

ECATERINA BALICA & PASCAL DÉCARPES
(EDITORS)

VIOLENCE AND CRIME IN EUROPE
SOCIAL INTERVENTIONS AND RESEARCH METHODS

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SOCIAL BACKGROUND OF ORGANISED CRIMINALS IN BULGARIA AND CORRUPTION

PHILIP GOUNEV¹

Abstract: *Organised criminals in Eastern Europe have enjoyed access to corruption for two decades now for reasons very different from the type organised crime related corruption seen in Italy or other countries in Western Europe or in the USA. The social background and careers paths of criminal entrepreneurs, and their relation to economic and political elites best explain their access to corruption. This paper examines in depth the criminal careers of two categories of criminals: the violent entrepreneurs and the oligarchs in Bulgaria, and their use of corruption.*

Key words: *organised crime; professional criminals; careers*

1. INTRODUCTION

Social relations and the wider social context within which criminal/economic activities take place explain how individuals become involved in organised crime, how criminal enterprises are structured, and ultimately how (illegal) markets operate. They also explain the ability of organised criminals to use corruption. The present paper aims to present a typology of social backgrounds of organised criminals in Bulgaria and to examine how these backgrounds facilitate the use of corruption. The paper draws on data collected in the course of a number of studies on organised crime (Gounev, 2011; Gounev et al., 2010; Bezlov et al., 2007).

Social structure (e.g. class, family, school experience) facilitates social (and economic) action (Granovetter, 2005). Organised criminal activities are embedded in a web of social ties, relations, and informal networks (Kleemans and Van de Bunt, 1999). The density and types of these relations explain how and why certain individuals become recruited into organised crime, manage to have successful criminal careers, could succeed in expanding their operations beyond their immediate local, or the way in which their criminal organisations are structured (Kleemans and Van de Bunt, 2008; Kleemans and Poot, 2008). The social ties and networks they form could also become a 'criminal capital' which provides knowledge and technical skills to facilitate

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criminal activities or 'beliefs and definitions which legitimise offending' (Hagan and McCarthy, 1997:138).

Regardless of whether the social basis within which these social ties are situated is the urban working class (Hobbs, 2001), the marginalised minority (Venkatesh, 2006), the immigrant community (Finckenauer and Waring, 1998), or a historically established territory (Gambetta, 1993), these webs have deep historical roots. Yet they are constantly transforming under economic, political, or law-enforcement pressures. Hobbs (2001: 550) explains how the changing of the informal organisation of the urban working class milieu transforms the 'territorially based family crime collaborations' and 'enduring fiefdoms' into 'loosely structured informal collectives of ad-hoc groupings'. The social aspect that almost any comprehensive analysis of organised crime touches upon is the political one: the ability of organised crime to influence or control the political process to secure impunity or revenues (Della Porta and Vannucci, 1999; Paoli, 1999, 2003; Allum, 2010). There are also more narrow aspects of social relations, or the embedding of criminal activities into legal market activities that have been noted (Kleemans and Van de Bunt, 2008). The criminal activity may thrive on the work relations, settings, or simply opportunities or synergies that legitimate commercial activities provide (e.g. international or domestic professional contacts, cross-border movement of goods, or distribution of goods).

Since 1990 corruption has been the key instrument through which organised crime in Bulgaria has been able to achieve 'state capture'. Recent studies show that Bulgaria is a country with one of the highest levels of corruption and organised crime influence in the European Union (EU) (CSD, 2010). Recent reports have shown that oligarchic structures with relations to organised crime continue to exert powerful influence over political and economic life (CSD, 2009, 2012).

Corruption and organised crime have long attracted the attention of scholars and policy makers, but most often they have been studied separately. Although in the United States and Latin America the corrupting influence of organised crime has received much attention, in Europe, with the exception of Italy (e.g. Della Porta and Vannucci 1999; Paoli, 2003), little empirical research has been conducted. Various authors have decried the absence of empirical evidence (European Commission, 2008). Europol's (2007, 2008) reports are amongst the few attempts to suggest a more theoretical typology of the use of corruption by organised crime (OC) explaining that the factors that determined the use of corruption included: group structure, international dimension and the crime type the group is involved in affect the need and feasibility for the use of corruption and influence.

Academic experts have most often simply assumed a link between the phenomena (Amir and Einstein, 2004; Newburn, 1999) or focused on providing statistical (Buscaglia and Van Dijk, 2003) or purely theoretical proof (Kugler et al. 2005; Garoupa, 2000). But in Europe, and especially Eastern Europe, little empirical research has been dedicated to how and when organised crime networks or groups choose to employ corruption. Attempts by some authors, such as Holmes (2007), to explain the causes of the corruption-organised crime symbiosis in Eastern Europe have provided little insight, as they use only scant empirical evidence, and have limited to general explanations of either corruption or organised crime (e.g. 'the communist legacy', 'the neo-liberal climate', 'the multiple simultaneous transition') but none that links the two.

The present paper looks at two categories of criminal networks: former athletes and former law-enforcement officers. It focuses on one particular case examining the rise of former police officers to oligarchs, and their use of corruption at the various stages of their development - from lower level racketeers to regional oligarchs. In this way, within this particular case one can observe the range of corruption tactics that Bulgarian (or Eastern European) criminal groups with similar backgrounds use. In various other studies, much empirical evidence has already been collected on the particular criminal practices in which such groups engage: drugs distribution (CSD, 2003; Bezlov et al., 2007), racketeering (Gounev, 2006), smuggling (CSD, 2004), and police corruption (CSD, 2006; CSD 2006a).

2. SOCIAL BACKGROUND AND ORGANISED CRIMINALS

The social backgrounds of organised criminals in Bulgaria broadly fall into four main categories: (1) socially marginalised - mostly members of the Roma ethnic minority, but also marginalised as a result of economic crisis and poverty that settled in some regions of the country; (2) high risk entrepreneurs - communist era grey market entrepreneurs; (3) violent entrepreneurs - mostly former athletes and former security officers; (4) oligarchs - mostly former security officers, and communist era economic and political elites (Bezlov et al., 2007: 13). The rest of this paper examines in more detail the characteristics of each of these social background categories. It then examines how the oligarchs, the most influential of all categories, uses corruption as well as how the social background is a facilitator of the use of corruption.

The **socially marginalised** is probably the broadest category of organised criminals that ranges from 'foot-soldiers' to ethnic Roma criminal

entrepreneurs whose 'illicit-business model' entirely revolves around the exploitation of marginalised member of their community. The financial and economic crises that lasted for most of the 1990s in Bulgaria left vast swaths of the population unemployed or destitute. The economic pressures that led to marginalisation concerned various categories of people: urban youth coming from middle-class families¹ who had few employment opportunities for almost a decade; deindustrialised areas where state-owned enterprises closed down and left thousands of unemployed; Roma communities with over 90% unemployment; the new heroin epidemics which engulfed people from across the social spectrum quickly established a base of marginalised youth who were easy to recruit.

In the early 1990s there was little income differentiation between cities and neighbourhoods, and it was difficult to circumscribe areas where social exclusion and poverty generated higher-crime rates, but within two decades the situation changed. In bigger cities, including Sofia, certain neighbourhoods gradually became known to be sources where organised criminals could be recruited.

Certain (but not all) Roma neighbourhoods probably best illustrate socially marginalised people become en masse involved at all levels of illicit markets. All Roma neighbourhoods nowadays have local leaders, most of whom are in control of some illicit enterprise (trafficking in persons for sexual exploitation, mendacity, pick-pocketing, drugs distribution, illicit cigarettes distribution, loan-sharking etc.). Typically the 'foot soldiers' (or victims) of these illicit enterprises (prostitutes, pimps, street dealers, children etc.) come from the same neighbourhoods. Over the years, these leaders' growing control over this marginalised population, and in particular the ability to control their votes during elections, has provided them with leverage to influence politicians, judiciary, and law-enforcement.

The next social-background category is the "**high-risk entrepreneurs**". These are entrepreneurs, whose activities closely revolved around the grey economy. Their social background provided them with the skills to function well and take advantage of Bulgaria's large grey economy. Before 1990 they were usually involved in:

- occupations requiring no education degree but with a degree of entrepreneurship: taxi drivers,² bartenders, warehouse managers, waiters, etc;

¹Middle class is not used in the sense of 'middle income', which in the 1990s constituted a very small part of the population, but in the sense of educational and professional status.

² One taxi driver's personal account well illustrates the position in which this category of people were: "I have been working as a taxi driver since the early 1980s. It was a good profession. I had lots of foreign currency, because I used to drive to the airport often African students, or

- professional groups such as foreign trade specialists, accountants, jurists (mainly lawyers), as well as students in these subjects;
- Illegal activities (e.g. prostitution, drugs, or illegal currency trade).

With the development of illegal markets and organised crime networks after 1990, these grey entrepreneurs entered into various high-risk ventures, some of which were ground in grey economic or entirely illicit activities:

- Trade in scarce goods – starting with mass consumer goods such as cooking oil and sugar in the first months of the 1990 spring crisis.
- Ranging from the import of used cars and spare parts to car and registration fraud schemes.
- Ranging from trade in real estate to speculative operations such as buying up municipal and state-owned housing, including by eviction of tenants.
- Trade in foreign currency, including currency speculations.
- Illicit markets, including prostitution and drugs.

3. VIOLENT ENTREPRENEURS

The term „violent entrepreneurs“³ is used to define the primary focus of their illegal activities, which for much of the 1990s relied on the ability to use violence. Although organised-crime related violence in Bulgaria has significantly subsided in the past decade (contract killings declined from around 20 per year between 2003 and 2005 to only 2 in 2011, CSD, 2012: 18), the legacy violent entrepreneurs remain strong.

The social background of these individuals falls into three categories:

- Former athletes in martial arts or sports such as weight-lifting, wrestling, etc;
- Former officers from the Ministry of the Interior (MoI);
- Former prison inmates (during an amnesty in 1990 about one third of all prisoners were released).

In the 1990s the violent entrepreneurs were involved almost exclusively in illicit activities that provided some type of violent protection to other (illicit) entrepreneurs. These included the provision of protection rackets (private security services) to retailers and entertainment establishments, debt

sometimes foreigners from the hotels. We had a special relation with the cops. Because they were often watching us getting paid in dollars or being given [foreign] cigarette packs, which we can get in trouble for. So, we always gave them something. Some guys made it big, as they made lots of money in foreign currency” (Interview, June 2011).

³The term is first used by Volkov (2002).

collection and mediation of business conflicts. They were also involved in the trafficking to and from the former Yugoslavia of embargoed products (e.g. oil, arms), the trafficking in excisable goods (spirits, cigarettes, oil), as well as the smuggling and trade in stolen cars.

Much has already been written about organised crime during the 1990s in Bulgaria (Tzvetkova, 2008; CSD, 2004; Bezlov et al., 2007). The violent entrepreneurs were the key figures in the so called *grupirovki* that were initially set up as **private security firms** (e.g. VIS-1, Group 777). They imposed protection rackets both on smaller criminal groups (e.g. car theft or drugs distribution) and on legitimate businesses through violence and intimidation. Subsequently they expanded their racketeering services to include protection rackets of private luxury or new vehicles. A refusal to accept the protection service led to theft, damage, or bombing of the vehicle. Due to their connections with the police and the politicians and their capacity to use violence or the threat of violence, the *grupirovki* controlled and provided protection (from prosecution) of the car-thief groups.

In the mid-1990s, the value of vehicles stolen in Bulgaria reached €75-80 million annually (Bezlov et al., 2007: 155). This accounted for nearly 1% of GDP. If one adds the vehicles trafficked from abroad, the car-theft industry revenues vehicles probably represented an even bigger share of the country's GDP, and the biggest income generator for the *grupirovki*. In 1994, according to MoI data, the number of vehicles stolen in Bulgaria surpassed the number of new vehicle sales.

In 1995 the Law on Private Security Companies (PSCs) was amended and such companies had to be re-licensed by the MoI. All known racketeering PSCs were not licensed and they had to look for a new form of legitimate organisation. They found it in registering as **insurance firms**.⁴ This began a new period in the car-theft industry.

The provision of insurance became a new form of protection racket, targeting not only businesses, but private citizens, especially owners of the growing number of Western cars.⁵ Gradually many people simply chose (without being subject to any racket) to buy auto-theft insurance from these companies, as it provided them with assurance about the security of their cars. These companies (VIS-2, SIC, Levski-Spartak, Apollo and Balkan) insured about 90% of all new imported vehicles, but also controlled the domestic car-

⁴ VIS split into two and two insurance companies VIS-2 and SIC appeared. Club 777 registered Sila. Apollo and Balkan and Spartak were set-up by former anti-terrorist unit.

⁵ The insurance racket also spread across many other forms of property, from small shops or restaurants to street kiosks. Even municipalities were forced to insure public bus stops, and each stop had a sticker identifying its insurer.

theft and sales of stolen cars, and all aspects of international trafficking to and from Bulgaria (Gounev, 2006).

If a vehicle was not insured by one of the main racket-insurance companies, it could be stolen or damaged. The method of recognition for the thieves was an **insurance company sticker**, identifying which company had insured the vehicle. Since the insurance companies were closely related to or directly controlled car-theft groups at the local level, the car was 'theft-proof'. If a car was stolen, that was usually done by groups controlled by a rival insurance company. As it was more problematic to retrieve the car from the rivals, the stolen insured vehicles were often recovered by importing an identical stolen model from Western Europe.

The entire auto-theft insurance market was split amongst the main racketeering firms, which extended their services of retrieving stolen cars to all other insurance companies. Representative of Sofia Ins. (an insurance company owned by Multigroup) described in the following way their alliance with VIS-2: 'This is something like a co-insurance contract regarding certain makes of cars' (Capital 1996b). Companies that had no such an arrangement with one of the racketeering insurance companies either had prohibitively high insurance rates or simply did not offer insurance for certain models of cars which thieves targeted (Capital 1996c).

As results in the later 1990s all car thefts were controlled by these companies. By 1998, VIS-2 and SIC and the other racketeering insurance companies controlled at least 50% of the car-insurance market, which was their main source of revenue (Capital 1998). The scale of the car-theft insurance racket had reached epidemic proportions, not seen elsewhere in Eastern Europe. VIS-2 and SIC each employed over 2,000 people and had country-wide coverage. The two firms were hierarchical and their presidents were publicly known as 'organised crime' bosses. With their influence continuing to grow, the government came under foreign and domestic political pressure for change. In 1998, all insurance companies had to be re-registered and specific provisions in the 1998 Law on Insurance banned insurance companies from providing 'protection services'. A special change in the 1998 Law on Road Traffic made it illegal for vehicles to display any insurance stickers, due to 'obstruction of the driver's vision'. As a result, insurance companies abandoned racketeering practices.

There are two ways in which the legacy of violent entrepreneurs continues. Many of them retained control of their insurance companies under different names but abandoned the extortion activities. Nevertheless, there were still illicit practices within these new insurance, particularly in the way they recovered stolen cars (Gounev, 2011). In addition, many of them reverted back to the private security business, again by largely abandoning extortion.

Yet, even as of 2011 some of these companies continued to use threats and violence to collect debts (CDS, 2012).

The question of how violent entrepreneurs used and continue to use corruption as a tool has many answers. There were two key explanations. First, right from the establishment of the racketeering private security companies, many former police officers, especially from special services entered these companies. Just like former athletes, special services officers often had the same martial art training. In fact the best martial arts clubs in the country before 1989 were associated with the police and the military. Therefore, informal relations between athletes and police officers existed. More importantly, the protection rackets were in many cases imposed on some of the biggest companies in Bulgaria, who used security companies to collect debts, to settle business conflicts, or to threaten and extort competitors. The intertwining of violent entrepreneurs and the economic elites was therefore far-reaching. This economic clout of the violent entrepreneurs naturally translated into an ability to influence politics and the criminal justice process.

One example that shows well how criminals with different backgrounds interacted is the case of the town of Pazardjik. Since 1975 Pazardjik has also been the home of the only 'Police school' (until 1990 its name was the Intermediary Militia School): it is not a police academy, but rather a preparatory school, as well as a professional development school, where around 1,000 students pursue initial police training. Some of the well-known ex-police officers-turned-crime figures are graduates of the school. Interviews and public sources suggest that many other graduates have also followed criminal careers. Others have taken different professional paths, such as director of Pazardjik prison, or heads of police departments.

While the police school is unique for the country, the sports intermediary school in Pazardjik, Georgi Benkovski, a boarding high-school school for professional athletes, up to 1990 was one of 36 such specialised sports schools (Tzvetkova, 2008: 181). The phenomenon of the role professional athletes in organised crime is examined in depth by Petrunov (2006) and Tzvetkova (2008) in Bulgaria, by Volkov (2002: 6-11) in Russia. Graduates of the Benkovski school formed the core of one of the rather well-known private security firms in the early 1990s, 'Gardenia 69', headed by former wrestler. 'Gardenia 69' became involved in some of the bloodiest organised crime conflicts in Sofia. The company declined because 'clients were scared by rumours [that] they're involved in car-theft and [the] gun trade' (Cholakova 2007: 94-100).

4. THE OLIGARCHS

The so-called **oligarchs** who aim at monopolising the most profitable economic sectors have the most powerful tools to corrupt, especially politicians and magistrates. Their involvement spreads across 'white-collar crimes' (various tax crimes, VAT fraud, excisable goods fraud) and, sometimes, traditional organised crime activities (drugs or prostitution). The oligarchs typically have any of the following social backgrounds:

- Former high-ranking business executives;
- Former communist-party functionaries;
- Former officers from the special services.

In the 1990s they focused their business activities in any of the following:

- Setting up financial services companies, including banks;
- Controlling the input and output of state-owned enterprises - typically intermediary companies were used to sell goods and services to such enterprises at inflated prices, or to buy the output of the state enterprise lower than actual costs;
- Creating, gaining domination and control over mass-media;
- Establishing monopoly or cartels over certain markets or industries (e.g. sugar production, gambling, mobile telephony, etc.);
- Partnering with risk entrepreneurs and setting up holdings present in as many markets as possible;
- Establishing strategic alliances with multinational corporations.

To best understand the factors that lead to the involvement of former security officers into organised crime networks and that facilitate the use of corruption today, a short historical note is needed. Bulgaria's 1989 political reforms were followed by the transformation of the communist era Committee for State Security - CSS (the Bulgarian equivalent of the Soviet KGB). Apart from the structural reforms, substantial personnel cutbacks were made at all levels of CSS. Between 1989 and 1991, over half of its officers were dismissed, the majority of them from the political police and the Technological and Scientific Intelligence (TSI) unit. An additional restructuring push in 1991 - 1992 period was carried out by the first non-Communist government. In the two waves of dismissals a total of between 12,000 and 14,000 officers were laid off. In the following years, successive governments pushed through additional rounds of police staff layoffs numbering a further 10,000. Along with this, between 1989 and 2006, the Bulgarian army reduced its size from close to 250,000 to 38,000 (CSD, 2004: 7-8).

The majority of laid-off personnel kept their personal connections with individuals within the system. There were four major models in which

criminal incomes were generated during the 1990's, and in all former security personnel and their connections to law-enforcement were instrumental:

- **The Yugo embargo violations:** the smuggling of goods to the former Yugoslavia in the 1992-1996 was extremely profitable. Similarly, to the prohibition era in the US, in Bulgaria it catalyzed the creation of organised crime. Connections with border police or the military were exploited: former officers running their own companies, or working at the big private firms involved in smuggling (e.g. Multigroup or Litex), were provided protection. Not only border guards, but officers at all levels of all other related police or intelligence agencies were paid off (e.g. National Security Service - NSS or National Service Combating Organised Crime - NSCOC).
- **Racketeering and extortion:** the lack of adequate state protection and contract enforcement of business led to the rise of private security companies (set-up mainly by laid-off security officers, many in real economic hardship), many of which became involved in illegal debt collection or ran protection rackets. After being banned in 1994, these companies transformed into insurance companies, but continued to be involved in extortion racketeering at an even greater level (CSD, 2004b; Tzvetkova, 2008; Gounev, 2006).
- **Consumer goods smuggling:** the cross-border smuggling of legal and illegal goods was the largest source of income to criminal groups up to 2002 - 2005 period. Former security officers (especially the ones from the TSI) used their connections with foreign trade companies and police to ensure the smuggling channels (CSD, 2004b).
- **Illegal markets (drugs, car-theft, prostitution):** former security officers used their connection to police or the NSCOC to protect the illegal markets. Probably the best illustration was exemplified in a 2005 study on the drug markets in Bulgaria, which showed the almost perfect overlap of the borders of police department districts in Sofia with the separate drug-distribution areas, controlled by former security officers (CSD, 2004).

The Galevs', whose case is presented below, were involved in all of these historic forms of criminal activities. Below we focus only on the most recent past.

5. THE GALEV 'BROTHERS' CASE⁶

5.1. The Galevs background

The Galev 'brothers' were former officers at the NSCOC.⁷In the early 1990s they served at the SATS, many of whose members became leading organised crime leaders. Between 1993 and 1996 the Galevs along with two other former police officers formed an extortion criminal group that came to be known as the 'Officers band'. In that period, using extortion, they took over various businesses in the South-western Bulgaria, particularly the Dupnitsa region. The local police department received extortion complaints from at least 40 local businessmen against the Galevs but no action was ever taken.⁸They were protected by the head of the Dupnitsa Police Department and the head of the regional police district.

During that period, the Southwest region of Bulgaria, where Dupnitsa is situated was heavily involved in trafficking of goods to the Macedonian border in violation of the embargo on Yugoslavia. Some local sources argue that the Galevs were involved in the trafficking of fuels to Yugoslavia. In 1996, coincidentally as the embargo was lifted, the two were hired back in the police: one at the NSCOC's drugs unit and the other at the Regional Service for Combating Organised Crime. Both were fired in 1998 (along with their protectors mentioned above) on order of the Minister of Interior, Bogomil Bonev. The allegations were: 'connections with organised crime'. None of the several prosecutions against them was ever concluded, as either witnesses withdrew testimonies, or insufficient evidence was presented, or the statute of limitation had expired (Banker, 2006).

By 2002the Galevs had gathered sufficient economic power and connections and had started to establish themselves as local oligarchs with ambitions to influence local politics. They also started an active public relations campaign and charity work in a somewhat successful attempt to win the 'hearts and minds' of the citizens of Dupnitsa. They financed the 2005 campaign of the Socialist Party mayoral candidate (who won). Soon after the elections, the mayor publicly turned against them claiming that they had 'privatized' Dupnitsa through extorting rackets from local businesses, and attempted to control local government. The complaint by the mayor resulted

⁶Parts of this part of the present chapter have been published in: Gounev, P. and Bezlov, T. *Georganiseerde misdaad, corruptie en politiek in Bulgarije*, Boom Legal Publishers, WODC: Justitiële verkenningen, 35 / No. 3, 2009 [in Dutch].

⁷The main law-enforcement agency tasked with fighting organised crime in Bulgaria.

⁸The Galevs were also involved in the smuggling and distribution of stolen vehicles, as Dupnitsa turned in the second largest used-car dealership concentration in Bulgaria.

in a visit by Minister of Interior Petkov, who concluded that no organised crime structures have control of the town (Sega, 2006). It was only a few months after this meeting that Minister Petkov met with the Galevs. In the 2007 local elections, the Galevs formed supported their own local political party, called "Our city", and their candidate won the 2007 mayoral race. The Galevs became official advisors to the mayor.

5.2. The corruption scandal and its background

The Galev 'brothers'⁹ scandal started in March 2008, when Atanas Atanasov, a Member of Parliament and former NSS head, presented to the Chief Prosecutor (and then leaked to the press) police-recorded transcripts of conversations between major alcohol producers and Ivan Ivanov, the Deputy Head of NSCOC. The transcripts clearly implicated Ivanov in corruption and as an accomplice to the companies' avoidance of excise taxes. Mr Ivanov was covering up a scheme which involved the illegal production by these companies. In a follow-up parliamentary hearing, Head of the Customs Administration revealed a number of different schemes of illegal production and smuggling, and the data he showed indicated that around 70% of the alcohol sold in Bulgaria was either illegally produced or avoiding excise taxes (Mihalev, 2008; Capital, 2008). Following the publications, Mr Ivanov was arrested but it became apparent that the Minister of Interior, Mr Rumen Petkov, has covered up for some time Mr Ivanov.

This drew the attention on Mr. Petkov and soon evolved into a second bigger scandal. In a testimony before Parliament on the Ivanov affair, the former NSCOC Head, Tanio Tanov, revealed that Mr Petkov had met in 2006 with the well-known Galev brothers: alleged to be local crime bosses in the town of Dupnitsa.¹⁰ Since 2004 the Galevs had been under investigation for drug-trafficking. In addition to Tanov's allegations, in a report to Parliament, released at the time of the hearing, State Agency for National Security (SANS) identified the Galevs to be involved in illegal drugs trade (Internal security committee, 2009).

These allegations resulted in the largest public scandal within the Ministry of Interior (MoI). Mr Petkov was forced to resign. The scandal was even more important, because Mr Petkov was considered the second most powerful politician in the ruling Bulgarian Socialist Party (BSP), along with President Georgi Parvanov. M Petkov has been a key BSP functionary since

⁹ In fact their names were Plamen Galev and Angel Hristov, but as they have been business partners and best friends for over a decade, they are known as the Galev "brothers". For ease in this paper this is how we refer to them.

¹⁰Population 45,000 and located 60 km south of Sofia, near the Greek and Macedonian borders.

1999, being responsible for the party's organisational structure. He received the nickname "the Regent" after the 35-year old Sergei Stanishev was elected as the head of BSP in 2001 to replace Mr Parvanov who became President. His position was further strengthened with BSP's electoral victory in 2005.

The explanation about the Minister's meeting with the Galevs that he and SANS provided was that:

'at the beginning of December 2006 the MoI received information from several independent operative sources that there were serious tensions amongst the structures associated with the so-called 'grupirovki' [organised criminal structures]. The information was promptly reported [...] to the then General Secretary of the Ministry of Interior - Mr Ilia Iliev [...]. In order to avoid discrediting Bulgaria on the eve of EU membership on 01.01.2007, the leadership of the Ministry of Interior decided to hold emergency meeting with representatives of the above groups for and to avoid open conflict between them' (Internal Security Committee, 2009).

The head of the National Police, Mr Iliev also held a separate meeting with the Galevs, although Mr Petkov refused to inform the parliamentary committee of the reason for this meeting (Ibid). In addition, the police had recorded a conversation between the Head of the National Investigative Service, Alexander Alexandrov, and one of the Galevs, in which Mr Alexandrov informed the Galevs in full detail about the content of an internal meeting amongst representatives of the Police, NSS, and the NSCOC, in which the Galevs case was discussed (ibid.).

The scandal yet evolved even further, when in an attempt to defend the legality of meeting, the Minister of Interior before the 2008 Parliament revealed that the meeting was arranged by a paid informant. The shocking detail was not only that the Minister decided to reveal the name of an informant but the informant himself - Alexei Petrov. Mr Petrov, whom the Galevs described as a 'friend' and 'former colleague', and whom they supposedly asked to arrange the meeting (as they have served together in the Specialized Anti-Terrorist Squad - SATS) (Darik Radio, 2008) was well known in Bulgaria as one of the leading crime figures. After leaving the security services in 1992, he started a number of businesses, including Spartak Security, later Spartak Insurance companies (presently LevIns), both of which were suspected to be involved in extortion racketeering and illegal debt collection (Tzvetkova, 2008; Gounev, 2006). Spartak was one of the former racketeering insurance companies which Minister Bonev (see above)

attempted to close down in 1998.¹¹ Over the past decade, Petrov has been shot at (and wounded) twice, which the media or experts have always attributed to the nature of the illegal business in which he engages. Therefore, his appointment as an advisor to the head of the SANS, aimed at fighting high-level corruption, raised questions about its legitimacy (Banker, 2008).

In late December 2008, the Galevs were arrested on various charges (none related to drug trade). The run up to their arrests showed how tightly they controlled the local politics and law-enforcement. After the raids on their companies by tax, customs, and police authorities, the public prosecutor complained that there was information leakage towards the Galevs warning them of the upcoming raids. Before their arrests (News 24.bg, 2008) the Galevs admitted and even publicly showed the warning text messages they received from 'concerned magistrates and officers' about their upcoming arrest (Mediapool, 2008).

The 2009 change in government changed the fortunes of those involved in the scandal. After his arrest in 2010, in 2011, Petrov became the main defendant in a high-profile organised crime case, brought to court by the prosecution. The charges included extortion racketeering, but also provided evidence of corruption. The Galev brothers were convicted by a first instance court on extortion charges. Mr Petkov, though, retained all his other positions with the BSP, and led the BSP candidate list in his home region in the 2009 parliament elections. Mr Petkov was prosecuted for revealing the name of an informant, but was never convicted (News.bg, 2009).

6. THE OLIGARCH'S AND THEIR USE OF CORRUPTION

The economic, legal and institutional chaos and insecurity that resulted from the collapse of the totalitarian state, made it possible that corruption penetrated all levels of public life in Bulgaria, including the political, administrative, judicial and the law enforcement level, and that corrupt officials could establish mutual beneficial links with persons associated with organised crime. The enduring corrupt links between the criminal groups and the state (politicians, MPs, magistrates, and representatives of the administration on the local and central levels) have been an essential condition for the existence of organised crime.

In Bulgaria, all of the branches of power are the object of attention by organised crime. The figure below schematically represents how traditional

¹¹Interviews with car-thieves have indicated that LevIns, the successor of Spartak, still has strong underworld links and uses violent means to deal with car-thieves when a car that it has insured is stolen.

organised crime and white-collar criminals (both often intertwined) use corruption as a tool. Generally, the larger the economic resources controlled (including within the black, grey or legal economy) the higher the level government or authority targeted. Systemic organised corruption is achieved when a criminal syndicate with tentacles through the legal and illegal economies coordinates corruption not only through the various levels of public institutions, but also in private companies, such as banks or large foreign corporations. Through the different levels the corruption may differ from small regular payments, to larger amounts in offshore bank accounts, to trading influence or political investments.

The Galev's case could be analyzed in the above framework, as the targets and the corruption methods used changed over the years:

- Law enforcement (police, investigators,¹² tax authorities, and customs)
- Political corruption (local or national level politicians, and parliamentarians)
- Judiciary (prosecutors, judges)
- Administrative (government or court administrations, civil servants, regulatory permit authorities).

6.1. Law-enforcement corruption

Galev's key instrument and competitive advantage have been the ability to corrupt the various police agencies. This is the instrument they have used throughout their careers, utilizing the informal networks created during their service. Having served in elite units (SATS, NSCOC) they had nationwide web of connections, and very strong local links. In January 2009, following the scandal, twenty police chiefs from the entire region where the Galevs were believed to have influence were either moved to a different police department or retired (Standart, 2009), showing the breadth of corrupt influence.

Various studies have demonstrated in detail how different criminal markets use law-enforcement corruption in Bulgaria (CSD, 2004; CSD, 2007). One purpose was simply to be warned or even to avoid an arrest or investigation (which is the case with the phone call of Alexander Alexandrov to the Galevs). In other cases, the police could function as the regulator of the illegal market, to protect from competition, to destroy the competition, or to ensure monopoly position in the market or certain geographic area. The numerous complaints filed in police departments by victims against of the Galevs never turned into prosecutions.

¹²In Bulgaria the investigation of certain organized crime is carried out by a separate institution called National Investigative Service, which is separate from the police.

The Galevs in their drugs smuggling or embargo-busting activities needed to **corrupt customs** officers to ensure smooth cross-border movement. Although corruption in the Customs has slightly subsided in recent years in Bulgaria, between 1990 and 2005 it was thriving. It was used to provide certain companies with competitive advantage: most often goods at lower prices (e.g. excise tax goods: oil, alcohol, or cigarettes). In such cases, organised crime often functioned as a service provider to legal companies ensuring the “duty free” delivery of goods across borders. Another issue is the smuggling of consumer goods, often products of intellectual piracy (and quite often made in China) (CSD, 2000, 2002, 2004).

6.2. Political corruption

The Galevs use of political corruption seemed to have taken off in recent years and was part of their transformation into oligarchs. Political corruption often takes the form of an investment with an expected future return, particularly during local or parliamentary elections. The Galevs focus was **local government** and they started this type of investment in 2002-2003, when they went around poorer neighbourhoods of Dupnitsa with their bodyguards threatening the local citizens and forcing them to vote for the BSP mayoral candidate. In an interview Plamen Galev even claimed to have given the BSP mayoral candidate ‘cash money to buy the votes he needed’ (Capital, 2006). After the BSP mayoral candidate turned against the Galevs in 2005, their political investment was even more direct, as they funded the establishment and won the elections through their own party. Interestingly, the Galevs party ran the 2007 local election partially on an anti-corruption platform, claiming that the BSP mayor was corrupt. They made significant efforts in legitimizing their mayor (and themselves) by investing in local infrastructure and public services. This investment paid off, as during 2008, there were several protests in support and a declaration of support by the Dupnitsa’s municipal council protesting the investigations of the Galevs’ (Dnevnik, 2008).

Once established at the local level, they were already able to trade in influence at the national level. In small towns like Dupnitsa, the local level political corruption is synonymous with **administrative corruption**, and therefore little additional resources are required as the mayor has significant leverage over the administrators. In Bulgaria, **national level political corruption** often aims to introduce legislative changes that facilitate or even legalise certain criminal practices (e.g. gambling or trade in certain excise-taxed goods). The officials involved in such transactions reject or blatantly disregard public opinion and political discontent, including at the international level. Amongst the many examples are the 2007 government-

proposed amendments to the *Law on Corporate Income Tax*, which were about to half the effective income tax paid by some particular types of gambling activities. The parliamentary debate turned into public scandal when it became clear that from the amendment will only profit 4 companies – 2 were state-owned, and the other two (Evrofootball and Evrochance) were owned by one single person: Vassil Bojkov (Capital, 2007).Bojkov was then considered Bulgaria's richest person, and his prior involvement in various organised crime activities had been reported extensively (Bezlov et al., 2007; CSD 2004). The Minister of Finance, Plamen Oresharski, was blamed even by his own Deputy that 'he works only for one industry, and that is the gambling industry' (Vsekiden.com, 2009). CSD (2009) has shown in more systematic way how various branches of the government deliberately grant benefits to private sector entities closely related to ruling political parties. It also demonstrates how judicial corruption could be used to shield criminals or criminal enterprises from prosecution.

The **formation of lobbies in Parliament** is another common approach. The Galevs' continued to support of BSP in the 2005 Parliamentary elections gave them some leverage, but far less than the local elections due to the electoral process system in Bulgaria.¹³ Nevertheless, the MP from their district has shown public support to their party and attended various public events with them (Dnevnik, 2008).

Our observations show that within the past two parliaments (39th and 40th National Assemblies) about 20 MPs on average have actively advocated legislation in the interest of economic structures related to organised crime. Such legislative acts include influencing new laws and amendments to the laws on gambling, insurance, electronic media, spirits production, art heritage, etc.

6.3. Judicial corruption

The corruption of the judiciary is usually the 'second line' of defence. In the case of the Galevs due to the fact that the police never investigated or even registered many of the complaints against the Galevs, they had to resort less to judicial corruption. Nevertheless, the multiple lawsuits against them in the 1990s indicate that most likely corruption was used. In January 2009, the Supreme Prosecutor ordered an investigation into the activities of the local prosecutors in the town of Dupnitsa in order to find out how racketeering complaints were dealt with (News.dir.bg, 2009).The most common method

¹³The election system is based on proportional not majority based system. Therefore the election campaign requires support for individual candidates that could later form the lobby. The same candidate could also appear in different electoral lists and is not solely dependent on the particular region.

usually used by criminals is by direct payment of bribes to prosecutors so as to refrain from pressing charges against organised crime representatives.

The corruption methods of oligarchs used in the court stage of the proceedings usually involve the intermediation of **lawyers**. Galev's lawyer is Victor Mihailov, former Minister of Interior (1993-1995) (Standart, 2008) has history of corruption scandals as a lawyer. In 2004, Mihailov defended one of most prominent cigarette smugglers, Ivan-the Doctor-Todorov.¹⁴ He obtained a special letter from the NSCOC to serve as evidence, stating that NSCOC did not have any evidence for any criminal activity against Todorov. Only a year earlier, in 2003, Todorov had figured prominently in the NSCOC annual report on organised crime, as one of the top three organised crime figures (Nikolov, 2003). As a result, the Deputy Head of NSCOC Venelin Velikov was fired, and Mihailov's right to represent Todorov was suspended (Pari, 2004). The judicial corruption in Bulgaria has assumed even a different dimension in recent years. Whereas until the end of the 1990s the national wealth used to be redistributed by the government, in recent years courts have become in public concessions and procurement processes. Where criminal groups fail to corrupt administrative or political bodies to win public contracts, they use the courts to achieve these goals (Pashev et al., 2006).

7. CONCLUSION

The Galevs' corruption scandal showed the excessive powers that high-level special services officers and MoI official have. The reactions of government and opposition politicians indicated that the scandal caused much concern about the parallel political power that high level police officers had through their use of agents, and special wiretaps. The real issue of concern, though, was the undue influence that individuals involved in organised crime have over the political leadership of the country.

The scandal also illustrates another reality in Bulgaria, which is a legacy of the communist era – the lack of independency of law-enforcement from political influences. Prior to 1990s the security services and State Security were the backbone of the communist regime and the two were interlinked. After 1990 corrupt governments did not make any effort to leave any distance between law-enforcement and political leadership. On the one hand this ensured that corrupt political leaders would not be investigated by the police (and such investigations of active politicians have never taken place). On the other hand it allowed politicians to directly participate in the regulation of criminal markets and to ensure the financing of political parties with proceeds

¹⁴Todorov was shot to death on 22 February 2006 in day-light in the center of Sofia

of crime. The direct negotiation process of the Minister of Interior with criminal leaders is not exceptional in any way. It is just one way political meddling in law-enforcement activities. Ministers of Interior in Bulgaria often supervise important criminal investigations and publicly report (on behalf of the police) about the course of ongoing investigations. This unhealthy relationship works both ways, as corrupt police officers have their own inroads towards the politicians. Security services often hold “investigation files” with evidence sufficient to discredit politicians. In 2010-2011, special services that had gone rogue released a series of wiretaps of conversations between the Prime Minister, the Minister of Finance, and the head of Customs, and a number of other politicians, implicating the Prime Minister in meddling with a Customs investigation into a major alcohol producer.

The social background of organised criminals is determined by the political history of Bulgaria, as well as the economic history during the 1990s. The chapter showed how former law-enforcement officers use their professional and social background to access corrupt networks. The chapter also shows how violent entrepreneurs were closely connected to special services and law-enforcement, as well as to the economic elites, and therefore to the political elites of the transition period.

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