

INTRODUCTION

The present report is dedicated to one of the most serious problems of the Bulgarian transition to market economy, stable democratic institutions and the rule of law. The explosive growth of trans-border crime in the last 12 years led to the emergence of a criminal infrastructure, developed and maintained by criminal groups and quasi-legal "power groups," which have appeared in the mentioned period. The trans-border crime in Bulgaria is part of the new network of international organized crime, prospering after the end of the Cold War and closely connected to regional channels of smuggling and trafficking. Smuggling (including drug smuggling) and trafficking are in particular the main sources of income for organized crime in the country.

In the macro-economic context, trans-border crime became an important instrument for illegal redistribution of national wealth. Due to the open character of the Bulgarian economy, the legal movement of goods across the borders generates over 40 percent of the Bulgarian budget revenues, and import-export transactions represent two thirds of the gross national product. This means that revenues, generated through trans-border trade, are higher than those, acquired through privatization of state property. Smuggling is also stimulated by the large gray economy sector, which incorporates a diverse system of gray retail and wholesale trade.

An additional factor, contributing extensively to the growth of trans-border crime, was the sequence of military conflicts in the Western Balkans in the 1990s. The processes of violent disintegration of former Yugoslavia were accompanied with smuggling of weapons, oil and other goods on unprecedented scale. Illegal trans-border trade expanded even more after embargo regimes were imposed on our western neighbors. This in its own turn led to the active participation of the Bulgarian criminal underworld in smuggling operations to Macedonia and the Federal Republic of Yugoslavia (Serbia and Montenegro). Bulgaria became a mediator in the illegal flow of smuggled petrol products, weapons and various other goods, including drugs smuggled through the traditional route, as well as through several new ones.

It is impossible to successfully fight trans-border crime in the country without the determined effort to counter systemic corruption within the law-enforcing and law-protecting institutions. An enormous part of criminal acts and irregularities concerning import and export of goods, drugs and weapons, as well as trafficking in human beings, is conducted through unlawful cooperation with customs officers, employees of the National Border Police Service and other state institutions, responsible for border control. Corruption networks are part of the systemic smuggling or of the so-called smuggling channels, and the funds for bribing state employees represent "production costs" for organizers of smuggling.

The mutual inter-dependence between corruption and smuggling was analyzed in the report on trans-border crime, published by the Center for the Study of Democracy

in 2000 *Corruption and Trafficking: Monitoring and Prevention*. This report was an important step towards the introduction of a working methodology for assessment of this phenomenon in the context of countries in transition. Measures for countering trans-border crime were also proposed.

The present report continues the previous effort and summarizes researches and discussions conducted by members of the expert group within the framework of the anti-corruption initiative *Coalition 2000*, established in 1997 (<http://www.online.bg/coalition2000/>). The report's goal is to present the overall picture of systemic smuggling and corruption, which makes this smuggling possible, and to give an assessment of the efforts of anti-corruption reform in state institutions, above all in the Customs Agency and the Ministry of Interior.

Without any doubt, it is difficult to present an accurate assessment of the discussed problems, due to the lack of information about the exact parameters of smuggling, in particular of drug smuggling, and about the real scale of corrupt practices. Hence the importance of indirect indicators like marketing research on particular goods on the market, and methods for comparison of such data with official customs statistics for import and export of these goods. Apart from these methods, of particular importance is the role of export analyses, reporting on informal "price-lists" of corrupt services, as well as of the volume and value of smuggling deals and operations.

This publication summarizes the findings, based on the positions of the experts of *Coalition 2000*: **Boyko Slavchev, Advisor, Cabinet of the Minister of Interior; Georgi Georgiev, Senior Inspector, National Customs Agency; Dr. Dimitar Yotov, Associate Professor and Head of Department, Academy of the Ministry of Interior; Ivaylo Angelov, Expert, Bulgartabak Holding; Ivan Gospodov, Expert; Dr. Emil Tzenkov, Senior Fellow, Center for the Study of Democracy; Zhanet Papazova, Head of Information and Analyses Section, National Service for Combating Organized Crime (NSCOC); Petkan Iliev, Senior Fellow, Center for the Study of Democracy; Roumen Danev, Director of Customs Intelligence and Investigation Directorate, National Customs Agency; Slavcho Mihalkov, Expert, National Border Police Service; Tihomir Bezlov, Senior Fellow, Center for the Study of Democracy; and Chavdar Kanev, State Inspector, National Customs Agency.**