

1. INTRODUCTION

With the disintegration of the Soviet bloc and the liberalization of foreign trade, Bulgaria radically changed its trade partners. In 1989, 85 % of trade was Soviet-bound, while in 2004, over 60 % of foreign trade is with European Union member states. Meanwhile, the reforms and modernization of the Bulgarian Customs Agency, the General Tax Directorate (GTD) and the security services were slow-paced and partial. The border became a mechanism for redistribution of national wealth on a scale that is comparable only to the process of privatization of state assets.

The wars in the Western Balkans, the chaos in the states of the former Soviet Union and the underdeveloped Balkan transport infrastructure created favorable conditions for organized crime groups to establish themselves at Bulgarian borders and their corresponding transport corridors.

The report *Transportation, Smuggling, and Organized Crime* focuses on the smuggling practices of transportation companies.

- The report describes and analyses **the structure of organized crime** groups smuggling consumer goods. It examines the various levels of semi-legal and criminal traders and their intermediaries, and the complex interplay between them. Corruption patterns and the involvement of public servants (customs and border police officers, and members of the judiciary) in smuggling practices are also considered. Through a historical overview of smuggling channels the report gives a comprehensive explanation of their enduring presence in Bulgaria. The key role of transportation companies in the structure of crime groups' smuggling activities is stressed.
- The report provides a thorough description of **the criminal networks for smuggling Chinese and Turkish goods**. The relations between criminals (acting individually or using fictitious companies), intermediaries, small brokers and other players are depicted. The report, for the first time, sheds light on the crucial role played by merchants of Chinese origin. The importance of warehouse markets, like Illiantzi, to crime groups is discussed, together with that of their security providers, the networks of semi-legal trade companies, the transport and forwarding firms and customs consultants.
- New data on **oil smuggling** shows the shrinking of the gray market for oil products. On the one hand, the altered structure of the oil market as a result of the considerable decrease of illegal import is presented. On the other hand, the report offers a description of the oil smuggling schemes still in operation.

- The report examines a number of schemes and channels for **illicit cigarette exports**. Particular attention is paid to the cigarettes importing scheme involving duty-free shops. Four different patterns used by duty-free-shop owners for distributing cigarettes at the domestic market are presented.
- The report provides an overview of the **customs and border control systems and their transformations in the period 1990–2004**. The transport industry and its development throughout the 1990s are assessed, including its participation in smuggling networks. It also reviews the state of transport infrastructure at the border crossing zones and the risks for smuggling increase it creates.

Three basic sources of information were used in the preparation to this report. First, these were **documents and statistics** of the Ministry of Interior, the BCA, the Ministry of Transport and Communications and the World Bank. In addition, information was gathered through **field research**—interviews with officials from the BCA and the Ministry of Interior. Finally a variety of transport practitioners were **interviewed**: truck drivers, seamen, pilots, air traffic controllers, transport, and forwarding company owners as well as individuals who have participated in customs fraud schemes.

The report proposes **a set of measures** to be taken by the relevant government agencies and the international community with the purpose of curbing cross-border smuggling. These recommendations accentuate on the need for inter-agency collaboration, international cooperation, enhanced security measures, and better equipped and better managed human resources.

Bulgaria's upcoming European Union membership will turn the country into a strategic external border of the Union, which will confer a common European perspective on the threat posed by crime groups' involvement in trans-border smuggling. Bulgarian economy will continue to suffer massive losses from smuggling since nearly 70% of its GDP passes through the national borders.