

**ORGANIZED  
CRIME IN BULGARIA:  
MARKETS AND TRENDS**



**CENTER FOR  
THE STUDY OF  
DEMOCRACY**

The present report builds upon various studies published by the Center for the Study of Democracy throughout the last decade which have focused on specific aspects of organized crime in Bulgaria (contraband, the drug market, tax fraud, human trafficking, arms proliferation, etc.), the systemic spread of corruption, and the linkages between the two. The report presents the latest trends and manifestations (or “market niches”) of syndicate crime and its particularly damaging effects. It goes further to offer a historical review of the facts and available expertise in the area, and to draw conclusions about the origin, characteristics and developmental features of organized criminality in Bulgaria in the context of the transition to democracy.

This report attempts to present an authentic picture of organized crime in Bulgaria, by identifying its constituent features and major trends. The research team has used information from all available sources, analyzing it through several, complementary methods. Collecting empirical data about clandestine and hidden markets is a hard task, which can sometimes put the researchers at risk. However, it cannot be dispensed with, particularly as the so called objective data (police and judicial crime statistics) provided by public bodies is often incomplete and sometimes manipulated. This paper also furthers expertise exchange through a public-private partnership.



This publication has been produced with the financial assistance of the European Union. Its contents are the sole responsibility of the Center for the Study of Democracy and can under no circumstances be regarded as reflecting the position of the European Union.



The report is published with the financial support of the US Department of Justice

#### **Editorial Board**

Ognian Shentov  
Boyko Todorov  
Alexander Stoyanov

**ISBN 978-954-477-150-8**

© 2007, Center for the Study of Democracy  
All rights reserved.

5 Alexander Zhendov Str. 1113 Sofia  
phone: (+359 2) 971 3000  
fax: (+359 2) 971 2233  
www.csd.bg, csd@online.bg

# CONTENTS

<b>INTRODUCTION</b> . . . . .	5
<b>1. ORGANIZED CRIME IN BULGARIA: TYPOLOGY AND TRENDS</b> . . . . .	9
1.1. EVOLUTION OF VIOLENT ENTREPRENEUR GROUPS . . . . .	14
1.2. OLIGARCHIC STRUCTURES . . . . .	23
1.3. EXTREME-RISK ENTREPRENEURS . . . . .	27
1.4. THE NEW SYMBIOSIS: ORGANIZED CRIME ON THE DOORSTEP OF EUROPE . . . . .	29
<b>2. THE DRUG MARKET IN BULGARIA</b> . . . . .	39
2.1. FORMATION OF THE DRUG MARKETS IN THE 1980s AND THE 1990s. . . . .	39
2.2. THE DRUG MARKET – STATE OF PLAY, TRENDS AND RISKS. TYPES OF DRUG MARKETS. . . . .	41
2.2.1. THE HEROIN MARKET: TYPES OF CONSUMPTION, STRUCTURE AND ORGANIZATION OF HEROIN DEALING AFTER 2001. . . . .	41
THE HIERARCHICAL PRINCIPLE . . . . .	42
THE ZONING PRINCIPLE . . . . .	59
2.2.2. THE SOFT DRUGS MARKET . . . . .	61
2.2.3. THE SYNTHETIC DRUG MARKET . . . . .	67
2.2.4. THE COCAINE MARKET . . . . .	80
2.3. DRUG MARKET SIZE, TRENDS AND POSSIBLE SCENARIOS FOR THE FUTURE OF DRUG DISTRIBUTION . . . . .	82
2.3.1. DRUG MARKET SIZE. . . . .	83
2.3.2. DRUG MARKET TRENDS . . . . .	84
2.3.3. POSSIBLE SCENARIOS FOR THE FUTURE OF DRUG DISTRIBUTION . . . . .	88
<b>3. PROSTITUTION AND HUMAN TRAFFICKING.</b> . . . . .	89
3.1. THE EMERGENCE OF THE DOMESTIC MARKET AND THE BALKAN CONTEXT . . . . .	92
3.2. TYPOLOGY OF PROSTITUTION IN BULGARIA . . . . .	96
3.3. EXPORT OF PROSTITUTION AND HUMAN TRAFFICKING. TRAFFICKING IN WOMEN. . . . .	108
3.4. ORGANIZED CRIME IN THE EXPORT OF PROSTITUTION . . . . .	133
3.5. PROSTITUTION IN BULGARIA: THE SIZE OF THE MARKET AND EXPECTED TRENDS . . . . .	139
3.5.1. TENTATIVE ESTIMATE OF THE PROSTITUTION MARKET. . . . .	139
3.5.2. TRENDS IN THE PROSTITUTION MARKET . . . . .	140

<b>4. THE VEHICLE THEFT MARKET . . . . .</b>	<b>.145</b>
4.1. FROM THE ECONOMY OF DEFICIT TO THE BLACK ECONOMY . . . . .	.145
4.2. THE RISE OF RACKET . . . . .	.149
4.3. MARKET CONSOLIDATION . . . . .	.152
4.4. POLITICAL STABILITY AND MARKET REDISTRIBUTION. . . . .	.156
4.5. CONTEMPORARY PERIOD . . . . .	.159
4.6. CAR THEFT MARKET DEVELOPMENT SCENARIOS . . . . .	.175
<b>5. THE ANTIQUITIES TRADE – DEALERS, TRAFFICKERS, AND CONNOISSEURS . . . . .</b>	<b>.177</b>
5.1. DOMESTIC TRADE IN ANTIQUITIES . . . . .	.178
5.2. TRANS-BORDER ANTIQUITIES TRAFFICKING. . . . .	.185
5.3. REGULATING THE MARKET IN ANTIQUITIES . . . . .	.188
5.4. ADOPTING EUROPEAN STANDARDS TO REGULATE THE MOVEMENT OF ANTIQUITIES. . . . .	.189
5.5. REGULATING THE PROTECTION AND MOVEMENT OF ANTIQUITIES . . . . .	.192
<b>CONCLUSION . . . . .</b>	<b>.199</b>
<b>APPENDIX. . . . .</b>	<b>.200</b>

## INTRODUCTION

The present report builds upon various studies published by the Center for the Study of Democracy throughout the last decade which have focused on specific aspects of organized crime in Bulgaria (contraband, the drug market, tax fraud, human trafficking, arms proliferation, etc.), the systemic spread of corruption, and the linkages between the two. The report presents the latest trends and manifestations (or "market niches") of syndicate crime and its particularly damaging effects. It goes further to offer a historical review of the facts and available expertise in the area, and to draw conclusions about the origin, characteristics and developmental features of organized criminality in Bulgaria in the context of the transition to democracy.

Organized crime is approached as a complex phenomenon through one basic assumption: rather than being deviant behavior, as it generally is in other societies, crime in post-communist states such as Bulgaria was an **essential attribute of a society in transition** from state to private property, as the post-1989 state's monopoly over the economy began to dissolve, institutional control declined and private businesses proliferated in a largely unregulated environment. The collapse of the totalitarian state, whose immediate result was a burgeoning gray and black economy followed by a precarious combination of legal and shady businesses run by the post-communist elites, rather seamlessly propagated the emergence of organized crime.

Public bodies, particularly the judiciary and law enforcement, in transition states are under-equipped for identifying and tackling complex **organized crime enterprises which run legitimate businesses on a par with criminal deals and commonly resort to corrupt practices**. Thus, law enforcement agencies would rather focus on the unequivocally criminal and direct their efforts against black markets. The lack of capacity of both Bulgarian and EU institutions to tackle organized crime is nowhere more visible than when public figures and politicians speak publicly about contract killings. These notorious mafia-type murders, however, are a clear marker of the existence of complex criminal structures where even the gravest crime has a rational justification and a sound economic motive.

As the EU cannot but seek to apply uniform approaches and regulations across member states, its attempts to offer and require solutions regarding Bulgaria's justice and home affairs failures could only be cursory. **Countering organized crime and high-level corruption** are legitimately defined by the European Commission as the areas where progress to integration is most lacking. The benchmarks set, however, are too **quantitative and formal to be able to capture the changes or lack thereof of such deep-set issues**.

By outlining the types and trends in Bulgarian organized crime as it evolved in the transition years, this report provides a new perspective to these issues in general and in particular – on the **implications and the price to be paid for the penetration of local criminal enterprises** (bearing the characteristics of oligarchic cliques) **into the economic and political elites of Bulgaria**. This approach helps examine some fundamental questions, such as whether there is any legal national capital in Bulgaria and what is the preferred way of its legalization and transfer in the legitimate economy (amnesty, money laundering, etc.), what could be done against an increasingly brazen high-level symbiosis of policy makers and civil servants with gray businesses, and if this symbiosis could be further tolerated now that Bulgaria is a full-fledged EU member.

\* \* \*

This report attempts to present an authentic picture of organized crime in Bulgaria, by identifying its constituent features and major trends. The authors of the report, however, are not claiming to offer the most comprehensive representation, as the topic is constantly and dynamically changing. The research team has used information from all available sources, analyzing it through several, complementary methods. This multifaceted approach has sometimes led to contradictory conclusions about the surveyed gray and black markets. Any such contradictions were intentionally left intact in order to demonstrate the need for a continuing information gathering effort. Collecting empirical data about clandestine and hidden markets is a hard task, which can sometimes put the researchers at risk. However, it cannot be dispensed with, particularly as the so called "objective data" (police and judicial crime statistics) provided by public bodies is often incomplete and sometimes manipulated. The publication enhances expertise exchange through public-private partnership as a main research approach favored by the Center for the Study of Democracy.

The sources of information drawn upon are primary and secondary.

**Primary sources** comprise a series of quantitative and qualitative surveys that can be placed in two groups:

- National Crime Surveys conducted annually by the Center for the Study of Democracy and Vitosha Research since 2002. These are based on a nationally representative sample of the population over 15 years of age. They follow the UNICRI methodology, which makes their findings internationally comparable.
- Population surveys on drug use and prostitution. These are conducted by either Bulgarian and foreign public bodies, or non-governmental organizations and concern the use of psychoactive substances by various groups of the population (secondary school and university students, intravenous users, the populations of different localities, etc.) or cover prostitutes and human trafficking victims.

Qualitative research comprises over 200 in-depth interviews with law-enforcement and judiciary officials, organized crime participants and consumers of criminal

goods and services, conducted in the course of two years (2005–2007). Information from similar interviews carried out by the Center for the Study of Democracy experts throughout the period 2001–2007 in areas such as drug distribution and drug trafficking, arms transfer, contraband and customs frauds, have also been used. In-depth interviewees were selected from among three target groups:

1. Law-enforcement and judiciary officials. High-ranking and first-line police officers from units dedicated to countering the markets under research, customs officers, prosecutors and judges involved in key investigations and lawsuits against organized crime. Most interviewees have preferred to keep their anonymity. Others expressly required from the team not to disclose their rank or position. For this reason, a list was compiled, where each anonymous source was designated with a particular letter from the Latin alphabet.
2. Organized crime players. Most of them are from the grassroots level – current and former street dealers, petty pimps and car thieves, etc. In addition, some middle-level participants were interviewed, as well as several emblematic underworld figures.
3. Privileged clients of drug distributors, sex workers and car theft networks. As a rule, these people have had long relations with organized criminal groups and have an almost insider view of the situation. They are part of the criminal infrastructure – bartenders, security guards, night club owners, DJs, lawyers, car mechanics, etc.

**Secondary sources** include official crime statistics, such as police and customs service operational records, judicial statistics, statistical data from foreign police and judicial systems.

\* \* \*

The five parts of the report focus on: first, an overview of organized crime, followed by sections devoted to four of the main criminal markets – car theft, women trafficking and prostitution rings, drug smuggling and the local drug market, and the market of antiquities.

The analysis draws on key international and foreign crime surveys and research papers, as well as police records and statistics from Bulgaria and Western Europe. The key research approaches used are in-depth personalized interviews with experts/officials at relevant public institutions and agencies of the Ministry of Interior, and interviews with people victimized by or involved in organized criminal activities. The publication enhances expertise exchange through public-private partnership as a main research approach.

The study was developed by **Tihomir Bezlov** and **Dr. Emil Tzenkov**, Senior Fellows at the Center for the Study of Democracy, with essential contributions from **Marina Tzvetkova**, PhD scholar at Oxford University, **Philip Gounev**, London School of Economics and **Georgi Petrunov**, research fellow at the Institute of Sociology, Bulgarian Academy of Sciences.



## 1. ORGANIZED CRIME IN BULGARIA: TYPOLOGY AND TRENDS

The spread of organized crime as an extremely dangerous social phenomenon has marked the transition in nearly all of the post-communist countries. **Bulgaria was among the most hard-hit by the crime wave accompanying the transformation of the totalitarian state**<sup>1</sup> in the early 1990s. In fact, the term „transformation” hardly provides an adequate idea of the abrupt shift from total state control over the individual to the kind of freedom that combined a semi-criminal economy, legal and institutional chaos and insecurity for the citizens. As a result of the nihilism and incompetence, as well as the corruption of the new political elites, chaotic measures were undertaken in the guise of „liberal reform” which actually led to the practical dissolution of statehood and the expansion of organized crime.<sup>2</sup>

The problems related to the rise in crime in the early stages of the transition, however, were overshadowed by the ostensibly successful democratic reforms and, on account of various political considerations, were downplayed both by the local expert community and party elites and by the foreign partners of post-communist Bulgaria. It was not until the end of the past and start of the current decade when the ideas predominant up to then began to lose in influence and there appeared signs of deepening public mistrust in democratic institutions and the political class of the early transition, that the problems of organized crime and corruption acquired primary social and political salience and subsequently their monitoring and assessment came to be essential in shaping the attitude to Bulgaria of allies such as the European Union and the US.

The initial temptation to handle these issues exclusively with the political tools of traditional anticommunism is gradually being overcome. More and more politicians and analysts realize that organized crime is rather a beneficiary of the downfall of totalitarian statehood and cannot be interpreted and accounted for solely in terms of the „communist heritage”. It successfully legitimizes itself by identifying with the key categories of the democratic transition and has taken up the vacant niche of the „national capital” within the frames of the transition, which has had a great many adverse implications for the country (it is hardly

---

<sup>1</sup> In the late 1980s, the so called militia (the then police service) and the special services had an agent network of about 250 thousand people and kept files on 450 thousand people out of a population of 9 million. By number of agents per capita (roughly 3 agents per 100 persons) Bulgaria was only surpassed by East Germany and Romania.

<sup>2</sup> In the literature, such liberalization is commonly referred to as „reform by catastrophe”.

by chance that in the 1990s, terms such as „businessman” and „smartly-dressed businessmen” came to be popularly perceived as synonymous with banditism).<sup>3</sup>

From here, there is just one step to raising the issue of the legitimization of organized crime as an expected phenomenon in a transition that is marked by high crime rates.<sup>4</sup> In the context of stagnant reform, with the corrupt exploitation of state property by the elites of the transition and with the dismantled or corrupt law-enforcement and justice administration institutions, the breaking of the law and economic crimes are becoming a political and economic necessity. In other words, **in countries like Bulgaria, organized crime is not so much a deviant phenomenon but actually has functional preconditions stemming from the specific characteristics of the transition.**<sup>5</sup>

What is certain is that the evolution of organized crime is a **complex socio-political process related to the radical changes in society and the far-reaching redistribution of the national wealth, as well as with the emergence of grey and black markets operating in parallel to the legal economy.** It is a transition from total control over society and one-hundred percent state ownership to a situation of an oligarchic type which suggests parallels with Latin American countries.

#### Box 1. Grey and black economy: a tentative definition

The **“grey economy”** comprises activities that in essence are not prohibited by national law but do not take place in compliance with the respective rules and/or institutional requirements (declaration, registration, licensing, etc.) and typically constitute administrative violations of some of these regulations.

The **“black economy”** covers activities prohibited and punishable by law.

**Example:** The trade in spirits is a legal activity. In the absence of excise bands, it turns grey yet only as long as the due excise is not paid. I.e., there exists a channel through which this activity can be “brought out into the light”. The drug trade, on the other hand, is a black market activity with no available options for legitimization within the existing legal framework.

What is characteristic of the Bulgarian transition is that several thousand „businessmen” found themselves in the position of owners of the country and its economy, with **a great many of the businesspersons in question fully meeting the criteria established by academic research and the basic textbook definitions of organized crime.**<sup>6</sup> For the most part, control over the property is

<sup>3</sup> Insofar as, up to the downfall of the communist system, there did not exist any know-how about a relatively painless transition from state socialism to market capitalism and pluralist political system, there may be endless speculations on this subject. In any case, they should be the object of a special study.

<sup>4</sup> The well-known Russian sociologist and political scientist Vadim Volkov also considers this issue in the context of his study of organized crime in Russia; see Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism*, 2002.

<sup>5</sup> In the political history of Eastern Europe, no country has been able to withstand this tendency. Even in East Germany, where the transition was carried out with the help of the most powerful economy in Europe and the political class of the Federal Republic of Germany, economic crime and political corruption proved inevitable.

<sup>6</sup> There exist numerous definitions of organized crime. In the European literature there prevails the view that organized crime is an activity having at least six basic characteristics, of which the first four are indispensable: 1. collaboration between more than two persons; 2. occurs over a long

exercised through stable structures involving hundreds and even thousands of employees and companies in complex hierarchical relationships. Such mechanisms are used to secure monopolistic profits part of which are redistributed through corrupt networks among local bureaucrats, magistrates, MPs, and ministers. These mechanisms or models are universally applicable, regardless of whether in criminal privatization, bank crediting, illegal trafficking in goods, pilfering of natural resources, etc.

**Three different forms of organized crime in this country** can be distinguished:<sup>7</sup>

- **The first type** are the so-called „**violent entrepreneurs**” whose activity was initially largely based on violence.
- **The second type** is represented by the group of **the extreme-risk entrepreneurs**. They are more likely to be permanently involved in systematic criminal activity in view of the great competitive advantages of this type of entrepreneurship. So far their activity has tended to remain outside the focus of public attention.
- **The third type** constitute huge structures headed by so-called **oligarchs** (akin to the notorious Russian model) whose ambitions are aimed at monopolizing the most profitable activities and sectors in the state with the help of the methods of corruption and clientelism.

**The common principle** for all three groups is the aspiration to capture the markets regardless of the different structures and methods of operation. Moreover, entry into the various legal, grey, and black markets takes place within the context of the restructuring of the planned economy into a market economy and its liberalization accompanied by the arrival in the market of big international companies (*Table 1*).

---

or indefinite period of time; 3. the respective group is suspected of committing serious crimes punishable by at least 4 years” imprisonment; 4. the group in question is acting in the pursuit of material gain and/or power. To these four criteria should be added any two of the following characteristics: 5. there is division of labor among the members of the group; 6. measures are taken to reinforce discipline and control; 7. use of violence or other means of intimidation; 8. use of commercial and business structures; 9. involvement in money laundering; 10. the activity of the group is in part of transnational character; 11. exerts influence over legitimate social institutions (the political class, government, justice administration, the economy). See Michael Levi, *The Organization of Serious Crimes*, in: *The Oxford Handbook of Criminology*, ed. by Mike Maguire, Rod Morgan and Robert Reiner, 2002, p.882. It is worth noting the following definition of this phenomenon: “any organized group that has its leadership insulated from direct involvement in criminal acts and ensures organizational integrity in the event of a loss of leadership”. See [www.iir.com/28cfr/sample\\_operating\\_Policies\\_definitions.htm](http://www.iir.com/28cfr/sample_operating_Policies_definitions.htm)

<sup>7</sup> These general categories have been identified based on available studies, „grey literature”, investigative reports by journalists, analyses by special services in Bulgaria, as well as data about the related situation in other countries – in the Balkans, in Eastern Europe, and particularly in Russia.

**Table 1. Sources, methods, and stages in the development of organized crime in the context of the Bulgarian transition**

	<b>Violent Entrepreneurs</b>	<b>Extreme-risk Entrepreneurs</b>	<b>Oligarchs</b>
Sources	<ol style="list-style-type: none"> <li>Former sportsmen in heavy athletics and highly physical sports such as weight-lifting, wrestling, etc.</li> <li>Former officers from the Ministry of Internal Affairs</li> <li>Former criminal convicts</li> </ol>	<ol style="list-style-type: none"> <li>Representatives of occupations requiring no education degree but with a degree of entrepreneurship under socialism: taxi drivers, bartenders, warehouse managers, waiters, etc.</li> <li>Representatives of professional groups such as foreign trade specialists, accountants, jurists (mainly lawyers), as well as students in these subjects.</li> <li>Former criminal convicts</li> </ol>	<ol style="list-style-type: none"> <li>Former high-ranking business executives</li> <li>Former communist-party functionaries</li> <li>Former officers from the special services</li> </ol>
Method	Use and selling of violence through large groups	Using networks to execute criminal and semi-criminal operations, mostly involving import and trafficking of goods, as well as lease and purchase of state and municipal property; obtaining bank credits (the group of the so-called credit millionaires), and others.	National wealth redistribution through the use of the new political elites and establishment of holdings comprising dozens of companies. Gaining domination over financial institutions and taking control of state financial institutions (including the Central Bank) and the media.
Markets – initial emergence	<ol style="list-style-type: none"> <li>Providing security for retail companies and outlets, and entertainment establishments.</li> <li>Debt collection, punitive actions, mediation in conflicts between businesses.</li> <li>Trafficking from and to the former Yugoslavia.</li> <li>Trafficking in excise goods – spirits, cigarettes, crude oil.</li> <li>Thefts, smuggling and trade in automobiles.</li> </ol>	<p><i>Gaining advantages from the unlawful entry into all possible markets:</i></p> <ol style="list-style-type: none"> <li>Trade in scarce goods – starting with mass consumer goods such as cooking oil and sugar in the first months of the 1990 spring crisis.</li> <li>Ranging from the import of used cars and spare parts to car and registration fraud schemes.</li> <li>Ranging from trade in real estate to speculative operations such as buying up municipal and state-owned housing, including by eviction of tenants.</li> </ol>	<p><i>Conquering key markets by:</i></p> <ol style="list-style-type: none"> <li>Setting up financial companies – financial houses, banks, etc.</li> <li>Controlling the input and output of state enterprises.</li> <li>Creating, gaining domination and control over mass-media.</li> <li>Controlling large shares of mass markets (cartels).</li> <li>Partnering with risk entrepreneurs and setting up holdings present in as many markets as possible.</li> </ol>

**Table 1. Sources, methods, and stages in the development of organized crime in the context of the Bulgarian transition (continued)**

	<b>Violent Entrepreneurs</b>	<b>Extreme-risk Entrepreneurs</b>	<b>Oligarchs</b>
Markets – initial emergence		4. Trade in foreign currency, including currency speculations. 5. Participation in the black markets, including prostitution and drugs.	6. Establishing strategic alliances with big multinational corporations.
Markets – second stage	1. Insurance transforming the security and entering the mass insurance market – symbiosis with the stolen car market. 2. Pirated CD manufacturing, considerable investments in advanced technology. 3. After the end of the Yugoslav embargo, attempts to make up for the losses in income by taking control over the most profitable smuggling markets (including drugs).		
Cooperation between the three groups	The oligarchs’ role is to solve problems with law-enforcement and judiciary. Extreme risk entrepreneurs serve as advisors, trustees, and income and investment channels.	Using the structures of these groups to conquer market shares and to deal with problems with competitors or partners; joining up with the oligarchs to ensure access to markets, protection, and assistance against the state.	Intimidation and control over small businesses through extreme punitive action (including destruction of property and murder); using extreme-risk entrepreneurs (including through financing) in problematic operations.

## 1.1. EVOLUTION OF VIOLENT ENTREPRENEUR GROUPS

The violent entrepreneur groups are emblematic of Bulgarian organized crime and ever since the beginning of their activity have been synonymous with criminal business in this country. The different stages in their development over the two decades of the transition quite eloquently illustrate the ambivalent relationships between the criminal and the political elites, vacillating between antagonism and corrupt partnership.

### *The beginning (1990-1992)*

The model of **entrepreneurship of violence** (also dubbed „selling protection“) has been well-documented in the criminological literature. In its Bulgarian version, group members were initially recruited from among **athletes**, whence the popular name „wrestler groups“ or „wrestlers“. Similarly to the former Soviet Union and the German Democratic Republic, Bulgaria had a very well developed system for training professional athletes in the Olympic sports. A network of sports schools was in place where huge numbers of children were trained to become professional athletes. At the time, the state ensured lifelong support for the elite athletes. With the end of communist rule, the system was deprived of financial support practically leaving tens of thousands of athletes out in the street. Some of them, and particularly the heavy sports athletes, joined the violent entrepreneur groups that guaranteed a new identity, good incomes, and prospects for quick prosperity in the chaos of the transition. The thus recruited members of these structures had the unique psychological and physical experience in using violence, winning combats, enduring pain, etc. Structurally, the sports schools themselves formed the backbone of the future structures of organized crime.

**The second pool** of recruits for the violent entrepreneur groups were **former officers from the police and special services**. In the period 1990-1992,<sup>8</sup> 12-17 thousand employees were discharged from this system for ideological reasons. It is generally believed that the representatives of this group, whose names rarely become public, have played a key role in the choice of the activity of the violent entrepreneur structures. They further take on the critical function of mediators in the event of problems with the law enforcement authorities.

**The third pool** was made up of **criminals**, a great many of whom were given amnesty in the early 1990s. Their role, however, cannot be compared to countries with a long history of organized crime, such as Russia (the Soviet Union).

The successful establishment of the violent entrepreneur groups in the first half of the 1990s was related to the far-reaching political, economic, and institutional crisis that paralyzed the state and facilitated its usurpation by new elites involved in

---

<sup>8</sup> The period January-May 1990 was marked by mass lay-offs of State Security – the former secret police of the communist regime - officers; it was followed by a second round of lay-offs in January-June 1991, and a third one in 1992.

semi-criminal networks. The grave economic crisis<sup>9</sup> and the economic isolation<sup>10</sup> produced a huge deficit of resources. As a result, it proved practically impossible to conduct a controlled policy of transition from planned centralized governance to market economy.

At the same time, the political processes led to instability of government. Over a period of seven years (November 1989 – June 1997) there was a succession of 2 interim and 8 elected governments. Upon each political change, one of the most affected systems was that of the Ministry of Interior (MoI). These changes also had extremely adverse implications for the judicial system. In the first period of the transition, the **law-enforcement agencies were practically paralyzed**, including with respect to organized crime. In the **security sector**, the processes of dismantling the old communist services placed a number of law-enforcement and control functions in a state of institutional vacuum. In fact, by the early 1990s the state had effectively lost its monopoly on violence which freed the hands of the violent entrepreneur groups. Law-enforcement authorities appeared particularly powerless to protect the proliferating, mostly small, businesses the very emergence of which actually gave the start to the transition from state-controlled to market economy. These new shops, restaurants, hotels, and other businesses, largely in the area of services, found themselves almost completely helpless in the face of the explosion of criminal activity. By official data, in three years alone (1990-1992), overall **street crime increased four times with the rate of some types increasing 10 to 20 times.**

The violent entrepreneur structures quickly filled the emerging vacuum and the **market for the sale of violence and protection** became critical to the survival of any business in the following 7-8 years. Similarly to the situation in the other East-European countries, in Bulgaria there evolved a market for „protection against violence“, in addition to racketeering.<sup>11</sup> The actual start of this process was set in 1991 when a group of well-known Bulgarian athletes (Olympic and world medalists) demanded that private security activity be licensed by the state. This was seen as a means of survival after the „drastic cuts in public spending on sports“. The Ministry of Interior rapidly regulated private security activity arguing that it would give the laid-off officers a chance to earn a living legitimately. As a result, tens of thousands of former MoI and Ministry of Defense employees, a large

<sup>9</sup> During socialism, Bulgaria was a country with a remarkably open economy – foreign trade accounted for close to 60-70% of its domestic product. About 60% was with the Soviet Union, and another 15% with the remaining countries of the Eastern Bloc. The end of CMEA – the trade organizations of the communist countries - led to a dramatic drop in foreign trade and by 1990-91, Bulgaria had lost 2/3 of its markets. The onset of the war in Yugoslavia practically confined Western Europe's interest to the Central-European countries. In addition, Bulgaria lost its second most important market – the Arab countries – with the war in Iraq in 1990-1991. The biggest problem of the country's population is the drastic fall in the standard of living which used to be equivalent to (German Democratic Republic and Czechoslovakia) or higher than (Poland, Hungary and the Baltic republics) that in Central Europe.

<sup>10</sup> Bulgaria had the largest foreign debt in Eastern Europe. Unlike countries such as Poland, indebted to other states, the bulk of the Bulgarian debt was owed to private institutions (the London Club). In early 1990, the creditors refused to extend payment deadlines and the country found itself incapable of servicing its debt. As a result, Andrey Lukanov's government declared a debt moratorium and Bulgaria was plunged into almost total financial isolation.

<sup>11</sup> See Philip Gounev. *Bulgaria's Private Security Industry in: Private Actors and Security Governance*, 2007, p.110

number of former athletes and even criminals who had been given amnesty not only obtained legal jobs but also the right to carry arms and demonstrate force in a situation of general insecurity. This was basically the start of the raising of an army of experienced armed people who actually served as a legal cover for the emerging organized crime.

From the very beginning, private security providers began offering protection not only to private, but also to state-owned enterprises. Subsequently, these essentially racket groups registered as security companies. The typical scheme involved taking over a specific territorial zone and defending it against rival racketeering groups. The gang's territory covered all newly opened offices, shops, warehouses, restaurants, and other commercial outlets. The owners were coerced to resort to the services of the security company, with physical violence and/or damaging or destruction of property ensuing from any refusal to do so.

Gradually, in addition to the simple protection racket paid by the companies, the owners were offered **extra services**. In the context of an ineffective judicial system and with annual inflation in the range of 30-40% - which benefited debtors - debt collection became the most commonly offered service. It is in this context that the first territorial clashes between competing security structures arose. However, they subsequently quickly merged together. By mid-1993, in Bulgaria there were security companies of the violent entrepreneur type that covered nearly half of the biggest cities in the country.

#### *The Yugoslav embargo and the flourish of smuggling (1992-1995)*

**The Yugoslav embargo catalyzed the formation of the structures of organized crime.** It was imposed in the summer of 1992, when the Bulgarian government adopted the UN restrictions on export to the countries of former Yugoslavia. This measure put in place favorable conditions for organized transborder crime. With its already established structures for executing various forms of coercion, including violence, organized crime had an exceptional advantage over all other participants in the smuggling business (residents of border regions and private companies). Over the next period there occurred a specialization of various organized crime structures depending on the schemes they employed to earn profits from illegal export to the former Yugoslavia. It was towards the end of the 1990s that the actual scope was revealed of this criminal activity, covering the export of crude oil by tankers and trains, as well as petty smuggling by individual persons crossing the border by car. The documents disclosed in this period also shed light on the particular system of contraband franchising where all participants in transborder trafficking paid special fees to the organized crime representatives in charge of the area and the border checkpoints. The impact of the embargo against Yugoslavia on Bulgarian organized crime is comparable to that of the US Prohibition on American organized crime in 1920-1933.

Immediately following the emergence of the violent entrepreneur groups, **contraband had an important place in their activity** and over the years they managed to organize more or less lasting trafficking channels for drugs, as well as for legal goods. One of the reasons for the involvement of the violent entrepreneur groups in transborder operations was the shortage of goods. The Soviet model of planned

economy provided for full state monopoly on the consumer market – the type of imported goods as well as their quantity and price were determined by state planning authorities. As a result of this policy, in Bulgaria, as well as in the rest of Eastern Europe, there was a constant and general shortage of goods that intensified in the first year of the transition. With the elimination of state monopoly of the consumer goods market, there was a staggering surge in imports – ranging from cheap Turkish goods to expensive electronics and luxury cars. The newly formed organized crime structures immediately captured the new trend. Unlike Russian organized crime, which specialized in obtaining a cut from the sales and profits of importing companies, the Bulgarian violent entrepreneur groups actually got involved in the import business themselves. Several types of involvement in this process could be outlined.

**The first type** is primarily associated with the riskiest type of import – contraband. The use of violence and the involvement of former security-service officials (maintaining contacts with officials in customs, the tax authorities, and most notably the Mol), allowed the structures of organized crime to take over the illegal trafficking in excise goods – imported cigarettes and spirits. Particularly profitable in this respect were some of the most basic consumer goods that became scarce in the country at different times (petrol products, sugar, cooking oil). The other group of products of interest to the import companies controlled by violent entrepreneur groups included consumer electronics, used cars, car spare parts, and others.

**The second type** of involvement is associated with **payment for the various services** provided by organized crime to business, starting with the clearance of the goods and processing of import documentation at customs; through securing police protection, to collecting from non-payers and dealing with the competition by violent means.

**The third type** is related to the **small-scale importer market**. In the early days of the transition, the so called „suitcase trade” with Turkey (which began in the autumn of 1989) was completely free, chaotic, and uncontrolled. This type of import and trade took place with the help of „import organizers” and go-betweens (dubbed „guides”).<sup>12</sup> The scheme typically used the former state-owned facilities which in addition to warehouse storage served as retail and wholesale outlets.<sup>13</sup> The violent entrepreneur groups managed to place under their control a great many of the participants in the Turkish trade chain. Thus, at the entry point the guides charged an additional security fee while the distribution network was divided among the most powerful security providers. The regular clashes between the latter repeatedly led to turmoil and conflicts over control of the warehouses and the guides. In the periods of wars between the various national and regional structures of the groups involved, there were frequent burnings and destruction of goods, and the participants were fined, kidnapped, physically abused and even killed for their affiliation with a given group.

---

<sup>12</sup> See *Transport, Contraband, and Organized Crime*, Center for the Study of Democracy, 2004, Sofia, p.50.

<sup>13</sup> *Ibid.*, p.51.

### ***The golden era of violent entrepreneur groups: capturing the insurance market***

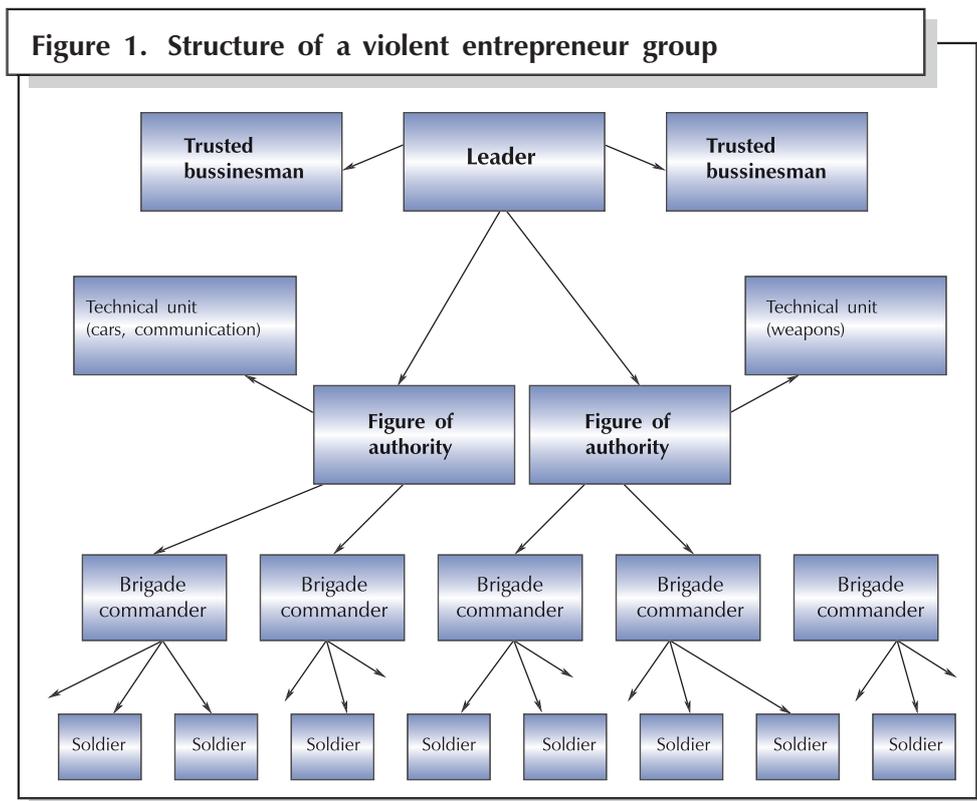
By mid-1993, the chaotic occupation of free territories allowing the sale of violent services, the participation in illegal trafficking of goods, and control over the black markets such as car theft, drug trafficking, prostitution, illegal gambling, etc, had already come to an end. In the process of redistribution and amalgamation of these markets, **one violent entrepreneur structure of nationwide coverage came out with monopoly positions – VIS-1.**<sup>14</sup> Its principal activity was the provision of „violence-related services“. The model created and successfully developed by VIS-1 functioned through affiliation of local „security companies“ with the main organization in Sofia. The goal was for VIS-1 to be represented in all of the big towns of the country and the local companies started presenting themselves as its subsidiaries. Any newly joining structure preserved its territory (town, region, clients, etc) and could count on assistance against the competition, and respectively, was obliged to assist the members of VIS-1.<sup>15</sup>

At that time, the state made no attempt whatsoever to restrain the activity of the company. According to some analyses, the Mol even intervened and took sides in some of the most fiercely competitive markets such as Sofia. Thus, for instance, in the clashes with competitors such as „the Karate Fighters“ - the structure associated with Ivo Karamanski - and „the Sevens“ [the 777 security company], the Mol representatives often intervened in favor of VIS-1. By mid-2004, VIS-1 employed about 2,000 people assigned to „brigades“ of varying size. The analysis of the structure of VIS-1 and of other similar groups suggests that in many respects they borrowed from and copied their counterparts in the countries of the former Soviet Union. The larger structures as a rule had at least a three-tier hierarchy and many of the designations literally reproduced the Russian ones (see *Figure 1*).<sup>16</sup>

<sup>14</sup> The name derives from the Bulgarian abbreviation for Loyalty, Investments, Security.

<sup>15</sup> For instance, if a problem should arise for a representative of VIS-1 in a given town (region) he may request and would receive assistance from the headquarters and from structures of the organization in neighboring towns. Within one year the organization had grown immensely and the firms under its umbrella managed to assimilate, drive out, or destroy the local competition. This applied in equal measure to ordinary security companies and to rival criminal groups operating in their area. VIS-1 thus managed to achieve nationwide coverage. Nevertheless, they failed to establish a monopoly on the „security business“ in the bigger towns. In the largest ones such as Sofia, Plovdiv, Varna, and Bourgas, and some smaller towns, various local racketeering structures such as TIM, 777, and others preserved their influence and even held the largest share of the market. It should be noted that legally VIS-1 was a registered as a legitimate company offering security services.

<sup>16</sup> The reasons for this similarity are uncertain. The most popular explanation accounts for it with the clash between the Bulgarian violent entrepreneur structures and their counterparts from the former Soviet Union (mainly Russian, Ukrainian, and Caucasian) upon their attempt to establish themselves in Bulgaria. Another hypothesis is related mainly to the involvement of Bulgarian violent entrepreneur structures in the activity of trade companies exporting and importing to and from the countries of the former Soviet Union and Russia in particular. It is well-known that after 1991-92, the Russian criminal structures became the guarantors of trade deals with Bulgarian counterparts. At the time, in order to conduct a deal with a Russian cigarette importer, for instance, the exporter had to approach a similar violent entrepreneur structure in Bulgaria to guarantee the payment.



Source: Vadim Volkov, *Violent Entrepreneurs: The Use of Force in the Making of Russian Capitalism*, 2002

By the mid-1990s, however, the widespread practice of racketeering and the many incidents involving the use of physical violence had created **extremely negative public attitudes against the racketeers**. The political change that took place at the time<sup>17</sup> led to undertaking a series of government measures to put a check on the activities of private security providers. In the summer of 1994 the Mol had its the first tentative plans to rein in private security activity, in some cases even proposing to ban it altogether. The requirement was introduced for licensing of security companies by Mol and they were banned from having nationwide coverage.<sup>18</sup> As a result, many of the racketeers lost their authorizations and had to leave the market.

In order to get around the new restrictions, in 1995 VIS-1 re-registered under a new name and area of activity. The new **VIS-2** identified **insurance** as its principal activity. In practice, however, clients were offered a whole package, as it were: should the clients decline the proposed insurance plan, they not only lost their protection but were subjected to physical coercion until they capitulated. Officially, however, the contract proposed by VIS-2 concerned insurance of the site rather than security provision. This insurance racket in fact followed logic contrary to that of the normal insurance business: instead of the client paying

<sup>17</sup> In the summer of 1994, after the withdrawal of BSP support for Lyuben Berov's government, snap parliamentary elections were held and a new government was formed as a result.

<sup>18</sup> See Ordinance No 14/25.03.1994 on the Issuing of Permits for Provision of Security of Sites and Individuals by Legal Entities and Natural Persons (Issued by the Minister of Internal Affairs, prom. SG No 28/01.04.1994, amend. No 99/02.12.1994, No 18/28.02.1997, abolished No 19/02.03.1999.)

for compensation in the event of an insurance incident, in this case they were paying protection racket to prevent damages by the racketeer.

**Car insurance** became the main sector of insurance-related activity of VIS-2. In the mid-1990s, about 70-100,000 automobiles were brought into this country, mainly from Western Europe, each year (90% of which were second hand). Owing to the huge demand in Eastern Europe and the Near East there grew an enormous market for stolen cars. As a result, in Bulgaria car theft reached several hundred vehicles a month. In terms of the scale of the country, this meant one in three-four households or companies with a newly purchased car was likely to have it stolen. Traditional insurers were unable to cope with this surge in car theft, delayed or were incapable of paying claims.

It was this very market that became the target of insurance racketeers. In the new situation, the vehicles insured with VIS-2 received protection against theft by the organization's own structures, but also the guarantee that independent criminal perpetrators would be pursued if they should steal a car insured by VIS-2. Thus, a new service was added to the provision for commercial sites (shops, restaurants, warehouses, etc) – recovering stolen property and even paying compensation in the event of a criminal incident. In the course of time, clients realized that the services of this new type of insurer and the acquisition of the VIS-2 sticker minimized the risk of theft or damage to their vehicles. The rapid development of VIS-2, however, gave rise to **internal organizational problems**. Its local competitors began to join up against the company's national headquarters. Similarly to legitimate corporations, any attempt to reinforce centralized management created tension inside the organization. As a result, the first two leaders who refused to acknowledge the authority of Vassil Iliev left the VIS-2 system. They formed the core of the **new violent entrepreneur structure, SIK** [Sofia Insurance Company]. Unlike VIS, the new company did not have a single dominating leader. Throughout its existence, the company and, subsequently, its various spin-offs were managed by eight publicly known figures. The newly established organization was soon joined by local rival to VIS across the country, as well as by discontented former VIS members. Similarly to VIS-2, the newly-established SIK went into the violent insurance business.

**Thus, in 1995, there emerged the basic structures of organized crime in this country.** Over the next period, all criminal and semi-criminal economic groups identified with either one of the two leading structures. Although there soon emerged other violent insurance companies, such as Apollo Balkan, Korona Ins, Levski Spartak, Zora Ins, and others, which successfully imitated the scheme of the dominating insurers and managed to gain some market share, to this day the division among criminal and economic groups is still consistent with their initial allegiance to either VIS-2 or SIK.

The **insurance period (1994-1997)** can be defined as **the golden age of Bulgarian organized crime**. Although the embargo against Yugoslavia was lifted in 1995 and the revenues from illegal trafficking to and from the countries of former Yugoslavia declined, this was the period when the violent entrepreneur groups secured a sphere of influence including over the government, legislature, and the judiciary. Indicative of the scope of this phenomenon is the fact that the SIK and

VIS-2 insurance stickers at one point became mandatory attributes of any decent-looking car, shop, office, restaurant, etc. The cars or commercial outlets that did not display such stickers were likely to become the object of a crime within 24 hours. At that time, the violent insurers claimed they, rather than the police, were the ones helping to eliminate crime.<sup>19</sup>

### ***Restructuring of violent entrepreneur groups***

After the change of government in 1997, it was evident that the large structures of organized crime would have to seek new areas of activity. **The process of driving violent entrepreneur groups out of the insurance market** first started with the introduction of licensing the following year<sup>20</sup> when all insurance companies had to be licensed by the National Insurance Council and the Insurance Supervision Directorate was authorized to supervise the activity of insurers. After the first round of licensing in 1998, there remained 27 out of the roughly 100 insurance companies operating in the market up to then. Licenses were denied to Union Ins (the then name of SIK), Planeta Ins (allegedly the successor of VIS-2), Zora Ins, Korona Ins, the companies associated with Multigroup – Sofia Ins and Sofia-Life, as well as Apollo&Balkan and others created by former security officials.

In the late 1990s, the decisive factor for the restructuring of organized crime was the **readiness of the government to arrive at a compromise with both the oligarchic and the violent entrepreneur groups**. An agreement was reached with the leaders of the various groups – the government would legalize their grey business on the condition that they gave up their criminal activity. In fact, similarly to the oligarchic structures,<sup>21</sup> violent entrepreneur groups were given the opportunity to largely continue their activities undisturbed by the tax and police authorities or the prosecution. This process of distancing of the violent entrepreneur groups from outright criminal activities found metaphoric expression in Ilia Pavlov's<sup>22</sup> call for "the lizard to shed its tail".

With the beginning of political stabilization (February 1997) and the adoption of the currency board (in the summer of 1997) there began a process of **gradual legalization of the domestic retail market and foreign trade alike**. There was a gradual shift from the „lifted-barrier“ type of contraband of goods (i.e. without any customs clearance of the goods) towards more refined forms of customs violations, such as taxing the imports based on a lower value, declaring smaller quantities or declaring them under a different product category. With some consumer goods, import became almost completely legal – e.g. spirits and washing powder. With others, e.g. foods and apparel, notwithstanding the practice of under-invoicing, outright contraband almost disappeared. The transition from

<sup>19</sup> At the time, violent insurance companies were making much of their stand against crime, including by PR in the media about how they exposed under-aged thieves and pursued drug-dealers.

<sup>20</sup> The Law on Insurance was adopted in 1996 and introduced state supervision through the Insurance Supervisory Directorate with the Ministry of Finance. In fact, the Directorate did not start operating until the end of 1997.

<sup>21</sup> Mostly those associated with the so called credit millionaires, bankrupt banks, and liquidated state-owned enterprises.

<sup>22</sup> Ilia Pavlov was the founder and president of Multigroup, declared the richest Bulgarian in a ranking of the Polish Vpost magazine in 2002; murdered in 2003.

black-and-criminal to grey activities was related to the import and trade largely in spirits and fuels.<sup>23</sup>

Along with that, however, particular groups continued to be active players in the black markets. **The trafficking and distribution of drugs remained a major criminal market in the period under consideration.** A new niche of criminal activity was the forgery of money and documents, where Bulgarian organized crime managed to gain a competitive edge over the other Balkan mafias. Probably the largest black market in that period was the **export of prostitution.** In many respects this was a matter of expanding into Western Europe the existing domestic market controlled by violent entrepreneurs and bringing in larger profits to the procurer networks than drug trafficking.

The incentives to get into the black and grey markets were easily understandable. In view of the grey market in the late 1990s amounting to 30-35% of GDP, it was hard even for legitimate businesses to remain entirely within the bounds of the law without losing their competitive edge. This was only feasible for the big multinational companies. With Bulgarian companies, any attempt to reduce grey business activities below a certain proportion led to loss in competitiveness since profits in the legal business were 30-50% lower than in grey markets and several hundred percent lower than in black markets.

**Structurally,** the elimination of the main sources of income of the violent entrepreneur groups (insurance and contraband) led to the dismantling of the old structures. At the same time, on the local level in particular, fragmenting their structures and creating networks, the groups managed to preserve the provision of security of the warehouses and the routes. The respective local authoritative figures from the former violent entrepreneur groups managed to retain control over the key contraband zones along the Turkish and Greek borders, as well as

---

<sup>23</sup> In 1991-96, imported cigarettes, which accounted for close to 50% of the domestic market, were almost entirely of contraband origin. A similar situation was in place regarding imported spirits (Scotch whisky and popular vodka brands). Due to the economic crisis of 1996-97, the national cigarette monopolist Bulgartabak managed to recover about 80% of the market since imported cigarettes were too expensive to Bulgarian consumers. After the political stabilization and with the improved customs control, the basic channels of import of cigarettes remained the duty-free shops at the borders while outright contraband declined drastically. According to estimates by the Center for the Study of Democracy, in 1998-2001, the volumes of this semi-legal, i.e. grey, import amounted to about \$45 million a year. The scheme consisted in reselling about 70-80% of the cigarette turnover of the duty-free outlets in the domestic retail sector. Such trends were observable with regard to alcohol imports as well. In 1998-99, all major multinational companies chose to sell legally in Bulgaria, renouncing their former partners who used to import largely illegally. Customs statistics from the period are quite revealing. Whereas in 1998, imported spirits amounted to 4.1 million leva, in 2000 the figure was 20 million. The problem was that by the year 2000 the same contraband dealers started buying from duty-free outlets across the world the alcohol brands popular in Bulgaria and sold them at prices undercutting those offered by the multinational companies. Although they did pay excise duties and taxes, their prices were still lower since they had no expenditures for advertising, offices, distribution, etc. The so-called „parallel import“ is defined as grey by brand owners since it causes losses to the official distributors as well as to the budget. In this particular case, the former contraband dealers who took up this type of import managed to take advantage of an existing legal loophole. The situation is similar with respect to alcohol from the duty-free shops. It became common practice for restaurants, nightclubs and other establishments in the big cities to buy their spirits from the duty-free outlets, thus saving on the unpaid excise duties and VAT.

over some of the big cities, although the old hierarchy and subordination were gone. The fragmented structures gradually started entering into new relationships – former competitors took part in common channels securing various components of the system, while old partners turned into rivals and even enemies because of the redistribution of former clients.

At that time there began to emerge a **new type of organization of organized crime – network structures** whose members provided a variety of services: bank credits, transport and shipping services, customs, fiscal, and police protection. Various forms of influence were used – from reactivation of yearlong stable relationships among companies to ad hoc criminal projects where the criminal group fell apart immediately after the execution of the operation. Unlike the old structures of VIS and SIK, whose more prominent members were familiar not only to the special services and the police but also to the general public, with the new network organization, public exposure only occurred in the event of accidents.

The period after 1998 was **successful for the new, smaller and more flexible structures of organized crime** despite the end of many of the most profitable activities related to the provision of violence and the contraband in goods. These losses were made up by the broad opportunities for investment of illegal capital in the privatization of state-owned enterprises and sites that boomed in that period. The assets of the banks and the mass privatization funds also provided extremely favorable opportunities for dirty money laundering. Various trade companies and production enterprises became the priority. Within a period of 2-3 years, investments were made in markets associated with a relatively simple technological cycle and maintenance of the price of the assets. The reorientation towards legal businesses in many respects copied the investment policy of the Italian-American organized crime, largely focused on fast-moving and high-profit sectors (tourism, food establishments, the entertainment industry, fashion stores, auto garages, wholesale warehouses, transport, etc.).

## 1.2. OLIGARCHIC STRUCTURES

### *Emergence and structuring of the oligarchic corporations*

Along with the development of violent entrepreneur groups, already at the outset of the transition there emerged an **essentially different kind of economic structures that obtained access to resources not by means of violence but through their access to the political elites.**<sup>24</sup> With the assistance of politicians

<sup>24</sup> There has been significant research and analysis of the oligarchic structures in Eastern Europe: Ganev, V. *Preying on the State: The Transformation of Bulgaria after 1989*. Lengyel, G. (ed.). *Cohesion and division of economic elites in central and eastern Europe: contains chapters on the economic elite in most East European countries*; Barnes, A. "Comparative theft: context and choice in the Hungarian, Czech, and Russian transformations, 1989–2000", *East European Politics & Societies*, Summer 2003, v 17 i3, p. 533 (565); Miklos, I. *Economic Transition and the Emergence of Clientelist Structures in Slovakia*; Schwartz, A. *The politics of greed: how privatization structured politics in Central and Eastern Europe*; Gould, J. *Beyond Creating Owners: Privatization and Democratization in the Slovak and Czech Republics, 1990–1998*; Darden. "Blackmail as a Tool of State Domination: Ukraine under Kuchma." – *East European Constitutional Review*, Vol. 10, Nos. 2/3 (Spring/Summer 2001), pp. 67–71. Albats, Y. *Bureaucrats and the Russian transition: the politics of accommodation, 1991–2003, etc.*, 2004.

from various formations, several dozen economic groups managed to establish themselves and to benefit from the process of property redistribution. In many respects, their leaders resemble the Russian oligarchs. There is a „genetic“ difference between them and the violent entrepreneurs. The latter emerged progressed **from the bottom up**: they resorted to violence to take over the respective assets and to obtain financial resources from small and medium business owners; then they established partnerships with the local government structures and mid-level representatives of law-enforcement; ultimately, they entered into corruption-based relationships with the politicians on the national level. With the oligarchs, development took place **from the top down**: they gained control of the country's government by „enrolling“ key politicians and by capturing the leaderships of political parties. This type of symbiosis subsequently allowed them to replace unaccommodating managers of enterprises; to obtain unlimited bank financing; to import or export goods without customs control; to avoid tax inspections, etc.

The leaders of these proto-oligarchic organizations were largely **ex-officers from State Security and former officials with the country's foreign-trade missions (a great many of whom connected to State Security)**. They typically established information departments which is indicative of their more serious business ambitions. Their arsenal equally comprised the more active use of offshore companies as part of their structurally supranational corporations. This niche of relatively legitimate business also presupposed subcontracting violent operations. A case in point was the use of the violent entrepreneur group VIS-1 as subcontractor to the oligarchic structure Multigroup.<sup>25</sup>

Along with the control over political levers, of no less importance for the oligarchic model is to secure **influence in public administration**. A fundamental characteristic of this approach was to employ competent senior public officials in the oligarchs' private companies— from heads of ministry departments to managers of state-owned enterprises many of whom found themselves unemployed due to the constant political upheavals in the 1990s. The process is bilateral with the oligarchs often turning into a kind of placement officers for the high-ranking administration. Gaining control over key positions in state institutions and enterprises is of strategic importance. Unlike politicians, who typically have a limited time-span of influence, it is not uncommon for public officials or managers to stay in their job for years. As a consequence, there emerges a unique symbiotic model in which it is essentially impossible to tell where private property begins and public property ends.

Since, in the early 1990s, state-owned property in industry and finances still made up close to 90% and privatization proceeded, for various reasons, at an extremely slow pace, the aspiring oligarchs employed special techniques to **siphon off public assets and resources**. Unlike the other countries of Eastern Europe where their counterparts concentrated on acquiring property (establishing mass privatization funds, buying up vouchers, participation in management privatization schemes, etc), in Bulgaria up to 1996, the chief opportunity concerned the

<sup>25</sup> The various oligarchic structures went through different stages in their development and mutual relations. For instance, by 1994, relations between VIS and Multigroup had deteriorated into an open conflict, leading Ilia Pavlov to create his own internal security structures.

exploitation of state-owned assets. Particularly popular was the practice of establishing control over the „entry and exit points” of big state-owned enterprises. For the purpose, all deliveries to the enterprises (raw materials, supplies, spare parts, equipment, etc) were monopolized while the output was marketed (sales, export) through private companies. Thus, without taking on any payroll, tax, and other expenses, the large private groups privatized the profit-making activities of state-owned enterprises. As a result, vast industrial structures, such as metallurgical plants, chemical plants, machine-engineering holdings, military plants, etc, ended up operating at a loss; there would ensue protest actions and the state covered their losses and granted the credits needed (mainly for payroll purposes) through the state-owned banks, which only put off the consecutive crisis.

Another popular scheme among aspiring oligarchs in the 1990s involved **siphoning off state-owned bank funds** and even financing through the Bulgarian National Bank (BNB). Their financial structures (banks and financial houses) obtained credits from state-owned banks on which they paid extremely low interest rates, delayed paying them off, or simply did not pay them back by bankrupting the companies that had taken out the credits. As a result, the largest state-owned banks turned into hollow structures which was the underlying cause of the crisis of 1996-97. A similar situation was in place with regard to private banks. With few exceptions, they were not functioning as financial institutions but instead became organizations that accumulated property at the expense of increasing outstanding liabilities. The bank crisis led to the closure of nearly 90% of the private banks and the losses (direct and indirect) in national wealth as a result of this crisis are estimated at approximately \$10 billion.

In addition to the various forms of national wealth redistribution and destruction through the transformation of state-owned into private property, these operators also established themselves in **contraband schemes of export and import of goods**. The markets where the violent entrepreneur groups were involved were equally used by the oligarchic structures though they developed far more complex and wide-ranging systems. However, unlike the violent entrepreneurs, they were reluctant to use mass violence and preferred to operate by corrupting public officials and with state institutions as their basic tool. The outcomes of such partnership are evident from an analysis of the contraband export of oil products to Serbia. Whereas violent entrepreneurs would content themselves with trafficking a few auto-cisterns through companies of theirs or with small business protection racket, the oligarchic corporations exported whole tankers and trainloads. The oligarchs were the only ones in position to run and sustain operations on a national scale – from the import of tankers of crude oil, through its processing at Bulgarian oil refineries and transportation across the country by state railways to its controlled export to former Yugoslavia during the embargo. The same scheme was employed with the contraband import of other quick-selling consumer goods such as spirits, cigarettes, and sugar.

In the late 1990s, the most typical form of involvement of oligarchs in the redistribution of national wealth was by participation in the privatization of state-owned property. This was most commonly done through the so-called **manager-and-worker buyouts**, as well as by using the bankruptcy trustees to take over the bankrupt enterprises and financial institutions. Other common forms were

participation in privatization funds in mass privatization, and participation in cash privatization through offshore companies. All of these gave the oligarchs and their counterparts in the field of violent insurance the opportunity to launder the dirty money accumulated from criminal activities in the 1990s. stealth

It is worth noting that with oligarchic structures in Bulgaria it is possible to distinguish between **two types of communication strategies**. The first one is **secrecy** – the ownership of companies and assets is covered up by a variety of techniques through Bulgarian and foreign legal entities and natural persons. This involves the use of offshore registrations, companies, and funds with anonymous owners, and even paying royalty and franchise fees to big multinational corporations. New companies and holdings were created, assets were purchased, and privatization transactions were carried out through trustees hired by close intermediaries.

The second strategy was the **aggressive PR**. In this case various techniques of self-promotion and lobbying were used – from media campaigns to outright buying of politicians and parties. The adherents of this type of strategy create or buy means of mass communication (and individual representatives), thus buying freedom from media. This is in fact the well-known Russian scheme of turning media power into political one and in turn transforming it into economic power. In order to follow the Russian model, the Bulgarian oligarchs needed to reach a certain scale of their business activities. Although this group of entrepreneurs received initial financial impetus from political sponsors, their resources remained significantly more modest than those of their Russian counterparts. In order to achieve greater public influence, the Bulgarian oligarchs were inclined to set up associations to provide them with additional legitimacy. It was the members of this group that tended to be perceived by the public and the political elite as the legitimate representatives of national capital.

The **Citizens' Business Enterprise Union** was the first attempt at such an association. It was followed by the **Patronat Club** that paved the way for the **best known organization – G-13**. Founded in 1993, the latter brought together disparate members, including the largest economic groups at the time (Multigroup, Tourist Bank, Nove Holding, Tron, Agrobiznesbank, Kapitalbank, Orel, Bulvarenterprises, Lex-Georgi Avramov, Slavyani Bank, Citizens' Business Enterprise Union, 168 Chassa Press Group, the state-owned arms company Teraton<sup>26</sup>). Safeguarding

<sup>26</sup> Because of the varying fate of the G-13 members referred to later in the text, some background information will be provided already at this point:

Up to 2003, *Multigroup* was considered the largest Bulgarian economic group with vast assets ranging from tourism to machine-engineering and the energy sector. After the death of its president, Ilia Pavlov, on March 7 2003 (see below), the group restructured and sold much of its assets.

The *Tron* group managed to turn into a major rival to Multigroup through triangular debt operations between Bulgaria, Russia, and Poland. It created the *Standart* daily newspaper and obtained the first GSM license without tender allowing it to subsequently establish the first GSM operator, Mobiltel. The owner of Tron, Krassimir Stoychev, later sold the GSM operator to Russian billionaire Michael Chorny.

The Plovdiv-based group *Agrobiznesbank* owned various trade companies, financial houses, the *Maritsa* newspaper, KOM radio broadcast network, Trakia cable television, and others. The Bank was closed down by BNB in 1996 and later declared insolvent. A number of charges of financial crimes were brought against the Chairman, Hristo Alexandrov, who was convicted in November 2005 of dereliction of duty.

Bulgarian national wealth against the „invasion” of foreign capital was laid down as the principal task of this structure. The „patriotism” of G-13, however, did not exclude the provision of intermediary services to these foreign corporations.

The conflicts among the members of G-13 were so deep-seated that the Club can hardly be said to have functioned at all and was dissolved in about two years. It should be noted that a number of large business groups of national influence, which preferred to avoid unnecessary media attention though without resorting to conspiratorial techniques, had remained outside G-13. So had several smaller structures of regional scope.

### 1.3. EXTREME-RISK ENTREPRENEURS

The analysis of Bulgarian organized crime would identify another relatively well differentiated **intermediate group of criminal entrepreneurs** who meet all of the criteria of organized crime. It can provisionally be called the group of „black entrepreneurs” and be situated between violent entrepreneurs and the „oligarchs”. To black or extreme-risk entrepreneurs the primary source of income was the grey and the black-and-criminal market. The difference between them and violent entrepreneurs and oligarchs was that the latter initially began their activity by non-market means – by sale of violence and protection and corruption-based partnerships with the political elites.

In terms of their occupational background, extreme-risk entrepreneurs were people who under socialism had had well-earning service sector jobs as bartend-

---

*Kapitalbank*, with president Angel Purvanov, financed the Tron group and went into insolvency on account of that. The license of the Bank was withdrawn in 1997.

*Orel Insurance Company* is still among the top ten insurance companies in this country. The company's president, Dobromir Gushterov, is currently an MP from BSP.

*Tourist Bank* was the second largest private bank in that period and was represented by Emil Kyulev (killed on October 26, 2005). The Bank was closed down in 1996. Emil Kyulev had left earlier to found Roseximbank, which largely worked with Russia. Emil Kyulev subsequently took part in the privatization of the State Insurance Institute (DZI) and created DZI Group (the largest insurance company and one of the ten largest Bulgarian banks).

*168 Chassa Press Group* owned the then largest daily, *24 Chassa*, and largest weekly, *168 Chassa*. In G-13 the Group was represented by Petyo Bluskov. During the crisis of 1996-97 the press group was bought by the German media company WAZ. Petyo Bluskov later created another daily – *Monitor*.

*Nove Holding*, chaired by Vassil Bozhkov, was one of the most inconspicuous economic entities at the time when G-13 was established. Nowadays most analysts consider it the most successful economic structure, comprising more than 350 companies operating in various markets in this country.

*Teraton* is a state-owned company specializing in the arms trade and its Chairman, Mladen Mutafchiyski, is a public official. Since the change of the management, Mladen Mutafchiyski has been involved in various private structures investing in sectors ranging from tourism to home electronics.

*Bulvarenterprises*, headed by Borislav Dionisiev, specializes in trade and is popularly known as the official dealer of Opel. It has not been as successful as Multigroup, Nove, or DZI. Borislav Dionisiev has managed to expand his personal wealth through companies such as Bulvaria Holding and Elektromachinari Holding. He became well-known in connection with the privatization of Elektroimpex.

*Lex*, with Georgi Avramov as its President, proved one of the financial pyramids that crashed in 1995, leaving the stage permanently.

ers, waiters, and taxi drivers (some of them had worked for the secret police at the same time) and who even before 1990 had been active in the Bulgarian grey markets, supplying scarce goods to the local elites. A number of foreign nationals from the Middle East (some of whom also connected to the former secret services) can also be referred to this group. It is only possible to estimate the number of these black entrepreneurs based on the various lists that MoI attempted to draw up after 1995, as well as the list published by BNB in 1997 with the names of 5,000 credit millionaires.

This type of organized crime followed the entrepreneurship model of classic supply and demand. They largely focused on addressing the most severe shortages and market deformations which in the beginning of the transition reflected the inherited deficiencies of the socialist economy. **The black entrepreneurs created and controlled black and grey channels of import, export, and distribution.** Unlike the majority of private entrepreneurs in the first stage of the transition, they not only evaded paying some of the due customs duties, taxes, and fees, but actually preferred entirely criminal transactions. Black entrepreneurs largely specialized in the trade in scarce staple goods such as sugar, cooking oil, meat, milk, auto spare parts, textile, footwear, consumer electronics. They were also the first to engage in cash corruption of public officials (customs officers, police officers, tax and other officials). The extreme-risk entrepreneurs set up companies, student cooperatives and foundations as sham structures in order to evade financial control. A common practice was to take out unsecured loans in the full realization that they would not repay them. Their victims included both state entities and private business partners.

Unlike the oligarchs and the violent entrepreneurs, their criminal organizations were far smaller and operated in networks already at the outset of the transition. At the same time, black entrepreneurs sought the support of the violent entrepreneurs and the oligarchs. They often joined the oligarchic holdings, worked for, and did favors to them. At certain times they even identified themselves as part of the big violent entrepreneur or oligarchic structures. Towards the end of the 1990s they increasingly operated independently.

In the first few years following the democratic transition, the black entrepreneurs were usually the first to identify the most profitable markets – regardless of whether import of contraband cigarettes, fictitious or real export of Bulgarian cigarettes, smuggling of premium spirits or production and sale of cheap alcohol. Once they had developed the market, they often lost their market share or were pushed into partnerships dominated by the more powerful violent entrepreneur or oligarchic structures, or at the very least had to pay a cut to them. The same happened with the contraband across the Yugoslav border although far larger revenues were at stake in this case.

In addition to their pioneering role in developing the domestic grey and black markets, the extreme-risk entrepreneurs were also the first business structures to start dealing with **the big Western companies**. They tried to make some room for themselves in the legal business, paying for rights to represent international brands and franchises in the awareness that this would initially be a loss-making business yet a worthwhile investment for the future when the domestic market would grow big enough and legal enough.

## 1.4. THE NEW SYMBIOSIS: ORGANIZED CRIME ON THE DOORSTEP OF EUROPE

With the completion of the basic processes of initial capital accumulation and national wealth redistribution, at the dawn of the current decade there began to emerge the present-day configuration of organized crime in this country. It is characterized by a **symbiotic structure** comprising all three types of organized crime from the early days of the transition – **violent entrepreneurs, the oligarchs, and black entrepreneurs**. As a result, a new type of universal structure of organized crime gradually began to be established, which is active not only in the black and grey markets, but also in legitimate business.

*Figure 2* constitutes an attempt to visualize the share of criminal capital in the retail networks and their positioning in the various markets – white, grey, and black.<sup>27</sup>

Combining legal and illegal business activities requires a successful **strategy of survival and expansion**. It essentially boils down to the mechanism of transferring „dirty operations” over to subordinate structures and subcontractors dependent on the bosses. At the same time, the leaders of the criminal groups own perfectly legal companies and avoid an involvement in practices associated with even minimal risk. The bulk of the revenues of a given criminal group are secured by companies whose operations include grey business activities. These white-and-grey companies are the largest and most typical ones of the oligarchic holdings and the former violent entrepreneur groups.

Another important characteristic of the activity of the companies of criminal groups is their tendency to mushroom in number – i.e. they grow in number but not in terms of staff, capital, assets, or sales. It is common practice for the

<sup>27</sup> A cut across this three-layer model of markets, regions and structures of organized crime reveals several more notable characteristics. Above all, it is the size of each market. Secondly, it is possible to determine the structure of the particular market by the correlation of the layers – legal, grey, and black. For instance, in the largest market in this country – that of real estate – the important question is what proportion of the turnover is legal, i.e. all due taxes and fees have been paid, registrations have been done in full compliance with the law, etc; also, what part of the volumes are in the grey zone, i.e. the actual price of the property was not reported and consequently, the due taxes and fees have not been paid in full; some of the required authorizations (concerning construction, zoning, etc) may not have been properly issued; finally, in the black market, there are outright criminal fraud schemes, including document forgery, appropriation of property by violence, etc. A vertical analysis can also be made regarding oil products where, unlike the 1990s, there is hardly any black segment at all. In the third largest market – of new and used cars – the grey market has shrunk significantly since the lifting of the various restrictions in the process of the country's accession to the EU, while the black market is in the process of serious restructuring. A similar structure is discernible in each market, bearing in mind that in some cases (e.g. illegal drugs) there are no legal or grey markets and in the market for sexual services there is no legal segment in this country but there are many opportunities in the countries of the European Union. In Bulgaria, there have already emerged fully legal consumer markets such as those of beer, washing powder, banking services, etc. There may be organized crime structures in any one of the three layers – legal, grey, and black. The markets can also be analyzed horizontally, exploring their size and structure in the respective regions. Sometimes two or three regional structures are in position to control the economy of an average-sized town and the surrounding municipalities.

Figure 2a. Share of criminal capital in various markets

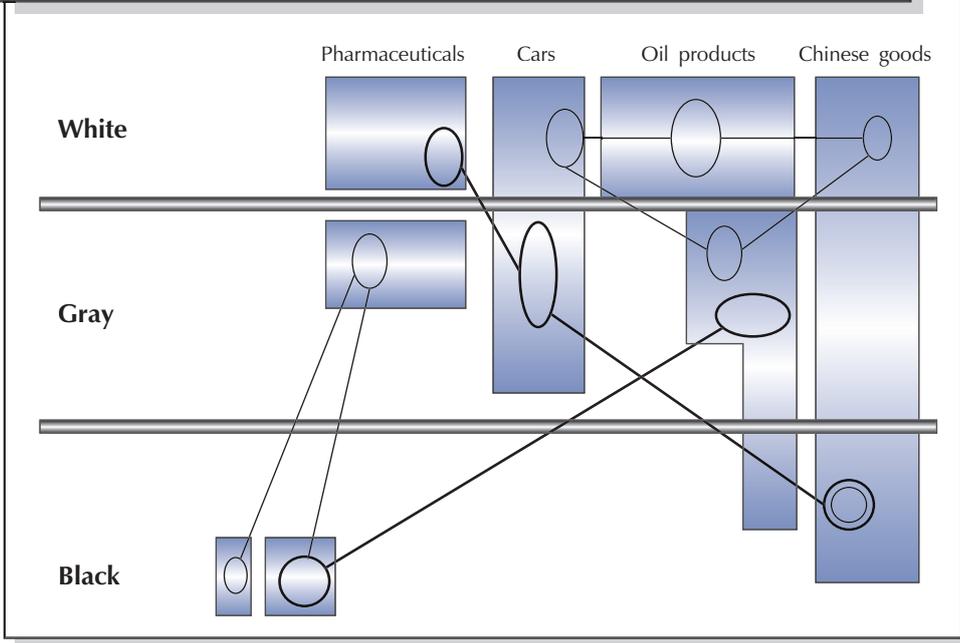
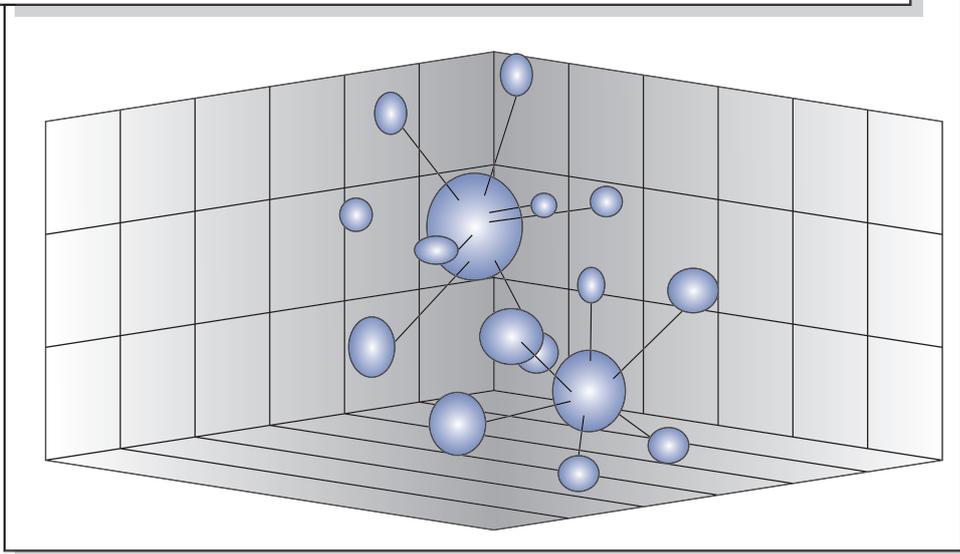


Figure 2b. Share of criminal capital in various markets



bosses of large legal companies to make their long-time employees register firms in their names. If any problems should arise with state institutions, these volatile companies terminate their activity and the responsibility for their activity is obscured. In illustration, one of the largest grey networks in this country comprises more than 350 legal companies operating in all kinds of areas – from the import of cars to a nationwide sports betting network.

Cooperation with the violent players is resorted to when necessary, with the latter selling their services in order to close the chain and not allow access to any outsiders.

The riskiest activities related to the black markets, such as siphoning off VAT, concealing gambling turnover, crimes involving objects of cultural value, contraband of cigarettes, etc., pass through 5-6 companies, at the least. As a rule, these structures are very small, with a core of 2-3 people. Their existence only continues until the execution of the respective criminal operation; they resemble legitimate **projects whose teams fall apart once their work is done**. Such tactics make it easier to cover up the traces of criminal business. For instance, upon apprehension of mid-level participants in the drug market, trade is relayed to the remaining unaffected units so that within no more than 24 hours any disruptions in supply are overcome. Another example is the restoration of contraband channels mere days after their exposure by the law-enforcement authorities.

The legal/illegal differentiation takes place even inside the groups themselves along the lines of young/old. In recent years, there has been a tendency for the **older and more powerful members of organized crime to take up fully legal businesses<sup>28</sup> while the young and unknown members take the control of the grey and black structures**. As an additional safeguard, the leaders of the respective structure buy assets abroad (in a Western European, Asian, or American country). This allows the respective boss to demonstrate he is a recognized businessman in an advanced country, as well as to spend extended period of time in that country in the event of a threat to him personally or to his business in Bulgaria (whether coming from rivals or from law-enforcement).

The three types of markets (white/grey/black) the networks use the **strategy of market mobility** to adjust to the changing environment. Thus, for instance, in the event of a government crack-down on a particular group, its activity in the black market is greatly reduced or suspended altogether for a time (a case in point was the temporary suspension of the sale of spirits without excise bands). Respectively, once the inquiries and inspections by the authorities are over, the old schemes resume.

The ultimate goal of a criminal group having at its disposal advanced networks of companies and individuals is the **establishment of a monopoly or cartel over certain markets**. This is done by using clientelist contacts with the political elites, employing corruption techniques to secure public procurement contracts, profiting from non-market competitive advantages (evading taxes, excise and customs duties, social security contributions), and others. The various structures tend to act differently depending on their level. Sometimes, 2-3 extended families may control a town or region. On the city level, one or even all of them may be engaged in grey and black operations. This model is reproduced on the national level, with a few dozen large structures/networks covering the whole country.

This **universal symbiotic structure** constitutes an **independent network of individuals owning dozens of legal companies** that tend to mushroom in number or are closed down upon exhaustion of the corruption resources in a particular

---

<sup>28</sup> In 2003, the top 50 best-known persons associated with organized crime (according to the media) for the first time paid record-high taxes for Bulgaria.

sector. The successful balancing between the three types of markets is measured by the actual immunity of the „smartly dressed businessmen” with regard to the law, the lasting corrupt partnerships with the political class, and the creation of business branches abroad that confer additional legitimacy on their owners. Achieving this task is a process that may metaphorically be referred to as „investing in risk”.<sup>29</sup>

One of the more notable questions is **how Bulgarian organized crime is adapting to the opening up of the Schengen space and Bulgaria’s subsequent accession to the EU**. Initially the access to West-European countries created exceptional expansion opportunities for the Bulgarian criminal networks. In some cases, more than half of the staff of violent entrepreneur structures moved to Western Europe and more specifically, to the South-European EU member states. This accounted for the active involvement of Bulgarian criminal groups in the European grey and black markets and above all, the market for sexual services, car theft, and drug distribution, particularly in 2001-2003.

On the whole, however, Western Europe’s apprehensions about an invasion of Bulgarian organized crime proved exaggerated and there is presently a noticeable trend towards stabilization of such transborder export of crime. On the other hand, Bulgaria’s EU accession led to the **gradual curbing of the most drastic forms of organized criminal activity in the country itself**. This is largely due to the increasing pressure on Bulgarian institutions from Brussels which in turn has resulted in the taking of more resolute action against organized crime in this country. In the course of time, progress has also been made as regards the interaction between law-enforcement authorities within the EU which increasingly crack down on Bulgarian criminal groups, as well.

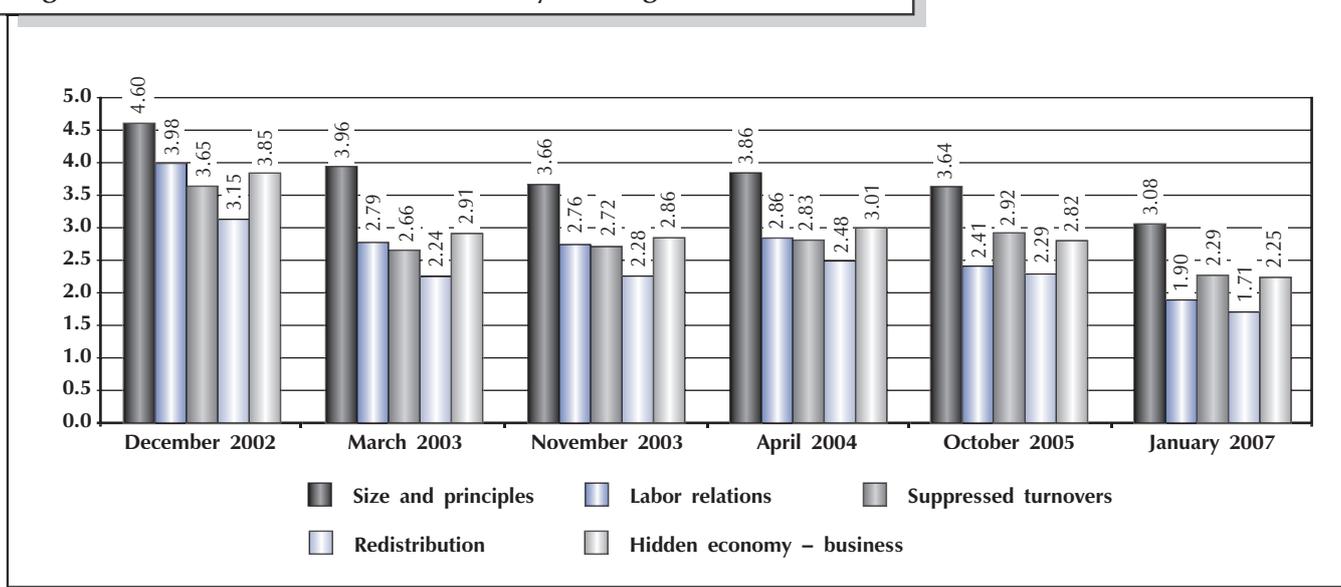
### Box 2. The duty-free shops as a case apart

The duty-free shops constitute an important, moreover formally legal, infrastructure of the contraband largely of cigarettes and spirits, as well as of oil products from the duty-free filling stations (consisting in fictitious export of these goods which are then resold in the domestic market). Unlike some other corruption-related schemes under the control of organized crime, this has been a rare instance of concerted lobbying efforts by members of nearly all of the parties represented in parliament, blocking any attempt to close them down. Even when, on the eve of the country’s accession to the EU, the duty-free outlets on the Greek and Romanian borders (which became internal EU borders) had to be closed, the authorities agreed to have new ones open at the remaining external EU borders. Bulgaria is one of the few countries that have duty-free filling stations, with turnover that is an object of envy even to the big oil distribution networks. Faced with the joint interests of politicians, criminals, and corrupt officials, it would seem that even the European Union is powerless - despite insistence by Brussels, Bulgaria continues to claim its right to “extraterritorial trade”, from which the only ones who stand to gain are the anonymous beneficiaries of this officialized contraband.

<sup>29</sup> Along with this universal symbiotic structure, since 2003 there has been a new trend towards emergence and coexistence of purely criminal networks with small structures active largely in the black markets of drugs, procuring, money forgery, car thefts, etc. Typically, these criminal formations are loosely connected to the established old structures, mainly on market terms, and are more likely to be apprehended by law-enforcement authorities.

In addition to these external factors we should note the latest marked trend of sustained growth of the Bulgarian economy,<sup>30</sup> further characterized by improved business environment, reinforced market institutions in the process of EU accession, and the presence of foreign investors, which together have helped reduce the share of the grey economy in this country.<sup>31</sup> The latter constitutes an additional incentive for the structures of organized crime to speed up the legalization of their activities and to seek monopoly positions in the official economy through legislative capture – amending laws and regulations in their favor.<sup>32</sup>

Figure 3. Index of the hidden economy in Bulgaria\*



\* The Index is a synthetic indicator of the various forms of hidden economy activity. Its value ranges from 0 (absence of hidden economy) to 10 (total domination of the hidden economy). For more see Valentin Goev, Valentin Boshnakov, "Assessment of the Hidden Economy in Bulgaria", in: *The Informal Economy in the EU Accession Countries*, Center for the Study of Democracy, 2003, pp. 57-93.

Source: Vitosha Research/CMS (*Corruption Surveys of Bulgarian Business*), 2007

Since 2001, an essential factor for improving the economic environment, along with political stabilization, has been the **modernization of public administration**. This has no doubt been facilitated by the drastic drop in the cost of key technologies in the information industry. With the gradual adoption of the customs

<sup>30</sup> In the last 9 years, GDP has been growing at a rate of nearly 5%, and by more than 6% since 2003.

<sup>31</sup> In 2002-2007, the share of the grey economy in Bulgaria declined from 29% to 17.1% of the total turnover of the enterprises operating in the economy. The decline is observable with regard to all of the components of the hidden economy measured by the business index of hidden economy in Bulgaria – unreported employment, turnover, covert redistribution. Further see *The Grey Economy in Bulgaria*, Center for the Study of Democracy, 2004 (in Bulgarian only); *The Informal Economy in the EU Accession Countries: Size, Scope, Trends and Challenges in the Process of EU Enlargement*, Center for the Study of Democracy, 2003.

<sup>32</sup> Nevertheless, in absolute terms, the grey economy in this country has remained relatively large and stable over time and may actually increase in volume in some years, depending on how effectively the institutional environment is functioning. Yet, its growth rate lags behind that of the official economy, resulting in its declining share in the business turnover.

information system (Bulgarian Integrated Customs Information System), the border police information system and those of the tax administration, as well as some other systems of financial information and internal security, there has also been a stepping up of the processes of shrinking of the grey and black markets in this country.<sup>33</sup>

The analysis of the activity of organized crime in the period 2001-2007 finds several more **notable new tendencies**:

- There has been a noticeable **shrinking of volumes and profits in the three major black markets** in this country (drugs, stolen cars, prostitution);
- There has been a similar **trend towards declining share of the grey markets** controlled by organized crime. This is due both to the improved performance of the customs and tax administrations, and the growing presence of multinational companies in the field of retail.
- The shrinking of black and grey markets is symptomatic of the **more active involvement of organized crime in the legal markets**. With the real estate boom since 2001, investments in construction, construction sites and land have become the number one market for organized criminal groups.

Under the changed conditions, even when resorting to violent means in dealing with their legal competition, the representatives of the groups strive to keep up appearances of law-abiding conduct. There has been tendency towards **decline in violence by organized crime**. It has been equally observable with regard to bomb attacks as the chief instrument of racketeering, and in conflicts between different groups. The following figure provides an idea of the proportions and tendencies in the use of bomb-planting by the criminal world:

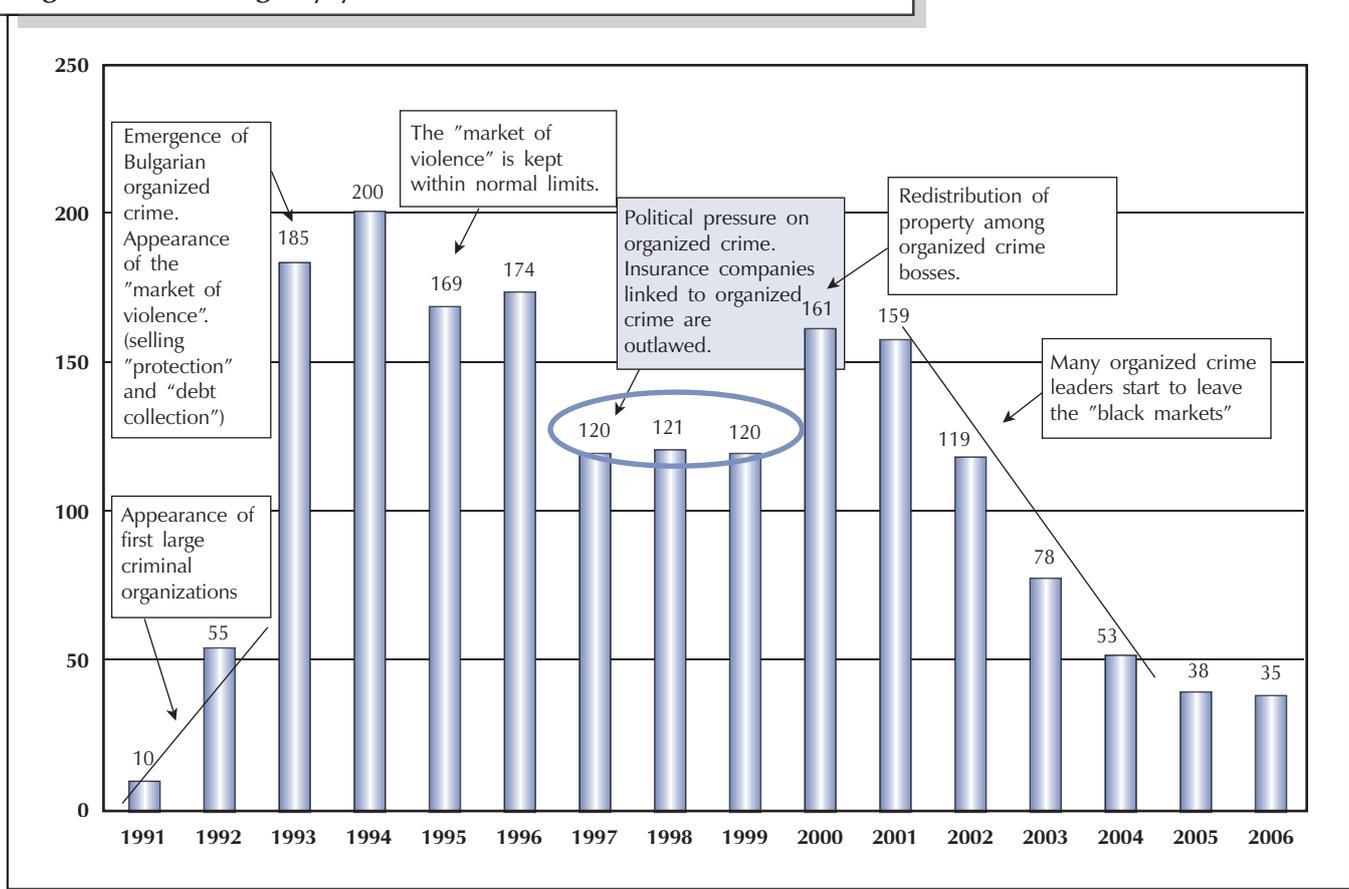
**More refined means of paralyzing the business of a rival** began to be employed over the period under consideration. It has become common practice to file a claim against a competitor and possibly win the case with the help of corrupt magistrates. Considering the slow pace of Bulgarian justice administration, even if the claim is rejected, the freezing of the activities of the respective firms by court order is likely to lead to enormous losses and even the financial ruin of the competitor. On the other hand, the use of market instruments has been on the rise even in entirely criminal activities (drug trafficking, contraband of cigarettes, etc).

Violent methods in their pure classical form are demonstrated by the so-called **contract murders**, oftentimes deliberately committed in public places in order to

---

<sup>33</sup> There are several notable examples of the positive impact of modernization. Regarding customs fraud in 1997-2000, mirror statistics have shown that the disparities in the case of import and export to the European Union alone, in 1998 for example, amounted to \$850 million with a trade turnover of \$5,240 million. This means that 16.37% of this amount were not reported or involved siphoning off of VAT. The disparities are of even larger proportions concerning imports from Turkey, China, and other Asian countries. With the introduction of customs data exchange, the grey import (underreporting the value of the goods) and in part, VAT siphoning off, particularly with the EU countries has visibly begun to shrink.

Figure 4. Bombings by year

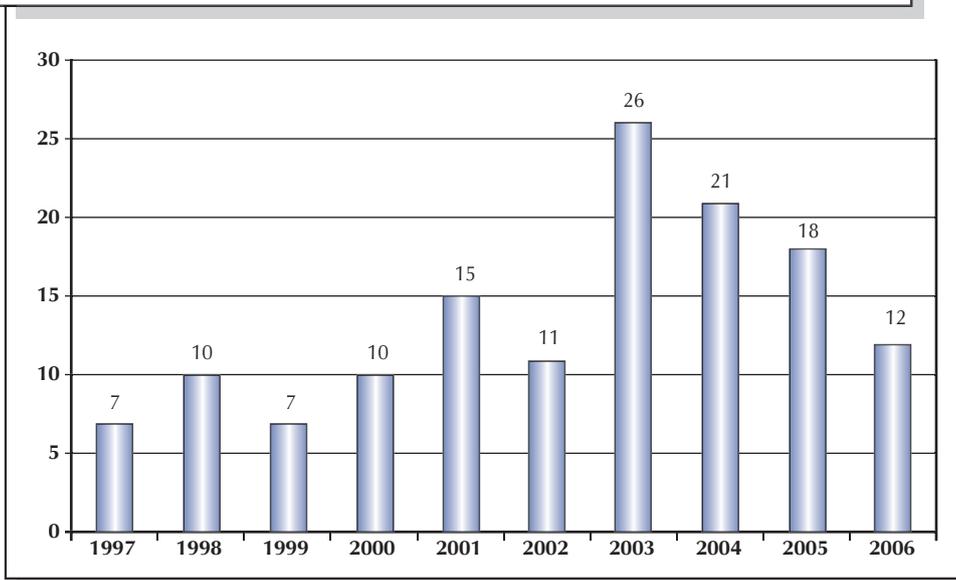


Source: Ministry of Interior

intimidate all potential competitors in addition to eliminating the particular rival. Even though - after escalating in the 1990s - they have been on the decline since the start of the current decade, contract murders still make up a significant proportion of all homicides in this country – 13%. In the period from 2000 to 2005, there were 156 such murders (including attempted murders and those not specifically identified as contract killings). The low clear up rate<sup>34</sup> makes contract killing relatively low risk. Furthermore, to the criminal groups, they are probably the most efficient and inexpensive instrument to solve serious economic problems. They allow them to eliminate major rivals in the pursuit of monopoly control and the conquest of high-profit activities/sectors. The experience of the past years indicates that killing the leader of a large group (whether an oligarchic or violent entrepreneur structure) usually leads to the disintegration of his empire and the redistribution of the black and grey markets previously under his control.

<sup>34</sup> To this day, only 17 contract murders have been reported solved. It should be noted that the main problem in intercepting and investigating contract killings is the lack of competent professionals at the MoI. There is no specialized unit with the necessary expertise and experience. Notwithstanding their relatively good motivation, most of the officers currently working on these cases are young people lacking the necessary experience. At the same time, the prosecution and MoI are forced to provide evidence of activity and to report definite volumes of work done (formally). This leads to conducting hundreds of interrogations in connection with each killing which are ultimately of little use. Thus, for instance, in the case of the murder of the VIS boss Georgi Iliev, the police in Bourgas held more than 2000 interrogations, yet the killer was never identified.

Figure 5. Contract murders by year\*



\* In the first six months of 2007 there were 4 contract killings.

Source: Mol and NIS

An essential condition for the existence of organized crime is the presence of **enduring corrupt links between the criminal groups and the state** (politicians, MPs, magistrates, and representatives of the administration on the local and central levels). All of the branches of power in this country are the object of most attention by organized crime. Thus, for instance, the **formation of lobbies in the legislature** is typical of the influence of the groups. By an expert estimate, within the past two parliaments (39<sup>th</sup> and 40<sup>th</sup> National Assemblies) it is possible to identify about 20 MPs on average who have actively advocated legislation in the interest of economic structures related to organized crime. Such legislative acts include a number of draft laws and amendments to the laws on gambling, insurance, electronic media, spirits production, etc.

The **corruption-based collaboration between criminal groups and the judiciary** assumes even greater proportions. This is hardly surprising given that whereas until the end of the 1990s the national wealth used to be redistributed by the government, in recent years this has largely been a prerogative of the judiciary. There have been particularly flagrant cases of corruption links between prosecutors and bosses of criminal groups. The most common method is by direct payment of bribes to corrupt prosecutors so as to refrain from pressing charges against organized crime representatives. The corruption methods of violent entrepreneurs used in the court stage of the proceedings usually involve the intermediation of **lawyers**.

One of the most widespread and destructive **corruption networks link the criminal groups with local government representatives – mayors, municipal council members, as well as the local divisions of central government**. The intertwinement of public authority and criminal private agendas poses a particularly serious problem along the Black Sea coast and in the large resorts where real

estate prices reach European levels. A case in point was the murder of the Chair of the Municipal Council of the town of Nessebar, widely reported by the media to be running a shady business with tourist sites and facilities. **The corruption networks linking municipal officials and mayors and the bosses of criminal groups are most extensive in the capital.** Sofia could in fact serve as a model in the analysis of the criminal plot concerning the exploitation for private gain of some of the most profitable sectors in the city economy: waste collection, water supply, central heating, etc.



## 2. THE DRUG MARKET IN BULGARIA

### 2.1. FORMATION OF THE DRUG MARKETS IN THE 1980s AND THE 1990s

Although Bulgaria lies on the heroin trail to Western Europe, up until the mid-1990s heroin was available only to a limited number of users.<sup>35</sup> The number of registered drug addicts in 1989 was 1,300–1,400,<sup>36</sup> but those were dependent on medical opiates, such as lidocaine and morphine. These substances were extremely hard to access—users stole them from pharmacies, smuggled them out of hospitals with the help of medical personnel or bought them with counterfeit prescriptions. Marijuana was hardly popular, and despite the favorable local climate it was rarely grown. So were synthetic drugs—since the early 1980s state-owned pharmaceutical companies produced huge amounts of amphetamine under the trade name Captagon,<sup>37</sup> which was not familiar to the wider population. Nearly 100 % of the produce was exported to the Middle East, though amphetamines were sometimes taken by university students during the exam season to enhance concentration and brain effectiveness, supplied by workers who stole the pills from the factory. Among the explanations of why Bulgaria did not develop a domestic drug market up until 1990 is that this possibility was warded off by the totalitarian police apparatus. Alternatively, secret services may have held the drug channels through the country under their control, etc.

An outbreak of drug use in Bulgaria was observed immediately after the democratic changes in 1989 and the dissolution of total state control. As the country became politically and economically open, and foreign crime groups were able to enter and integrate the newly sprung domestic criminal enterprises into trans-border drug networks, drug markets could freely develop and thrive in the 1990s. The increased traffic along the drug routes crossing the country fostered the formation of territorially and hierarchically structured local drug distribution networks. Drugs rapidly penetrated most Bulgarian towns and street dealing proliferated, particularly around schools. The drug market in the post-communist transition period displayed the following distinctive traits:

---

<sup>35</sup> In the three consecutive surveys of drug addicts (in 2003, 2004, and 2005), none of the respondents interviewed who had used drugs prior to 1990 had used heroin.

<sup>36</sup> Some experts claim that their actual number prior to 1990 could not have exceeded 600-800 people. The numbers 1,300–1,400 refer to all people registered since the early 1980s. A sizeable share of those have either quitted using drugs, are undergoing compulsory treatment or are serving a sentence in prison with no access to drugs.

<sup>37</sup> Amphetamines started to be produced in Bulgaria in 1981 when the Commission for Permission of Medical Drugs licensed the production of Captagon. In October 1981, the state-owned pharmaceutical company Pharmachim placed an order with the R&D Office of the Chemical and Pharmaceutical Plants in Sofia to develop a production technology for Captagon tablets. Later on, three separate production lines were engaged—the pharmaceutical plant in the town of Dupnitsa (formerly Stanke Dimitrov), the plant in Sofia's Iliyantsi district, and the Scientific Institute for Chemical and Pharmaceutical Research—NIHFI JSC located in Darvenitsa district.

- **Steady growth** throughout the period of the four basic markets (of heroin, marijuana, synthetic drugs, cocaine) with recurrent drug outbreaks; changing proportions of each submarket on the overall market due to the constant transfer of addicts and new recruits between them.
- Strong linkages between the drug market and the rest of the black **markets operated by organized crime**, but with a degree of autonomy, as it is characterized by the highest level of risk (together with prostitution, contract murders, trafficking of people, etc.).
- Strong presence of money laundering schemes for drug trafficking and distribution incomes through the creation of **corrupt networks** involving law-enforcement, judiciary, and government officials.
- Pronounced impact of the heroin market on the structure of the overall drug market due to its strong addictive effect on users. The trends on the domestic heroin market are closely linked to trans-border heroin trafficking processes, the overall drug consumption in the country, the development of local crime organizations and their penetration into corruption schemes.

Thus, in the 1990s the heroin market was the most tightly structured segment. After a short initial period when heroin was imported and distributed by foreign nationals, mostly of Middle Eastern origin, domestic organized crime overtook both the heroin transit channels and in-country sales. Geographically, the heroin market grew from the capital, toward larger cities, down to the smaller and re-moter places.

Structural developments were related to the major criminal players and the ways the market was (re)distributed between them. Alongside the widespread monopolies by single drug network owners over a whole area (town or neighborhood served by a single police force) joint ownership was also practiced—either by two independent distributors or through partnership with a more powerful criminal group. The latter had several varieties – protection of the area for a fixed fee or exclusive supplies from a particular crime structure. Redistribution was achieved through any of the typical approaches of the business—demonstration of force, threatening, talks and negotiations often accompanied by brutality and violence.

The expansion of heroin and other drug markets was essentially dependent on distribution networks' safety from investigation and penal measures. This was achieved through a tight scheme of "reporting" by upper-level drug distributors to a number of corrupt law-enforcement officers, criminal investigators and prosecutors and even judges, bonded with the drug distribution structures. Thus, drug market profits were distributed in a strictly stratified manner, often through the intermediary of the so called "black lawyers", specifically involved in counseling the drug structures.

A series of decisive government measures in the late 1990s targeting organized crime, in a well-intentioned attempt to "cut off the lizard's tail",<sup>38</sup> as it was then

<sup>38</sup> The origin of this expression is discussed in Chapter 1.

popularly illustrated, managed to oust criminal players from a number of gray markets. Many of them, however, continued on the black market, and some took up drug distribution in particular. During this period there was a boom in synthetic drug use as a more social type of drug contrasting to the social withdrawal typical of heroin use. Because of this characteristic of amphetamines and ecstasy their sales proliferated in discos and night clubs. In addition, addiction was milder and easier to handle. Thus, synthetic drugs became inseparable from youth entertainment styles. Because of this, the former racketeer groups managed to penetrate the market through buying out a number of nightlife venues in the big cities.

Due to the fast growth of the market of marijuana in schools (which peaked in the late 1990s as well) soft drugs became most widespread in the country. The increasingly lax school discipline and parental control also contributed to its fast-growing popularity among friends as an easily accessible substitute for tobacco and alcohol. Moreover, in contrast to a number of European countries that have long decriminalized marijuana on the basis of strong rational arguments, public tolerance in Bulgaria is rather low, and in a way stimulates consumption. Thus, a well-ordered distribution system grew around schools with criminal enterprises controlling numerous pushers selling to students, and suppliers/distributors working for that particular segment.

One major trait concerning the formative stage of the Bulgarian drug market in the last decade is its dire legacy of impunity. Drug dealers, and especially high-level bosses remain untouchable by law-enforcement and they would much more often become victim to turf struggle than get hunted down and convicted.

## 2.2. THE DRUG MARKET – STATE OF PLAY, TRENDS AND RISKS. TYPES OF DRUG MARKETS

The late 1990's saw the establishment of the four major markets of illegal psychoactive substances – heroin, marijuana, amphetamines, and cocaine. The main features of the Bulgarian drug market have persisted ever since, notwithstanding the clashes in the supply chains, the drug wars, and the dramatic changes in the demand patterns.

### 2.2.1. *The Heroin Market: Types of Consumption, Structure and Organization of Heroin Dealing after 2001*

The heroin dealing has been formative of the structure of the entire drug market in this country since the mid 1990's. Due to the strong physiological and psychic dependence it generates, its daily use is stable and, for all practical purposes, it does not depend on any weekly or seasonal fluctuations. Thus the contingent of users has become quite substantial for the size of the country and the geographical proximity of Bulgaria and Turkey<sup>39</sup> makes its importation almost free of any problems. The opportunity to have a great number of young people (many heroin

<sup>39</sup> The huge flows of goods and passengers across the Bulgarian-Turkish border make the routine transfer of heroin practically undetectable.

addicts among them) who tend to apply extreme forms of violence plays a major role in maintaining the influence of the old extortionist entrepreneurs. The elimination of the extortionist protection money payment makes it difficult to maintain the old punitive brigades resorting to massive violence and consisting of former athletes. The opportunities provided by heroin dealing structures enable organized criminal networks to control (in some regions of the country) the market in the other drugs (marijuana, amphetamines and cocaine) and to rule the local black and gray markets, such as prostitution, real estate fraud, gray imports and sales of fuel, Chinese and Turkish consumer goods, purchase of farm produce, etc.

A possible point of departure to analyze the heroin market structure in Bulgaria is the use of the division of organized crime<sup>40</sup> into two types – the predatory model and the market type. Interviews with police officers<sup>41</sup> specialized in drug enforcement, street dealers and well-known names in the underground world make it clear that the heroin market builds on two principles. The **hierarchical** principle is similar to the classical model of organization and discharge described for New York in 1969 by Preble and Casey.<sup>42</sup> The other principle of organization is **zoning**: in the beginning of the decade, most of the country was divided into territories each being dominated by a criminal structure.

### *The Hierarchical Principle*

When describing the two principles of organization of drug markets, one should note that the situation has been changing dynamically for the last six or seven years. Criminal leaders holding the control over the respective markets change from time to time, territories and hierarchical levels change, too.

There are two main ways to supply heroin. The first one implies use of the contacts of criminal leaders—or black market entrepreneurs<sup>43</sup>—with heroin wholesalers in Turkey. The cases of carriers (mules) caught make it clear that purchases vary from two to 15 kg and these shipments are intended for smaller regional markets. The organizers of this scheme are typically criminal leaders dominating a specific regional market (more precisely, people from their close entourage in charge of drug dealing). There are also cases when independent criminal persons manage to import heroin and turn into a local market factor.

The second way is connected to the typical schemes of export to Central and Western Europe. It deserves greater attention since, for all practical purposes, it covers all other varieties. The scheme starts with the figure of the importer who buys heroin with 60 % to 80 % content of diamorphine (the active ingredient

<sup>40</sup> See more details in Chapter One on the evolution of Bulgarian organized crime. The team which has prepared the analysis of the drug market assumes that the typology of the predatory type and the market type of organized crime explains well the Bulgarian situation. See: *Wages of Crime: Black Market, Illegal Finance and Underworld Economy*, New York, Cornell University Press, 2002; the interpretation of this theory by Levi, M. – In: *The Oxford Handbook of Criminology* (third edition), Oxford University Press, 2005.

<sup>41</sup> See: *The Drug Market in Bulgaria*, Center for the Study of Democracy, Sofia, 2003.

<sup>42</sup> Preble, E., J. Casey, Jr., "Taking Care of Business – The Heroin User's Life on the Street," *International Journal of the Addictions*, March, 1969.

<sup>43</sup> See Chapter 1 and the provisional definition of the specific group of black market entrepreneurs.

of heroin) from Turkish laboratories at the approximate price of \$5,000 to \$6,000 per kilo<sup>44</sup> and supplies it to a specific European country. According to security service sources, the importers are persons whom Turkish producers fully trust in their long-term relationship. The networks trafficking in heroin to Western Europe, which have been detected over the recent years, reveal that these are people of Albanian, Kurdish, Serbian or Turkish origin.

The quantities and level of negotiation depend on the domestic market destination (Sofia, Plovdiv, Varna, Bourgas or a smaller city). Quantities most often vary from 20 kg to 50 kg, which seems quite a lot in comparison to the small size of the Bulgarian market but typically the purity is below the average European level and heroin sells at lower prices respectively. On larger markets like Sofia or Varna the trusted buyer with whom the importer negotiates is somebody among the so called "kilo connections" (from the close entourage of the area boss in charge of the drug market). The importer and the trusted customer/kilo connection usually never see the drug when they negotiate the sale and purchase. Some fragmentary data referring to this level of negotiation point to the involvement of intermediaries, as well. This increases the price of the stuff but enhances the sense of security of the participants. The heroin itself is carried by people who have no idea of either the importers or their trusted customers.<sup>45</sup> These mules collect the stuff from a parking lot (or another public area) in Turkey and deliver it to a similar place in Bulgaria. This model suggests various schemes for the payment by the Bulgarian trusted person. It is possible to either pay \$10,000 to \$12,000 per kg or apply barter arrangements. In the late 1990's, the heroin remaining in Bulgaria (some 10 % of the shipment) was used to pay for the trafficking to Central and Western Europe (the so-called „spillage") but those practices have not been observed since 2003 – 2005. A more advanced version, especially among smaller dealers over the recent years, is the arrangement to swap amphetamines or cocaine for heroin.

In the case involving a foreign importer the routes may be very different after the shipment is delivered. Differences depend on the specific features of the domestic regional markets and on the multiple disruptions on the highest levels of drug dealing. The heroin may well undergo three or **four levels of adulteration** and then it may be earmarked for a specific area (city) or shared among several cities. Generally speaking, the supply of heroin to the markets of most Bulgarian cities is always under the control of the capital city. However, the main principle is that the black entrepreneur or the kilo connection sells the drug to the lower level at approximately \$14,000 to \$16,000 per kg. The heroin is adulterated at each lower level. One kilogram is used to make two kilograms. Hence the diamorphine content is reduced to 30–35 percent. An example of the Bulgarian heroin dealing is the market in Sofia in 2001–2002, when one of the most notorious kilo connections nicknamed Klyuna (the Beak) who controlled almost the whole

<sup>44</sup> The quantities and prices of Turkish heroin vary from one period to another. According to UNODC data, over the period 2000 – 2005 its purity ranged from 30 % to 80 % and the price was between \$5,000 and \$10,000.

<sup>45</sup> The description uses the labels which Preble and Casey used to analyze the market in New York in the late 1960's because they generally coincide with the situation observed in Bulgaria. The jargon of the Bulgarian underground world is avoided because it is too volatile and ambiguous and it might generate problems in understanding the situation.

capital city for some time demonstrated that the product was original by using a pressing machine to re-pack the heroin in packages that were full imitations of the layout and weight of those from Turkish laboratories. But the Turkish packages had been opened before and the stuff had been adulterated twice.

The next level is the delivery to the "head" (the boss) of the regional market. Sofia is divided conditionally into nine areas. In smaller areas a single connection might control several cities because of the much lower levels of consumption. The one or two kilograms from the shipment are adulterated to a half. Hence the active substance in the heroin is brought down to 15–17 %. The next adulteration takes place at the level of weight dealers (called also "mothers", "depots" or "gram dealers"). The principle of doubling of the "cut" (the adding of various other substances) is applied again and the active substance content falls down to 7–9 %. The last but one level is that of street dealers who buy two to three grams and continue to adulterate the heroin (by 20 to 30 %). Typically, street dealers add an extra dose by dividing one gram into six rather than the five standard doses. Thus the diamorphine content falls down to 4–7 % in the street dose. The last level is that of jugglers (pushers) who have no opportunity to adulterate the drug any further because it is packed by street dealer.

**Table 2. Structure of heroin distribution networks**

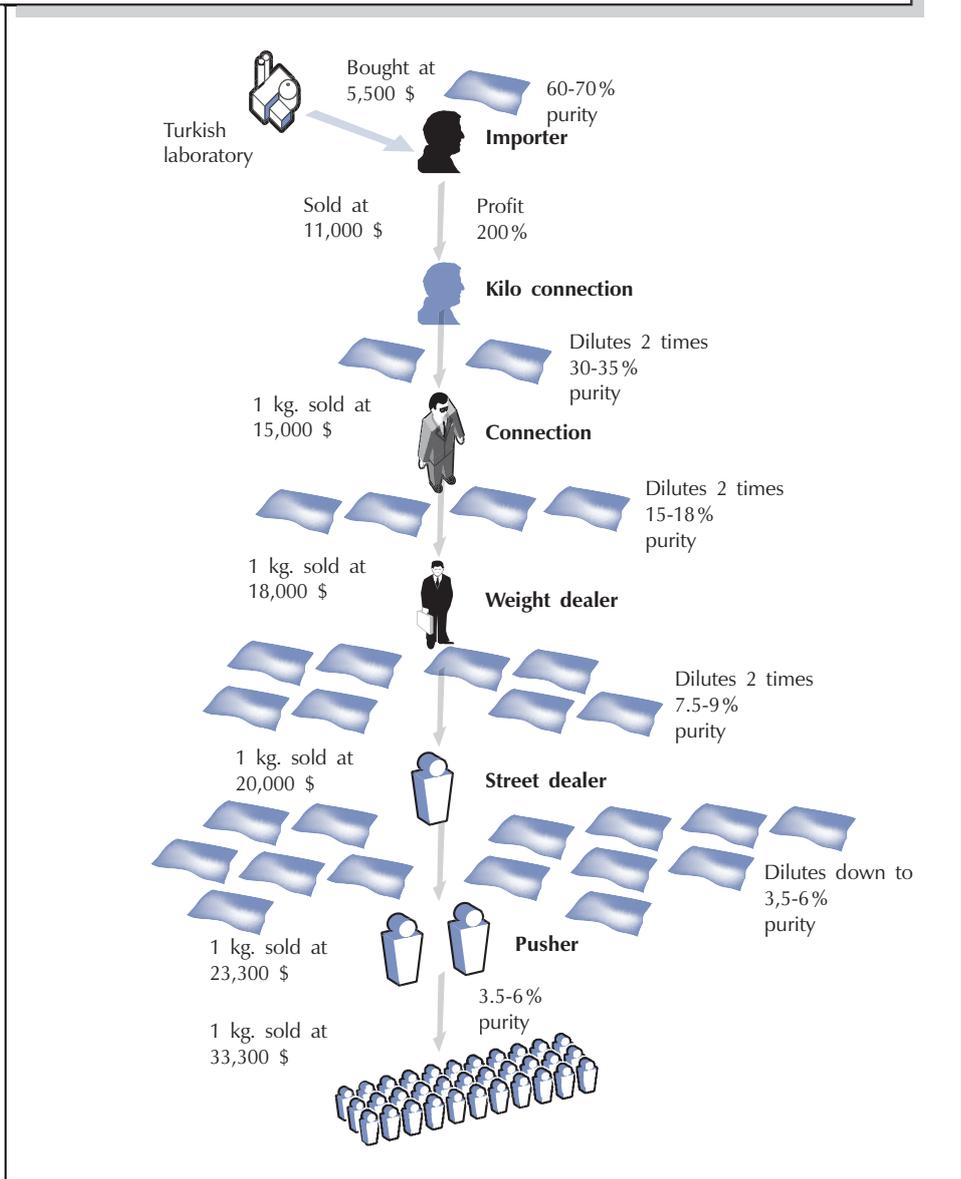
Preble, E., J. Casey (1969)					Bulgarian Classical Model (2003–2007)				
Distributor	Type of Cut	Adulteration	Percentage Heroin	Rate of Return on Investment	Distributor	Type of Cut	Adulteration (kg.)	Percentage Heroin (%)	Rate of Return on Investment (%)t
Importer		1 kg.	80 %	300 %	Importer		1	60–80	100
Kilo Connection	1&1	2 kg.	40 %	100 %	Kilo Connection	1&1	> 2	30–40	300
Connection	1&1	4 kg.	20 %	145 %	Connection	1&1	> 4	15–18	170
Weight Dealer	2&1	12 kg.	6.7 %	114 %	Weight Dealer	1&1	> 8	7.5–9	140
Street Dealer	1&1	24 kg.	3.3 %	124 %	Street Dealer		> 12.8	3.5–7	115
Juggler (Pusher)	?	?	?	56 %	Juggler (Pusher)	–	–	3.5–7	30–40

In the middle of the decade, the classical scheme from the foreign importer to the street dealer was gradually replaced by direct imports from Turkey and the hierarchy became ever more chaotic.

When describing the heroin distribution, one should keep in mind that each large regional market follows its own logic of development, adulteration patterns, price levels, and specific mix with other groups of drugs. For example, in the case of Stolipinovo neighbourhood in Plovdiv there is a shorter scheme of three

steps of adulteration after the importation<sup>46</sup> from 70 % of active substance at the consignee, 50 % at the weight dealers, and 30 % at the street dealer level. There exist other short schemes of personal imports when the connections (the area bosses in Sofia and dealer networks in the countryside) sell the stuff of their boss or their own stuff.

**Figure 6. The way of heroin from top to bottom**



<sup>46</sup> The information about the way the importation is organized is far too fragmented to give the overall picture.

As well as the top down cross-section, the review **from the bottom up** (Figure 6) is relevant to the assessment of the heroin market. The issue of paramount importance in this approach is the width of the pyramid base or **the first level**. The identification of the number of users makes it possible to delineate the framework of the vertical structure of the drug distribution. Unfortunately, like everywhere else in the world, the estimates for the heroin-addicted population in Bulgaria are highly speculative. Few are the systematic surveys providing reliable quantitative information. According to the National Drugs Centre, the number of problem heroin addicts in Bulgaria was 20,000 to 30,000<sup>47</sup> in 2004 – 2005. The survey of the Center for the Study of Democracy (2002 – 2003)<sup>48</sup> points to numbers ranging from 15,000 to 25,000.<sup>49</sup> Without entering into a discussion on the research methods used, one could assume that a contingent of 15,000 to 30,000 heroin users determines the parameters of the heroin distribution organization. This number of people dependent on or using heroin is higher than the number of actual users. For various reasons (ongoing medical treatment, migration from the country, disease, prison, etc.), part of the users do not participate in the domestic market.

The number of heroin users is a major factor for the size of the market. This is also the contingent of people among whom many street dealers and jugglers are recruited. The conversion of heroin users into sellers is a process which was analyzed long ago.<sup>50</sup> The surveys of injection users<sup>51</sup> conducted in 2003 and 2005 established that 5 to 7 percent worked also as dealers for their own account.<sup>52</sup> In-depth interviews with old heroin dependent users held at the same time revealed that over 50 % had previous or current experience in selling heroin or assisting street dealers. Practices show that when the police catch dealers it takes only a couple of hours to recruit the required number of dealers from among heroin users. The people at the lowest level of distribution are those who are most frequently caught by the police and also most frequently eliminated from the distribution network.

**The second level** consists of a group which was referred to as jugglers (pushers) in New York in the 1960's.<sup>53</sup> The word "dealer" is also used in Bulgarian, although

<sup>47</sup> See: Annual Report on the Problems of Drugs and Drug Addictions in Bulgaria, Sofia, 2006.

<sup>48</sup> <http://www.csd.bg/en/euro/antidrug.php>

<sup>49</sup> The first representative survey of the population in the country conducted at that time, which underpinned those estimates, made it possible to use indirect questioning in order to conclude that the number of heroin users reached even 32,000 to 34,000. Subsequent nationally representative surveys (2003 – 2006) did not confirm those observations. They partially confirmed the hypothesis that the large number of heroin users was due to mixing of that group with other groups using psychoactive substances. The collation of those observations to data from health establishments, damage reduction programs, police authorities and surveys among street dealers makes it clear that the estimate of 15,000 to 25,000 problem heroin users is realistic.

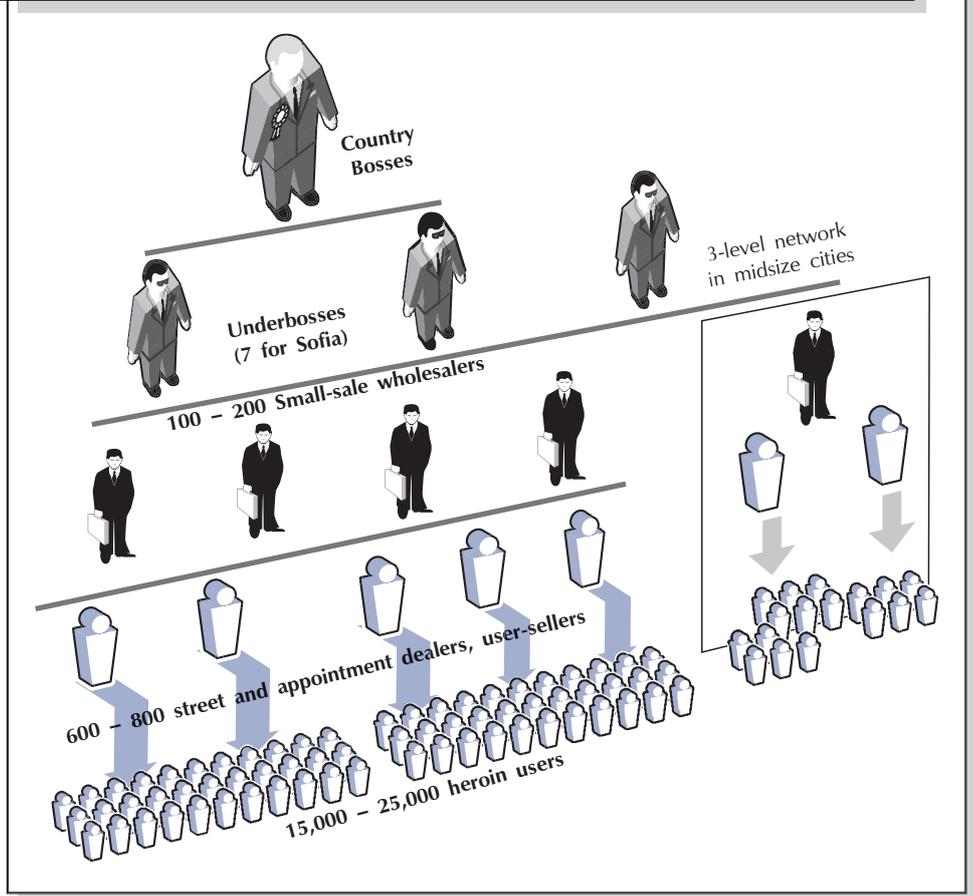
<sup>50</sup> See Preble, E., J. Casey, Jr., "Taking Care of Business – The Heroin User's Life on the Street," International Journal of the Addictions, March, 1969

<sup>51</sup> In 2003, a survey was held in four cities (Sofia, Plovdiv, Bourgas and Pleven). The number of respondents was 501. In 2005, it was repeated with the same methodology in Sofia, Plovdiv, Bourgas and Veliko Turnovo, interviewing 498 respondents.

<sup>52</sup> Bezlov, T., Barendrech, K., *Injection Drug Users in Bulgaria – Profiles and Risks. Initiative for Health Foundation*, Sofia, 2004; Bezlov, T., *Heroin Users in Bulgaria One Year after the Outlawing of the Dose for "Personal Use"*, Open Society Institute & Initiative for Health Foundation, Sofia, 2005.

<sup>53</sup> Preble, E., J. Casey, Jr., "Taking Care of Business – The Heroin User's Life on the Street", International Journal of the Addictions, March 1969; Silverman, L., Brown, G., *The Retail Price of Heroin: Estimation and Application*, 1973 Drug Abuse Council; Nordegren, T. *The A-Z Encyclopedia of Alcohol and Drug Abuse*, Universal Publishers, 2002.

Figure 7. Five-tier hierarchy in the capital city as compared to three-tier hierarchy of a small town



the higher level is called /street/ dealers, too. The specific features of heroin consumption make this lowest level of drug distribution extremely vulnerable. The easy recognition of heroin dependents (the police recognize almost 90 % of problem users in smaller cities), their easy traceability and the interrogations of drug addicts who have no scruples to name the juggler lead to frequent arrests by the police. To make the distribution network less vulnerable in the wake of the amendments of the Penal Code in April 2004 and the elimination of the so called personal dose,<sup>54</sup> a new layer of go-betweens has been introduced between street dealers and users. These are heroin addicts subject to arrests by the police. They usually deal in heroin to provide for their daily intake. These semi-pushers find customers among their friends who often have not used heroin previously.

The model implies continuous renewal of those who sell at the lowest level. The average street life of such dealers is between three months and one year. Then they are out naturally as they are caught by the police, go to prison, stop the use at their own choice or are eliminated by the bosses.<sup>55</sup> It is quite possible for

<sup>54</sup> For more details see *Drugs, Crime and Punishment*, Bulgarian Helsinki Committee, 2007; *Heroin Users One Year after the Elimination of the "Personal Dose,"* Initiative for Health Foundation, 2005.

<sup>55</sup> Most often because of indebtedness, economic inefficiency, aggravated heroin dependency, too close connections with the police, etc.

these jugglers to resume the dealing in several months and the cycle is repeated continuously. The model suggests that the most vulnerable layer is exposed to customers. These are the people who carry the drugs and the money and prevent the law enforcement authorities from reaching the higher levels. The participants at that level expect that it will be considered a venial crime and they will not be convicted or the conviction will be minimal. These people are sacrificed and this is imputed in the price of the final product.

Given that 5 to 7 percent of heroin users operate as pushers at their own expense and that users range from 15,000 to 25,000, the second-level dealers (street dealers) should range between 750 and 1,400 in number. This explains the number of people detained which the Ministry of the Interior announced to be 350 to 700 per annum over the period 2003 – 2006.<sup>56</sup>

Street dealers perform different functions, depending on the heroin dealing model. In the case of sales by phone, they might take the courier role but their main function is to transfer the risk of exposure to the end customer. The effort to use such a protective layer further complicates the organization and reduces the profit margin. The comparison to 2002 – 2003 comes to show that the average daily income of street dealers was reduced from 150 levs in 2001 – 2003 to 120 levs three years later.

**The third level** of the distribution network consists of weight dealers who, unlike street dealers, are not sacrificed and belong to the organization. They have access to the higher levels, get protection from other criminal structures, rely on lawyer's defense when problems occur, enjoy the trust of the area boss, etc. More often than not they are drug dependent people<sup>57</sup> and have criminal records. These dealers have the right to buy the drug from the connection (the depot) by the gram and to prepare doses. This enables them to adulterate the stuff. In many respects, they operate as small entrepreneurs for their own account. At the same time, they must hire a certain number of street dealers to prevent the risk for the organization. In Bourgas, for instance, each of them has the right to hire only one street dealer. Two street dealers and, very rarely, three or four are allowed in Sofia. One could presume that the intention is to keep weight dealers small and to limit their economic capacity. It should be noted that until the late 1990's weight dealers sold the drugs directly to heroin users. Practices are still the same in smaller cities. The direct sales of heroin to users by weight dealers are indicative either of problems in the distribution pattern or special relationships with the customer. In the former case, street dealers are taken out of the scheme for one or another reason. Weight dealers often resort to direct sales after police raids in order to meet their financial obligations. It is at this point of time that the organization becomes most vulnerable. The latter case is observed with big users (high-volume consumption) and old (loyal) acquaintances.

<sup>56</sup> See Annual Report on the Problems of Drugs and Drug Addictions in Bulgaria, Sofia, 2006; Report by Chief Commissioner Valentin Petrov at the Public Hearings of the National Crime Prevention Commission (<http://www.csd.bg/bg/fileSrc.php?id=2251>).

<sup>57</sup> At some points of time, attempts were made in Sofia and some other cities to use dealers who were not dependent on drugs. If the network is stable and the market is good, a dealer is typically removed from the network if he "gets hooked" (starts using heroin). This strategy is often neglected due to the shortage of suitable people.

**The fourth level** (in Sofia) includes big dealers who have supplied and sold heroin without any clearly distinct function for the last couple of years. They increasingly turn into middle-level figures who are much better protected and hidden in the conspiracy. Previously they were the people to deliver the drug to the street dealers and to collect the money from them. Quite indicative of the obscurity of their role is the lack of a generic name. They are called in Bulgaria anything from "base" and "connection" to "gram dealer" and "dealer". Former participants in the scheme claim that those at the fourth level get much greater income than street dealers. Earlier on, they controlled street dealers, collected the money and called the bosses (in case of problems), while now they have additional functions including not only the preparation of the product but also lending to street dealers. The preparation of the product implies adulterating the heroin with the same amount of cut; the profit from the increased quantity is usually delivered to the head of the region. Bigger dealers are usually lenders to street dealers. Weaker street dealers tend to incur debts and "debt management" is included in the functions at that level. The supply to street dealers is the initial step to promotion in the drug hierarchy. The behavior and the personal traits determine whether the dealer at that level would be assigned some "managerial" functions, too, or whether he would simply deliver.

Bigger dealers can be assisted by various auxiliary figures, such as couriers (mules) and those who prepare the product (packers). The function of the mule is to deliver the stuff to the weight dealer. Cover-up is provided to minimize the risk through taxi drivers, drivers of vans delivering supplies to stores and even policemen (reported cases in Sofia, Blagoevgrad, Sliven, Bourgas, Kyustendil and others).<sup>58</sup> Some 100 to 200 grams of highly pure heroin are usually detected when such people are detained (this implies adulteration at a lower level). There exist the so-called "big warehouses" where large quantities sufficient to meet the demand in several areas or cities are stored. The capital city is reported to have two or three places of this type. About five kg of heroin were seized in the raid of a big warehouse in Sofia (August 2002).

Parallel to the structures involving jugglers, street dealers and weight dealers, there are independent operators working at their own expense. They are perceived as enemies of the system and special measures are taken against them. If a street dealer obtains drugs from a source outside the area, he is considered to be guilty of free riding (*shano*) and subject to severe punishment. The same term is used for those who operate outside the existing networks: free riders (*shanadjia*) is a person who often does not report to drug organizations and uses uncontrolled channels to obtain drugs. Free riding can be practiced also by the "official" dealers in the area: part of the stuff they sell comes from channels other than the official ones and it is not reported upwards. In the past, the group of free players was dominated by Arabs and people from neighboring Balkan countries (they imported drugs for their own consumption). As the old distribution system started disintegrating, even heads of areas and persons from the last-but-one levels of the hierarchy increasingly resorted to "unregulated" work. The scheme is to buy 100 or 200 grams of a product which is much purer than what is offered on the

<sup>58</sup> See Domestic News – Bulgarian News Agency, 25 September 2002; Sega Daily, 3 September 2003, 17 August 2007 ([http://press.mvr.bg/News/news070817\\_05.htm](http://press.mvr.bg/News/news070817_05.htm)), 2 September 2007 (<http://news.netinfo.bg/?tid=40&oid=1092570>).

street and easier to sell. Previously free riders were considered to be easy pray to punitive brigades because their property was redistributed. They were eliminated through ruinous fines and beating. In more serious cases they were maimed. For the last couple of years free riders have typically been eliminated by telling on them to the police.

The second, third and fourth levels make up the main drug dealing schemes (not only for heroin but also for the other groups of psychoactive substances). These three groups may operate in various configurations but the **linear type of the distribution network prevails**. In its typical shape, three or four street dealers buy from a single weight dealer and then they sell to their jugglers who are in contact with the end customers. A street dealer can deliver the stuff to the jugglers two or three times a day. This is the simplest and the most widely used scheme but it exposes the participants to risk all the time as it is not difficult to trace out drug users, identify the juggler, then the street dealer and even reach the weight dealer if the police do a good job. For instance, the bigger quantities supplied from the higher levels of the hierarchy to weight dealers are left at a secret place. After the allocation of the product by the third-level dealer, the stuff is again left at secret places from where it is taken to be sold in the street. Coded messages on the phone are used to agree on the delivery<sup>59</sup> and trusted persons deliver. Precautionary measures are a must even for the lowest levels. It is, for example, avoided (or prohibited) to hand over stuff or money. Usually both the money and the doses are placed at secret places. Cigarette boxes are the most common device. Jugglers usually carry only the ordered doses so that to be able to claim that they are his personal dose if caught by the police.

**Table 3. Types of heroin dealers**

	2003	2005
<b>A dealer you contact on the phone</b>	<b>69.0</b>	<b>59.2</b>
A dealer you meet in the street	44.0	43.2
<b>A dealer you visit at his place</b>	<b>9.5</b>	<b>21.3</b>
A dealer at a café, bar or restaurant	10.7	8.0
From friends	12.4	19.1

Source: *Injection Drug Users in Bulgaria – Profiles and Risks*. Initiative for Health Foundation, Sofia, 2004; Bezlov, T. *Heroin Users a Year after the Elimination of the "Personal Dose" – the Amendments to the Legislation and the New Risks*.<sup>60</sup>

<sup>59</sup> They talk, for instance, of coffee, coke, a pharmaceutical, etc. Trials of weight dealers (depots, packers or gram dealers) point to such coded words as "the upper coffee" and "the lower coffee". "The upper coffee" means wholesale of heroin of up to 100 or 200 grams while "the lower coffee" is the heroin for the street dealers, which has already been divided into smaller quantities and it is about five grams.

<sup>60</sup> *Injection Drug Users in Bulgaria – Profiles and Risks*. Initiative for Health Foundation, Sofia, 2004; Bezlov, T., *Heroin Users in Bulgaria One Year after the Outlawing of the Dose for "Personal Use"*, Open Society Institute & Initiative for Health Foundation, Sofia, 2005.

When the sale is struck, first the buyer leaves the money at a specific place. The payment is confirmed and then the place from where the stuff can be taken is specified. The Roma version of the linear model involves the whole family: the father gives instructions on where to leave the money, the mother collects the money, and the children leave the heroin. Although secret laces are used, the poor discipline of persons dependent on drugs (customers, jugglers and even street dealers) often leads to breaking the rules of the contact-free sales.

When cell phones were introduced and became cheaper (by 2001 – 2002), the main model of **sales by phone** started to dominate. There are many varieties of the model. The most common is that of a **dealer with a telephone number known to the customers**. That selling technique emerged as early as the mid 1990's,<sup>61</sup> when sales were no longer fixed to a specific place (post) but dealers make appointments with customers at various places throughout the city. They were constantly on the move and hence less vulnerable to the police. The introduction of pre-paid cell phone cards spread the technique all over the country. The time, place and quantity are agreed on the phone. The price is usually known because it is indicated on the label. For example, "a ten", means heroin at the price of ten levs, "a dozen" is heroin for twelve levs, "a five" or "a six" means heroine at the price of five or six levs respectively.

When jugglers are involved, versions become more complicated – the order is taken by the street dealer but the delivery is carried out by the juggler.

The most complicated version in the cases of sales by phone is that of "**telephone exchanges**". The "cell" (the autonomous structure consisting of a weight dealer, street dealers and jugglers) involves several people with different functions. There usually is a "work" telephone number for the placement of orders and, as it will be described further below, these relatively complicated structured are used for the distribution not only of heroin but also the other drugs – synthetics and marijuana. The customer's order is taken by the dealer on the phone who makes arrangements again on the phone (using pre-paid cards) to send the courier juggler to take the quantity from the supplying juggler. Typically the juggler fulfills only one order at a time so that to be able to claim a personal dose in the event of a police raid.

As well as sales on the street or by the phone, there are **sales from the home** of a juggler. Paradoxical as it may sound, in spite of the success of cell phones, sales from homes have tended to increase over the recent years. Jugglers using this technique seem vulnerable but some precautionary measures make the model quite reliable. The police have to overcome substantial problems to catch them because the street dealer with the cell phone can be caught at public places, whereas the entry into a private home requires a special permission. The underlying principle of this model is to ensure the protection of the home against penetration (locked door of the apartment block, armored doors, protective grids on the windows, etc.). In the case of a police raid the drug is dropped into the sewage system, while police officers enter the place. This model of dealer homes

---

<sup>61</sup> According to old drug users and drug enforcement officers, the first dealer to introduce cell phones for dealing was Klyuna who, later on, became a well-known boss.

is described in various surveys conducted in big Western European cities. It is worth noting the tendency for dealers to use their homes as their base when the police pressure grows at public places. A special variety of this model is the sale in Roma neighborhoods, where a kind of a **"fortress"** has developed. In some cities this form of distribution influences the market very strongly. Export estimates for Varna point to about 80 % of the sales of heroin in the Roma neighborhood. In Plovdiv's<sup>62</sup> Stolipinovo district (See *Figure 3*), the largest Roma neighborhood, covers almost the entire consumption of heroin in the city and since 2003 or 2004 it has turned into a major source of supplies to big cities in Southern Bulgaria. This phenomenon in the drug distribution could be the subject-matter of special research.

**Figure 8. The Roma quarter at the fringes of Varna**



The methods and levels of distribution have different characteristics in the networks operating in Roma neighborhoods. The competitive advantage of the sellers is associated with many specific features of the ethnic group living there. These

<sup>62</sup> According to data from the Civil Registration Office on the permanent and current residence of people by 15 February 2007, Plovdiv is the second biggest city with a population of 377 thousand and Varna is the third biggest with 355 thousand inhabitants (See <http://grao.bg/tna/tab01.html>).

areas most frequently lack any consolidated urban planning rules and houses are built in a rather hectic manner. The density of building is very high; narrow paths divide one house from another or houses are connected so that jugglers can run through several houses when the police is after them. Dealer houses are located in the centre of the Roma neighborhood and there are guard posts on the way to them. But given the specificities of the Roma culture, it is even not necessary to have posts because when strangers enter the neighborhood the news spreads instantly. Drug users tell impressive stories of how the police raided the southern part of Stolipinovo, while jugglers continue to operate in the eastern, western and northern parts. When police officers move to the eastern part, sales stop there but they are resumed in the southern part, and so on. Another competitive advantage of the neighborhood is that users are offered premises for which they pay to take their dose in. A neighborhood with over 90 % of its population from the Roma minority (often hostile to the police) creates a kind of ethnic wall against law enforcement authorities.

**Figure 9. Stolipinovo, the Roma neighborhood in Plovdiv – monopolist on local heroin market**



When describing Roma neighborhoods, one should remember that each of them is unique and it is difficult to make general conclusions. Plovdiv has three more Roma communities outside Stolipinovo but no drug dealing networks have developed there due to their smaller size and the specific features of the population.

A major precondition for such infrastructure to develop in a Roma neighborhood is the existence of drug users among the inhabitants. There are some large Roma neighborhoods where the use of heroin is not tolerated and the local population persecutes drug users. In Sofia, for instance, aggressive and hostile attitude to Roma drug addicts has developed in the biggest Roma neighborhoods like Fakulteta and Hristo Botev since the late 1990's when an epidemic broke out there. Similar is the situation in Bourgas. At the same time, there is a late heroin wave of new addicts in Stolipinovo in Plovdiv and some smaller cities like Pazardjik, Kyustendil, Petrich, and some others.

**The fifth (fourth) level** is that of the actual operational management of the market in drugs. This is the level of the boss ("the head") of the territory. He controls dealers' networks, supplies or controls the supply of drugs (not only heroin but also all other groups of psychoactive substances), uses punitive brigades and "black" lawyers, and pays a certain rent to the highest level of the underground world. This layer is almost untouchable for the law enforcement authorities. It is extremely difficult to prove the activities of the boss; he will never touch the drugs and beware of any criminal actions that can be proven (possession of weapons, driving stolen vehicles, participation in acts of violence, etc.). The size of the controlled market determines the importance of the criminal leader. In small cities this can be the wholesale distributor who controls two or three street dealers and four or five jugglers and pays rent to enjoy the protection of a boss from the big cities (most often Sofia).<sup>63</sup> In the capital city the conditional fourth level involves the so-called "chiefs of areas" controlling the operation of several heroin networks and several networks for weed and synthetic drugs. The structure involves also couriers, packers and other auxiliary persons. The "office" in big metropolitan areas may well involve dozens of "employees". The rapidly changing environment for the last four or five years comes to show that one can no longer speak of a coherent hierarchical system (a pyramid). More often than not, there are several bosses in a single network, who "share the power" without any clear subordination lines, while networks cover various areas. This fourth (fifth) level is constantly on the move – people rotate up and down within months. Together with the area chiefs, there are also at least one or two smaller bosses with quite a vague position in the hierarchy.<sup>64</sup>

One thing that is certain on the drugs market is the undoubted existence of subordination lines and division of roles. For this purpose, the **distribution of territories in the country** or, in some cases, in the city is indispensable. A major resource of the head of an area is his access to various levels in the police structures. Interviews with former and current street dealers make it clear that the typical weekly contribution to the police officers specialized in drug enforcement at a police precinct amounts to 15 to 20 levs per street dealer. The work

<sup>63</sup> However, this type of criminal leaders is more vulnerable. They have to communicate with street dealers and even get in contact with their stuff. and Varna is the third biggest with 355 thousand inhabitants (See <http://grao.bg/tna/tab01.html>).

<sup>64</sup> This duplication and re-duplication of levels sounds in the interviews of jugglers as follows: "I worked for Botse and Mitko Babata is under him". At the same time, it turns out that Botse who is a boss works for Mitko Ruski who, in his turn, has "agreed with Klyuna..." Stories are quite contradictory, e.g. Klyuna wanted to redistribute the territory and, at the same time, he worked for both Kosyo Samokovetsa and Meto Ilianski. "Kiro Yaponetsa is now working only in the /Roma/ neighborhoods" but there are areas "from which he is going to get", etc.

charge is paid by the dealer. Besides, interviewees claim that the area boss pays to the higher police levels at the precinct to ensure the smooth operation of the system. The amounts for which there exists specific and corroborated information ranged from 10,000 to 20,000 leva annually over the period 2001 – 2003. It is a known fact that dealers and bosses pay additional amounts on top of the general arrangements when "incidents" occur. For instance, the payment is per dose when a juggler is caught. When larger quantities are caught, e.g. 200 – 300 grams, the third level may reach 10,000 to 15,000 leva to "redeem". If a valuable dealer is caught, the payment goes for loss of evidence, procedural errors, etc.

These practices have been reported less frequently in the process of the stabilization of the law enforcement authorities observed over the last two or three years. Long-standing street dealers say that "rough techniques" to cover up drug dealers have become practically impossible. The prevailing scheme is to rely on leaks of information about a raid prepared in the area or to direct the file to a suitable police investigator (prepared to do favors or, at least, inexperienced). Area bosses pay not only in cash but also in other forms such as restaurant bills, repair and maintenance of vehicles and homes, VIP cards for brothels, sale of properties and automobiles at lucrative prices (the mark-up is covered by the area bosses). One of the most common forms which is mutually beneficial to both parties is the disclosure of information and the use of "sacrifices". In order to preserve the system the chief of the area needs to sacrifice street dealers. Of course, the easiest pray to help the career of "our" policemen are the free players but it is not always so easy to "offer" them, i.e. to arrange their arrest and to prove the offence.

The integrity of police is compromised at different levels. If a senior official cannot be reached, then a subordinate is sought to make the breakthrough at the higher level. When three or four officers work at a local precinct, it is quite possible for the head not to cooperate but the typical picture is to have at least a half of his subordinates abusing of their position. The paradox is that officers reported to have abused of their position are transferred to other precincts or re-appointed to another position at the same precinct. Even medium- and low-level dealers try to influence police officers. They use the specific police sub-culture in which rumors and personal intrigues play a special role in the career development (by offering incomplete information or information denigrating or distinguishing certain officers<sup>65</sup>). As well as special relations with key local government and police officers, area chiefs maintain contacts with public prosecutors. The media have reported several cases of contacts with judges in the countryside. Similar to the contacts with law enforcement officers, magistrates did favors in the late 1990's and the beginning of his decade.

An important role in the functioning of networks is assigned to a certain circle of **lawyers** and the so-called "**punitive brigades**" managed by this fifth (fourth) level.

<sup>65</sup> The issue of the mutual influence between representatives of the underground world and police officers at various levels (from local patrols to directors of special services) has been a hot topic for the last 17 years and it is extremely interesting but it is not the subject-matter of this paper. It is worth noting, however, that it is often clear who serves whom (whether the informer serves the policeman or the policeman serves the informer and whether the recruitment of informers helps the law enforcement authorities or organized criminal structures).

Unlike the typical lawyer in penal proceedings who has diverse customers, the lawyer serving criminal structures (the so-called **"black lawyer"**<sup>66</sup>) is specialized primarily in serving his contingent. He is called "black" mainly because of the means he uses. The typical black drug lawyer attacks the criminal justice system at all levels (police officers at local precincts where the arrest has taken place, police investigators, investigating magistrates, public prosecutors and judges), aiming at a "breakthrough" at every step of the pre-trial phase and the proceedings. The intention is not so much to have errors and omissions in the penal proceedings but to use clientelist privileges or corrupt practices. Black lawyers are usually former law enforcement officers or investigating magistrates (the most common case), more rarely former public prosecutors and most rarely former judges. The role of this group is to be a specific go-between, often offering deals – cooperation on part of the accused, cash payments, arrangements with the police to "sacrifice" somebody,<sup>67</sup> leakage of information to the media, etc. It is quite indicative of this role that the fees are typically calculated as a percentage of the money which should have been used to salvage the respective member of the structure. An important feature of the work of these lawyers is their networking. Cases are taken over, depending on the "influence" of the lawyer in the various districts or parts of the judiciary. For instance, there will be a lawyer working with people accused at Police Precinct No. 3 in Sofia because he used to be an investigator there; another one will focus on Police Precinct No. 1 in Varna because he is a former police officer there, and so on. If the customer is arrested in a district where the lawyer has no contacts, another lawyer will take over the case and swap it for other cases where the first lawyer holds good positions. The number of black lawyers varies from one city to another. In Sofia, for instance, there are some twenty lawyers involved in drug proceedings. It should be pointed out that the regional specialization is accompanied by a rather clear-cut hierarchy, i.e. juggler cases are assigned to junior members of the group. Unlike ordinary lawyers for whom a case lost means income lost, black lawyers are exposed to the risk of physical punishment in the case of failure.<sup>68</sup> Black lawyers continue to be obscure figures in many respects. They differ from the well-known prestigious lawyers<sup>69</sup> who defend notorious criminal leaders and who typically do not participate or tend to participate in black operations (collusion with magistrates) only

<sup>66</sup> Black lawyers are members of the legal profession linked to gray or black structures, including drug dealing structures, with good experience in penal proceedings which involve serious crime.

<sup>67</sup> In order to dispel the suspicion that "access" has been gained to a police precinct, arrangements are made with senior officers that one of the better known dealers with a criminal record is sacrificed. Sufficient quantities of drugs should be available at the time of the arrest to show to the media. Afterwards, it may turn out that this was not heroin but powdered sugar or that the search warrant has not been signed, etc.

<sup>68</sup> A crucial folklore element in the interviews of police officers and public prosecutors are the stories of bruised and beaten lawyers.

<sup>69</sup> The role of many well-known Bulgarian lawyers since the beginning of the transition has been quite controversial, undergoing various stages and intertwining with politics. For this reason alone it deserves special research. Here it is examined only in the context of the penal proceedings related to drugs and organized crime. Members of Parliament claim in their interviews that many well-known lawyers have been involved as consultants in the legislative drafting process because of their professional expertise. MPs say that some consultants suggested amendments to the penal law (supported by Members of Parliament some of whom were also well established lawyers continuing their practice during their term of office), evoking suspicion that the intention was to directly or indirectly evade justice. Thus even a mediocre lawyer could win a case, although the police officers, the investigators and the public prosecutors might have done a good job.

from time to time. The "top-level" cases are entrusted to popular lawyers, while black lawyers perform mainly auxiliary functions such as pressurizing witnesses, making arrangements for the loss of important evidence, etc.

Alongside with police structures and lawyers' networks, **punitive brigades** play a special role in the functioning of the hierarchy and the zoning principle. The violence committed by these structures is indispensable to the formation of closed territories, the control over the distribution of shipments, and the punishment for breaking the rules. The available information suggests that punitive brigades of the type which existed back in 1994 – 1997 become unsustainable. Instead, each head of an area has three or four persons at his disposal ("a carload") to maintain good discipline. One or two might be the personal bodyguards of the boss. The survey conducted in 2002 – 2003 reveals that the costs for the maintenance of a participant in a small brigade amounted to some 300 leva a week plus the extra costs like cell phones, drinks and food at the restaurants of the boss, prostitutes from the contingent of the boss, etc. The fines imposed on the jugglers and the property seized remain for the punitive brigade. The head of the brigade gets about 1,500 leva a week. He has a special status and might be a co-owner in the business. A member of the punitive brigade may receive less than a juggler since the market for violent services has shrunk and the level of pay should be geared to that in normal security companies where the employees get two or three times less than members of punitive brigades.<sup>70</sup> Generally, punitive brigades are used also in other spheres of organized crime such as collection of penalty interest, punishment of pimps and restaurant owners, etc. In fact, for the last three or four years, these structures of the drugs market provide violent services to almost all other black markets in all big cities of the country.

Since 2004 – 2005 the maintenance of independent punitive brigades has become increasingly difficult. Semi-professional structures have occurred with the participation of street dealers involved in the network: young, healthy guys usually selling weed and amphetamines who get together, if necessary, with free lancers and indebted heroin dealers. They get extra pay and special bonuses for each punitive action but their main source of income is dealing. This flexible approach relieves the "head" from additional costs and also makes it possible to use the services of different people who are less vulnerable to the police. **Punishments** can be conditionally divided into three levels: (i) a fine – depending on the severity of the breach, the person pays a certain amount ranging from several hundred and several thousand leva; (ii) beating – there are degrees of injury but generally the breaking of bones or severe injuries are avoided; and (iii) maiming – cutting of ears, stabbing of the bottom parts of the body, breaking of bones which are difficult or impossible to heal, such as elbows, knees, etc.

Both in the late 1990's (the emergence of zoning) and now (the beginning of its disintegration) punitive actions were used and continue to be used to threaten jugglers deviating from the rules. Two or three persons take part in the action. "More serious measures" require the involvement of people from three or four areas.

<sup>70</sup> See: Bezlov, T., *The Drug Market in Bulgaria*, Center for the Study of Democracy, Sofia, 2003.

**The fifth level** consists of the so-called **big bosses**. The names and nicknames at this level are a favorite topic of the mass media, police officers and politicians. All interviews with police officers, dealers and criminal leaders (conducted since 2002) have shown that the heads, i.e. the fourth (fifth) level report "up". It is mainly personal stories that we have to illustrate the functioning of the system at the higher levels. The only exception so far is the investigation of the Bourgas boss Mityo Ochite, which took about a year and ended up with his arrest in April 2007. One can draw the conclusion that the bosses at the top level are persons whose biography is linked to former extortionist groups (including former police officers). They have already developed a sustainable legal business which can prove substantial incomes. At the same time, their legal operations cannot exist without gray or black economic practices providing considerable financial, organizational and human resources. **Big bosses are never involved in black market operations** – they do not know and are not interested to know who is who in the dealers' networks, where the stuff goes, who carries it, who will be rewarded or punished at the lower levels. Their main criterion for assessment is the availability of "normal" revenues. Loyalty and the lack of problems in the organization are the other criteria. It is not clear to what extent big bosses are involved in the negotiations on the allocation of territories, to what extent they "license" dealers, to what extent they control the supply of drugs, the quality and prices. The interference of a big boss in the day-to-day affairs, even when serious problems occur in his territory, is quite an exception. As a result, especially over the recent years, the heads and big dealers start relying on the passive attitudes of big bosses and working on their own. However, a traceable principle is to have a proxy on each big market. The police reports and dealers' stories related to the last five or six years mention various names of proxies such as Anton Miltenov Klyuna, Pesho Shtangata, Shileto, Ivo Gela, Rasho, etc. They control the areas in cities like Sofia, Plovdiv and Varna.<sup>71</sup> Two proxies in a big city (Sofia, Plovdiv, Varna and Bourgas) mean conflicts and frequently leads to wars. The division of people into those of VIS and those of SIC on the drugs market is reported to have disappeared since the beginning of 2002 but certain perimeters are retained. It is claimed, for instance, that in cities like Sofia and Varna amphetamine and marijuana belong to SIC, while cocaine belongs to VIS. The history of the drugs market for the last six or seven years is full of stories how some heads have managed to become strong enough in the control of violence and have sought the protection of a big boss against their old leader.

These descriptions of the big bosses raise the issue of the factors which determine their influence. The systematic review of confirmed fragments from known events related to them and their biographies leads to the assumption that alongside with their authority built through violence during the golden age of extortionist groups and their substantial financial resources, what matters are also their capabilities of influencing law enforcement and judiciary authorities at the national level and their access to politicians at the local and national level. The development of the country since the beginning of this decade, the public killings in 2001 – 2005 and some of the most notorious persons quitting the country lead to the ques-

<sup>71</sup> The situation is somewhat different in Bourgas. Law enforcement officers and dealers claim in their interviews that the proxy is Yanko Pomoriiski who is reported by the police to be "complementing" to Mityo Ochite.

tion whether underground celebrities untouchable for justice continue to have the same importance for the functioning of the market in drugs.

### *The Zoning Principle*

The zoning of the drugs market is an extremely interesting phenomenon typical of Bulgaria. The in-depth interviews with police officers and dealers lead to the hypothesis that the late 1990's saw the emergence of territories the control over which was subject to negotiations. Members of former local extortionist structures were ceded the control over the drugs market in their area. Sofia is the most telling example to this effect. Until 2001, it was divided into "points" or "posts" in the heroin distribution. The typical organization consists of a boss with four or five street dealers and one or two suppliers. There was a clear connection with either of the former groupings VIS and SIC.<sup>72</sup> The zoning of Sofia is an illustration of how organized criminal structures effectively agree on zones of influence. Historical reconstructs show that, in the wake of a series of incidents (the killing of Polly Pantev and Lyonyata Djudjeto<sup>73</sup> in 2001), tension mounted and made representatives of the two groupings at medium- and high level to meet and negotiate the consensus solution to divide the territory of Sofia. The paradox was that **the boundaries of the drug territories followed the boundaries of operation of local/district police precincts.**<sup>74</sup> Thus Sofia was divided into nine areas, corresponding to the nine police precincts in the city. The principle of having a boss or a head of each area was adopted.<sup>75</sup> The head is assigned with the management of the whole organization of delivery and distribution, punishments, prices, etc. He "owns" the street dealers and controls their territory of operation. The dealing in another area, be it on the other sidewalk of the street, the sale of drugs from external sources or the work for another area boss are subject to punishment.

Drug dealers and members of the underground world who have impressions of the way in which drugs are distributed say that it is only natural to have this coincidence between the drug dealing areas and the territories of operation of police precincts because of past experience and the key role of the police in the redistribution of territories.<sup>76</sup> It is impossible to protect the territory without contacts with the respective police precinct. The experience of posts (street dealers selling in more than one area) showed that if police officers from more than one police precinct are to be involved and paid, the coordination became very complicated, costs increased and the risk of rivalry among corrupt police officers (in the presence of non-corrupt officers) was very high.

<sup>72</sup> See: Bezlov, T., *The Drug Market in Bulgaria*, Center for the Study of Democracy, Sofia, 2003.

<sup>73</sup> Polly Pantev was shot dead on the island of Aruba on 9 March 2001. He was believed to be the most influential person on the drugs market who controlled the supply of heroin and cocaine. Leonid Fotev (Lyonyata Djudjeto) and his girlfriend were slaughtered in his apartment in Sofia on 16 September 2001. He was believed to have controlled the distribution of drugs in Sofia at that time.

<sup>74</sup> See: Bezlov, T., *The Drug Market in Bulgaria*, Center for the Study of Democracy, Sofia, 2003.

<sup>75</sup> "Head" was the title used when areas were demarcated and probably reflected the subordination to the biggest criminal leaders at that time.

<sup>76</sup> The corruption in law enforcement and judiciary authorities is of crucial importance for the development of crime in Bulgaria. Coalition 2000 has dedicated special research to this topic (See <http://www.anticorruption.bg>). The theme has been repeatedly discussed also by the policy makers at the Ministry of the Interior.

It is noteworthy that the old model of posts has not disappeared since the time when the territories were divided. It continues to operate but posts function within the area. They receive the drugs and report to the boss of the territory. There are also some general posts, i.e. places known to heroin addicts, which account for most of the sales. They are located downtown – the monument to Patriarch Evtimii ("Popa"), Orlov Most ("Sinyoto"), the monument to the Soviet Army ("Baba Yaga"), etc. The situation is similar in Bourgas and Varna. The main problem with this distribution of public posts is that the places of dealing become known to the general public and the police cannot afford to ignore or neglect them. In the beginning of the decade cell phones became so common that the Western model of telephone sales was introduced in Bulgaria, too. As a result, the old forms of control became more difficult to exercise. New dealers appeared and "took customers away from reporting dealers". The balance between the bosses controlling the posts was tilted and that reduced the proceeds of the two extortionist structures (VIS and SIC).

Unlike the division of Sofia, the countryside was divided in a more spontaneous and natural way. Local leaders (from the former subsidiaries of the extortionist groupings) were entitled to get control over the distribution of heroin. In 2002 – 2003 the analysis made by the Center for the Study of Democracy using at least two different sources<sup>77</sup> developed a conditional map of the allocation of the country, specifying the major criminal leaders exercising control in the big cities.

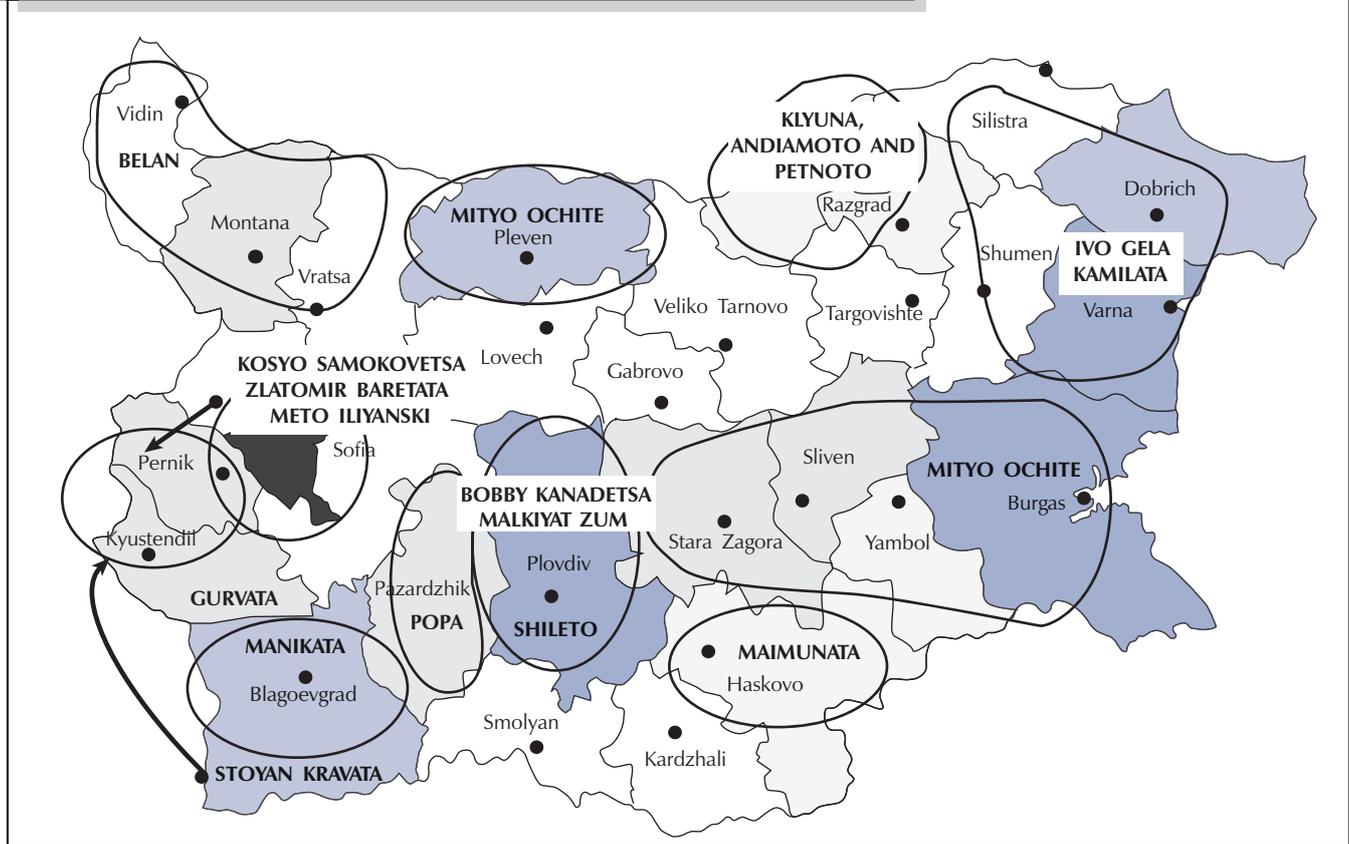
The logic of the control over drug distribution territories followed two principles. The first one related to the size of the regional market – larger markets subordinated the smaller neighboring markets. The second one was the strength of the local organization of organized crime. An organization is more important when it uses violence more effectively and has penetrated the local government institutions, the local law enforcement and judiciary authorities more effectively. Unlike Sofia, smaller cities usually do not need zoning. An exception to this rule is Varna, where the drug market is big enough. In smaller cities the drug distribution networks are part and parcel of the distribution network of the neighboring big city. There are some areas like South-west Bulgaria where not only the regional centre (Blagoevgrad) but also the smaller cities close to the border with Greece are intricately interwoven into the hierarchical structures of at least four criminal leaders in Sofia.

All interviews held in 2002 – 2007 point to a single main theme in the explanation of regional markets, i.e. their subordination to Sofia. Except for Bourgas and partially Plovdiv, the influence of the capital city is very tangible. People often talk of "permission from Sofia to take the heroin" or "permission to deal also in weed and amphetamines", "monthly contributions to Sofia", etc. The most realistic explanations are that the capital city continues to provide for the importation of the

---

<sup>77</sup> Information from special services, local police structures, interviews with street dealers and pushers, publications in the mass media, etc. After CSD published *The Drug Market in Bulgaria*, many and diverse comments and information on the maps were received. All this gives us grounds to believe that, in spite of some inaccuracies, the 2003 national map have a true reflection of the distribution of drugs. This map contains the names of some leaders who were omitted for one or another reason in 2003.

Figure 10. Areas of control over Bulgarian heroin market, 2003



The more intensive the color, the higher the consumption of drugs in the respective area in 2002–2004. For instance, it was the highest in Sofia, while in cities like Gabrovo, Lovech, Targovishte, Smolyan and others the use of drugs was minimal.

main bulk of the wholesale heroin and cocaine and to organize the production of synthetic drugs. The belonging to the networks centered on the big structures in Sofia safeguards the regularity of supply and also gives access to additional human and financial resources. There are typical cases of seconded dealers from Sofia and rescheduled payments for the drugs. On the other hand, isolation and disobedience lead to problems for the local criminal boss. He runs the risk to be exposed to the central law enforcement and judiciary authorities. While some events are controllable at the local level, area bosses stand no chance if the operation comes from Sofia. He might be taken at surprise, be refused contacts with senior police officials and magistrates or even be confronted with information and evidence of his operations.

### 2.2.2. The Soft Drugs Market

All component drug markets bear strong similarity to the core heroin distribution chain and the patterns in which it functions. In the late 1990s, **soft drug consumption topped all other drugs** and became the portion of the market most attractive to organized crime. At this point, local crime leaders started to invest consistent efforts to control it, competing for school neighborhoods and

other public spots. Until 2001–2002, however, weed was regarded as low-profit for two main reasons—its low street price and the frequent ups and downs in consumption.<sup>78</sup> As heroin demand shrank, though, the situation changed rapidly. All available surveys confirm the steady growth of soft drugs use in the period 2001–2006.<sup>79</sup> The First National Population Survey on Drug Consumption in Bulgaria conducted by Vitosha Research in early 2003 found that those who had tried marijuana at least once (lifetime prevalence) were around 130,000. In 2007 already, the survey recorded 160,000 people who had tried the drug. Another survey conducted by the National Focal Point on Drugs and Drug Addictions in 2005 captured a much higher lifetime prevalence of 4.4%,<sup>80</sup> or 200–210,000 people. The latter survey, however, did not cover under-18 marijuana users, which, according to data from the National Center for Drug Addictions, would add another 60–80,000 users to the total.<sup>81</sup>

In contrast to heroin, most locally consumed soft drugs are also locally produced. This deprives crime enterprises of one of their main competitive advantages—contacts with transnational supply networks and the cross-border routes they control. Moreover, climate across the country is favorable to growing cannabis practically anywhere and a large portion of users grows their own plants. This is the main difference between soft drugs and amphetamines, which are much more complex to produce and depend on the import of precursors that the average user could hardly undertake. Early in the decade the market of cannabis products was already well established and sufficiently developed. Selling to friends and through small-scale pushers were the most common methods of distribution. They could meet growing demand due to the effectiveness of networks stretching out to many remote and small places, which bought out the crop, sold it at large or pushed it in the street.

The 2002–2003 survey<sup>82</sup> demonstrated that at the time, the markets of heroin, synthetic drugs and cocaine controlled by organized crime were independent

<sup>78</sup> Heroin addiction where the need for a daily fix and withdrawal symptoms in its absence could drive users to do anything, to the point of getting involved in crime and prostitution to buy the drug. The sales of marijuana and other cannabis products, though, depend on a number of factors, such as weekend recreational use, seasonal peaks, holidays, the frequency of friendly gatherings or celebrations, etc.

<sup>79</sup> Estimates are based on the annual population surveys of drug consumption in Bulgaria made by Vitosha Research in 2002–2007. See also: *Annual Report on Drugs and Drug Addictions Issues in Bulgaria*, 2006, National Focal Point on Drugs and Drug Addictions.

<sup>80</sup> Standard questionnaires measuring prevalence with questions, such as: "Have you ever tried (any type of drug)?" are virtually asking respondents to self-report the commission of an offence. It is not clear, however, what portion of Bulgarians would willingly self-report their personal use of drugs. Vitosha Research have consistently used the same set of question from 2002 up until 2007 to put together the profile of users who „had tried at least once in their lifetime” a certain drug, and the findings suggest that with the introduction of harsh punitive measures for drug offences the number of respondents who would self-report drug use has plummeted. School surveys show that marijuana using students are increasing each year. In addition, most of old users are still living in Bulgaria. This gives us ground to suppose that part of the respondents would not self-report in fear of legal consequences. This is also the reasons that different sociological surveys produce disparate results.

<sup>81</sup> National Population Survey on the Use of Alcohol and other Drugs in Bulgarian Schools (9-12 Grade) conducted by the National Center for Drug Addictions and the National Center for Public Health Protection as part of the European School Survey Project on Alcohol and other Drugs (ESPAD) in May 2003 and surveying 1,400 students from 75 sections in various general and special secondary schools.

<sup>82</sup> See: Bezlov, T., *The Drug Market in Bulgaria*, Center for the Study of Democracy, Sofia, 2003.

from each other and none of them had any links with the market of cannabis products. Up to 2003, the dominant cannabis distribution patterns in most large towns<sup>83</sup> were either through friends, or by independent dealers. Surveys from that point on<sup>84</sup> bespeak the gradual **monopolization of the market**. Distribution networks that dealt in synthetic drugs and marijuana started to merge. Even the vernacular names assigned to marijuana suppliers in most neighborhoods or towns, such as "the firm" or "the monopoly" confirm that organized crime had taken control of the market.

Several factors led to the capture of the marijuana market by criminal organizations. The first factor was that criminal enterprises established control of wholesale deliveries. Police measures targeting cannabis production and access to the crop had a major role in this respect. In the late 1990s, when the market was split between criminal organizations and numerous small free players (either marijuana-using sellers or black market entrepreneurs), the latter bought small amounts directly from growers (usually around one kilo of dry cannabis) and sold it to friends and acquaintances. As police clamped down on producers in the notorious cannabis cultivation area around the town of Petrich, the access of casual buyers to the region was significantly restricted. Interviews with users long engaged in small-scale marijuana dealing have revealed that around 2004–2005 it had become nearly impossible for an outsider visiting a pot-growing village in the Bulgarian south-west to buy it freely and leave undisturbed. In most cases the police would seize the stuff and caution them against repeat visits. Interviewees were convinced that the police's stint was rather to watch out for competition of the area's true masters than enforce the law. The police, on the other hand, claim that local departments are not appropriately staffed and equipped to counteract the sophisticated techniques used by criminal organizations. They take particular safety measures during the riskiest part of the supply chain—transportation, sending two or three reconnaissance cars ahead and using mules as drivers of the vehicle where the cannabis is loaded, so as not to harm the organization in case the police seize the batch.<sup>85</sup> The local members of crime syndicates are familiar with every single police officer in the area and must keep track of where they are patrolling on the day when the deal takes place. Even if officers from other departments were to be posted in the area, they would stick out in the sparsely populated local villages and towns. As a result, local growers have stopped taking risks and only sell to a selection of trusted clients. On the whole, even if the suspicion of police complicity is waived, law-enforcement bodies prove unable

---

<sup>83</sup> Varna and Bourgas are an exception to this pattern.

<sup>84</sup> Since 2002 the Center for the Study of Democracy and Vitosha Research have performed six annual victimization surveys containing a significant bloc of questions on the use of the most widespread psychoactive substances. In addition to that in 2006 and in the first half of 2007 the Center conducted a series of in-depth interviews with drug dealers and justice and law-enforcement officials.

<sup>85</sup> Interviewed officers also criticized internal police regulations on counteracting cannabis growing, describing them as "intentionally impractical". One of the rules reads that guards must be placed around any discovered cannabis field until the plant matures, then a specimen is to be sent for analysis and if it confirms that the plant is indeed cannabis, only then the field can be lawfully ploughed out to destroy the harvest. Thus, any police force unlucky enough to have found green cannabis must assign guards functions to its officers. In 2006, for instance, the border police had to place guards round fields throughout the summer, despite the severe staff shortages. Later on, they took care not to find not to find cannabis fields again.

to compete with the professionalism of criminal structures. In contrast to small-scale entrepreneurs, whose career would end if deprived of one kilo of cannabis and registered by the police, organized criminal players can easily recover from damage and loss due to police operations.

**Second**, and perhaps even more significant, was the creation of an organized cannabis distribution network within particular regions or cities. Some of the bigger cities, such as Varna and Bourgas, were seized rather quickly back in the early 1990s. Others took longer time and greater effort to control, e.g. Plovdiv and Sofia. These differences were due to several factors, but mainly that in the two coastal cities criminal enterprises' hit squads managed to oust the small suppliers and that there were no marijuana growing spots in close proximity. In contrast, the only district within the city of Plovdiv firmly held by organized crime is the Roma neighborhood Stolipinovo, while also and a number of villages and towns in the countryside around town grow marijuana readily available to users through networks of associates.

The socio-demographic **profile of marijuana users** is different from that of heroin users from the margins of society. These are secondary school youths, university students, and career oriented professionals under 35<sup>86</sup>—an age group associated with relatively high income. Soft drug distribution was therefore organized around different assumptions. It is hard to decide whether the local drug lords based their distribution schemes on rational analysis, considering the ineffectiveness in employing heroin dealers for soft drug distribution both because of the social differences between target clients and popular apprehension that soft drugs are a transition step to heroin use. However, they engaged in the networks mainly amphetamine dealers who would not sell heroin. Interviewees confirmed that marijuana dealers were recruited in two basic patterns. Some dealers came from among neighborhood offenders and hooligans, some of them partly experienced in school sales—muscular and aggressive pushers who worked for a fixed salary, percentage of the sales and bonus payments. They also acted as hit squads in some districts in Sofia and Varna. In the cases when former independent pot dealers had to be forced to join the network or give up the competition. The second recruitment line relied on incorporating exactly those petty sellers to work under a certain crime boss. They were coerced either through threats of reporting them to the police or through violent physical assaults. Economic benefits such as the guaranteed regularity of supplies and payments were also used to convince the independent players to join. Part of old marijuana dealers were compelled to start selling amphetamines as well. Besides school pushers, the soft drug networks recruited dealers that had been involved in amphetamine distribution in the areas of Sofia and Varna. Thus, early in the decade the typical marijuana street dealer was never wholly involved in the drug selling business, albeit it could be his chief source of income, but always had some other occupation (e.g. student or professional). With the advent of organized crime on the cannabis market, however, street-level dealership was professionalized.

<sup>86</sup> According to the Vitosha Research victimization survey of 2006, around 75% of those who have tried marijuana are between the age of 15 and 35. Also, the Annual Report on Drugs and Drug Addiction Issues in Bulgaria, 2006 of the National Focal Point on Drugs and Drug Addictions announced that 8.7% of people from the 15–35 age group "have tried" marijuana "at least once in their lifetime".

Criminal enterprises gained serious advantage through their most effective diffusion scheme involving **mobile phone coordination** of orders and sales. In Sofia, Varna and Bourgas, this has been the dominant pattern in the last couple of years on the four main markets—of heroin, amphetamines, marijuana, and cocaine. Each drug is delivered by a separate supplier. The busiest phone dealing networks bar any face-to-face contacts between dealers and supplier both for safety from law enforcement and to prevent theft of drugs from the dealers. Delivery to clients is made in various ways. For instance, the supplier can bring a large sack of grass in the local park with users swarming around and the police patrolling about, but not guarding the exact site, or a taxi driver can pick a customer from a designated address, deliver the staff and drop him half a mile down the street.<sup>87</sup> Taxi drivers, though, are easy to identify through license plate and the company they work for, so, to escape detention, a fake client to carry the drug in case of vehicle often accompanies them search.

A number of methods are used in the capital city to hold supplier and dealers in check. Supervisors may impose fines on supplier for delaying the delivery, especially for serious delays that often make clients withdraw the order. Marijuana quality is also monitored, as supplier sometimes contaminate it with plain grass and weeds to increase volume and make an extra profit from that. This is why, much like in the legal sales practice, supply bosses arrange "mystery client" monitoring, client surveys (regular customers are contacted via phone to be asked about quality of the weed delivered), and even hotlines for complaints. The pattern involving phone sales and supplier deliveries<sup>88</sup> has suited well the rapidly spreading soft drugs market. The older between-friends distribution model was much more convoluted, as any member of the circle deciding to try stuff from the same dealer had to wait for him to come, then order a certain amount in the presence of the connection, and then again wait for the delivery. The phone model is a shortcut, as one only has to dial a number and soon has a supplier at the door or elsewhere. Some less widespread methods are also used by organized crime, such as a street dealer walking on a fixed beat (e.g. in the "Emil Markov" residential area in Sofia) where potential buyers can find him at certain hours. This pattern is reminiscent of heroin some distribution approaches from a decade ago. Organized crime remains firmly established in schools as well, with sometimes paradoxical cases occurring—in a school in Sofia the "of-

<sup>87</sup> Taxi drivers and companies are worthy of a separate survey. These are legitimate entities providing ample jobs of great mobility and numerous contacts with customers which makes them attractive to a large number of individuals involved in (organized) crime. Deviant behavior in taxi drivers can also occur as a result of some companies' culture comparable to that of marginal social groups as well as the shaky profits that can be very low due to fierce competition in the sector and foster the seeking of supplementary income. Various crime structures use the services of taxi drivers in car theft and burglary, or in prostitution where they are engaged as guards and "cashiers". They can perform various roles in drug distribution as well. In the mid-1990s they used to drive heroin addicts to sites where they could buy a fix—in Sofia these were mainly spots (often in the open) in the Roma populated neighborhood Fakulteta. In the late 1990s in Plovdiv many taxi drivers acted as mobile suppliers to end-users. At about the same time, they started transporting heroin from the main storage facility to those set up in the housing projects or even directly to street-level dealers.

<sup>88</sup> The same model was copied by a distributor unrelated to the dominant crime syndicates. In Sofia, a former underboss from distribution Area 6 started his own network of appointment dealing. However, it is quite probable that his activities were authorized by the syndicates and he might not be a retailer proper, as the scheme involves managing large staff.

ficial" cannabis dealer they had employed was in fifth grade and selling to older students. The choice of someone so young for a pusher was probably made to reduce suspicions. His clients, of course, had no doubt that the youngster was tied to criminal structures.

The regulatory environment in Bulgaria also significantly affected the advance of crime enterprises on the soft drug market. In particular, in 2004 the Bulgarian Criminal Code was amended to abolish the provision specifying that addicts were exempt from criminal responsibility when caught with only a **single dose** (allegedly intended for personal use). The Bulgarian pro-legalization movement *Promjana* conducted a poll among the members its website forum concerning the relation between marijuana price and quality and the dealers that sell it. It showed the link between Criminal Code amendments and drug diffusion, identifying three distinct periods in which different patterns were dominant: up to April 2004, from mid-2004 to late 2006, and from early 2007 on. Due the new strongly restrictive provisions for possession introduced in 2004 independent retailers (so called sole traders) gradually dropped out of the market. In 2006, weed users in most Sofia districts and the larger cities reported that they were buying from a "monopoly" or "firm" (the street jargon name for controlled dealers). Within the first two months of 2007 independent retailers reemerged again. Organized crime networks at the same time have not stopped operating. Findings from the summer of 2007 even indicate a tightening of control by crime enterprises in Sofia, Varna and Bourgas.<sup>89</sup>

Interviews with dealers to friends suggest that a more repressive legislation (as was the Criminal Code in the period 2004–2006) places independent retailers in a more vulnerable position and they cut distribution to a minimum not because of direct violence or threats from organized crime, but rather to avoid being caught by the police. They can't risk selling but to a very limited number of friends, as the bosses offer prizes to those who identify an independent retailer. Once such a dealer is identified, he is more likely to be investigated by the police than battered by a hit squad. Most probably, in the recent dismantling of two cannabis-growing greenhouses in downtown and suburban Sofia,<sup>90</sup> the police had received reports from organized crime. Thus **criminal enterprises rely partially on law and its enforcement to gain advantage in their own access to the crop and in the retail market**. Current prices are a good indicator whether a market is controlled by organized groups—with the same quality of the drug, syndicate crime imposes prices twice as high as in free retailing.

Cannabis quality has been on the decrease, and adulterated stuff is increasingly on offer. Many teenage users in Varna, for instance, believe that a joint is only smokeable when "you put something inside" to enhance the effect. This is a very disturbing trend, as the cutting agents used (benzodiazepines, amphetamines, even heroin) can harm users to a much greater extent than marijuana. Youngster

<sup>89</sup> Data associated with Bourgas is actually about the nearby resort Slanchev Bryag. It is highly possible that in this case Sofia-based organized groups have temporarily moved out their markets after the marijuana networks crisis in the capital city which occurred with the capture of its main bosses.

<sup>90</sup> Greenhouses were discovered in 2004 in a flat in the downtown residential district Lozenets and in August 2007 in a summer house in Pancharovo, a village at the outskirts of Sofia.

have visited emergency rooms with acute heart disorder symptoms after smoking weed cut with large amounts of amphetamines. Another potential harm is the increased chance of getting hooked. It must be noted, though, that cut grass may not be too widespread and Varna might be an exception, as very little evidence suggests that it is commonly used in Sofia and there is no such evidence for other cities.

The described dealing patterns suggest that **following 2004–2005, the soft drug trade in the large Bulgarian cities came to be dominated by organized crime.** Marijuana dealing networks attached to existing local drug distribution run by organized cartels. Their place in the hierarchy, though, is dependent on local patterns, of which three basic types can be distinguished.

The first one is highly centralized with **distinct branches by type of drugs**, all accountable to the top level. Organized drug dealing in Bourgas up to the spring of 2007 had precisely this structure. Marijuana distribution is thus one of four main substructures, managed by a "lieutenant"<sup>91</sup> responsible for cannabis supplies and dues collection; another lower-level lieutenant supervises the dealers. Bourgas and small nearby towns (Nesebar, Slanchev Bryag, Pomorie, Sozopol and other smaller coastal villages where the available population in the tourist season doubles) have formed a market with a single clear-cut **organizational pyramid** with monopoly undisputed over the last decade. Thus, the profits from the separate drug submarkets flow into the same hands at the top.

In Varna and the several distinct zones in the capital Sofia, marijuana was integrated into a **zoning pattern** of distribution. It is a compound structure where each zone's boss sells strictly within the bounds of his zone through a well-developed area network of dealers, and buys it in large from a single or several supply channels.

Smaller towns (Blagoevgrad, Pleven, Dobrich, Haskovo, Sliven, Razgrad, Silistra, etc.) have a totally different model based on the **control over independent dealer groups**. These small groups have their own supply channels and rules of profit distribution. However, they are made to pay dues to the town supervisor authorized by one of the few drug lords of national influence.

### 2.2.3. The Synthetic Drug Market

If drugs could supply a metaphor of transition, one would be tempted to call **heroin** the anesthetic needed to alleviate its shocks, as opposed to **cannabis and synthetic drugs**, representing the drive to entertainment of a society slowly getting to normal. After the severe political crisis of 1997 followed by increasing economic stability, the latter portion of the drug market grew due to souring use. As various surveys confirm, there is an obvious parallel and cross-influences between the soft drug and amphetamine markets. Data from the national population surveys on drug use show that 80% of amphetamine users in the country are also using marijuana.<sup>92</sup> The growing use of marijuana can be traced to changing

<sup>91</sup> Data based on interviews with police officers and prosecutors, as well as drug dealers who have operated in Bourgas.

<sup>92</sup> Analysis is based on findings of the annual Vitosha Research surveys throughout the period 2002–2007.

attitudes among the 14 to 30 year-olds who were looking for chill out on substances more potent than alcohol and tobacco, but less destructive than heroin. The younger and better-off generation was searching for a safe recreational drug to enhance and vary their experience through soft and synthetic drugs, instead of sliding down the escapist routes offered by heroin.

### ***Synthetic drugs production***

Domestic demand for synthetic drugs emerged in the late 1990s,<sup>93</sup> when the taste for techno music and the whole entertainment style around it, with designer drugs at the core, became popular. Similar to the marijuana market, at this stage two markets seemed to coexist. One was formed around the underground music scene with club DJs making extra income and friends selling to friends. The other segment developed in the commercial entertainment venues (discos, clubs, and bars) run by organized crime. The clients of both segments showed a marked preference for domestically produced amphetamines, ignoring varieties imported from Europe, which were excessively expensive. At that time locally manufactured drugs were chiefly exported to the Middle East and did not supply the European or the domestic market. Similar to heroin, the channels for synthetic drugs export were run by Bulgarian residents of foreign origin. Interviews with users from the underground culture scene confirmed that such traffickers were their early suppliers. The second group of users, who bought at night clubs owned by organized crime players, was supplied straight from the producer. Despite the lack of detailed reliable evidence, it seems that in the late 1990s the leaders of former racketeer insurance companies and even some oligarchs<sup>94</sup> had entered this rather hermetic business.

Existing production facilities and methods sustained for deliveries to the Middle East began to supply the domestic market. The early production and export cycle had been rather simple, involving one or two chemists who knew the production technology, a couple of mules to transfer the ready product to the Middle East, and one or two suppliers of equipment, precursors and chemical agents. Sometimes, manufacturing in Bulgaria and dispersion in the market countries were supervised by local authorized organizers. At first, the amphetamine production workshops did not take any special measures to conceal their activities. From the former state producers deliveries were made straight to the newly set illegal laboratories,<sup>95</sup> whereas the outbound produce cleared customs at the Bulgarian-Turkish border (on its way to the Middle East) by simply being declared for chemicals and medicaments. In-country deliveries were also easy to operate. Couriers took the illegally produced pills straight to the clubs or even to private homes.<sup>96</sup>

<sup>93</sup> Earlier local use was rather limited to a small circle of young techno music promoters who organized rare parties in abandoned industrial sites and warehouses.

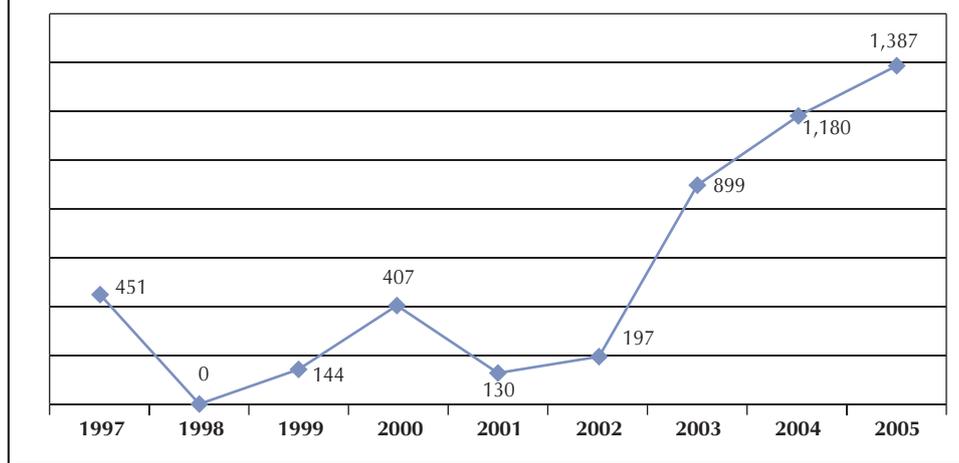
<sup>94</sup> The Opitsvet case described below shows that the group of black market entrepreneurs also saw opportunities for vast profits in synthetic drugs production.

<sup>95</sup> Captagon left over from the pre-1990 produce of state pharmaceutical companies has reportedly been exported later by black market entrepreneurs who exploited previous contacts with the Arab world to make continuing deliveries to Middle Eastern countries in the next couple of years. With the running out of drugs in stock, they turned to setting up clandestine labs, now draining the state producers from skilled chemists, precursors and technologies.

<sup>96</sup> Interview with an ex bodyguard of a crime leader from Sofia's underworld.

The first such amphetamine workshops were discovered by Bulgarian law enforcement bodies as they engaged in consistent cooperation with European anti-drug agencies to trace the import of precursors.<sup>97</sup> Laboratory operators and trafficking channel runners were then easy to track down. It is not clear to what extent the relations between Bulgarian special services and resident citizens of Middle Eastern origin<sup>98</sup> affected the organization of illegal local amphetamine production, but obviously, after the Opitsvet disclosures in late 1997<sup>99</sup> the production and export cycle was radically changed. Amphetamine producers turned to a **hydra-like mode of operation** guaranteeing that the enterprise would remain safe in any case when a workshop is busted or a large delivery is caught. Although the police often seize precursors and ready amphetamine pills, dismantle laboratories and capture couriers, their actions have seemingly little effect on the production process, as damages are anticipated and risks are accordingly provided for.

**Figure 11. Synthetic drugs seizures in Bulgaria (kilograms), 1997–2005**



The system also resembles the hourglass structure used by Peter Reuter<sup>100</sup> to represent cocaine distribution. According to this scheme, the widest upper part of the inverted triangle is occupied by the "workers," hundreds of low-skilled

<sup>97</sup> Interview with former high official at the anti-drug department at the National Service for Combating Organized Crime (NSCOC).

<sup>98</sup> Various evidence suggests that even at the beginning of the present decade special services maintained dubious relations with this group of foreign nationals, most of whom had been informants of the communist State Security. On the one hand, the National Service for Combating Organized Crime (now General Directorate) raids amphetamine laboratories and investigates their masterminds. On the other hand, these foreigners are still used as informants by the National Security Service.

<sup>99</sup> The largest facility for Bulgarian production of amphetamines so far was a laboratory in the village of Opitsvet, where 330 kilograms of amphetamine base powder and 666 kilograms of Benzylmethylketon (BMK) were seized. Of the people involved in their manufacture one, the chemist Valeri Velichkov, was arrested on site, while Kristian Mladenov was later detained in Hungary through Interpol (see *Sega* daily, February 26, 1998, *Demokratsia* daily, May 4, 1998, and <http://www.kriminalist.info/50s2.html>).

<sup>100</sup> Reuter, P., *Do Middle Markets for Drugs Constitute an Attractive Target for Enforcement*, 2003.

hands<sup>101</sup> who receive cheap equipment,<sup>102</sup> precursors, and accurate instructions (to minimize errors via simple technology). Once the essential precursor Benzylmethylketon (BMK) is secured, it is very simple to produce amphetamines. Even the least qualified could follow the production technology, as the synthesis of amphetamines becomes as simple as alcohol distillation, practiced on a mass scale by Bulgarians. To minimize possible losses, the chemical equipment is kept at laboratories separate from workshops operating tablet making machines. After the year 2000, illegal workshops detected by the police were found to employ staff with basic schooling, rather than qualified chemical engineers. The level below is populated by several dozens of couriers handling the shipping of precursors, sub-products, the amphetamine powder and the ready tablets. The second to last level is taken by those organizing the import of precursors<sup>103</sup> and chemical engineers,<sup>104</sup> while the bottleneck of the scheme is saved for the bosses ("investors" and production facility and channel owners). At this point, **the regular pyramid** starts, which is similar to that **of heroin distribution** (Figure 12).

What is new is that expensive qualified chemical engineers do not assume the risk to participate in direct production, as this is the most vulnerable link of the cycle.<sup>105</sup> The whole point of the hourglass structure is that the risk is greatest for those at the bottom of the hierarchy—the laboratory workers who function similarly to the street dealers. Thus, only moderate financial losses are incurred through confiscated equipment during police raids over laboratories. Therefore, laboratories are scattered all over the country, working on and off<sup>106</sup> to escape detection. Due to the increase of illegal workshops and the simplification of the production process, **the active ingredient in the ready tablets** (Alpha-methylphenethylamine) **captured by the police has seriously dwindled to levels several times as low as its proportion in the captagon** formerly produced in the state-owned pharmaceutical companies.

<sup>101</sup> Although less than one hundred people at a time labor at amphetamine workshops, their total number over the last decade would amount to several hundred (as in the case of dealers).

<sup>102</sup> Owners tend to buy the cheapest possible equipment, normally at a maximum cost of 50–60,000 leva.

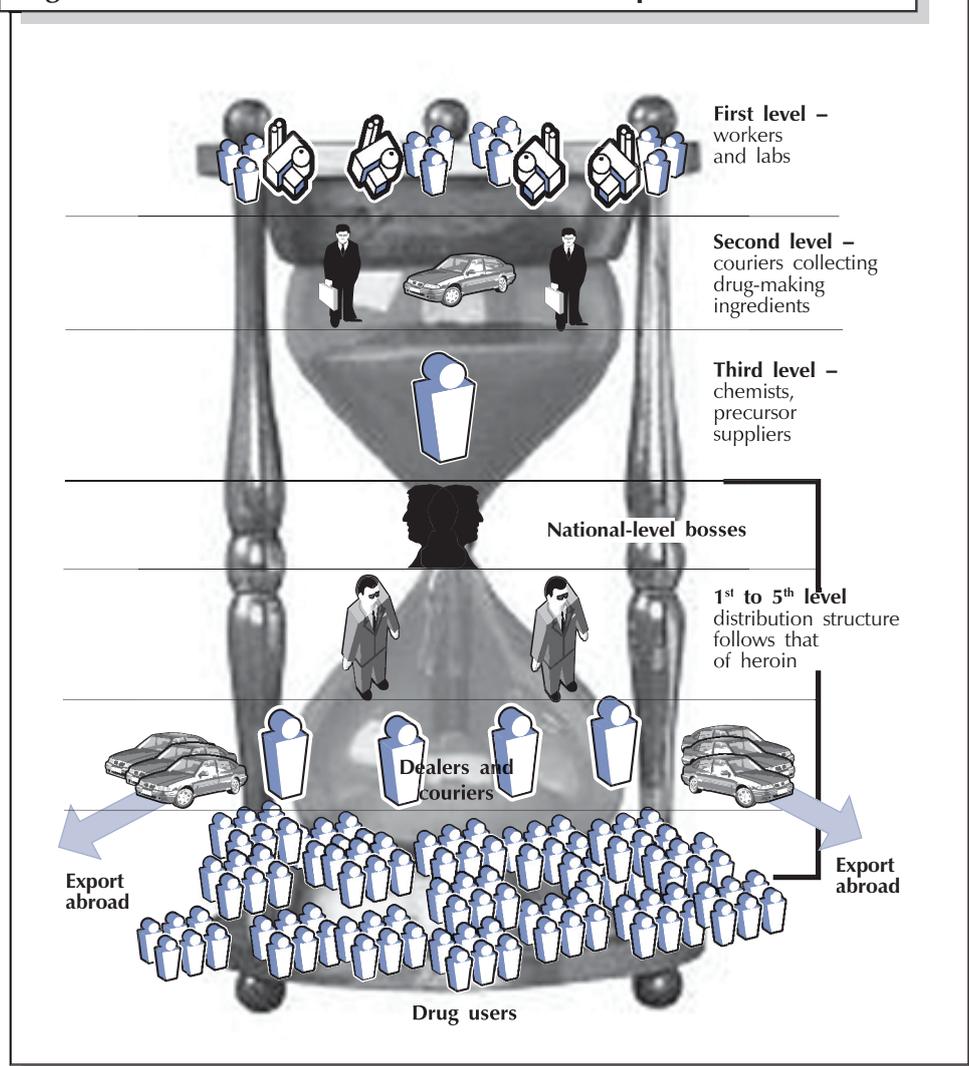
<sup>103</sup> There is strong evidence suggesting that to avoid the risks of border crossing, production facilities have been set up in Bulgaria for the total synthesis of precursors.

<sup>104</sup> According to special service experts, there are many indications that some of the most prominent Bulgarian chemists have been put under pressure and recruited by members of organized crime, particularly those who had taken part in developing technologies for the production of captagon. In proof of this assertion come the ostentatious killing of the daughter of a famous chemist, and the detention of several individuals working with non-controlled chemicals allegedly used in exotic technologies for the production of amphetamines.

<sup>105</sup> As illustrated by the Opitsvet case, any well-educated participant in the production threatens the whole venture with full disclosure, investors and organizers included. Although they had only very partial information, they managed to describe the whole scheme to the investigators assigned to the case. What saved the enterprise and its bosses was a fat sum of money given to a Supreme Court judge—something obviously possible back then. Convicted at first and second instance, defendants were found innocent at the third, where the court ruled that the 330 kilograms of amphetamine base powder and 666 kilograms of Benzylmethylketon had been used in a chemical experiment. According to a former high official at the NSCOC, the lab's "investor" paid for this verdict a total of \$150,000, of which "only" 50,000 were pocketed by the last-instance court lady judge, now retired.

<sup>106</sup> Special precaution are taken to conceal clandestine facilities, e.g. they will work in winter months, when electric power consumption generally increases, and will be housed in sites where the specific smells are harder to discern, such as cattle-sheds or buildings at the banks of fast-current rivers.

Figure 12. Production and distribution of amphetamines

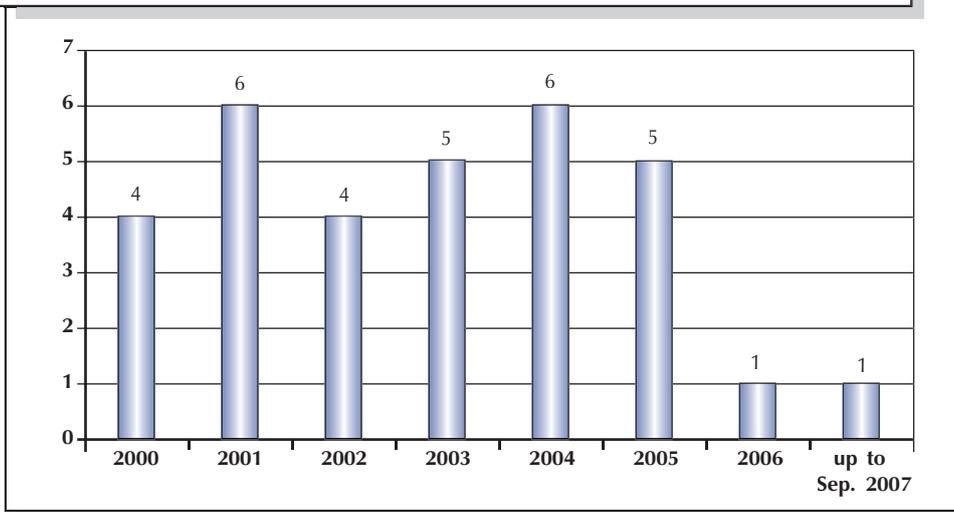


Interviewed special service officers claim that besides Turkish and Middle Eastern criminal groups Bulgarian amphetamine production is linked to the Serbian crime syndicates. It is not clear whether these are facilities set up in Bulgaria by Serbian organized crime for safety reasons after the Saber Action<sup>107</sup> or whether they had been participating in the production from the early days of the war in Yugoslavia. During the interviews some high officials from Bulgarian special services spoke about reports that after 2005 Serbians have been moving laboratories to Turkey and the Middle East where they can function at a lower risk. This can account for the smaller number of clandestine shops detected in recent years. However, it is equally likely that the drop in disclosures could be due to the turmoil that shook the NSCOC in 2005.<sup>108</sup>

<sup>107</sup> After the assassination of Serbia's Prime Minister Zoran Djindjić, police clampdowns on criminal enterprises compelled some underworld actors to run away to Bulgaria and manage all shipments to the Serbian drug market from Bulgaria throughout the operation.

<sup>108</sup> In the fall of 2005 five high-ranking officials at the NSCOC resigned in protest to pending restructuring of the service.

**Figure 13. Amphetamine laboratories uncovered by the police**



Amphetamines, whether made in Bulgarian or Serbian-owned laboratories, were of markedly poor quality, which has not improved in the last ten years.<sup>109</sup> It can be speculated that Middle East markets are successfully targeted with lower-quality drugs, whereas opportunities for trafficking them into the EU are less attractive for local producers.<sup>110</sup>

In contrast to imported drugs like heroin and cocaine, **the existence of local production strongly influences domestic consumption.** The amounts manufactured for overseas markets are many times as big as those for home retail, but the latter are of equally poor quality. Although this significantly diminishes local demand, no investments are made to improve the product. The extremely low retail prices alone are sufficient to dissuade both organized crime and user-dealers from importing better-quality drugs produced elsewhere.<sup>111</sup>

The trends observed after 2001 confirm the dependence of retail distribution on domestic production. Crime leaders have opted for street price reduction through cheapening production, rather than improving the quality of amphetamines on offer. They gave up the tableting part of the production process, as it both raised the price and the risk of discovery. Most probably, this choice was the easiest route to profit, rather than a purposeful policy. On the contrary, making improvements would mean recruiting qualified chemical engineers, developing international contacts to import good precursors and, most importantly, expanding retail trade in Central and Western Europe. Apart from upgrading the manufac-

<sup>109</sup> The quality of amphetamines trafficked abroad was ascertained in the mid-1990s when the first large quantities were captured en route to Turkey by law enforcement bodies.

<sup>110</sup> The reasons why Bulgarian-made amphetamines are not exported to Western Europe is not known. Apart from the obvious explanation that such low quality would not be competitive, several other are probable. For instance, the retail trade in the EU is supplied predominantly by amphetamine producers in Western and Central Europe, whereas in the Middle East, Bulgarian produced amphetamines are traded without much competition. In addition, local production may be financed and supplied with precursors by Middle Eastern structures and persons in control of their local retail markets interested in buying out Bulgarian output in full.

<sup>111</sup> Long-time users report that the first imported synthetic drugs were ecstasy pills smuggled in by Greek students studying at Bulgarian universities and sold for 30 leva.

tured amphetamines, they would have to start making ecstasy pills as well, or else they would never penetrate the lucrative West European markets. If such an expansion was to be undertaken, though, Bulgarian-run enterprises would have to compete not only with organized crime networks based in Holland, Belgium, Poland, the Czech Republic, etc, but also with the powerful transnational cocaine corporations.

### ***Groups of Synthetic Drug Users***

The price-cutting strategy increased the demand for powdered amphetamines that came in plastic sachets or in bars. The switch to amphetamine powder changed consumption patterns and new groups of users emerged. The **first group** comprises young experimental users who regard it as an opportunity to imitate the techniques learned from cocaine use, most often driven by the wish to actually consume cocaine, a model drug which they could not afford due to the very high price. Users usually pop designer drugs (excluding ecstasy) together with large amounts of alcohol to induce trips reminiscent of cocaine use. Thus, they both comply with the alcohol-related stereotypes of their milieu and seek different effects.

The **second group** of users comprises night clubbers motivated by the cheapness of amphetamines compared to alcohol prices at discos. They opt for the powdered variety as they can dilute it in mineral water or soda. Several respondents from various middle-sized towns agree that "you can have two sachets for 2–3 leva each that will last you the night, but with two vodkas it's more expensive". This is true mostly of towns with lower average income, where amphetamines are sold extremely cheap. Users quote an additional advantage of this mode of use—drug tests cannot detect amphetamines when the powder is dissolved in soda, and users are thus made invulnerable to police investigation.

A **third group** are occasional users (either marijuana users or people with no previous experience with any illegal psychoactive substances) who only try it a few times or switch to a regular combination use of amphetamines and alcohol/marijuana. Among the variety of users here, there are also students persuaded to use it prior to exams for maximum achievement. After discovering that amphetamines can help one pass an exam after only three or four days of preparation, some of them switch to regular use in pre-exam periods. High school students also tend to use amphetamines to improve scores in computer gaming, table football, pool or other races that require prolonged periods of high concentration. Another subgroup is that of extreme sports aficionados partaking in amateur car and motorcycle races, bungee jumping, etc. Usually, such users can afford the more upmarket cocaine, but they also consume amphetamines and methamphetamines to enhance performance. Yet another subgroup consists of teenage girls and young women that would pop amphetamines to lose weight and become psychologically dependent on them. Users from these groups may also switch to recreational use at clubs, concerts and home parties. Thus, amphetamines are becoming central to entertainment habits.

A **fourth group** of amphetamine users comes from the ranks of heroin addicts. A comparison is possible with Western Europe and the US in this respect, where

long-term users of heroin have been switching to cocaine. For a country like Bulgaria such a shift would hardly work, due to the very high price of cocaine. Therefore, amphetamines become a natural, cheap surrogate. The heroin crisis in 2002–2004 forced many heroin networks to look for a replacement drug. A survey among long-term heroin addicts, made it clear that in summer of 2003 already there was a sweeping wave of amphetamine use. In a subsequent survey Sofia and Bourgas seem to be the cities worst affected by the outbreak, with 40 % and 60 % of heroin addicts respectively having used amphetamines in the preceding month.<sup>112</sup>

### ***Unit-Doses, Prices and Available Synthetic Drugs***

Dosage with amphetamines is similar to heroin and prices match the amount in a unit. In Sofia, Varna, Bourgas and the environs there are various unit doses, such as fivers, tens, fifteens, twenties costing five, ten, fifteen, and twenty levs respectively.<sup>113</sup> Like heroin, they are dosaged with the help of blister packs. For a fiver, the amphetamine powder is placed into the cavity of a Vitamin C blister card. For the larger doses, aspirin and lozenge blister strips are used. Thus, sellers do not need to weigh the dose with electronic scales. The ready doses are then packed in plastic or paper sachets. The preferred dose differs from area to area depending on the purchasing abilities of the population. Dealers continue to sell amphetamine pills as well. Police records of seized amphetamines indicate that while early in the decade this was the dominant form in which retail amphetamines came, currently only one tenth of all domestic market sales is occupied by pills, while the rest is amphetamine sulphate.<sup>114</sup>

The **linkages between production and distribution** are more apparent with amphetamine in pills. Police data about pills seized in mid-delivery, as well as interviews during the research confirm that the old captagon pills are only produced for export destinations accustomed to the product. The domestic market, on the other hand, is saturated with pills in a great variety of colors, shapes and imprints in order to stimulate demand in users who are expected to associate the brand with certain quality. Producers are obviously trying to copy the design of the ecstasy pills consumed in Western Europe, using the same logos—stars, smileys, Mitsubishi's, dollars, Armani's, Mickey Mouse's, etc. There are dealer networks and user circles who stick to single a brand. Often, however, new models are promoted with copy claims, such as "Be a star", "Stretch yourself like Pinko" and the like. In the larger local markets dealers are trying to create perceptions that certain pill types produce particular effects. The price range of pills is rather broad, starting from 2–3 levs (Plovdiv, the winter of 2006) up to 30 levs (Varna, the summer of 2007). Most commonly, though, pills cost 10–15 levs. Prices tend to be lower if bought earlier on in the selling of the batch or from a trusted connection. Often, users buy them in bulk to distribute in among friends. If one purchases 100–200 pills in total, the price can go down to 1.50–2 levs per pill.

<sup>112</sup> See: Bezlov, T., Barendrech, K., *Injection Drug Users in Bulgaria – Profiles and Risks*, Initiative for Health Foundation, Sofia, 2004.

<sup>113</sup> Elsewhere in the country where incomes are lower a dose can sell down to 3 levs.

<sup>114</sup> However, amphetamine pills are usually sold to better-off users whom the police capture much more rarely.

The supply of pills with particular shapes and logos depends on the availability of well-equipped, fast-working workshops ready to manufacture on demand. Some dealers claim that such units are often operating within cities. The "cooks", as they are sometimes called, also have the task to dilute the amphetamines, a process similar heroin dilution. One of the methods involves the adding of any substance that could mix with the amphetamine—from teeth cleaning powder to plaster of Paris. Sometimes, medical substances are added, such as caffeine or vitamins. There are also more sophisticated ways of cooking<sup>115</sup> tailored to produce specific effects on users. For instance, amphetamines are mixed with bogus Viagra<sup>116</sup> and advertised as a brand new recreational drug which is a sexual stimulant, whereas classic pills only enhance dancing and aural experiences. It compensates for amphetamine side effects such as erectile dysfunction, and more than that, amplifies sexual perceptions, enhances the libido and improves sexual performance. Master cooking can also seek to produce pills with hallucinogenic effects by adding ephedrine or in some cases even LSD. Apart from the various pills, the police have occasionally seized related synthetic drugs in the form of sticky mass known as "plasticine" which, after testing, has been proven to contain ephedrine and amphetamines. In addition to the widely used technologies for amphetamine production, a methamphetamine commonly referred to as "piko" is also produced in Bulgaria. Little is known about this production, but it is reportedly identical to the popular Czech drug Pervitin. The story circulated in the criminal world suggests that the technology was imported to Bulgaria by pimps from the town of Sliven long involved in prostitution rings in Central Europe.

Popular perceptions in Bulgaria undoubtedly define ecstasy as the top designer drug. Police records on seized drugs<sup>117</sup> testify that MDMA is rarely used as the active ingredient. Population surveys<sup>118</sup> show, however, that over half of the respondents reporting to have used synthetic drugs, claim that they use or have tried ecstasy. Inexperienced users seem to make a very rough distinction, relating content to the form in which drugs come; thus, all pills are ecstasy, and any powder is amphetamine. Another false distinction is between capsules and pills, where the former, especially if high-priced are regarded as the real thing. The popular belief is that "the expensive real ecstasy pills from Holland" are available for 20–30 leva, although if lucky, one can get them at 10 leva. Chemical analyses usually find ephedrine and amphetamines in pills that even long-term users claim to be authentic ecstasy. Probably, some ecstasy is imported irregularly, but police seizures so far, even of pills containing MDMA (invariably in minimum quantity and of poor quality), have always proven to be of local origin. It could also be surmised that like cocaine, upmarket pills are only affordable to foreign tourists or domestic upper middle-class members, who are generally not targeted (or are intentionally avoided) by the police.

---

<sup>115</sup> "Cooking" is common jargon in many cities which refers to the preparation of more sophisticated synthetic drugs by dealers and users.

<sup>116</sup> It is thought that various generic drugs for treating erectile dysfunction, such as sildenafil (most popular under the brand name Viagra), vardenafil (Levitra) and tadalafil (Cialis) are imported from Asia for the purpose.

<sup>117</sup> Unfortunately, so far no independent evaluation has been made of the psychoactive substances sold in Bulgaria.

<sup>118</sup> Data from the Vitosha Research representative surveys regularly conducted from 2002 to 2007.

Interviewed dealers and former police officers now running amphetamine businesses believe that there have been numerous attempts to manufacture ecstasy in Bulgaria. Some report this to have happened and several batches of standard quality drugs to have been produced in Southern Bulgaria. These units are again supposedly run by Bulgarian procurers operating in Holland and Belgium, who have imported the technology and established channels for smuggling in the right precursors. Certain police officials, though, claim it is much more likely that original Dutch ecstasy is occasionally imported than produced in domestic facilities.

### ***Distribution***

As described in the production section, there are **two distinct ways to deal synthetic drugs**, roughly definable as **"professional" and "amateur"**. The first type of dealing is done through the upmarket night venues, while the second is related to the alternative/underground scene. In the first case the most popular entertainment places in the largest towns are either set-up, or bought out by former racket protection businesses. Dancing clubs and discos are supplied with Bulgarian-made amphetamines, which are considered a booster to customers' fun. Owners allow in or support dealer networks to enhance the buzz of the place.<sup>119</sup> In the late 1990s, it was common practice for bartenders and guards to inform clients about whom to call to get the stuff and they would receive a commission for each customer. Dealers, too, would sell openly, arrive in taxis, deliver at the entrance and get paid inside the joint without disturbance.

The more amateur distribution strand emerged earlier. The typical setting would be a club at an industrial hall selling cheap drinks, a hangout for pot smokers, but also for techno music fiends for whom designer drugs came were an emblem. Initially, such sites were supplied with ecstasy and (meth)amphetamines from Central and Western Europe, which were soon displaced by the cheap domestic variety to match customers' low solvency. Stuff was mainly marketed by music event organizers and DJs. Some of the interviewed in-crowd members claimed it was at that time local (and Balkan) crime enterprises got linked to amateur friend-to-friend dealing networks. This how the underground music scene gained easy access to inferior, but inexpensive locally produced synthetic drugs.

With the fast spawning of nightclubs, the boom of electronic dance culture, and the rising welfare of the general population after 2001 synthetic drug distribution entered the maturity stage. The new mainstream discotheques, bars and clubs targeted customer groups of specific lifestyles and incomes. The underground scene strove to satisfy newly sprung music tastes through concerts and raves, although with less variety than the dance music industry. Both entertainment scenes therefore provided a home-grown version of house parties. The friendly synthetic drug networks of the underground variety, however, were taken over by organized crime quite early in the decade, as it was later to happen on the marijuana market. Although DJs at techno parties and rave organizers continued

<sup>119</sup> In the words of an interviewed career bartender involved in drug dealing, describing that period, "a place looks 'dead', in decline, if you don't see people enjoying themselves, jumping around and dancing for hours. Often, when a venue stopped being fancy and was half-empty, the incessant dancing of a few stoned youth would change the impression."

to gain most of their income through the sales of designer drugs, they had become inferior to crime bosses.<sup>120</sup>

Synthetic drug distribution exploited most of the schemes known from the heroin and cannabis markets. All levels of the heroin hierarchy are employed. Method-wise, direct and networked phone sales, couriers and door-to-door deliveries are also present.

Synthetic drugs were also retailed within the cannabis distribution networks. As mentioned before, when organized crime took possession of soft drug networks, nearly half of all cannabis pushers also sold amphetamines both in the street (via phone orders) and around their circles of friends (the quasi open market).

Nevertheless, synthetic drug distribution has its own specifics that distinguish it from both the heroin and the cannabis networks. They center on **the night habits and musical tastes of users.**

Synthetic drug use is closely dependent on the type of nightlife settings where the drugs are sold and inside which they are consumed. In that respect the larger Bulgarian cities display several similarities to the 1990s upsurge of designer drug use in Spain.<sup>121</sup> As in Spanish cities, there are several types of urban dealing venues for synthetic drugs. Users also gravitate around certain types of places. Within a city there are four rough zones. **One** is the inner city with the highest concentration of night clubs, discotheques, bars and restaurants. **Another zone** comprises places beyond the downtown area, at attractive location or outer residential estates. The **third zone** is located at the fringes of the city (ghettoized neighborhoods). They are marginal and frequented by local residents. A separate **fourth zone** is formed in student villages which are as densely packed with entertainment places as city centers. There is an altogether different waterfront zone in coastal cities, where joints and crowds are of the highest density.

Apart from cityscape considerations, designer drug (and to a lesser extent cocaine) distribution in the last couple of years at entertainment venues, it also depends on the type of venues. Roughly, they are divided into: strictly dancing places, drinking places with a dance floor, and drinking and eating places. The last type is rarely a retail spot, as when a person consumes synthetic drugs, their appetite for food subsides. Further types would be: bars, small clubs, discos and mega-discotheques.

Synthetic drugs use is not only dependent on the setting, but also on temporal factors. Nighttime, as is common in South Europe, has three stages—pre-party, party and after-party. Cities are at their most bustling early in the evening. Between 10 p.m. and 1 a.m. people bunch at private homes or public establishments and mostly drink alcohol or smoke marijuana if they go to an underground hangout. The second stage kicks off round midnight to 1 a.m.—the crowds go to clubs and discos that hold all-night parties. In recent years after-parties are

<sup>120</sup> Thus, any of them who broke the rules would be punished in the same way as deviant dealers are.

<sup>121</sup> See: *Synthetic Drugs Trafficking in Three European Cities: Major Trends and Involvement of Organized Crime*, Gruppo Abele, in cooperation with TNI – IECAH and with the support of UNICRI, 2003.

increasingly in vogue, echoing nightlife trends in Western Europe. After-hour places are frequented after most discos are closed—at about 4.30 to 6 a.m. and sometimes go on until noon.

Synthetic drugs are used most sparingly in early evening, only by heavy users. By the time of the after-party 50-60% of those present have consumed some. The drugs are usually bought before one enters the venue, but a large part of users take them inside. They usually make a phone order and deliveries peak in between the pre-party and the party proper.

In the last couple of years a new trend has emerged—together with entertainment spots, designer drugs are increasingly used in private homes. A large number of users choose this setting due to the growing prices at public places and as an alternative to alcohol consumption. In cities smaller than the metropolitan Sofia and Varna, especially in university towns, users stick to home environments and the cheap amphetamines sold locally, thus saving money from night entertainment in town. It is precisely the smaller town context that explains the exponential growth in synthetic drugs use.<sup>122</sup> New ways to treat a friend have emerged in Bulgarian youth culture. It is now common to offer a girl a "sweetmeat" or a "line" instead of buying her a drink. A young professional (for instance, an interior designer) would not buy his buddies the usual case of beer, but opt for 2 grams of amphetamine instead.

**Drugs are sold in public** (usually close to drinking or dancing places and concert venues, and much more rarely inside them) **by the so-called "semi-closed networks"**. Whether at an underground music event or at upmarket night spots, drugs are not normally sold to strangers. Even if the street dealer does not know the client's name or if it is another dealer's client, he would only sell the drug to a "face" he has met elsewhere "hanging out with the right people". Such peculiar face control<sup>123</sup> is indispensable for street dealers of synthetic drugs and cocaine.

If observed more closely, this safety strategy can be described in detail as follows: the number of users of a regular night joint<sup>124</sup> with 200–300 visitors on a

<sup>122</sup> Interviewees working in bars, clubs and other nightlife venues claim that they make more money by letting in synthetic drug dealers than by selling alcohol.

<sup>123</sup> The practice of face control already commonly used in Western European nightlife was first introduced during security checks at night clubs. The crime world was quick to adopt this technique to get into guarded venues, but also for their own purposes. It has become an essential survival technique for pimps, drug dealers and criminal hit squads.

<sup>124</sup> The role of joint owners is key to describing drug dealing networks covering night spots. It is common knowledge that many of the clubs in large cities are still owned by members of the former racketeer groups. Some owners deliberately allow the use of synthetic drugs inside the place, so that it looks livelier with drugged youngsters bouncing about. The better part of joints, though, have special measures installed to keep drugs out. As this is a highly competitive business, in recent years owners and managers of night clubs have been extremely cautious in three areas—legal employment contracts for all of their staff, selling licensed alcohol, and the prevention of drug-related incidents (including drugs sneaked in by competitors). Breaking any of these three rules could lead to the closure of the joint, which may mean dropping out of business permanently. To avoid problems, owners pay the police to warn them about coming checks of their premises. Interviewed high police officials claimed that in recent years drugs have rarely been found in searches of night spots. In the words of one interviewee, "In the past, when we did sudden checks, the floors of the clubs would turn white from the pills and sachets thrown

weekend night, is roughly 50–70 persons. In this case, five or six dealers service three to four joints and know all their regular customers.<sup>125</sup> Larger venues often accommodate over 1,000 people at a time and 3,000 clients drop in throughout the night. The number of users in such places is much bigger, yet dealers would not venture selling to strangers. Any first-time buyer needs to find an intermediary known to the dealer. In case they approach the dealer independently, they need to have frequented the place often enough for the dealer to have remembered their face.

Alternatively, dealers sell only to a small number of **privileged clients**. Interviews with such clients suggested that the principle of between-friends distribution still holds. More often than not, buyers are prone to purchasing from friends, from whom they would also take larger quantities. This approach enhances clients' feeling of safety from police traps, and their confidence that the stuff bought is of good quality (which is especially important having in mind, the quality of most drugs in Bulgaria) and at a discount price. Thus, the person who has a dealer friend would collect the orders of the people he hangs out with for the dealer to perform,<sup>126</sup> winning a bulk purchase discount and being certain to buy decent quality. This is how the friendly networks reduce the risk for dealers. The latter are normally from the same social group as their customers—insiders, such as secondary school and university students drawn into the drug business in various ways, but retaining the lifestyle of their community. They work professionally, although they may also study or have a legal job. They are attached to the area boss (supervisor) and may have trouble quitting. The best case scenario for them is to be allowed to walk out of business after finding a replacement to succeed them.

The third approach resembles the user-seller segment of heroin distribution. These are young heavy users that have special appointment phones. Each passes the synthetic drugs to a large number of friends and acquaintances. They are usually on standby for quality, quantity and price-wise special offers of dealers. In contrast to the heroin distribution model, though, amphetamine users are not dependent on a single dealer, but can get supplies from up to ten to fifteen different sources. Some specialize in a particular substance, while others sell everything. If one is to make a visual representation of these networks, it will resemble a thick web made up of dozens of dealers, selling down to hundreds of heavy users, who in their turn supply three or four circles of friends. Quite probably, it is the retailers at this level that later become dealers. At some point they may meet a wholesaler ready to offer them a significant quantity discount. In such cases, the very low prices can bring huge profits.

---

out of customers' pockets. Now we only find a sachet or two on rare occasions." It is not clear what the links are between bar and club guards and street dealers. Guards claim that all such deals are done outside the joints. Some bartenders claim that the staff working at those places makes bigger profits from clients who have asked about a drug dealer or a hooker than from the alcohol they sell.

<sup>125</sup> The total number of faces a dealer has to remember then is no more than 280 (assuming that they tend for four joints each with 70 amphetamine users).

<sup>126</sup> Privileged clients are surveyed in advance about the volume their circle of friends is likely to order.

In this context, the role of the wholesalers ought to be discussed. As organized crime groups run the local production of amphetamines, it can be assumed that they also control wholesaling. Dealers and police officers, however, report that in recent years *shano* (free players) have been extremely common. Possibly, wholesalers manage to make independent orders to manufacturers, overstepping the area principles of organized crime control. The police have caught several wholesalers so far, who are not subservient to any of the bosses that have carved the bigger cities between themselves. These people act like **traveling salesmen**, delivering amphetamines to a number of criminal leaders in various cities. Strikingly, they run their business in a market oriented way, driven by local demand and competing with wholesalers fully subordinate to organized crime structures. This leads to two suggestions: either some free enterprise is granted to producers to sell to clients of their choice, or regional bosses try to push the extra quantities not exported to the Middle East to domestic areas in someone else's control. The *shano* are thus able to supply friendly networks, selling by the familiar faces model. This is obviously the approach that keeps such a person at a safe distance from both the police and local drug cartels. As a result, in the last couple of years these semi-closed networks have grown at a fast pace in middle-sized towns.

Another factor that helps phone-sales within friend communities is that the user-sellers who operate them are mostly middle-class. Both crime leaders and the police prefer to avoid pressure or violence against them.

Some fragmentary data suggest that those networks of free black market entrepreneurs order the quantities they need to various amphetamine producing facilities across the country. It is odd that wholesalers do not buy better-quality synthetic drugs from Central and Western Europe, as do their counterparts in Spain and Italy.<sup>127</sup> Perhaps the basic reason is the clear **stratification by user income of the market of stimulant drugs**. Cheap amphetamines are massively consumed by poorer individuals, whereas the well-off opt straight for cocaine. It can be forecasted that with Bulgaria's accession to the EU, distribution networks for imported designer drugs, ecstasy in particular, will emerge, especially taking into account the plummeting prices of this group of controlled substances.

#### 2.2.4. The Cocaine Market

Bulgaria's domestic consumption of cocaine is much below Western European levels, yet it forms a market in its own right that enjoys special attention from both distributors and users. A number of surveys suggest that cocaine (dubbed "white stuff") is considered an elitist drug of the highest possible quality, coveted by most users, but so high-priced that it is affordable only to a select few. However, in the last five years there has been a clear-cut trend of growing use. The national population surveys<sup>128</sup> have captured a rapid increase in the share

<sup>127</sup> See: *Synthetic Drugs Trafficking in Three European Cities: Major Trends and Involvement of Organised Crime*, Gruppo Abele, in cooperation with TNI – IECAH and with the support of UNICRI, 2003.

<sup>128</sup> Since 2002 the Center for the Study of Democracy and Vitosha Research have performed six annual victimization surveys containing a significant bloc of questions on the use of the most widespread psychoactive substances.

of users who "have tried cocaine" from 0.1 % in 2002 to 0.8 % in 2007. The National Focal Point on Drugs and Drug Addictions in its survey captured an even higher portion—1.1 %.<sup>129</sup> The relative share peaks for the age group 18–34 where it is 2.4 %. Cocaine, it turns out, is used by a socially heterogeneous group of people—heroin users (10% of whom declare to have used cocaine in the last month), university students (1.2% report use in the preceding month, and 4.9%—in their lifetime),<sup>130</sup> and secondary school students (1.6 % stating to have tried in their lifetime).<sup>131</sup>

Cocaine is most widely consumed among high-income groups, such as skilled professionals and managers. However, surveys among this group are hard to conduct. The in-depth interviews conducted with several members show that the **consumption pattern** resembles that of amphetamines—the consumption peaks on Friday and Saturday nights, Christmas and Easter time, summer and winter vacations.

Dealers distinguish between two relatively well-defined user groups. The **first group** consists of well-off people that buy only cocaine. Most of them have nothing in common with racketeer businesses. They regard amphetamines as low-quality and risky and have unrelenting requirements about the purity of cocaine. They go to smaller VIP clubs, rather than popular discotheques. A large part of them prefer joint where a specific type of local music called *chalga* is played. These are places that also serve food, which is absent in amphetamine use. Private home parties are also typical of the all-cocaine group. These are closed-up circles where cocaine is on offer alongside classy liquor. Dealers supplying stuff to such parties claim that often some of the leading underworld bosses would supervise the organization of these deliveries in order to gain access to exclusive professional communities, e.g. of managers, policemen, customs officials, high-ranking magistrates, etc. Police statistics show that this user group is practically immune to law enforcement. This is due not just to their hermetic organization and high social status, but also to police reluctance to penetrate those circles.

The **second group** comprises people who use cocaine only occasionally. As a rule, they use amphetamines and only sometimes can afford cocaine. Their cocaine consumption has a strong influence on amphetamine sales. Some dealers have claimed that if a client of theirs has cocaine on Friday, he would refrain from amphetamines not only on the next day, but also in the next few weeks. Part of this group reverts to cocaine only as they get older and a more affluent life style becomes affordable.

Cocaine distribution has a number of peculiarities. In large cities it is completely independent from the other submarkets. Police officers and dealers testify that in Sofia, it is controlled by VIS,<sup>132</sup> represented by a drug boss named Take. His

<sup>129</sup> *Annual Report on Drugs and Drug Addictions Issues in Bulgaria, 2006*, National Focal Point on Drugs and Drug Addictions.

<sup>130</sup> *University Students and Psychoactive Substances 2006*, national representative survey among Bulgarian students, National Focal Point on Drugs and Drug Addictions.

<sup>131</sup> National Center for Drug Addictions and National Center for Public Health Protection, *National Population Survey on the Use of Alcohol and other Drugs in Bulgarian Schools (9-12 Grade)*, 2003.

<sup>132</sup> See Chapter 1 for details of the origins on this group.

proxy, nicknamed Sako has operational control over large deliveries and is accountable to the boss. The drug is distributed among wholesalers, specialized cocaine phone appointment dealers and area dealers of other drugs. The cocaine branch has certain agreements with area supervisors, but they have no operational functions in the distribution itself. Dealer networks from the other branches are in customer-seller relations with the cocaine network, making purchases when their clients want cocaine and selling it at a profit. The regular cocaine users buy straight from cocaine dealers. It is not clear what rent street dealers who sell near entertainment spots pay to area supervisors, but the fact that they can work undisturbed is a sign of previous agreements between them and the supervisors. The situation in Varna is similar. Up to 2005–2006, cocaine distribution had an independent vertical structure headed by a crime boss nicknamed the Camel. After he left Bulgaria, one of the two retailing segments was inherited by Vesko "Politsaya" (The Policeman), whereas upper-level distribution is now handled by a guy called Sevata.

Bourgas is the only large city where the cocaine market is considered to be under the control of a single crime organization (up until 2007), the so called Pomorie group whose boss is Mityo "Ochite" (The Eyes). As mentioned earlier, however, drug distribution in Bourgas has independent segments dedicated to each drug and serviced by an autonomous criminal network. After Mityo Ochite was arrested, the cocaine structure started to fall apart. In the summer of 2007, cocaine in the largest markets in the district—the sea resorts of Slanchev Bryag and Nesebar, is handled by the Sofia division of VIS.

Little information is available about the sources of cocaine dealt in Bulgaria. It is particularly scarce after the assassination of Poli Pantev, believed to control cocaine supplies (who allegedly stole a large batch from a Colombian cartel, part of which was later retailed in Bulgaria). Neither the price, nor the exact amounts of cocaine imports are known. The nickname of the local crime lord largely involved in cocaine trafficking is Brendo. Police sources disclose that he does not supply the domestic market, though. Cocaine mules from Bulgaria have been caught in Europe (Spain, Holland, Italy) and Latin America, but their activities have not proven to have any relation with the home market. Whether these were "swallowers"<sup>133</sup> carrying only small amounts or yacht crews escorting tons of cocaine, in none of the cases the smuggled drugs were directed at the Bulgarian market.

### 2.3. DRUG MARKET SIZE, TRENDS AND POSSIBLE SCENARIOS FOR THE FUTURE OF DRUG DISTRIBUTION

Before reviewing the distribution dynamics of the four main groups of psychoactive substances, an attempt for assessing the size of the overall market will be made. The calculations presented below should be regarded as provisional, as data about the number of users and the scale of consumption, as well as the important price/quality relationship, is rather fragmentary.

<sup>133</sup> People who transfer cocaine in their stomachs by swallowing small packages of it.

### 2.3.1. Drug Market Size

By the most conservative assessments **heroin** users in Bulgaria are between 15,000 and 25,000. These buyers are not simultaneously present on the market. As shown by quantitative surveys conducted in a number of cities, at least one third of this group normally refrains from use for a variety of reasons. Most often this portion of users consists of people serving a sentence, undergoing treatment, staying abroad<sup>134</sup> or have quitted, which is usually temporary. This means that the number of active users at one at the same time is around 10,000–16,000. Surveys investigating the average number of doses have found that they are dependent on the current quality of heroin and on the number of gaps appearing in distribution at a certain time. In the period 2003–2005 the average number of daily doses used varies between 1.5 and 1.8.<sup>135</sup> The average price per standard dose (of any amount or quality) throughout the country ranges from 5 to 10 levs. Multiplying the number of users by the average daily dose and the average dose price, one gets **an annual turnover on the heroin market ranging from 32 to 105 million levs**. This size is estimated on the basis of street prices, but part of the heroin is used by dealers of the highest standing. The research team considers that the above figure is probably equal to one fifth of actual heroin consumption.

The size of the **cannabis market** is even more difficult to estimate, as use tends to be uneven and so far no quantitative surveys have been dedicated particularly to this substance. National representative surveys among secondary school and university students provide data about the proportions of these groups that have tried cannabis, but do not capture consumption patterns. The only fairly reliable estimates are those of daily sales in the big and medium-sized cities. Thus, it can be assessed that annual cannabis consumption is between 15,000 and 20,000 kilos. Street prices range widely, depending on the type of location, whether the local market is controlled by a monopoly and other factors. The average price in the first half of 2007 in the largest cities is approximately 3,300 levs per kilo (or 3.3 per gram). Thus, **annually the soft drug market amounts to 50–66 million levs**. Available data indicate a tenfold growth of the soft drug market compared to 2002–2003, with an annual growth of 3.2 to 5 million levs.<sup>136</sup> This market could probably grow by the end of the year, as currently criminal enterprises are trying to push the price of 10 levs per gram on its largest segment—the capital Sofia.

The synthetic drug market is as hard to assess. With 7,000 to 10,000 regular users who consume on a daily or weekend basis (Thursday to Sunday) and an average cost of 50–60 levs according to the in-depth interviews, the average amount generated per year would be 14–24 million levs. There are also around 30,000–40,000 occasional users. According to available data their monthly expenses are 20–40 levs, which amounts to an annual consumption of between 7 and 19 million levs. If the two groups are combined,<sup>137</sup> the size of **the synthetic drug market would reach 21 to 43 million levs per year**.

<sup>134</sup> In-depth studies have shown that part of heroin addicts either seek jobs abroad, as do many Bulgarians, or go abroad for treatment, as they believe they cannot get effective treatment at affordable prices at home.

<sup>135</sup> Bezlov, T., *Heroin Users in Bulgaria One Year after the Outlawing of the Dose for "Personal Use"*, Open Society Institute & Initiative for Health Foundation, Sofia, 2005.

<sup>136</sup> See Bezlov, T., *The Drug Market in Bulgaria*, Center for the Study of Democracy, Sofia, 2003.

<sup>137</sup> The various user groups of these drugs are provisionally divided into two basic groups to facilitate calculation.

The cocaine segment is most assessment-proof of all, as the regular users are few, gathered in small elite communities. Incidental use is also observed with low-income strata, such as secondary school students and unemployed heroin abusers. Calculations are further made difficult if one is to consider the significant consumption by foreign tourists in the seaside and winter resorts for which very few data are available. Some drug dealers who have close observations on the market in big cities, such as Sofia, Varna and Bourgas claim that in the last year, cocaine sales have increased to roughly half the market of synthetic drugs. Thus, **the cocaine market may be estimated at around 10–20 million levs annually.**

The sales at the four segments taken together provide an annual estimate of the **overall drug market amounting to between 108 and 234 million levs per annum.**

### 2.3.2. Drug Market Trends

As noted before, developments at the outset of the new century blurred the differences between distribution patterns of the separate illegal psychoactive substances at the middle level. The usual approach in most towns is to have one dispersal structure selling all types of drugs. At the lowest level, though, street dealers seem to specialize in particular drugs. Although the processes on the different submarkets and distribution levels are often indistinguishable, for the sake of clarity the trends on three separate levels will be described.

#### *The Street Level*

This level comprises dealers with various specializations, but nevertheless, the most prominent trend that has affected the markets of all drug types in the last four-five years are the several crises in heroin distribution. The main factor is probably the decreasing number of heroin users due to several factors. First, adolescents are already making a clear distinction between heroin and the rest of drugs. Second, an increasing number of clients are enrolled in methadone treatment programs. Third, migration to Western Europe either for the purpose of seeking better treatment programs, or jobs, has grown with the waiver of Schengen visas. As a result of harsher law-enforcement and judicial measures more people are convicted to imprisonment.<sup>138</sup> According to some estimates around one third of all 12,000 people serving an imprisonment sentence, have used heroin. As a result, the number of heroin users at large diminishes, which restricts the appearance of new users. As described earlier, long-time heroin addicts play a key role in street distribution. When their numbers dwindle, this affects the availability of pushers and dealers, and consequently, less new users get hooked. These developments have shaken distribution networks, depriving them of the steady income from heroin dealing and bringing about financial gaps that limit the supplies. To compensate for these crises, distributors resort to diluting the available heroin even further. Financial hang-ups are not only affecting the import, but also professional violence providers, so that violence is increasingly applied in a haphazard manner.

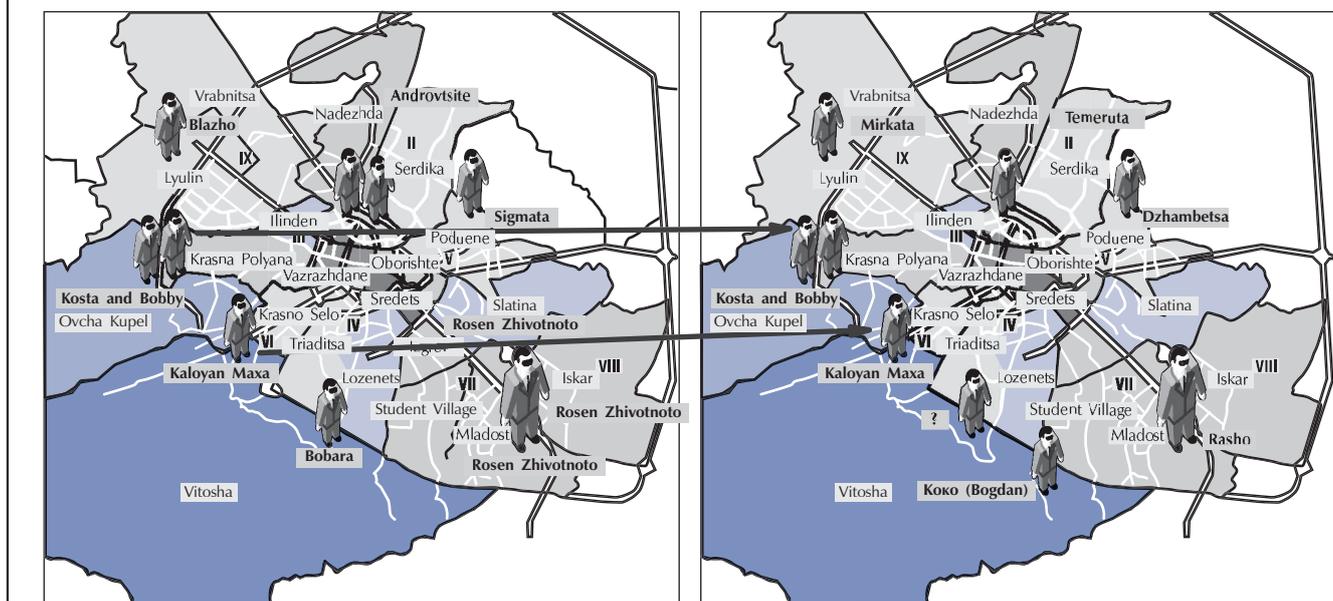
<sup>138</sup> Not all of the sentences were issued for drug dealing; some of them are for other criminal offenses.

While **the heroin market has lost dealers, pushers and profits**, the **opposite trend** is observed on the cocaine, soft and synthetic drug markets. The number of structures involved in their distribution is on the rise. However, control over dealers of these drugs is much harder to apply than it is with heroin. In the last couple of years, apart from the increase of the total number of dealers, free lancers have also recurrently increased.

**The Middle Distribution Levels**

The changes at grassroots level that occurred 2002 also caused reshuffles on the upper levels. Criminal bosses are nearly immune from law-enforcement, yet internal conflicts in their circles often lead to clashes in which extreme violence is used. Such events are particularly typical for the largest district market in Bulgaria—the capital city. A “war of the areas” into which Sofia is divided started in 2002 when one of the most powerful area bosses, Anton Miltenov “Klyuna” (The Beak), attempted to gain control over the whole district. This conflict indicates that violence in the underworld is indispensable when drug market (re)distribution is concerned. They inevitably reverberate in related criminal markets, such as consumer goods smuggling, car thefts, prostitution, etc. In 2004 the conflict was put to an end through the assassination of Klyuna after which the capital was carved in two big domains. The boundary that divides them, as explained by interviewed police officers and drug dealers goes along one of the key roads Bulgaria Blvd. and down the Perlovska River that crosses the city. Thus, the new Southern zone is controlled by Zlatko “Baretata” (The Beret), while the remainder of the city is held by Pesho “Shtangata” (The Rod). Two years later, a new clash led to the ousting of Pesho Shtangata and a new boss called Rasho came to preside over nearly the whole local market.

**Figure 14. Fourth level area bosses in Sofia**



The succession of the figures that control the district also leads to reshuffles at the top of the constituent areas in Sofia. Comparing area supervisors through the years, it can be seen that only two of those who ran an area in 2003 remain supervisors in 2007.

**Table 4. Sofia drug distribution areas and their bosses**

	2003	2007	
Area 1	Rosen "Zhivotnoto" (The Animal)	Rasho	Apart from his role as the boss of most distribution areas, Rasho also controls directly the most lucrative Area 1. This is why the respective network serves not just the large Mladost residential project (Area 1), but also nearly the rest of Sofia. After a 2–3-year absence Rosen Zhivotnoto has also reappeared in the area and controls synthetic and soft drug distribution.
Area 2	Androvtsite (The Andreys)	Temeruta	Until the assassination of Bobara in 2006 the area was divided
<b>Area 3</b>	<b>Kosta and Bobby</b>	<b>Kosta and Bobby</b>	
Area 4	"Bobara" (The Beaver)	Kosta, Bobby and "Kasorakiya" (The Short-armed Man)	Kosta and Bobby have been trying to conquer the area after the assassination of Bobara, but have come across severe competition. This area is also very lucrative, as it covers the whole of downtown Sofia.
Area 5	Sigmata	Dzhambetsa	
<b>Area 6</b>	<b>Kaloyan Maxa</b>	<b>Kaloyan Maxa</b>	<b>A distinctive feature of this area is the <i>shano</i> (free rider) that runs his own phone distribution system.</b>
Area 7	Rosen Zhivotnoto	Koko (Bogdan)	
Area 8	Rosen Zhivotnoto	Banzo	
Area 9	Blazho	Mirkata	This area is least controlled by organized crime and most populated by active shano.

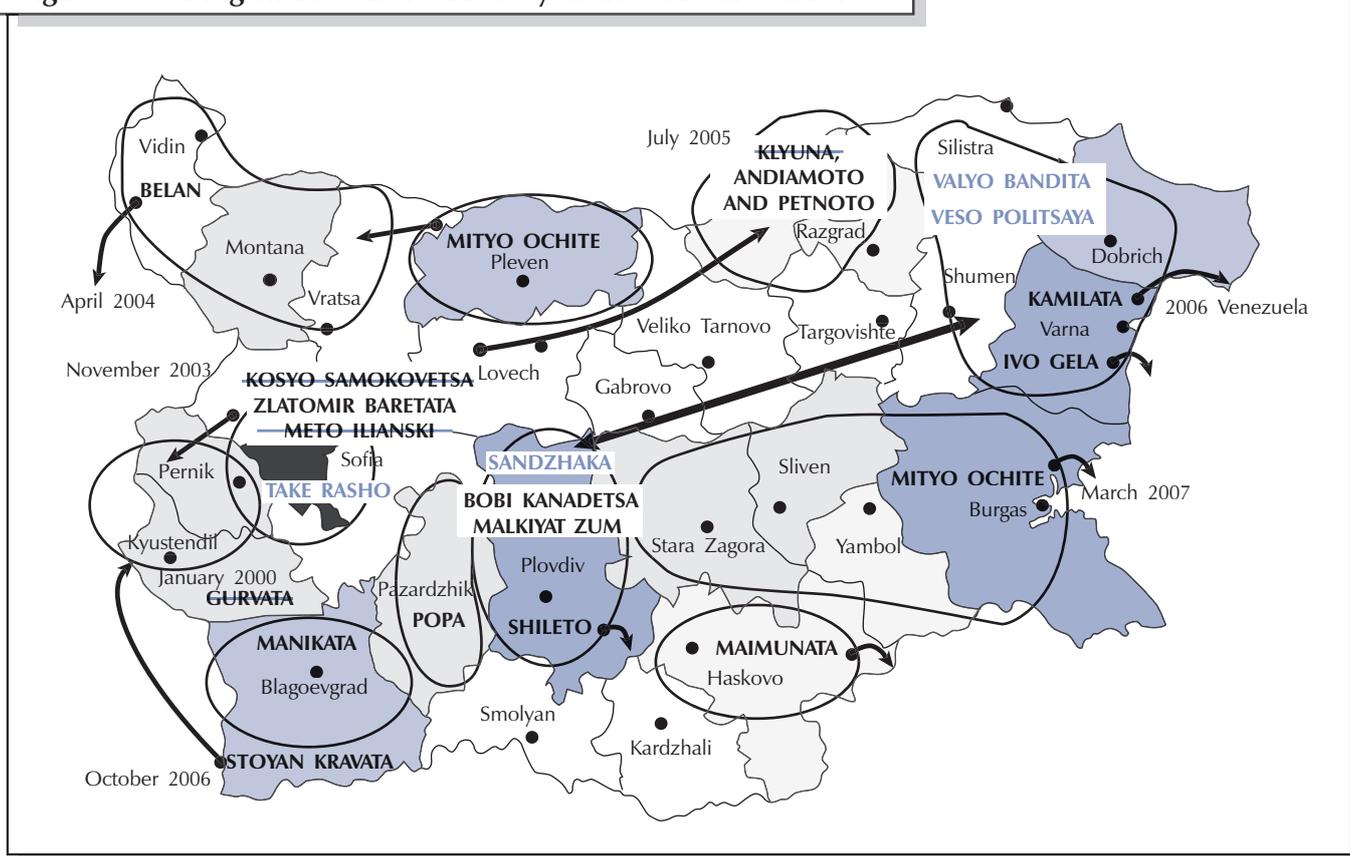
Such repeated conflicts can also be observed in Varna. After several successive replacements of supervisors have been made, currently the city is controlled by two criminal leaders. Based on the accounts of police officers and dealers, Valyo "Bandita" (The Bandit) is in charge of the following residential projects: Vladislavovo, Vazrazhdane, Mladost, Kaisieva Gradina, Aksakovo and Asparuhovo, whereas Vesko Politsaya runs the distribution in Chaika and Levski, as well as the resort of Zlatni Pyasatsi.

In smaller towns, the middle level is structured differently. Due to the narrower scale of the market, even when a local crime leader controls the distribution of all groups of drugs across the whole town, he still makes less profit than the pettiest of supervisors in Sofia and Varna. At the same time, the "tenure" of such bosses is rarely longer than two or three years.

**Top Level Developments**

Looking at the top ranks of the drug market bosses after 2003, it seems that already in the summer of 2007 none of the top figures were the same. Some of the old bosses were assassinated or died, others emigrated or were extradited, still others quit voluntarily or charges were pressed against them (see Figure 14). Kosyo Samokovetsa was shot dead in 2003 in Amsterdam. Meto Iliyanski disappeared in the same year. They were two of the three drug lords in Sofia. In April 2004, Belana, the Montenegrin national who led drug proliferation in North-Western Bulgaria was extradited. Anton Miltenov "Klyuna" was killed in July, 2005. Two other drug bosses were imprisoned in 2006—Stoyan "Kravata" (The Cow) and Maninkata. Kamilata emigrated to South America, while the last notorious drug boss active in the period covered by the preceding survey, Mityo Ochite, was arrested in the spring of 2007.

**Figure 15. Drug market distribution by individuals in control**



Despite the emergence of new leading figures, such as Rasho (in Sofia), Sandzhaka (in Plovdiv), Valyo Bandita and Vesko Politsaya (in Varna) the dissolution of the top level is increasingly apparent. The larger distribution areas are left uncontrolled. In contrast to the 1990s and the early years of this century, criminal figures are much less willing to risk having legal businesses together with gray and drug-related ventures. The most prominent among them have opted to quit the drug market altogether and invest their savings in the legal economy.

### 2.3.3. Possible Scenarios for the Future of Drug Distribution

The future of drug distribution can be lined up under three basic scenarios drawn from observations of its current state and the potential routes of its development.

The **pessimistic** scenario draws on the possibility of recurrent growth in heroin consumption. A sizeable group of heroin abusers will be released from prison. It is safe to suppose that a lot of these people will relapse into their addictive habits due to the lack of sufficient and effective treatment programs. The supply chains will be revitalized, as top-level control is lifted and mid-level bonds between Bulgarian and Turkish drug networks are strengthened. Plovdiv is already an example of this trend. With a better sustained market, the quality of the heroin on offer will improve and it will become easier for first-time users to get addicted (in contrast to the present when the concentration of diamorphine is really low). The young generation will not be scared off heroin use, as there will be less examples of old addicts available. The synthetic drug submarket will develop fast due to the ease of travel and transfer of precursors and drugs from the rest of the EU, and a synthetic drug outbreak could possibly occur. Currently, marijuana use is still below the level in the rest of the former communist countries, but it will steadily grow. The use of cocaine will become much more common, as the population's income increases and, similar to Spain, it will also have to supply the burgeoning tourist industry.

The **realistic** scenario is based on the preservation of the status quo. Heroin use will increase, but this will be followed by a drop in consumption. However low in efficiency, the existing treatment programs will manage to draw new users and help them stay out of street pushing. There will be no snow ball effect or a heroin outbreak as the one in the late 1990s. The synthetic and soft drugs on offer will improve in quality, but also grow in price, which will prevent an uncontrollably rapid growth of consumption. Bulgarian youth will preserve their conservative attitudes to psychoactive substances, and although many will engage in experimental use, few will become regular users.

The **optimistic** scenario assumes that the state will follow the model of developed democracies and increase public spending on treatment and social integration programs, instead of applying harsh punitive measures. Law enforcement bodies will be restructured, so as to raise their efficiency and coordination between the police engaged in tackling street level drug dealing and anti-organized-crime units which will be able to deal blows to the middle and top drug market levels. Currently, law enforcement affects only the lowest levels of distribution and it is precisely the lack of efficient inter-agency exchange that keeps the bosses safe. In addition, prevention and outreach programs able to target real problem areas and groups will be put in place and regular assessments of their effectiveness will be made.

### 3. PROSTITUTION AND HUMAN TRAFFICKING

In the past 5-6 years, prostitution has become **a much debated issue in Bulgaria for two notable reasons**. First, owing to the connection between paid sex services and organized crime, and secondly, because of the association of prostitution with human trafficking and sexual exploitation, which has attracted the attention both of large international organizations and of western governments.

The young women victims of sexual exploitation who have sought help in Western Europe provided the first indications of **the scope of the problem of Bulgarian prostitution**. The data from countries such as Germany and the Netherlands have been particularly important in this process – their publicly accessible and systematic approach has helped reveal that a small country has become one of the largest suppliers in the human trafficking industry. According to the four annual reports of the Dutch National Rapporteur, between 2000 and 2003, 14% of these victims in the Netherlands came from Bulgaria, making it the most common country of origin for the period monitored.

The fact that Holland does not represent some kind of anomaly in the forcible supply of human flesh finds confirmation in the largest sexual services market in Europe – Germany. According to the annual analyses of Bundeskriminalamt for the period 2001-2005, Bulgaria ranks third worldwide by number of female victims of trafficking for sexual exploitation (see *Table 6*).

The cases of trafficking for sexual exploitation purposes periodically registered in Austria, Greece, Italy, Belgium and Spain in particular, suggest the conclusion that this extremely grave crime against the person is similar in scope to that recorded in Germany and the Netherlands, but the information is regrettably not systematized.

The data from Germany or the Netherlands concerning sexual trafficking raise one major issue: **what makes it possible for an 8-million country to account for trafficking comparable in absolute terms** with that originating from Russia and its 150-million population, Thailand with 65 million, Ukraine with 46 million, as well as to surpass countries having three to five times its population, such as Poland and Romania.

It was the initial goal of the present analysis to explore the typology and organization of the prostitution market in Bulgaria; however, the research on trafficking in women in Western Europe found shocking statistics about the extent to which the country is represented in view of its demographic profile (see the victim coefficient in *Table 6*).

**Table 5. Victims of sexual exploitation in the Netherlands by country of origin**

	2000–2003	
	Number of victims	Percentage of the victims
Bulgaria	166	14%
Nigeria	122	10%
Romania	67	6%
Russia	73	6%
Netherlands	65	5%
China	45	4%
Ukraine	49	4%
Czech Republic	31	3%
Lithuania	42	3%
Sierra Leone	39	3%
Albania	19	2%
Cameroon	21	2%
Moldova	30	2%
Poland	28	2%
Brazil	13	1%
Guinea	15	1%
Thailand	12	1%
Unknown	161	13%
Other	227	19%
<b>Total</b>	<b>1,225</b>	<b>100%</b>

Source: *Trafficking in Human Beings – Dutch National Rapporteur*

In this context, several important questions emerged: first of all, **what is the scope of the Bulgarian export of prostitutes for Western Europe?** As indicated by the analyses, 90% of the victims are trafficked for sexual exploitation purposes. At the same time, studies on prostitution in Western Europe show that only a tiny proportion of the women engaged in prostitution in foreign countries have sought help and have thus been registered as trafficking victims. Consequently, the records of the number of victims of Bulgarian origin may be viewed as the tip of the iceberg beneath which there are actually huge numbers of women engaged in prostitution outside Bulgaria. Secondly, **what might be the reason for this important Bulgarian presence among prostitutes in Western Europe?** And thirdly, whether this high Bulgarian representation among trafficking victims is the outcome solely of **socio-economic factors** or can be accounted for by the **specifics of crime in this country.**

**Table 6. Trafficking victims by country of origin, 2001–2005**

	Number of victims in the period 2001–2005	Victim Coefficient for 2003*
Russia	747	1.2
Ukraine	520	1.6
Bulgaria	432	12.7
Romania	425	4.3

\* The coefficient is calculated for women in the 15-30 age group per 100,000 persons for the respective country

Source: Bundeskriminalamt, 2002–2005

The problems raised are only part of the complex socio-economic phenomenon of Bulgarian prostitution. Undoubtedly, the "export" of girls offering sexual services in Western and Central Europe is the most profitable market for Bulgarian prostitution but it would not be possible without the domestic prostitution market. That is why it is the object of the present study to tentatively reconstruct the emergence of the Bulgarian paid sex market, as well as to examine the structure and organization of prostitution in this country. Being one of the first attempts to analyze the problem of prostitution<sup>139</sup> in Bulgaria, the present chapter makes no pretence at exhaustiveness.

<sup>139</sup> Different types of theoretical analyses have tried to account for the spread of prostitution in a society. The studies on the topic can generally be resumed to four basic approaches to explaining women's involvement in prostitution: *pathological model*, *model of social disorganization and criminal subculture*, *model of the economic situation and poverty*, and *model of male violence*.

The logic of the *pathological model* is that it is some kind of inherent individual anomaly or pathology that drives a woman to engage in prostitution. Its advocates view prostitutes as being completely different from "ordinary" women.

The *social disorganization and criminal subculture model* focuses on the woman's relationships and position in her broader environment to account for her involvement in prostitution. What matters is the extent to which a woman is likely to fail in what is perceived as normal and in her professional and family relationships. Women engaged in prostitution are viewed as violating the established normative system, which makes their involvement in prostitution practically inevitable.

The *economic position model* highlights the specific economic conditions conducive to involvement in prostitution. It is viewed as an economically motivated decision since prostitution is assumed to be an economic activity. This approach generally takes two forms: 1. women are forced and/or choose to take up prostitution because they lack any other means of making a living; 2. women choose to engage in prostitution because they can earn far more money through it than by any of the other economic options available to them.

The *sex discrimination and male violence model* assumes there is a difference between prostitutes and other women and that it stems from the effect of prostitution on women. Proponents of this model also account for prostitution as the outcome of male control over female sexuality. Women become prostitutes because of earlier abuse by men. Prostitutes are perceived as 'victims' of the male domination system in which they are women with little or no resources to oppose the powers that be.

### 3.1. THE EMERGENCE OF THE DOMESTIC MARKET AND THE BALKAN CONTEXT

Following the collapse of the communist regime, the countries of Eastern and Central Europe underwent complex political, economic, and social changes. The cataclysms associated with the economic transition led to mounting unemployment and a drastic drop in the standard of living.

Some specialized studies<sup>140</sup> note as one of the consequences of these changes the fact that for a large number of women prostitution has become the only means to earn a living for themselves and their families and that almost all of the countries of Central and Eastern Europe, and most notably the Balkan states, have registered a dramatic increase in the number of prostitutes.

The armed conflicts in the countries of former Yugoslavia have been another factor conducive to the growth of the prostitution business in the Balkans. The poorly guarded borders, the presence of international troops, as well as the lack of a working judicial system create the perfect conditions for a flourishing sex industry in the countries of this region. A large number of prostitutes stay in the vicinity of the military bases to offer sexual services to the soldiers. Since in most countries in the Balkan Peninsula prostitution is prohibited by law, it is becoming not only a serious social problem for the region,<sup>141</sup> but also an important source of income for organized crime.

What is happening in Bulgaria is in many respects preconditioned by the **Balkan context** and the considerably more severe **economic upheavals** compared to central Eastern Europe. Nevertheless, the sexual services market developed at a relatively slow pace. Although almost immediately after 1990 the police stopped implementing repressive measures against women offering sexual services, it would take another 7-8 years for prostitution to become a mass occupation.

Unfortunately, there are practically no studies explaining the reasons for either the delayed development or the dramatic surge in prostitution in the late 1990s. Interviews with police officers, prostitutes, pimps, club owners, and investigative journalistic reports point to several interrelated factors accounting for the slower expansion of prostitution – from the socialist heritage and the strong family and kinship ties to the extremely reduced incomes, which in turn limited the domestic demand.

A tentative reconstruction of the emergence of the domestic market for paid sexual services quite revealingly shows that in the early 1990s, the places needing such services, e.g. hotels and night clubs, actually imported prostitutes from Ukraine, Moldova, and Russia. In the early years of the transition, most of the recruits were socially disadvantaged girls (of Roma origin, coming from small settlements, etc.) and girls with deviant behavior who were retained in the in-

<sup>140</sup> See for ex., Sarang, A. and J. Hoover (eds.) 2005. *Sex work, HIV/AIDS, and Human rights in Central and Eastern Europe and Central Asia*. The Central and Eastern Europe Harm Reduction Network. p. 19.

<sup>141</sup> Ibidem.

dustry largely by systematic violence. In fact, in Bulgaria, prostitution without the involvement of procurer networks or of club owners is practically impossible. At the same time, at all levels of the paid sex market (from street prostitution to beauty pageants), which had already been structured by 1992-93, it is possible to detect the involvement and control by organized crime.

The slow development of the Bulgarian domestic market, however, does not prevent it from linking up with the international procurer networks. The emigration wave of 1989-91; Bulgarian repeat criminals pardoned in 1990 and settling down in Central Europe; the war in Former Yugoslavia in the summer of 1991, and the breakdown of the USSR were only some of **the factors that helped 'lock together' the emerging Bulgarian market for sexual services with that of Central and Western Europe.** It became common practice for Bulgarian prostitutes to be supplied by Balkan and East-European procurers, with the Albanian pimp networks predominating initially. Here violence is omnipresent, both in the process of recruiting girls, typically by abduction, and in controlling the prostitutes, with physical punishment being the standard procedure in case of failure to fulfill the daily norm. **What is most characteristic of Bulgarian prostitution, however, is the influence of Russian-speaking organized crime.** The model of fixed locations and preliminary distribution of the places reserved for each pimp and his girls has been adopted by Bulgarian procurers, as well. The latter prefer the term "post" rather than the Russian "tochka", but it has exactly the same structural and organizational role – market distribution. Depending on the profitability of the area and the number of posts, the pimp pays his dues to the bosses of organized crime and to the law-enforcement authorities (typically police and prosecutor's office) and the administration.

As the violent entrepreneurs flourished during the Yugoslav embargo (see Chapter I), the cooperation with organized crime structures in the Western Balkans and Central Europe in the trafficking of girls for prostitution became stable and developed along the same lines as the other operations involving the crossing of Balkan borders – trafficking of oil products, drugs, stolen goods, etc. In turn, this in many respects created similar conditions in the sex services market.

In the first half of the 1990s the export of prostitutes underwent serious evolution and repeatedly changed its channels before turning into a sustainable activity. **Historically, Hungary and the Czech Republic were the first destinations for export of prostitutes** and respectively, where the first Bulgarian procurer networks were formed. The proximity and easier access to these former socialist countries made them a preferred destination and the Bulgarian procurers made use of the base put in place by Bulgarian car thieves. In the former CMEA (the communist trade bloc) countries, Bulgarian prostitutes worked mostly in locations close to the borders with Germany and Austria, where sex tourism was most active. Whereas in the early 1990s, access to Western Europe was sporadic owing to visa limitations, by 1993-94, the first groups of pimps and prostitutes had settled in more liberal countries like **the Netherlands and Belgium** and there began the process of expansion of the Bulgarian communities. The third destination was to **Greece and Macedonia**, whence the route continued to **Italy**. The fourth destination for export of Bulgarian girls was to countries of former Yugoslavia in the areas

where peacekeeping forces were stationed – initially **Bosnia and Herzegovina**, and subsequently, **Kosovo**.

By the mid 1990s, the structure of the Bulgarian prostitution market had taken shape. There appeared three strata – **street, night club, and elite prostitution**. These three levels in turn yielded two other forms of Bulgarian prostitution – **resort and export prostitution**.

### Box 3. Legalizing prostitution: pros and cons

The legalization of prostitution has been widely debated in the specialized literature and in public discourse.<sup>142</sup> There are essentially two opposed views – that it should be criminalized and that it should be legalized – with each side putting forth arguments in support of their position.

The advocates of criminalization generally have three types of arguments. One is based on traditional and religious morality – prostitution is regarded as a sin and symbol of social depravity completely at odds with the moral values that should be upheld. The second line of reasoning emphasizes that prostitution is conducive to crime and disease. Finally, many feminists argue that prostitution leads to degradation and subordination of women.

Those in favor of legalizing it claim this may even be a social good. The freedom to dispose of one's own body is believed to be a fundamental human right. Two main arguments are put forward in this context: of a financial and medical nature. The former highlights the revenues that prostitution stands to bring to the national budget of a given country in the form of taxes. In the second case, it is argued that making prostitution legal would help improve the health and physical condition of prostitutes through mandatory medical checks and tests for HIV/AIDS and other sexually transmitted diseases. The advocates of legalization further point out that this would allow the state to regulate the number of prostitutes and designate licensed locations where they would be able to offer their services.

Depending on the socio-economic history, cultural values and institutional development, the various states have implemented very different legislative solutions. These can generally be reduced to three basic models: prostitution is banned; prostitution is allowed; there lack straightforward regulations. Bulgaria clearly falls within the group of countries that have chosen the absence of a clear-cut legal framework. Or rather, the sex industry has adjusted efficiently to the fragments of legislation remaining from socialist times and those created in the chaos of the transition period.

<sup>142</sup> See for ex., Liberator, M. 2004. *Legalized Prostitution: Regulating the Oldest Profession*. << <http://www.liberator.net/articles/prostitution.html> >>; Phoenix, J. 1999. *Making Sense of Prostitution*. London: Antony Rowe Ltd; Katyal, N. K. 1993. "Men Who Own Women: A Thirteenth Amendment Critique of Forced Prostitution" *Yale Law Journal* 103: 791-826.

**Box 4. Prostitution in Bulgarian legislation**

In the Bulgarian Penal Code prostitution-related crimes are covered in Chapter II of its special part on crimes against the person, section VIII, 'Debauchery' (mainly in Art. 155, Art. 156 et seq.), as well as in Section IX, 'Human Trafficking'.

Article 155 incriminates the act of inciting a person to engage in prostitution, procurement, and the provision of premises for sexual intercourse or fornication. In the first two cases, the penalty provided for is up to three years imprisonment and a fine of 1,000 to 3,000 leva, and in the latter case, a term of imprisonment of up to five years and a fine of 1,000 to 5,000 leva. When such acts were committed for profit the penalties are harsher – 1 to 6 years imprisonment and a fine of 5,000 to 15,000 leva. The law provides for 5 to 15 years of imprisonment and a fine of 10,000 to 50,000 leva for inciting or forcing another to use narcotic substances for prostitution purposes. The punishment is even more severe (10 to 20 years of imprisonment and a fine of 100,000 to 300,000 leva) when the act was committed:

1. by a person acting on behalf of an organized criminal group;
2. against a minor or mentally irresponsible person;
3. against two and more persons;
4. repeatedly.

The above provisions evidently do not concern the prostitutes but the procurers.

Article 156 incriminates abduction for the purpose of debauchery. This act is punished by imprisonment for a term of 3 to 10 years and a fine of up to 1000 leva. More severe penalties (5 to 15 years of imprisonment) are provided for when:

1. the kidnapped person is under the age of 18;
2. the kidnapped person was subjected to debauchery;
3. the abduction was carried with intent of debauchery outside the country;
4. the act was committed by a person acting on behalf of an organized criminal group;
5. the kidnapped person was subjected to debauchery outside the country;
6. the act was a dangerous repeat offense.

In the latter three cases, the law provides for a fine of 5,000 to 20,000 leva in addition to imprisonment.

Article 159a incriminates human trafficking (recruiting, transporting, concealing or harboring individuals or groups of individuals) for the purpose of prostitution. The act is a crime even if committed with the victim's consent and is punished by imprisonment of 1 to 8 years and a fine of up to 8,000 leva for domestic trafficking, and 3 to 8 years of imprisonment and a fine of up to 10,000 leva if the victims were taken across the border. More severe punishment (2 to 10 years of imprisonment and fine up to 10,000 leva for domestic trafficking; 5 to 10 years of imprisonment and fine of up to 15,000 for trans-border trafficking) is provided for if the crime was committed:

1. against a person who is under the age of 18;
2. by coercion or deceit;
3. by abduction or unlawful restraint;
4. by taking advantage of a state of dependency;
5. by abuse of power;
6. by promising, providing, or obtaining a gain.

Article 159b provides for a punishment of 5 to 15 years of imprisonment and fine of up to 20000 leva when the trafficking was carried out by an organized criminal group or constituted a dangerous repeat offense and in addition the court may order confiscation of the whole or part of the perpetrator's property.

The Bulgarian Penal Code does not give a legal definition of the term 'prostitution' and does not provide for liability for the very provision of sexual services. Yet, even though the voluntary practice of prostitution by an adult is not prohibited in itself, it is not subject to explicit regulation in Bulgarian legislation and its admissibility is therefore not obvious.

#### Box 4. Prostitution in Bulgarian legislation (continued)

Furthermore, procurement, which is punishable, is hard to establish and prove, not least because the prostitutes themselves tend to cover up for their pimps, saying they are their boyfriends or husbands. Yet survey<sup>143</sup> data indicate that fewer than 5% of the prostitutes in this country are working without a procurer. This, together with the ambiguous legal framework, undermines the efficiency of investigative and court authorities, as evidenced by official data on convictions for procurement of prostitution.

According to National Statistical Institute data, in the past 5 years, charges of debauchery have been brought against 350-390 persons on average per year, of whom hardly more than 10-15 convicted of procurement of prostitution.

### 3.2. TYPOLOGY OF PROSTITUTION IN BULGARIA

The primary information used has been collected through in-depth interviews with representatives of the main groups involved or concerned with prostitution. On the one hand, these are the prostitutes themselves and their procurers, and on the other, police officers dealing with the problem.<sup>144</sup> The interviews conducted with representatives of NGOs concerned with prostitution-related problems and working with prostitutes in the field equally proved highly useful.

Based on these data, the following main types of prostitution will be considered: street and highway prostitution; club; and elite prostitution.

#### *Street and Highway Prostitution*

The data indicate remarkable similarities between street and highway prostitution which is why they will be considered together. Street and highway prostitutes only differ by the locations where they pick up clients, as well as by the specific occupations of their customers, mainly professional drivers in the case of highway prostitutes.

In terms of their social characteristics (reputation, practice, profits, clients, and level of protection), street and highway prostitutes **occupy the lowest levels in the stratification scale** of prostitution. At the same time, this is **the most conspicuous form** of prostitution which is why street and highway prostitutes most commonly get apprehended in police raids.

Street prostitutes are usually girls with low social status, mostly of Roma origin. They work in proximity to the train stations in the bigger towns (the central stations in Sofia, Plovdiv, and Bourgas are typical examples), the ring roads and the suburbs of the big urban centers, and in the towns and ports along the Black Sea coast. Highway prostitutes are typically found along the highways and the busy

<sup>143</sup> Arsova, T. *Prostitution and sex workers in Bulgaria: Analysis of the situation and the risk with regards to HIV/AIDS/STDs*. Health and Social Development Foundation, Sofia, 2000.

<sup>144</sup> The study has also drawn on interviews with representatives of the above-specified groups from the archive of the Center for the Study of Democracy, conducted by other teams, on different subjects and at different times but highly relevant to the issues at hand.

international roads in the territory of Bulgaria. They normally wait at parking lots, close to motels, roadside bars and restaurants, and places where drivers can easily pull off. In this case large truck drivers are the most common customers.

Official Mol data<sup>145</sup> indicate there are 366 gathering spots for prostitutes in Bulgaria, of which 109, along the highways across the country.

There are several ways of recruiting street and highway prostitutes. In some Roma families, there is a tradition to sell children to become prostitutes. All too often, the girls are resold from one procurer to another, with the price ranging from 500 to 1000 leva.

Unemployment and utter poverty, together with lack of education and skills also drive some women to take up this occupation of their own free will. According to some representatives of NGOs with field experience, quite a few of the prostitutes with whom they have had contacts had entered the profession voluntarily and even preferred it to "normal" work because it paid far better.

Another method of recruitment is by kidnapping young women. These are mostly girls from broken families, from orphanages, girls who are vulnerable and cannot expect any help from family and friends. Most exposed are the girls from small towns and villages whom the procurers lure with promises of well-paid jobs and housing in the city.

The price of the service offered by street and highway prostitutes is usually negotiated with the customer and is in the range of 5 to 30 leva depending on the location, the quality of the girl, and above all, on the type of service requested by the customer. On some international roads and in towns close to the border (e.g. Svilengrad and Sandanski), these prices are quoted in euro.

With this type of prostitution the procurers typically resort to **two kinds of control**. In one case, the procurer supervises the girls at all times. He waits nearby and watches them; thus he sees each customer and immediately after the session, the prostitute hands over the money earned. Most of the time, the procurer gets 70% of the takings and the prostitutes keep very little.

The other form of control is by setting a daily target amount that the prostitutes must earn or else bear sanctions, often involving the use of physical violence. The daily norm is usually 100 leva and the procurer only comes by a few times a day to check on the girls and collect the money they have made.

Street and highway prostitutes usually work in groups of 3-4 but sometimes as many as 10, and inside the cities there are some gathering spots where they can be even more numerous. The pimp makes sure no independent prostitutes turn up in his territory. In the event that they do, he immediately invites them to work for him. If the woman refuses he forces her by resorting to threats and violence. If she belongs to another procurer the matter is settled between the two of them. One procurer usually has 2 to 6 girls working for him and living with him.

<sup>145</sup> The data were announced before the National Assembly in late 2003 by Minister of Interior Georgi Petkanov and have repeatedly been cited in the media, see for ex., "Petkanov Counted 4611 Prostitutes", *Trud* daily, May 31, 2003.

It was established through the interviews that for a given procurer to work in a particular place he needs to pay the police officers in the respective area, as well as a representative of the criminal ring operating there. The prostitutes said that every day they allocated a certain amount, typically 20 levs, for a racketeer who was charging a fee for the particular location.

The information collected shows that although prostitutes are often apprehended by the police, in the absence of legal regulation of prostitution in Bulgaria, they rarely remain in detention for more than 24 hours, after which they go out in the streets again. Some of the respondents told of cases when police officers, in their efforts to cope with street and highway prostitution, actually charge the prostitutes with violation of traffic regulations.

What is particularly alarming in the case of street and highway prostitution is the fact that **some of the girls are very young, under 18 or 16**. Furthermore, street and highway prostitutes are highly exposed to high risk and often fall victim to crimes, both on the part of the procurers and the customers. **The victims rarely report the crimes to the police and do not seek legal protection**. The lack of any other sources of income, public ostracism, as well as the control exercised by the procurers makes it almost impossible for the women who have once become street or highway prostitutes to put an end to their involvement in this activity.

### ***Club Prostitution***

This form of prostitution is the most common one in Bulgaria on the middle level. It occupies the middle ground between street prostitution and the so-called elite prostitution.

With club prostitution the procurers take care of the logistical details – they establish contacts with the customers, provide premises, and watch out for police checks. They also make sure the girls in their clubs go through the necessary medical checkups.

Club prostitutes enjoy **greater security** than street and highway ones, both in terms of arrests and with respect to violence by customers and procurers. Few club prostitutes are resold by procurers as is common practice for street prostitutes and they are rarely made to work by force. Most engage in this activity out of financial interest. Often they even approach the procurers themselves in order to work in their clubs and to secure their protection and support. Unlike street prostitutes, those who work in clubs get days off and money for clothes and underwear. While street prostitutes are mostly from minority groups, **club prostitutes are of Bulgarian origin for the most part**, but there are some foreigners, too - mostly Russians and Ukrainians. The girls engaged in this type of prostitution are typically 18 to 30 years old.

The rates of club prostitutes range between 30 and 70 levs an hour, typically 50 levs, with the price usually increasing by 50% in case of nonstandard requests by the customers. Club prostitutes charge hourly as well as nightly rates, the latter in the range of 200-250 levs per night. The money is usually split 50:50 or 30:70 in favor of the procurer.

According to expert estimates, there are about 300 clubs in Bulgaria, about 100 of them in Sofia.<sup>146</sup> In the capital the highest concentration is found along the border of the first zone of the town’s municipal division. It is believed that in the big cities in the country, there is an oligopoly model in club prostitution, with the capital, for example, divided among about a dozen owners.<sup>147</sup>

The interviews conducted clearly showed that when speaking about club prostitution the different respondents actually had in mind **different types of prostitution**. They were generally referring to: **brothels; call girls; or clubs under the guise of bars and restaurants**. The information collected indicates that these three in fact coincide by all of their basic characteristics and in each case the prostitutes work for a club, which is why they will be considered as subtypes of club prostitution.

The interviews further revealed that the three types tend to intertwine and overlap. For example, many brothels also offer and deliver prostitutes to an address of the customer’s choice as requested by phone.

**Brothels**

In a brothel there are usually 3-4 girls, a procurer and bodyguards. However, some brothels have 7-8 prostitutes. The procurers rent apartments and turn them into brothels, all while dealing with the promotion of the establishment, running ads in some papers, and in recent years, they have even been advertising their “goods” quite actively on the internet. Most clubs use ads not only to offer escort girls and prostitutes, but also to recruit them.

A large number of the apartments converted into brothels are located on the first floors of the buildings. Sometimes they operate under the cover of **massage parlors**. In this way, the brothels sidestep the law, which as noted above, neither explicitly bans, nor allows, prostitution. The only official requirement is the payment of patent tax for escorts and masseurs. The respective tax rates are fixed in the Appendix to Chapter VII of the *Natural Person Income Tax Act*.<sup>148</sup> They depend on the category of the respective settlement.

For escorts, the due tax depends on the location:

Group I Sofia Municipality	Group II	Group III	Group IV, V	Group VI, VII, VIII
6,440	5,200	4,200	3,520	3,000

<sup>146</sup> See „I pay 15 grand a month to the Sofia Internal Affairs Directorate and nobody touches my brothels”, *Monitor* daily, April 21, 2007, ; an interview with a former official with the MoI Inspectorate Directorate revealed that the MoI has conducted various investigations of brothel owners for racketeering and prostitution.

<sup>147</sup> The opinion expressed by an anonymous owner cited in *Monitor* daily of April 21 was confirmed in part by police officers and girls working, or who have worked, in Sofia.

<sup>148</sup> Natural Person Income Tax Act (Promulgated State Gazette No 95/24.11.2006, effective as of 01.01.2007)

For masseurs, the due tax depends on the location:

Group I Sofia Municipality	Group II	Group III	Group IV, V	Group VI, VII, VIII
1,680	1,300	960	660	500

According to the *Natural Person Income Tax Act*, the revenue to the national budget from a single escort girl should range between 3,000 to 6,440 levs per year, depending on the type of settlement. Under the cover of massage parlors, however, they are liable for much lower patent tax rates and have to pay 500 to 1,680 levs.

### ***Call girls***

The clubs also take telephone orders for home services. It is usually the procurer who answers the phone or in his absence, one of the more experienced girls. The customer is told the price, conditions, and the available girls are described to him. The girl is delivered to the address by car either by the bodyguards of the club or by some trusted taxi driver working with the club and who waits until the session is over. As soon as the time paid for runs out, the prostitute leaves the address, and should the customer wish to prolong the session, she informs the bodyguards who wait close by. Extra payment is required for the taxi ride in addition to the prostitute's rate.

In addition to driving the girls and, when necessary, ensuring their protection while they are with customers, the taxi drivers are a link between customers and the clubs offering sex services. Should a client express an interest, most taxi drivers will recommend clubs with prostitutes and they usually have a deal with the procurer from the club to get a commission for each client they bring in, in the range of 5 to 10 levs.

### ***Bars***

Some prostitute clubs operate under the cover of bars and nightclubs, with the prostitutes officially presented as dancers or waitresses and the procurer acting as the manager. He informs the customers about the prices and conditions. They are usually offered a room for which in some places they have to pay about 20 levs extra. In some of the more luxurious establishments of this type, the prices exceed those for the other forms of club prostitution and can reach 100-200 levs.

The customer may choose to use the services of the prostitute outside the establishment or call and ask for one by phone, in which case the delivery takes place in the above described manner. There are usually about 10-15 girls in such establishments. Most of them are Bulgarian but there are also quite a few from the countries of the former USSR. The majority have taken up this occupation of their own will.

In the case of club prostitution, conflicts between the procurer and the prostitutes most typically arise because of non-compliance with the financial terms of the deal, usually when the procurer fails to pay the girls the percentage promised. Another reason for conflicts is the wish on the part of the prostitutes to leave the profession, in which case the procurer demands a forfeit, i.e. even if a woman initially started voluntarily she will find it hard to withdraw when she chooses.

In Bulgaria, a procurer rarely manages more than one club. He is connected to criminal organizations and pays them for working in their area and for their protection. These are usually criminal groups in charge of drug distribution, which additionally impose their control on the procurers and prostitutes. Insubordination by procurers is taken care of by the so-called "punitive brigades" at the disposal of these criminal rings.<sup>149</sup>

### ***Elite Prostitution***

The scope and influence of elite prostitution could be the object of a special study. Here the topic is merely outlined in order to provide a better idea of the Bulgarian prostitution market.

Whereas street and highway prostitutes are regarded by the procurers as 'goods' and those in the brothels can be said to be "workers", the so-called elite prostitutes rank highest in the stratification scale and could even be considered entrepreneurs.

What is characteristic of this type of prostitution is that it seems to escape the attention of the police, the media, and the politicians which is due to the utmost discretion of the parties involved.<sup>150</sup> Therefore, the sources used to collect information about this type of prostitution were limited to former and current fashion models studying at higher education establishments in Bulgaria and Western Europe. On the one hand, they were interviewed themselves; on the other, they in turn interviewed friends and acquaintances of theirs who have been or are still involved in this kind of activity.

The following **model** of elite prostitution can be construed based on the thus collected information.

### **The organization of elite prostitutes is centered on fashion modeling agencies.**<sup>151</sup>

The latter are typically owned by influential businesswomen, wives and girlfriends of leaders of economic groups and the former violent entrepreneurs.

---

<sup>149</sup> One such brigade consists of 3-4 people ("a carfull of people") who punish the erring pimps. For more details on punitive brigades see Center for the Study of Democracy, *The Drug Market in Bulgaria*, Sofia, 2003, p.36-37.

<sup>150</sup> Notwithstanding the general discreetness in political and criminal scandals, the names of models and agencies do sometimes come out in the mass media. In 1996, Interior Minister Lyubomir Nachev was filmed by the National Television surrounded by models on the day when three police officers were shot and was forced to resign. In 2006, there appeared pictures and contracts with modeling agencies of the former Head of Sofia Central Heating Company, Valentin Dimitrov, accused of scams amounting to millions. In 2007, the subject of compromising pictures with models came up again in the media in connection with the scandal involving Minister of Energy Rumen Ovcharov and the Head of the National Investigation Service, Angel Alexandrov.

<sup>151</sup> The names of the agencies about which most information is available have been left out in order to avoid possible disputes and claims.

All of these companies are engaged in normal business activities providing models for fashion shows, advertising campaigns, TV shows, promotions, participation in film productions, magazine photo sessions, and other traditional services for modeling agencies. At the same time, **the leading principle with this kind of companies is the blurring of the boundaries between strictly modeling and escort-related duties** of the models. In the case of the latter, the transition from escort to paid sex services becomes of key importance to the agencies known for luxury prostitution. It should be noted that such a mixing of functions is observed throughout Eastern Europe and is particularly characteristic of Russia and Ukraine. With this kind of company, the structure may be described as comprising a core of two layers: an inner and a peripheral one.

Most fashion models in Bulgaria essentially receive **two kinds of job offers**. The first one includes typical **modeling assignments** – fashion shows, photo shoots, advertisements, promotions, etc. The second involves attending various functions and parties as agreed between the organizers and the agencies. At the agencies specializing in elite prostitution, **event attendance** jobs are assigned to girls from the “periphery”. Models are often used by owners of entertainment establishments – mostly bars and discos – for whom the agencies provide a certain number of girls to simply hang around and attract customers. With this job the girls are not required to do anything else but act as customers of the establishment.

It should be noted that all of these services offered by model agencies are not illegal and it is not possible to speak of prostitution in this case. Furthermore, the girls involved take on the assignments of their own free will. This is essentially considered regular modeling work where the agency pays the model about 30-50 leva a night.

However, hiring is irregular and temporary. Anyone who is attractive enough and meets the age requirements is eligible. Such activities as a rule are more common in the largest towns in the country. It is an effective form of recruitment for both the normal model and photo agencies and those offering paid sex services. To the latter, it is an opportunity to form their inner “core” while making a profit and building an image of a regular modeling agency. At the same time, when involved in such peripheral activities they often exert steady and even aggressive pressure on the attractive looking models in order to hire them on a permanent basis.

Unlike the temporary jobs in the periphery, the **inner core** of the agencies is made up by girls on **permanent contracts**. The agencies involved in the market for luxury prostitution take special care in recruiting these girls. The chief mechanism is through beauty pageants which are held at least once a year in the larger towns of the country. The event is preceded by an active advertising campaign throughout the region in order to cover the smaller settlements, too. The main target group are girls aged 15-16 but there are many older participants, as well. The selected girls have to agree with the obligatory condition of moving to the agency’s “modeling school”, with all her expenses covered by the agency. Presumably this is done because the girl needs training and schooling in order to evolve and have a successful modeling career. The interviews, conducted for this paper, revealed that **such offers are perceived as an opportunity to achieve very high social status**. Even in families of very good social and financial standing, such

a career is regarded as extremely prestigious. It is uncertain what percentage of the girls (families) accept these offers. In such cases the conservative bent of the Bulgarian family comes into conflict with the prestige enjoyed by modeling agencies. Interestingly enough, **there is very little public awareness of the risk of prostitution in modeling agencies**. The interviews showed that acceptance of the offer for the girl leads to a dependence of sorts on the agency. Once they join the modeling schools, the girls are cut off from the old family and school environment, they get a taste of luxury consumption, and with subsequent access to individual advertising contracts, international contests and important clients, they gradually come to identify themselves with the agency. The **transition from professional modeling to paid escort services and ultimately paid sex** takes place on the basis of this dependence on the agency in the absence of coercion and violence. It was actually found in the interviews that the sex service acquires special value, it is perceived as an important and highly effective business instrument. According to the respondents, the agency owners and managers let go the girls deemed risky. As a rule, the acceptance of escort activities on the part of the girls occurs "spontaneously". The agencies, in their turn, operate without exerting particular pressure insofar as out of 10-15 new girls recruited there rarely drop out more than 2-3 in the early career stage.<sup>152</sup> With more valuable models (very beautiful girls) special efforts at "socialization" might be made, such as extra investments in luxury consumption for the girl in question, inclusion in privileged social networks, etc.

In cases of mass recruitment of new models, for instance upon appearance of a new client, within two-three weeks the obligation to accept sex services as part of escort duties is explained in clear-cut terms and no efforts are made to retain those who prove unwilling.

The recruitment of new girls is of key importance in terms of keeping up service quality for the agencies offering elite prostitution owing to the extremely high attrition rate among the girls who have been working for 3-4 years. Leaving the business (temporarily or for good) because of "finding" a steady boyfriend or a husband is an ongoing process regarded as normal by the agencies. This manner of leaving the agency has become a standard procedure, particularly among the older models, in order to avoid their humiliating exclusion from the group serving important clients.

The most important part of the agencies engaged in luxury prostitution is the core. The models included in it get the best offers and have personal relationships with the **managers and owners of the agencies who often belong to the top ranks of organized crime**. When the agencies are associated with a semi-criminal ring or economic group, there is specialization of the girls from the core with regard to particular key figures. The models are aware of their agency's affiliation and respect the established influence zones of competing rings. In this respect, there is a certain ambiguity, as well. First of all, it is uncertain where personal relationship ends and sex service begins. Those who have worked longer for a particular agency owned by a shadow structure usually have steady intimate

---

<sup>152</sup> Interviews with owners, managers and girls who have worked or are still working for modeling agencies and who wished to preserve their anonymity.

relationships with the management and their close associates and partners. Secondly, the models themselves commonly choose to start intimate relationships with company owners – usually businessmen who become clients of the shadow structure thanks to these relationships. All too often, elite prostitutes are used as instruments to gain influence over politicians, magistrates, and representatives of big multinational corporations. Such relationships, however, are voluntary and may not have been planned and arranged by the agency managers or owners, or the leaders of the ring. With services of this type, and in the event of success – the conclusion of a desired contract (e.g. a public procurement contract or contract with an international company), for instance, the girl is given a percentage of the contract amount.

On the whole, these relations between **agencies** engaged in elite prostitution and **economic groups** are of a highly **clientelist and hermetic** nature. Outside individuals and companies are not involved.

Because of the small size of Bulgaria, all the larger and more stable business structures are well-known and there is hardly a problem with unfamiliar persons and entities. As for foreign companies, there are two types of relations. If the company has already entered into clientelist relations with the respective Bulgarian economic group, it is entitled to the services described above. The situation is different when a company enters Bulgaria without the help of the main business players. In such cases, the advertising and PR departments of the large shadow structures try to establish relations through advertising contracts and after some initial probing they proceed to “bonding” at which stage the agencies offering elite sex services may be actively involved. The main goal is to secure deals for companies associated with the economic structure. In the event of deterioration of the relations with the foreign company, **racketeering might be resorted to**, but it would in all likelihood take place **through a government institution** rather than with the use of violence.

It should be borne in mind that, in addition to modeling and photo agencies, the shadow structures have their own **advertising companies** where there also are some representatives of luxury prostitution among the administrative or secretarial staff.

Possibly one of the biggest advantages of advertising agencies is that they provide the perfect **cover for sex services in the form of advertising contracts** in compliance with all international auditing requirements.

When analyzing the luxury prostitution structures they should be **distinguished from the normal modeling and photo agencies** that also offer escort services and attendance of promotional events. These agencies often employ models offering sex services but they do so without the backing of a company. There may also be some staff members who have a good idea of “who is willing to take on extra services for money”. When they approach the girls with such proposals, however, they are essentially working for themselves even if they enjoy the protection of leaders in organized crime. The independent intermediaries play the part of the typical procurer. They secure the client, guarantee payment, discretion, etc. These intermediaries may be from outside the fashion business and will

approach both girls working for normal agencies and for agencies specializing in luxury prostitution. In any case, at least half of the girls work in some other area. What is interesting about the latter group is that it includes the so-called stars – popular singers from the Bulgarian pop-folk genre; familiar faces from television, etc. However, these girls only work episodically, at very high rates, and only accept offers of some special interest to them. The role of the procurer, who in this case acts more like an agent, is to secure girls for wealthy clients. The procurer is often a woman and there is hardly any violence involved.

Luxury procurers work in a network with several centers and in many respects are independent. Compared to them, however, the **agencies offering elite prostitution** have a great advantage – the **access to international markets**. It should be noted that the admission of Bulgarian models into the international modeling agencies only became possible with the transformation of the world fashion industry, the end of the super-model era, and the invasion by elite models from the third world, which began in the mid-1990s.<sup>153</sup> To Bulgarian agencies participation in the international fashion shows in New York, Paris or Milan is now a matter of largely technical effort not requiring too big investments.

The free access to international fashion shows, international modeling agencies, beauty pageants, etc., have created remarkable **opportunities for access to extremely wealthy customers abroad**. The information about this aspect of the business, however, is scarce and distorted because access to such channels is granted largely to girls from the agency cores. They are very discrete about their prized foreign customers. Yet, the little that we know does shed some light on this type of international activity. There are the notorious cases of providing girls for yacht parties in the Mediterranean, as well as dozens of cases of hiring of girls for cruises in Greece, Italy, and Spain. The cooperation works the other way, too – when the foreign management of a Bulgarian telecommunications operator managed to get through several dozens of girls from the “luxury pool” of 4 agencies, they had to resort to seeking new girls in Serbia on a barter basis. The practice also exists to pay for temporary import of girls from the former Soviet Union, mainly of Ukrainian origin.

---

<sup>153</sup> See “Strike a Pose, Count Your Pennies: At 18, Bianca Gomez faces the new economics of modeling -- lower fees and a surge of Russians,” WSJ February 3, 2007, (<http://blogs.wsj.com/runway/2007/02/03/strike-a-pose-count-your-pennies>); Not Just Another Pretty Face: The End of the Supermodel Era by Hilary Rowland, Hilary Magazine online retrieved July 7, 2006 (<http://www.hilary.com/fashion/supermodels.html>), Death of the Supermodels by C. L. Johnson, Urban Models October 21, 2002 online retrieved July 13, 2006 (<http://www.urbanmodels.co.uk/modeling.php?page=supermodels>). Although there is no shortage of names with supermodel pretensions, such as Gisele Bündchen, Carmen Kass, Heidi Klum, Yfke Sturm, Karolina Kurkova, Laetitia Casta, Kate Moss, Tyra Banks, Adriana Lima and still that of Naomi Campbell, and more recently, Doutzen Kroes, Robin Arcuri, Daria Werbowy, Julia Stegner, Natalia Vodianova and Liya Kebede, nearly all fashion experts are talking about the end of the supermodel era. Various reasons are noted: from the trend to use famous movie actors, singers, athletes and other celebrities, to the wish of fashion designers to focus the attention on their collections rather than the model. The chief factor, however, has undeniably been globalization, which secures an unlimited supply of exotic third world beauties. One of the most popular sites, Models.com, reports 15,000 hits a month from places like Bulgaria, Kazakhstan or Mozambique (see WSJ February 3, 2007).

The elite prostitutes own expensive cars, live in luxurious apartments, and spend enormous amounts of money on cosmetics and cosmetic surgery. Some of them use drugs, mainly cocaine.

The rates of elite prostitutes start from 500 leva and they are typically engaged for the whole evening rather than on an hourly basis. That is why the price can exceed 2000 leva. Their income can generally be said to be 3-4 times higher than the average earnings of the Bulgarian prostitutes working in Western Europe, moreover with considerably fewer customers and less risk. The reason is not so much in the higher rates but the fact that a larger share remains for the girl compared to the prostitutes working at the mid-level (brothels, windows, nightclubs) in Western Europe.

With this type of prostitution, the price of sex services can often not be directly calculated or fixed per time period. The deal usually covers a more extended period and the commitment is less straightforward. Payment can often come in the form of expensive gifts, even property, company stock, etc. In cases when foreign companies hire luxury prostitution agencies and win a contract, they pay a percentage of the contract amount to the girl (and the agency). There have been instances of corruption-related mediation and compensation in the form of luxury prostitutes.

It is in this context that in the late 1990s some foreign agencies put forward the hypothesis that **organized crime is successfully pursuing its plans to gain influence over the elites of East European countries** (the focus was chiefly on Russia) through luxury prostitution. The development of this type of services in Bulgaria suggests that it is a chaotic process rather than a matter of systematically pursued influence.

### ***Resort Prostitution and Sex Tourism***

With resort prostitution and prostitution related to sex tourism from Western Europe, which in many respects resemble export prostitution, the bulk of the revenues is generated by foreign nationals and is associated with the tourist season in both the summer and winter resorts of Bulgaria. Regarding sex tourism, even though there were attempts to offer such services already in the early 1990s, there has only been real growth since 2001, when Bulgaria came to be perceived as a safe country and the number of foreign tourists started growing by double-figured percentages each year.

What is typical of **resort prostitution** is that, at the onset of each season there begins a process of migration of prostitutes from the big cities in the interior of the country towards the Black Sea resorts – Sunny Beach, Golden Sands, or the mountain resorts – Borovets, Pamporovo, Bansko. This specific form of Bulgarian prostitution seems to occur in the border regions, as well – Svilengrad, Petrich, and Sandanski. Here, too, non-Bulgarian citizens constitute the principal source of revenues.

It is characteristic of this model of prostitution that it adheres to the structure described in the preceding sections, and at each level provides girls of the respective price range.

Thus, for instance, even in the resorts and border towns, the prostitutes take up the fixed posts, positioning themselves at highway junctions and streets away from the expensive hotels; the girls from the clubs are also grouped in accordance with the class of the establishment they come from. The main difference is that in the resorts and border areas, the prices are twice as high.

The level of the prostitutes matches the class of the hotels. The prostitutes working in cheap hotels differ little from street prostitutes and many of them, when they do not have customers at the hotel, go out in the streets of the resort to look for them. However, even the prostitutes from the cheapest hotels earn more than street prostitutes, with their rate usually ranging between 30 and 50 leva an hour.

In higher-class hotels, the rates are several times higher, in the range of 100 to 200 leva and can reach up to 500 leva in some of the most luxurious ones. In the largest seaside resorts, such as Sunny Beach and Golden Sands, prostitute rates depend on hotel proximity to the sea. The first lane (i.e. closest to the beach) is the most expensive one, with the second and third lanes coming next. Working in superior hotels has certain advantages, such as wealthier customers, and higher safety and discretion for the prostitute allowing her to avoid public condemnation and police checks, which are far more infrequent than out in the streets. Yet, the interviews found the paradox that with street prostitutes, the number of customers is far higher and the daily turnover and income of the procurer, respectively, may be larger than in luxury hotels.

Resort prostitution is well-organized, with high involvement of hotel owners. Some of them have stable connections with the political elites and for this reason usually remain out of the reach of police and prosecution authorities, who tend to concentrate their efforts on street prostitution, especially when it becomes more aggressive and conspicuous. At the same time, all of the consulted sources of information indicated that **prostitution in the resorts is almost entirely under the control of the former semi-criminal rings**, with the prostitutes and procurers operating as 'employees' of the respective ring rather than autonomous economic agents. Prostitution generates side revenue for these rings, primarily engaged in other, criminal as well as legal, activities.

A good illustration of the distribution of prostitution in Bulgarian resorts among the criminal rings is found in MoI intervention in early 2005 to prevent the war between two rings fighting for control over prostitution in Pamporovo resort. According to official reports, 52 people were apprehended in the police raid, members of the Plovdiv Club 777 ring and SIK.<sup>154</sup>

<sup>154</sup> „The role of the Ministry of Interior in the fight against crime and the interaction between the special services and similar European and world structures“. <http://press.mvr.bg/Projects/Other/PP>, accessed on December 9, 2005; Zhelyazkova, Z. 2005, "MoI Chief Secretary Punishes Chiefs of Regional Police Departments in Plovdiv and Assenovgrad." <http://tvevropa.com/news.php?id=7986> accessed on November 26, 2005.

The development of events after the detentions in Pamporovo, as well as various incidents involving prostitutes in Varna, Bourgas, Golden Sands, and Sunny Beach have shown that the **local law-enforcement** and municipal **authorities have irregular relations with this business.**

Resort prostitution can in many respects be viewed as a stage preceding what is currently emerging as a market for sex tourism in Bulgaria.

### 3.3. EXPORT OF PROSTITUTION AND HUMAN TRAFFICKING. TRAFFICKING IN WOMEN

Unlike prostitution inside the country, the export of prostitutes as an international problem has been the object of research and analysis in reports by many international organizations and governments concerned with human trafficking, such as the International Migration Organization, US State Department, Germany's Federal Criminal Police Office (the BKA), Bulgarian and foreign NGOs. There have also been some investigative reports on the issue by Bulgarian journalists. Yet the focus in most of these studies has been largely on human trafficking rather than the export of prostitution and in particular, the prostitution of Bulgarian citizens abroad.

It should be noted that, similarly to the structure of the domestic market, prostitution abroad has many different forms, often not involving violence and organized crime. Nevertheless, human trafficking calls for special attention not only because of the utmost gravity of this crime and because it is a matter of international concern, but also because it constitutes a good starting point allowing a better grasp of the comprehensive phenomenon of Bulgarian prostitution abroad – the existing trends, profile of prostitutes, role of conventional and organized crime, etc. For this reason, we shall first consider the problems of trafficking in women for sexual exploitation and then attempt a broader overview of the export of prostitutes and the Bulgarian participation in the market for sex services in Western and Central Europe.

#### *The Trafficking Problem and Its Definition*

The 1999 estimate by Animus Association Foundation that 10,000 Bulgarian women fall victim to trafficking each year provoked open disagreement on the part of MoI authorities and the judiciary and ironic remarks that at this rate, in 7-8 years Bulgaria would be left without any female population aged 15 to 30. Skepticism and accusations of speculation still obstruct rational analysis. As a result, there is still no realistic assessment of the trends and dimensions of trafficking in Bulgaria.

One of the chief obstacles to the study of trafficking is its definition and how it is applied in practice. The principal elements of the definition (according to the UN Protocol to Prevent, Suppress, and Punish Trafficking in Persons of Palermo 2000 and a multitude of other tentative definitions preceding or following the Protocol) are: **recruitment, transportation and subsequent exploitation of**

**persons.** Exploitation includes sexual exploitation, forced labor, the removal of organs, slavery and servitude.

Despite the seemingly clear-cut terms of the definition, it poses a number of difficulties to researchers as well as law-enforcement institutions. For instance, the elements of recruitment and transportation may lack altogether in cases of voluntary emigration with subsequent exploitation. In other instances, the exploitation may be "voluntary" to some degree since it is hard to say to what extent the poor remuneration and conditions for certain types of prostitution, even if illegal, are an indicator of exploitation or simply a matter of underpaid labor under deplorable working conditions. The point of view of an individual deprived of the possibility to earn a living in his/her own country may be quite different from that of the legislator or the human rights activist.

An additional complication in defining human trafficking stems from the fact that it often tends to intertwine with **illegal migration**. As a result, the difference between trafficking and smuggling of persons all too often remains unclear. For example, in Bulgarian, the term "human trafficking" is commonly used to refer to "smuggling of persons". According to Europol, "as a result of the confusion of the terms 'human trafficking' and 'assisted illegal immigration' (or smuggling), the two are often taken to mean the same thing. Which is not the case."<sup>155</sup> The Palermo Protocol on trafficking distinguishes between the two phenomena, as well.

Indeed, **differentiating trafficking from smuggling** and vice versa can be extremely difficult. According to Inspector Paul Holms, expert with the International Migration Organization and former member of the London Police, in operative terms, the difference is the following: when the service/money exchange takes place in advance, we are dealing with **smuggling**; when a debt is to be paid off after arrival to the desired destination, it is a matter of **trafficking**.<sup>156</sup> From an analytical point of view this working definition only solves the problem partially. This is so because many instances of trafficking involve smuggling at some stage of the process. Furthermore, some of the women involved in trafficking enter the European Union as temporary immigrants or tourists with regular visas and passports and without the assistance of other persons. In these cases smuggling is not present as an element at all.

Additional confusion in defining and identifying human trafficking occurs because quite a few victims manage to adapt to the situation of forced prostitution and exploitation. Thus, **from trafficking victims they move to another category** – that of the illegally residing or illegally working, who have to some extent come to terms with the situation in which they find themselves (or would like to improve their situation but not if they have to go back to where they came from).<sup>157</sup> This

<sup>155</sup> Traffic in people for sexual exploitation: the viewpoint of Europol, Europol 2004 (<http://www.europol.eu.int/publications/SeriousCrimeOverviews/2004/THB.pdf>).

<sup>156</sup> Personal conversation, 2002.

<sup>157</sup> Beate, Andrees and Mariska N.J. van der Linden Designing, *Trafficking Research from a Labour Market Perspective: The ILO Experience*, 2003, International Labour Organization, Geneva, Switzerland. The survey on human trafficking for forced labor purposes by Andrees and van der Linden, for instance, differentiates between persons involved in forced labor who do not identify themselves as trafficking victims and successful immigrants. The distinction is based on the degree of deception which they have been lured into, on their own assessment of the situation, and individual strategies for coping with subordination and coercion.

type of adaptation is often observed with sexual exploitation when under the influence of a number of factors – psychological (traumatic disorder or other consequences) and external ones (abuse, relationship with the trafficker/procurer, and others) – the trafficking victims turn into individuals who to some extent prostitute themselves voluntarily and get some payment for their work (even if minimal compared to the money they actually earn from the sex services provided).<sup>158</sup> In this sense, **the trafficking process can be defined as highly dynamic**. If a girl who was made to leave was to be detained at the border of Bulgaria with Macedonia, for example, she could still be identified and self-identify herself as a trafficking victim.<sup>159</sup> The same girl, after six months in a Dutch (or other) brothel, may no longer identify herself as a victim and would not be recognized as such. And since trafficking is such a dynamic phenomenon, unless it is identified in time, there is no case of trafficking. The number of such cases thus appears smaller than it actually is. Another typical situation would be a girl thinking she is going to work as a hotel maid, for example, and leaving of her own accord (smuggling may or may not be involved depending on how the emigration is arranged). At the time of crossing the border and in the absence of any information about what is to come there is no reason to identify the girl as a victim. However, once she finds herself in a brothel instead, without any id papers or money and deprived of freedom of movement, she becomes a trafficking victim. In a few months time the same girl may still be a victim but may also prove to have adapted to the trafficking situation. Such examples by no means make trafficking a less grave crime and human rights violation but unfortunately they do make it harder to define, identify, and punish. Paradoxically enough, there are occasionally attempts to take advantage of such cases as well as of cases of women emigrating in order to work in the sex industry of their own free will and subsequently caught up in trafficking and exploitation. The case of trafficker Ivan Glavchev, alias Vanko 1, can be cited in illustration. The victims were actually aware that they would be prostituting but counted on sharing the profit equally with the procurer.<sup>160</sup>

### *Tentative Assessment of the Scope of the Problem by Recent Data*

According to most researchers and analysts, **Bulgaria is largely a country of origin and a transit country with regard to the trafficking in women** for prostitution. According to the European Centre for Crime Prevention, 80-90% of the trafficking in Europe occurs for sexual exploitation purposes.<sup>161</sup>

Since 1999, the figure 10,000 from the above-mentioned estimate of Animus Association Foundation, has been reproduced mechanically from one report to another. In fact, it is unclear what data were used to make this estimate or how it was arrived at. Furthermore, even if this was indeed the number of victims for the period 1998-99, it is naïve to assume it has remained unchanged through all these years. By a more recent estimate of the European Centre for Crime Prevention and Control, the annual number of trafficking victims in Bulgaria ranges between 3,000 and 4,000.<sup>162</sup>

<sup>158</sup> Assuming that providing sex services is work, which too has been subject to fierce debate.

<sup>159</sup> In the present text, the term 'victim' is used in the sense of 'victim of crime' and does not intend to further victimize the people caught up in trafficking.

<sup>160</sup> See the interview with investigator Evgeni Dikov, *Trud* daily, 13 May 2005

<sup>161</sup> Animus Association. *Trafficking in Women: Questions and Answers*, 2000

<sup>162</sup> Heinu, Lehti M. *Trafficking in Women and Children in Europe*, Paper N 18, 2003

The little reliable data on trafficking include the number of **victims who have been identified by the police or have sought the help of a non-governmental organization** in Bulgaria or abroad. Such is the data used in the present overview of trafficking in Bulgaria, as well. By data of the Regional Clearing Point (RCP) with the Stability Pact in Belgrade, the number of victims – Bulgarian and foreign nationals – who have received assistance in Bulgaria between 2000 and 2003 is at least 423. Of these, 352 were Bulgarian citizens and 71, foreigners.<sup>163</sup> The group of the Bulgarian citizens is made up largely by girls and women who came back to Bulgaria of their own accord with the help of assistance programs, as well as girls and women identified as victims by the police in the country where they used to reside. The data produced by RCP are a minimum estimate and come close to those collected by the International Organization on Migration (IOM) and published in 2005, which constitute the most exhaustive source to date on the cases of trafficking registered in Bulgaria. According to IOM, the number of victims of Bulgarian nationality identified and assisted in Bulgaria in the period from January 2000 to December 31, 2004 was 620 and the number of foreign nationals identified in Bulgaria in the same period was 86.

**Table 7. Number of identified trafficking victims in Bulgaria**

	2000	2001	2002	2003	2004	Total
Foreign nationals	24	41	4	6	11	<b>86</b>
Bulgarian citizens	46	96	164	172	142	<b>620</b>

Source: Data published by IOM<sup>164</sup>

According to RCP, who cite data by Animus Association Foundation obtained through partner organizations abroad, in addition to the victims identified in Bulgaria, between early 2000 and May 2002, there were 485 Bulgarian women who became victims of trafficking and sought help outside Bulgaria, and 21 women and girls received assistance in Italy in 2002.<sup>165</sup>

We could further add data about crimes related to prostitution and sexual exploitation from Belgian and German criminal statistics for 2001-2005; data from Greek criminal statistics for 2004-2005; trafficking victim data from the Netherlands for 2000-2003 (see *Table 8*). According to the data from all four countries, a total of 938 girls were registered as trafficking victims.

<sup>163</sup> Stability Pact Task Force: Belgrade, First Annual Report on Victims of Trafficking in South Eastern Europe. Counter-Trafficking Regional Clearing Point of the Stability Pact Task Force, 2003, p.49

<sup>164</sup> IOM, International migration data and statistics. World Migration 2005: costs and benefits of international migration, Geneva, 2005.

<sup>165</sup> See RCP 2003, p. 55. In addition, 9 Bulgarians applied for a B9 residence permit (granted to victims of trafficking) between 1996 and June 2002 in the Netherlands. No information is available about the number of applicants per year. (Dutch National Rapporteur, 2003)

**Table 8. Registered victims of trafficking**

	2000	2001	2002	2003	2004	2005	Total
Germany		24	91	128	127	62	432
Belgium		11	44	74	29	182	340
Netherlands	19	40	59	48			147
Greece					10	9	19
<b>Total</b>		<b>75</b>	<b>194</b>	<b>250</b>	<b>166</b>	<b>253</b>	<b>938</b>

Clearly, IOM and Animus Association have by no means used all of the data from Germany, Netherlands, Belgium, and Greece, since the sum of the registered girls in these 4 countries in 2002-2004 exceeds the figure cited by the Bulgarian and the international organization.

It should equally be noted that for the period from late 2003 to the end of the first half of 2005, the Bulgarian National Investigation Service (NIS) conducted 60 investigations on human trafficking and worked on 56 requests for investigation from court authorities of foreign countries. Nearly half of these requests came from the three countries for which data is available – 6 from Belgium, 8 from Germany, and 19 from the Netherlands.<sup>166</sup>

Based on Animus Association data on trafficking victims who turned for help to the organization's Crisis Center on more than one occasion in 2003, 2004, and 2005, it is possible to make a rough estimate of the annual flow of trafficking victims coming from Bulgaria.

**Table 9. Victims seeking help from the Animus Crisis Center**

Year	One-time visitors	Repeat visitors
2003	32	3 in 2004 2 in 2005
2004	50	3 in 2004 4 in 2005
2005	33	2 in 2005

Source: Coordinator of the AAF crisis unit, January 2006

<sup>166</sup> National Investigation Service (NIS), *Genezis, razvitie i pojavni formi na organizirana prestapnost v Balgaria*, Sofia, 2005, p.121

Using the **capture-recapture method**,<sup>167</sup> it is possible to make the following estimate: the number of victims of trafficking for sexual exploitation in 2003 is estimated at a minimum of 267, and in 2004, at least 275. Since data on repeat visits are only missing from one support center for victims in Bulgaria, these figures should be added to the results obtained on the basis of data from other organizations to obtain a very crude estimate of the scope of trafficking in women for prostitution in Bulgaria. Thus computed, it remains incomplete due to lack of accurate information about the number of victims who sought assistance from other organizations, as well as the number of repeat visits. Comparing the data from Animus Association with those of IOM on the overall number of identified trafficking victims (see Table 7) it is possible to estimate the number of trafficking victims at approximately 1,436 in 2003 and 781, in 2004. Once again, these are tentative figures assuming the rate of visits is similar in the various centers. If this is not the case, the figure may well be in the range of several thousand girls and women, as estimated by the European Institute for the Prevention of Crime – 3,000-4,000 per year.<sup>168</sup>

### ***Profile of Trafficking Victims in Bulgaria Based on Registered Cases***

IOM reports that 88% of the victims who sought help from its victim assistance programs between early 2000 and July 2004 came from Romania, Ukraine, Moldova, Belarus, Bulgaria, and the Dominican Republic. These data are not representative about the number and origin of trafficking victims from Bulgaria or about the country's place in international trafficking since the IOM data base compiled over the past 5 years only includes information from the organization's regional offices that have been established in some Balkan countries, including Bulgaria, as well as in some countries of Africa, Asia, and Latin America.<sup>169</sup> Nevertheless, this information does provide some idea about the profile of trafficking victims in Bulgaria although according to IOM and other researchers, victim profile is difficult to define on the basis of the available data.

### ***Age and Social Status of Trafficking Victims***

According to IOM, most of the Bulgarian citizens, who become victims of trafficking are women aged between 18 and 25, typically unemployed and with no regular income, with low education and coming from problem families.<sup>170</sup> *Table 10* shows the age-group distribution of Bulgarian trafficking victims.

---

<sup>167</sup> The basic capture-recapture method is based on a "two-sample model". It involves an initial random sampling of the population, marking the samples, releasing the marked samples back into the population and then recapturing another sample randomly from the population. Based on the number of individuals captured in both samples, it is possible to estimate the total population. The assumption is that all individuals have the same probability of being captured.

<sup>168</sup> See Heinu, 2003

<sup>169</sup> IOM 2005, p. 418; IOM have an office and programs for trafficking victims in Santo Domingo.

<sup>170</sup> IOM 2005: p. 6 and pp. 418-420; according to NIS data, a mere 5% of trafficking victims are male.

**Table 10. Age distribution of trafficking victims in 2000–2004**

Under 14	Per cent
14–17 years old	6.54 %
18–24 years old	64.49 %
25–30 years old	12.15 %
Over 30	14.02 %
NA	2.80 %

Source: Data published by IOM; IOM statistics on international migration

According to RCP, based on data from IOM, as well as other victim support organizations in Bulgaria and abroad, nearly half of the cases registered in 2002 involved girls aged under 18 and one-third, young women aged 18 to 24. Thus, in 2002, the largest proportion of trafficking victims were under-aged girls (48%). The cases reviewed by Stateva in the 1997-2000 period also involve girls under 18 and young women under 21.<sup>171</sup> The recurrent 15-21 age profile finds another confirmation in the conclusion of NIS of 2005 that the average age of the victims is 18 to 25 and there is generally a trend toward falling age of the victims.<sup>172</sup>

According to RCP (2003), 10-15% of the female victims in 2002 had children (there is no data about whether they had children before they fell victim to trafficking or gave birth later), and by IOM data, 27% of the Bulgarian women assisted under their programs between 2000 and 2004 had children, with 82.8% being single mothers.

### **Education**

A large number of the Bulgarian female victims included in the IOM database only went to school to the 4<sup>th</sup> or 6<sup>th</sup> grade, 30.8% and 22.4%, respectively, and 4.7% had no education at all. Thus 57.9% of all female victims have no high-school education and 28.9% have graduated high school.<sup>173</sup> If we go back to older data about Bulgaria, a similar education profile is found for the women victims of trafficking in 1997-2000, with 37.5% having primary education and 33.4% still school students.<sup>174</sup> According RCP (2003), most of the women victims in 2002 also had relatively low education (the data are contradictory as to the proportion of high-school graduates and of those with primary education).

### **Family History**

The information about the family history of trafficking victims for the period 2000-2004 is scarce. The available data on the women involved in trafficking between 1997 and 2000 who visited the Rehabilitation Center with Animus Association in

<sup>171</sup> Stateva, M., *Izsledvane na sluchai na trafik na zheni*, Sofia, 2001

<sup>172</sup> NIS 2005, p. 121

<sup>173</sup> IOM 2005, p. 419

<sup>174</sup> Animus Association. *Trafficking in Women: Questions and Answers*, 2001 p. 46-47.

that period shows that 10 women (43.5%) had grown up in families with severe forms of domestic violence and 6 women were victims of incest.<sup>175</sup> International studies on prostitution and trafficking have found that among the women and girls engaged in prostitution in general, quite a few have experienced some form of abuse (including sexual) in the family, as well as sexual abuse outside the family. A 2004 study by the British Poppy Project, which offers victim support, found that of all female trafficking victims interviewed (of whom 75% came from Eastern Europe), 38% had experienced various forms of abuse prior to getting involved in trafficking; 46% were victims of sexual abuse and/or rape; 31% had suffered sexual abuse in their childhood; and 46% had experienced domestic violence in the family (typically as children).<sup>176</sup> Additional insight into the family environment of trafficking victims is provided by the Animus Association data of 1997-2000: 13% were found to be children of divorced or separated parents; 25.7% came from single-parent families (for some of the women, it was a single mother with more than 3 other children); 4.3% of the victims included in the survey were orphans.

### ***Regions of Origin***

According to the National Investigation Service, the following regions in Bulgaria are most affected by human trafficking: Bourgas, Russe, Plovdiv, Pazardjik, and border regions like Svilengrad and Petrich.<sup>177</sup> Animus Association data provide additional information about the victims' places of origin. The towns of Varna, Dobrich, and Russe, the border regions of Blagoevgrad, Kyustendil, Kurdjali, and Petrich, as well as smaller settlements in these regions, are places where there are many women victims of trafficking. In an analysis of trafficking in Bulgarian women of 2001, the National Coordinator of La Strada Program for Bulgaria, Nadya Kozhuharova,<sup>178</sup> mentioned a village in Varna District where three trafficking victims were found to come from. By Animus Association data, they are not the only victims from that location.<sup>179</sup> Such cases call for closer analysis in terms of the ways of involving the girls in trafficking and the role of organized criminal groups in the process. Equally worthy of attention are the areas where there seems to be no human trafficking (if that really is the case). According to NIS, such regions are Smolyan, Montana, Lovech, and Yambol.<sup>180</sup>

### ***Recruitment Methods***

Up to 2001, Bulgarian citizens needed visas to travel to most European Union countries. In 2001, the visas for most European countries were dropped. It is only logical to assume that with the lifting of visa limitations, there would be changes in the dynamics of human trafficking and of migration practices in general since traveling abroad had become easier. Thus IOM reports that **human trafficking victims increasingly cross the borders through the official checkpoints with regular**

<sup>175</sup> Stateva, M., op.cit., p. 47

<sup>176</sup> Kelly, E. "You can Find Anything You Want: A Critical Reflection on Research on Trafficking in Persons within and into Europe." – *International Migration*, January 2005, vol. 43 (1–2).

<sup>177</sup> NIS, 2005, p. 122

<sup>178</sup> Animus Association. *Trafficking in Women: Questions and Answers*, 2001

<sup>179</sup> Ibid, p. 19

<sup>180</sup> NIS, 2005, p. 122

**identification documents.**<sup>181</sup> NIS confirms this trend and what is more, all too often, after expiry of the three-month term of residence in an EU country the victims are brought back to Bulgaria and subsequently taken out again. NIS also notes that some countries issue working visas for prostitution of Bulgarian citizens (e.g. Austria).<sup>182</sup> In connection with the opportunities created by visa-free travel, Dutch researchers have observed that the number of Bulgarian prostitutes in Amsterdam visibly increased after 2001.<sup>183</sup> There is, however, no reliable information as to whether human trafficking has increased or it is a matter of increasing migration for the purpose of working in the sex industry.<sup>184</sup>

RCP point to unemployment and the wish for a better life as the main factors for exposure to trafficking. Between 2000 and May 2002, 59% of all those surveyed left to work in the entertainment industry and services (deceived with promises of jobs in clubs, hotels, and restaurants); 4% received an invitation (the survey did not register the purpose of the visit); and 1% left for the purpose of marriage.

The ways of involvement in trafficking prior to 2001 are largely in practice even now. In view of the victim profile outlined above, it would seem that the reasons and conditions conducive to trafficking have undergone little change over the past years even though none of the cited sources provides representative data. According to an unpublished survey of Animus Association Foundation, 38% of the victims were kidnapped in the street; 33.3% were lured by promises of good jobs abroad; 22.2% were sold by relatives; 2.8% left as tourists; and 2.8% were blackmailed on account of financial debts. The percentages have been calculated on the basis of 36 cases on which information was available and the data are not representative regarding the involvement of Bulgarian women since some (even if few) of the victims registered with the Animus Association center were not Bulgarian citizens. Nevertheless, they do provide some idea about trafficking practices in Bulgaria up to 2000. A comprehensive review of all studies on trafficking in women in Bulgaria from the late 1990s to 2005 shows that **the largest number of victims were involved in trafficking by false promises of employment.** For example, RCP data for 2000-2002 indicate that Bulgarian women and girls were for the most part involved in trafficking by job promises.<sup>185</sup> It was likewise observed in the NIS report of 2005 that job offers usually concern the following occupations: waitresses, dancers, actresses, housemaids, photo models. The proposed remuneration by far exceeds payment in Bulgaria.<sup>186</sup> Based on investigation findings, NIS further concluded that in Bulgaria, **many cases of trafficking occur with the victim's consent**, and the use of violence and threats is not as common (there is no indication of whether this consent was the result of deceit). Thus, according to NIS, more than one-fourth of the women realized or supposed they would be working in the sex industry abroad. What most of

<sup>181</sup> International migration data and statistics. World Migration 2005: costs and benefits of international migration. IOM, 2005, Geneva.

<sup>182</sup> NIS, 2005, p. 115

<sup>183</sup> Trafficking in Human Beings – Third report of the Dutch National Rapporteur, Bureau NRM, The Hague, 2005.

<sup>184</sup> *First Annual Report on Victims of Trafficking in South Eastern Europe*. Counter-Trafficking Regional Clearing Point of the Stability Pact Task Force 2003. Stability Pact Task Force: Belgrade.

<sup>185</sup> Counter-Trafficking Regional Clearing Point of the Stability Pact Task Force 2003. *First Annual Report on Victims of Trafficking in South Eastern Europe*. Stability Pact Task Force: Belgrade., p.50

<sup>186</sup> NIS, 2005, p. 119

those leaving of their own accord are not aware of are the working conditions, which include poor remuneration, abuse, insecurity, performance of sex services without protection. According to NIS, the women's expectations, typically including a considerable degree of independence and control of their own work, are drastically at odds with reality.<sup>187</sup>

The following trend emerges among the mechanisms of involvement: in many cases **the victims know, and sometimes are related to, the recruiters** (Table 11). According to NIS, the involvement of family relations is particularly characteristic of trafficking of persons of Roma origin. IOM data (2005), which are incomplete since information is not available on all of the cases registered, indicate that 57.94% of those who actually involved the victims in trafficking were male and 30.8%, female. According to NIS statistics, 95% of the perpetrators are male, a large number of them with low level of education and previous convictions of violence.

**Table 11. Persons responsible for involving the victim in trafficking**

	Per cent
Family member/Other relative	8.41 %
Partner	3.74 %
Friend	23.36 %
Procurer	0.93 %
Stranger	38.32 %
Other	–
NA	25.23 %

Source: Data published by IOM in 2005<sup>188</sup>

There are various **mechanisms of control over the victims** and these are often applied in combination. They include: binding through indebtedness by demanding reimbursement for greatly exaggerated costs of organizing the trip; depriving the victims of their identification papers; isolation; frequent transfers from one place to another; abuse (emotional, physical, and sexual) and threats against the victim's family and friends.<sup>189</sup>

### ***The Role of Organized Crime in Human Trafficking***

According to analyses by the authorities, as confirmed by numerous studies in the past 15-20 years, a large part of human trafficking in Europe, particularly for sexual exploitation purposes, is in the hands of organized crime. The chief precondition for this is that in many countries the sex industry is held in monopoly by organized criminal groups. It is worth noting that **organized crime is most**

<sup>187</sup> Ibid.

<sup>188</sup> IOM, 2005, p. 421

<sup>189</sup> See Chomarova, 2001, pp. 22-26; NIS 2005, p. 120

**active in this very type of trafficking – for prostitution purposes – because of the huge profits generated by this particular crime.** NIS reports, for instance, that a single girl can ensure € 12,000 to 18,000 net profit a month;<sup>190</sup> six girls are thus enough to secure an income of €1 million a year.

In this sense, the trafficking in women, girls and less commonly, men, for sexual exploitation purposes and organized crime are directly connected. This applies to a high degree to Bulgaria, too, where prostitution is controlled by criminal rings and independent practice, by some opinions, is virtually impossible.

At the same time, the claim that the entire traffic for sexual exploitation purposes from and to Bulgaria is run by organized crime is clearly a misrepresentation. The screening of accessible criminal investigations on trafficking in Bulgaria, Central and Western Europe has shown that **there are numerous cases of small groups** and individually operating procurers of whom there is no evidence of affiliation with organized crime. Most of the information, however, is fragmentary and some of it comes from indirect sources such as media publications and investigative reports. It is therefore difficult to determine the actual influence of organized crime.

What is common with **individual, group, and organized crime** is that, as a rule, human trafficking for prostitution begins long before the stage of sexual exploitation since the transportation and crossing of the border checkpoints, arranging legal visas or false papers, financing the trip and the other formalities in the process of emigration are all areas of criminal activity. This is a process that may involve national criminal organizations and networks of several criminal organizations cooperating on specific projects, as well as individual local participants.

### ***Types of Organization of Human Trafficking by Criminal Rings***

Even though there exist various forms of trafficking for sexual exploitation that are unrelated to organized crime, the available data gives reason to assume it plays a **structurally determining role**. This is why organized crime models in human trafficking are of special interest in analyzing the problem in Bulgaria.

According to Monzini,<sup>191</sup> the **criminal groups** involved in trafficking in women can be divided into three main categories: **small and loosely connected criminal groups, middle-size criminal groups, and complex transnational criminal organizations**. With the first kind, the recruiters also act as transporters and exploiters. They are often friends or acquaintances of the future victims. Abroad, they establish contacts with local criminal networks (preferably of the same nationality) operating at the lowest levels of illegal prostitution. For instance, Monzini cites Czech groups in Austria, Albanian groups in Italy, and Polish ones in Germany. The next category deals largely with recruitment and transportation, "selling" their victims to middlemen, usually in capital cities and border areas. Some of these groups also organize the so-called "mobile prostitution" – moving women from

<sup>190</sup> NIS, 2005, p. 118

<sup>191</sup> Monzini, P. *Trafficking in Women and Girls and the Involvement of Organised Crime, with Reference to the Situation in Central and Eastern Europe*. Paper presented at the first Annual Conference of the European society of Criminology, September 6–8, 2001.

one town or brothel to another. They are relatively well-organized and include recruiters, bodyguards, people who choose the routes and arrange transportation, and decision-makers who negotiate the financial conditions with pimps and nightclub owners. The last category – that of transnational organizations – includes organized criminal groups able to coordinate each phase of the trafficking process. These are criminal networks with a high degree of specialization by area of activity (from recruitment to laundering the profits). Their leaders are usually engaged in some legal business and do not have any direct and/or visible connection to human trafficking.<sup>192</sup>

Elisabeth Kelly<sup>193</sup> reviews the models of organized crime and trafficking in women in Eastern Europe proposed by Louise Shelley, et al.,<sup>194</sup> and the UN Office for Drug Control and Crime Prevention. According to these models, the criminal groups dealing with human trafficking in Eastern Europe and the Balkans have the following characteristics:

**Table 12. Typology of organized crime and typology of human trafficking in the Balkans and Eastern Europe**

<b>Typology of organized crime (general model common in Eastern Europe and in China)</b> <i>Source: UN Office on Drugs and Crime</i>	<b>Typology of human trafficking</b> <i>Source: Louise Shelley<sup>195</sup></i>
<p><i>Standard hierarchy</i></p> <ul style="list-style-type: none"> <li>• Single leader</li> <li>• Clearly defined hierarchy</li> <li>• Internal discipline</li> <li>• Known by a specific name</li> <li>• Strong social/ethnic identity</li> <li>• Violence essential to activities</li> <li>• Influence/control over the defined territory</li> </ul>	<p><i>Natural resource model (characteristic of post-soviet organized crime)</i></p> <ul style="list-style-type: none"> <li>• Chiefly dealing with trafficking in women</li> <li>• The victims are treated as a natural resource</li> <li>• The victims are sold to the most proximate buyer</li> <li>• High degree of violence and violation of the victims' human rights</li> </ul> <p><i>Violent entrepreneur model (characteristic of the Balkans)</i></p> <ul style="list-style-type: none"> <li>• Almost exclusively dealing with trafficking in women</li> <li>• Middlemen to Russian organized crime</li> <li>• Increasingly well-integrated as they take over the sex services market in the destination countries</li> <li>• Connected to top-level law-enforcement officials in the home country</li> <li>• Profits from trafficking used to finance other illicit activities; invest in property and businesses abroad</li> <li>• Significant use of violence</li> </ul>

<sup>192</sup> Ibid.  
<sup>193</sup> Kelly, E., Op. cit., p. 251  
<sup>194</sup> Shelley, L., "Trafficking in Women: The Business Model Approach," Brown Journal of International Affairs, Vol. X, Issue I, 2003.  
<sup>195</sup> Kelly, L., Op.cit., p. 251

While the UNODC model is more general, the models outlined by Shelley to some extent overlap with the groups described by Monzini. There is not sufficient data to decide which one is more relevant to trafficking in women from Bulgaria. There is a certain reason to believe that different types of criminal groups are involved in human trafficking in Bulgaria, some of which regional ones (e.g. groups from Bourgas, Pazardjik and Sliven<sup>196</sup>). No specific information is available on the organization of trafficking for forced labor or for other purposes.

### ***Organized Crime Roles at Various Stages in Trafficking in Women***

Regardless of the type of group to which they belong, the members of criminal groups take on the following roles in the trafficking in women:

- **Selecting and recruiting potential victims.**<sup>197</sup> The role of the trafficker may be to kidnap a girl or a woman from the street or to get friendly with a woman and propose a relationship or job (usually abroad). At the lowest levels the traffickers are usually local people who know (sometimes only indirectly) a specific woman or girl or her family and friends. Part of the process of recruitment is the collection of information about the victims and their families. It is used to decide which girl is suitable, as well as to subsequently threaten and blackmail the victim. Thus, for instance, if a trafficked woman has a younger sister she will be threatened that if she does not obey her trafficker or procurer and tries to escape, her sister will be forced to prostitute herself, too. Such cases are familiar to the victim support organizations. Information matters even when selecting the victim – if she comes from a very poor family; or from a dysfunctional family; if her mother is a prostitute or the father, an alcoholic; if she lives alone with her elderly grandmother because her parents abandoned her (all examples from real-life case histories of trafficking). The less resources the woman has to defend herself (at the time of recruitment and later), the easier it is to lure and recruit her. In some Roma meta-groups, a very common recruitment method used by the criminal groups (especially a few years ago) is the promise of marriage and many girls get officially engaged to their traffickers with the consent and approval of their families.<sup>198</sup> The practice also exists for a woman to be sold for trafficking by friends, family, or acquaintances. Even these cases are usually connected to organized crime. Last but not least, there is the practice of abduction, also carried out by organized criminal groups. Specific cases of kidnapping are familiar to victim support organizations.<sup>199</sup>
- **Subjugating the victim.** As a rule, those who first use physical and psychological violence against the victim are members of criminal groups. The abuse may include sexual abuse, torture, beatings, humiliation, hunger, iso-

<sup>196</sup> NIS 2005; also, *168 Chassa* weekly, April 1-7, 2005.

<sup>197</sup> In this case "victim" is only used to refer to a victim of crime.

<sup>198</sup> Such practices have been described for Albania; the approval concerns the engagement and does not necessarily imply awareness that they will be involved in trafficking; see Davies. *Aspects of Albanian trafficking methods: reinventing the Kanun as the extreme of co-dependency*, A briefing document prepared for the French Court of Appeal. Migration Research Centre, University of Sussex, 2000.

<sup>199</sup> An account of such a case appeared in *Trud* daily, August 8, 2001.

lation. All too often, violence is resorted to even before leaving the country and the victim may be forced to prostitute herself in Bulgaria first, usually in some other town.<sup>200</sup>

- **Making the travel arrangements and transporting the victims.** Criminal groups are involved at this stage, too. An important task is to secure the necessary documents, organize transportation and make other travel arrangements. Prior to 2001, mainly forged visas and passports were used but since then they have not been necessary for initial trafficking to most West-European countries. Sometimes, with her behavior and being unaware of the actual purpose and risks involved, the girl herself can make it easier to cross the border. In some cases, resisting women are drugged during the trip so as not to create problems. Border crossing can also be arranged with the help of corrupt officers from the border agencies. A great many women actually choose to prostitute themselves outside Bulgaria.
- **Upon arrival** in the destination country they are met by a middleman or procurer and ultimately end up in a nightclub, brothel, private home, or in the street, all controlled to a varying degree by criminals. It is not uncommon for the victim to be sold by one criminal group to another, different from the one that initially recruited her for trafficking.
- **Controlling prostitution.** As mentioned above, in many countries, particularly in ones where prostitution is prohibited but even in countries where it is legal, the sex industry is largely controlled by criminal groups.

Because trafficking is a process, **organized criminal groups and members thereof may only be involved in some of the above-outlined stages.** At other stages, the victims or the middlemen may not have interacted with organized criminal groups, e.g. in emigration assisted by relatives or emigration with the aid of a legitimate agency or friends and acquaintances but which ends up as trafficking.

### ***The Evolution***

The above-outlined stages in the organization of trafficking in many respects reflect the period up to 2001-2002.

In this context, it is necessary to bear in mind the developments in Eastern Europe and the Balkans that are creating increasing risk of emergence of procurer networks forcibly exploiting young women. In the early years of the transition, in countries like the Czech Republic, Hungary, Poland, and Slovakia, the Bulgarian and international procurer networks used systematic violence. However, after the economic and social stabilization of these countries there were a series of law-enforcement operations that dismantled dozens of structures using Bulgarian girls. A similar situation occurred in the Balkan counties with the end of the regime of Milosevic and the disappearance of the areas of military operations. In Bulgaria, the semi-criminal rings started avoiding recourse to violence as early as 1997-1998 (the first attempts to reduce violence date back to 1995). Once

<sup>200</sup> See *Trafficking in Women: Questions and Answers*, p. 5 and p. 34

the negotiations for the country's EU accession were under way and particularly as the issue of Bulgarian organized crime was brought up with special emphasis, even the freelance procurers began to adjust their criminal activity to the new situation. There emerges an ever more definite orientation toward the market models of voluntary prostitution.

In the opinion of officers working in the area of trafficking in women for sexual exploitation, as confirmed by NIS reports, the following notable tendencies have emerged in the past 3-4 years:

- The use of threat and violence, particularly in international trafficking, is becoming ever less common.
- Persons in financial and social difficulty are most at risk.
- The victims are aware of the nature, but are deceived about the conditions, of work.<sup>201</sup>

NIS also notes an evolution in trafficker-victim relations. According to NIS, threat and violence have given way to payment schemes including fines and penalties. In some cases the victims manage to earn the procurer's trust and get to work under better conditions while supervising other trafficking victims.<sup>202</sup> Rudiments of this tendency were observed as early as 2001 and 2002 in the Netherlands where, according to Van Dyke, 26% of the traffickers were women and most were victims of trafficking themselves.<sup>203</sup> There have been reports in the press about specific cases when control over Bulgarian prostitutes in the destination country is entirely taken over by women who have earned the procurers' trust and not all of whom are trafficking victims.<sup>204</sup>

### ***The Export of Prostitution Beyond Human Trafficking***

The focus of foreign governments, as well as of Bulgarian and international NGOs, on the human trafficking problem has left aside an alarming social phenomenon of unforeseeable consequences for Bulgaria – the mass export of prostitution from the country and the Bulgarian share in the sex service markets of Central and Western Europe. The interviews conducted under the present study, surveys carried out in Western Europe, and analyses by police agencies in various European countries all point to the fact that **voluntary prostitution outside the country is in fact the typical phenomenon while forcible prostitution is considerably less widespread**. The data indicate that forcible prostitution outside the country was a common practice in the early to mid-1990s, when export was still highly limited and affected an insignificant percentage of the population. As Bulgarians entered the sex service markets in Central and Western Europe on a mass scale, the practices started to change. Prostitution came to be perceived as "a very well-paid job in the West" and the procurer's position, as a necessary logistical role.

<sup>201</sup> NIS 2005, pp.118-119

<sup>202</sup> Ibid, p. 121

<sup>203</sup> Dutch National Rapporteur, 2003 Report

<sup>204</sup> *168 Chassa* weekly, April 1-7, 2005

It was further established in the course of the research that allegations of trafficking and sexual exploitation have become an effective instrument used in the competition between different procurer networks. In many EU countries, self-identification as a trafficking victim proves to be a good opportunity for legitimization in the labor market, including for continued unproblematic prostitution. Attempts to follow up on the fate of the victims of sexual exploitation have found that in a huge proportion of cases the girls continue to work for another procurer network, independent procurer, or on their own.

The focus on the trafficking in women for sexual exploitation and the realization that it only accounts for a small part of the Bulgarian share in the European market for sex services have raised the issue of the magnitude of the prostitution export phenomenon.

### ***Tentative Estimate of the Export of Prostitution***

According to the main Bulgarian participants in the market for sex services outside the country (former and current prostitutes, procurers, and brothel owners), **non-voluntary prostitution** (involving various forms of coercion) **hardly exceeds 5-10%**. Similar findings were reported by the Women's Alliance for Development survey conducted in 2006, namely that 92% of the prostitutes outside Bulgaria were volunteers.<sup>205</sup> While it is unclear what methodology was employed and even though representative surveys of prostitution are basically impossible to conduct, the data do provide some insight in estimating Bulgarian prostitution abroad.

The proportion of forcible to voluntary prostitution makes it possible to fix the coefficient with which to multiply the data on the trafficking in women for sexual exploitation and thus **roughly estimate the number of prostitutes**. Assuming that the voluntary prostitution coefficient is in the range of 10 to 20, i.e. corresponding to 90-95% voluntary prostitution, and using the data on trafficking from the four countries of Greece, Belgium, Netherlands, and Germany for the period 2000-2005, when the average annual number of victims was 200-250, then the total number of prostitutes in these countries alone, for any one year, should amount to 2,000 to 5,000 (depending on whether multiplying by 10 or by 20). If the trafficking estimate obtained by the capture-recapture method is taken, with data of 1436 trafficking victims in 2003 and 781 in 2004, this would produce an estimate of 8-14,000 prostitutes annually. The problem with this approach is that the timeframe of one year is insufficient to assess the scope. Interviews with former prostitutes and procurers have found that the length of service in the sex services sector is usually under 10 years but more than 5 years on average. Therefore, the question arises, what percentage of the new prostitutes entering the market seek assistance and what percentage of all prostitutes seek assistance over the minimum period of five years. Several factors need to be taken into account in this respect but they are difficult to measure owing to the shortage of quantitative empirical information. The only available data for a more extended period of time are from Greece, Netherlands, Belgium, and Germany. These concern 2000-2005 but information is not available for each year and country. The

<sup>205</sup> Quoted in "Market for sex services on the rise, the public acts surprised," *Trud* daily, August 6, 2006

total number of registered victims is 938 and if we multiply this figure by the minimum coefficient of 10, we would obtain at least about 10,000 girls for these 4 countries alone. It is unclear, however, what percentage of these girls were registered as victims more than once. The data from European criminal services indicate that 30 to 50% of the victims have previously worked in another country.<sup>206</sup> In order to minimize risk, the procurers and prostitutes often change cities and states. Interviews with Bulgarian officers have revealed that a definite number of the girls have sought assistance in two or more EU countries. In this connection, it remains uncertain what proportion of those registered in 2000-2005 in Belgium, the Netherlands, and Germany sought assistance in more than one country. By estimates of Bulgarian officers working with trafficking victims, hardly more than 20-30% do so on more than one occasion. Therefore, within a five-year period in all 4 countries, the likely number of victims seeking assistance for the first time is 600 to 700. In turn, using the minimum coefficient of 10,<sup>207</sup> this means a total of 6,000-7,000 girls.

In addition to these four countries, it should be borne in mind that there is also a considerable Bulgarian presence in Austria, Czech Republic, Hungary, and particularly in France, Italy and Spain. Unfortunately, only fragmentary data are available for countries such as England, Ireland, Portugal, and Scandinavia in general. According to the interviews conducted within the present study, in the period 2002-2005, France, Italy and Spain in particular, have become preferred destinations for prostitution. In view of the demographic characteristics and based on what little information is available from police services in these countries, the number of girls working there can be estimated at about 7-8,000. Adding less popular destinations, but nevertheless known to host Bulgarian prostitutes, such as Great Britain, the Czech Republic, Slovakia, Hungary and Poland, the total estimate would be about 18-21,000 women.

This quantitative framework finds confirmation in unofficial estimates by the police of the number of procurers and pimps by town. In the large Bulgarian towns (with population of 50-100,000) where prostitution is weak in intensity, such as Pazardjik, the number of procurers is in the range of 100, and the number of prostitutes, about 300; in towns characterized by higher intensity, such as Sliven, there are about 500 procurers and 1,000 prostitutes. Based on these unofficial estimates for the 30 largest Bulgarian towns<sup>208</sup> (more than 40,000 residents), the number of **prostitutes** would be **approximately 21-22,000**. If the 40 largest (more than 20,000 residents) towns<sup>209</sup> are considered, their number can be estimated at **25,000**. Furthermore, at least 70-80% of these girls are believed to work abroad on a permanent or temporary basis. When using these police estimates it is important to take into consideration two opposing factors. The first one is that the police continue to take into account prostitutes and procurers who have left

<sup>206</sup> See *Trafficking in Human Beings*, Fourth report of the Dutch National Rapporteur, Bureau NRM, The Hague 2005

<sup>207</sup> In this estimate it is assumed that all of the victims of sexual exploitation sought help, which is hardly likely to be the case.

<sup>208</sup> These towns manage to attract the girls ready to engage in prostitution from the smaller settlements.

<sup>209</sup> According to official national statistics, the thirty biggest towns of the country have between them approximately 4.1 million inhabitants or 48% of the country's population; the respective figures for the forty biggest towns are 4.85 million or 56%.

the sex trade and thus the figures constantly increase with the addition of new people. The second factor works in the opposite direction. As a rule, at the local level, the police manage to get an idea of the lowest segment of the market – street and highway prostitution and the brothels, to some extent. They fail to take in the brothels whose owners pay bribes,<sup>210</sup> as well as the entire class of the elite prostitutes. However, the largest group escaping attention is made up by the girls who have directly started prostituting outside the country.

In addition to estimating the Bulgarian share in the market, trafficking victim data also make it possible to examine the evolution of export in time. It can best be described as having snow-balled over the years. It was found from the interviews with officials from domestic security institutions in the Netherlands and Belgium, as well as in Bulgaria, that after the initial establishment around 1993-95 of procurer base centers in Poland, Czech Republic, Hungary, and Austria, the activity gradually expanded, moving to the Netherlands and Germany,<sup>211</sup> Italy and Spain, with the number of prostitutes increasing slowly yet steadily until the end of the 1990s. With the realization that the revenues from prostitution are times higher than in Bulgaria, there occurred a chain reaction, with procurer networks sending an increasing number of girls who had started prostituting in Bulgaria. A genuine snow-ball effect was observed in 2001-2003 after the lifting of Schengen visas in April 2001. These observations, as expressed in the interviews, find a most eloquent confirmation in the data from IOM and Germany on Bulgarian trafficking (the large number of cases guarantees data reliability).

The data from IOM and Germany's Federal Criminal Police Office, which cover longer periods of time, point to concurrent tendencies in human trafficking. The initial growth rate was almost 300% in 2001 and 2002 in Germany. After a peak in 2003, there was a downward trend. The same development was observed in 2001 and 2002 in Belgium and the Netherlands. As suggested by respondents from the main groups involved in Bulgarian export, the drop occurred because the recruiter networks and prostitutes had adapted to the new situation rather than a depletion of the sources of women and girls.

At the same time, the **Bulgarian participation in the prostitution market in the EU has undergone notable changes**. Whereas in the late 1990s, the typical Bulgarian prostitute in Western and Central Europe had previous experience in Bulgaria, in the new situation there is a veritable boom of participants without such experience. Moreover, prostitution is now found in all social groups wishing to emigrate and looking for steady or temporary jobs in the European Union – from maids and nurses to students at prestigious universities. What is more, short-term entry into the sex trade is so widespread that it is difficult to make even a rough estimate of this semi-professional periphery.

<sup>210</sup> See "I pay 15 grand a month ...."

<sup>211</sup> As mentioned above, the first procurer structures formed around the networks of car thieves in Central Europe. After the German police cracked down on their organization in Germany, they moved on to Italy and Spain. The procurer networks followed.

### *Mass Prostitution outside the Country*

The estimate of the number of prostitutes outside the country at 18-21,000 at least, raises a number of questions in view of the demographic characteristics of a country such as Bulgaria. Set against the number of Bulgarian citizens working and living abroad, these figures may seem rather paradoxical. Considering that an estimated 500,000 Bulgarians have been living abroad since 1990 (excluding those who moved to Turkey in 1989) and based on survey findings that 60-65% of that population are male, there are about 175-200,000 women living outside the country. This would mean that 9-12% of the female population abroad works in the sex industry. And if it is recalculated in terms of the female population aged 15-35, the percentage would be even more shocking. Naturally, the proportion is probably considerably smaller since about 30% of the prostitutes in Western and Central Europe live permanently in Bulgaria and another 40% come back regularly and are registered as permanent residents in their respective hometowns in Bulgaria. At the same time, if we consider the number of prostitutes in proportion to the general population, Bulgaria is by no means a country with exceptionally high share of prostitutes. **Based on the estimate of 25-30,000 prostitutes (including those practicing inside the country), 0.32-0.39% of the country's population would appear to be engaged in prostitution.**<sup>212</sup> In comparative terms, in countries like Germany and the Philippines with about 400,000 prostitutes,<sup>213</sup> the proportion is 0.49% and 0.47%, respectively; in South Korea, for example, the 1.2 million engaged in prostitution represent as much as 2.45% of the population.<sup>214</sup> It should be borne in mind when comparing the data that in Western Europe the official estimates based on special government surveys are considerably lower. Thus, for instance, a survey by the Dutch Ministry of Foreign Affairs of 2000 reported 20-25,000 engaged in prostitution (with a population of 16.4 million, this means barely 0.12-0.15%); Austria officially estimated the proportion of prostitutes at 0.21% in 2003; Belgium, at 0.12-0.29%, etc. These official estimates, however, have been criticized as seriously understated by law-enforcement and academic institutions alike. The critics argue that the official estimates fail to take in the unregistered prostitutes, who represent a huge percentage. They do not seek legitimization since it would create family and professional problems once they decide to withdraw from the sex trade.

Nevertheless, the surveys in these West-European countries suggest that, on the one hand, these are data that do not concern illegal prostitution, which is estimated to be 3-4 times larger, and on the other hand, that 70 to 90% of those engaged in prostitution are foreigners.

To analyze the mass scale of prostitution in demographic terms it is necessary to use finer optics capable of magnifying the details. In this respect, **for the scale of Bulgaria, a town such as Sliven is a good example of the large provincial town model.** It is particularly suitable because of the publicly known facts concerning access to almost legal work in the sex windows in Brussels. In most other

<sup>212</sup> According to the Bulgarian National Statistical Institute (NSI), the population numbered 7,679,290 in 2006. See <http://www.nsi.bg/Population/Population06.htm>

<sup>213</sup> See <http://www.hydra-ev.org>

<sup>214</sup> "Sex Work in South Korea", Asia Monitor Resource Center. Accessed on February 10, 2006 (<http://www.amrc.org.hk/Arch/3309.htm>)

large towns, the export of prostitutes and work in the sex industry are part of a covered-up, non-transparent process and only criminal incidents may lead to occasional public disclosures. There are about 200-210 windows registered in Brussels, operating in two shifts. It is estimated that 90% of the girls come from Bulgaria and that 90% of the Bulgarians are from Sliven. In the opinion of Bulgarian and Belgian officers, this Bulgarian town has managed to take over the window prostitution in Brussels from the Albanian pimps owing to its specific and effective procurer organization. Based on the data on Sliven there emerges an interesting demographic framework of the prostitution phenomenon. The town has a population of 100,000, of whom roughly half are women. The number of girls and women aged 15 to 30 would thus be about 15-17,000. As noted above, the number of procurers is in the range of 400-500 and of prostitutes, 800 to 1,000. Therefore, one in 15-17 women is likely to be engaged in prostitution. If only those with "marketable looks" are considered, as the interviewed procurers put it, the proportion might reach 5-6 to 1. In addition, it should be noted that the prostitutes are no longer recruited from the socially disadvantaged sections alone. For example, there are hardly more than 30-40 prostitutes from the very large Roma ethnic minority in town (in excess of 20% of the population).

Unlike Sliven, in the other large towns it is usually the procurers with criminal records and the prostitutes from the low social strata that tend to be more transparent. Those registered with the police are typically girls of Roma origin, from socially disadvantaged families, from problem families, girls with deviant behavior before reaching legal age. The findings are that almost nothing is usually known about the procurers or prostitutes in their hometowns after they moved to another place. Most of the time, the local police officers know the tale told to family and friends. As a rule, when these persons return, they buy property in locations other than the ones where they used to live (except for those of Roma origin and the lowest social groups). In this context, if in a town such as Dobrich, Pazardjik, Vidin, or other with a population of 40-50,000, the police are aware of 300-400 women engaged in prostitution, this number does not include the persons from the middle social groups known to work elsewhere in Bulgaria or abroad.

If the proposed estimates are accurate, **the high rate of prostitution puts forth a number of social and criminological questions.** In the long history of prostitution there have been towns half of whose female population was engaged in prostitution. There are equally countries such as South Korea, Thailand, the Philippines, and some countries in Central America that nowadays have a high proportion of women engaged in prostitution compared to the general population. The question is how did Bulgaria, which in its modern history up to 1989 was a country with predominantly conservative mores and where prostitution used to be highly limited, end up with such mass-scale prostitution over a period of 16-17 years.

The analysis of the statistics on human trafficking suggests that the transition from a deviant and marginal occupation to the perception of prostitution as a "normal" job by average Bulgarians took place around 2000-2001. Up to 2001, prostitution abroad more or less passed through criminal channels, often directly or indirectly controlled by organized crime. Owing to the legal restrictions, leaving the country called for special efforts (securing legal or illegal documents), arranging

transportation, housing, residence permits, (with regular or false documents), etc., which was carried out through the well-developed market for criminal services. After the lifting of the Schengen visa requirements, however, the opportunity for **free access to the grey sector of the EU labor market without recourse to criminal middlemen eventually led to the discovery of the highly profitable European market for sex services.** According to the survey by the Women's Alliance for Development, 12-13% of those engaged in prostitution have higher education and 34%, secondary education.<sup>215</sup> This is a very different profile from the one of trafficking victims. The opportunity to earn €15-20,000 - versus a typical €1,000-2,000 for unskilled labor – is an incentive for 90-95% of the Bulgarian emigrants who left the country in large numbers in 2000-2003 and work in the lowest segment of the West European labor market. It is difficult to say exactly what transforms girl working as a babysitter, for instance, into a prostitute; or a young man working as a construction worker into a procurer. A specialized study would probably provide better answers to that question. What appears certain is that **in 2002, the models of Bulgarian prostitution abroad changed** - instead of girls who started prostituting in Bulgaria and were exported by club owners or procurers, the predominant model became the small and family business one and that of self-employment, with women who engaged in prostitution for the first time in the territory of the European Union.

Attributing the cause to the difficult Bulgaria transition and deep economic crisis is the most straightforward and common explanation but such a far-reaching social deformation calls for much more specific answers. Regrettably, most of the explanations that emerged in the course of the research drew on a limited number of interviews and a few journalistic investigations and analyses. Many of the factors seem to have acted conjointly in the period between the economic crisis of 1996-1997 and the lifting of the Schengen visa requirements. Below is an attempt to outline some of the more notable ones.

In the interviews conducted within the present study, the most commonly cited reason for entry into the profession (for both prostitutes and procurers) was **unemployment and the lack of income** to ensure even a minimal standard of living. This finds confirmation in the data on unemployment since 1990. Large sections of the population came under particularly hard pressure in the period 1998-2001. Up to 1997, the labor market reforms were slow-paced and radical job cuts were put off. It was only with the aggravation of the crisis under external influence, particularly on the part of IMF, that drastic layoffs and enterprise liquidations began. In comparison, whereas in the summer of 1996, the rate of unemployment was about 10%, by the spring of 2001 the unemployed had increased to 19.3%.<sup>216</sup> According to surveys by NGOs, the rate was even higher and exceeded 23.6%.<sup>217</sup> Moreover, the rise was not evenly distributed – in some regions of the country unemployment reached 30-40%. As an outcome of the radical and chaotic enterprise liquidation after 1997, a huge number of small settlements with only one or two enterprises were left without any employment opportunities while the big towns lost between half and two-thirds of the jobs.

<sup>215</sup> "Market for sex services on the rise...."

<sup>216</sup> The data are from the Employment Agency, see "<http://www.az.government.bg>"

<sup>217</sup> See *Early Warning Report*, January-February, 2001, UNDP.

A similar situation is found with respect to **income levels**. Bulgaria is probably the only country in Eastern Europe (except countries in armed conflict areas such as Serbia, Georgia, and Armenia) where household incomes shrank so drastically. By various estimates, in 1997 the average income was about 30% of the 1989 level. Even though in the late 1990s there were countries in Europe with lower average income (such as Albania, Moldova, and Ukraine), Bulgaria – in addition to ranking among the poorest European countries – was the one with the most dramatic drop in income.<sup>218</sup>

The severe and long-lasting economic crisis had a grave impact on the fundamental institutions responsible for the socialization of children – the family and education.

In the period 1990-2003, the **Bulgarian family went through deeply destructive processes**. Whereas in the last pre-crisis year of 1989 the annual number of marriages was 63,000, by the late 1990s they had dropped to about 35,000 and in 2001-2002, to under 30,000 a year. In 1989, out-of-marriage births made up 11%. By 1995 they had reached 25.8%, in 2000, 38.4%, and in 2003, amounted to 46.1%.

A similar adverse impact of the economic crisis of 1996-1997 and the stagnation that followed in 1999-2001 was to be observed in secondary and higher education. Compared to the countries of Eastern Europe, in 1996-2000, Bulgaria had the highest school dropout rate among the 15-19 age group – about 38-39% on average, versus 16% in Poland and 19% in Hungary and the Czech Republic.<sup>219</sup> Surveys in that period found the average absentee rate in secondary schools to amount to about 20%.<sup>220</sup> Data from international comparative studies on the state of secondary education conducted by UNESCO Institute for Statistics and the Trends in International Mathematics and Science Study (TIMSS) suggest that Bulgaria was unique in terms of the drop in its education level.<sup>221</sup> According to the TIMSS survey, from ranking fifth in 1995 in science, Bulgaria fell to the 17<sup>th</sup> place in 1999 and ranked 24<sup>th</sup> in 2003. None of the 40 countries surveyed displayed a drop of such magnitude.<sup>222</sup> These data suggest that while it still had some inertial force in the first 3-4 years of the 1990s, the **secondary education system steeply deteriorated after 1996-1997**. Many of the respondents' accounts of their first experience with prostitution were associated with their high-school years precisely in that period.

Another aspect of the crisis in the Bulgarian family and society conducive to the mass spread of prostitution is the **lifting of the sexual inhibitions fostered by the traditional cultural and value system**. While it has long been known that Bulgaria's population is among the least religious in Europe, up to the end of the 20<sup>th</sup>

<sup>218</sup> The contrast is only comparable to some countries engaged in military operations, in the Caucasus and former Yugoslavia.

<sup>219</sup> "Education at a glance OECD Indicators", OECD, 2002; NSI.

<sup>220</sup> See Kolyo Kolev, Andrey Raichev, Andrey Bundjelov, *School and Social Inequality*, Friedrich-Ebert-Stiftung, Social Democratic Institute, 2000

<sup>221</sup> *A Policy Note, Bulgaria – Education and Skills for the Knowledge Economy*, World Bank 2006, see also *Overview of Public Expenditures; Education - State, Problems, and Opportunities*, Ministry of Finance, 2004.

<sup>222</sup> See <http://nces.ed.gov/timss/>

century sexual mores still remained rather conservative. With the onset of the 1990s, the number of sexual partners rose sharply. One of the most commonly used indicators of these processes in the remaining East-European countries is the rate of syphilis infection. In the Czech Republic, for example, where the number of those engaged in prostitution is estimated at 10,000 to 25,000, a record-high increase was registered, from 1.6 per 100,000 population in 1990, to 13.7 per 100,000 in 2001. In comparison, there was talk of a syphilis epidemic<sup>223</sup> in Bulgaria, with the rate of infection reaching 32.6 per 100,000 in 1998 from 4.3 per 100,000 in 1990. Even though Romania had a similar syphilis rate in 1998 – 34.7 cases per 100,000 population – the dynamics were less pronounced as the increase started from 19.8 cases per 100,000 in 1989.

With the end of Schengen visa restrictions in April 2001, Bulgarians wishing to work in the European Union gained a great tangible advantage over the rest of the Balkan states (in Romania, the visas were lifted nearly a full year later) and the former Soviet Union. **The record-high unemployment and extremely low income levels combined with access to the Schengen area in fact created the model of mass emigration.** Whereas in the preceding period, between 1991 and 2001, about 19,400 people left the country each year, in 2000-2003, the processes acquired the dimensions of a natural disaster with the average annual number of non-returning migrants to the EU reaching close to 100,000.

Even though the process of mass transition from job-seeking outside the country to prostitution and procuring remains unexplored in many respects, certain insights were gained from the interviews with respondents with first-hand experience. Poor education and the related lack of qualification came up against labor market constraints in the EU. Moreover, the Bulgarian short- and long-term emigrants were late to enter this market compared to those from Poland, Czech Republic, Hungary, Slovakia, and the Baltic republics. These difficulties led a huge number of Bulgarian job-seekers to take up activities requiring little qualification and paying just as little.

It was established in the interviews that in the very period between 2000 and 2003, the sex trade offered times higher remuneration compared to unskilled jobs and proved an irresistible temptation in economic terms. The most commonly shared opinions accounting for this phenomenon cited as the main reason the **exceptionally high level and the security of the income.** These opinions were practically identical across the entire range, from the lowest segment of the market – Roma girls working in the streets of Italy and Southern France, to the high-end segment of prostitution in the Netherlands and Germany. To the Roma girls, "this is the best job for a Gypsy", "you make more money in a single day than in a whole month in Bulgaria", "you have more money than the neighborhood moneylender". The same was told by Bulgarian students working in two different Dutch cities as escorts: "The only really high-paying job accessible here is that of a prostitute". The other motive that often came up concerned the contrast between real consumption afforded by wages of low-skilled workers and the purchasing power that can be secured by prostitution. In the words of a girl who

<sup>223</sup> Dencheva R; Spirov G; Gilina K; Niagolova D; Pehlivanov G; Tsankov N, "Epidemiology of syphilis in Bulgaria, 1990-1998," *International Journal of STD & AIDS*, Volume 11, Number 12, 1 December 2000, pp. 819-822

started prostituting after working 6 months as a cleaner in London: "When you don't need to spend weeks of dumb work to afford a decent piece of clothing, the humiliation is not that hard to live with."<sup>224</sup>

Many times this actually proves the only option for girls and women leaving the country without having secured employment in the EU where they are unable to get even unskilled regular jobs. Quite a few respondents also referred to the pressure of the environment when talking about the transition to prostitution. Typical stories include girls driven to prostitute themselves for fear of losing their jobs at restaurants, bars, shops, or even as assistant caregivers for children and elderly people. The above-mentioned lack of moral inhibitions owing to the crisis in the family and the education system, as well as the lack of religious feelings, no doubt facilitate the economically rational choice.

When trying to account for the growing Bulgarian share in the sex industry, one of the most significant factors is that the **Bulgarian infrastructure for the supply of sex services was already in place**. In 2000-2001, the procurer networks that were established in the mid-1990s had the capacity to take on the sharply increased supply. At times, the infrastructure of Turkish, Albanian, and Serb procurer networks in countries such as Germany, Belgium and the Netherlands is also used. These channels are accessible not only to Bulgarian citizens of Turkish ethnic origin, but also to Turkish-speaking Roma.

In addition to the domestic factors, it is also necessary to take into consideration the changing realities in the European Union. One of the most notable developments is the **sharp rise in demand for sex services in Western Europe**. In the largest market in Europe – Germany – in the beginning of the 1990s the number of those engaged in prostitution was estimated at 50,000 to 200,000,<sup>225</sup> but current estimates are of 400,000 prostitutes serving 1.5 million customers on a daily basis.<sup>226</sup> In Great Britain, the second largest market for sex services in Europe, it has been found that the turnover of the sex industry doubled between 1990 and 2000.<sup>227</sup> It is revealing that the increase was not related to any noticeable reduction in the prices of sex services which would have indicated increased supply. The reasons for this phenomenon should be sought in a number of social, political, technological, geographical, and even pharmaceutical, factors influencing both the demand and the supply of sex services.

Possibly the most important change was related to the wave of **legislative amendments legalizing prostitution**. In the Netherlands, brothels became completely legal as of October 2000 and in Germany, the amendments were passed in 2002.

<sup>224</sup> This view was repeated several dozen times by girls with different experience in the sex trade.

<sup>225</sup> B. Leopold, E. Steffan, N. Paul: Dokumentation zur rechtlichen und sozialen Situation von Prostituierten in der Bundesrepublik Deutschland, Schriftenreihe des Bundesministeriums für Frauen und Jugend, Band 15, 1993

<sup>226</sup> *German Prostitution Law Has Failed, No Reduction in Crime Through Improved Legal Status* by Wolfgang Polzer "http://www.spcm.org/Journal/spip.php?article5939

<sup>227</sup> A survey by Imperial College London covering 11 000 respondents established that, whereas in 1990 one out of 20 had paid for sex in the course of the year, by 2000 one in ten respondents had done so. <http://news.bbc.co.uk/1/hi/health/4482970.stm>

With the gradual lifting of restrictions on workforce movement within the European Union, more and more people have been migrating in search for better-paid work. The accession of the new member countries from Central and Eastern Europe marked the culmination of this process.

As throughout human history, those seeking sex services are largely young men, who are not always able to take their families (if any) with them or to have a steady relationship with a woman in the host country. Higher demand can also be observed among another specific group – men over middle age. The members of this group are usually better off and the demonstration of sexual activity, mainly with young women, is often considered admirable among them. Until recently men over middle age had limited capacity to consummate the desired “goods”, not so much because of financial, but purely biological, constraints. The appearance in the market of the so-called erectile dysfunction medications (Viagra<sup>228</sup> was followed by Levitra, Cialis, and other such pharmaceutical products) drastically increased their sexual activity and respectively, the demand for sex services.

### ***Main Types of Prostitution Schemes***

**Engaging in prostitution independently** – the “self-employed” work alone or in groups (usually of two or three) for their own profit and at their own risk. Up to 2002-2003, this model was considered risky, particularly in the low-end market segment (streets, parking lots, etc.) of sex services in Western Europe. It is more widespread among elite prostitutes but in the past 2-3 years has been growing more common, especially in export prostitution and among those who manage to obtain official work permits in the countries where prostitution is legal. This group may use the services of the procurer infrastructure – premises, transport, and even protection – and pay for these at negotiated rates.

**Engaging in prostitution within a partnership.** Procurers often agree with one or more girls to provide protection against customers and the local competition, to take care of the logistics of regular prostitution, to help overcome administrative barriers in the foreign country (work permits, medical security and other insurances), etc. Under this scheme, the prostitute pays a negotiated price for the service (either a percentage per transaction or a percentage of the daily, weekly, or monthly revenue). The business partners are often in an intimate relationship and it is not uncommon for them to be legally married.<sup>229</sup> The one prostitute/one procurer model seems more widespread among girls coming from small or medium-sized towns in Bulgaria. These family businesses often operate in “friendly networks”, thus ensuring easy mobilization against the competition (incl. assembling punitive brigades, mobilizing large groups of 20-30 people demonstrating readiness to resort to violence), sharing of information and cooperation in overcoming bureaucratic obstacles in Bulgaria and the EU. They further ensure mobility upon emergence of better market opportunities or upon exiting high-risk markets and make joint investments (usually acquiring property in Bulgaria). Regarding the financial terms, the earnings are usually split between the procurer and the girl

<sup>228</sup> The medication became accessible in Western Europe and USA in 1998.

<sup>229</sup> Legal marriage offers a number of advantages in terms of legitimization before European court and law-enforcement authorities. The court is evidently less likely to believe that the husband is acting as a pimp for his wife and forces her to prostitute herself.

or girls fifty-fifty; so are the expenses. With procurers regarded as successful in the business, i.e. securing larger revenues, the proportion may reach as much as 70% for the procurer, with the expenses covered by the girl. The model where the parties are of unequal standing is more likely to involve abusive practices on the part of the procurer. On the one hand, he enjoys far greater power and control, as well as a competitive advantage - assured higher income compared to other procurers. Yet, under this scheme, the procurer also runs the risk of the girl putting an end to the disadvantageous relationship and even of her seeking assistance from law-enforcement authorities with all the ensuing consequences.

**Engaging in prostitution as hired labor.** The relations under this scheme, as in normal business, are those between an employer and an employee. The former may be an individual (procurer, bar owner, etc) or a legal entity (employment agency, transport company, entertainment establishment, massage parlor, etc). The formal or informal structure hires the prostitute and they negotiate the conditions of work outside the country, often in very vague terms. The employer ensures a place at an establishment in Western or Central Europe, protection, accommodation, transport, documents, etc. Payment follows the partnership model and may range from 10 to 90% for the girl, with the latter covering the expenses, as well. However, the most typical arrangement is 30-40% for the girl and 30-40% for the Bulgarian entrepreneur, with another 30% paid to the foreign partner.

The size of the enterprises may vary: from one girl, in which case this model hardly differs from the partnership scheme; through medium-sized structures with a staff of 3-4 workers; to the big procurer networks employing 10-15 girls. Sometimes there are as many as 40-50 girls and these rings often operate with the involvement of entrepreneurs.

### 3.4. ORGANIZED CRIME IN THE EXPORT OF PROSTITUTION

The market principles of operation in the export of prostitutes, the small family businesses, friendly networks and all of the other above-outlined schemes related to small-scale entrepreneurship do not mean organized crime is not involved in the export of these services. On the contrary – the mass Bulgarian presence in the high-profit markets for sex services in the EU is a priority area of activity for Bulgarian organized crime as it provides unparalleled revenues at minimal risk. Judging by interviews with leading members of the Bulgarian criminal world,<sup>230</sup> **prostitution, together with the real estate business are probably the most attractive markets at the present time, surpassing drug dealing, trafficking in goods, money forgery, etc.** The main problem facing the structures of organized crime is how to make sure they get regular and as high as possible income from those engaged in prostitution and their procurers. The task became all the more complicated once access to the European Union became practically free in 2001. Moreover, since 2003-2004, the internal security institutions of the EU have paid particular attention to human trafficking from Bulgaria and have generally managed to get increasing cooperation from the respective Bulgarian institutions.

<sup>230</sup> This opinion was shared by 6 respondents who are among the best known car thieves in this country and one of the living bosses of a semi-criminal insurance company.

The interviewed respondents outlined different schemes describing the **forms of direct or indirect influence by organized crime**. As noted in the analysis of human trafficking, the involvement of organized crime is possible at all stages – from the recruitment of the girls, through the crossing of the borders, to organizing the sex service supply in the foreign country. The situation is similar as regards prostitution outside the country under all three organizational schemes (self-employment, partnership, and hiring), as well as at all three stages of organizing operations in the foreign markets (recruiting the girls, organizing access to the foreign market, and the actual supply of sex services). It is often extremely difficult to define where the line is between the selling of a service to voluntary prostitutes, small and family businesses, and the monopolistic control over certain areas of activity, the racket, etc, by organized crime. When considering the activity of Bulgarian organized crime in prostitution markets in and outside Bulgaria one finds many of the characteristics of the above-outlined three typologies of human trafficking. Depending on the specific town/region, there may be examples of the **hierarchical model** of varying complexity and scope; of the **natural resource model**, where the self-employed, the small and family businesses are treated as a resource or as goods; or of the **entrepreneurial model**, when the criminal bosses act as entrepreneurs at some or all stages. Unlike trafficking for sexual exploitation, however, there is hardly any coercion or violence. The prostitutes work to earn an income or pay members of organized crime in order to do so, all while considering it a matter of personal choice and a normal occupation.

There is but fragmentary information about the mechanisms of operation of Bulgarian organized crime outside the country. Even if it does not provide exhaustive answers about the inner workings of the mechanisms, it points to several important patterns.

- **European market distribution.** As in the domestic markets, the procurer networks distribute the posts, i.e. the workplaces in the EU market (whether streets, hotels, bars, windows, etc). Obtaining and controlling new posts is indicative of the power and influence of a given procurer. The comparative analysis of the data on the origin of those engaged in prostitution (registered and extradited; interviewees) found a number of Bulgarian towns/regions that appeared to cover corresponding towns/regions in Europe (as well as several US cities), such as:
  - **Pazardjik, Stara Zagora, and Haskovo** export girls to Austria, France, Germany;
  - **Plovdiv** exports girls to Italy, France, and Belgium;
  - **Sliven, Varna, and Bourgas** export to Belgium, Netherlands, Germany, France;
  - **Kyustendil, Pleven, Blagoevgrad, and Russe** export to Italy Spain, and Greece.

In addition to regional specialization, there appeared to be town-to-town affiliations over certain periods. For example, Sliven with Brussels, Dobrich with Mannheim, Gabrovo with Valencia, Varna with Lyon, etc.

Presumably, the underlying reason for such territorial distribution is that the locally established criminal structures in Bulgaria transferred their or-

ganization to the respective region in Western Europe. Moreover, procurer networks are probably only one part of the criminal city/regional networks. They trust the same girls as in the regions where they operated in Bulgaria and even help competitors with whom they negotiate prices and territory limits. One theory is that the regional partitioning of Europe is the outcome of the lessons learned in the early 1990s on how to avoid conflicts. As a rule, incidents (killings, fights, escaping girls, etc) lead to activation of law-enforcement and criminal justice institutions and draw the focus on Bulgarian procurer networks.

- **Communicating vessels.** In many respects, the partitioning of West-European territories is conditioned by the need to maintain constant communication with the towns/regions where the procurers come from. In fact, the European town/region in which a given procurer network is operating is like a reservoir connected to another one in the respective Bulgarian town/region. As the European reservoir fills up, the Bulgarian one dispenses. At the border checkpoints one sees hundreds of girls leaving (voluntarily) to work as prostitutes abroad. The reason for this flow is that, up to January 2007, the legal term of residence in the European Union was 3 months, after which they had to go back home and get replaced by a colleague waiting her turn in Bulgaria. Minivans shuttle back and forth on a regular basis, serving the scheme of three-month stays in the European Union. The level of organization is evident from the good coordination of the prostitute replacement schedules and the timetables of the minivans – with fixed departure and arrival times and locations (for example, leaving from a filling station in a town with a population of 50,000 in Northern Bulgaria and passing through 3-4 European cities in France and Spain). It should be noted that the Bulgarian reservoir is usually a large town or several small settlements which in turn are filled from other locations. The reason is the small size of Bulgarian towns (except for the four largest ones - Sofia, Plovdiv, Varna, and Bourgas), making any affiliation with procurer networks too visible to family and friends. That is why the reservoirs in Bulgaria work on an exchange basis, drawing prostitutes from other locations. During their required stay out of the European Union, the girls usually do not work in the Bulgarian domestic market, largely because it is very small (excepting Sofia, Varna, and the resort towns during the tourist season). This applies in particular to the new wave of prostitutes who entered the profession after the end of the 1990s. A considerable proportion of these girls have not had any previous experience in Bulgaria and do not try to work here.
- **Specialization.** One of the chief arguments in support of the conclusion that the export of prostitution is organized crime, is the highly specialized and decomposed nature of the process. There exist certain functions, some of them modifications of the functions identified in human trafficking (in fact, the same individuals may operate in both systems). The main roles are:
  1. **'New flesh hunter'** – a person recruiting girls in Bulgaria. It is the same type of role as in trafficking but with the export, the job offer makes it quite clear that the work involves prostitution (even if it is not only

prostitution). The recruitment of girls has been the object of many criminological studies in Western Europe and USA, yet none at all have been conducted in Bulgaria to date. This model includes various schemes. The first one is related to having the girl selected (referred to as "fresh meat") go through the Bulgarian domestic market first, i.e. she is not exported immediately but undergoes training in Bulgaria for a few months at least. Given the new opportunities, however, prostitution in Bulgaria pays far less and the stay in the country is considered loss-making. In the past few years, direct export has been an increasingly common practice. The second one involves recruiting the girls ("the hunt") in the respective European country where they are working or studying. There, chances are far greater for a woman to find herself in a critical situation (lack of money, losing a job, housing problems, indebtedness, administrative problems with the authorities, petty crime charges, etc.) and this considerably facilitates recruitment. Under both schemes, the "hunter" simply needs to appraise correctly the financial and psychological problems. He may not have to do anything about the recruitment but only to transmit the information. In this process, the procurer is of key importance – he is also the chief exporter. With more primitive networks, the hunter and the procurer are one and the same person. It is common practice in the low-end segment (street and highway prostitution) for the prostitutes to be sold by one procurer to another, with their price in Western Europe being twice as high as in Bulgaria. With family businesses and small businesses the selection and hiring of the girl (partnership) are carried out by the same person, who also takes on all of the roles and pays for the services within the system.

2. **'Mules'** – guides who take them to the respective country, usually by minivans, in which case they are often the drivers, but sometimes by regular coach lines when the guides accompany the girls. If the drivers work for some large structure they may provide the service for a fee to family and small businesses.
3. **Procurer** – the person who picks up the girls upon arrival and assigns them to the prostitution locations agreed in advance. This role may also involve provision of services to small businesses and offering posts to new market entrants.
4. **Supervisors** ('Madam', 'first girl') – these are usually promoted prostitutes watching how much money each girl working for a given procurer network is making, whether she reports all her earnings, if she is making unauthorized calls, if she has any risky customers (through whom she might get away from the business) and so on; they further keep an eye on the profits of the small businesses so as to fix the right rate of payment ("criminal rent").
5. **Money carrier.** It is characteristic of the Bulgarian sex trade abroad that the money earned is returned to Bulgaria. There are several ways of sending the money to the bosses. In the 1990s, the most customary one was to use the drivers of the cars, minivans and buses (including drivers and attendants on regular coach lines between foreign countries and

Bulgaria) or trusted girls who come back after a fixed time. The most common method is still the use of the international money transfer system Western Union where the sender remains anonymous. In turn, the bosses to whom the money is sent usually use related financial houses and currency exchange offices that do not record the identity of the recipient and thus all of the persons involved remain unidentified. The more sophisticated networks may even have a financial team organizing and changing the repatriation and laundering schemes through various financial institutions.

7. **Investor(s)/legitimizer(s).** These are often trusted businessmen and lawyers responsible for investing and legalizing the repatriated funds. Depending on the size of the structure, they may serve one or more organizations. There are instances of perfectly legitimate accounting and legal firms that are actively involved in this process. "Small businesses" may be offered participation in an advantageous investment against a percentage or as a favor (for the rent).
8. **The Boss.** At the very top of the organization, the boss is based in Bulgaria and controls the other participants in the scheme. In addition to the prostitutes exported by him, he may also get protection racket for prostitutes and procurers in the respective region in Bulgaria. The boss is often engaged in other businesses, legal as well as illegal (e.g. trafficking in drugs and in stolen cars).

The described mechanisms in many respects predetermine the structure and manner of functioning of the foreign market for sex services. The **evolution undergone by Bulgarian organized crime towards small loosely connected networks does not mean that the former hierarchical structures are gone.** They may be smaller but they still exist and depend on more or less well-known emblematic figures (former members of semi-criminal rings, local and national oligarchs).

With this type of **hierarchies**, the man on the top has a perfectly legal business and is not concerned with day-to-day operations. The formal owner or manager of the European business with prostitutes is often one of the trusted associates. He is authorized to manage a certain number of girls himself, to keep records of the payments by smaller entrepreneurs gravitating toward the structure, and to collect the protection racket from the small independent businesses. Prostitution – domestic and international - is typically just one of the areas of activity covered. This type of hierarchies work as holdings of legal and grey sector companies, which essentially deliver services – from transport to housing. Judging from the interviews conducted within the present study, as well as press publications, many shadowy bosses already appear to have acquired hotels, entertainment establishments or shares in such ventures in the West-European countries where they operate. In the different towns and regions, there appear to be **three different models of operation.** In the biggest cities, such as Sofia, Varna, Plovdiv, and Bourgas, and in some smaller towns in Southwest Bulgaria, these structures control the market – street prostitution, brothels, modeling agencies, and through them, the procurers exporting girls. The small and family businesses usually find ways to secure protection for themselves, often unaware of who exactly is provid-

ing it. In the smaller towns, they control the major procurers and through them, part of the procurer networks. The third model is related to direct ownership by the big local bosses. Some may have as many as 40-50 girls working for them,<sup>231</sup> who are sent to different European cities.

The most typical and widespread model, however, is that of the **networks**, with dozens of procurers coming together for protection, usually on the basis of the town/region they come from. This model proved highly effective in the mid-1990s against the already dominating structures of organized crime in Western and Central Europe grouped by nationality – Albanian, Serb, and Turkish ones, as well as the aggressive Russian, Ukrainian, and Caucasian newcomers. These structures tend to escape the attention of West-European law-enforcement because they appear as a chaotic group of Bulgarians lacking the characteristics of organized crime. With this model, all the members are seemingly equal, regardless of how many girls a procurer has.

A number of facts, however, give reason to assume that these are not typical networks of equal partners. Some of them are known to be backed by some obscure structure whose top levels are found in Bulgaria (or a third country where the Bulgarian bosses feel safe enough). As already mentioned, the degree of specialization is quite high and a system of internal subordination is in place (some roles rank higher and/or are more independent than others). The top ranks are usually at the town/regional level. Thus, for instance, in Sofia, there are 10; in Varna - 4; in Bourgas - 3; in Sliven - 3, etc. There exist big bosses and less independent ones. Their chief role is to make sure their networks are well-protected. The security of Bulgarian territory (the Bulgarian "reservoir") is ensured precisely by the paid protection of the big bosses. This means that each pimp pays his dues to the local town bosses. If an independently working prostitute, family- or small business do not participate in the region-based or friend network in the respective European city, with the never-ending conflicts with competing prostitutes and procurers they run the risk not only of being pushed out of the market but of exposure to violence against which they have no recourse. Their vulnerability with respect to both foreign ethnic networks and Bulgarian ones force the freelancers to seek cooperation with already established Bulgarian procurer networks. It is common practice for independent prostitutes to be denounced to the police not only by anonymous reports, but also by false testimonies (subsequently withdrawn) in order to drive them out of the local market.

In addition to protection abroad, the bosses also provide security inside the country. Various instruments are known to exist for **neutralizing the representatives of law and order** – from VIP member cards for classy brothels, through paying for their children's education, taking on the mortgage payments, to the funding of offshore accounts. Probably the best illustration of police support, centrally and locally, are the cases of detention and extradition. The comparison of the police databases on two West-European countries only, reveals hundreds of cases of extradited girls who go back within days of their extradition. Another practice is to change the name or even a single letter in the name of the person in question, which can be done even without the knowledge of the security authorities,

---

<sup>231</sup> The Plovdiv rapper Vanko-1 is probably the most notorious example of such a personal structure.

but the speed at which this happens indicates a smoothly working system connected to many and different levels of power. In the past 5-6 years, the public has learnt about instances of senior prosecutors (in Russe) and judges (in Pleven and Peshtera) connected to notorious procurers. In any case, those at the very top adhere to the **fundamental principle of mutual interest and economic benefit**. Everyone in these large, loosely structured organizations is participating because it allows them to work. Starting with the girls, who know they would be exposed to high risk on their own, both in terms of other procurers and the police, to the investors, who are getting huge amounts – for the scale of Bulgaria – of “hot” money. It should not be ignored that the instruments of violence are inevitably present in this market. In peaceful times, the small bosses usually hire one driver and one bodyguard but when the tension rises there may be as many as ten. The typical approach is to hire persons with criminal records who are used to execute punishments, provide protection, etc. In this type of structures there is far more subordination but the underlying principle remains that of mutual interest.

There is likewise a **hybrid form** in between the networks and the hierarchies. It involves several dozen girls and several dozen procurers but the top level is occupied by a kind of syndicate including various influential figures on the local level. Unlike the towns/regions, where there are 1-3 big bosses and about a dozen small ones, this type of syndicate takes control over the entire local market, including the resorts and export.

### 3.5. PROSTITUTION IN BULGARIA: THE SIZE OF THE MARKET AND EXPECTED TRENDS

#### 3.5.1. Tentative Estimate of the Prostitution Market

The estimate of the prostitution market in Bulgaria is based on official data on the practicing prostitutes in the country and the mean rates charged.

For the purposes of the estimate, it is assumed that in Bulgaria a prostitute on average works 20 days a month. It is further estimated that club prostitutes see three customers a day and since their average rate is 50 leva,<sup>232</sup> one girl makes 150 leva a day or 3000 leva a month. A club usually has 4 to 8 girls, meaning that a brothel's takings amount to 900 leva per day or 18,000 leva per month.

With street prostitution, where the daily target is typically 100 leva, the calculations show that one girl's takings average 2,000 leva per month.

Based on MoI data,<sup>233</sup> according to which the number of prostitutes in Bulgaria is 4,611 (even though it is far greater in the opinion of most of the respondents), the total monthly revenue of the prostitution market in this country can roughly be estimated at 9 to 14 million leva at the minimum. Its annual turnover is thus

<sup>232</sup> This average rate does not take into account the latest developments of the Fall of 2006 when an attempt was made to raise prices to 50-70 leva an hour in some of the big cities in the country.

<sup>233</sup> *Trud* daily, May 31, 2003

in the range of **at least 110-170 million levs**. This amount does not include resort and border-region prostitution, nor the telephone lines/websites for ordering under-aged girls as these are extremely difficult to quantify. According to experts with the Ministry of Interior, a **conservative estimate** would be at least 30% higher than the above-cited higher figure, i.e. about **230 million levs**.

According to most surveys and the information collected, a prostitute's monthly takings abroad amount at the very least to €5,000-10,000 per month. Thus, if our minimum estimate of 18,000 prostitutes is accurate, it follows that Bulgarian prostitutes abroad make a total of €90 to 180 million per month or between €900 million and 1.8 billion per year. With this estimate it is assumed that the prostitutes work 300 days per year on average, i.e. due to visa restrictions, they stay outside the European Union for two months each year. By expert opinions, **about one-fifth of the money is repatriated to Bulgaria, i.e. between €180 and 360 million per year**. This minimum estimate represents a mean value including the low-paid street prostitution. However, the conservative estimate of the revenues from sex services has been criticized on the grounds that the situation has changed radically and the Bulgarian prostitutes in the low-end segment no longer make up such a large proportion as in the 1990s. First of all, they have adapted and have moved up to the middle segment of the sex services market in Western Europe. Secondly, as already noted above, unlike the period up to 2001, when mostly girls from the lowest social strata were involved and used to practice mainly in the streets and in cheap hotels, in recent years, all social groups have been represented – including university graduates – and operate in the high-end segments of the market. In view of these considerations, their monthly takings are more likely to be in the range of €15-20,000 or higher. Thus, following the above method of calculation, the annual revenue earned by those engaged in prostitution abroad may well exceed € 3 billion. In terms of the country's GDP in 2006, **even with the conservative estimate of €900 million-1.8 billion, this would constitute 3.6 to 7.2% of GDP** (with a GDP of €25.1 billion). In comparison, a similar proportion is reported in South Korea, where the Ministry of Gender Equality and Family estimated the South-Korean market at \$22 billion or 4% of the country's GDP.<sup>234</sup>

### 3.5.2. Trends in the Prostitution Market

The described structures and functioning of the domestic and foreign markets of the sex trade in many respects provide a static picture of the state of Bulgarian prostitution. Yet the processes in this country have been evolving dynamically after 2001 and since the accession to the European Union in January 2007, many of the outlined characteristics and mechanisms have been undergoing changes, even as the present study was still in progress.

The tendencies observed in the period 2004-2006 could be described as contradictory and of unforeseeable consequences. First of all, **after the European market for sex services opened up (2000-2002), the export of girls reached record-high**

<sup>234</sup> "Comfort woman before and after Japanese rule—Korea's sex industry", "A Youthful Mistake", Meredith May, The San Francisco Chronicle, October 8, 2006. Second of a four-part series. Accessed on October 27, 2006.

**levels and in all segments of the domestic market the number of those practicing prostitution began to fall.** Whereas the late 1990s were marked by full clubs with 10-12 girls on average (and as many as 40 in the big clubs), in the past few years, the average number of girls has dropped to 5-6. By police data, a considerable proportion of the registered street and highway prostitutes are no longer in the country. According to NGOs engaged in the area of HIV/AIDS risk reduction among prostitutes, in 2006, a large number of the girls had had administrative restrictions imposed on their stay in the European Union, known as "black stamps". It is the main reason keeping them in this country.

At the same time, the data point to rising domestic demand for sex services, particularly in the biggest cities of the country. The reasons are both the increased purchasing power of the population and the double-figured growth of the number of foreign tourists since 2001. As a result, there has been a pronounced trend of increasing prices.

The second factor, acting in the opposite direction and pointed out in the section on the export of prostitution, is related to the **mass-scale development of the sex trade**. In addition to the above-outlined internal and external channels for recruiting prostitutes, there has emerged a new process, which in the opinion of market participants and police officers, has been acquiring epidemiological dimensions in the past 3-4 years. It is the boom in **amateur and semi-professional prostitution**. Without going into the preconditions,<sup>235</sup> or its actual scope, it is possible to distinguish two basic patterns of involvement. The first one consists in accepting offers for paid sex of varying intensity – from 1-2 a month to 2-3 times a week, which may involve benefits other than cash compensation in the form of additional consumption,<sup>236</sup> i.e. gifts, payment of bills, etc. The second pattern, which has been gaining increasing popularity, comes closer to the Asian model known as the "second wife". This model is often practiced with more than one client (except in the case of a very rich client or low intensity of prostitution). The number of partners usually ranges between 3 and 5. Various configurations are possible under this scheme – it may be a relatively closed one comprising several clients and several, partnering or competing, girls. There also exist open schemes comprising core customers and girls and peripheral customers and girls. Under this form of prostitution, too, the compensation may consist in covering rent or utility bills, cell phones, cars, trips abroad, etc. In between these two, there exist hybrid forms where in addition to the regular partners the girls see incidental customers, too.

Under both schemes, access to customers generally takes place outside the existing channels for professional paid sex services despite the efforts of various sex entrepreneurs to take advantage of the mass invasion of the sex trade by the new

<sup>235</sup> The explanation could probably include a number of preconditions, starting with various socio-economic factors, through the lifting of certain socio-cultural limitations, to the reduced violence and control of the domestic market by the procurer networks. Similarly to the phenomenon of switching from regular work or study to prostitution, observed in the European Union, the boom of amateur and semi-professional prostitution is completely unexplored in this country.

<sup>236</sup> A survey conducted by MBMD on commission from the Bulgarian Center for Gender Studies reveals that girls generally do not see any difference between payment for sex and gifts by men, see *Duma* daily, "Bulgarians Tolerant to Paid Love", 11 April, 2006..

type of participants. Typically, the **amateurs and semi-professionals find clients through their own social networks** (friends, acquaintances, other customers) and in places offering easy access to the right social groups, such as bars and clubs, hairdressing salons, and even specialty stores.<sup>237</sup> Undoubtedly, however, the fastest-developing sector for attracting new customers is the internet where competition with the professional networks has been growing noticeably fiercer.

Amateur and semi-professional prostitution appears to have **two distinctive characteristics**. The first one is the **freedom to choose and respectively, to refuse**, customers. The second one is the **absence of regularity in service delivery**. The customer cannot expect to get the same service over an extended period of time. It is worth noting that most of the women appear to withdraw from the business temporarily or permanently within 1-2 years. They typically perceive the services they provide as a temporary occupation. Many of the respondents living in Bulgaria and abroad said they were going to leave the business once they complete their education, pay off their apartment, car, loan, etc. Similar exit strategies are common among the professional prostitutes as well, but judging from the available empirical information, they are considerably less likely to be put to practice.

Another pronounced characteristic of both professional and semi-professional prostitution is the blurred boundary between more regular occupations and prostitution. Similarly to the Asian model, it is hard to tell at what point the waitress, sales girl, nurse, or person with some other occupation involving interaction with customers, crosses the line from normal service delivery to paid sex services.

The third factor, which is likely to radically change Bulgarian prostitution in the future, is the advancement of new technologies related to the use of internet and some GSM technologies. As a result of the fast expansion of the access to internet, since 2003-2005 there have appeared numerous websites for sex services and various smart solutions for the offer of paid sex through chat forums, search engines, online video servers, etc. In this context, it would seem that communication technologies provide a good opportunity to overcome the moral stigma, particularly among the older generation. Up to now, the sex service supply and demand have been very difficult to conceal in the Bulgarian environment (possibly with the exception of the one-million city of Sofia). In a country where family and friendly networks dominate everyday life, a visit to a brothel can hardly go unnoticed. At the same time, the discrete schemes of seeking prostitutes or customers are limited by the technical imperfections of the means of communication (ads in specialized media) or require the presence of well-paid middlemen. In this respect, the internet offer unlimited opportunities for the anonymous search and offer of sex services – a fact that greatly reduces the moral cost of involvement in such activities. The **adoption of the new technologies not only facilitates amateur and semi-professional prostitution**, but also allows the professional prostitutes in the **middle segment** to sidestep the owners of brothels and clubs and **directly solicit customers**. The response of the owners was to use the internet with active advertising of their brothels and escort services. What is more, after 2005 and in 2006 in particular, there was a great deal of investment in the creation of specialized products such as internet dating sites,

<sup>237</sup> In this respect there are some remarkable similarities with Asian practices where even coffee shops prove efficient places for soliciting clients.

online search for "one-time or regular sex", having prostitutes owned by brothels intentionally enter dating chat rooms, forums, etc. These new forms of prostitution deliberately seek to blur the distinctions between sex with casual partners, online porn services, and paid sex.<sup>238</sup>

However, to the online sex entrepreneurs the chief interest lies in opportunities outside Bulgaria. It is worth noting that an increasing number of Bulgarian paid companions in the largest sex markets in Western Europe are offered through hybrid virtual online services – internet servers combined with a well-coordinated system using Bulgarian drivers to bring and guard the girls and to collect the money from the customers. The new technologies make it possible to penetrate the sex service markets in European countries where prostitution is legal but the access to windows, legal brothels, clubs, etc., is deliberately highly restricted or too expensive for Bulgarian sex entrepreneurs. These limitations can be overcome with the new technologies, moreover without breaking the law of the respective country. All internet or call orders are processed through servers and telephone exchanges located in different countries with suitable legislation and the services delivered are passed off as Internet services. Each investigation of such international schemes and attempts by the police to counter the materialization in reality of this virtual grey market ultimately come up against complex legal cases. Owing to the as yet limited scope and the invisibility of this market, law-enforcement and criminal justice authorities in Western Europe tend to avoid this dark zone.

The impact of the new communication technologies and the escalation of prostitution into a mass occupation coincide with the new opportunities opening up before this country with its accession to the European Union. Travel to and from Bulgaria has been greatly facilitated with the abolition of the internal borders and in addition, the country signed the open sky agreement, which has resulted in the rapid expansion of low-cost airlines. As a result, the cost of traveling to Bulgaria has become comparable to inter-city travel in Western Europe. In view of the mass construction of tourist facilities in the period 2001-2006, **sex tourism** can be expected to **start competing with the export of prostitution** as a business. Bulgaria already has a certain tradition in this type of service delivery in Southwest Bulgaria.<sup>239</sup> According to entrepreneurs in the sex industry, importing customers

<sup>238</sup> There exist various models and what is common to them all is the use of popular sites to meet people and eventually propose paid sex. It is sometimes difficult to tell apart the use of ordinary social networks where voting by SMS leads to a rise up a ranking and respectively, generates income for the owners of the website; or where one is dealing with a paid chat with interactive sexual content; or finally, where entering a virtual club means access to real paid sex. At present, there is reason to claim that the sphere of the virtual/real is an almost unexplored and non-transparent zone. What are the methods of selecting the persons to whom propositions are made; to what extent this is a system using traditional statistical methods familiar from advertising to monitor which pages the consumers are viewing, whom they are talking to, etc; whether the whole process is still in a chaotic and primitive phase; these and many more questions are still difficult to answer. Revealingly, there is hardly any major free torrent server without advertisements of paid sex services from Bulgaria.

<sup>239</sup> In the mid-1990s, agricultural producers from northern Greece became the first organized sex tourists in the winter season. As a result, towns of a population of 30,000 such as Sandanski and Petrich turned into major Greek destinations for sex tourists, where they are served by several hundred girls. In the past 5-6 years, similar specialization has been taking place in the largest towns of the country, with companies organizing charter flights with male passengers only; advertising 'escort services by female students' in foreign specialized sites, etc.

is a better option than exporting girls. The risks are significantly lower owing to the possibility of influencing the Bulgarian law-enforcement and criminal justice authorities and the daily expenses (accommodation, food, etc.) are considerably smaller, as well. In illustration of the competitive economic advantages of the import of sex tourists comes the fact that Bulgarian prostitutes actually prefer to offer paid sex close to the Greek border rather than in Greece itself. There is reason to predict that, if part of the tourist industry should decide to try and boost hotel occupation rates during the off-season, with the cheap flights, the Bulgarian seaside, mountain and particularly spa resorts stand to become serious competitors to the Prague and Budapest hotels specializing in sex tourism.

#### Box 5. Trends in the prostitution market

In view of the above-outlined recent trends in Bulgarian prostitution on the national and international level, and given the current legal framework, it is possible to formulate the following forecasts in the short and medium term:

- Prostitution will continue to be a priority area of activity to organized crime groups in Bulgaria;
- With the accession to the European Union, the export of Bulgarian prostitutes to member countries will most probably increase;
- New channels and destinations for the export of prostitutes are likely to emerge;
- Organized crime structures will seek specialization in a variety of sex tourism schemes;
- Mutual penetration and interaction between local and international organized crime structures will be intensifying;
- Efforts to launder profits from prostitution and to invest them in the legal economy can be expected to step up;
- Prostitution is likely to remain associated with other criminal activities;
- Prostitution practices will continue to be covered up under the guise of legal business activities;
- Sex exploitation of under-aged girls is not likely to end soon;
- The problem with Roma prostitution will persist and probably worsen;
- Unless the current legal framework is amended, police counteraction capacity will remain highly limited.

## 4. THE VEHICLE THEFT MARKET

### 4.1. FROM THE ECONOMY OF DEFICIT TO THE BLACK ECONOMY

The market of stolen vehicles in Bulgaria is more than simply a criminal phenomenon. Mapping its development could yield a picture of the history of local organized crime and provide a specific angle of looking at Bulgaria's transition to democracy. A number of formative factors at play long before that period preceded the emergence of motor vehicle theft as a full-fledged market in the 1990s. Private cars became the property in highest demand (closely following the possession of a family home) as they started to be regarded by the population as a marker of higher social status and purchasing power conducive to a different lifestyle altogether. The communist elites, on the other hand, imposed the view that cars, as luxury goods which communist society could not afford, spoil the population by fostering Western consumerism. In emulation of the Soviets, the Bulgarian state introduced complex restrictions to control demand, due to which the average wait time to purchase a car was 6–10 years, while to acquire one took 10–15 years of saving for an average Bulgarian household.

Due to the shortage of family cars many households turned to the stolen vehicle market. Criminal records from the pre-1990s indicate that car theft was a rather frequent offense. At the same time, the vehicle recovery rate was rather high (near to 100%) and the clear-up rate for car thefts was fairly high as well (thieves were found in 85 to 90% of the cases). According to investigation service officers, at that time cars were rarely stolen for financial gains. Vehicle thefts were usually committed by a handful of deviant youths involved in joy-rides.

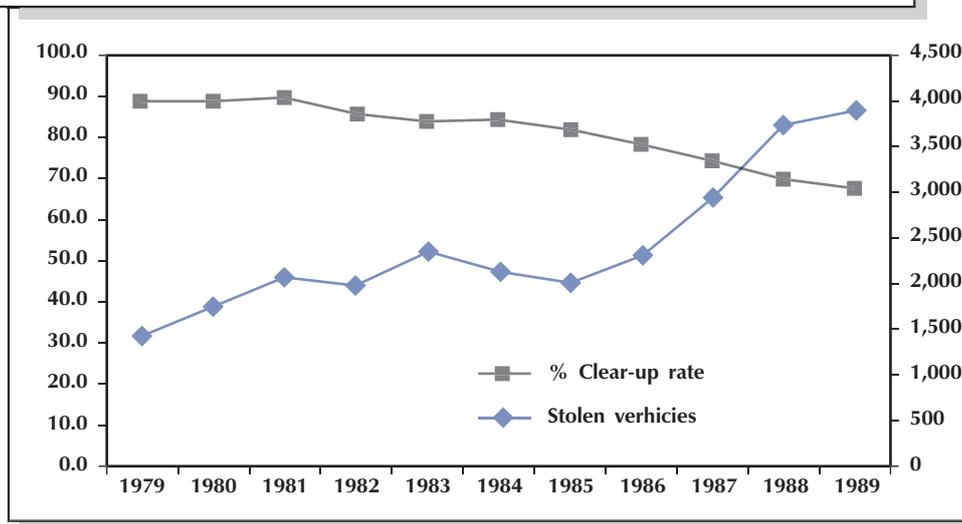
In the mid-1980s recorded motor theft rates started to rise. While the average number of stolen cars in the period 1980–1985 was around 2,000 annually, following 1985 it increased by 18% each year, whereas clear-up rates started to decline.

Totalitarian state controls over the registration of newly acquired cars were nearly insurmountable for anyone attempting to sell a stolen vehicle. The authorities scrutinized all purchase details from the origin of money of the willing family to the technical condition of the vehicle being bought. Thus, there was hardly any room for a full-fledged car theft market to emerge.

It is safe to claim that up to 1990 stolen vehicles were occasionally sold to individuals, but no proper auto theft market existed. Soon after the collapse of communism, though, the motor vehicle components market rapidly developed. In all probability, the 1986–1987 rise in theft rate was driven by a demand for car components. Around this time the communist state had relaxed its grip on private enterprise, and private car servicing and taxi driving started to proliferate. Spare

parts were no exception from the commodity deficit of the Bulgarian economy, so car theft fed the demands of the toddling private business.

**Figure 16. Stolen vehicles and clear-up rate of car thefts (1979–1989)**



Despite the lack of consistent records from the early days of Bulgarian transition, it looks probable that the auto-theft market burgeoned soon after 4,000 prisoners were amnestied in mid-1990 and the first signs of institutional collapse in the fall of the same year. Although hard to define what part of the amnestied offenders turned to auto theft, it did become the most frequent offense. The groups of car thieves initially formed round certain experienced hands who had learned the business in the mid-1980s.<sup>240</sup> On their way to Western Europe part of the ex-prisoners set up their criminal business in Central European countries, such as the Czech Republic or Hungary, as it was easier to bypass the rapidly loosening law enforcement of the former communist states. Most of those newly formed crime groups engaged in auto theft, as a car stolen in Western Europe could shortly and safely be driven to Central Europe. Later on, they became involved in other criminal activities such as pimping (which led to the quick emergence of Bulgarian-run prostitution rings) and drug smuggling. The technical skills and connections with the Balkans and the Middle East of Bulgarian auto thieves proved to be the key advantage that allowed them to compete with local and former Soviet Union crime groups. The part of former convicts that stayed in Bulgaria established the local vehicle theft market and soon got in close touch with their counterparts abroad. The first cars stolen by Bulgarians in Western Europe were transferred to Bulgaria in late 1990. In 1992, auto thefts in Hungary and the Czech Republic peaked, compelling local enforcement agencies to repatriate offenders or convict them and send them to Bulgaria to serve their

<sup>240</sup> One notorious Bulgarian car thief—Radoslav Tsukrovski, a.k.a. Uncle Tsuk—entered police records in the early 1980s when he was around ten years old. A former officer at the 1<sup>st</sup> Area Police Department in Sofia recounted the anecdotal case when two traffic cops on duty saw a Lada moving down the road with no driver to be seen inside. They signaled at the car to stop and when it didn't they started chasing it. When it finally pulled up, they found out that the driver was a boy whose feet were hardly touching the pedals. (see *Trud*, 14 September 2004).

sentences.<sup>241</sup> A large group of renown car thieves (including Ivo Karamanski, later to be known as the godfather of Bulgarian mafia, and a few others, such as Mitko the Turk and the One-Armed Man<sup>242</sup>), were among those repatriated to Bulgaria by Hungarian and Czech authorities.

Apart from the formation of criminal enterprises in Bulgaria and their connection to Bulgarian-run criminal businesses in Central Europe, it is worth viewing local **car theft mechanisms in a larger context.**

Rigorous hurdles to private foreign trade lasted up to February 1991, but individuals and small companies had started importing used cars in late 1989. As prior to that demand was largely unsatisfied, such new opportunities became even more attractive to the people willing to purchase a car. Dealers tried to meet different criteria segmenting the market according to price, make, year of manufacture, and country of origin of the vehicle, but the overall home demand could not be fully satisfied until 2002–2003. Undersupply and the severe lack of import regulations provided fertile ground for the first auto theft gangs to spring up.

Shortly after the fall of the Berlin wall, car theft took endemic proportions in Europe to form a "common market" of 5 million stolen cars per year in the early 1990s. As Eastern Europe liberalized its markets, used cars flooded into former communist states. A substantial portion of the booming used-car market was gray, as importers commonly evaded taxes and duties. It was quite easy to **traffic stolen vehicles along the used-car routes and channels.** In the early 1990s a huge number of cars stolen from Europe passed through Central Europe before being transported to the Balkans, the Middle East and the former Soviet republics (mainly Russia, Ukraine, and the Caucasus).

Bulgarian and other Eastern European law enforcement agencies were poorly equipped to fight organized stolen car trafficking. The route of a stolen car from source to end user was a complex chain of 5–6 links involving auto theft groups/individuals as well as corrupt police and border officers from the various states which trafficked cars crossed.

Another factor that increased post-1990 stolen car demand was the **conspicuous consumption** drive typical for the first years of transition. The nouveau riches liked to show their Western cars off as a sign of their advancement even more so than a car showed one's social standing during socialism. A car served the purpose of conspicuous consumption better than owning an office or home and was easier to spot than expensive clothes or watches. In the early 1990s, new or developing businesses considered it imperative to purchase a car right after striking a profitable deal. It was acceptable to spend half of a business loan on a car or buy a luxury vehicle even when the company was going bankrupt as a last resort to convincing possible partners that their business was sound. As Bulgarian businesses sought to buy expensive vehicles that they could hardly afford, luxury

<sup>241</sup> No precise data are available on those sentences, but some media reports in later periods suggest that many of them did not serve their sentences at all.

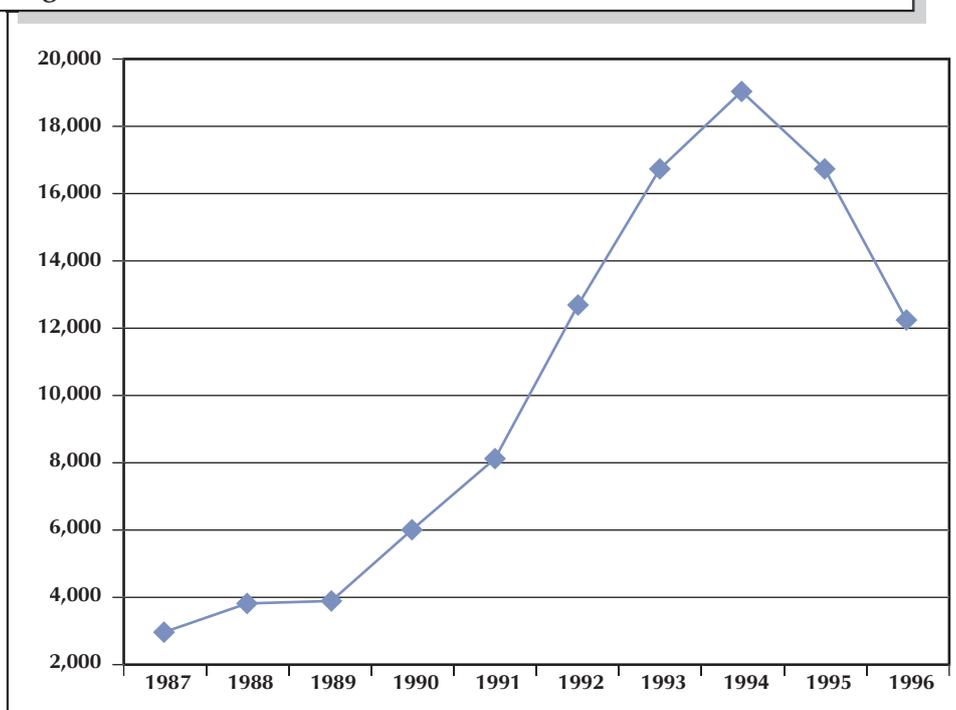
<sup>242</sup> There are several "one-armed" auto thieves in Bulgaria, but this particular man is operating chiefly on the Sofia market.

cars started to be supplied through the less costly auto theft market offering vehicles at 50% to 70% lower prices.

By 1991–1992, the two major black vehicle markets were fully formed. Car parts were sold in numerous outlets owned by individuals of Arab origin. The market burgeoned mainly due to the severe deficit after the trade system among communist states fell apart and car components trade agreements became void. First, it was nearly impossible to legally purchase parts for East European produced cars. Apart from that, car sellers could sell dismantled cars at a much higher profit than fully fitted cars. The great demand for parts entailed diverse infrastructure and actors, service stations, automotive parts warehouses, car mechanics to disassemble the stolen cars, and organized car theft rings.

The second black market segment was that of stolen cars. As institutional control declined, stolen cars registration became so easy as to make them a **widely accessible item**. At first, the local market was supplied with a small number of stolen Western European average class automobiles. Later, used cars started to be imported in greater numbers at an up to 200% profit. The import chain involved Bulgarian auto theft gangs in Central Europe, drivers to transport them to Bulgaria, corrupt customs and police officers and local used car dealers. Car thefts at home also peaked, as some of the thieves based in Central Europe returned, lured by the nearly 100,000 imported Western cars found in the country in 1992. Police figures show that between 1989 and 1992 domestic car thefts rose by 224%.

Figure 17. Recorded car thefts (1987–1996)



## 4.2. THE RISE OF RACKET

1992 police statistics show that a total of 12,711 car thefts were recorded, but interviewed investigators and police officers claimed that around that time citizens stopped reporting one in every three stolen cars. Underreporting was probably a direct result from the fact that thieves started offering to recover the car to its owner if paid 1/3 of its value. Interestingly, ransom for getting one's car back in Russia was exactly the same proportion.

The theft-for-ransom scheme created a third specific segment of the auto theft market. Between 1992 and 1994, the market for vehicles stolen at home and particularly for trafficked ones was gradually overtaken by the major mafia-type crime groups in Bulgaria known as *grupirovki*. In that period most car thieves as well as the market for stolen premium class cars came to be controlled by one of the main *grupirovki*. The criminal private security firms that imposed protection racket on businesses expanded their racketeering services to include protection of private vehicles. Thus, a refusal to accept the service led to theft, damage, or bombing of the vehicle. In that period, the racketeers hired the services of various car-theft crime groups. Due to their connections with police and politicians and capacity to use violence, the *grupirovki* also took control over the car-thieves' groups. In some medium-sized towns this was done rather quickly. In the major cities, such as Sofia, Plovdiv and Bourgas, extreme violence was used against the auto theft groups, especially when they had dared against a car owned by an organized crime boss or crony. Thief chases ordered by victim bosses sometimes went on for weeks, and when tracked, the group was compelled to sign under the larger enterprise, vouching to stay loyal for several years as a compensation for the theft.

Some members of the brigades who performed the actual protection racket also started specializing in car theft using unabashed violence to take away luxury vehicles at traffic lights, parking lots or even in front of the victim's home. Cars were further sold fairly easily, as the thieves did not even bother to forge the engine or frame serial numbers, knowing that a 5% bribe to a traffic cop would get them a new registration (e.g., if the car cost on average 2,000 in the then popular German marks, they would offer a 100 payoff to the official to register the vehicle and provide a new license plate).

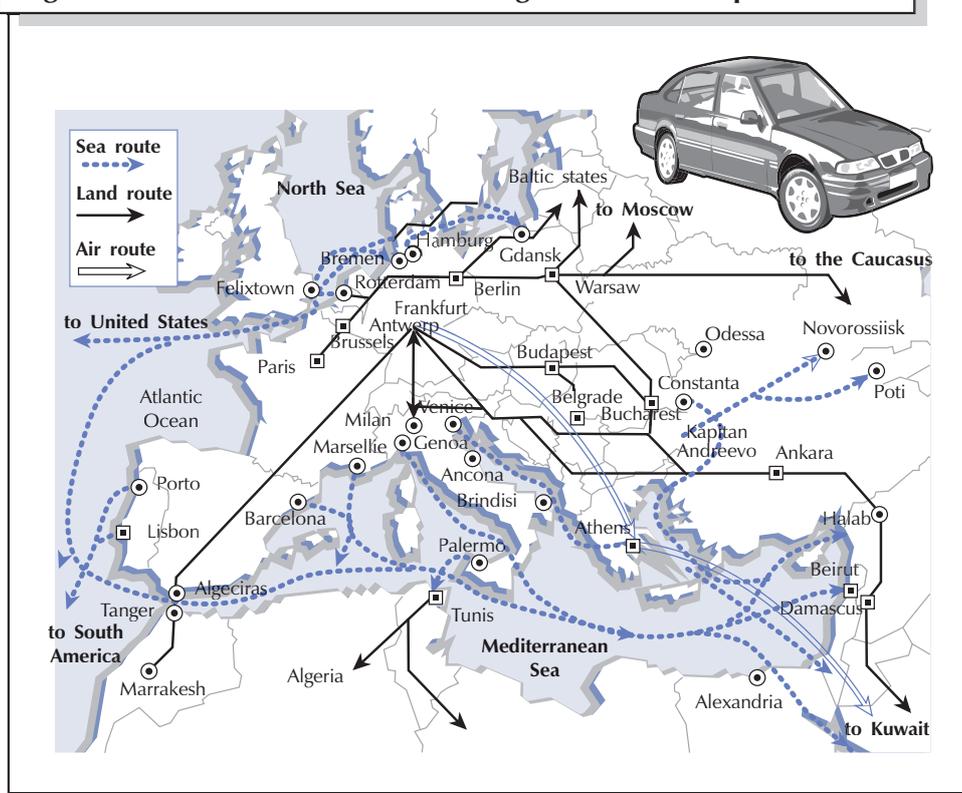
**1993 was a key year in the development of the Bulgarian car theft market.** Crime groups got increasingly involved, as together with cigarette and alcohol smuggling it became the most lucrative black market. The creation of the Schengen area established an EU-wide market for stolen vehicles, which were more easily trafficked into Eastern Europe through fewer border controls. A car stolen in Portugal could reach Poland smoothly without checks at the Spanish, French or German border.<sup>243</sup> Regulatory disparities in the different countries and the lack of experience of Bulgarian law enforcement and private insurance companies in dealing with such cases facilitated the car theft market across Europe.<sup>244</sup>

<sup>243</sup> Europol, *An Overview of Motor Vehicle Crime from a European Perspective*, January 2006. [http://www.europol.eu.int/publications/SeriousCrimeOverviews/2005/overview-Motor\\_vehicle\\_crime\\_2006\\_1.pdf](http://www.europol.eu.int/publications/SeriousCrimeOverviews/2005/overview-Motor_vehicle_crime_2006_1.pdf)

<sup>244</sup> Insurance fraud also peaked in this period. Individuals would sell their cars to crime groups to traffic them out of the country and after that, report the theft to the police to receive insurance.

In addition, crime groups from across the Balkans took advantage of already established trafficking channels for embargoed goods to Yugoslavia to smuggle stolen vehicles (see *Figure 18*). In Bulgaria, customs, border-controls and police were largely controlled by the *grupirovki* (many of whose members were former law-enforcement officers). Thus, crime groups had ways to track a legally imported car as it crossed the border and further into the country until they found a handy occasion to steal it. Bulgarian auto theft gangs used this as a main asset against other East European crime groups operating in Western Europe even before 1990.

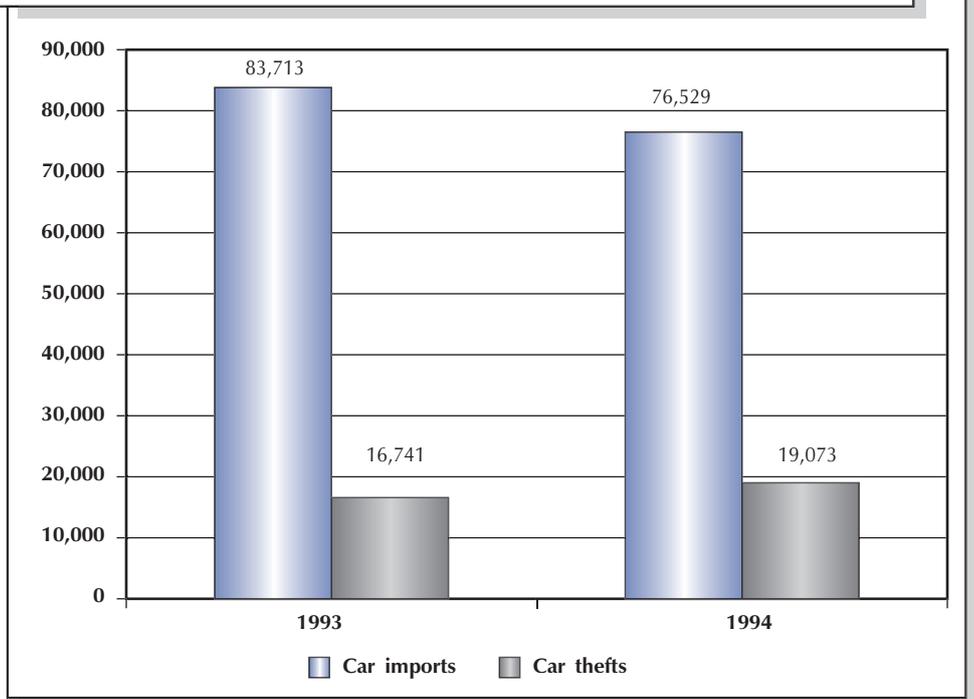
**Figure 18. Main stolen car trafficking routes in Europe**



**Two domestic trends** also helped boost the market. First, the *grupirovki* gradually spread their power around the country, therefore being able to guarantee security of insured vehicles nationwide. Besides protection, they now sold the service of restoring stolen property. The main protection groups were quite ambitious to render services beyond the bounds of a single town, but their coverage was disrupted by their competing interests. Whether a *grupirovka* of strongmen originated among athletes from different sports (karate, wrestling, boxing, etc.) or in a particular town (Pernik, Pazardzhik, Haskovo or somewhere else), conflicts would periodically exacerbate and despite temporary negotiations or coalitions, it was market competition that finally ruled. Secondly, the *grupirovki* were forced to restrain violent racketeering and to switch to a tactic where car-theft became an important instrument to racketeer businesses and individuals.

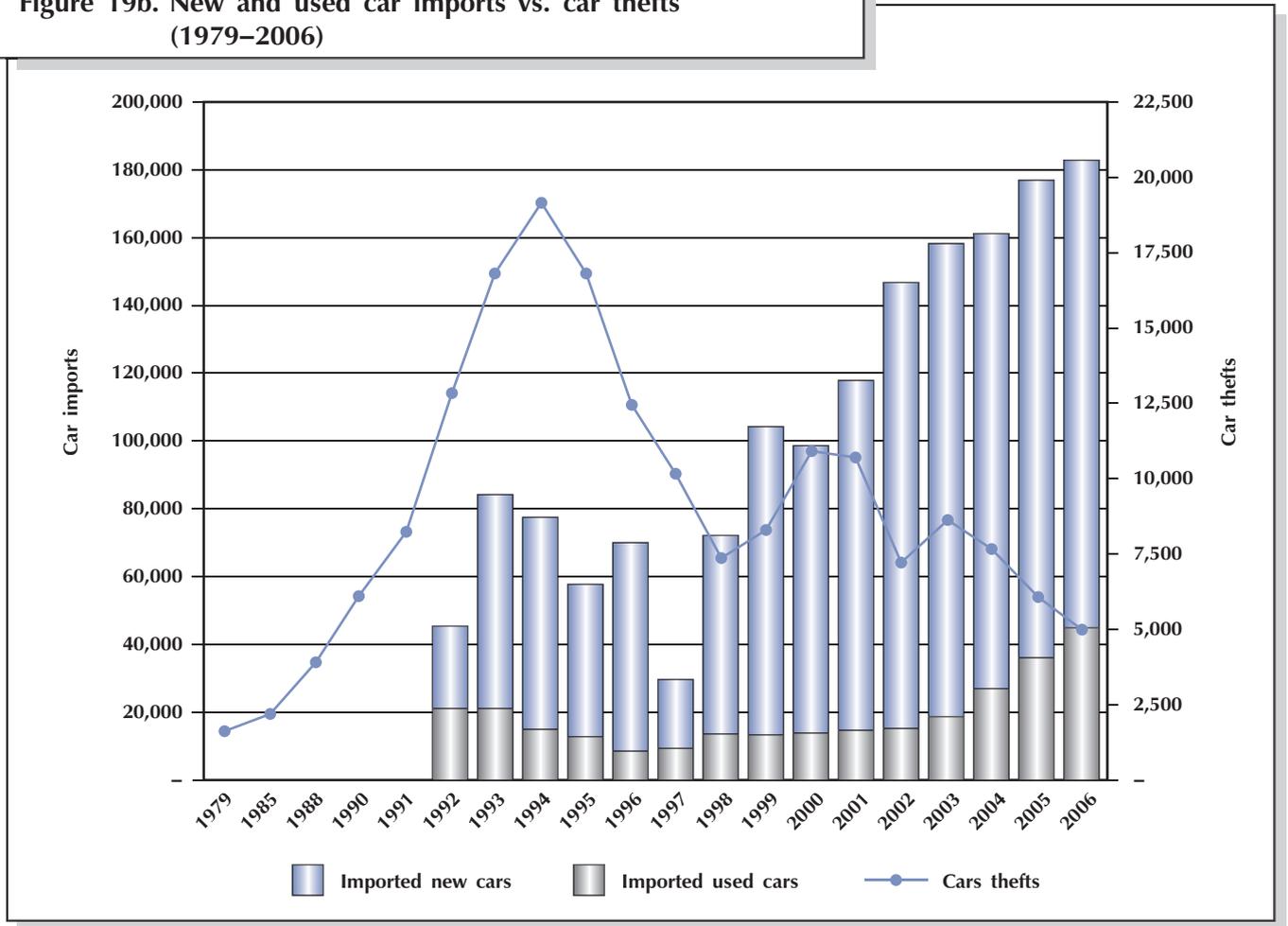
As a consequence, in 1993 and 1994, at least according to official statistics about new and used car imports and reported car thefts, the latter reached 20-25% of all imports.

Figure 19a. Car imports vs. car thefts (1993–1994)



According to police officers, during that period, the real number of stolen vehicles was at least twice as high. Estimates point to about 40,000 car thefts annually between 1993 and 1995—a number lost to statistics due to underreporting. As a result of bulging thefts for ransom, victims who would opt for getting their car back were forbidden to report the theft under threat of "complications". In many cases they would receive a phone call within 20 minutes after the car was stolen. Theft-for-ransom turned out to be less expensive for crime groups and quicker than theft for selling the car further on, as they did not have to look for a trustworthy car dealer, wait for a buyer or register and officially transfer the vehicle to a new owner. By 1994, the theft of East European vehicles for components constituted only 20% of all car thefts. It may safely be supposed that in the four years from 1990 to 1994 one in every three cars in the country was stolen.

**Figure 19b. New and used car imports vs. car thefts (1979–2006)**



### 4.3. MARKET CONSOLIDATION

Toward 1994 local car theft markets had transformed into a country-wide single market. At that time the VIS-1 *grupirovka* already had national coverage. It confronted or allied with smaller regional players, such as Group 777 in Southern Bulgaria (Plovdiv, Sliven, etc.) and First Private Militia in the port city of Bourgas. Already in 1995, essential changes occurred as the Law on Private Security Companies was amended and protection firms had to be licensed by the Ministry of Interior. This opened an opportunity to transform the private security firms into insurance firms. Insurance became a new form of a protection racket, especially targeting the growing number of Western cars likely to be stolen. The regular insurance companies, which at that point were mainly state-owned, were not willing to provide car insurance as the odds for a vehicle to be stolen by the end of the year was 30%. At about that time the protection racket group VIS-1 closed down and registered an insurance group under the name VIS -2, thus circumventing the new restrictions on private security services and entering the largely unsaturated car insurance market. They sold security in disguise, as in the cases when a car protected by them was, stolen they offered to pay compensation to the victim. As VIS-2 has controlled many car-thieves, their insurance coverage usually came down to ordering the thieves to return the stolen car, and on rare

occasions paying for it. The newly emerging insurance sellers at service stations and parking lots promoted VIS-2 insurance as highly effective with a main argument that VIS-insured cars rarely got stolen (the statistics being about one in every ten stolen cars). Strangely, at times even the national media supported the same assumption, quoting data that it was extremely rare for a VIS-insured car not to be found and restored to its owner (one or two in every ten stolen cars).

As VIS gained new grounds, it became harder to hold together its structure locally. In early 1995, some of the VIS-2 members departed to form an alternative insurance racket *grupirovka*, called SIC. Within a year, the market became split between the two *grupirovki* both in terms of drawing in local racketeer groups and controlling car-theft networks, and exerting undue influence over government officials. The two companies' stickers became ubiquitous on offices, vehicles, and stores. Their adoption of the structure and management model of insurance companies turned the mostly loose racketeering groups into well structured and subordinated entities. They hired a large number of insurance professionals, accountants, lawyers, and administrative staff who worked side-by-side with teams of hit-men that specialized in punishing disobedient car-thieves and restoring stolen vehicles. Between 1995 and 1996 smaller regional splinter racket-insurers appeared (e.g. Apolo Balkan, Korona Ins., Levski Spartak, Zora Ins., etc.).

The Bulgarian racket insurance market displayed several distinctive features. **First**, in 1995-1996 the import of stolen cars from Western and Central Europe<sup>245</sup> continued to grow. Dozens of crime groups in Western Europe stole and trafficked to Bulgaria mainly higher class cars that were in demand in the country, using a range of approaches from theft to insurance frauds, counterfeiting car and personal ID papers, transporting the vehicles to Central Europe, forging engine and frame serial numbers, etc. Interestingly, after the stolen car was sold to a Bulgarian customer and insured by the *grupirovka*, it was often stolen again and resold/restored for ransom or exported to the Middle East or elsewhere in the Balkans. The **complex coordination of criminal activity** is exemplified in the popular understanding of those involved in the networks that "a stolen car must earn you a sum at least three–four times its price to be worth the effort". They also managed to pin thefts at such precise moments as between the expiry of the vehicle's insurance policy and just before it was newly insured.

**Racket insurance** was thus practically in control of the car-theft market. In contrast to protection racket in the early 1990s, which resorted to immediate violent response to those who had refused property protection, blunt brutality was no longer part of the method. Instead, the new insurers convinced the unwilling clients or those delaying to renew insurance by making them the target of repeated incidents. The car-theft supply chain starting in Western through Central Europe and reaching the Balkans and the former Soviet republics also flourished, making deliveries to each important city and area. Insurers would typically increase their market through a scheme in which the car once stolen from Western Europe would be sold in Sofia, sold again in a smaller Bulgarian town, stolen from its

<sup>245</sup> There are numerous sources on the car theft market in Bulgaria, among them reporter Kristi Petrova's book *War of the Grupirovki*, Sofia, 2006, and the much less accessible investigation files of the Customs Agency and the National Service for Combating Organized Crime on cases that have been terminated at various stages for various reasons.

latest owner and then exported to a neighboring country. Thus, insurers profited from both their legal business and from theft and repeat sales.

**Second**, racket insurance earned its prominent place in business largely due to its car theft links. Pervasive corruption within the border and national police forces and by the law enforcement background of key *grupirovki* members greatly facilitated insurance companies and their schemes. "We have close contacts at all border check-points. I have been a police officer myself. We also keep good relations with district police departments, which help us a lot, actually they track most of the lost cars [...] For each car they trace they will get their 1,500 German marks, no matter if it is a senior or front-line officer who found it." Thus, the older of the Margin brothers, notorious SIC leaders, explaining the factors that rocketed the company to success in 1995. At that time a police officer's monthly salary was about DM 200–250.<sup>246</sup> Moreover, during this early phase of political and economic transition, if a prominent politician or businessman's vehicle got stolen, the victim would remove any area or district police chief for failing to find it in less than the blink of an eye. Careers were saved when the stolen car was traced, but the obligation for services long afterwards remained.

A **third** feature, closely deriving from the second one, was the continued control over a variety of crime gangs. Insurance companies were genetically linked to the criminal world and continued to draw upon it widely in their business. Through their offices the dominant insurers gathered first-hand local knowledge of auto-theft groups and if their members were all local or coming from remote places/groups, on their helpers and the outlets (service stations, parking lots and car dealerships) involved in distributing the loot. Having thus mapped an area, force-using insurers would periodically consult local police officers on its accuracy. In case any trespassers or rule breakers appeared, the teams of hit-men were ready to get them back on track. Alternatively, it was the police that punished them, not least because this provided a booster to the local of cleared-up crimes.

Most importantly, large **racket insurers were able to exert rather big influence upon political and economic elites**. Elected officials, judiciary, entrepreneurs, bankers and even diplomats would go to any lengths to get back a stolen car, more often than not contacting the local or country-wide operating racket insurer. Thus, incumbents in office were in the position of regular customers of those who controlled the car-theft market,<sup>247</sup> and in high probability ensured the smooth transition of racket insurance into numerous other legal businesses through which they could launder their considerable wealth.

One of the methods used by VIS-2 and SIC to widen their coverage was to oust smaller independent auto theft groups that did not pay any tribute to them, if necessary by using violence. Police bulletins in that period invariably informed about detentions of gun or bat-armed BMW-riding gentlemen holding SIC or VIS-2 membership cards. SIC leader Krasimir Marinov presented the police with an exact list of their employees to avoid "abuse of membership cards" and keep the company's good reputation, while Dimitar Popov, a respected career insurance

<sup>246</sup> See *Trud* daily, May 5, 2006.

<sup>247</sup> Media reports from this period recount numerous stories of both ruling party members and opposition having relations with criminal insurers.

expert and SIC CEO, claimed none of the people using violence were affiliated to the company.

Nevertheless, the most violent conflict that raged on the car-theft market remained between the two largest insurance entities. Despite the efforts of both companies' headquarters to negotiate the partitioning of the market, VIS-2 affiliated thieves continued to steal SIC-insured cars and vice versa. At times it resembled a mob war with wounding, killing and property damage which subsided after negotiations and surged as conflict areas increased.

Notwithstanding turf struggle and the chaos of copycats and free players, racket insurers needed to work effectively to win substantial clientele. As shown by police records in the period 1995–1996, car thefts dropped by 12% in 1995 and 26% in 1996 because of racket insurance (see Figure 19b). It is particularly interesting to find out how big the black car market was during this golden age of racket insurance, as car theft stimulated its development and vice versa, thus bringing double profits to insurance companies. The insurance–theft pattern developed in stages—from a monopoly of VIS-2, it was later on joined and rivaled by SIC, and finally by a few other smaller companies (such as Apolo Balkan, Korona Ins., Levski Spartak, Zora Ins., etc.) gradually becoming a fairly normal market. Independent players unattached and unaccountable to any of the larger insurers, however, still continued to operate.

The year 1995 can be taken as a basis when trying to assess the size of the auto-theft market.<sup>248</sup> By official data a total of 16,700 vehicles were stolen in that year, but having in mind the probable 60% of non-reporting and the average price per stolen car of 2,500 leva, the total could be estimated at 66 million leva. Besides that, there was the market of luxury cars where vehicle prices varied between 20,000 – 40,000 German marks (the currency most widely used in the mid-1990s<sup>249</sup>). Counting police recorded car theft and the unreported stolen luxury vehicles would add another 500 cars per year or 15 million leva. After 1995, as racket protection companies turned to the insurance industry, the auto theft market was complemented by car insurance. Reportedly, in 1997 VIS and SIC held 15% of the gross premium income, which amounted to around 250 billion leva (250 million after the denomination later the same year), nearly the same amount as the year before. Thus, in the period 1995–1997 they received an annual income of 40 million leva from insurance, where car insurance was accountable for around 70% of it. Apart from the 66 million leva from car theft, they made a further 28 million from car insurance. It is a bit more complicated to calculate what profits were generated through car trafficking around Europe. Some of the modest estimates point that around 10% of all cars stolen across the EU member states—around 200,000 vehicles annually—were trafficked through Bulgaria. With the average fee for trafficking a car through or the price of selling it in Bulgaria between 500 and 1,000 German marks this market amounted to around 150 million leva. The figure may be inflated, but even if in reality it was no more than 30% of that, **the total black market in the 1990s easily amounted to 150–160 million leva**. From the perspective of Bulgaria's dire economic situation in that period this was a huge market accounting for nearly 1% of the GDP.

<sup>248</sup> In March 1996, the economic crisis in Bulgaria was already manifesting itself and influencing the market with a set of new factors. Data from that year to a great extent would distort the estimate.

<sup>249</sup> The estimates do not take into account the inflation since then.

#### 4.4. POLITICAL STABILITY AND MARKET REDISTRIBUTION

The beginning of the end of the racket insurance companies arrived with the political changes and the new government in February 1997. The United Democratic Forces which won the elections made a political decision to “win the country back from criminals”. Despite the fact that SIC, and especially VIS-2, had invested a lot in particular politicians and funded the building up of regional structures of the ruling party, in late 1997 it was more than clear that the new incumbents were determined to put an end to large crime syndicates such as the racket insurers. By 1998, all insurance companies had to be re-registered and specific provisions in the new Law on Insurance banning private security services by insurance companies led to the **gradual abandonment of racket insurance practices**. Insurance companies had to be licensed by a National Insurance Council, whereas operational level control over the insurance market was to be exercised by the Insurance Supervision Directorate at the Ministry of Finance.<sup>250</sup>

The first wave of licensing reduced the nearly 100 insurance firms to 27. Union Ins (as SIC had renamed itself), Planeta Ins (as VIS-2 was then named), Zora Ins., Korona Ins. the Multigroup splinters Sofia Ins. and Sofia Zhivot, Apolo Balkan, and Levski Spartak, set up by former members of Ministry of Interior’s Antiterrorist Unit, were among those denied license. Racketeer groups were purged from the insurance market through partially repressive methods. The police demonstrated their determination to fight the *grupirovki* by such means as forcing citizens to remove the protection stickers from their car/store window or warehouse door without any explicit regulations in the law banning it. Further on, however, amendments to the Law on Insurance banned private security companies from managing or owning insurance companies.

By 1998, while criminal insurers were trying to negotiate licenses with the new government and the Mol was attempting to purge from its ranks various level officers who were related either to previous ruling elites, or the criminal world, the car theft market shrunk to very small proportions in, nearly reaching its 1991 level.

During that period not a single *grupirovka* leader was prosecuted, as the politicians chose to reach an agreement with them. In the following two years (1999–2000) VIS left the insurance market and SIC managed to transform some of its business. As a result, car-thefts started to increase again, growing by 13% in 1999 and by another 1/3 in 2000.

The growth in car theft in the period 1999–2000 has been attributed to a number of factors. The most common interpretation was that in 1997–1998 people were financially discouraged from reporting theft, as with the closure of criminal insurance companies, insurance purchases dwindled. Thus again, only around half of all car thefts were recorded. The police had its own motives for under-recording sensitive offences, car theft among them—pressure from high government officials. Adding to this was a 1999 prison amnesty, when about 2,000 criminals,

<sup>250</sup> The Insurance Supervision Directorate was established with the Law on Insurance in 1996, but did not start operating until late 1997.

car thieves among them, were freed causing a general rise of the crime level. Monthly police records of that period show that within a couple of months the number of police-registered stolen cars soared. One highly probable factor for this was the fact that insurance companies received their new licenses. They reasoned that if car theft continued to decline at the same rate as in 1997–1998, people would stop buying car insurance. Besides, once they had a license, they could do as they pleased. It is hard to say whether this was an important factor at all, or whether auto-thieves could secure any immunity from law enforcement with the new police and prosecution chiefs that came with the new government. However, in 1999–2000 the insurance company that succeeded SIC managed to draw the greatest number of clients, including many former VIS-2 motor insurance buyers. According to data from that period the cars insured with them were stolen much less often. Auto thieves and the police claimed that the reason was their hit squads were still active. Violent insurance, however, was well past its prime (1995–1996) and a number of insurance companies appeared, also selling car insurance, that followed regular civilized practices. Some of them did employ former law enforcement officers, who were equally well related to the racket insurance and auto theft business, but their role was limited to intelligence gathering. The newly established insurance companies did not make payouts unless the car-theft was registered with the police, which soon became regular practice for all insurance companies.

Several new trends appeared in auto theft. Data gathered in 2000 by the Bulgarian Association of Insurance Companies showed that around 50% of all stolen cars were disassembled and sold for components. Police reports analyzing the auto theft market at that time conclude that spare parts were assembled anew and the ready cars sold at legal markets and service shops controlled by the *grupirovki*. The Association further found that on 25% of those cars ransom was paid, while 25% were exported.

The companies denied an insurance license continued to **traffic stolen cars along three main routes**. Colonel Velikov, former deputy head of the National Service for Combating Organized Crime, describes them as follows: to the former Soviet republics, assisted by Russians, Georgians and Ukrainians in Bulgaria who were related to their local crime syndicates; to the Middle East, shipped with the aid of residents of Arab origin; through Macedonia to Albania, by networks involving Macedonian and Albanian nationals.

With the demise of racket insurance and the decline of car theft in Western and Central Europe the **import to Bulgaria of cars stolen abroad also changed**. It was no longer profitable to import for the mass buyer. In addition, there was a shift in the pre-1997 corruption levels that had facilitated trafficking. Earlier, police and customs border control officers worked in symbiosis with traffic channel operators who preferred to pay a monthly "subscription" for uninterrupted import, rather than bribe officials for every single vehicle. The traffic police and notary publics were also more than willing to assist stolen car deals inside the country. Now, the Bulgarian Customs and border police were stepping up cooperation with international security institutions to increase control over insurance, the safety and speed of transnational electronic data exchange, etc. Criminals were forced to invest much greater effort and resources to circumvent controls,

e.g. changing identification numbers on most parts of the vehicle—from engine, through frame, windowpanes, seats, mirrors to safety belts. They also had to forge a long list of papers, including insurance and even driver's ID papers in both the source and the market country. All expenses related to disguising a stolen car ranged between 2,000 and 3,000 German marks<sup>251</sup>—the price of a second-hand car in Western Europe. Adding the transportation and other transfer costs, importing stolen vehicles for the mass market became financially unfeasible. In the late 1990s a steady trend to import high-class vehicles sold at about 20,000 to 30,000 emerged German marks. It was mainly such cars that were trafficked through the two border points preferred by car smugglers—Kalotina and Rousse. Furthermore, in 1998, for no apparent reason the National Service for Combating Organized Crime closed its specialized unit against car trafficking.

An inquiry of the newly established car trafficking team at the Rousse Regional Customs Directorate disclosed a trafficking scheme that gives a good idea of how such channels operate. The investigative team asked Interpol for information on stolen cars in Europe—a direct move that skipped the usual circuitous information gathering route and forestalled the moves of traffickers further along the channel. This was the first occasion in the 1990s when a well functioning luxury car smuggling channel was monitored. The Rousse customs compared the cars imported through their border point in the period 1996–2000 with a value between 50,000 and 200,000 German marks with data about vehicles of the same value range stolen in the same period in Western Europe. This helped narrow the scope of checked cases from about 1.5 million (cars stolen annually) to several tens of thousands. The vehicles imported through Rousse were mostly Ferraris, Porsches, SUVs, limousines and several rarer makes. The inquiry found out that among the persons involved in the smuggling channel were several high-ranking local customs officials and road traffic officers.<sup>252</sup> The channel had been controlled by SIC. Its local units had been in charge of securing the vehicles, customs clearance and further registration with the traffic police. On most occasions, the same Serbian, Kosovar and Bosnian truck drivers were involved. The smuggled stolen vehicles equipped with legal papers inside Bulgaria were further sold to vehicle dealerships in Sofia.<sup>253</sup> As the probe progressed, however, the National Service for Combating Organized Crime and the Rousse Regional Prosecution Office<sup>254</sup> took steps to terminate the inquiry. None of the officials involved in the scheme was dismissed. A similar channel for smuggling vehicles stolen from Europe ran

<sup>251</sup> To stabilise the economy Bulgaria operated under a currency board starting in 1997 when the exchange rate was pegged to the German mark and later to the euro.

<sup>252</sup> As evident from the inquiry papers of the Customs Intelligence and Investigation Department at the Rousse Regional Customs Directorate.

<sup>253</sup> Investigative reporters claim that part of the cars sold by the Rousse channel can be traced to the auto market owned by the late Fatik—a crime boss shot in 2003.

<sup>254</sup> The then regional prosecutor Lyulin Matev's involvement was covered by Nikolay Ganchevski, head of the Military Department at the Supreme Prosecution Office of Cassation (and former Regional Prosecutor of Rousse), who was also a close friend of the then Prosecutor General Nikola Filchev. Later on in 2006, Matev was investigated for links with the Spanish based boss of the Rousse branch of SIC, dubbed Mazola. Soon after the probe was initiated he resigned from the Rousse Prosecution Office. His deputy from the time when the car trafficking inquiry was subverted (1999–2000), however, has not only remained in office, but is still Rousse's regional prosecutor (see *Capital* weekly, July 8, 2006; July 15, 2006; *24 chassa* daily of July 17, 2006; *Bankerof* June 9, 2007).

through the Kalotina crossing at Bulgaria's border with Serbia.<sup>255</sup> Partial information from probes into this route and another channel passing through the southernmost border checkpoints to Greece (Kulata) and Macedonia (Zlatarevo) was made public in 2006.<sup>256</sup>

#### 4.5. CONTEMPORARY PERIOD

As most other black markets in 2001–2002, auto theft underwent a shift carrying several implications to its aftermath, specifically, the period 2005–2006.

After 2001, car sales rose dramatically—whereas in 2000 around 100,000 new and used cars were imported, in 2005 they reached 180,000. Thus, supply outstripped demand for the first time since the 1960s when cars first became a mass commodity in Bulgaria. Besides the oversupply of cars within all price ranges, the most important shift concerned average prices which plummeted, so that it did not pay to buy a stolen car.

As confirmed by police officers working to prevent car trafficking, **border control improved considerably in 2002–2003**. The creation of the Bulgarian Integrated Customs Information System (BICIS) made it possible to exchange data with EU member states' customs authorities, including data about imported and exported vehicles. Border police control also tightened, and thus both the influx of Europe stolen cars to Bulgaria and their trafficking across the Balkans to other destination started to drain.

Falling car theft rates in Western Europe also caused car trafficking to shrink. From the record-breaking 2,074,000 thefts in 1993 they decreased to 918,000 in 2004 (see Table 13). Germany in particular, which was a source country favored by Bulgarian auto thieves, displayed a significant drop from its 1993 level—the 276,000 thefts went down to an all-time low of 35,000 in 2004—even lower than Poland which registered 51,000 stolen cars in the same year.

Insurance companies started making timely payments for car theft, so insured victims were already much less willing to pay ransom. Whether total damage or theft was involved, car owners tended to get paid within three months, unlike the period up until 2002–2003 when the average wait time was six to nine months. Insurers also required costly car owners to equip their vehicles with the latest security systems, such as alarms, GPS, immobilizers and unique markings on the components. The newly introduced car loans also discouraged people who would buy an expensive vehicle from buying a stolen car.

Due to the ineffectiveness of anti-car-trafficking units at police departments, the MoI established new specialized bodies at district centers. Thus, expertise could be accumulated and sustained, officers could be monitored more successfully, and the pressure of criminal networks over local officers—common practice at area police departments—could be restricted.

<sup>255</sup> See *Sega* daily, December 11, 2001.

<sup>256</sup> Cars stolen in Spain had been trafficked through Kulata and Zlatarevo in the course of two years. In April 2006 the Blagoevgrad Regional Directorate of Interior held 13 such cars in a smuggling attempt. There is an ongoing investigation into the case (see *Monitor*, October 26, 2006).

**Table 13. Stolen cars in the EU (1990–2004)**

	1990	1993	1995	1997	1999	2000	2002	2004
Austria	9,078	8,593	7,514	7,043	6,992	10,541	5,099	5,973
Belgium			37,603	35,242	35,780	33,395	25,050	19,104
Denmark	42,697	35,696	36,737	42,701	35,195	33,730	27,677	9,838
Finland	18,233	21,059	19,772	22,015	29,611	26,391	12,264	12,353
<b>France</b>	<b>433,494</b>	<b>506,888</b>	<b>453,525</b>	<b>417,360</b>	<b>395,947</b>	<b>401,057</b>	<b>252,084</b>	<b>186,430</b>
<b>Germany</b>	<b>106,973</b>	<b>276,745</b>	<b>262,620</b>	<b>190,585</b>	<b>140,636</b>	<b>127,750</b>	<b>57,402</b>	<b>35,034</b>
Greece	6,845	9,660	12,678	16,555	17,091	16,550	17,889	15,010
Ireland	12,182	13,244	11,754	13,589	14,851	15,964	14,598	9,065
<b>Italy</b>	<b>313,400</b>	<b>311,256</b>	<b>305,438</b>	<b>301,233</b>	<b>294,726</b>	<b>243,890</b>	<b>203,694</b>	<b>221,925</b>
Luxembourg	589	1,145	1,196	675	626	542	519	526
Netherlands	49,814	44,044	40,902	37,309	37,831	38,320	30,785	22,989
Portugal		15,542	17,334	22,792	28,163	26,428	22,173	14,832
<b>Spain</b>	<b>135,559</b>	<b>107,698</b>	<b>98,847</b>	<b>133,330</b>	<b>138,961</b>	<b>134,584</b>	<b>106,524</b>	<b>122,248</b>
Sweden	88,687	73,782	70,299	78,826	78,216	86,820	45,160	38,058
<b>United Kingdom</b>	<b>537,354</b>	<b>649,346</b>	<b>553,848</b>	<b>443,975</b>	<b>414,700</b>	<b>375,840</b>	<b>328,186</b>	<b>214,000</b>
<b>TOTAL FOR EU-15</b>	<b>1,754,905</b>	<b>2,074,698</b>	<b>1,930,067</b>	<b>1,763,230</b>	<b>1,669,326</b>	<b>1,571,802</b>	<b>1,149,104</b>	<b>918,843</b>

**Bureaucratic obstacles** that had hindered the recovery of stolen cars found by the police **were removed**. Tracked cars or vehicles confiscated as material evidence used to stay parked for months in front of police departments and those that wanted to avoid waiting, used to pay bribes to police officers and prosecutors ranging between 200 to 15,000 leva. High-class expensive cars had usually had their identification numbers forged and were hardest to get back from the police, involving the biggest bribes.

The removal of Schengen visas for Bulgarians in 2001 was followed by an emigration wave to Western Europe. Among those that left the country were various criminals, including auto thieves, most of whom chose to move to Spain and less often Italy, as there were already large Bulgarian communities to which they could attach and the local police forces had no experience in tackling criminals of Bulgarian origin.

All those changes contributed to the overall shift in the auto theft market. In 2002, the car theft rate dropped by 30% and despite the slight rise in 2003, the downward trend remained steady in the following years, marking an average 12.8% decrease for the last five years.

Apart from shrinking in size, the **auto theft market structure also changed**. In the late 1990s its largest segment was taken by the sale of vehicles stolen in Bulgaria or abroad, whereas after 2001 it became difficult and costly to manage

such sales, so the segment diminished down to several types of vehicles. As this segment was now safer and more profitable, many car thieves turned to the business of restoring stolen vehicles to their owners instead of direct involvement in theft.

### ***Structure of the Bulgarian Auto Theft Market***

In an attempt to adapt to recent developments Bulgarian auto thieves managed to organize in a way rather singular in Europe. Based on interviews with police officers and people involved in car theft networks, **the structure of the Bulgarian auto theft market can be described as follows**. The hierarchy-based market from the period of racket insurance was altogether replaced by networks involving auto thieves on a par with a number of other supporting actors. Besides a group of thieves, a network's infrastructure is usually also available to brokers, technical experts, lawyers, car sellers, police officers willing to leak intelligence, etc. Networks are not fixed, but dynamically changing according to the project underway. The activities/actors of different networks may overlap, and they fall apart easily when they cease to be competitive. An auto thief, for instance, could move from group to group without actually leaving the broader network.

The country is unofficially carved into regional markets around the larger cities, such as Sofia, Plovdiv, Varna and Bourgas. Each of them has several squads working within one or more car theft networks. This **regionalism** raises the competitiveness of local groups and networks as they know the market much better, including the road infrastructure, the available hideouts and places to modify, dismember and sell the stolen vehicles, to negotiate prices with possible buyers. Finally, they are familiar with local enforcement and judiciary officials. Thus, an auto theft group based in Pazardzhik will not risk stealing a car in Sofia as they don't know the city well and the getaway roads are few. Close familiarity with the place is indispensable in the capital city as well, which is also divided into smaller areas where particular car theft gangs act. In middle-sized towns, however, it is also important to operate outside the town, to avoid being caught by the police. Thus, thieves from Varna would extend their ventures to nearby Shumen or Dobrich, or even to the remoter Pleven. The groups also need to be part of networks with countrywide coverage to increase their effectiveness, assisting and rivaling each other at the same time. Such networking makes it possible to return a car to its owner from Pazardzhik even when it was stolen in Bourgas, as regional networks are also linked to each other.<sup>257</sup>

When juxtaposing regional markets, Sofia stands out among all other regions as it is accountable for more than half of all auto thefts in Bulgaria. To compensate for size and profits, most regions have to rely on **networks among the other larger cities**. South and North Bulgaria, for instance, have thriving auto theft markets, as their main cities are well interlinked (Pazardzhik–Plovdiv–Stara Zagora and Varna–Shumen–Dobrich, respectively), whereas in regions with less important towns and poorer roads car theft has weakened since the late 1990s (e.g. Rousse, Vidin, Montana, Kardzhali, Smolyan, etc). The second largest car theft market gravitates around the Plovdiv–Bourgas axis with the Trakia highway

---

<sup>257</sup> Interview with respondent D.

(and the byroads near the stretches that are still under construction) as its backbone. Thieves from Pazardzhik, Assenovgrad, Haskovo, Stara Zagora, Sliven and Yambol are drawn around Plovdiv, but Haskovo, Yambol and Sliven also belong to the network centered round Bourgas, which also attracts smaller towns along the Balkan mountain range traditionally strong in car theft. Varna is the pivot of a less important regional network including the towns of Dobrich, Shumen and Pleven. In addition to the described factors, since 2001 Bulgarians have emigrated to Western Europe in large proportions, and the two larger networks' markets have declined considerably.

Participants in car theft networks grouped around their roles at the different stages of the theft. The main role at the first stage is that of **car watchers**—residents of various towns around the country whose task is to spot and pass information about suitable targets. They have to note details, such as the car's color, make, year of manufacture, presence of an alarm system and the driving and parking routines of the owner. It is also imperative to learn whether the car may be exchanged for ransom—if it lacks coverage or if the victim can be persuaded to pay ransom. When a target is decided upon, they follow the vehicle's course and keep continually in touch with the action team preparing to steal the car. Car watchers are paid only after the operation is completed. Sometimes they perform extra services, such as securing a garage and bribing police officers to stay away. As a rule, they are hired by theft groups that do not operate locally.

Security guards, commonly called **cover-ups**, provide another important link in the car theft chain. If the car theft team is small, this role may be performed by a members of another thieving group or a different group altogether. Often, it is a local police vehicle patrol that provides security while the car theft is being committed in their area. They sometimes also act as car watchers for the thieves,<sup>258</sup> but their main function is to cover the theft, especially in the case of well protected cars.

The main part is played by the thieves (called bowler hats in the vernacular of the area around Sofia). According to police officials around 200–300 professional car thieves have operated in Bulgaria in the period 2003–2006.<sup>259</sup> They act in small groups (50–60 in total) and constitute the action core of the networks described above. They call themselves *brigades*, a label inherited from the *grupirovki* era. A brigade can comprise 3 to 6–7 men, but the small-sized ones are predominant.

Roughly, the groups are either closed—unwilling to admit new members as they have stuck together for years, or open<sup>260</sup>—one or two established auto thieves drawing less experienced men, sometimes from other cities, to complete a particular mission. After 2001 car theft groups became increasingly mobile. They often migrate to Europe, and sometimes to the US and Canada, especially the most

<sup>258</sup> The police are supposed and believed to guarantee the public's security, but paradoxically enough they are sometimes involved in car theft using their mobility and knowledge of the local area to help thieves.

<sup>259</sup> Interview with respondents A and B.

<sup>260</sup> Interview with respondent A.

experienced one, half of whom are reportedly abroad. Some of them migrate both ways several times a year.<sup>261</sup>

The class of vehicles targeted and the techniques and equipment used in theft also serve to differentiate between the groups. There are elite auto theft teams specializing in luxury car thefts, such as Mercedes, BMW and Audi, whereas the bulk of other gangs steal common makes such as Volkswagen, Opel and Renault that do not require special technical skills to steal and are easy to sell afterwards. Some groups specialize in vans, lorries, trailer trucks or Soviet made cars. The methods of the different types groups vary from rough to refined. The **forceful methods** involve busting a vehicle open with a metal bar, slim jim and the like, and if the alarm goes off the thieves either cut the cables or crash the device with a hammer. Electric shock batons are also used to disable the security system through a brief high voltage shock and break into the car. When the light emitting diode on the dashboard is targeted with the baton, most vehicle security electronics used in Bulgaria would crash under the electric shock, the alarm would die and the car could be started.

**Methods of medium complexity.** Apart from the rougher approaches, medium class cars are stolen through alarm code breaking. To make them cheaper, most cars commonly used in Bulgaria are equipped with similar hard code security systems which are easy to break and deactivate the alarm.

**Methods of high complexity.** What is common between the teams that use more advanced theft methods is that they plan their moves meticulously. It involves a long investigatory period in which either car watchers, or thieves from the team provoke minor incidents to be able to define the type of security system, which they would later decode, and finally, disable the alarm. The next step is to unblock the engine and ignite the car in the regular way—a task that requires high skills and expensive devices (worth about several thousand euro) possessed by only a few auto thieves in Bulgaria, who usually target high-class cars. There is also an external condition that has to be secured—the car must be accessible for a sufficiently long stretch of time—usually by police officers covering and barring access to the larger area where the car is parked.

Superior cars are supplied with convoluted defenses, specially protected alarm systems, immobilizers with several paths to block ignition, GPS and other electronic security devices. Nevertheless, in the last couple of years the thieves that focus on first-rate vehicles are easily overcoming even such strong security without applying any exceptional technical competences. Sometimes, complex technological solutions are used, but their main principle is that of economy—instead of straining to break trillion-combination codes, they will produce false keys, overrun GPS signals or break into the car, drive off and rip the GPS system out. GPS devices are often found hanging from roadside trees or stuck to bypassed vehicles. When the vehicle has very advanced blocking systems, the theft teams are compelled to employ costly unblocking devices in order to remove the full electronic system. For that purpose they follow the latest developments in vehicle

---

<sup>261</sup> Unfortunately, there is no information available about the reasons behind the repetitive migrations of renowned auto thieves.

security and spend sizeable amounts for tools to break them. In several cases the police has caught whole minivans full of mechanical instruments and electronic devices, but it is more common for car thieves to carry all of their arsenal in a briefcase, usually containing a laptop with code-breaking and engine unlocking software, GPS blocking devices, immobilizers, factory made deterrents and wiring defenses.

A car theft group will usually divide in two and the first two thieves will drive off in the open car and disable the GPS,<sup>262</sup> while a third member in a different vehicle stands close by to watch for police or possible witnesses from the neighborhood and follow the stolen car for protection. Sometimes there is also a second escorting car, especially when the stolen one is costly. The first one drives in front to signal if any risks arise, while the second could be a powerful jeep with a sizeable bumper that follows behind and is ready push in case the engine, wheels or the electronic controls stalled. This method is quite simple, as the car could be pushed for miles on end; it is also better suited when the stolen car has to be left behind during the flight than if the car is tugged by a preceding vehicle.

**Theft of keys** is another modus operandi of car thieves, especially when they would like to deal in the easiest way with the immobilizers of newer cars. The method involves the theft of the car keys alongside the devices necessary to turn off the alarm and immobilizer and saves any other efforts or expenses associated with breaking car security.

A **third method** is car jacking through a variety of approaches. One of them, known as the Spanish method, was in popular use in 2004–2005. It involves tying a tin can to the targeted car that would make noise when the car is in motion and compel the driver to stop and check the problem, and at this precise moment the car is hijacked. Thieves would also cause intentional light road accidents or block the car's parking place to coax the driver out of the car. On some occasions, the thieves may go from theft from robbery or use violence against the car owner.

The thieves' next task is to drive the car to a hiding place. In cities the size of Sofia or Varna it is considered that the vehicle is relatively safe if taken 2–3 kilometers away from where it was stolen.<sup>263</sup> The vehicle would be stowed in paid car parks or narrow downtown alleys with another member of the ring staying in a car nearby to guard it. With expensive cars the usual step is to hire a garage by using false ID cards or by paying someone to hire it. The highest class vehicles are supplied with several hideouts and often moved from one to the next. The car may be left in one place until sold, moved to be taken apart for components or trafficked out of the country. If it must be moved to a safer place, the gang faces several risks. The car is already reported missing and the police stop most cars matching its profile. The transfer must be done as quickly as possible, although the driver must take care not to attract attention with reckless moves or speeding.

<sup>262</sup> GPS tracking can be diverted for only a short period of time.

<sup>263</sup> "I don't steal cars, I just love driving. What I do is drive the cars from one estate to another", says the legendary auto thief Uncle Tsuk.

Both former and active auto thieves claim that it is essential to keep a cool head in sticky situations or road incidents. Special value is attached to the ability to trick the police in a car chase. With the exception of several shootouts in such chases in the 1990s, the police have not used firearms against fleeing car thieves. They prefer "not to risk the lives of officers, once the guy is in the car and off", and as the thieves know the limits the police set, they do not consider a chase excessively risky.

At the same time, auto theft circles have built a myth around car chases. All kinds of chasing stories circulate among them. Stories are told of repeat escapes in a single night, speeding through narrow alleyways and into the opposite lane; of a gang running for a week and leaving several cars behind until they break away in a "super car". Auto thieves are prone to following movie stereotypes just as many local mafia leaders would emulate mobsters from famous films. Emulation is not limited to reckless driving in car chases, but to the way they organize a theft. Most auto thieves believe a car is more valuable than anything they might have in life—more than one's wife, family or friends. Thieves claim that they are in a way addicted and cannot resist cars of outstanding quality. Many of them have become well-to-do men and have withdrawn from the stealing business, but are often drawn back if an exceptional target appears.

The auto market prospers when there are enough **craftsmen**—technicians to tamper with the stolen car's identity as well as people to forge its documents. The simplest modifications, such as the change of license plates or painting the vehicle a different color is performed by common mechanics in the garages where the car is usually hidden at the start.

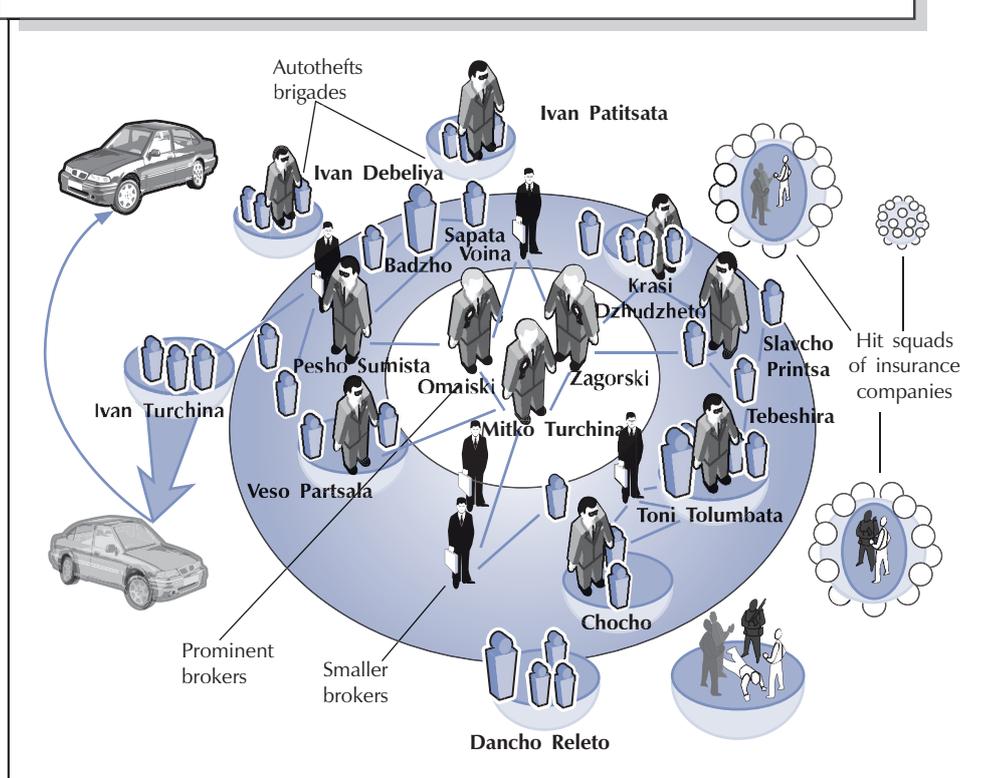
The most sought after mechanics are called **chisel men**—they hew out new license plate numbers to replace the original ones. Some of them may specialize in Soviet-era and old cars, while others may be skilled to falsify the identification numbers of cars with dozens of security codes placed by manufacturer or insurer (various numbers on the frame, engine, gear box, immobilizer, etc.). In the first case the cars are modified in small repair shops, as the more cars they handle, the greater their profit.<sup>264</sup> The engines and controls of the most expensive and modern cars, though, are equipped with advanced technological defenses which could only be handled by very skilled men in possession of enough hi-tech devices. They must restyle the stolen vehicle so as to make it fully unrecognizable. The best qualified chisel men take great pains to protect themselves from prosecution. There is hardly any case when the police have caught one of those craftsmen in the middle of a car disguising effort. As a rule, they work in other people's repair shops and even if a stolen car was found there by the police while the master mechanic was present, there wouldn't be direct evidence pointing to him as the perpetrator. After 2001, many of the best qualified among those mechanics emigrated to Western Europe. The skilled mechanics go to the car, not the other way round, they change auto repair shops and never get caught (in contrast to auto thieves). Another group of car mechanics deals specifically with dismantling cars for components and with reassembling such stolen car parts into new cars.

<sup>264</sup> There are mechanics whose work is anecdotally efficient. A man dubbed the Togliatti, who worked in the mid-1990s and specialized in the Soviet make Zhiguli, could reportedly refashion 10 to 15 cars in a single night.

The other craft associated with stolen cars is **changing its identity on paper**. As documents vary in the degree they are protected, an inept forgery could fail the car theft chain. Counterfeits should be both technically well elaborated, but also well researched, as all the right kind of documents must be supplied. Sometimes the genuine papers of a crashed car are taken or the documents are stolen from a car somewhere in Europe, so that later in Bulgaria or a country other than the one where the vehicle was stolen, they could forge another car's identifications signs to match the papers.

As at some point the auto theft market had shifted to theft-for-ransom, another group, the so called **retrievers** became an important link between the thieves and the victim. The reliance on small-world<sup>265</sup> model of connections is probably the peculiarity that distinguished all branches of organized criminality in Bulgaria from their counterparts in other countries. Auto-theft action groups would easily get back to almost any of their victims through the network of retrievers. This pattern was probably successful due to the fact that the number of people servicing the chain—thieves, retrievers, mechanics, police officers, car importers, sellers at car dealerships and other insiders—was no greater than the population of a large village (2,000–3,000 people).

Figure 20. Auto theft networks



<sup>265</sup> First described in: Milgram, S. *The Small World Problem*, *Psychology Today*, No. 2, 1967, pp. 60-67.

After the theft is accomplished the perpetrators call one of the three or four well-known retrievers—they are the people at **the hub of most networks of thieves and intermediaries**. There are a few other less famous brokers/coordinators, but the core of the networking system comprises several well-known names. The ones that have risen to prominence in the last four or five years on the Sofia market are Mitko the Turk, Zagorski and Omaiski. These men are impossible to prosecute, as they act mostly as telephone exchanges, and neither money, nor cars can be found on them. Their main strength is the trust they managed to build as retrievers in the mid-1990s when theft-for-ransom became frequent practice. The victims could rely on the retriever's good name that they were going to have their car restored. Any failure to do so detracted from the retriever's authority. Another trick for keeping a retriever's reputation intact in case of failure was to keep their involvement in the theft-for-ransom chain anonymous.<sup>266</sup>

Towards the late 1990s the car theft market was almost never violent. As theft-for-ransom came to the fore, those that would use violence were marginalized. The market regulated itself and any network member from the thieves to those with supporting roles would drop out if they failed to fulfill their part of the task.

**Retrieval networks** provide the link between the victim's social circle of friends and relatives and the actors on the auto theft market. Interviews with individuals experienced in ransom taking confirm that it is usual practice to contact a person close to the victim, very often someone whose own car has also been stolen once or more. Thus, trust is again involved, as the victim could only give a large amount of money to someone close whom they trust unconditionally. This person must know someone from the auto theft networks—a mechanic, police officer or local crime leader—to contact, so that he can access the retrievers. After the ransom is received and the car is restored to its owner, he/she may be paid a small sum by the thieves for providing the link.

In contrast to the 1990s when the thieves would reach the victim and state the required ransom directly, the process now involves a number of intermediaries and the victim is expected to be actively seeking contact with them. The victim has to approach the retriever and negotiate with him the ransom terms. In case they do not agree on a price, several options remain. If the car is expensive and transfer risks are low, it may be trafficked out of Bulgaria. Alternatively, it may be dismembered and sold for parts. Finally, the car could be put on fire in a way of demonstrating power. In fact, a victim resisting pressures for ransom could become the target of a long list of retributions. Reportedly, some people refusing to pay ransom would have their next newly acquired car(s) damaged as a punishment for their refusal to pay ransom. In addition, cheaper cars, especially if the police engage in a chase and the thieves decide it is not worth the risk, could be abandoned in a remote street and left there for months before the police find it.

When ransom negotiations are brought to an end, the money is to be delivered to the thieves, which usually involves several other links to make tracking the ransom harder. This modus operandi was adopted after auto theft units were set

<sup>266</sup> Interview with X, a prominent retriever.

up within the police, which became increasingly effective in ransom catching. Thieves switched to using three to four ransom carriers, which made it easier to cover their tracks. The persons who take the money from the car owners are put at greatest risk, but when caught they usually stick to the explanation that they were simply doing a personal favor to the victim. It is not impossible to detect where the ransom goes after being taken from the victim, but only up to the second person involved. Often, he or the third person in the chain goes to a designated office and exchanges the money into foreign currency, which is a good track covering strategy, even if someone in the chain cooperated with the police and used marked banknotes.<sup>267</sup>

For these reason, it is extremely difficult to detect and present evidence in theft-for-ransom cases. Intermediaries and thieves use coded language in their phone calls which, even when recorded by the police, will not hold in court, as car related vocabulary is carefully avoided. If the chosen target was a yellow Volkswagen Passat located anywhere in the country (as opposed to the capital city) or abroad, they would talk about yellowish rustic-style pâté, or if they mentioned that blue Olympics were needed, they would actually be referring to a blue Audi being in demand.

A **long chain of intermediaries**, however, **lowers the profit from a car theft**. If ransom intermediaries get 100–200 levs and the main link receives a percentage of the profit, the thieves themselves could be left with quite a small sum. Data from the 2004 and 2005 National Crime Surveys in Bulgaria and interviews with police officers and car thieves revealed that ransoms amounted to only one third of the car's price. With the average price of a stolen car about 6,100–6,200 levs,<sup>268</sup> those that risked the actual performance of the theft may end up with a mere 1,000 levs if they can get a ransom for it. In 2005–2006, however, a new trend was observed—as the number of stolen and retrieved cars dropped, the average ransom increased, thus demonstrating the auto theft market's adaptability to new conditions.

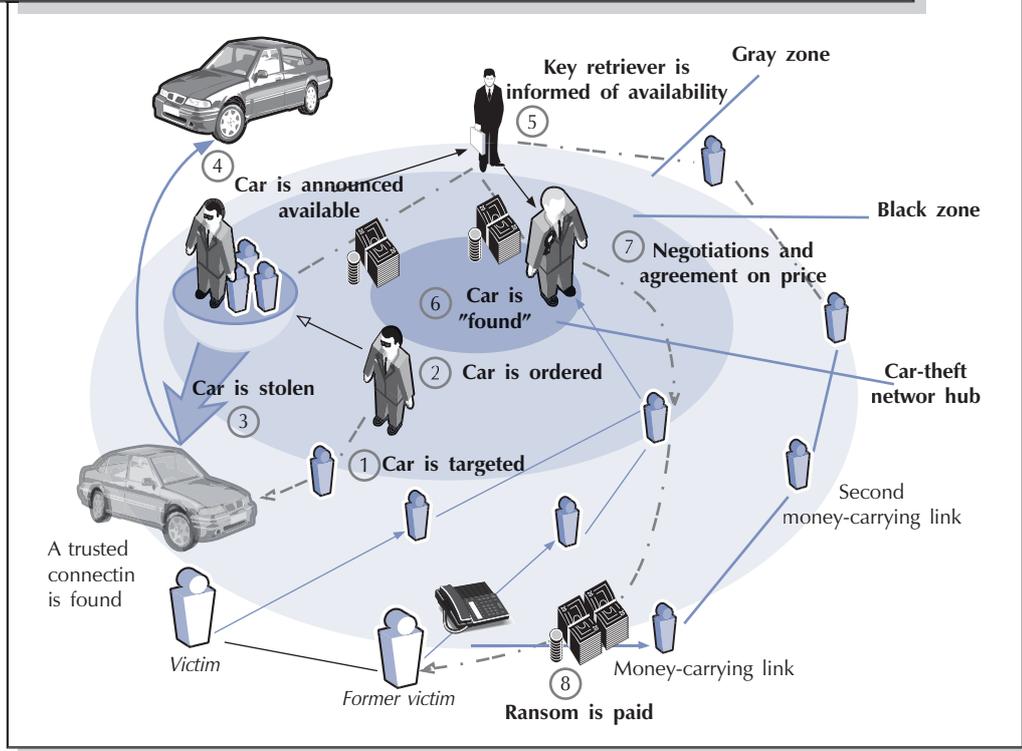
There are two other key actors on the auto theft scene—the **mule and the organizer**. The mule can be tasked with transferring cars from abroad—Spain, Italy, the Czech Republic, Hungary, but also with many other different tasks, such as carrying the ransom money to the thieves. The organizer is usually the man who orders a particular car or sort of cars to be sought. Often such people manage the whole chain—the car-watching (in Spain or elsewhere), the mechanics, the mules based in Central Europe, the Bulgarian car dealerships, and the traffic officials to issue its new legal documents. Interviews confirmed that organizers are at the top of the pyramid, despite the crucial role of retrievers. They are equally well protected, but in addition they have a much greater say in guiding the course of the operation.

Another figure invariably present close by the criminal world in Bulgaria is the **mob or "black" lawyer**. No actor in the auto theft business (from car thieves to car dealers) would fail to budget for such a lawyer, as they could defend them or minimize

<sup>267</sup> Intermediaries have been caught equipped with ultraviolet lamps ready to check for marked notes.

<sup>268</sup> *Crime Trends in Bulgaria 2000 – 2005*, Center for the Study of Democracy, Sofia, 2006.

Figure 21. The theft-for-ransom process



damages whenever anything goes wrong or a theft is effectively detected and prosecuted. There are mob lawyers specializing in auto theft, ransom and counterfeiting who would see a client through from police inquiry to second-instance court (for more on mob, or black lawyers, see Chapter I).

Mob lawyers, however, are a ready target for both the police, who are dissatisfied that the lawyers use illegal methods to make null police evidence at court, and the auto theft players (thieves, mechanics, retrievers, etc), who are sometimes sentenced despite the fat amounts they pay the lawyers.

The car theft market structure cannot be fully comprehended without analyzing the role of **car insurance companies**. Interviewees have pointed out that currently three insurance firms are involved in violence and ransom seeking through car theft. Referred to as "the mobsters floor" by regular insurance employees, the violence using groups are not on the insurance firms' payroll. Often, they are former police officers or professional athletes hired under temporary contracts or registered as sole trader companies and subcontracted for services by the main firm. Insurance statistics shows that the three such companies hold over 50% of motor insurance in the country. However, other insurance companies also sign contracts with these satellite violence-using groups. It must be noted, though, that violent methods could be successfully applied elsewhere, but in the capital city Sofia.

A look at the relation of auto theft networks to other organized criminal submarkets will also help clarify the picture. Notably, stolen cars have been used in all

major mafia contract killings in the last fifteen years. The fact that the murdered mob lords were involved in the drug market, contraband, VAT frauds, prostitution rings and so on, indicates that the auto theft market is related and supportive to most other branches of syndicate crime. With a few exceptions, though, in the **last six–seven years auto theft itself has not been associated with violence**. The only auto theft leaders killed in that period were Dragomir "Drashko" Iliev, in August 2006 and Nikolai "Kolyata" Petrov, in December 2003. Some analysts claim that car theft networks are highly influential because of their indispensable role in strategic criminal world killings that they do not need to resort to violence in their own primary activities.

### *Market Dynamics and Recent Car Theft Methods*

The auto-theft market's geography has changed due to the described multi-participant model of intermediation during stolen car retrieval, as well as strong pressure from law enforcement and the insurance companies. There are few safe places left on the map for auto thieves—mainly the capital and the small satellite towns around it. Police records reveal that despite the falling trend, car theft in Sofia is growing relative to the total number of thefts in Bulgaria, reaching a share of 55% in 2006.

There are several factors behind this pattern:

- Apart from Sofia, most towns are too small-sized to allow the formation of large networks protected by anonymity. In the last four years the average Bulgarian towns with 30,000 to 100,000 inhabitants have had no more than two or three active car theft groups, which has made the tracking of any stolen car deal rather easy.
- Provincial courts are prone to issuing harsher sentences for car theft offenses, particularly when the local police and local branches of insurance companies put pressure on them. This is done even with weaker evidence than any court in Sofia would normally accept.
- The violence used by the three aforementioned insurance companies. Interviewed local car thieves from Varna suggested that two locals dealing in car theft have been killed.
- Since 2001 many car thieves have fled the Bulgarian countryside in search of larger Western European markets, particularly to Spain and Italy.

Increased emigration and the imprisonment of major local car thieves were followed by a significant drop of 30% to 50% of auto thefts, which is visible in most towns/districts.

**Table 14. Car thefts by district police directorate (DPD)**

	1995			2001			2006		
	Number of car thefts	Clear-up rate of recorded car thefts	% total car thefts	Number of car thefts	Clear-up rate of recorded car thefts	% total car thefts	Number of car thefts	Clear-up rate of recorded car thefts	% total car thefts
Sofia City Police Directorate	6,208	6.75	39.29	5,450	6.15	50.31	2,796	7.30	55.03
Bourgas DPD	550	20.36	3.48	647	8.96	5.97	473	12.90	9.31
Varna DPD	1,899	9.58	12.02	1,137	7.30	10.50	350	22.00	6.89
Plovdiv DPD	1,280	14.38	8.10	630	12.54	5.82	220	20.00	4.33
Stara Zagora DPD	451	21.29	2.85	318	21.70	2.94	152	35.53	2.99
Sofia DPD	354	32.49	2.24	296	16.22	2.73	101	26.73	1.99
Pazardzhik DPD	266	31.58	1.68	230	13.04	2.12	87	25.29	1.71
Blagoevgrad DPD	352	24.43	2.23	52	48.08	0.48	84	42.86	1.65
Dobrich DPD	361	27.42	2.28	189	15.34	1.74	73	27.40	1.44
Veliko Tarnovo DPD	310	28.39	1.96	115	17.39	1.06	72	36.11	1.42
Vratsa DPD	242	21.07	1.53	227	15.42	2.10	71	21.13	1.40
Pleven DPD	572	20.63	3.62	154	20.13	1.42	71	30.99	1.40
Shumen DPD	278	27.34	1.76	180	24.44	1.66	52	23.08	1.02
Pernik DPD	573	7.85	3.63	319	16.93	2.94	50	30.00	0.98
Sliven DPD	125	28.80	0.79	77	36.36	0.71	47	29.79	0.93
Yambol DPD	138	34.78	0.87	53	35.85	0.49	45	51.11	0.89
Targovishte DPD	88	38.64	0.56	49	40.82	0.45	41	63.41	0.81
Rousse DPD	376	19.15	2.38	74	22.97	0.68	39	46.15	0.77
Lovech DPD	210	28.57	1.33	73	31.51	0.67	36	41.67	0.71
Gabrovo DPD	162	28.40	1.03	56	41.07	0.52	33	45.45	0.65
Montana DPD	149	28.86	0.94	72	30.56	0.66	33	48.48	0.65
Razgrad DPD	131	44.27	0.83	81	19.75	0.75	33	48.48	0.65
Haskovo DPD	215	28.37	1.36	149	18.12	1.38	33	42.42	0.65
Kardzhali DPD	58	46.55	0.37	19	36.84	0.18	26	92.31	0.51
Kyustendil DPD	144	31.94	0.91	60	33.33	0.55	24	50.00	0.47
Silistra DPD	110	48.18	0.70	50	12.00	0.46	16	37.50	0.31
Vidin DPD	140	56.43	0.89	67	23.88	0.62	14	64.29	0.28
Smolyan DPD	38	65.79	0.24	6	66.67	0.06	6	83.33	0.12
Transport Police Dpt. at the General Police Directorate	19	42.11	0.12	2	50.00	0.02	3	33.33	0.06
<b>TOTAL</b>	<b>15,799</b>	<b>15.51</b>	<b>100.00</b>	<b>10,832</b>	<b>10.98</b>	<b>100.00</b>	<b>5,081</b>	<b>16.71</b>	<b>100.00</b>

Source: Ministry of Interior

Assessments of motor vehicle theft based on police records often disregard a large segment of the market in the 1990s—vehicles stolen in Western Europe and smuggled into Bulgaria. The interviews with car thieves and dealers led to the suggestion that such cars with cleaned-up factory numbers and legalized papers are available in fairly large quantities, steadily growing since 2001. Interviews with police officers suggested that over 30% of the SUVs of several makes, such as BMW X5, Audi Q7, Mercedes GL and M, including the rare Porsche Cayenne, were restyled.<sup>269</sup> Black car market actors, though, claimed that their share was even larger, reaching 50% for some stolen vehicle models. None of these figures, however, could be verified.<sup>270</sup> Compared to 1992–1998—the period when car trafficking channels were working smoothly and registration of smuggled vehicles with the home traffic police was practically unhindered, both border and domestic controls have improved since successive rounds of measures were introduced in 1998, 2002 and 2003. Car trafficking networks that imported cars for sale in Bulgaria, however, also adapted their methods to changing policing and insurance realities at home and across Europe. The techniques they started to use were aimed at keeping the theft undetected for as long as possible, and even after detection—at disguising the car, so that it would be difficult to prove the offense at court.

As stated by police interviewees, the sophisticated methods deterring detection and making use of the numerous legal lacunae around the investigation of vehicle theft offenses greatly discourage car theft police units, as such cases take up ample resources (e.g. 5–6 months of an officer's working time) with no sound prospects for a successful probe. Often, the car under investigation gets blocked and unusable by either its current owner (who may be an innocent purchaser of the stolen vehicle), or the person from whom it was initially stolen. In many cases, the latter has already been paid insurance and wouldn't go further to get the car back, much as the insurance company wouldn't be willing to make any extra expenses. For this reason, the police prefer focusing their efforts on less convoluted mass-produced car theft cases, in which no advanced falsifications techniques are used. The leading car trafficking players know the regulatory framework as well as police attitudes in detail, which helps them keep ahead of the situation.

The major approach used in trafficking vehicles stolen abroad is that of **car doubles**—a process having several distinct stages. At the **first stage**, the car dealerships and importers must be identified. They must have clients convinced that they can buy a new, luxury car at this specific outlet at a special discount, say 10–20% cheaper than elsewhere in the country.<sup>271</sup> Other clients will deliberately choose to buy a stolen car in order to save half or more of its regular market price. A third group of clients will order a specific model of car with particular

<sup>269</sup> Here again, the resemblances with the Russian auto theft market are striking. Gerber, G., and Killias, M. *The Transnationalization of Historically Local Crime: Auto Theft in Western Europe and Russia Markets*, European Journal of Crime, Criminal Law and Criminal Justice, Vol. 11, No. 2 / May, 2003.

<sup>270</sup> In contrast to the common type of car theft, nearly 100% of which are registered, stolen and uncovered cars that have been tampered with are either not registered or their records are mixed with other types of records from customs, tax administration and traffic police.

<sup>271</sup> A variation of this behavior occurs when the owner of a crashed car would order the same model, being well aware that he will be supplied with a vehicle stolen in Western Europe.

equipment. The traffickers will then make a rough estimate of the number of cars the selected dealerships could sell to their clients and order the batch of vehicles. Such luxury cars, however, should not be imported in conspicuously high numbers, as that may provoke suspicions.

At the **second stage**, the target vehicle is identified and stolen. Europol<sup>272</sup> and national police data from Spain, Italy and France reveal that the modus operandi in vehicle theft is changing to several technically unencumbered methods, such as car jacking with use of violence and theft of original keys, so that the offenders do not need to disable the sophisticated security features of modern cars.

The **third stage** is transportation to the Bulgarian market. The stolen vehicle may be transported in a regular container supplied with false freight documents for goods that are not normally monitored. The risk, however, is high, as container shipped cargo is generally closely monitored. The second major task at this stage is to find a car double and collect any possible identification number or sign on it - on the frame, engine, gear box, immobilizer, windowpanes, mirrors, seats, belts, etc. The double may be a wrecked car bought from its owner at a small price or one found in car dealership and inspected carefully under the false pretenses of intended purchase, during which its identifications are meticulously copied. The few such schemes that have been resolved by investigative bodies reveal extensive use of advanced technologies. For instance, details about the cars in demand in the destination country (Bulgaria) are sent via the internet, mobile phone built-in cameras are used to photograph the targeted double's identity numbers, which are then sent back in messages, etc. All codes and numbers of the stolen car are then replaced by skilled mechanics using fine instruments, so that the falsification could only be spotted with very precise detectors. The newly produced double has extremely low odds of being caught, as the original's absence is not investigated in the first place. Indeed, such schemes are rarely captured and police recorded at all, and the actual share of cars thus altered cannot be calculated with any certainty. Police figures across the EU also show that only a small percentage of such cars are found. This raises the question why Bulgaria, rather than EU countries, is picked as a destination market. Possibly, among the Bulgarian population there are still multiple purchasers believing they can get a high-class car at a preferential price or willing to risk driving a stolen vehicle that they could never afford under normal circumstances.

There are two more schemes for importing motor vehicles stolen in Western Europe. The first was originally used in the 1990s, but is already becoming obsolete. It is an **insurance fraud** employed by vehicle owners who sell their car on the black market at a price three times as low as its theft coverage. When all transfer procedures are completed and the car is transferred to the market country,<sup>273</sup> usually two months after the deal (that is the maximum period admissible when applying for insurance), the owner reports the car stolen to the police and the insurance company. If his insurance was, for instance, 30,000 German marks and

<sup>272</sup> Europol, *An Overview of Motor Vehicle Crime from a European Perspective*, January 2006.

<sup>273</sup> Interviews with respondents A, S, N; similar practices occur in other East European countries and Russia as well, see Gerber, G., and Killias, M. *The Transnationalization of Historically Local Crime: Auto Theft in Western Europe and Russia Markets*, *European Journal of Crime, Criminal Law and Criminal Justice*, Vol. 11, No. 2 / May, 2003.

the amount he got on the black market one third of that—i.e. 10,000 German marks, he would pocket 40,000 from the non-existent theft. When at some point, EU insurance companies shortened the period for reporting the theft to a few hours, the scheme became nearly unusable, as for such a short time the car could at best be transferred through the border to a neighboring country and could be trafficked further only if its identity was changed. Therefore, this *modus operandi* was replaced by the bankrupt company scheme, which came in wide use in 2006. It involves the setting up or buying of an extant company abroad, which then leases several cars. The cars are transferred to the destination country and sold at the black market. The company at the source state is then made bankrupt, leasing payments are terminated, and the cars are not restored.

Finally, there is a **reverse scheme of expensive car doubles**—the original cars are found in Bulgaria, with the owner providing all necessary ID, including number plates, vehicle documents, and insurance papers, which are exported to Western Europe. A stolen car of the same model is then imported, which has to be examined by the traffic police before its Bulgarian registration documents are issued. The original car is taken to these examinations and thus the trafficked double is provided with legal documents. There are cases in which a car has had four to five such clones.

### ***Volume of the Auto Theft Market***

In contrast to the mid-1990s, in recent years the number of car thefts not reported to the police has dwindled to 1–2%. Current estimates of recent police statistics suggest that over 60% of car theft victims are offered to have their car restored against a certain sum. Ransoms are usually demanded when the car is not covered against theft. With insured cars, which, according to expert estimates, are around 30%, the thieves approach the insurance company to offer a deal. All in all, it can be calculated that ransom was demanded from 3,500 people in 2005 when the number of stolen vehicles was 5,900, and from 3,000 individuals in 2006 when 5,000 were stolen.<sup>274</sup> Some experts claim that 90% of victims pay the ransom demanded of them.<sup>275</sup> In around 10% of the cases insurance fraud is involved when a person, who has found out about the theft but is not the owner, approaches the insurance company to claim the insurance amount.

The above figures could be used as a basis to make a rough estimate of the car theft market's size in 2005–2006. Findings from the National Crime Survey reveal that on average the value of a stolen car is 6,100–6,200 leva, whereas the average ransom is around 2,200.<sup>276</sup> The latest police data, however, show that **in 2006 stolen cars' value markedly rose to 10,000–12,000 leva**. It may be surmised that the ransom has also risen to an average of 3,000–4,000. Thus, the total market

<sup>274</sup> Non-existent thefts were reported by 10 to 15% of car owners who wished to get rid of an old vehicle or a vehicle that would not pass the registration procedure. In those cases the owners usually sold the car for scrap which made them exempt from fines or fees that could be imposed on them.

<sup>275</sup> A victimization survey carried out by Vitosha Research in November 2006 found out that 31% of car theft victims were asked for ransom, and 56% of them paid it. The relatively low ratio of demanded and paid ransoms could be explained with the respondents' unwillingness to self-report behavior that is as an offense under the law.

<sup>276</sup> *Crime Trends in Bulgaria 2000 – 2005*, Center for the Study of Democracy, Sofia, 2006.

value of stolen vehicles seems to have gone up from 30 million levs in 2005 to **55 million in 2006**. The total revenues of car ransom seekers have increased from 7.7 million in 2005 to 10.5 million levs in 2006.

To measure the average profits of a car theft ring, it could be assumed that 60% of car thefts are committed in Sofia. Thus, ransom revenues in 2005–2006 would amount to 4.6–6.3 million levs. The Sofia Directorate of Interior has estimated that at the local market where 10 to 20 auto theft groups are active, one group could make between 230,000 and 630,000 levs per year. A member of a group of 80 to 100 individuals could then make from 45,000 to 80,000 levs annually.

#### 4.6. CAR THEFT MARKET DEVELOPMENT SCENARIOS

A comparison of the stolen motor vehicle market in Bulgaria in 1995 with the latest data from 2006 suggests that its profits have shrunk five to six times, whereas stolen car numbers have fallen to the pre-1990 level. This raises the question whether car safety has increased to reach socialist-time levels or whether organized criminal car-theft networks are not any longer the severe problem they used to be. Despite the decrease, if the share of thefts not cleared-up is over 50% this is a sign of the presence of criminal enterprises on the market. As regards car theft Bulgaria remains one of the countries with lowest clear-up rate.

Considering the convergence of the factors described above (rapid overall decrease of auto thefts, invariably low clear-up rate, networks immune to investigation, emigration of many well-known auto thieves to the EU, and the well covered market of doubles) one could outline several probable scenarios for the future of the auto theft market in Bulgaria:

First, an **optimistic scenario** could be proposed. With this scenario car thefts will persistently decrease, as manufacturers will continuously improve built-in defenses. Factory made electronic devices will only be available at franchise dealer service points and gray car workshops will disappear. The growing number of insured cars (due to attractively priced comprehensive insurance and third party liability packages) will discourage their owners from paying ransom in case of theft. Due to advanced equipment for total video surveillance and comprehensive electronic data storage, the police will improve evidence gathering and effectively detect motor theft offenses. These trends will compel more experienced thieves to exit the auto theft market.

A more **realistic scenario** will be for the decline of auto thefts to stop when it reaches an average of 4,000 stolen vehicles annually. At present, the number of stolen cars per capita in Bulgaria is one of the lowest compared to the rest of the EU. At the same time, theft and trafficking remain a lucrative business, as Bulgaria is surrounded with the much less controlled car theft markets of other Balkan and Black Sea states, and regions like the Caucasus and the Middle East. It could reasonably be expected that new cross-border possibilities will open up to Bulgarian auto theft networks after the borders of EU states were lifted in 2007.

Table 15. Stolen vehicles in the EU (2004)

	Vehicles stolen	Vehicles not recovered	Clear-up rate
Austria	5,973	3,536	59.2
Belgium	19,104	8,173	42.8
Bulgaria	7,569	1,109	14.7
Denmark	9,838	1,391	14.1
Finland	12,353	2,469	20.0
France	186,430	116,472	62.5
Germany		35,034 <sup>277</sup>	
Greece	15,010	6,468	43.1
Ireland	9,065	5,399	59.6
Italy	221,925	115,641	52.1
Luxemburg	526	238	45.2
Netherlands	22,989	9,598	41.8
Portugal	14,832	9,222	62.2
Spain	122,248	85,001	69.5
Sweden	38,058	3,304	8.7
UK	214,000	85,000	39.7
Cyprus	427	225	52.7
Czech Republic	24,230	3,786	15.6
Estonia	1,209	625	51.7
Hungary	9,065		
Latvia	3,306	1,865	56.4
Malta	825	238	28.8
Poland	51,319		
Slovakia	4,801	1,107	23.1
Slovenia	1,026	380	37.0

Source: Europol

The **pessimistic scenario** takes into account cyclical trends captured by both home and EU statistics. Such records demonstrate that after long-term lows, car thefts tend to rise again. As more expensive and newer cars will increase in number, Bulgarian auto thieves could focus on this segment by developing new theft methods and enhancing their ties with actors on the international car theft market.

<sup>277</sup> EU crime experts point out that data about car thefts in Germany may lack in realism, as local statistics only records stolen cars for which charges are pressed.

## 5. THE ANTIQUITIES TRADE – DEALERS, TRAFFICKERS, AND CONNOISSEURS

In contrast to the strictly illicit and rigorously prosecuted drug business, the antiquities<sup>278</sup> market involves a **wide spectrum** of activities from clandestine excavations and looting through legal sales at auction houses and antique shops to displays at established museums or private collections. In many cases, irrespective of their origin, antiquities can be supplied with false provenance documents and sold at auctions as though legally acquired. Sometimes the end owners do not even have to go that far—a 1999 study of British archaeologists Christopher Chippendale and David Gill demonstrated that a bulky 75% of the artifacts in the sample of large private museum collections surveyed are unprovenanced.<sup>279</sup> State museums of international repute are no exception. The Director of the Metropolitan Museum of Art in New York claims that most of the antique artifacts imported in America in the last decade or so have been trafficked in violation of source countries' laws.<sup>280</sup>

---

<sup>278</sup> For the purposes of this paper the commonly known term *antiquities* has been used throughout to signify moveable cultural property, such as artifacts from the past or old coins, which are the main objects of black trade, in alternation with the legal term *monument of culture* taken from Bulgarian heritage legislation (with its variables *movable monument of culture* and *immovable monument of culture*). The Law on Monuments of Culture and Museums defines the latter term as "any movable and immovable authentic material evidence of human presence or activity which possesses scientific and/or cultural value and is of public significance." Objects of high value belong to the category of national cultural assets or treasures. The more awkward *cultural and historical property* is still in official use at certain Bulgarian institutions (for instance, the Ministry of Interior), but is becoming obsolete. The term *monument of culture* is a local coinage that differs from internationally recognized terminology. For instance, the UNESCO Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property (14 November 1970) adopts the term *cultural property* and defines it as "property which, on religious or secular grounds, is specifically designated by each State as being of importance for archaeology, prehistory, history, literature, art or science and which belongs to the following categories: (a) rare collections and specimens of fauna, flora, minerals and anatomy, and objects of palaeontological interest; (b) property relating to history, including the history of science and technology and military and social history, to the life of national leaders, thinkers, scientists and artist and to events of national importance; (c) products of archaeological excavations (including regular and clandestine) or of archaeological discoveries; (d) elements of artistic or historical monuments or archaeological sites which have been dismembered; (e) antiquities more than one hundred years old, such as inscriptions, coins and engraved seals; (f) objects of ethnological interest".

<sup>279</sup> There are countries such as Germany where any artifact can easily be registered with no requirement to state its source, while the certificate received would commonly read "provenance unknown". Thus, prosecution is possible only if the artifact was stolen from an already legal collection and its previous owner filed a lawsuit.

<sup>280</sup> *Archeology*, May/June 1993, p.17.

Alerted by the increasing challenges to historical heritage preservation faced by a number of nations, in the second half of the twentieth century the international community undertook the first round of measures against the trafficking of movable monuments of culture. Europe and the wider world, however, are creating a continuing market demand for cultural property that foments its trans-border traffic to the present day.

Heritage legislation in the EU is far from harmonized and even the underlying approach to cultural property protection differs from state to state. The regulation of the market of illicit antiquities can be addressed through a variety of solutions, sometimes complete opposites, precisely because it ravel legal, quasi-legal and purely criminal aspects. The major regulation patterns known are the **conservative** (or South European) and the **liberal** (or North European).<sup>281</sup> The **first approach** is exemplified by the Greek Law 3028/2002 on the Protection of Antiquities and Cultural Heritage in General. The **second type** of regulation can be found in its purest form in the Netherlands, known for its liberal heritage legislation and a large variety of public–private partnerships in this field. The main points where the **two models differ concern ownership, the rules governing domestic trade and export of antiquities and the powers of the state** to regulate that trade. Irrespective of the chosen model, however, in all EU member states there are private organizations in the field of culture, private museums, auction houses that can sell antiquities freely, as well as a long history of antiquities trade and private art collections.<sup>282</sup> Due to its past affiliation to the communist bloc, however, Bulgaria’s private business with cultural goods has remained poor, depleting even further with the dissolution of the communist state.

The scope of this paper allows for a brief analysis of only some aspects of the illegal acquisition, trade, collecting and trans-border trafficking of antiquities and the ways they interact with the semi-legal and purely legal cultural objects market at home and abroad.

## 5.1. DOMESTIC TRADE IN ANTIQUITIES

Prior to 1989 Bulgaria’s communist regime policed looters<sup>283</sup> and controlled the export of antiquities rather uncompromisingly. Private collectors who were not affiliated to high party officials were openly repressed, as in the case of the renowned gold coin collector Zhelyazko “the Emperor” Kolev. The Law on Monuments of Culture and Museums (LMCM) issued back in 1969 defined the cultural objects market actors as: government agencies, private collectors and local state-owned museums, which remained the case until the democratic changes took place. As the communist state with the institutional structure that bound it fell apart, looting, trade and smuggling of antiquities in Bulgaria entered their golden age.

<sup>281</sup> For further details see Chobanov, T., “Analysis of Foreign Cultural Heritage Legislation and Practices” in: *Comparative Study of the National Cultural Heritage Legislation in Bulgaria and Some EU Member States*, Sofia, 2006, p.45.

<sup>282</sup> *Ibid.*

<sup>283</sup> Looters of the old type were treasure seekers who dug up in deserted areas known by word of mouth to cache treasure-troves underground. They rarely approached and damaged archaeological monuments.

### ***Looting and Lowest-Level Antiquities Distribution***

Driven by the lax law enforcement and the mass poverty that struck the population with the social and economic crisis the number of treasure hunters and plundered sites in the early 1990s drastically increased. Initially chaotic, archaeological pillaging grew structured and specialized in terms of the loot targeted and the activities performed, gradually forming a hierarchy of participation. Looters, middlemen and smugglers practically had free rein, going about their business unpunished throughout the late 1990s as well. **Two factors** contributed to the flourishing of illicit archaeological effort and trading in movable monuments of culture.

#### **Box 6. The Archar case**

One major archaeological site that has been drawing treasure hunters for many years is the Roman settlement Ratsiaria whose remnants are located in close proximity to the village of Archar in Dimovo municipality. Local looters are assaulting the place as a matter of routine. In 2006 alone the police caught the perpetrators—individuals, or whole looting gangs—of fifteen forays to the site. Prompt police investigations led to convictions in seven of the cases, while the rest have not yet been finalized.

*Source: Information from the National Police Service of 25 January 2007.*

Society and the authorities tend to be **lenient to such offenses**, which generally remain underreported, as looting and trading in antiquities do not cause direct damages to the individual. Furthermore, several **striking archaeological findings** at the start of the new millennium spurred excessive enterprise among looters. Newly unearthed sites were swarmed and pilfered even as archaeologists and historians were trying to conduct proper explorations.

Mol experts claim that looters have so far combed the better portion of the cultural layer (estimates mention some 80%), part of which consists of immovable monuments—mainly Thracian hills, tombs and other sites dating back from antiquity to the Middle Ages. Estimates about active looters range between 100,000 to 250,000.<sup>284</sup> Despite the striking figure most of these people are either amateur treasure hunters, or incidental finders. The **professionals among them** do not exceed several thousands. In the late 1990s the latter were becoming much better equipped and regularly used fine-tuned metal detectors (capable of registering the type of metal that lies buried several meters underground and provide 3D images of the buried artefacts) and more advanced excavation technology (such as bulldozers, tractors and navies).

The criminal groups that deal with field exploration and illicit excavations are highly mobile. They are most active in summer, making excavations in arable lands and forests. Sometimes they purchase fields in close location to archaeological sites and deep-dig the soil without any precaution. Alternatively, the land is leased or the would-be agrarians are paid to plough it, while their true intention

<sup>284</sup> Interview with representative of the Cultural and Historical Property Contraband Section at the NSCOC.

is to search for loot with metal detectors.<sup>285</sup> Apart from looting, which is normally prosecuted as a crime, there are other activities, such as **construction** in areas bordering on or within territories protected by heritage legislation, whose **ruinous effect on cultural sites** shouldn't be underestimated.

Considering their scale and price, local experts have called the domestic market of illicit antiquities "small trafficking" in contrast to cultural property export to other, market nations which is "big trafficking".<sup>286</sup> **Domestic trade in cultural items** should be set apart from criminal trans-border trafficking as in most cases the former belongs to the gray, rather than the black market. On the domestic market further transactions are made between private collectors trading coins or other artifacts with each other. The primary market chain involving local finders, local dealers and local collectors feeds into the domestic exchange of coins or other collectibles. Another market that in recent years has flourished enough to become a self-supporting business for some people is the **manufacture and sale of fake antiquities**. Reportedly, a number of clandestine mints are operating in Bulgaria mainly to supply the US coin market. Counterfeiting found or pillaged ancient coins before selling them is also common practice among local looters and dealers.<sup>287</sup>

Initially the **internal market of antiquities** is supplied through a local network of looters and dealers to satisfy the demand for artifacts and coins of thousands of numismatists across the country.<sup>288</sup> Such high domestic demand indicates the existence of many illicit private collections, some of them so rich that they rival museum deposits. Antiquities can also be found in collections owned by private banks.

Experts claim that artifacts are purchased and sold several times before reaching private home collections or trans-border dealers. Large-scale traffickers are several dozens.<sup>289</sup> Some of them are already permanently based abroad as antique shop owners. They are so connected as to be able to produce particular coin types and artifacts on demand in the market country by directing a robbery or looting mission at the right place in the source country. Mid-scale dealers operate by regions, selecting the artifacts supplied by local finders and offering the most valuable ones to their bosses.

Foreign nationals (mostly **Germans and Greeks**) are also increasingly involved in this business and further play the role of middlemen in illicit export. Greeks specialize in supplying Bulgarian Orthodox church-plate to foreign markets, which may explain the growing number of church and monastery burglaries committed locally. The demand from foreign states and the number of non-local dealers

<sup>285</sup> Report of the Crime Counteraction, Public Order Maintenance and Prevention Chief Directorate (CCPOMPCD) of the National Police Service, 25 January 2007, p.2.

<sup>286</sup> Interview with Ministry of Culture experts, January 18, 2007.

<sup>287</sup> The story of six looters was recently reported in the Bulgarian media. The gang had been digging up antiquities from ancient hills, tombs and caves and selling them together with the replicas they were producing, *Plovdiv21.com*, August 10, 2006, <<http://www.plovdiv24.com/news/18384.html>>

<sup>288</sup> *Ibid.*

<sup>289</sup> By expert estimates of the NSCOC.

operating in Bulgaria is expected to increase when much of the border control (at internal borders) is stripped after the country joins the EU.

Before antiquities reach the end market they pass through a process of filtering in three stages. The first filtering is done when looters and their immediate dealers offer cheap, largely affordable items, such as coins or artifacts of no special value. Second-tier regional dealers then engage in repeat filtering to offer rich private collectors (bosses) the highest-value or unique objects for prices reaching 100,000 leva per item or coin. The informal monthly tenders held in the city of Veliko Tarnovo are a succinct illustration of the process – first filtering is done at a collectors’ meeting held every first Saturday of the month, succeeded by a second filtering at a more exclusive meeting of dealers and collectors on the following day and a third filtering by the top collectors known as bosses.

At the core of Bulgaria’s internal antiquities market is a **network of legal numismatic exchanges** (at which officially no buying and selling goes on) held at various times of the year in several cities. The aforementioned meeting at the Poltava disco club in Veliko Tarnovo hosted by the local coin collectors’ society is the most prominent example. It is a must for the coin and stamp collectors, antique dealers and various other collectors from all over the country. In other cities, such as the capital Sofia, Plovdiv and Montana antiquities are usually traded in numismatic clubs and more rarely at antique outlets or through face-to-face encounters between purchaser and seller.

**Table 16. Overview of the antiquities market**

Stages	Activities	Actors	Legality	Market type	
I	looting	<ul style="list-style-type: none"> <li>– looting gang leaders</li> <li>– looting gangs</li> <li>– occasional looters (finders)</li> </ul>	criminal	black	<b>National</b>
II	acting as middleman/ dealer; maintaining private collections	<ul style="list-style-type: none"> <li>– small dealers</li> <li>– regional dealers</li> <li>– large dealers/ collectors</li> </ul>	sales qualified as criminal, purchases de facto legal	gray	
III	trans-border trafficking	<ul style="list-style-type: none"> <li>– traffickers</li> <li>– border officials</li> <li>– large international dealers</li> </ul>	criminal	black	<b>International</b>
IV	market state sale	<ul style="list-style-type: none"> <li>– international dealers/market state collectors</li> </ul>	legal	white (legal)	

The Veliko Tarnovo club meetings accommodates both legal transactions between collectors purchasing artifacts which are not strictly definable as “monuments of

culture” and illicit bargains with real antiquities. In isolated cases looters themselves come to put their finds for sale. It is more common to come across dealers offering large stocks of coins and artifacts as well as collectors with individual objects and old coins. Purchasers also come in two distinguishable groups—the private collector and the middleman or dealer commissioned by rich clients or bosses to supply them with antiquities of greater value and/or amount. It is commonly believed that the most valuable items are traded in privacy, safely remote from the numismatic exchanges. There is a growing trend to strike any **fairly costly antiquity deals** outside those legal exchanges, not least provoked by law-enforcement clamp-downs such as the police operation disrupting the Veliko Tarnovo exchange on December 2, 2006. Such aggressive enforcement seems to erode the possibility to monitor the trade of antiquities.

In recent years cultural artifact dealers have been using the internet increasingly to market various antiquities and coins with much greater ease. Detailed descriptions and photographs of such objects are offered on specialized commercial web pages. Ministry of Interior agencies have also tracked **online bids for coins** of Bulgarian provenance at numismatic sites.<sup>290</sup> Some of the old coins pilfered in a notorious recent burglary of the Veliko Tarnovo city museum were also put on offer in such online auctions. E-commerce is also the preferred method of dealing forged antiquities.

Police data about recorded antiquities-related offences sheds some light on how widespread looting is in Bulgaria:<sup>291</sup>

**Table 17. Cultural property crimes**

Year	2000	2001	2002	2003	2004	2005	2006
Recorded crimes involving cultural and historical property	368	349	298	280	224	204	206

Source: National Police Service

The 2006 clear-up rate for these crimes was 30.1%, that is 61 cases solved and 76 perpetrators, most of whom Bulgarian nationals, arrested.<sup>292</sup>

Another resource of cultural item supplies for both Bulgaria and the major market states are the **local museums**. Throughout the transition years there were persistent reports of burgled museums. On a number of occasions individual museum exhibits were found missing or having been substituted with less valuable objects (similar old coins in particular can have a hundred-fold difference in price depending on how well preserved they are), or fake items. A prosecution office

<sup>290</sup> Report by the Crime Counteraction, Public Order Maintenance and Prevention Chief Directorate (CCPOMP CD) of the National Police Service, 25 January 2007, p. 3

<sup>291</sup> *Ibid.*, pp.3-4.

<sup>292</sup> *Ibid.*

inquiry in the fall of 2006 established that exhibits were missing in the archaeological museums of two major Bulgarian cities – Varna and Burgas. Museum thefts raise serious concerns as they involve qualified museum staff whose supposed mission and duty is to help preserve the national heritage and because of that they are even more blameworthy than the common treasure hunter.

Most Bulgarian museums have **poor recording practices** of the artifacts in stock. The general lack of accountability, in particular of museum directors, further aggravates the situation. The Supreme Prosecution of Cassation has confirmed that the major museums in Bulgaria have not had an inventory of their core funds made for the last fifteen years which suggests that the responsible state bodies have completely neglected their duties. The majority of museums do not observe the international standard for describing art, antiques and antiquities with photographs and exact descriptions of each object (the so called Object ID). In Bulgarian museums objects are often loosely described in general terms, which makes it impossible for them to be tracked, positively identified and restored. The dire state of museum documentation dooms to failure any efforts to trace stolen coins or other items transferred abroad.

Other property often illicitly traded in and marketed abroad (chiefly in Greece) are old Orthodox icons and church-plate items.<sup>293</sup> As such objects are property of the Bulgarian Holy Synod, however, enforcement agencies are not in a position to take full stock of this type of national cultural heritage. Customs officers do not normally intervene in the trans-border movement of icons either, as they have no staff qualified to make assessment requiring such subtle expertise.<sup>294</sup> Nevertheless, as foreign demand is rather modest, **icons are trafficked out much more rarely** than they are traded to collectors within the country.

To make their anti-looting and anti-trafficking efforts seem more effective enforcement **agencies announce lavish values of the illicitly acquired cultural objects** they capture. This trend combines with popular beliefs that the antiquities are purchased at much higher prices in market countries than at home. Since the best developed antiquities market both in Bulgaria and abroad is that of Ancient Greek, Roman and Byzantine coins,<sup>295</sup> a closer comparative look at their prices at auctions may reveal a different picture. The coin market has the following **distinguishable characteristics**:

1. The fairly **low price** of most coins makes them accessible for mass purchase as individual coins are minted in large amounts and the tradition of coin collecting has long been established. Price, however, hardly diminishes their historical and aesthetic value.
2. Coin trade is **firmly internationalized** due to the cross-fertilization of historical and political developments, commercial relations and the dense cultural layering characteristic of the processes that led to the formation of the contemporary nation state.

<sup>293</sup> Prosecution officials have described staggering cases of medieval frescos being removed from church walls to be trafficked out of the country.

<sup>294</sup> Interview with a customs official.

<sup>295</sup> There is practically no international demand for Thracian coins.

3. The price of the same type of coins can **differ widely** as prominent private collectors and leading museums set particularly high demands on the quality of the items they would agree to purchase.
4. **Serious devaluations** are frequently observed, in particular after abundant archaeological finds (treasures) which can cause the price of coins once extremely costly due to their rarity to crash.
5. The **original location** where the coins were struck and circulated plays an important role in their grading. Only a small portion of local coins are not affected by the high price differential between home and international market. Thus, a well preserved medieval coin minted by a Bulgarian tsar is, generally, more profitably traded in Bulgaria than it would be in any other country.
6. The growing **market saturation** with the major specimen in the three main ancient coin groups and the slight chances for discovering and appraising so far unknown coin types has caused a decline in coin prices worldwide. Despite the diversification of trade channels (e.g. over the internet), this trend will be generally aggravated except for coins graded "extremely fine" where prices are expected to remain stable or to be tilted slightly higher by the cheapening of lower-grade coins.
7. Price ranges depend fairly strongly on **national and regional economic factors**. The same type of ancient coins in comparable condition could be more expensive (but in some cases also cheaper) in EU countries and almost always so in the US than in Bulgaria or, say, in Serbia, Macedonia, Romania, etc. This shows that local income levels can affect coin prices similarly to mass commodities.<sup>296</sup>

Building on these established trends as well as on empirical data the following inferences can be drawn concerning coin **pricing at the domestic and foreign market** and the ways it affects both illicit trade within Bulgaria and trans-border coin trafficking.

- There is a clear-cut **difference in coin prices** in Bulgaria and in other market countries primarily resulting from the disparities in purchasing power. This fact, however, does not necessarily abet encroachments on cultural heritage and illicit coin exportation;
- Coins found during clandestine excavations are sought primarily by local private collectors and/or are of fairly low quality. The absolute or relative price such finds may reach within the country are often higher than any possible foreign auction prices if they were to be trafficked out of Bulgaria;
- It is safe to suppose that purchasing coins abroad and importing them in Bulgaria to satisfy demand from local collectors could sometimes bring good profits;

<sup>296</sup> Pachev, P., *Peculiarities of the Pricing of Ancient Coins Compared to Other Heritage Items*, pp. 2-3.

- If local coin dealers aim to make extensive use of the high price differentials at home and abroad in order to strike sizeable profits, they must be ready and willing to **risk breaking all existing export controls**. The only target market financially worthwhile, however, would be that of the US due to its very size and purchasing power unrivalled by any other industrialized state.
- The cultural property business has numerous specifics, such as mutual confidence and confidentiality between the trading parties that may take years to build, finding purchasers who would willingly engage in an illicit transaction or country-specific hurdles such as buyers suspecting they might be sold fake antiquities "made in Bulgaria". Therefore it is a trade plied by few informed participants.<sup>297</sup>

## 5.2. TRANS-BORDER ANTIQUITIES TRAFFICKING

### *Channel Operators and Mules*

The volume of illicit antiquities export as well as its history and trends are not recorded with any consistency nor are sufficient hard data available. Certain figures provided by the customs agency could help draw a rough profile of the market states to which Bulgarian antiquities are exported, the actors physically involved in their transportation and the number and types of trafficked antiquities. The table below contains data on the attempts at illicit export prevented by border officers:

**Table 18. Antiquities seized at Bulgarian borders**

Year	Number of border seizures	Number of antique objects seized
2003	17	1,799
2004	12	517
2005	16	4,435
2006	15	6,220 plus 66 kilos of coins and artifacts

Source: Bulgarian Customs Agency

The main actors in antiquity smuggling are identified as follows:

- The so called **mules** known from drug-smuggling are paid to perform the physical transfer of antiquities often unaware of what is being transported or of its exact value, but agreeing to carry the goods across the border, sometimes in their private cars, for a certain fee.

<sup>297</sup> Pachev, ... pp. 2-3

- **Channel operators** run trafficking lines, hiring couriers and bribing border and customs officials as necessary. This role is often played by local antiquity dealers who thus go international, entering in contact with foreign dealers or collectors. Sometimes human trafficking routes and their operators are used to smuggle out cultural objects.
- **International dealers** are traders or collectors, most often Bulgarian born, but living and conducting business from Western Europe or the US (roughly between 30 and 50 individuals). Some of them are former law-enforcement officers or have relatives serving in the security sector, thus having access to insider information about the dealing in antiquities and their smuggling routes. Apart from managing the financial side, i.e. the international bank transfers for purchased artifacts and the payments for transportation, they have to bring the antiquities to auction houses in the market countries or sell them through their own antique shops.

#### Box 7. The case of Angel Filchev: dates and figures

On April 1, 1994 preliminary criminal proceedings were started against Angel Borisov—brother of Nikola Filchev, later to become Bulgaria’s Prosecutor General—and several other persons in relation to possible contraband with old coins and other cultural goods. Three years later, on December 22, 1997 he was charged with contraband of antiquities and the offense was described by the lead investigator of the case as particularly grave. On May 13, 1998 Angel Borisov was arrested at the Kalotina border check point in relation to the same investigation. He was detained in pre-trial custody, but eight days later, on March 21, 1998 the Sofia prosecutor Kiril Ivanov suspended the custodial measure without giving due reasons. Straight after his release the defendant left Bulgaria unhindered.

On March 23, 1999 the authorities at Frankfurt airport intercepted an attempt to export parcels with ancient coins whose sender and receiver were identical—Angel Borisov. The Bavarian customs authorities started a probe into the matter to find out that „previously, eight similar parcels had been freighted through Germany to the US” with a total weight of „over 1000 kilograms of antique coins and burial objects”. The person who had shipped the packages on behalf of Angel Borisov did not in the least try to hide the fact that he was acting on behalf of the Prosecutor General’s brother.

Upon request of the Bulgarian Supreme Prosecution Office of Cassation all the documents concerning the case, in which coins and antiquities whose estimated value was 3,136,112 levs had been trafficked, were sent to them. No further information about the case has been publicized after that except a statement by the Prosecution Office that the inquiry into Angel Borisov’s case was still underway and that they had evidence that a company owned by him was selling antique coins online.

The online news agency Mediapool announced that the name of Angel Borisov, who has been living in Florida for several years already, was found under an internet offer selling coins, supposedly part of those stolen in the notorious Veliko Tarnovo museum robbery.

*Mediapool.bg. Bulgaria Looks for Its Illegally Exported Antiquities in Various Countries. Filchev's Brother Still under Probes, 21 March 2007*

In recent years increasing attempts are made to use the door-to-door delivery services offered either by Bulgarian Posts or courier companies. In 2005 alone, 108 attempted postal deliveries of antiquities or old coins concealed in parcels were intercepted. Most of them were addressed to recipients in Western Europe

and the US and the senders had tried to conceal the items either in tin-foil, or carbon paper wrappings.<sup>298</sup>

#### Box 8. The London dish from Pazardzhik

The widely reported case of a unique Byzantine plate on sale at Christie's in the fall of 2006 illustrated how difficult it is to return cultural property once it has been illicitly exported out of the source country. Despite the efforts of Bulgarian Prosecutor General and Culture Minister to stop the tender, the auction was held, but fortunately there was no one to offer the minimum price of £300,000. Bulgarian authorities claimed that the dish was an object of extremely high artistic value and that it was one of the 13 Byzantine plates found near Bulgaria's town of Pazardzhik in 1999. This set of dishes was the second find in the same area after 1903, when the so called Pazardzhik treasure was discovered. Unfortunately, Naiden Blangev, who found the second part of the treasure, does not possess the necessary photographic evidence to support Bulgaria's claims.

Christie's, on the other hand, claim that the London plate is part of the 13 or 14 dishes originally found in 1903. Later on, 11 of those were bought by the British carpet merchant A. Barry. In 2003, nine of the dishes were purchased by the private Greek Benaki Museum, whereas the London dish was sold a couple of times before reaching its present owner Sir Claude Hankes Drielsma, Chairman of the Windsor Leadership Trust. Dating the plate to 1903 means that the item would be beyond the scope of the 1970 UNESCO Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property.

24 Chasa, 4 April 2007

#### *Market States for Bulgarian-Found Antiquities*

The main market countries to which antiquities are smuggled out from Bulgaria are **Germany, Austria, Switzerland, the UK, the Netherlands, and overseas to the US and Canada.**<sup>299</sup> Bulgarian cultural objects are mostly directed to antique shops in Munich, Vienna, Geneva and other major cities in Western Europe where they are sold to private collectors or exhibited at the famous London salerooms where some of them are auctioned off to US purchasers purportedly as part of Western European heritage. These export routes are not merely demand driven, but also preferred because of simplified procedures with respect to antiquities with Bulgarian provenance. Until recently Germany, for instance, did not set any import requirements other than clearing customs and paying a fixed fee, thus asking no further questions about origin or ownership. Similarly they were easily legalized for exhibition at antique outlets and auctioneering inside the country.

Attempts at illicit export are concentrated at particular border points in their transit to those major export destinations. Most antiquity smuggling is registered at Kalotina, followed by Vrashka Chuka and Bregovo crossing points. At Kalotina antiquities were caught 23 times in 2003, five times both in 2004 and 2005, and three times in 2006.<sup>300</sup> In addition, smuggling plots were foiled at Varna and Plovdiv airports in 2006 when four attempts to freight antiquities on passenger planes to Western European cities were made.

<sup>298</sup> CCPOMPCD Report, 25 January 2007, p. 3.

<sup>299</sup> CCPOMPCD Report, 25 January 2007, p.2.

<sup>300</sup> Information by the Bulgarian Customs Agency about cultural property export violations.

The largest scale customs haul of antiquities so far was seized at Vrashka Chuka in the fall of 2006. A number of cardboard boxes were found in a truck cab containing 4,484 antique coins, 54 arrowheads, 27 antique appliquéés, 57 rings, 12 agricultural tools, 14 artifacts made of horn, 2 lead seals, and 375 other antique articles, amounting to a striking total of 5,040 objects. A few days later another sizeable catch was made on a train crossing through Kalotina—antiquities and old coins wrapped in 24 juice and milk cartons, weighing 66 kilograms.

Usually, Bulgarian nationals are involved in the transfer of antiquities in cars or buses. In 2003–2004 for instance, 60% of export control violations were perpetrated by Bulgarians (43 individuals), while in seven cases the offender was unknown, as the items were found in postal or express packages, in such parts of buses where anyone could have cached them, or had been dumped in the surrounding area where they were subsequently found by customs officers. Cases of illegal antiquities export far outnumber illicit import—in 2003–2004 there were 78 prevented exports against 11 caught imports. Although smaller in scale, the import of artifacts into Bulgaria testifies to the existence of sustained local collector demand.

As Bulgaria joined the EU, rigorous discretionary checks at internal borders were removed. This is expected to channel illicit antiquities export to new destinations and pose the need for selective intelligence-led checks which will be made possible only if coordination between enforcement bodies and other state institutions on international trafficking routes and cases is significantly improved.

### 5.3. REGULATING THE MARKET IN ANTIQUITIES

In recent decades **regulations affecting the market of illicit antiquities** both across states (export prohibitions) and domestically (measures curbing the supply, e.g. looting and museum theft) **have been tightening**. The first international legislative instrument enacted with that aim was the 1970 UNESCO *Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property*. The Convention tries to establish common rules for tackling cultural property claims across national boundaries. Eighty six states had ratified the Convention by 1996, including an important market country such as France who did that recently, although the UK has not yet ratified it.

Other relevant global regulatory instruments are: the *Convention for the Protection of World Cultural and Natural Heritage* (1972), *European Convention for the Protection of the Cultural Heritage* (1992), the Council of Europe *Convention for the Protection of the Architectural Heritage in Europe* (1985), the 1995 UNIDROIT<sup>301</sup> *Convention on Stolen or Illegally Exported Cultural Objects*, and the 1986 Code of Ethics for Museums of the International Council of Museums (ICOM). ICOM introduces strict rules governing the acquisition and transfer of collections and the personal responsibility of museum employees involved in their preservation. In 1994 Interpol Secretary General, too, signed an appeal to governments to take action against increasing illicit transfer. For the purpose of

<sup>301</sup> International Institute for the Unification of Private Law.

protecting cultural objects that can be classified as "national treasures" Council Directive 93/7/EEC of 15 March 1993 on the *Return of Cultural Objects Unlawfully Removed from the Territory of a Member State* is effective in the EU.

Some states such as Germany have started in recent years to implement harsher import regulations for antiquities, and even British import controls, formerly among the most liberal, are becoming stricter. Traditional source states from Southern Europe such as Greece and Italy have greatly improved the coordination of their anti-trafficking efforts with Central European state, e.g. Switzerland. A model approach towards settling antiquities disputes and tackling their trafficking is the pact signed by the Metropolitan Museum of Art in New York City and the Italian government, in which the Met agreed to return twenty-one artifacts<sup>302</sup> in its collection that Italy claims were looted from archaeological sites within its borders. In exchange for the artifacts, Italy has lent the Met prestigious objects from Italian collections. Italy is now pressing the J. Paul Getty Museum in Los Angeles for the restitution of a statue of Aphrodite.<sup>303</sup>

#### 5.4. ADOPTING EUROPEAN STANDARDS TO REGULATE THE MOVEMENT OF ANTIQUITIES

Bulgaria has signed a number of international legal instruments for the protection of cultural monuments<sup>304</sup> and after the EU accession all legislation concerning culture protection is automatically to be applied in the country, most prominently Council Regulation 3911/92/EEC of 9 December 1992 on the export of cultural goods and Commission Regulation 752/93/EEC laying down provisions for the implementation of Council Regulation 3711/92/EEC. Notably, Regulation 3911/92/EEC allows each Member State to introduce additional national measures to protect its cultural heritage.

In 2004 a special Annex was added to the *Law on Monuments of Culture and Museums* (repealing the former Art. 33) to regulate permanent and temporary export of movable cultural property. This Annex contains a list of the range of items that can be defined as cultural goods in full compliance to Regulation 3911/92/EEC,<sup>305</sup> whereas the three types of license already in use that must be attached to the customs declaration of exported cultural goods are pertinent to those prescribed in Regulation 752/93/EEC.<sup>306</sup>

<sup>302</sup> For further details on the case, see: Watson, P., and C. Todeschini, *The Medici Conspiracy. The Illicit Journey of Looted Antiquities—From Italy's Tomb Raiders to the World's Greatest Museums*, New York, Public Affairs, 2006.

<sup>303</sup> At the same time, the museum's former curator of antiquities, Marion True, is on trial in Rome on charges of illicit antiquities trafficking (*PND Philanthropy News Digest*, 24 February 2006).

<sup>304</sup> Among them are: *Convention on the Means of Prohibiting and Preventing the Illicit Import, Export and Transfer of Ownership of Cultural Property*, *Convention for the Protection of World Cultural and Natural Heritage*, *CoE European Cultural Convention*, *Convention for the Protection of the Architectural Heritage in Europe*, Europe Agreement, establishing an association between the European Communities and their Member States, of the one part, and the Republic of Bulgaria, of the other part.

<sup>305</sup> See *Mitnicheska Hronika* No.5 (2006), p.10.

<sup>306</sup> In line with the provisions of the law and the *Ordinance on Regular and Temporary Export of Movable Cultural Property* the customs bodies must ensure that the following documents are attached to the export customs declaration:

**Trans-border movement of monuments of culture** is made possible by EU legislation which sanctions legal export for antiquities that do not qualify as national treasures for which a certificate must be issued. Thus, moveable cultural property can be exported (temporarily) if it belongs to a collection legitimized under current legislative provisions.

### Box 9. EU antiquities transfer related legislation

The following three types of export licenses are associated with the transfer of cultural objects from one Member State to another:

#### *Standard license*

- This license is issued for temporary or permanent export of separate cultural objects or a number of cultural objects in a single consignment.
- In order for a single export license to be issued for several cultural goods, the competent authorities must assess whether the goods are of the same category, part of the same consignment to the same export destination, and when the export is temporary the exporting party must be obliged to return the goods to the issuing Member State in the same consignment as exported. If those criteria are not met, separate licenses are issued for the individual cultural goods.
- When cultural goods are to be displayed at an exhibition or fair a license for temporary export is issued.
- The period of validity of the license cannot exceed twelve months from the date of issue.

#### *Specific open license*

- This license covers repeated temporary export of a specific cultural good (e.g. a musical instrument) which is liable to be temporarily exported from the Community on a regular basis for use and/or exhibition in a third country. The cultural good must be owned by, or be in the legitimate possession of, the particular person or organization that uses and/or exhibits the good.
- The person or organization concerned should offer all the guarantees considered necessary for the good to be returned in good condition to the Community.
- A license may not be valid for a period that exceeds 24 months.

#### *General open license*

- This license covers repeated temporary export of a cultural good which is liable to be temporarily exported from the Community on a regular basis for use and/or exhibition in a third country.
- The goods must form part of the permanent collection of a museum or other institution.
- In the case of an application for temporary exportation, it must be specified which particular cultural goods shall remain outside the Community's borders in the following 24 months.
- The license may be used to cover any combination of goods in the permanent collection at any one occasion of temporary export. It can be used to cover a series of different combinations of goods either consecutively or concurrently.
- A license may only be issued if the authorities are convinced that the institution offers all the guarantees considered necessary for the good to be returned in good condition to the Community.
- The period of validity of the license cannot exceed 24 months from the date of issue.

- for the cultural goods listed in the Annex to Art. c33a of LMCM—standard license, specific open license or general open license issued by the head of the Museums, Galleries and Fine Arts Directorate (MGFID) at the Ministry of Culture;
- for movable cultural objects classified as national treasures—temporary export license endorsed by the minister of culture;
- for cultural objects which are not covered in the Annex to Art. 33a of the Law and are not classified as national treasures—certificate issued by the Director for Museums, Galleries and Fine Arts.

**Legal temporary export** makes it possible to share the Bulgarian cultural heritage with other European countries and in cooperation with various foreign cultural institutes to display it abroad. Such export is also an extra source of funding for Bulgarian museums. In 2005–2006 a variety of museum collections were displayed in Western Europe and the US or exponents were transported there for restoration and conservation under the conditions for temporary export of movable cultural objects which the Bulgarian Ministry of Culture assessed as the most valuable. In 2005 alone, 535 temporary export licenses were issued, while in the period January through October of 2006 their number was 296 and was expected to reach 796 by the end of the year. The figures indicate that this type of export has grown 1.5 times compared to earlier periods.<sup>307</sup>

Local collectors, however, have voiced their criticism of the practice of **displaying prime national treasures in foreign museums** for extended periods as being **less than worthwhile** considering the fairly small revenue such exhibitions bring to local museums, especially against the background of general Western rates. The much needed promotion of Bulgarian heritage abroad must be balanced off by sufficiently long exhibits at home in order to sustain tourist interest and foster the tourism industry.

#### Box 10. "The Grandeur of Bulgaria": notes on a scandal

In January 2007, ancient Bulgarian artifacts from the private collection of Mr. Vassil Bozhkov were offered for display at the European Parliament within an exhibition under the title "The Grandeur of Bulgaria" to mark Bulgaria's entry into the EU. Many Bulgarian parliamentarians in Brussels boycotted the event and tried to win support from other MPs to stop the exhibit as shameful to the institution. The scandal was widely covered in the Bulgarian media which criticized it as the first attempt to legalize the private collection of Mr. Bozhkov, supposedly the richest Bulgarian, much of whose money comes from the gambling industry. National History Museum Director Bozhidar Dimitrov reported that Bozhkov had produced provenance documents for his exhibits showing that nearly half of the objects had been bought from foreign owners and the remainder had belonged to Bulgarian collectors.

The event brought into focus the intimate ties between the Thracia Foundation, set up by Bozhkov and the archaeological community in Bulgaria, especially as certain prominent figures such as art history Professor Ivan Marazov, and the world-famous Bulgarian painter Svetlin Rusev were among the organizers. Forty artifacts were shown out of the registered 132-item collection which Bozhkov is planning to make the core of a private museum he reportedly intends to open in Bulgaria. The Bulgarian Prosecution Office has started an inquiry into the legality of the exhibited objects, although it had initially authorized its export to Brussels. Some Bulgarian collectors have voiced concerns that political squabbles over Bozhkov's business activities may affect negatively the legalization of all private collections suitable for public display. The Ministry of Culture was also reproved for sanctioning the collection as a launch emblem of Bulgaria's EU membership.

<sup>307</sup> See *Mitnicheska Hronika*, No.5 (2006), p.11.

## 5.5. REGULATING THE PROTECTION AND MOVEMENT OF ANTIQUITIES

Legislation regulating matters of antiquity ownership and trade in Bulgaria is a paradoxical mix of the **conservative and liberal approaches**. The 1969 Law on the Monuments of Culture and Museums was inherited from the communist era and despite its numerous amendments attempting to modernize it, it is still dominated by the logic of state ownership over cultural property.<sup>308</sup> LMCM does not explicitly ban private ownership of antiquities, but it does in no way regulate the respective market relations, either. There is a well established collector network while numismatic clubs can be found in nearly any city in Bulgaria. Coin collectors in particular are supported through invitations to participate in joint exhibits with state museums. The legal status of private collectors and their collections, however, remains vague and thus vulnerable to improper political influence.

Halfway through this decade, though, the issue most debated in relation to curbing criminal antiquity trading had become that of **making allegedly illicit private collections legal**.<sup>309</sup> Affected by mounting public criticism, on 28 January 2005 the Ministry of Culture adopted its Ordinance No.1 on the Rating of Registered Movable Monuments of Culture Property of Legal and Natural Persons promulgated in the Bulgarian State Gazette on 8 February 2005.<sup>310</sup> Its main aim is to set the terms for private collection registration which will make privately-owned antiquities legal and available for public exhibitions. The Ordinance requires any legal entity or individual in possession of cultural property to complete and submit a registration form at the closest regional or specialized state museum, but defines no fixed term for the registration. The registration papers deposited so far show that collectors tend to avoid suspicions about the legality of antiquities by declaring that they have bought the items at overseas auction houses or antique stores. Only very few private collections have been registered so far, among them the notorious lots of Vasil Bozhkov and Dimitar Ivanov.

There are a number of **arguments against the feasibility** and effectiveness of the Ordinance as it is written.<sup>311</sup> First, there is little trust among collectors towards law

<sup>308</sup> It defines monuments of culture as belonging to the nation, while legal ownership can be the state's, municipal, or of legal and natural persons. Items, discovered in archaeological excavations, automatically become state-owned (Art.16, Par.1 of LMCM), but legal experts claim it is more accurate to define it as so called "private state property" as excavated monuments of culture are liable to appropriation and become property of legal entities or persons. Any other monuments of culture that have been buried underground, walled in or concealed in another manner, so that their owner could in no way be established, also become private state property straight after discovery. These objects are the so called treasures in relation to which there is no consistent state policy and treasure finders are in no way encouraged by the state to turn in their finds. Krasimir Manev, a legal expert, claims that "the Law on Property and the Law on Monuments of Culture and Museums contain conflicting provisions on this subject, and in reality treasure finders are sometimes not even financially compensated. This strongly discourages them from turning in or registering with the local museum any such items they might hold ... and in this way cultural property crime is encouraged". See *Mitnicheska Hronika*, No.5 (2006), p. 15).

<sup>309</sup> Estimates about the number of those collections vary—from 1,000 large collections to 30,000 small-scale owners of several artifacts or coins (See Lazarova, B. and N. Alexandrova, "Exactly how many collectors are there in Bulgaria?", *Darik News*, 17 January 2007). The larger part of the collector community are members of the Association of Numismatic Societies in Bulgaria in which over 120 numismatic clubs are signed up.

<sup>310</sup> State Gazette 13/2005.

<sup>311</sup> Interviews with prominent coin collectors, December 2006 – January 2007.

enforcement bodies and museum staff. During the interviews, carried out for the purpose of this paper, it was made clear that the prescribed system of registration by commissions made up of local museum employees was not found trustworthy, as it did not provide safeguards against the theft of valuable coins which could be replaced with cheaper lower-grade versions by museum workers.<sup>312</sup> Next, cultural object owners are required to pay for the photographs that must be appended to every single coin/artifact as well as a registration fee and an expert appraisal fee (for grading by the commission), which collectors consider a redundant financial burden. Last, but not least, collectors argue that legalization is worthwhile only for the owners of antiquities other than coins, such as statues and artifacts, but it is unfeasible for coin collections given the great turnover of items.<sup>313</sup>

The pervasive unwillingness of collectors to go legal seems to be rooted in the very channels of acquiring their collections (as no amnesty is planned for objects illicitly acquired in the past<sup>314</sup>) combined with the rather **fuzzy prospects of properly regulating such trade** in the foreseeable future. Even in the case of registration the lack of documents of legal provenance (much more likely when the antiquities were acquired in Bulgaria, rather than abroad) and the fact that no regulations are in place to provide for the future enrichment of the collections would further discourage most collectors already divided between the benefits of the legal and the black market.

The interviews with stakeholders—policy makers, collectors, museum employees, and archaeologists—have demonstrated that the convergence of their disparate interests is highly unlikely due to the lack of dialogue between government, civil society and the media. This runs the risk of law makers focusing on **drafting strict penal measures without seeking any input from the collector community**. Such an approach would lead to some easily imaginable measures and trends—clamping down on currently legal cultural object exchanges as the one in Veliko Tarnovo, an increase of contraband between Bulgaria and EU countries as border control is being relaxed, and promoting some collectors while using legal harassment against others. This would make it easy for each round of incumbents in office to try to affect the market of antiquities for their own benefit.

To encourage registration of private collections which begun rather tentatively in 2005, stakeholders must be involved in an effective dialogue leading to a consensus on cultural property issues. Prior to voting a new law on cultural monuments, **government institutions and civil society should launch a wide debate** on the regulation of cultural objects movement and protection.<sup>315</sup> One important

<sup>312</sup> Some collectors have voiced their suspicions that past burglaries of private coin collections have been committed with the involvement of corrupt police officers or other enforcement officials.

<sup>313</sup> Arguments such as this have been in circulation for a long time in the debate over the liberalization of the coin market in Bulgaria.

<sup>314</sup> Illicit ancient artifact collections can still be prosecuted as misdemeanors as the offense of “concealing stolen objects” has a statutory limitation of 10 years. In this way the collector could avoid harsher sanctions by merely declaring a period of ownership longer than 10 years.

<sup>315</sup> On 21 February 2007 the Sofia-based Red House Center for Culture and Debate hosted the first major public event devoted to the philosophy and principles of the future law on cultural heritage that is currently in preparation. The debate highlighted the disagreements between policy-makers, administrators, experts, private collectors, and journalists and the acute need to make civil society involved in debating legislation a regular practice.

issue, carefully evaded so far, is whether an amnesty for all illegal or quasi-legal collections acquired in an earlier period should be introduced.

On the other hand, the poor regulatory framework may be a logical consequence of the negligible cultural heritage protection efforts of the government itself, at least compared to the strong pressure by corrupt officials and culture experts, antiquity traffickers, dealers and grassroots looters interested in keeping the current chaos and their own impunity.

The government's indecision in tackling domestic antiquities trade and their smuggling abroad is exemplified by poor inter-agency coordination – the Ministry of Interior, local authorities, the Ministry of Culture, archaeological institutes (one major institute is part of the Bulgarian Academy of Science), and the investigation and prosecution services. The laxity of measures against illicit antique dealing from the late 1990s to the present day contrasts sharply with peaking enforcement efforts against other syndicate crime branches. During this period the prosecution failed to pursue any charges against encroachments on cultural monuments, thus debilitating the efforts of Mol enforcement agencies and other institutions dealing with the heritage. Contrary to all logic, in 1999 the anti-trafficking department for cultural property at the then National Service (now Chief Directorate) for Combating Organized Crime (NSCOC) was closed down. Prosecution and police officials have called this a major mistake that not only makes life easy for criminals, but also gives full scope to corrupt local level Mol officers. The above-mentioned department was re-established in 2006 and although a unit with similar functions had operated at the national police, it had had to start from scratch having received no prior information, experience or methodological guidance to fight looters and traffickers. Meanwhile the network of informers, whose role in detecting illicit domestic trade and trans-border trafficking is central, was irreversibly lost.

Inertia and neglect are not the only factors to throttle effective enforcement. Widespread corruption among local middle-ranking law-enforcement officers who earn personal gains on the black cultural property market also has an adverse effect. Experts have outlined **three major forms of corrupt relationships between police officers and antique dealers/looters**: 1) policemen are bribed to cover looters and deter police investigation; 2) officers of higher rank become directly involved in illicit antiquities trading, and 3) officers that must prevent and fight cultural property violations become collectors.<sup>316</sup> In addition, the grading of cultural objects held by looters, dealers or collectors is itself often done by would-be experts whose only training is a two-week course delivered by the Privatization Agency on a regular basis that can hardly have equipped them with the knowledge they need to possess about cultural goods. Despite their determination to get looters or persons in illicit hold of antiquities convicted, law-enforcement and investigative bodies are often hampered by either incompetent or intentionally falsified expert assessments presented at the trial phase.

<sup>316</sup> In 2003, the head of Cultural Property Department at the National Police Col. Georgi Getov was discharged. According to media reports he had operated one of the main antiquity smuggling channels in Bulgaria in partnership with a number of prosecutors, NSCOC officers, local archaeological museum directors and other officials who had served as a supply link between looters and the implicated department head. *Maritsa Dnes* daily, 7 May 2003.

**Box 11. The prosecution vs. the mafia**

In 2006, the Bulgarian Supreme Prosecution Office of Cassation (SPOC) undertook a sequence of high-profile steps to tackle violations on cultural property. The newly elected Prosecutor General, Mr. Boris Velchev, established an inter-agency consultation group made up of prosecutors and experts from various ministries that would undertake a thorough analysis of the current cultural property violations control system and attempt to formulate an effective strategy to counteract such violations in the future. The SPOC has also formed a separate unit to target museum thefts and looting offences. So far prosecutor warrants have been issued by virtue of which 480 cultural sites must be specially safeguarded. A review of all related cases has been made and 11 prosecutor case termination writs have been cancelled. It was found that 14 of all cultural property violation cases tried since 2001 have ended in convictions. The number of actions brought against looters and cultural items traffickers in recent years exceeds 200 cases annually.

The complex mixture of relations—criminal, quasi-legal and legal—between the actors on the cultural property market poses the need for a sophisticated regulatory framework that would ensure due protection of the national cultural heritage, while lifting some of the unwarranted restraints on private collecting to put it in line with the common European practice. Reconciling the wide spectrum of public and private interests would highly increase the efficiency of any mechanism targeting the black market of antiquities or their contraband trafficking out of the country.

**Box 12. The proposals of collectors<sup>317</sup>**

- The new law on the monuments of culture under preparation should be consulted with the equal participation of an expert group nominated by and representing the Association of Numismatic Societies.
- Cultural objects kept in both public and private collections should be treated equally by law, including a great number of items found among the private belongings of individuals inherited from past generations.
- The ownership rights of citizens over cultural objects they possess should be guaranteed by law and a new, more precise policy on their grading should be adopted. A balanced policy should also be drawn to facilitate the purchase of antiquities held by individual citizens as well as cultural objects exchange or trading at specialized legal venues, such as shops and auction houses.
- An official cultural objects classification system should be introduced requiring the mandatory registration on a special list of items classified as protected world and national cultural heritage, while all other monuments would be regarded as movable cultural property suitable for mass distribution that can be bought and sold freely.
- State support to the association of private collectors and the exhibit of private collections within Bulgaria should be renewed. This would boost tourism, investment, and the cultural development of regions throughout Bulgaria.

<sup>317</sup> These are the core proposals drawn by Mr. Stavri Toplaov, who heads the expert group with the Association of Numismatic Societies which were presented and debated at the February 21, 2007 Red House event together with several other recommendations.

Public cultural heritage strategies as well as concrete policies must be designed while keeping in mind the fact that this market functions like communicating vessels. Restrictions or a ban over legal domestic trade in antiquities, for instance, would push black market prices down which in turn would fuel outbound smuggling. The latter could result in the loss of numerous collections to the Bulgarian public. Conversely, generous liberalization unaccompanied by strict prosecution of looting would cause clandestine excavations to spawn and would inflict lasting damages on archaeological sites.

Several measures could be recommended to help avoid these risks:

- **Modernize the legislation that governs heritage protection and keeps the black market of antiquities in check** by adopting a new Law on the Monuments of Culture and Museums adequate to present-day realities and by incorporating relevant texts in the Criminal Code. The Law should provide for the currently unregulated issues such as the rights of ownership, use, and inheritance; the purchase, sale and transfer of antiquities; concessions of immovable cultural property; subtler differentiation between national cultural heritage monuments and utilitarian articles, as the latter are in greatest demand by collectors. The new criminal provisions need to impose stricter penalties for violations involving cultural items.
- Step up law enforcement and criminal prosecution in cases of clandestine excavation and cultural sites vandalism, also by prohibiting the use of metal detectors, in order **to curb looting**. Financial rewards for accidentally found articles and a mechanism for public museums to buy cultural items at attractive prices would also rein in looting appetites.
- Improve **international coordination** to prevent the sale of contraband antiquities from Bulgaria at auction houses in Western Europe. This would probably **deter attempts to traffic local cultural goods across the Bulgarian border**.
- Launch a catalog of cultural objects from museum funds as required by current international standards and tighten museum security measures to **reduce museum thefts and illicit coin substitutions** and enable the return of illegally exported antiquities to Bulgaria.
- **Provide options to legalize currently quasi-legal domestic transactions with cultural goods** not least by delimiting the role of all market actors in the law.

Effective up-to-date regulation will necessarily involve leaving behind the dominant culture of isolation among the institutions whose task it is to tackle looting and the illicit dealing and transfer of antiquities. To establish a sound mechanism for protecting cultural monuments the competent authorities would have to engage in coordinated efforts at several levels:

- 
- among the agencies of particular ministries, such as the police and the Chief Directorate for Combating Organized Crime which should engage in consistent information exchange and coordinated action;
  - among the various ministries, e.g. the Ministry of Culture, the Ministry of Finance (in particular, the Customs Agency) and the Ministry of Interior, whose work would gain immensely from a commonly maintained and accessible data base and the collating of relevant information;
  - between central government and local authorities; the Ministry of Culture in particular should demonstrate greater commitment to the government of regional museums and seek the cooperation of town mayors and the management of municipal museums.
  - between the MoI and the Prosecutor General's Office; a series of joint actions against monument looting and antiquities trafficking carried out in 2006 demonstrated the good effects of such coordination;
  - public-private partnership involving the relevant institutions, the local authorities, the Bulgarian Orthodox synod and other religious councils, non-governmental organizations and the media, with the primary aim of increasing civil society participation in the debate on cultural heritage market policy and practice.



## CONCLUSION

This study is published as part of a series of analyses of the Center for the Study of Democracy and attempts to offer a fairly comprehensive view of organized crime in its development throughout the transition period. Although law enforcement and judiciary institutions have had a certain amount of information on organized crime its **analysis has not been carried out systematically due to insufficient capacity and lack of sustainable efforts**. Public attention has been confined to short-lived media coverage, while the partisan approach has prevented consensus on effective policies. A sensationalist approach coupled with the understandable impatience of the European Commission with the lack of progress further make prospects of a breakthrough problematic.

In the last decade, the establishment of **public-private partnerships** as an effective model has been a positive step towards tackling organized crime. The non-governmental sector has provided a platform for a debate free of partisanship and inert-institutional strife. Additionally, institutions of the state have the chance to open to the community and gradually strengthen democratic transparency. Much of the road forward to a new culture of open and accountable administration and governance, however, remains to be traveled. The relatively new experience of public-private partnership has survived the initial skepticism and revealed the availability and potential of sound expertise, particularly in the **monitoring and assessment of organized crime markets and trends**. Partnership thus needs to go further and contribute to the acceleration of institutional developments, as well as advanced policy-making and practice, in an aspiration to emulate the best European models.

## APPENDIX

**Annex to Article 33a<sup>318</sup> of the Bulgarian Law on Monuments of Culture and Museums (new, SG No. 55/2004, in force as of 1 January 2005)**

Nº	Category	Age	Value (in levs) from 1 January until 31 December 2005	Value (in levs) from 1 January 2006 until full membership of Bulgaria in the European Union	Value (in levs) at the time of full membership of Bulgaria in the European Union
1.	Archaeological objects which are the products of: – excavations and finds on land and under water; – archaeological sites; – archaeological collections	dating more than 100 years back	irrespective of the value	irrespective of the value	irrespective of the value
2.	Elements forming an integral part of artistic, historical or religious monuments which have been dismembered	dating more than 100 years back	irrespective of the value	irrespective of the value	irrespective of the value
3.	Pictures and paintings other than those included in categories 4 and 5, executed entirely by hand in any medium or on any material		above 100,000	above 200,000	above 300,000
4.	Water colours, gouaches and pastels executed entirely by hand on any material	more than 50 years old and not belonging to their authors	above 20,000	above 40,000	above 60,000
5.	Mosaics in any material executed entirely by hand, other than those falling in categories 1 or 2, and drawings in any medium executed entirely by hand on any material		above 10,000	above 20,000	above 30,000
6.	Original engravings, prints, serigraphs and lithographs with their respective plates and original posters	more than 50 years old and not belonging to their authors	above 10,000	above 20,000	above 30,000
7.	Original sculptures or statuary and copies produced by the same process as the original (1), other than those in category 1	more than 50 years old and not belonging to their authors	above 60,000	above 80,000	above 100,000

<sup>318</sup> Article 33a of LCMC reads as follows: "Movable monuments of culture belonging to one of the categories stipulated in the Annex and movable monuments of culture constituting a national asset may be exported from the territory of the country under conditions and following a procedure defined in an Ordinance adopted by the Council of Ministers on a proposal submitted by the Minister of Culture and the Minister of Finance."

## Annex to Article 33a

Nº	Category	Age	Value (in levs) from 1 January until 31 December 2005	Value (in levs) from 1 January 2006 until full membership of Bulgaria in the European Union	Value (in levs) at the time of full membership of Bulgaria in the European Union
8.	Photographs, films and negatives thereof	more than 50 years old and not belonging to their authors	above 10,000	above 20,000	above 30,000
9.	Incunabula and manuscripts, including maps and musical scores, singly or in collections	more than 50 years old and not belonging to their authors	irrespective of the value	irrespective of the value	irrespective of the value
10.	Books, singly or in collections	dating more than 100 years back	above 60,000	above 80,000	above 100,000
11.	Printed maps	dating more than 100 years back	above 10,000	above 20,000	above 30,000
12.	Archives, and any elements thereof, of any kind or any medium	dating more than 50 years back	irrespective of the value	irrespective of the value	irrespective of the value
13.	a) Collections and specimens from zoological, botanical, mineralogical or anatomical collections; b) Collections of historical, palaeontological, ethnographic or numismatic interest		above 60,000	above 80,000	above 100,000
14.	Means of transport, presented independently, their parts and units	dating more than 50 years back	above 60,000	above 80,000	above 100,000
15.	Any other antique items not included in categories 1 to 14: – toys, games; – glassware; – jewellery; – furniture and household objects; – optical, photographic or cinematographic apparatus – geodesic equipment; – technological objects; – musical instruments; – clocks and watches and parts thereof; – articles of wood; – pottery; – tapestries; – carpets; – wallpaper; – arms.	dating between 50 and 100 years back	above 60,000	above 80,000	above 100,000

## Annex to Article 33a

№	Category	Age	Value (in levs) from 1 January until 31 December 2005	Value (in levs) from 1 January 2006 until full membership of Bulgaria in the European Union	Value (in levs) at the time of full membership of Bulgaria in the European Union
16.	Any other antique items not included in categories 1 to 14	above 100 years	above 60,000	above 80,000	above 100,000

## Notes:

1. *Objects for collections under category 13 shall be those objects that possess the qualities necessary for an object to be made part of a certain collection, i. e., the objects that are relatively rare, usually not used according to their original purpose, subject to special deals outside the trade usual with such utilitarian objects, and having a high value.*
2. *Postcards shall belong to category 6.*
3. *The books containing handwritten annotations other than title-page dedications, shall be considered manuscripts and placed under category 9.*

## CSD REPORTS:

1. Bulgaria's Participation in EU Structural Funds, Sofia, 1999.  
ISBN 954-477-050-8
2. Social Policy Aspects of Bulgaria's EU Accession, Sofia, 1999.  
ISBN 954-477-053-4
3. Preparing for EU Accession Negotiations, Sofia, 1999.  
ISBN 954-477-055-7
4. The Role of Political Parties in Accession to the EU, Sofia, 1999.  
ISBN 954-477-055-0
5. Bulgaria's Capital Markets in the Context of EU Accession: A Status Report, Sofia, 1999.  
ISBN 954-477-059-3
6. Corruption and Trafficking: Monitoring and Prevention, Sofia, 2000.  
ISBN 954-477-078-X
7. Establishing Corporate Governance in an Emerging Market: Bulgaria, Sofia, 2000.  
ISBN 954-477-084-4
9. Corruption and Illegal Trafficking: Monitoring and Prevention, Second, revised and amended edition, Sofia, 2000.  
ISBN 954-477-087-9
10. Smuggling in Southeast Europe, Sofia, 2002.  
ISBN 954-477-099-2
11. Corruption, Trafficking and Institutional Reform, Sofia, 2002.  
ISBN 954-477-101-8
12. The Drug Market in Bulgaria, Sofia, 2003.  
ISBN 954-477-111-5
13. Partners in Crime: The Risks of Symbiosis between the Security Sector and Organized Crime in Southeast Europe, Sofia, 2004.  
ISBN 954-477-115-8
14. Weapons under Scrutiny: Implementing Arms Export Controls and Combating Small Arms Proliferation in Bulgaria, Sofia, 2004.  
ISBN 954-477-117-470
15. Transportation, Smuggling and Organized Crime, Sofia, 2004.  
ISBN 954-477-119-0
16. Corruption and Tax Compliance. Challenges to Tax Policy and Administration, Sofia, 2005.  
ISBN 954-477-132-8
17. Police Stops and Ethnic Profiling in Bulgaria, Sofia, 2006.  
ISBN 10 954-477-142-5  
ISBN 13 978-954-477-142-3
18. Corruption in Public Procurement. Risks and Reform Policies, Sofia, 2006.  
ISBN 987-954-477-149-2
19. Corruption in the Healthcare Sector in Bulgaria, Sofia, 2006.  
ISBN 987-954-477-154-6
20. **Organized Crime in Bulgaria: Markets and Trends, Sofia, 2007.**  
**ISBN 978-954-477-150-8**

