been detected, with a resulting loss of USD 250 million in state revenues. In addition, dozens of instances of smuggling fuel caused hundreds of millions of US dollars in damages. Such large-scale smuggling would have certainly been impossible without the involvement of state structures and people working at top positions in the state hierarchy.[5]

The unobstructed transfer of consignments through the territory of Bulgaria was ensured by former and then employed officers and officers of the secret services. In order to carry out their deals the force groupings (previously placed at a lower level in the structure of the shady economy) also started using the established mechanisms to violate the embargo. During the first years of the 90s the former officers inherited from the Party-State the smuggling channels, while the force groupings later "privatised" those channels as if they were bidding at an auction.[6]

"ALBANIAN DEAL"

The so-called "Albanian deal" was carried out with the participation of two officers from the Ministry of Defence and one officer from Mol. It was conducted with the assistance of the Macedonian secret services and a colonel from Albania, and concerned 100 mortar guns and 10 000 mines. The investigation of the scandal made it clear that the arms had been transferred to the Serbian army in Bosnia. The details of the deal revealed the classical structure of a State smuggling channel involving the secret services of three states and used to derive personal benefit. The six trucks loaded with arms has crossed unimpeded the borders of Bulgaria, Macedonia and Serbia closely escorted by the corresponding police authorities. The State suffered millions of dollars in damages but no one has been sentenced for this affair yet.

Through the hundreds of deals violating the embargo against Yugoslavia Bulgarian organised crime developed matchless mechanisms of corruption, while taking over the heritage of the previous State-organised smuggling channels. Of course, all this inflicts enormous damage on Bulgaria's economy.

Alongside the rivalry of organised crime groups to partake of the transportation of oil and nitrogenic fertilisers to former Yugoslavia, the traditional arms channels were re-activated. Consignments with weapons from Russia, Ukraine and other former Soviet republics crossed Bulgaria in transit on their way to Bosnia. The much discussed "Albanian deal" is one proof of the fact that the Bulgarian secret services had not been indifferent to that process.

Besides traditional excise goods like cigarettes and alcohol, other highly liquid products like sugar and spirit have also been oriented to the smuggling channels over the past years. In mid-1998, Mol detected routes for importing sugar to several Bulgarian factories. The affair became popular as "Bartex", after the name of a company owned by "Multigroup" and dealing in sugar. The channel had been in operation for more than five years at the port of Burgas and caused an estimated damage of 52 billion Levs.[7]

The embargo arrangements prove well enough that the international community, represented by the UN Security Council, could well contribute to creating conditions for smuggling. The Bulgarian production of CDs after 1989 is another specific example of the doubtful effect that the international measures to combat smuggling could have. The production capacities in the country at that point exceeded 90 million disks which could not be marketed internally. On the other hand, Bulgarian CDs proved to be of an extremely good quality and that boosted the demand for them abroad. As a result, the smuggling of Bulgarian CDs turned into one of the most profitable items of illegal business during the 90s. Further on, as a result of a strong international pressure, Bulgaria was added to the famous List 301 and enacted the most restrictive copyright legislation in Europe. The pro-

duction of CDs in the country was thus sharply reduced. The logical effect of that shrinkage was to boost demand and, hence, open the door to other forms of illicit transactions. There have been signals over the past years that, after having been producer and exporter of CDs before, the country has now turned into a storage area for CDs produced in third countries and exported via Bulgaria. A vicious circle has been actually put in place: the measures to combat smuggling have generated smuggling.[8]

Smuggling is not exhausted with organised criminal channels alone. Quite like in most countries in transition, throughout the 90s Bulgaria has become familiar with a phenomenon described as “suitcase trade”. This represents a large-scale smuggling of consumer goods undertaken individually and practised as a profession with the purpose to earn the living of those involved. In most cases such trafficking only partially qualifies as illicit. Nevertheless, “suitcase trade” is of interest to the present study given the link between smuggling and corruption. Moreover, as it normally does not match the criteria for the official economy, it rather forms part of the “grey economy”, *i.e.* that zone of unregulated business and economic relations which is so typical of the countries in transition. Finally, the “suitcase trade” in a sense symbolises Bulgaria’s bilateral relations with countries like Turkey, Greece and the states in former Yugoslavia, as a certain portion of the commercial turnover between all these countries takes place via such channels (see below, 1.7.1, for more details).

1.3. FORMS AND SCHEMES OF SMUGGLING

A practice of smuggling which involves the State is always illicit and, due to the specific nature of the operations performed, it is transborder, *i.e.* the legislation of two or more countries is transgressed. Of course the existence of controlling authorities, such as border police, customs authorities, road inspectors, etc. require that such operations be carried out secretly. Hence, the perpetrators do their best to conceal the illegal nature of their activities by using the legal forms of import and/or export. This finding also applies to the cases dealt with in the present study where the criminal acts are committed with the knowledge and/or assistance of public officials.

Smuggling is committed by using different forms, methods and practices. The forms of *actus reus* in respect of the crime of smuggling are listed in Art. 242 of the Criminal Code. Some practices relating to the crime of smuggling are also typical of the customs fraud covered by the Law on Customs. Analysing the case law, we could identify as most frequent the following instances of customs fraud:

- Customs fraud entailing *inaccurate description of the goods*. In this case false and misleading information is provided as to the physical description of the goods which, in turn, paves the way to incorrect classification and the resulting financial benefits. Inaccurate descriptions help circumvent the existing prohibitions, restrictions or import quotas, obtain profits from lower tariff rates or taxes, draw back considerable amounts as tax compensations, evade fees, etc. This type of fraud is based on the fact that, in the customs tariff, different types of goods dutiable at different rates come under close tariff positions and the tariff number can be deliberately misprinted. The result is that a lower customs duty is paid but the error is hardly detectable. At the Kremikovtsi customs bureau, for example, an attempt was prevented to import poultry meat which had been declared as guinea-fowl meat. The difference in the duties and fees payable was 40 per cent.

- Customs fraud based on the *value of the goods*. In this case, the values to be declared are either decreased or increased. A value lower than the real or payable one makes it possible to pay lower customs dues or to avoid certain import-related restrictions. A higher value shown in false invoices and customs declarations enables the perpetrators to receive higher tax credits, evade some domestic fees, escape the anti-dumping duties and, last but not least, to launder money.
- Customs fraud relating to the *preferential origin of the goods*. Here, the rules and requirements on the origin of goods laid down in bilateral or multilateral agreements and in effect for the country concerned are knowingly infringed. This form of fraud is resorted to in order to pay lower customs duties and taxes, to circumvent some prohibitions and restrictions or existing commercial sanctions or embargoes. The fraudulent behaviour consists in a false declaration of the country in which the good was produced and which is normally identified through tariff codes and numbers.
- Smuggling and frauds relating to the *transit in goods*. In this case the acts undertaken aim at diverting the goods from any customs control so that they could be imported in the country without any payment of customs dues. The documentation needed to prove the export is manipulated through false stamps and replacement documents showing that the goods have arrived unaltered from the customs office of departure to the receiving customs office and the transit operation is finalised.
- Customs fraud relating to *import or export licenses*. Here, the perpetrators use false licenses, original documents which are forged (through deletions, additional remarks, etc.). The purpose of this type of fraud is to by-pass prohibitions or restrictions relating e.g. to veterinary or phytosanitary control, or to strategic goods, arms, nuclear, chemical and biologically active substances, textiles, monuments and objects of archaeological or artistic value, etc.
- Customs fraud involving *incorrect declarations of quality and quantity*. These aim at overcoming the existing safeguard measures or prohibitions. The most frequent practice is to give inconsistent data about the description, weight or packaging, etc.
- Customs fraud relating to the *intended use*. Here the goods are not used in the manner declared in advance or the end user is changed in order to benefit from lower or zero-rate customs duties or to overcome existing restrictions.
- The smuggling and fraud involving a false or inaccurate commercial description facilitate the import of poor quality goods and of *goods subject to prohibitions or restrictions for health reasons*, etc. The false and inaccurate commercial description of the goods may also entail indicating a false country of origin or wrong tariff numbers.
- Smuggling and fraud in relation to the *drawback of customs duties and taxes*. The goods declared for export do not leave the country (fictitious export) or, alternatively, the goods exported are deliberately declared as having a higher or lower value (manipulated values).
- Smuggling and fraud involving *ghost companies*. In this case goods are imported or exported in the name of virtually non-existing companies and entities. The companies in question might be registered not with the local authorities or not. If registered, they use inaccurate or assumed names and addresses. It is difficult to detect the persons resorting to such companies. The ghost companies could also be used in order to conceal or evade the pay-

ment of customs duties and taxes, mostly when the underlying activities involve money laundering or drug trafficking.

- Fraud consisting in the *unregistered transfer of goods*. Here the vehicle with the smuggled goods is allowed to pass the border check point but this is not reported in the customs documents at all. This is pure smuggling, as the goods carried this way are not processed by the customs authorities as required.

1.4. CORRUPTION AND SMUGGLING : AN ATTEMPTED PARALLEL CLASSIFICATION

All forms of smuggling taking place with the knowledge and assistance of public officials mandatorily involve the commission of a crime - either a bribe or an office-related crime. In the event of large-scale smuggling, especially that of highly liquid goods, both the Law on Customs and the Criminal Code are infringed.

As regards the specific forms of corruption, they could be grouped into several larger categories depending on the interaction between smugglers and civil servants:

- Corruption aimed at inciting the customs officers to carry out a given operation (including to draft documents) more rapidly, so that a particular businessman or entity could finalise the deal in the quickest possible way.
- Corruption aimed at concealing the offences against the customs legislation and domestic regulations.
- Involvement of the border police and the customs administration in the setting up and operation of smuggling channels crossing the border.

It would be reasonable to assume that there are lasting and repetitive schemes combining the interests of smugglers and corrupted officials. Moreover, the interaction between these interests is subject to a clear-cut logic.

TABLE 1.1. SMUGGLING AND CORRUPTION: A PARALLEL CLASSIFICATION

Type of smuggling	Type of corruption
Small-scale smuggling ("suitcase" trade)	Bureaucratic corruption (involving individual officials)
Smuggling channels	Corruption network
State-organised smuggling	"Top-level" corruption

There is a clear link between the level at which smuggling is organised and the corrupted officials.

When "suitcase" trade is at stake (normally on a large-scale basis), it normally involves one member of a family or, rarely, several members of the same family. These persons contact individual officers at the customs or other controlling authorities and the crime committed is usually a *bribe*. Irrespective of the role of the civil servant involved (passive or active bribery within the meaning of the Criminal Code), the smuggler pays - according to a certain "tariff" - the official who authorises the illicit transfer of the goods. This could well be an "in-kind

transaction", i.e. the customs officer could obtain for himself an item of those carried by the "suitcase" trader.

When smuggling channels are used, the corruption transactions form a more complex chain where the bribe received is redistributed. The deal involves officials from different agencies which ensure railway cisterns, transport corridors, or terminals to load and unload fuel. The situation might exhibit a sort of a paradox in that the respective civil servants are in a sense illegally hired by the owners of smuggling channels "privatised" by semi-criminal or criminal groupings. This gives the chance of building up an enduring system of double loyalty of key officials: abiding loyalty towards the State and hidden, illicit, loyalty towards the group offering the bribes.

The third, yet most dangerous, form of interaction between smugglers and civil servants consists in the illicit transfer of goods to the benefit of the country's political elite. Such carriage is duly sheltered by a political "umbrella". In these instances the corrupt practices have such disturbing dimensions that it is justifiable to classify them as "top-level" corruption. Given the importance of such types of criminal alliance more attention must be devoted to the relation *corruption network - political elites*.

1.5. SMUGGLING AND POLITICAL ELITES

During the period under review (1989-2000) six regular and two caretaker governments successively came in power in Bulgaria. In these years, data became available on smuggling channels for raw materials, cigarettes, alcohol, foodstuffs and other highly liquid goods. Thus, the channel for smuggling spirit through the port of Burgas had been discovered as early as 1995, it had been reported on in the documents of an audit carried out at the customs but was in operation until the end of 1998. During that particular period there were three regular and two caretaker governments in the country.

It could be ascertained that each change in power results in a loss of political support for a particular smuggling channel. Certain politicians use the existing illicit routes in order to control the country's economic elite which is close to one party or another, while providing that elite with self-seeking advantages by eliminating the principles of free competition. The economic groupings, in turn, become the hostages of their patronising political party, since the parasitic manners of operation deprive them of any competitiveness in a normal market environment.

The old smuggling channels are exploited and new ones are created through the infiltration into the border administration of persons faithful to a given party, but largely lacking the necessary qualification. On the other hand, the players in such channels themselves offer bribes to the new lords in order to enjoy their protection and ensure the continuity of their underground business. By resorting to faithful people the governing political elite not only uses but also controls the "competitive traffic" through already existing channels, to the benefit of one economic operator or another. As most governments before the parliamentary elections in April 1997 were dominated by the Bulgarian Socialist Party, there was no particular "flight" of customs officers during that period. After the UDF took over in 1997, 377 customs officers were fired on the ground "job redundancies", and the directors of all 16 regional customs houses were replaced.

It is rather difficult to evaluate the extent to which those redundancies and new appointments had been prompted by a genuine need to remove compromised officers. At any rate, an attempt to cut off the existing smuggling channels controlled by the former State Security was made as early as 1997. The respective

functions of the National Security Service (the successor to the Second Directorate of the State Security) were then transferred to the National Border Police Service. The organisational Law on the Ministry of Interior vested the Border Police with purely police functions and with the right to investigate acts of smuggling and illicit trafficking. In terms of status, the new Border Police is subject to commands in the vertical line alone, with the capital being the centre. This raises some doubts as to the real willingness to control the smuggling channels from "the highest possible place". All other services of Mol at the regional level are also subordinate to the Regional Directorate of Interior which ensures better co-ordination and mutual control of the different units.

The ten-year delay by the National Assembly of a law on the financing of political parties, the lack of transparency in the raising and expenditure of funds during the pre-election campaigns and the current maintenance of the party structures invite the suspicion that every government is affiliated with unregulated mechanisms to support the political entities. No one is so candid to trust that the immense structures of big political parties like the Bulgarian Socialist Party and the Union of Democratic Forces are funded by nothing but membership fees. The practice for the entire customs administration to be penetrated by people faithful to those in power certainly exists because the most difficult thing to prove is that funds are withheld from illicit imports to the benefit of the party structures.

The overall pressure on the force groupings over the past few years has pushed them aback. They, however, have not completely disappeared from the stage. This type of semi-legal business structures had and still have free financial resources combined with local structures used to carry out the corresponding activities. The situation of the Bulgarian political elite is simply reverse to that: it does not have free money and market structures, it only has power, controls the public administration and attempts to "realise" its political power in order to gain economic strength. Some politicians became intermediaries between the force structures having went underground and the public administration operating along the borders.

While in 1991-1993 the former Communist *nomenklatura* transformed its political power into economic power by setting up parallel companies and draining the State-owned companies, the politicians today receive a percentage share from the exploitation of the public administration. There has been no instance so far of a party in power to publicly accuse its own sympathisers of building up smuggling channels. By contrast, whenever a party falls from power the newcomers immediately voice allegations and evidence of involvement in smuggling.

In Bulgaria, the following trend is perceived: several months after a party falls from power its structures go bankrupt. The smuggling channels are just one of the tools used to fund Bulgarian political parties.

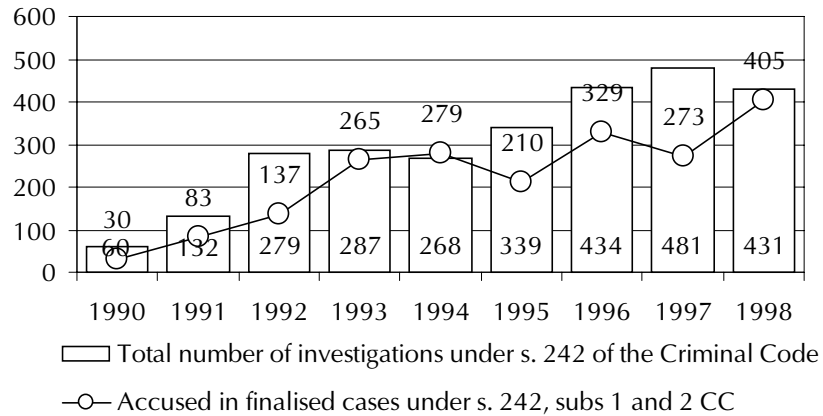
1.6. THE CUSTOMS AND THEIR ROLE

The role of the customs in the context of this study could be analysed from two angles. On the one hand, the activities and measures undertaken to cut off the practice of smuggling could be discussed. On the other hand, the customs could be seen as an institution in which corrupt practices over the past decade have turned into a prerequisite for the illicit trafficking in goods. In other words, the customs are both an obstacle to transborder crime and - due to the illicit activities of some former customs officers or even groups of such officers - an important condition for the success of any illicit transaction.

The analysis of the crimes affecting the customs regulations in the country (including the smuggling of narcotic drugs) from 1990 to the first half of 1999,

based on the total number of completed pre-trial investigations, reveals a unambiguous trend of increase in the number of this category of crimes and of their perpetrators (see Chart 1.1).

CHART 1.1.[9]



The disciplinary measures taken by the customs authorities *vis-a-vis* offending customs officers also hint to the dimensions of corruption. According to information from the General Customs Directorate, from October 1997 to October 1999 a total of 154 officers were fired for various offences (see Chart 1.2).

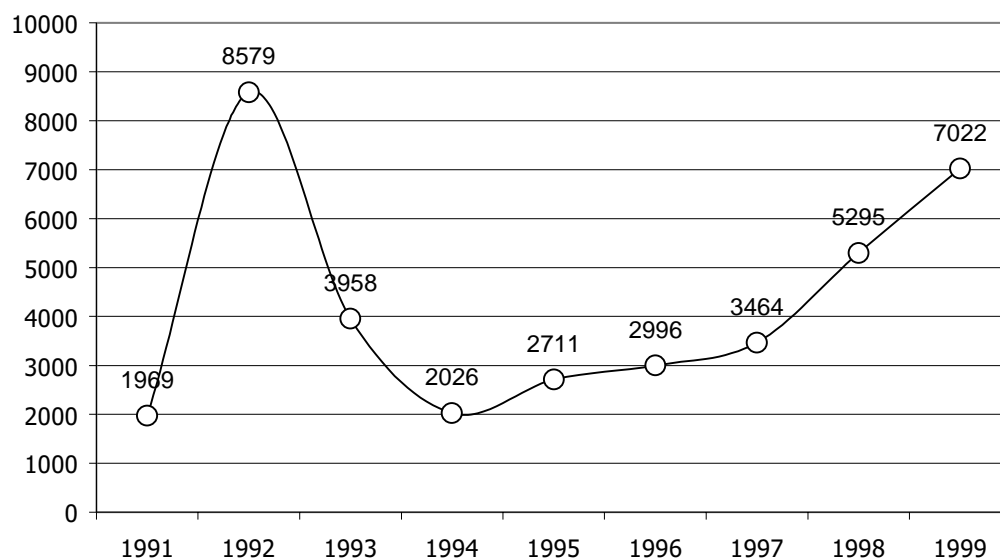
All these cases share the common feature of suspected participation in smuggling and causing damage to the State. 102 customs officers were fired for serious violations of the customs legislation in force which had been committed and proven. The offences most frequently encountered were:

- acceptance and clearance of a single administrative document (SAD) showing a lower customs value of the goods;
- acceptance and clearance of customs declarations with tariff positions of the goods different to the real ones;
- acceptance and clearance of SADs excluding some of the goods described in the accompanying documents.

The above examples clearly show that the declarants usually endeavour to pay less customs duties and taxes. Hence, the conclusion that corruption exists. Unfortunately many initial signals remain unproved and the General Customs Directorate is then unable to intervene efficiently.

Fifty-two customs officers were removed from office on the ground "lack of abilities to efficiently perform the work" in cases where the competent senior officials had assessed the professional performance of their subordinates and had found sufficient disciplinary grounds to fire them. The most frequent offences were those against the official duties but there were also instances of serious offences against the customs regulations committed after the expiration of the statutory limit to engage disciplinary liability.

The case-law in administrative liability cases fails to give an adequate picture of the situation with corruption practices within the customs authorities. One attempt to lift the curtain was made by Mr Emil Dimitrov, then auditor at the Ministry of Finance, who published a customs audit report of 90 pages. The document exhibited the findings of an audit launched on 10 February 1998 and covering the period 1 January 1996 - 30 May 1998. It also contained findings on the period 1990-1998.

CHART 2.2. ADMINISTRATIVE OFFENCES AGAINST THE CUSTOMS REGULATIONS [10]

According to Mr Dimitrov's report, "the checks carried out at the customs authorities established that tremendous quantities of petroleum, methanol, fuel, TV sets and trade mark equipment, cigarettes and alcohol, spare parts, spirit, sugar, rice, other foodstuffs, medicinal products, construction materials, etc. had been imported by tankers. As a result of incorrect or incomplete documents accepted by the customs administration the revenues due had not been collected for 2, 3, 4 or even 5 years. Numerous instances of inefficient guarantees or lacking collateral or unknown addresses were established."

The auditors revealed a number of deficiencies in the way in which customs control had been exercised:

- unfinalised TIR carnets;
- authorisation of re-exportation after the deadline;
- unfinalised shipping lists or entire missing stubs;
- incorrectly calculated customs dues (up to 39 times lower than the actual figures);
- lacking physical control in the event of extension of the time limits for temporary import;
- huge amounts of uncollected dues to the customs authorities some of them classified as bad debts;
- missing customs declarations or declarations not secured through appropriate collateral;
- failure to undertake prompt actions to ensure the forcible collection of customs dues;
- numerous unfinalised customs manifestos by natural or legal persons which had imported cars and spare parts without having paid the customs dues. Some directors and deputy directors of customs offices had extended the statutory time limit of 30 days for re-exportation and allowed re-exportation to take place up to three years later;
- clearance of goods in transit by fixing the guarantee according to the type of vehicle rather than on the basis of the actual value;
- instances of extremely unrealistic prices for some of the goods cleared, etc.

The audit report stated that all the eleven audits at the regional customs houses in 1997 and 1998 resulted in audit reports establishing deficiencies. In addition, the report of the experts of the Council of Europe in charge of monitoring Bulgaria reproduced Mr Emil Dimitrov's conclusions that the "customs fraud based on the corruption of officials and the falsification of customs documents brought amounts as high as USD 560 million in 1997 and 700 million in 1998, and the most important personalities in the country benefited therefrom." [11]

Mr Dimitrov's audit report, however, was rejected by the leadership of the Ministry of Finance and the Minister ordered the Sofia branch of the State Financial Control to conduct a "super-audit" of the customs. The latter disproved some of Mr Dimitrov's claims. Mr Dimitrov, in turn, was right in claiming that according to the legislation in force his findings could only be rejected in court. Later Emil Dimitrov was subjected to strong pressures and resigned from the Ministry of Finance.

At the same time the Public Prosecution instituted a preliminary inquiry procedure in relation to the audit report. In December 1999 Sofia City Prosecution Office issued a writ refusing to institute pre-trial proceedings against former or current senior customs officials on the ground of "lack of evidence showing the commission of a crime". [12]

1.7. SOCIAL AND ECONOMIC EFFECTS OF TRANSBORDER CRIME

The combined forms of transborder crime coupled with corruption among the civil servants inflict serious damage on the State and its national economy, and affect adversely the interests of its nationals.

The first negative result of this set of factors consists in the decreasing revenues to the budget mirrored by an increasing budget deficit. In order to bridge the deficit the State tries to hoist the revenues which not only adds to the tax burden but also hinders investment. Overall, this is a pressing threat to the economic reforms in the transitional period.

The tolerance to crime and corruption also threatens the country's security and its development on the way to a market economy. The "dirty" money accumulated through smuggling are captured in a vicious circle and distort the country's economy by pushing it into a criminal or semi-criminal direction. Thus, the underground structures become more competitive and important than the honest entrepreneurs.

The ensuing investment climate deters the foreign investors who are confronted with unfair competition and a lack of market rules. This was the reason for Bulgaria to be abandoned by a number of world-known companies which faced illicit imports of their own products on the Bulgarian market. The aggregate result in terms of investments was more than negative.

Smuggling exterminates the infant domestic industries through cheap imports, it impedes the creation of an SMEs-friendly environment and of a normal economic class in the country. Some expert estimates show that the unfair competition from illicit imports in the shoe industry would result in only 15 newly-formed enterprises surviving out of a total of 800. According to that industry's branch association, the illicit imports of shoes cause an annual loss to the budget in excess of DEM 8 million. If only locally produced shoes were sold in Bulgaria, instead of imported ones, DEM 25 million would remain in the country. Every year the shoe producers in Bulgaria lose nearly half of their orders from retailers (who replace the Bulgarian shoes with cheap imports) and sacrifice profits of almost DEM 500 000.

Other examples are the imports of Wiener wursts, of sausages at the price of 35 cents per kilo, of patĩ at an average price of 60 cents per kilo, etc. The illicit import of such goods severely affects the domestic pig breeding and meat processing industry. There is a real struggle for survival there, as these two subsectors currently offer jobs to some 25 000 people and their total annual turnover exceeds DEM 1 billion. In other words, smuggling and customs fraud could hit hard the employment rates in the two subsectors and, accordingly, the budget revenues.

The situation with other smuggling goods and channels is similar. Thus the illicit import of bread yeast causes an approximate loss of DEM 8 million to the budget. The consumption of yeast in 1998 was 22 000 tons. The only Bulgarian producer, the plant in Russe, had an output of only 5700 tons and the declared imports were 6254 tons. The remaining 10 046 tons used in bread production were of unclear origin and most probably were imported illegally.

Last but not least, the existence of smuggling channels controlled by certain groups in power frustrates the consolidation of the democratic institutions, the proper regulation of the funding of political parties, the reform of the State structures, the rooting of modern standards of management, and the genesis of the civic society.

1.7.1. CONSUMER GOODS SMUGGLING AND HIDDEN ECONOMY

The macroeconomic effect of consumer goods smuggling should not be underestimated, since the small and medium-sized businesses depend on the scale of these imports. The experts even speak of "suitcase-type SMEs". Their operations remain largely outside the frame of the official economy. So far the measures against them have had a reproachful, rather than repressive, nature (such offences entail administrative fines).

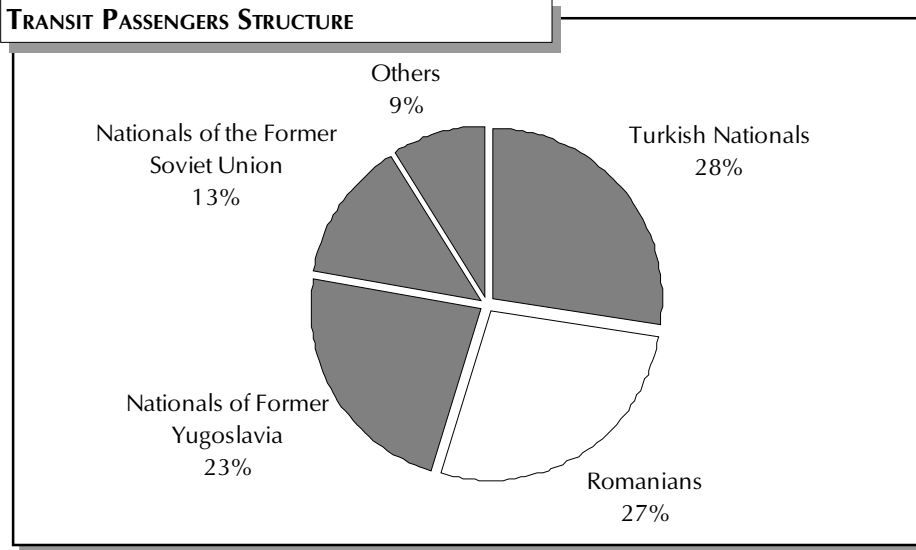
The phenomenon in question is unduly neglected. After 1989, just one systematic study was devoted to these issues, yet in the context of transit migration. The analysis was made by the International Organisation for Migration in 1993 (Transit Migration in Bulgaria, IOM, 1994).

In order to assess the dimensions of the phenomenon, its consequences and the "environment" and "networks" it brings forth, indirect indicators and expert estimates should be used.

One of the possible indicators is the number of "trips abroad". Such information is made available by the National Statistical Institute. In 1996 and 1997, over 3 million trips abroad were registered annually. The prevailing number of those were visits by Bulgarian nationals to neighbouring countries: former Yugoslavia (1/3 of all trips), Turkey (17 per cent); Romania (15 per cent), etc. In 9/10 of the cases tourism was declared as the reason to travel. This information discloses the potential scale of "suitcase" trade.[13] At the same time, at 31 December 1997 only 34 212 Bulgarian nationals had declared that they were living abroad. Most of them were settled in Germany (around 9 000), the former Soviet Union (3500), France (2900), Austria (2700), the Czech Republic (2300), etc. If we assume that 1/3 of those 2.3 million tourist trips in 1996 and of the 3 million private ("tourist" plus "guest") trips abroad in 1997 were used for "suitcase" business, this gives an average annual rate of 1 million trips for that purpose. Further, if every "suitcase" trader travels 5 times per year on average, that gives a figure of 200 000 people dealing with such business. Approximate as this estimate might be, it could be claimed that between 1/3 and 1/4 of all the 900 000 people employed in the private sector are involved exactly in "suitcase" trade, thus making it the largest sector of the Bulgarian economy in terms of number of employees. The negative

conclusion - that the largest sector of the Bulgarian economy currently results from "unimportant", i.e. small-scale smuggling - should not be discouraging. An accurate definition could be of use in the search for appropriate solutions.

The "suitcase" trade is a multi-faceted international problem. Many foreign nationals deal with this "business" in the territory of Bulgaria. Hence, it could also be seen in the context of transit migration. It is indeed a category of transit migration.



As from the beginning of the 90s, some 5 million persons per year have crossed the country in transit. For example in 1993 the most numerous transit passengers were Turkish and Rumanian nationals (more than half of all transit passengers). More specifically, Bulgaria was crossed in transit by 1 372 578 Turkish nationals, 1 366 971 Romanians, 1 153 143 nationals of former Yugoslavia, 661 021 nationals of the former Soviet Union, etc. Most of them were "guest workers" in the West or "suitcase" traders. The transit immigrants

initially remain in the country for a short period of time seeking opportunities to continue to Western Europe. According to the study of IOM, these are the intentions of at least half of them. One should not disregard the fact that nearly 13 per cent of the transit migrants intend to remain in Bulgaria for 1 year. In other words, at least 500 000 people would consider a continuous stay. About 40 per cent of them rely on their savings, 20 per cent would work, 18 per cent rely on country fellowmen already residing in Bulgaria, etc. According to different estimates, which nonetheless remain approximate, the number of aliens illegally residing in Bulgaria varies between 30 and 50 thousand (IOM, 1994) which is 3 per cent of those employed in the country. These people find their niches in the hidden economy. The Bulgarian administration reacted to the potential threat of immigration pressure on the labour market by adopting a *Programme to Combat Illegal Migration and the Illegal Residence of Foreign Nationals in the Republic of Bulgaria* (Decision of the Council of Ministers No. 57 of 19 February 1998).

"SUITCASE" TRADERS

According to the study of 1993, nearly 14 per cent of the transit immigrants are "suitcase" traders. The most likely figure amounts to 100 thousand persons who are mainly nationals of CIS States or of neighbouring countries and cross Bulgaria five times per year on average. To be more precise, some 40 per cent of them are nationals of CIS States (mainly Russia) or former Yugoslavia. That "business" is practised by Romanians, Georgians, etc., but also by Polish, Hungarian and Czech nationals. "Suitcase" traders from Nigeria and other African countries use Sofia (and the flights of "Balkan", accordingly) and the capitals of other Balkan States as transit points on their way to and from Russia. 46 per cent of them spend not more than a night in Bulgaria and most travel by bus (60 per cent). In contrast to other transit immigrants, they are very well informed - apparently from existing informal networks - about the conditions prevailing in Bulgaria. This is also the youngest group of transit visitors: 86.7 per cent are below the age of 35, 53.4 per cent are single, and two thirds are men.

The transit "suitcase" traders of foreign nationality and their Bulgarian "colleagues" serve a great number of infant small and medium-sized enterprises in Bulgaria and in other Central and Eastern European countries. Hence, SMEs largely depend on transit migration and on the "suitcase" trade. This implies an increase in the transit

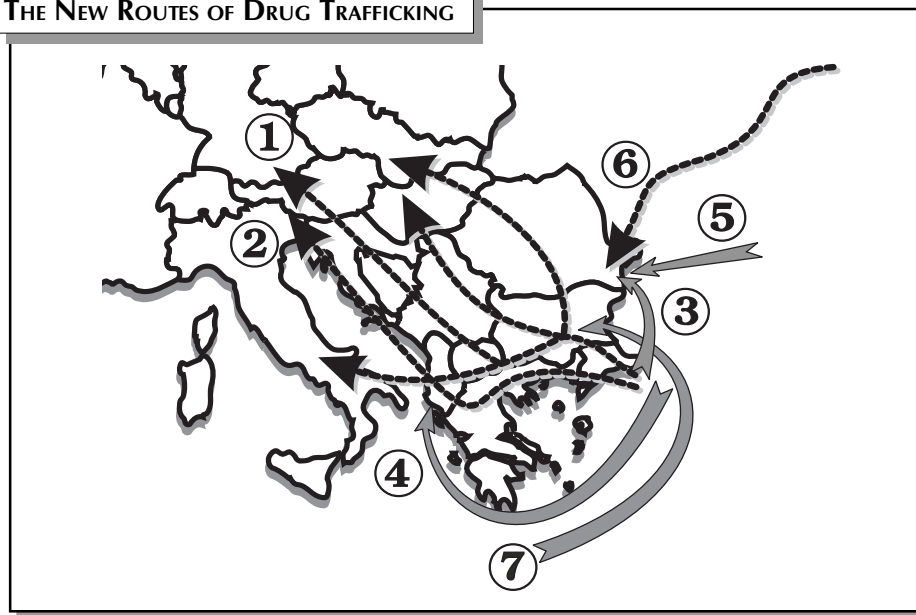
and season migration which has the clearly positive effect of “detering” permanent migration.

The information made available by the Agency for Small and Medium-Sized Enterprises shows that in 1997 the micro-enterprises dealing with trade and having up to 10 employees were more than half of all operational SMEs. At least half of those were maintained by the so-called “suitcase traders”. Some of them were owned by Chinese, Syrian, Armenian and other nationals residing in Bulgaria on a temporary or permanent basis.

In line with the generally accepted classifications of industrial economy, SMEs in Bulgaria could be classified either from the point of view of transit migration and “suitcase” trade, or depending on their relations with the large enterprises. The approximate estimates show that “suitcase” SMEs amount to 50 thousand entities. These enterprises “accept the price” but remain independent, *i.e.* they stay outside the large enterprises. Paradoxical as it might seem, in their contacts with large businesses (be they State-owned or privatised) the SMEs could be defined as “dominant”, *i.e.* they impose the prices at the entry and exit points of the big State-owned enterprises. They could also be seen as “tolerated” enterprises. Both categories of SMEs build up informal networks. In the case of the so-called “suitcase” enterprises this is not necessarily a negative feature. The second type of enterprises shape the pattern of the so-called “spontaneous” privatisation (privatisation through decapitalisation).

1.7.2. DRUG TRAFFICKING AND DRUG ADDICTION

THE NEW ROUTES OF DRUG TRAFFICKING



Drug trafficking tends to rise in an especially disturbing fashion. The successful drug trafficking business today is carried on along several branches of the traditional Balkan road and via some new corridors established after the disintegration of the Soviet Union and the socialist system: 1) from Turkey via Bulgaria, Macedonia, Romania, Yugoslavia and Albania; 2) from Turkey to Yugoslavia and Albania via Greece; 3) from Turkey, with ships to Romania and further to Central and Eastern Europe; 4) from Turkey and Pakistan to Albania, by sea; 5) from the former Soviet republics in Asia to the ports of Bulgaria and Romania via the Black Sea; 6) to Western Europe via Russia, Ukraine, Moldova, Romania, Bulgaria; 7) from the cocaine-producing states in Latin America to Spain and the Netherlands via the ports of Bulgaria.[14]

The wars in Bosnia and Kosovo, however, visibly modified the traditional drug roads. Some of the consignments previously shipped via Bulgaria, Macedonia, Yugoslavia and Albania were moved to the Eastern Route controlled by Russian traffickers. As a result, those involved in such criminal operations in Bulgaria have reoriented themselves to maintaining networks for the production and re-transportation of synthetic opiates.

Bulgaria is not considered to be a serious drug centre by western European standards. The Czech Republic and Poland bear the palm in Eastern Europe in this respect. The worsening economic situation in Bulgaria, however, forces the Bulgarians to be more and more deeply involved in drug trafficking, yet at the lowest levels of drug traffickers - as cocaine swallows and heroin mules.

Bulgaria is crossed by two main drug routes: 1) via Bulgaria to Romania, Yugoslavia, Croatia, Slovenia, Greece and Macedonia, and 2) via Bulgaria, Macedonia and Albania. It is well known that 80 per cent of the heroin consumed in Europe passes through Bulgaria (see Table 1.2).

TABLE 1.2. QUANTITIES OF DRUGS AND PRECURSORS DETECTED IN 1999 [15]

Drug	Detected cases	Quantity detected
Heroin	14	261.666 kg
Cocaine	5	13.119 kg
Marihuana	3	0.019 kg
Opium	1	0.016 kg
Morphine	1	0.030 kg
Extasy	2	992 pills
Ephedrine	2	21 760 pills
Acetic anhydrite	2	2 213 litres
TOTAL	30	

The domestic market of drugs is quite interesting from a social and economic point of view. The trend observed all over the world - the gradual penetration of drugs in the peripheral areas - is perceived in this country as well. According to expert studies and to the polls made, between 50 and 70 thousand people smoke ganja and the fields with cannabis (the plant from which this drug is produced) double every year (see Table 3). The largest cannabis fields were discovered in the regions of Blagoevgrad, Petrich, Varna, Pazardjik, Plovdiv and Kiustendil. There are already channels for the export of cannabis mostly to Greece and Cyprus. Due to the reinforced police operations in South West Bulgaria, marihuana is increasingly being grown in Northern Bulgaria. Last year vast areas with cannabis were discovered in the regions of Vratza and Russe.

Around 10 000 Bulgarians are heroin-dependent, whereas 40 to 50 thousand people resort to medicinal drugs having a similar effect (e.g. Diazepam).

Due to the low purchasing power of the clients the estimated value of the Bulgarian drug market does not exceed DEM 200-300 million. For this reason the black market is virtually inundated with poor quality drugs. According to the National Drug Addiction Centre nearly 95 per cent of the heroin components are false. The expensive drugs, e.g. cocaine, sold at a price of DEM 120 per gram are most widely spread among the force groupings where almost all addicts take such drugs.

TABLE 1.3. DISCOVERED FIELDS WITH CANNABIS IN BULGARIA [16]

Year	Areas discovered
1994	9 decares
1995	120 decares
1997	200 decares
1998	501 decares

The number of drug addicts is constantly on the rise. If in 1972 they were only 190 people, mainly persons of a difficult social position and origin, the current number of regular drug addicts by some estimates exceeds 50 000 people.

The main reason for this negative tendency is the lack of social immunity: the State regards drugs as a medical problem rather than as a social and economic one.

1.7.3. TRAFFICKING IN PERSONS AND ILLEGAL MIGRATION

The illicit trafficking in persons is another important area where the criminals concentrate their efforts. The illegal transfer of people across the borders of the Balkan States is a prosperous and expanding business. In addition to the transfer of Bulgarian nationals wishing to live and work in Western Europe and America, it also involves the bringing out of foreign nationals, most often nationals of Asian or African States or of Bulgaria's neighbouring countries. In some of those cases trafficking is connected to prostitution in Western Europe. After the data of the UN International Organisation for Migration based in Vienna, nearly 10 000 white slaves are illegally brought out of Eastern Europe every year.

As a result of Bulgaria's geographical location some channels for the illicit transfer of people through the borders also cross Bulgaria. Various estimates show that from the beginning of the democratic changes until 1999 between 20 and 40 thousand people tried to cross the borderline illegally. If the number of people stopped at the external border is added, the total figure doubles. The information from the Border Police shows that in 1999 alone, 22 733 border offenders were caught, that is 4 500 more by comparison to 1998. Three years ago, 11 338 such offenders had been caught. The Romanians were most active in that respect in 1999 (2 933 people), followed by Turkish, Moldovan, etc. nationals. (see Table 4).

TABLE 4. THE MOST ACTIVE BORDER OFFENDERS IN 1999 BY NATIONALITY [17]

Romanians	2933
Turkish	2561
Moldovans	912
Afghans	305
Macedonians	270
Yugoslavians	248
Ukrainians	226
Chinese	192
Albanians	173

Recently, it has become evident that the criminal groupings are more inclined to invest in the traffic in people than in the transportation of opiates.

After 10 November 1989, several main channels for trafficking in people from and via Bulgaria have been identified:

1. **Emigration traffic.** During the period 1989-1992, over 300 000 Bulgarian ethnic Turks emigrated to Turkey.[18] After the restrictions imposed by the Turkish State the illicit trafficking in persons to Turkey continued to grow for a number a reasons, *inter alia*: a) the existence of separated families, including children who had been left in Bulgaria, and b) economic reasons - trying to make a living.

According to expert estimates, an amount of USD 30-50 million circulates in the illicit emigration market which also entails the issuance of false and genuine visas.

2. **Criminogenous traffic.** This involves mostly persons who move primarily to Greece in order to deal with pick-pocketing and thefts during the tourist sea-

son. This traffic also includes the illegal transfer of pregnant women to Greece so that they could give birth there and sell the newly-born babies under conditions agreed in advance, with the selling price varying from 10 to 15 thousand DEM. One of the most profitable traffics is that of women and young girls sold for prostitution. The smuggling of goods from neighbouring countries is also connected with the criminogenous traffic in people.

3. **Trafficking Bulgarian nationals to work in neighbouring states.** Trafficking in women for this purpose is abundant, while men are illegally hired mostly as season workers. By some estimates the number of Bulgarian nationals illegally residing in these countries in order to work there varies between 50 and 89 thousand people.
4. **International trafficking in "third world" emigrants.** In these cases Bulgaria is used as an interim camp, with Istanbul being the base. The illicit route from the Middle East to Western Europe via Turkey and Bulgaria costs up to DEM 15 000, with each stage being paid separately. The illegal network also comprises interim camps in Bulgaria in view of obtaining documents for the illegal transfer abroad. Thus, an illegal camp for Kurds was dismantled near Assenovgrad. The Bulgarian players intervene only as intermediaries in such channels.

1.7.4. TRAFFICKING IN PERSONS AND PROSTITUTION

According to MoI data, until the beginning of 1989 there had been 3149 prostitutes in Bulgaria. The prostituting women currently registered by the police are twice as many, plus almost 200 pimps. Given that there are 90 semi-legally operating brothels in Sofia alone, the expert assessments suggest a figure between 12 and 15 thousand prostituting women and girls in the whole country. The monthly profits from this business amount to nearly 50 million DEM.

Some prostitutes are brought out of the country and transferred to Turkey, Greece, Macedonia, Poland and the Czech Republic, mostly through companies for the recruitment of companions and job seekers abroad. 300 such companies are currently in existence but none of them is authorised to recruit companions or dancers. A survey made by the *Association Animus Fund* revealed that 94 per cent of the ads offering work abroad were actually addressed to attractive single women below the age of 25. "White flesh" is exported from Bulgaria via two main routes:

- 1) Southern channel: to Cyprus and Italy via Turkey and Greece, and
- 2) Western channel: to Western Europe via Romania.

The informal data suggest that at present some 10 000 Bulgarian women are prostitutes abroad.

2. MONITORING OF TRAFFICKING

After the attempt of summarising, analyzing and describing the typical smuggling schemes, channels and practices there arises the question of the present situation and the possibilities of assessment of the changes.

In cases of trafficking, as well as in cases of corruption, the discreteness and lack of transparency are typical of these phenomena. The fact that trafficking in general and combined with corruption in particular is illegal and concealed activity shows that it could not be measured by the traditional methods of socio-economic statistics.

In this field the studies of the "grey sector" may serve as a base for estimation of the amount of smuggling. A precondition for that is the existence of serious empirical and theoretical research in the field of the "grey economy".

On the other hand, a considerable part of this parallel economy in Bulgaria exists through and due to different mechanisms of smuggling. Therefore, the assessment of the scale of the "grey economy" also defines the frame of the studying of smuggling.

2.1. METHODS FOR MEASUREMENT OF THE HIDDEN ECONOMY

A good base for assessment of the national "grey economy" are the international studies for the share of this economy in the East-European countries.

The assessment of the share of hidden economy of the country, made by the NSI, is rather different. According to the Institute, the share of the "grey economy" in the country in 1998 was 22%. Some experts monitoring different sectors of that economy think that the data from international comparative studies reflect much better the actual state of the "grey economy".

The conversion of assessments from percentage values into absolute figures clarifies the losses of Bulgaria's national economy in the last few years. If we accept the international assessments during the period 1994-1995 the "grey economy" formed between 32-35% of the country's GNP, which was about 3.6 – 3.9 billion dollars. If we accept the considerably lower assessment of the NSI, in 1998 the "grey economy", estimated in dollars, amounted to 2.240 billion dollars.

The assessment of the scale of smuggling needs a more detailed analysis. Above all, it should be clarified what part of these 2.2-4 billion dollars are directly or indirectly connected with practices of smuggling. Undoubtedly, there is a number of activities within the frames of the hidden economy that are not directly connected with smuggling – for example, hiring of labour force, trade in Bulgarian goods, natural economy, etc.

In order to identify the "smuggling" share of the hidden economy, it is necessary to combine different methods of estimation. Conditionally, the instruments used could be divided in two basic kinds [19]:

TABLE 2.1

Physical Input (Electricity) Method Using Values from Johnson; Kaufmann, Shleifer (1997) and values in “()” from Lacko (1999)							
		Average 1989-1990		Average 1990-1993		Average 1994-1995	
Former Soviet Union States							
1	Azerbaijan	21.9	(-)	33.8	(41.0)	59.3	(49.1)
2	Belarus	15.4	(-)	14.0	(31.7)	19.1	(45.4)
3	Estonia	19.9	(19.5)	23.9	(35.9)	18.5	(37.0)
4	Georgia	24.9	(-)	43.6	(50.8)	63.0	(62.1)
5	Kazakhstan	17.0	(13.0)	22.2	(29.8)	34.2	(38.2)
6	Kyrgyzstan	-	(13.9)	-	(27.1)	-	(35.7)
7	Latvia	12.8	(18.4)	24.3	(32.2)	34.8	(43.4)
8	Lithuania	11.3	(19.0)	26.0	(38.1)	25.2	(47.0)
9	Moldavia	18.1	(-)	29.1	(-)	37.7	(-)
10	Russia	14.7	(-)	27.0	(36.9)	41.0	(39.2)
11	Ukraine	16.3	(-)	28.4	(37.5)	47.3	(53.7)
12	Uzbekistan	11.4	(13.9)	10.3	(23.3)	8.0	(29.5)
Average: former Soviet Union states		16.7	(16.2)	25.7	(34.9)	35.3	(43.6)
Central and Eastern Europe							
1	Bulgaria	24.0	(26.1)	26.3	(32.7)	32.7	(35.0)
2	Croatia	22.8	(-)	23.5	(39.0)	28.5	(39.0)
3	Czech Republic	6.4	(23.0)	13.4	(28.7)	14.5	23.2
4	Hungary	27.5	(25.1)	30.7	-30.9	28.4	(30.5)
5	Macedonia	-	(-)	-	-40.4	(-)	(46.5)
6	Poland	17.7	-27.2	20.3	-31.8	13.9	(25.9)
7	Romania	18.0	-20.9	16.0	-29.0	18.3	(31.3)
8	Slovakia	6.9	-23.0	14.2	-30.6	10.2	(30.2)
9	Slovenia	-	-26.8	-	-28.5	-	(24.0)
Average: former Central and Eastern Europe		17.6	(17.6)	20.6	(32.4)	20.9	(31.6)

Source: Shadow Economies: Size, Causes, and Consequences, forthcoming in Journal Of Economic Literature in March or June 2000

- Direct methods based on sample studies of the economic operators which are supposedly connected with undeclared economic activity. Through them the range of activities connected directly to smuggling could be additionally estimated. For example, what part of the value of the product originates from raw materials and half-finished products connected with smuggling;
- Indirect methods that use official information about the structure and dynamics of economic characteristics for the purpose of assessing the production, quantities and the scope of the hidden economy. Correlations between smuggling and other sectors of this economy could be also sought here, for example the analysis of market segments in the import and export by comparison between Bulgarian statistic and international statistics on bilateral and multilateral customs basis.(see p. 2.2.)

2.2. METHODS FOR MEASURING SMUGGLING

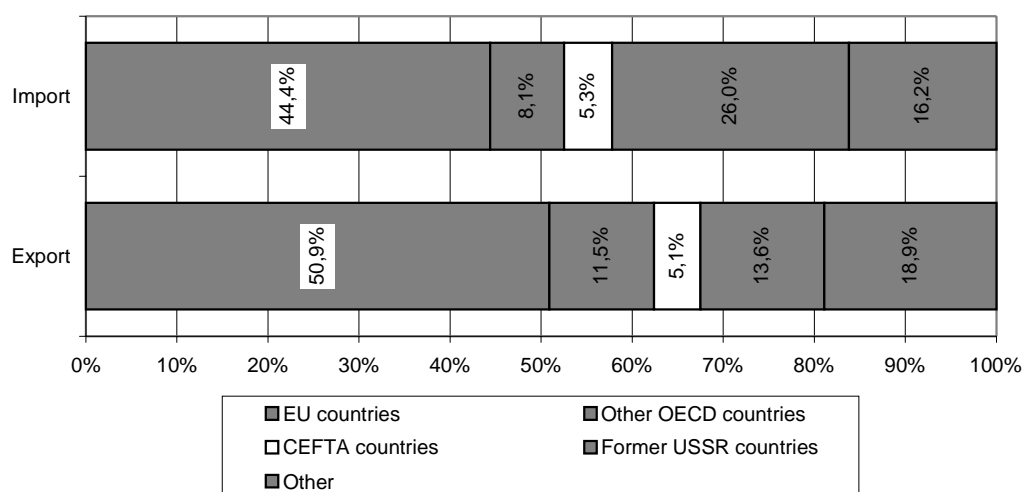
2.2.1. ASSESSMENT OF SMUGGLING IN BULGARIA BY MEANS OF “MIRROR STATISTICS”

The so-called “mirror statistics” are used to outline differences in the foreign trade reporting between partner countries. The method is conducive to an analysis of the commodity turnover between the EU countries (the EU as a whole and

its different members) and the economies in transition.[20] It compares the foreign trade information collected by the partner countries for the same international database (i.e. according to a uniform methodology). In our case, the information about Bulgarian exports to the EU (or one of its member states) furnished by Bulgaria is compared with the information about European imports, provided by the EU. Similarly, the Bulgarian information about EU imports is compared to the European information about exports to Bulgaria.[21]

The review of the aggregate information from the different sources shows a serious discrepancy between the information from COMEXT and COMTRADE-HS. The difference between COMEXT and the IMF database and COMTRADE-STIC is somewhat smaller. According to EU information (COMEXT-EEC Special Trade), Bulgarian exports in 1998 amounted to 2,510 million US dollars, and imports to 2,730 million. (See Chart 2.1)

CHART 2.1. STRUCTURE OF THE IMPORT AND EXPORT OF BULGARIA BY COUNTRIES IN 1998.



Significant differences are encountered between BG export – EU import and BG import – EU export. In the first case the difference amounts to -375 million dollars, which is the amount of import in EU countries not reported as export in Bulgaria. In the second case the difference is even bigger - 483 million dollars, that is import registered in the EU countries not reported as export in Bulgaria.

If we try to summarize, the difference revealed in the “mirror exercise” in reporting Bulgarian export (-15%) and import (-18%) in 1998, compared to the information provided by the EU in COMEXT, should by no means be underrated.

Noticeably, the significant differences between Bulgarian and European foreign trade statistics date to 1994 (which correlates with some of the generalizations in Chapter One). In the period 1994-1998 they were retained at a 15-20% level compared to European statistical reporting.

Conditionally, it may be claimed that the comparison of the total difference, -858 million dollars, to the GDP in 1998 could give us an idea of the scale of the hidden economy generated by the country’s trade with the EU.

The analysis should also take account by the level of concentration of Bulgaria’s trade with the EU according to member states and commodity groups. According to information of Eurostat – COMEXT EEC Special Trade (i.e. based on the EU’s reported import from Bulgaria), 63% of Bulgaria’s export to the EU countries in 1998 was directed to three of them: Italy – 25%, Germany – 22% and Greece – 16%. Italy has been the “favoured” market for Bulgarian goods since 1995 (the year of the entry into force of the Association Agreement). The same is

true of import – 61% of Bulgaria's import from the EU comes from the same countries: 29% from Germany, and 16% each from Italy and Greece.

The concentration of commodity groups is significant. [22] The information about Bulgarian export – Chart 2.1 (BG export – EU import in mln USD and BG export – EU import/ EU import in %) shows the largest discrepancy in absolute figures between Bulgarian and West European information about Bulgaria's leading partners: Germany (-113 USD in 1998) and Italy (-72 USD). The differences in export to France, Belgium, Luxembourg, Holland, Austria, etc. are also significant. In percentage terms, in 1998, as in 1997 too, the biggest reported differences concerned Bulgarian exports to Ireland (234%!), Austria (-30%), Holland, etc. High figures are also recorded in the export to Germany and Italy. (See Chart 2.1.)

Regarding the differences in reporting Bulgarian exports in 1998, significant differences are observed in imports from Greece -150 mln USD. The discrepancy in imports from Germany is significant -108 million USD, Austria - 64 million USD, Italy - 61 million USD, etc. In terms of percentage the discrepancy is largest in the reported Bulgarian imports from Greece (-34%), Austria (-31%), Holland (-27%). That percentage also remains high for Germany, Bulgaria's main EU exporter.

What do these differences mean?

In reporting Bulgarian export to Germany the monitored -113 mln USD mean that goods to that amount were reported in Germany as import from Bulgaria in 1998, whereas these goods are simply absent in Bulgaria's foreign trade reporting. Likewise, regarding export to Italy and Austria, where the differences in absolute figures total over -100 mln USD, in these two countries goods to this amount were reported as import from Bulgaria, yet they are not found anywhere in the Bulgarian statistics.

In import, the systematic differences with Greece throughout the period under review – 1993-1998 – warrant a separate analysis. They attained -52% and -44% respectively in 1994 and 1995. The -150 mln USD difference observed in 1998 means that in that year in Greece goods to that amount were reported as export to Bulgaria, whereas such information is missing in Bulgarian reporting. Those differences are mainly due to three positions (HS 2-digit): 84 (Nuclear reactors, boilers and machinery) – 20 mln USD, 61 (Apparel and clothing accessories) – 13 mln USD, 87 (Vehicles) – 10 mln USD. Different hypotheses are possible here but without an analysis made by the importing firm there hardly could be a clear answer.

In 1998 Germany reported that vehicles worth over 40 mln USD were exported to Bulgaria, whereas Bulgarian statistics simply do not report them (as import). Or, assuming that these are used cars whose average price did not exceed 2,000 USD, we end up with 20,000 vehicles reported as export to Bulgaria in Germany during the respective year but not reported in Bulgaria. In the cases of import of apparel and clothing differences come mainly from the trade with Italy and Greece (70 bln.dollars), and in the case of import of alcohol – in the reporting of import from Great Britain (11 million dollars). The problem with the reporting of alcohol import with this country has a systematic character. From 1993-1998 alcohol of value between 11 (1998) and 21 mln.dollars (1993) was reported as export to Bulgaria but in Bulgaria it was not reported as an import.

In the case of at least three of positions showing greater differences- 87, 85 and 61 a large part of the import comes from the so called "suitcase trade". It certainly prevails in the import of clothing.

It may be assumed that the illegally working Bulgarian “guest workers” in Greece account for these differences. According to information of the Greek Ministry of Labor, their number is between 50,000 and 80,000. Using informal networks and channels, they send both currency and goods to their friends and relatives in Bulgaria - Electrical machinery (84), Apparel and clothing accessories (61), etc.

The difference in reporting Bulgarian imports from Germany and Austria comes mainly from position 87 (Vehicles).*

The differences concerning the raw materials are also of particular interest. Data show that about 56 % of the differences in the import are connected with raw materials. According to experts in grey economy a considerable portion of Bulgarian manufacture start in the “grey zone” and creates a real opportunity to add value only contrary to law.

In the information presented by Eurostat the differences in Bulgarian import for the EU-countries come from different sources. In the export of confection (62) more than half of the differences come from the Bulgarian export to Germany, and in the export under N 61 (another type of dress-making), the difference is due to the export to Greece. The differences in the export of ferrous metals (72) and fertilizers (31) come mainly from Bulgarian exports to Italy, while the differences in the export of copper come from the export to Germany.

The great differences in apparel and clothing accessories (positions 61 and 62) which together represent almost 50% of the differences in export could be due to purely methodological problems in reporting the export of these products. The next “item” - ferrous (72) and non-ferrous (74) metallurgy - together account for about 17% of the differences in 1998.

As may be seen from the schematically represented results of comparing information between Bulgarian and Western European statistics, “grey zones” of illegal import/export are categorically revealed. Only a comparison of mirror statistics can begin to reveal the scale of smuggling channels for emblematic luxury items such as electrical machinery, household electronics, spare parts, alcohol, cigarettes and other goods.

In conclusion it may be said that the method of mirror statistics is a very efficient instrument for fighting smuggling. If the specialized services begin to use actively the opportunities given by modern technologies, the pressure on the traditional smuggling channels will increase dramatically. The opportunities for multiplan researches – from identifying the concrete firms that have presumably caused those differences (and checking their books), to creating of computer data exchange between customs administrations in the Eurozone and in the countries applying for EU-membership.

Let us now take a look at another analytical instrument for the assessment of smuggling channels which, besides considering smuggling from a different aspect, also paves the way to more concrete and operative assessment.

2.3. MECHANISM FOR THE ASSESSMENT OF SMUGGLING THROUGH SAMPLE METHODS (ILLUSTRATED BY AN ANALYSIS OF THE MARKET OF CIGARETTES AND ALCOHOL)

This method makes it possible to combine direct sample studies used for marketing assessments of segments of the consumer market specific with official, in this case, customs statistics.

* The differences come from Germany (-42 million dollars), the Benelux (-25 million dollars) and Greece (-10 million dollars)

The first stage in the application of this mechanism consists in a real assessment of the amount of smuggled goods. For this purpose we suggest a combination of existing market studies on consumer goods with customs statistics. This can easily and quickly be realized in practice because numerous marketing studies have been made for virtually all consumer products since the early 1990s. There is an established trend and reliable information about the size and structure of the country's main markets at present. The comparison between the value of the goods declared by official customs statistics and the results of marketing analyses provides an excellent possibility to determine the size and structure (brands and labels, packaging size, etc.) of the market of smuggled goods. Let us provide an example with the two of the most controversial markets - those of **cigarettes and alcohol**.

A clearly positive trend is observed on the **market of imported alcohol** with regard to restricting smuggling (as well as certain counterfeit brands). What are the facts? A look at the period from 1989 to 1998 shows that the quantities of imported vodka varied around 1.2 million liters, and those of different brands of whisky - between 2 and 2.5 million liters a year. In general, it may be claimed that a relatively stable market of imported alcohol exists in the country, estimated at about 50-60 million leva.

According to official statistics, the legally imported quantities of alcohol in 1998 amounted to 4.1 million leva or about 6-8% of the supposed market. In 1999, however, a major change was observed in the behavior of the main players in this market. On the one hand, the Bulgarian customs introduced tighter control measures and, on the other, world producers started controlling supplies to the country. As a result, alcohol worth 12.3 million leva was declared at the country's borders by October alone, i.e. four times more than in 1998, without any real significant changes in the level of consumption. In this connection it may be claimed that there is a trend towards the gradual legalization of the market of imported alcohol .

In the case of imported cigarettes, however, the game continues to be played according to the old rules and in some respects the situation has become even worse. According to the lowest market study assessments, the annual market in Bulgaria is about 260 million leva. The analysis shows that 85% of cigarettes sold in the country are Bulgarian, leaving 15%, or 39 million leva, for imported cigarettes. The question naturally arises what part of these cigarettes have been imported legally. The answer is: cigarettes worth approximately 5.5 million new leva entered the country in 1998, i.e. only 14.1% of the imported cigarettes are of legal origin. A comparison of the 1999 figures shows that the duty paid until October had decreased to about 35% compared to 1998.

The second stage of the application of the chosen methodology focuses on potential retail channels of contraband goods. In the example with imported cigarettes and alcohol, marketing studies clearly show the market shares of the various brands. For example, assuming that *Smirnoff*, *Finlandia* and *Absolut* hold almost 78% of the market of imported vodka in the country and that the sold quantity corresponds to customs statistics, whereas the quantities of all other brands have not been officially imported, the special bodies should focus on brands with the largest market share outside the group of the above three. Considering that, according to market studies, almost two-thirds of the market of imported vodka is located in the country's biggest cities – Sofia, Plovdiv, Varna and Bourgas - the chance to take measures against smuggled imports are absolutely tangible.

2.4. DEVELOPMENT OF INSTITUTIONAL FORMS FOR FIGHTING TRAFFICKING

AND CORRUPTION

The above described methods of assessment of trafficking are in themselves only devised for measurement. In order for them to become efficient instruments for counteracting smuggling, it is necessary to be combined with the traditional methods of coercion and punishment used by the state. At the same time, the analysis of traditional smuggling practices shows that the largest part of the efforts of the departments in charge are at the operational level. According to experts, at present the state institutions are almost unfamiliar and do not exploit the modern methods of socio-economic statistics.

There are different approaches for institutionalising and exploiting the methods of assessment of smuggling presented above. As a first step it is advisable that an analytical centre be created within the frame of the Ministry of Finance or the Ministry of Interior, or at the Council of Ministers, that will collect and analyze data coming from different sources as customs and tax administration, international comparative studies, statistics from NSI and market studies of different private organizations. It is important to mention that this department should not deal with information from intelligence sources and data from them. This condition is also connected with the compulsory character of the transparency and the public character of an institution of this kind that should publish regularly the results from its research.

The main object of this institution will be the assessment and monitoring of the smuggling channels and their markets. With the above described methods of "mirror statistics" and sample studies the most affected sectors of Bulgarian market could be identified. After that the basic aims of counteraction could be defined.

Let us try to use the examples given above to present two of the possible practical approaches for destroying trafficking mechanisms.

● "Institutional control and macro – level influence"

This approach presumes a direct contact between state institutions and members of the organization suspected of violations. Its application could be illustrated in the field of imported cigarettes. A closer look at the 10-year development of this market will show that despite its large scale the representatives of the big cigarette companies in Bulgaria are not interested in smuggling restriction.

The discussion that took place in the last months about the involvement of VAT (one of the giants of the cigarettes industry) in smuggling, answers that question to a certain extent. According to experts, some corporations deliberately promote through their advertising campaigns the selling of cigarettes that they have already sold to Bulgarian smugglers.

The situation with international corporations importing alcohol in the country was the same. If the "mirror" and customs statistics find out that the import of alcohol differs sufficiently from the paid taxes, the firms will be easily identified due to modern technologies.*

● Control and influence upon the smuggling in retail trade

The institution should be entitled to check the distribution network.* In this respect an example with the sales of imported alcohol can be given. As we have already seen, about 70 – 90 % of the luxury goods, including imported alcohol, are sold in the four biggest cities mentioned above. There are about 3000 stores

* Consequently, a key function of that institution would be to come to forms of interaction with those companies that, knowingly or not, support smuggling in the country

selling alcohol (it is possible to make a relatively punctual map of the distribution of every type of luxury or mass good). In order to reach maximum efficiency with the present financial and human resources, different algorithms of optimization are possible. One of the possible approaches is for the institutions in charge to begin examinations only of the alcohol brands with unpaid taxes. These may be month sample examinations. For example, 10 % of these stores could be occasionally checked every month with the clear indication of the sought brands of cigarettes and alcohol.

Presumably, only a few shop owners will risk selling imported brands that have been declared illegal. Illegal brands will be removed from retail distribution which, given the strongly competitive market of imported alcohol, would be fatal in the long run. After the paid import duty of the checked brands reaches the levels corresponding to average sales, the respective brand can gradually be removed from the list of checks. A condensed sample scheme (e.g. 20-30 % and more) for suspect brands and less so (2-5%) for less suspect brands could be used as part of the proposed technology. This will prevent wholesale smugglers from focusing on concrete sellers.

The aim of such impersonal technology is to make the payment of taxes and duties of the respective goods more advantageous for the traders by using limited human and financial resources and by the modern technological opportunities. The method is impersonal and automatic. In this sense this kind of approach it is not particularly vulnerable.

Pressure upon the wholesale trade (channels). The actual analysis of operative customs statistics can suggest the direction of checks. The official figures for the import of cigarettes in 1999 by months may be cited as an example:

TABLE 2.2.

	Net (kg)	Statistical value (BGM)	Statistical value
Cigars, cigarillos, cigarettes	62,814	1,440,318	782,117
January	1,865	47,375	28,334
February	1	204	121
April	18,744	429,601	240,035
May	10,852	229,328	124,124
June	24	1,115	606
July	8,736	213,787	112,369
August	11,005	238,791	127,733
September	60	2,669	1,435
October	11,527	277,448	147,360

As shown in the table, in some months the declared cigarette imports amount to only a few kilograms, which immediately suggests smuggling. This should initiate a procedure of checks, for example, of wholesale warehouses. This kind of information should also lead to checks of customs trough which such goods can potentially be imported.

In conclusion, the proposed mechanism for the assessment of smuggling according to types of goods and specific brands can also be effectively used as an instrument in restricting and preventing smuggling. Its use would help legalize the market of consumer goods.

* It is important to establish a system for such checks

2.5. DEVELOPMENT OF A SPECIALIZED INDEX OF TRAFFICKING

There is a widespread opinion that the fight against the dyad of “trafficking – corruption” should be led only by using different forms of agency information. The approaches presented in this study do not contradict the use of such instruments. What is more, the combination of “closed” and “open” methods creates new opportunities for prevention and interception of transborder crime. But in order to operate efficiently the institution designed to prevent the “contraband” needs an objective public assessment of the results of its activity. Otherwise its activity may become the object of a deal between smugglers, state officials and politicians. The experience of the Western democracies shows that the lack of information about institutions with such functions often creates suspicions on the part of the media and results respectively in a lesser trust in them on the part of the society.

Along these lines it is reasonable to create a common smuggling Index that will register the changes in the scope and the structure of this type of crimes. It should be published regularly (for example twice a year). Such index could be created on the basis of presumed losses of the state from unpaid taxes and excises. It may consist of a certain amount of smuggled goods (selected according to their total value), which will be compared regarding their paid taxes and market share as value and goods that form the biggest differences between Bulgarian statistics and the statistics of the countries from OECD. In the course of gaining experience it is possible to start a selection of the different groups of goods depending on their importance.

At present there are different opinions regarding the contents of such index but doubtlessly it should be publicly announced and verified. The described methods of “mirror statistics” and sample research are a good base for discussion.

- For the creation of this index the experience may be used of the “victims research” conducted within the project “Early signalization” of the UN Development Program, as well as the Corruption Indexes of “Coalition 2000”. For example the indexes for the estimation of corruption are created as a result of public discussion between academic institutions and research organizations.

3. WAYS TO CURB TRAFFICKING AND RELATED CORRUPTION

3.1. LEGAL METHODS

Two generally accepted methods of combating crime in general, and trafficking and corruption in particular, are coercion and persuasion. It should be noted, however, that they are not universal and hence not apt of offering an overall solution of the problem. A number of other methods also exist, involving state institutions, NGOs and movements, citizens, international organizations, etc. The use of a wide range of methods and forms to combat these crimes is necessitated by the fact that they are conditioned by social, political and economic, rather than only legal factors. This is why the task to limit corruption and trafficking to acceptable parameters, controllable by the state and society, is not a simple one.

From a purely legal point of view, as an approach, coercion consists in punishing a person who has committed a crime or administrative infraction. This approach may be discussed in several aspects.

The first is to improve the relevant provisions of the Criminal Code and of administrative and tax legislation by broadening the scope of legally regulated public relations connected to corruption and trafficking in order to prevent their spread and the resulting greater public danger.

The analysis of the legislative regulation of combating corruption and trafficking in Bulgaria, as well as world experience show that the excessive criminalization of trafficking and corruption (mainly bribery) and excessive sanctions cannot and do not in themselves lead to the desired decrease in the number of committed crimes or infractions. This is why, both on a theoretical and a purely practical level, the question of the relation between the degree of legal regulation remains open, i.e. whether the acts should be criminalized or whether administrative penalties should be imposed according to administrative procedure.

The coercive effect on infringements in the discussed cases consists in imposing punishments for a committed crime, for a committed administrative infraction, or the application of coercive administrative measures.

Which of these approaches should have priority depends on the specific assessment of the situation in the country. Excessive criminal repression as a result of the criminalization of most acts and greater sanctions cannot be regarded as the most correct approach in the specific case and in criminal law policy, despite such a trend in recent years. One recommendation is to increase sanctions for public officials in the customs administration or for persons systematically engaged in the traffic of goods across our borders, whilst increasing the cumulatively imposed fine.

As far as trafficking and corruption are linked with the demeanour (action or inaction) of officials not only from the customs administration, it is advisable to increase the criminal sanctions for officials who have acted illegally in order to ensure benefits to themselves or to their relatives or to prejudice third parties' interests, which may result or have already resulted in serious harmful effect, or when the deed is done by a person with highly responsible position. When the loyalty of an official is under question, there may be applied a procedure, not

provided in the Criminal Code or in the Law for Administrative Offences and Penalties (LAOP). This procedure does not require evidence envisaged in the Code of Criminal Procedure for a committed crime, or those envisaged in LAOP for an administrative offence. A substantiated doubt of corruption or involvement in smuggling should suffice to restrict or withdraw the powers of the respective official. Such practice may be deemed temporary and exceptional. For its application a perfect procedure should exist that take account of the international experience, especially that of Great Britain, the right of every citizen to practice the profession that he had chosen, Bulgarian traditions, the necessity to avoid politization of the professional activity, etc.

At the same time, the reduction of tariffs rates, the possible quantitative restrictions, the elimination of licenses and other factors conducive to offences becomes more and more imperative.

The adoption of a differentiated approach in determining the type and size of sanctions depending on the job description of the offender in combating corruption and trafficking with legal means would lead to better results. The argument in defense of this stand is that large-scale smuggling and the corruption linked with it is carried out under the "umbrella" of high-ranking persons in the state hierarchy or political leaders belonging to different lobbies.

Administrative sanctions should be applied more widely due to the fact that the proceedings proving the infraction and the imposition of administrative penalties are greatly simplified. In trafficking and corruption, fines and barring a person from the right to exercise a given profession or activity could be much more effective in mass cases of low public danger than the punishments for crimes provided in the Criminal Code. This is also true of property sanctions, imposed according to an administrative procedure.

The approach of coercion in combating corruption and trafficking also means that both the objects and any means used are confiscated for the Exchequer. [23]

The effective application of the Council of Europe Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime ratified by the National Assembly on 01.04.1993 (SG, No. 31 of 1993) and of the Law on Measures against Money Laundering* , passed by the National Assembly in 1998, would be an unquestionable contribution to the fight against corruption and trafficking. The main purpose of this act is to prevent and detect the actions of natural and legal persons aimed at laundering money derived through or in connection with a crime. [24]

The other basic approach in combating corruption and trafficking is persuasion. It is linked with the preventive function of law. The very criminalization of an act or declaring it an administrative infraction is preventive in nature. It is expressed in the fact that the knowledge of a crime or infraction and the responsibility carried for committing them motivates citizens to abstain from a certain type of behavior to avoid being punished.

Regardless of the public importance and spread of trafficking and corruption, as well as the high degree of public danger of those acts, persuasion can be applied successfully in adopting legal norms providing for incentives and legal norms with a favorable effect on the offender, as a possibility to broaden its area of application.

* In 1996 the National Assembly adopted the Law on Measures against Money Laundering, repealed by a law of the same name of 1998.

The application of the method of persuasion can be multiplied not only in combating corruption and trafficking, but also in view of a number of other related crimes, such as office-related crimes, documentary crimes and certain crimes against the administration of justice.

The method of persuasion, outside its purely legal formal character, can be applied by using traditional forms, involving citizens and public organizations, and resort to the mass media. The education of children and young people is of particular importance.

3.2. ORGANIZATIONAL AND STRUCTURAL REFORM

The other forms of counteraction can be organizational, organizational-methodological or structural and include different incentive measures. This presupposes the creation of a better work organization of special teams whose activity is directly linked with smuggling and corruption, the detection of violations and crimes and measures for drawing up certifying documents, reducing the terms of investigation and imposing due sanctions, barring and preventing infringements in time. The amendments and additions to the Criminal Code of Bulgaria (State Gazette, issue 706/1999) that entered into effect on 01.01.2000 aim to simplify the pre-trial procedure and to shorten sufficiently the terms for investigation. These amendments have increased the number of officials, conducting pre-trial proceedings in the form of preliminary investigation. The investigation of some 80 % of the crimes is consigned to the Police and the customs. The crime "smuggling", when committed by Bulgarian nationals, is investigated by customs officers. With the adoption of the Taxation Procedure Code (State Gazette, issue 103/1999, in force from 01.01.2000) a solid, although late, legal framework was created for the public relations in the field of tax legislation. This would help solidify the pillars of the state and to create conditions for a better organized and effectively functioning tax administration as a guarantee against corruption and smuggling.

The considerably increased procedural powers linked with imposition of administrative penalties and the enforcement of coercive administrative measures is a serious guarantee in combating corruption and trafficking.

The amendments to the Law on Collection of Government Receivables (SG, No. 26 of 1996), introduced by the Taxation Procedure Code, caused a Government Claims Agency to be set up with the Ministry of Finance. Its powers are regulated by Articles 85-90, as well as by the Rules of Organization of the Agency, approved by the Council of Ministers, and offer great possibilities to combat corruption and detect incomes from smuggled imports.

At the same time, it is becoming increasingly necessary to reduce the tariff rates, introduce quantitative restrictions, restrict licensing regimes and other incentives for committing violations.

The overall activity of the General Tax Directorate (GTD) is regulated by the TPC and the Rules of Organization. An Inspectorate Division, directly subordinate to the head of the General Customs Directorate, has been set up in the GCD with subdivisions to the level of District Customs Divisions [25]. In addition, an Internal Control Department with five tax directorates in Sofia, Plovdiv, Varna, Bourgas and Veliko Turnovo has been created with the General Tax Directorate. The organizational structure of internal control is devolved to the level of regional tax directorates. Representatives of internal control work in some territorial tax directorates although they are on the payroll of the regional tax directorates.

The main functions of GTD internal control are defined in Article 241 of the Taxation Procedure Code and the Rules of Organization.

The main functions of the tax control officers are to ascertain the loyalty of tax administration officials, investigate signals and complaints, and conduct regular (planned, routine) inspections and preventive activity. Such structures with special powers also exist in other state bodies whose activity is linked with combating corruption and smuggling.

On the other hand, it should be kept in mind that when structural teams with control functions are subordinate to the leaders of a given department or team, their effectiveness is reduced, and the likelihood of violating the principle of objectivity and independence is increased.

The following measures could be recommended:

1. Creating a uniform information system and database to make possible the checks of the documents accompanying the goods.
2. Introducing a rapid system to inform competent bodies of pending criminal or administrative proceedings against a specific person, including whether he has previously been punished for crimes, sanctioned for administrative infractions, or whether any coercive administrative measures have been imposed.
3. Creating a system for a simplified check of the material and financial status of officials suspected of having committed or committing acts linked with trafficking and corruption.
4. Broader application of the system of stimulating customs officials and encouraging persons detecting customs or currency violations, currently regulated in Article 14 of the Customs Code.

3.3. ORGANIZATIONAL AND METHODOLOGICAL FORMS

The organizational methodological measures applied by the special bodies – customs administration, border police, finance and tax administration, the Financial Intelligence Unit, a Government Claims Agency, magistrates' authorities - should be aimed at:

- a) quality selection, personnel training and retraining;
- b) developing methodologies to detect the different kinds of crimes;
- c) studying of the mechanisms of committing different violations, summarizing the results and presenting the analyses to the Regional Customs Houses.

3.4. REFORM OF CUSTOMS

The reform in the Bulgarian customs is of particular importance for the successful restriction of transborder crime. It is carried out through the statutory framework, work organization, internal control and international cooperation.

It may be claimed that the legal framework in customs activity has been improved in the late 1990s. The enacting of the Customs Code (SG, No. 15 of 1998) also necessitated certain amendments to the Law on Banks. The heads of the General Customs Directorate and of the Regional Customs Houses were enabled to receive the necessary information about persons guilty of a violation, established by a writ of the customs administration.

A new, third level, customs legislation is currently being developed and entering into force – instructions, ordinances, etc. The Internal Control Instruction and the Code of Ethics of the Bulgarian Customs Administration will have a direct

bearing on the fight against corruption and other unlawful actions of customs officers. They will be jointly elaborated with experienced customs administration officers and experts in the EU countries and of Eurocustoms.

A Regulation of the Council of Ministers of the Republic of Bulgaria of 1999 and the Law on State Property compel all customs officers to declare their property status every year.

In accordance with the provisions of Article 7, paragraph V of the Law on State Property and Article 10, paragraph 2 of the Customs Code, customs officers should fill out declarations in accordance with the restrictions of these acts applicable to civil servants, and customs officers in particular.

Measures to cut short corruption linked with trafficking are also taken in the sphere of internal control. Special structural teams for internal checks and control of any corrupt activities of customs and tax officials have been set up in the system of the Ministry of Finance and in the General Customs Directorate (GCD) and General Tax Directorate (GTD), in particular.

As a compulsory component of the reform, it is recommended to devolve both internal control and disciplinary proceedings to grassroots management level – customs offices.

On the other hand, it should be kept in mind that when structural teams with control functions are subordinate to the leaders of a given department or team, their effectiveness is reduced, and the likelihood of violating the principle of objectivity and independence increased.

With regard to work organization, measures have been taken to restrict corruption and other unlawful actions of customs officials, as well as to tighten work discipline. The main ones include:

- introducing a two-tier (and in some cases three-tier) control scheme in the customs handling of goods;
- regular rotation of customs officers;
- withdrawing personal customs seals and transfer to a different job, not linked with customs control, of customs officers against whom preliminary proceedings have been instituted under the procedure of Chapter Twelve of the Code of Criminal Procedure until the pronouncement of the respective competent authorities;
- a special regime of keeping personal customs seals has been introduced;
- cash in excess of 100 leva and/or foreign currency carried by employees in customs, customs bureaus and customs checkpoints during working hours must compulsorily be declared;
- the following measures will be introduced as of January 2000:
- personal IDs which will be prominently displayed on the uniforms of customs officers;
- special mail boxes will be put up on the premises of customs, customs bureaus and checkpoints for the signals and complaints of passengers, carriers, shipping agents, company representatives, etc.;
- hotlines will be opened in customs offices (one in the respective customs office and one in the GCD Inspectorate Division) for signals and complaints.

Due to the initial stage of the reform, it is still difficult to say how these measures will reflect on the practical activity of customs. A mandatory condition

for an objective assessment is to make it with the participation of non-governmental anti-corruption and human rights organizations, as well as to make it accessible to the public.

The reform includes measures for improving the interaction with other state institutions. Constant interaction is being realized between the General Customs Directorate (above all the Inspectorate Division and “Customs and Currency Violations”) and other competent state bodies – courts, prosecution offices, investigation services, Ministry of Interior, tax administration, etc. – for a more effective fight against corruption and other unlawful actions of customs officers. The interaction includes regular contacts with the bodies of the Judiciary and the Executive, exchange of information and joint inspections with the relevant bodies. The received information about offenses and violations (excluding disciplinary ones) is passed on to the relevant Prosecution Office (e.g. joint inspections for smuggled imports of sugar, spirits, etc.)

The continued conduct of the reform would require the introduction of modern standards and principles of the work of customs officers: simplifying and facilitating a number of customs procedures, decreasing the role of the subjective factor, guaranteeing greater transparency of customs activity, etc.

Updating the processes of collecting, processing and use of information would be of great importance in improving the work of customs. The future information system should include the following:

- Continued establishment of special investigation and intelligence structures in the customs offices, improving the work of these structures, creating conditions for their better functioning through the introduction of new methods of work, improving material facilities and implementing new special technical equipment.
- Creating new information files and databases about customs violations and offenses and ensuring constant exchange of information in real time between the different agencies, directly involved in the fight against customs violations and offenses.
- Improving the coordination between the customs offices, infrastructure and communication means.
- Encouraging the exchange of information between customs administrations and improving international cooperation.
- Using the existing legal framework for exchanging information between customs administrations at international level. (The Republic of Bulgaria has to accede to the Nairobi Convention on the Prevention, Investigation and Restriction of Customs Violations.)

3.5. IN THE CONTEXT OF LEGAL AND INSTITUTIONAL REFORM

The recommended measures comprise part of the legal and institutional reform for the creation of modern management structures and mechanisms within in the context of the country’s European integration. In a legal aspect, for example, the Anti-Corruption Action Plan of *Coalition 2000*, adopted in 1998, contains general guidelines for the continued development of the judicial system, which directly affect the problem under discussion [26]. In particular, the following may be proposed:

- Reform of substantive criminal law by reformulating provisions concerning office-related crimes, fraud, including consumer fraud, introducing a broader

definition of the concept of benefit in the crime of bribery, criminalization of the actual demand for unlawful benefit (which has already been initiated), criminalization of preparations for corrupt action realized by two or more persons, sanctioning legal persons that permit criminal practices in their activity.

- Decriminalization of the crime of “inciting to bribery” under certain prerequisites, as well as in cases in which the aim is to expose corrupt senior high-ranking civil servants, magistrates and other public officials.
- Legislative regulation of the sanction of “confiscation” of property acquired as a result of corruption, including if transferred to third parties in order to be retained.

The legislative regulation of the funding of political parties and the transparency of their financial activity would be extremely important in reducing political corruption and cutting off any smuggling channels linked with it. The creation of an adequate legal framework in this key sphere would also reflect favorably on the establishment of democratic institution in the country by differentiating the state and party sphere, creating conditions for the development of legal sources of funding and control over the finances of parties and politicians, etc. [27] The legislative development of the financial property status of civil servants and national representatives is also linked with the solution of this problem. Conversely, the postponement of the adoption of a relevant law helps broaden corrupt practices involving these categories of persons.

In addition, NGOs have proposed the creation of an institution outside the system of power for monitoring and control of the administration which would act as a deterring factor against corruption and arbitrariness which violate the rights of citizens and their organizations. A bill for the introduction at national level of a special institution like the Ombudsman (People’s Defender) was drafted in 1999 within the framework of *Coalition 2000*. The possible adoption of an Ombudsman Act would create prerequisites for the functioning of a mechanism, complementing and accompanying the other present remedies and would help to establish civic control.

On the other hand, it is necessary to further develop the reform in the public administration and clearly define the role of the state and its institutions, including control mechanisms and institutions called upon to combat corruption (the Audit Office, the bodies of State Financial Control of the Tax Administration, national services in the structure of the Ministry of Interior, etc.). The valid rule here is that the special internal control bodies in the state administration, whose immediate tasks are to combat corruption and smuggling, should be either completely independent or have double subordination, structured in a uniform system and subordinate to an independent body such as, for example, an agency with broad administrative and jurisdictional powers.

An important prerequisite for the continued success of the reform in the public sector is the adoption of a modern law on the access to public information which would overcome departmental isolation and contribute to transparency and publicity in the state sector. This requires an accurate definition of the state secret and the creation of a regime of transparency and publicity in the activities of the state institutions.

The continued reform in the judicial system reflects directly on the infractions and crimes discussed here. The measures to speed up the administration of justice and increase its efficiency and transparency could help overcome its present sluggishness. In particular, the continued harmonization of legislation with the

standards of anti-corruption conventions would be of great importance. (In 1999, the Republic of Bulgaria signed three conventions regulating the fight against corruption : the Criminal Law Convention on Corruption of the Council of Europe, the Civil Law Convention on Corruption of the Council of Europe and the Convention on combating bribery of foreign public officials in international business transactions of the Organization for Economic Cooperation and Development. Only the third convention has been ratified, in fulfillment of the commitments in accordance with which the Law to Amend the Criminal Code was adopted by the National Assembly on 15 January 1999. It created the concept of “foreign public official” and established bribery of a foreign public official in international commercial transactions as a criminal offence. The same sanctions as for active bribery of a “domestic” public official apply in this case.)

3.6. STRENGTHENING OF INTERNATIONAL COOPERATION

The very nature of the dyad of corruption and trafficking presupposes international cooperation as the only chance to achieve definite positive results. This is so because smuggling is invariably a crime which affects at least two states.

Bulgaria is a party to a number of international instruments relating to trafficking and corruption. According to Article 5 of the Constitution these instruments take priority over domestic legislation [28]. At the same time, by virtue of the European Convention on Legal Assistance and the provisions of Chapter 22, Sections Two and Three of the Code of Criminal Procedure, Bulgaria is involved in considerable international cooperation for legal assistance in criminal cases at the request of third countries.

The appended table (2) shows that during two years – 1998 and 1999 – Bulgaria responded to 28 requests for legal assistance, including 13 from Ukraine, two from Cyprus, five from Russia and one each from Turkey, Britain, Poland, Latvia, Norway, Spain and Romania. Eight of those requests concerned the trafficking of narcotic substances. All other requests concern different goods as listed, as well as those in the column “unnamed”. In accordance with the provisions of the Law on the Judiciary, the requests for legal assistance are handled by the Specialized Investigation Service.

According to the Measures against Law on Measures against Money Laundering, the Ministry of Finance is obliged to inform the concerned bodies abroad “about initial offenses and related money laundering crimes to which the Bulgarian Criminal Code does not apply”. This information is provided by the Ministry of Justice; the Financial Intelligence Unit with the Ministry of Finance being informed in writing in these cases (Article 21, paragraph 2 of the Implementing Regulations of the Law on Measures against Money Laundering).

The activity of the National Central Bureau of Interpol – Ministry of Interior, is another form of international cooperation through which inquiries are made and information requested about the registration of persons against whom preliminary proceedings have been instituted in Bulgaria. Such inquiries about foreign citizens are also handled by the Bulgarian special bodies, including the bodies of the judicial system, in case of requests addressed to Bulgaria.

Cooperation through the Interpol is particularly important. It enables the necessary information to be received much more quickly than with a request for legal assistance where the procedure is complicated. In addition, bodies and institutions not included in the judicial system can also receive information from Interpol. These bodies include Internal Control of the General Customs Directorate,

Internal Control of the General Tax Directorate, the Financial Intelligence Unit, the Government Claims Agency with the Ministry of Finance, etc.

A specific form of cooperation between the special bodies in charge of combating crime, including the fight against trafficking and corruption, is the Working Group on Law Enforcement set up with the Ministry of Interior. It has been functioning for a second year with the participation of representatives of the US Administration, the Ministry of Interior, the Prosecution Office, the Courts, the Investigation, the Customs Administration and the Financial Intelligence Unit.

On a practical level, direct contacts between the investigation services and, above all, between the Specialized Investigation Service and the liaison officers accredited with the respective embassies in Sofia, are especially useful.

Substantial opportunities exist for the development of regional cooperation. International projects can be developed within the framework of the Stability Pact for South Eastern Europe, and specifically within the framework of the Pact's Third Table, concerned with issues of security, corruption and cooperation in the sphere of justice and internal affairs. In February 2000, Bulgaria, together with another six countries in Southeast Europe, signed an agreement for the fight against corruption within the context of cooperation under the Stability Pact (Anti-Corruption Initiative For South Eastern Europe).

Multilateral interaction in cutting short transborder crime is part of another official document: the Goodneighbourhood Charter signed in Bucharest in early February 2000 as part of the Southeast European Cooperation Initiative (SECI). An Agreement on Cooperation to Prevent and Combat Trans-Border Crime was also signed in 1999. It provides for different forms of cooperation between the law enforcement bodies of the countries in the region: exchange of special information, cooperation in mastering modern technical means and methods, effective coordination, etc. [29]

Bulgaria is party to a number of bilateral instruments on legal assistance, as well as to a number of bilateral agreements on combating corruption and trafficking [30].

The *Fight against Corruption in the Bulgarian Customs Administration* project is to be launched in early 2000. It will be implemented jointly with specialists from the customs administrations in France and Britain, as well as with Euro-Customs. The project involves working out an Internal Control Instruction, Code of Ethics, etc. Special technical equipment will be supplied for the needs of the internal control bodies and employees will be trained [31]. In June 1999 the General Customs Directorate joined (through the Inspectorate Division) the Joint Program of the Council of Europe and the European Commission *Octopus II*.

Contacts have been established and information is being exchanged with the customs administrations of neighboring countries, as well as with the EU member states.

The main task facing all Bulgarian institutions committed to combating trafficking and corruption is to make full use of existing international mechanisms and forums for the solution of the most urgent problems in this sphere. Making the national efforts for coming to grips with the cited negative trends in trans-border crime in Bulgaria part of the international combating of this phenomenon is the obvious goal of the various ways of cooperation with other countries, international organizations and special agencies.

3.7. THE ROLE OF CIVIL SOCIETY

One can define the NGOs mission in countering trafficking and corruption in two directions: monitoring and control. The biggest advantage of civic monitoring and control over the departmental supervisory functions lies in the independence of the third sector. Therefore Bulgaria's politicians have to wake up to the truth that there is no alternative to civic control and no reforms in government could compensate for its absence.

- In the sphere of monitoring this cooperation can take the form of agreed cooperation between state institutions (e.g. the General Customs Directorate) and NGOs for conducting regular sample studies to determine the origin of different types of goods. The next step would be to combine the results of sample studies and checks of the available commodity stock according to a statistical principle defined in advance. (For example, a check of one in every 100 companies in the BULSTAT register). The reasoning here is to make checks in areas where sample statistics show the greatest discrepancy between the import of certain types of goods and their availability. (A mechanism for the prevention of smuggling through sample methods could be developed further) (See 2.4.)
- The control sphere necessitates the inclusion of representatives of non-governmental and human rights organizations, in particular, for monitoring signals of abuses when crossing state borders (these signals are now dealt with by General Customs Directorate).
- The next step would be to guarantee the assistance of competent bodies in establishing independent civic control to check violations in the immediate border zone or within the scope of customs inspections.
- Civic organizations should be given the entire information, collected in different studies and through complaints, to be published as an website and/or in periodic publications (newsletters). This would contribute to the transparency and publicity of the work of the competent bodies and, hence, generate public support for the measures taken to curb trafficking and corruption.

NOTES

1. The Dictionary of the Bulgarian Language (4th ed., 1995) gives the following definition to this concept: social decay, depravity, bribery. This definition matches the meaning of the Latin word *corruptio* which means spoiling, out-worn or bad condition, or (figuratively) deceitfulness, impairment, bribery.

Corruption is a negative phenomenon which finds its most straightforward manifestation in bribery. Corruption and bribery are alike, though not identical. Corruption is a wider concept which also includes bribery. For that reason a bribe would have all features of corruption and any bribe constitutes corruption but the reverse to that is not true. Both corruption and bribery result in obtaining illicit benefits, but in the case of bribery those benefits are tangible or financial items only. Corruption might involve one or more persons aiming to obtain personal benefit through the use of an official position, whilst bribery always involves at least two persons who enter in a *sui generis* deal. A bribe is a crime driven by self-interest whereas corruption is multifaceted and is much more detrimental to the society. A bribe is always a legal phenomenon. Corruption is a social phenomenon which might turn into a legal one by way of exception.

The widely spread understanding of the concept of corruption is that it covers the misappropriation of property entrusted to someone, smuggling, illicit trafficking, etc. The term "corrupt criminality" even exists - a concept which has been in use for some time though it is devoid of any scientific or legal value.

Corruption is equally typical of civil servants and public figures: in both cases the person concerned receives advantages that are either prohibited by law or socially unjust or immoral. Corruption is also typical of all levels of State governance. Thus it is at least inaccurate to connect it exclusively or primarily with the low levels of power. Quite the contrary, in Bulgaria and in other countries, regardless of their specific stage or degree of economic development (fully-fledged market economy, transition from a totalitarian to market economy, or totalitarian economy), corruption - in its best manifested forms, largest dimensions and most unambiguous disrespect of any legal and moral values - is emblematic of the highest levels of power.

2. According to Michael Johnston transborder corruption is manifested in a wide range of forms: from suspicions political donations and financing of election campaigns to improperly stringent bank secrecy, offshore banking operations or the establishment of free-zones in which capitals of dubious origin are accepted, etc. (See Michael Johnston. Cross-border corruption: points of vulnerability and challenges for reform, in: Corruption and integrity improvement initiatives in developing countries, UNDP/OECD Development Centre, p.15) . In the present study attention will be focused mainly on corruption linked to economic smuggling.
3. In strictly legal terms, smuggling qualifies both as a crime and as an administrative offence. While in the first case criminal liability is envisaged under the Criminal Code, in the second case administrative liability is sought in accordance with the Law on Customs (State Gazette, issue 26, 1968). As far as the crime is concerned, its elements are provided in s. 242 of the Criminal Code. The objective elements comprise the transfer of goods through the country's border without the knowledge and authorisation of the customs authorities. The goods could be fairly different and criminal liability in each

particular case depends on their type and quantity. In all cases of smuggling the object in question is confiscated for the Exchequer regardless of whose property it is. If the object is missing or has been alienated, the convict is liable to pay an amount equivalent to its retail price. The vehicle used to transport or carry such goods is also subject to confiscation for the Exchequer, irrespective of its intended use and of whether it is owned by the perpetrator or by a third party. It is also important to ascertain whether the vehicle of transportation or transfer has been used to commit the crime of "smuggling". An exception to the general rule is made when the value of the vehicle clearly fails to match the seriousness of the crime of "smuggling".

It is worth noting that smuggling is one of the rare examples in the Criminal Code of the Republic of Bulgaria where a penalty is provided for an *attempted* smuggling "in particularly great dimensions" representing a "particularly grave case" or where the perpetrator is a customs official. Likewise, criminal liability lies against the perpetrator if the crime is not completed for reasons beyond his or her control. The attempt is punishable in the cases explicitly laid down in the Code and is connected with the type of goods (narcotic drugs) or their quantity (a particularly grave case), or the job description of the perpetrator (a customs officer). Smuggling would only exist if committed by a person able to understand the nature and the consequences of his acts and intended to achieve the criminal result, *i.e.* direct intent is required. Failing this, there would be no crime.

It is well-established case-law that if an act involves narcotic drugs the value and the quantity of the drugs are not of the essence in order to qualify that act as smuggling. Value and quantity in this case are of secondary importance.

The crime of smuggling may be committed by any Bulgarian or foreign person. It suffices for the goods to be transported or carried across the border of the Republic of Bulgaria without the authorisation of the customs.

Where the smuggling represents a case of minor importance, the sanction envisaged is fine imposable in administrative proceedings. In such cases the act qualifies as one of "minor importance" within the meaning of s. 93, point 9 of the Criminal Code which reads: "A case of minor importance is any case where the crime committed, in view of the lack or insignificance of the harmful consequences or in view of other extenuating circumstances, reveals a lower degree of threat to the society by comparison to the ordinary crimes of the respective type".

Where there are no harmful consequences or these are clearly insignificant, the person has not been sentenced before, has not been confronted with an administrative penalty and has committed no other such act, the authority imposing the administrative sanction - *i.e.* the customs authority - is competent to assess whether the case is one of minor importance (see Interpretative Decision No. 53 of 11 April 1986, General Assembly of Criminal Colleges at the Supreme Court).

By virtue of the amendments to the Code of Criminal Procedure in effect from 1 January 2000, the investigation of the crime of smuggling and of the administrative offences involving smuggling falls entirely within the competence of the customs administration. This legislative solution has vested the customs administration with the entire responsibility to control the compliance with the legislative requirements for the transfer of goods across the border and to investigate the offences committed in this context. Thus, the

indispensable legislative, organisational and structural prerequisites have been put in place to improve the efficiency of that administration.

4. It should be emphasised that customs control is always selective. The customs administration of every country is endowed with operational independence guaranteed by the existing regulatory framework. In other words, the examination and control of exported and imported goods are based on experience. It is objectively impossible to carry out full physical control of all goods crossing the border of a country. The Bulgarian Law on Customs proclaims the right of the customs administration to judge if a customs check should be conducted or not and if the consignment crossing the border corresponds to the documents produced to the customs administration.
5. Those practices were at odds with the country official import for the embargo. The Council of Ministers and other Bulgarian institutions passed the following instruments in respect of Bulgaria's commitment to that international effort:
 - Regulation No. 90 of 7 May 1993 on fulfilment by the Republic of Bulgaria of Resolution No. 820 of the United Nations Security Council of 17 April 1993 (State Gazette, issue 41 of 1993);
 - Regulation No. 241 of 30 November 1992 on fulfilment by the Republic of Bulgaria of Resolution No. 782 of the UN Security Council of 16 November 1992 (State Gazette, issue 99 of 1992);
 - Decree No. 16 of 24 July 1991 on imposing embargo on the supplies of arms, munitions and military equipment for the Federal Republic of Yugoslavia (State Gazette, issue 62 of 1991);
 - Regulation No. 94 of 5 June 1992 on fulfilment by the Republic of Bulgaria of Resolution No. 757 of the UN Security Council of 30 May 1992 (State Gazette, issue 47 of 1992);
 - Regulation No. 125 of 7 July 1992 amending and supplementing Regulation No. 94 of 1992 on fulfilment by the Republic of Bulgaria of Resolution No. 757 of the UN Security Council of 30 May 1992;
 - Regulation No. 164 of 25 August 1992 amending and supplementing Regulation 94 of 1992 on fulfilment by the Republic of Bulgaria of Resolution No. 757 of the UN Security Council of 30 May 1992 (published, State Gazette, issue 47 of 1992, amended and supplemented, State Gazette, issue 58 of 1992);
 - Ordinance No. 3 on the customs clearance of goods in accordance with the Rules of control of the UN Sanctions Committee adopted on 26 April 1993 (issued by the Ministry of Finance, State Gazette, issue 53 of 22 June 1993).
 - Memorandum of Understanding between the Government of the Republic of Bulgaria and WEU on assistance in the implementation of the sanctions along the Danube.
6. In 1995 the notorious criminal boss Ivo Karamanski, in a scandalous interview for the Bulgarian media, directly accused some economic structures of having privatised the border services: "I also give bribes of USD 100 000 but my cisterns could well stay at the border for a whole month, while those of other groupings immediately cross the border check points".

Through the hundreds of deals violating the embargo against Yugoslavia Bulgarian organised crime developed matchless mechanisms of corruption,

while taking over the heritage of the previous State-organised smuggling channels. Of course, all this inflicts enormous damage on Bulgaria's economy.

7. According to data announced by Mol, some 240 000 tons of sugar were imported through the illicit import channel via the port of Burgas. The sugar was sold on the domestic market. According to Mol, again, that channel had been monitored by senior officers from the secret services and even by deputy ministers in the BSP Government. Two officers from the Regional Unit of the National Security Service and 16 customs officers from the customs office in Burgas were also accused of involvement in the case. Though no direct evidence of bribery was submitted, the channel had been clearly monitored by the secret services for two years and no measures whatsoever had been taken to cut it off. That proof of the patronising attitude of the controlling authorities *vis-a-vis* certain illicit practices intensified the suspicions about corruption mechanisms operating both horizontally and vertically within the State power.

At the beginning of 1999 a channel for the import of spirit through several customs offices was detected. It had also been in operation for a number of years. Officially, from 1994 to 1998 not even a single ton of ethyl alcohol had been imported in the country with fully paid customs dues and the vast majority of the Bulgarian producers of alcoholic beverages used mainly smuggled spirit. The fact that an entire industry in the country had worked with smuggled raw materials could only be attributed to the involvement of the customs administration in that illicit traffic.

8. It should be recalled that the introduction of restrictive regimes (quotas) for the export of a particular group of goods has the additional effect of restricting the free turnover thereby inciting the export of these goods in violation of the existing rules. This necessarily entails corruption of the officials authorising the respective quotas for the different companies and of the customs officers keeping track of the quantity and quality of exports within the limits of a quota.
9. Data provided by the Specialized Investigation Agency.
10. Data provided by the Specialized Investigation Agency.
11. See: Report Committee on the Honouring of Obligations and Commitments by Member States of the Council of Europe (Monitoring Committee). Rapporteurs: Mr. David Atkinson, United Kingdom, European Democratic Group and Mr. Henning Gjellerod, Denmark, Socialist Group, p. 19.
12. The writ signed by Mr V. Mikhailov, Prosecutor at Sofia City Prosecution Office, disproved some of the findings announced in Mr Dimitrov's audit file.
13. For example, the volume of "suitcase" trade with Turkey varies, with its value booming to USD 800-900 million in the early 90s. The import of Turkish goods through this method exceeds 20 times the Bulgarian "suitcase" exports (the Bulgarian goods exported this way are primarily meat and meat products, cigarettes, alcohol, etc.). The market in Dimitrovgrad functions as the main marketplace for the smuggled goods.

The turnover of the "suitcase" trade with Macedonia and Yugoslavia is lesser, the total annual figures hardly exceeding DEM 100 million. As a rule, the goods of Bulgarian origin prevail in these regions, in other words the exports are larger (their volume even doubled during the "embargo" years). (Data provided by National Statistical Institute).

In 1998 the National Assembly ratified a free trade agreement between Bulgaria and Turkey which shrank the "suitcase" trade between these two

countries. The phenomenon has not been completely eliminated since the agreement enables Bulgaria to protect over 3500 goods the tariffs for which were not abolished on 1 January 1999 but will be gradually removed until 2002 (oil products, paper, textiles, clothing, shoes, refrigerators, ferrous metals, etc.). These products form roughly 35 per cent of the Bulgarian exports to Turkey. The protection list of Turkish products is far shorter: it contains 35 goods only, *i.e.* 10 per cent of the Turkish exports to Bulgaria.

It is hard to believe, however, that the practice in question will soon be totally effaced since the Turkish Government has recently embarked on a series of measures aimed at reviving the "suitcase" trade. According to Turkish statistical data, its total volume in 1996 was USD 8.8 billion, while the turnover dropped to USD 5.8 in 1997. 1998 saw a further slump of 20 per cent. At the same time the official Turkish information shows that nearly 50 per cent of the Turkish customs revenues derive from "suitcase" trade.

14. In the view of Dr Alessandro Politi, Counsellor at the Italian Ministry of Defence, the geography of organised crime and drug trafficking is marked by the following key elements:
 - three gravitation centres of criminality, *viz.* Italy, Russia and Turkey;
 - 10 regional support centres: Albania, Croatia, Bulgaria, Yugoslavia, Macedonia, Greece, Romania, Slovenia, the Dniester region, Ukraine;
 - two states facing the risk to experience a failure (Yugoslavia and Russia), six other states having gone through different stages of such failures (Albania, Bosnia and Hercegovina, Croatia, Macedonia, Montenegro, Slovenia);
 - two isles forming "grey zones" with varying degrees of control exercised by organised crime (Cyprus and Sicily);
 - two large producers of narcotic drugs (Morocco and Russia) and three smaller producers (Albania, Lebanon and former Yugoslavia);
 - two large drug trafficking routes: the Balkan corridor and Russia;
 - two large territories penetrated by the drugs (Russia and Turkey);
 - one large corridor for illicit trafficking in people by sea (Montenegro/Albania - Italy) and four land corridors (Sarajevo - Croatia - Slovenia - Italy/Austria; Istanbul - Ukraine - Poland - Germany; Istanbul - Romania - Hungary - Slovakia - the Czech Republic; Istanbul - Greece - Macedonia - Italy/Austria);
 - one large regional financial off-shore centre (Cyprus).

The main narcotic drugs are cannabis, heroin and ATS, with an ever rising share of cocaine. (Alessandro Politi. Organized Crime and Regional Cooperation in South-East Europe, paper prepared for the Conference on Regional Cooperation and Reconstruction in South-East Europe, Rome, 29-30 October 1990, pp. 16-17).

15. Data provided by the General Customs Directorate and by the Sector of Drug Trafficking at the National Service for Combating Organised Crime.
16. Data provided by the Sector of Drug Trafficking at the National Service for Combating Organised Crime.
17. Data provided by the Border Police.

- 18 This figure forms only a part of the total number of people who left the country after the abolition of the previous restrictions on travelling and work abroad. According to some estimates, Bulgaria's population has decreased by 8-9 per cent in the course of the 90s. The country has been left by nearly 700 000 Bulgarians, many of them young people.
19. Koumanova A., Dimitrova R., The Hidden Economy Through Expert Eyes, *Statistika Journal*, No. 2, 1998, pp. 64-75.
20. For details see Koumanova A., Manolov V. The Concept of "Hidden Economy" – Basic Statistical Approaches. *Statistika Journal*, No. 2, 1996, pp. 51-62; Koumanova A., Antonova Y. Hidden Economy, *Statistika Journal*, No. 1, 1997, pp. 68-74; Koumanova A. The Hidden Economy and Some Methods for Its Measurement and Assessment, *Statistika Journal*, No. 2, 1997, pp. 67-80.
21. ACE-PHARE P95-2030-R; Mintchev V. Les echanges de biens industriels entre la Bulgarie et l'Union Europeenne 1990-1995, *Revue d'etudes comparatives Est-Ouest (RECEO)*, 1999, No 4.
22. Mixed methods also exist as part of direct methods which are combined with marketing assessments of specific markets and official sources of information. An example of this for two kinds of goods is cited below.

Indirect methods, *in turn*, include:

- a) Balancing resource and use. This method is based on the disparity between income and expenses. It is linked with the three ways of measuring the GDP: production, elements of end use and elements of income. The first focuses on the material flows of the production system, the second is linked with the cash flows of the economic system on the expenses side, and the third views them on the incomes side. This traditional method of balancing the GDP has not been especially created for the assessment of the hidden economy. It is disputable whether the differences between the three approaches are due to absence of reporting and to what extent this phenomenon may be described as "hidden" activity. Other ways to assess the hidden economy should also be used before applying this method. Although not universal for all countries in transition, it is applied in the Czech Republic, Bulgaria and some other states.
- b) Monetary approach accounting for the movement of banknotes and commodity circulation in the country and, respectively, the level of inflation. This approach uses methods, based on indices in the sphere of money circulation. They are among the most widespread ones and aim to capture the traces left by hidden economic activity in the sphere of monetary circulation. The general assumption here is that activities within the hidden economy are determined by the use of ready money. On the other hand, the amount of cash needed for the production and turnover of the GDP tends to be stable in the short and medium term (especially with regard to normally functioning economies). The comparison between real money supply and the one needed for the turnover of the GDP is linked with the fact that the difference between them is accounted for by the "hidden economy" and may be used as an index for its intensity.
- c) Method based on discrepancy between real and official employment, assuming that the official employment rate differs (is smaller) than the real one in the national economy. The resulting difference is due to the functioning of the hidden economy which is characterized by undeclared jobs. A different state with a similar economic structure or a specific year in which the hidden sector is considered not to have existed (or to have had

a lower relative share) is used as the basis for comparing the share of employed people. The theoretical objections to this method and the difficulties of calculation restrict its use. A modified version of this method is the so-called "Italian method" which essentially consists in comparing employment assessments provided in questionnaires measuring production activity with additional sources of information about employment and, more specifically, from manpower monitoring and censuses. This method takes account both of the conscious lowering of taxes by registered production units and the assessment of general labor expenditure in the national economy, thereby calculating the value added created in unregistered economic units. The additional assessment for correcting the lowered reported figures received from small enterprises is made on the basis of the so-called method of Franz. The Italian method is used in Poland, Romania, Lithuania, Macedonia and Slovenia.

- d) The Hungarian method is based on the fact that the reported wage and remuneration figures are lowered in order to avoid paying social security contributions (a considerable burden in many countries in transition). Because of this the first step is to correct the officially reported figures even by state-owned companies. The second step is to assess the value added of private companies and sole traders (engaged in the same activity) by using the corrected figures from the official reports and information from the business register about the number of private companies and small enterprises in the "Household" sector which are often left uncorrected. The main focus here is on value added, rather than on production, the assumption being that remuneration in the private sector is considerably higher (3.5 times) than in the state sector. Assessments show that more than one third of the incomes of the Bulgarians are not declared. No wonder that the Prime Minister pointed out that 728,000 working Bulgarians are not paying social security contributions, and another 300,000 working in the private sector pay social security only on the minimum wage. These and similar methods are used in Bulgaria and Poland.
- e) Method assessing the household production. Assessments of the production of households for their own consumption were made even in the balance of the national economy, i.e. this is nothing new for our domestic statistics. This method assesses only the part that is being sold. The main source of information are the monitored household budgets, the balances of agricultural products and price statistics. A large part of the production of agricultural products and price statistics. A large part of the production of households is either used by them or sold between households. Part of the production may be bought for intermediate consumption or, if it is an object - sold to tourists and be regarded as export. To some extent this method is applied by almost all countries in transition, and on a larger scale in Romania, Poland, Estonia and Lithuania.
- f) Method based on household expenses. Using monitored household budgets with regard to expenses for buying goods and services, rather than resources, is another method for measuring unregistered activities. The information provided by household budgets is somewhat distorted, even NSI specialists admit, citing the wrong methodology used for collecting information in the country as the main reason. Until now only 3,000 households provided information about their monthly incomes and expenses. They were given 2,500 old leva a month to describe them on a daily basis. In practice, only the poorest households recorded these figures in the household budget books. Starting this year, the number of monitored house-

holds will be doubled to 6,000, but if the figures are to be reliable the monitored households must replicate the panel of households in the census. The most obvious and widespread type of informal activity is the rise in the number of small shops. An attempt has been made to use household budgets to determine the proportion between purchases in big (including state-run) stores and private shops in order to assess the scale of their activity, assuming a comparable level of prices and surcharge in both kinds of shops. Presumably, big stores sell mainly local produce, whereas small shops sell mainly imported goods. This approach is primarily used to assess retail trade.

- g) Method of polling, also known as the method of expert assessments. Its aim is to collect full information about the different aspects of the studied phenomenon: reasons for its appearance, sources and scope, spread among economic operators, methods of assessment, ways to counter it, etc. Regardless of the fact that these observations are not representative, polls enable comparisons of the assessments of the hidden economy, depending on the opinions of the polled experts and the estimates obtained with other methods.
- h) Method of mirror statistics. It is linked with the control of import and export registration, i.e. a comparison of goods exported according to Bulgarian documents to Russia, for example, with the Russian import documents, and vice versa. Although promising, this method requires close cooperation between the customs authorities. In addition to comparing information on the basis of national statistics, the daily exchange of information and entry into registers enables the Bulgarian customs officers and those in neighboring countries to directly compare information about vehicles carrying risk goods crossing the border. This kind of customs mirror statistics is already used between Bulgaria and Romania. It was revealed that about 100 vehicles transporting cigarettes or other excise goods were not registered by either country between 1995 and 1997. The main kinds of customs frauds discovered this way are linked with: 1) fictitious export of goods from Bulgaria. For example, a truck with cigarettes figures as being exported from Bulgaria, but has not been recorded in all the necessary registers. At the same time, it is not registered anywhere in Romania, meaning that the goods have remained in Bulgaria. The company uses a tax credit, no excise duty is paid on export goods and huge sums are saved of which the budget is deprived; 2) documentary fraud when trucks carrying excise goods (e.g. cigarettes) are recorded in the Bulgarian outgoing registers. In Romania these trucks are recorded as carrying toilet paper, electric light bulbs, or something of the kind (see Item 2.2. for more details).
- i) Monitoring of the press. Rather than measuring the concrete size of the hidden economy, this method helps to describe the phenomenon and includes information furnished by journalistic investigations of the problem, especially regarding the drug business, prostitution, illegal emigration, etc.
- j) Monitoring of town and country retail and wholesale markets. In practice this method covers a sector of the hidden economy which is linked with "trade" and "agriculture". So far official statistics have been unable to account for the entire production in agriculture, for which the inadequate register of farmers is also to blame. The monitoring of town and country markets can therefore to a certain extent also provide an answer as to the size of the hidden part of the above-mentioned sectors.

23. The trend of extending the scope of application of administrative penalties and coercive administrative measures is well visible in a number of laws: the Customs Code (SG, No. 15 of 06.02.1998), the Law on Control of Narcotic Drugs and Precursors (SG, No. 30 of 02.04.1999, in force since 03.09.1999), the Law on Measures against Money Laundering (SG No. 85 of 24.07.1998), the Law on Foreign Exchange (SG, No. 83 of 21.09.1999, in force since 01.01.2000), the Taxation Procedure Code (SG, No. 103 of 30.11.1999, in force from 01.01.2000), etc.
24. The law also referred to a number of state institutions and persons (Article 3, paragraphs 2 and 3) which are obliged to take measures to identify persons, collect, store and disclose information about operations and transactions. The Implementing Regulations of the MMLA (SG No. 119 of 14.10.1998) stipulate the establishment of a special body – the Financial Intelligence Unit - as a special Ministry of Finance team for keeping, studying, processing and disclosing information, received from persons under Paragraph 3 of the MMLA. The Implementing Regulation of the MMLA create criteria for identifying suspicious operations, or deals and clients, established by the Minister of Finance.
25. At GCD level, the Inspectorate Division consists of two departments: “Disciplinary Proceedings” and “Internal Control of Customs Activities”. The officials have no disciplinary powers. A written proposal is made in each concrete case to the GCD chief. During the last two years the Inspectorate Division has conducted over 70 checks in customs departments and considered dozens of complaints by citizens and companies which received an answer within the legally established term. During the same period disciplinary sanctions (including “dismissal”) were imposed on more than 80 customs officials and large sums were collected for the national budget.
26. See Clean Future, Anti-Corruption Action Plan, S., 1998, pp. 24-29
27. Ibidem, S., 1999, p. 11
28. See International Acts for Combating Corruption, S., 1999
29. See Agreement on Cooperation to Prevent and Combat Trans-Border Crime, p. 3
Bulgaria is also a party to a number of other multilateral agreements:
 - Black Sea region: the Ministry of Interior, National Border Police Service and National Service for Combating Organized Crime perform their obligations within the context of the Agreement between the governments of the participant countries in Black Sea Economic Cooperation in the struggle against crime and especially against its organized forms, signed on 2 October 1998 in Kerkira, Greece, and primarily maintain constant contact and, if necessary, exchange information with the border security and control services of countries in the Black Sea region.
 - Agreement on cooperation between the government of Bulgaria, the government of Romania and the government of Turkey in the fight against terrorism, organized crime, traffic of drugs and psychotropic substances, money laundering, arms traffic, trafficking in people and other grave crimes, signed in Antalia on 16.04.1998. Section III, Article 23 of the Agreement provides for the creation of a Supreme Committee made up of experts of the three countries, which establishes subcommittees in the areas envisaged in the Agreement and coordinates their activity.

Such subcommittees are envisaged in articles 11 and 12 (discovering false identity papers in border crossings and other crimes in the border

zone, as well as the exchange of operative information between the ministries' intelligence divisions.)

- Protocol on increased tripartite cooperation in the struggle against crime and cross-border crime in particular, signed by the foreign ministers of Bulgaria, Greece and Romania on 8 September 1998. In accordance with Article 3 of this Protocol, a Joint Commission responsible for its application has been established. In this connection, Bulgaria proposed the inclusion of a National Border Police Service representative in the Joint Commission for the purpose of coordinating the activity of border authorities in the struggle against cross-border crime. In practice, the NBPS has established direct contacts with representatives of the police detection services of Romania, Greece and Turkey, and exchanges information in specific cases (false IDs, smuggling of vehicles, trafficking in people, arms and materials hazardous to the public, involving citizens of the mentioned countries.
30. At present, the Republic of Bulgaria has signed inter-governmental agreements on readmission with 20 states (Poland, Switzerland, Germany, Slovakia, Greece, France, Spain, Portugal, Denmark, the Czech Republic, Sweden, Slovenia, Austria, Italy, Finland, the Benelux countries, Hungary and Norway). Framework projects for signing readmission agreements with another 9 countries have been exchanged: Croatia, Great Britain, Ireland, Latvia, Estonia, Ukraine, Romania, Russia and Georgia.

The practical implementation of readmission agreements is largely realized by the bodies of the National Border Police Service (NBPS). NBPS cooperates with analogous structures in the neighboring countries and member states, including the area of illegal migration, on the basis of bilateral and multilateral agreements.

Republic of Greece

Cooperation is realized on the basis of an Agreement between the Governments (dating from 1995):

1. Meetings of the Central Joint Bulgarian-Greek Border Commission (CBGBC) are held every year on an exchange basis to discuss issues of security and control of the state border. The 61st regular CBGBC meeting was held in Sofia in June 1999.
2. Meetings of the joint sector border commissions are held regularly. Border commissioners also work actively.
3. A Protocol on cooperation and exchange of information in the sphere of police detection has been signed between representatives of the Ministry of Public Order in Seres and the District Border Service in Petrich.
4. A Cooperation Program signed by representatives of the border security and control bodies of the two countries is being implemented.
5. Constant and effective contact is maintained with the respective bodies (consular service, military attachѐ, police attachѐ) at the Greek embassy in Sofia.

Romania

Cooperation between the two border services is realized on the basis of a Convention between the Governments (of 1973):

1. Meetings of the leaderships of the two border services are held every two years on an exchange basis; the last meeting was held in Sofia from 14 to 18

July 1999. (Since 1 July 1999, after the reform of the old structure, a new border security and control structure is functioning in Romania: the Chief Border Police Inspectorate with the Romanian Interior Ministry.

2. The joint sector border commissions and border commissioners work actively.
3. A Protocol on cooperation and interaction in the area of police detection for struggle against trans-border crime has been signed (Giurgiu, 10.03.1999).

Republic of Turkey

Cooperation is realized on the basis of an Agreement between the Governments (of 1967):

1. The joint sector border commissions meet regularly and border commissioners work actively.
2. No Central Joint Bulgarian-Turkish Border Commission has been set up.

FR Yugoslavia

Cooperation is realized on the basis of an Agreement between the Governments (of 1965, amended in 1982):

1. Meetings of the Central Joint Bulgarian-Yugoslav Border Commission are held every two years on an exchange basis. The last meeting was held in Sofia in 1998.
2. The joint sector border commissions did not meet during the hostilities. The border commissioners held meetings only in extremely important cases and extraordinary circumstances.

Republic of Macedonia

1. After Macedonia became a separate subject of international law, cooperation is realized only at the level of sector border commissions and border commissioners.
2. An agreement between the two governments is needed for fully-fledged cooperation between the border security and control bodies of the two countries.

Bilateral government agreements with countries in the region (Georgia and Russia):

- In accordance with signed agreements, cooperation with the Federal Border Service of the Russian Federation and the Border Troops of Georgia increases particularly in respect of border control and countering illegal migration.
 - The Budapest group (Budapest process), the International Center for the development of migration policy – Austria – Bulgaria through its special bodies takes an active part with its representatives in international conferences organized by the Center.
31. The establishment of a Fund to stimulate customs officers to fight against corruption was announced within the framework of cooperation between the Bulgarian and French customs. It will be funded along PHARE lines and by revenues from customs checks. (*Sega daily*, 22.02.2000).