

This conclusion is confirmed by a number of **indirect indicators**:

- The "division of labor" between big bosses, specialized in illegal import of specific types of goods has been preserved.
- Despite several personnel changes, many of the accomplices within the customs administration, border police and other state law-enforcing and supervising institutions have kept their positions.
- Stable "rates" for illegal import of goods are a public secret, which testifies about the presence of smuggling services on the market.

1.1. CLASSIFICATION OF SMUGGLING

The following types of smuggling operations are the most widely spread:

- **Outright smuggling ("opened barriers")**
In such cases, the imported goods are not registered at all with the customs and other institutions. In the large majority of cases of outright smuggling, criminal complicity of public servants at the border is involved.
- **Abuse of the "time" factor**
Corrupt customs officials often abuse the fact that **time frame for accomplishment of customs service is not prescribed** in order to extract bribes. For example, by deliberately delaying the customs clearance for perishable goods, the owner is forced to pay a bribe in order to speed up the process. Alternatively, a bribe may be given by a third person in order to hold the goods until they get spoiled. Thus the bribe-giver eliminates the market competitor.
The reverse case can be witnessed when a particular importer is given advantage before its competitors by speeding up the process of customs clearance or by getting the clearance after the end of the working day. Then, the importer's expenses are reduced (expenses for storage, those related to contracts for timely delivery of goods, etc.) and the customs officer turns to his benefit the importer's economic interest as a precondition for extracting a bribe.
- **Falsification of the documents accompanying goods**
 - A significant part of violations is linked to **the origin of the goods** and to taking advantage of certain preferences, related to this origin. Practice proved that cases in which false certificates of origin were submitted to and accepted by the customs are abundant. Despite the fact that in many of these cases it was possible to disclose the violation during the customs procedure, this did not take place. Often customs officials themselves instruct the violators which false documents should be presented and how they should be falsified. In such cases, the violator pays a bribe to the customs official for accepting the false document as genuine one. Bribes are not given only inside the customs service, but are paid also to experts in laboratories where untrue expert opinions are produced, to the administrative employees in Ministries and departments for issuing certificates containing false information, and to notaries legalizing apparently false documents.
 - A consequence of customs violations resulting from the use of **incorrect tariff number and description of goods** is that lower or no taxes and fees are paid.

For instance, the goods with high tariff rate are presented to customs institutions, but in the customs declaration tariff number with reduced or zero rate is given. In such cases, customs officials intentionally accept declarations containing untrue data and allow the import of goods after receiving the bribe. It needs mentioning that in some cases, customs officials advise importers to provide the lower tariff number in the declaration, indicate to the importer how much money would be saved and initiate negotiations on how much of the saved money should be given to the official for this "service."

- Violations, related to **the value declared in Uniform Administrative Document (UAD) and accompanying documents**, are based on the declaration of a lower value of goods in the documents. The customs officials are obliged to check the declared value and if there is any suspicion regarding its accuracy, they have to determine the true value according to modes and methods, envisaged in the customs legislation. In such cases of criminal cooperation between the violator and the customs official, the latter does not demand from the importer to present additional documents regarding the price of the goods, but accepts the apparently reduced fictive value. By not carrying out the necessary verification and allowing the customs clearance at obviously lowered value, the customs official assists in the fraud.

- **Violations involving customs regimes**

In some cases, customs officials allow the abuse of the customs regime, which enables the importer to avoid payment (temporary or for a longer period of time) of due customs duties and taxes, for instance, by unjustifiably using preferences and customs concessions. In some cases, fictive destruction of goods, following a fictive confiscation or abandonment is employed. In this case, the violator makes an agreement with the commission in charge of destruction, which prepares a false document, testifying about the destruction of the goods although such has not occurred.

- **Substitution of documents accompanying goods**

Such substitution usually occurs between the dispatching customs office in the country of export and the receiving customs office in Bulgaria and represents another form of criminal cooperation between customs violators and customs officials. Substitution of genuine documents with false ones allows for declaration of smaller quantity of goods or for declaration of goods with lower customs rate, which leads to payment of lower custom duties. Documents can be substituted by the importers themselves without the involvement of customs officials. Yet, this sharply increases the risk of disclosure of the violation. That is why violators prefer to make an arrangement with customs officials, especially in cases of permanently active schemes over a prolonged period of time. In such cases, the customs official knows that the documents have been substituted with the false ones and consciously assists in the violation. The official inspects only the side rows of goods in the transport vehicle and notes in the protocol that the declared corresponds to what has been physically examined. The central part of the vehicle, where the offensive goods are located, is intentionally not inspected.

- **Violations involving customs decrees in free zones**

These include violation of the decrees prohibiting or limiting the presence of certain types of goods on the territory of the zones; illegal transfer of the goods from the territory of the zone and their import into the country; retail trade with the

goods, located in the free zones or in customs warehouses; violations occurring during the re-exporting operations, etc.

- **Violations connected to the destruction of goods**

They involve fictive or partial destruction of goods, which benefits the importer or other persons, including customs and other officials; these cases also involve destruction of goods, which could be used by the state, etc.

- **Sale of the goods in advance**

There are numerous cases of criminal cooperation between customs officials and managers of various companies involving the advanced sale of goods, imported without customs clearance. In such cases, the importer sells the goods before paying the appropriate customs duties and other taxes and in this way receives an illegal credit. After the goods are sold, the importer pays the whole or a part of the duties and taxes to be paid.

CORRUPTION WITHIN THE CUSTOMS ADMINISTRATION

Due to their character, smuggling operations are usually characterized by **a high level of organization**, as customs officials establish corruption-promoting partnership with businessmen-relatives, criminal groups and their companies, trading structures specialized in gray import, transport companies and individual importers. The officials of the Ministry of Interior, securing the smuggling channels also belong to corruption networks, as well as officials of other state institutions controlling the borders and the interior of the state. Thus, long-lasting corrupt relations are created, providing the involved importers with certain privileges.²

Customs officials take bribes **when conducting one-time "services" as well as when involved in long-term cooperation with particular trading or other structures participating in import-export operations**. In some cases, the customs officials make violations under the influence of particular representatives of the central or local governments, influential economic structures and criminal organizations.

The customs officials receiving bribes are aware of the amount of money the persons involved in illegal activities have saved because of their assistance and they know how to receive their percentage. The percentage depends on the level of risk involved, or on the need to coordinate the actions of the corrupt customs officials with the actions of other officials from the customs administration. Usually, **the bribe is around 30 percent of the unpaid customs duties and other fees**. Apart from receiving money for bribes, a part of the customs officials get to buy certain goods at reduced prices, receive long-term loans or are offered free service in restaurants and other similar places.

² For instance, such traders are served faster, they are given the opportunity to postpone their payments, their goods are rarely inspected by the customs, they are often acquitted from responsibility for customs violations they perform, etc. From their side, the trader involved in such scheme sells goods at reduced prices to the customs officials, or employs their relatives and friends. Bribes are paid for general patronage and not for concrete actions, and are paid periodically on weekly or monthly basis.

What is really alarming is **the persistent tendency of officials from almost all levels within the customs administration to be involved in corruption violations:**

■ **Border customs department**

Violations classified as "outright corruption," that is without customs clearance for the imported goods, are performed at the border. They involve respective officials of the border customs department, as well as other state officials at the border.

■ **Border and interior customs bureau**

A larger part of customs violations involves two or more customs departments, for instance a department at the border and another in the interior, or the dispatching and receiving customs department. Thus, preconditions for organizing corruption schemes within customs departments are created, with customs officials in the receiving department covering up for the official in the dispatching department. Conditions for organized corruption are also there, with customs officials performing activities according to a prearranged plan, leading to the evasion of payment of customs duties and other fees at various times and places. For example, the incorrect tariff number is cited, the customs value is reduced, the lower customs rate is calculated or an inspection, which "testifies" about the presence of goods that are in fact not present in the transport vehicle, is conducted.

■ **System of post-clearance control**

In the scope of such control, customs officials establish that a certain violation has occurred, but do not write the obligatory protocol. Depending on the sum benefiting the violator, a bribe is negotiated.

■ **System of internal supervision**

There are cases in which customs officials, participating in administrative-punitive proceedings negotiate with the violators and conduct acts, which lead to the reduction of fines, termination of administrative-punitive proceedings, and unlawful acquittal. In other words, in exchange for an appropriate reward, conditions for termination of administrative-punitive proceedings or preconditions for the issued punitive decree to be revoked by the court are created. For this to happen, the evidence is deliberately omitted from the decree, and procedural violations are made, which leads to the revoking of the decree. For instance, the evidences are not collected or presented, the issuing of the decree is deliberately delayed until the deadlines envisaged by the law expire, the decree is intentionally left incomplete, the investigation itself is not objective and important evidence is hidden.

■ **The role of informers**

Certain corrupt customs officials inform on forthcoming inspections and other actions of the competent institutions in exchange for appropriate bribes. The informer warns the violator, advises that certain goods or documents are hidden and in this way prevents the disclosure of customs violations and offenses.

■ **Abuse of authority**

There are indications that some high-ranking customs officials give illegal verbal directions to their subordinates and force them to act contrary to the law. For instance, they order that particular goods are let go through the customs, determine under which conditions and where this would happen, decide whether inspection should be conducted or not, etc.

Continuous complaints show that **the problem with corruption in the customs is not yet solved**. Numerous factors account for this, and some of them are of subjective character. Unsatisfactorily organized internal supervision and the lack of an information system enabling continuous supervision of activities of all sub-departments of the Agency in the real time are among the most serious failures in the functioning of this institution. Combined with the huge quantity of documentation, the large normative base, as well as the contradictions between particular norms of customs legislation, this enables the corrupt officials to conceal the conducted violations and offences for at least a certain period of time.

On the other hand, **the measures taken by the management to disclose the violations are insufficient**. The efforts to curb violations and offenses are often hampered by the fact that violators and persons involved in the smuggling try to compromise honest and uncorrupted officials of the customs administration, who refuse to participate in criminal acts or work actively for the disclosure and prevention of customs violations and offenses.

Corruption is a problem also in other law-enforcing state institutions involved in countering smuggling. Especially dangerous is the role of corrupt practices within the Ministry of Interior, which has the specific task of fighting corruption in all state institutions.

TYPOLOGY OF CORRUPTION PARTNERSHIPS

The analysis of various types of trans-border crime has outlined the following **most typical smuggling schemes**, listed according to the scope of their destructive impact on economy and security of the country:

1. The large corruption schemes, linked with illegal import, export and transit of goods in large quantities, are characterized by the presence of a **big organized group** of people cooperating with each other. Most of these people do not know each other personally, but they are aware of the existence of the established crime network. The people participating in illegal imports include importers of goods, border and customs officials, and authorities on communal, regional and national level. Someone involved in political life is also necessarily included, since such people secure the administrative comfort to the others and act as the final recipients and redistributors of the collected bribes.

Within such a scheme, the monthly amount of bribes can reach up to several hundred thousand leva and can cause losses to the state budget, amounting to 50 percent of the unpaid state revenues, depending on the particular type of imported goods.

The functioning of such well-organized schemes for smuggling and other customs violations threatens entire branches of the economy and creates substantial social tensions. People at the top of such schemes have numerous means to use their influence, including personnel selection in the law-enforcing and law-protecting structures of the state.

2. In some corruption schemes, groups of people who know each other are involved. Such **small organized groups** operate in particular region or on the territory of one or two regional customs directions. The people involved in the scheme

include an importer, former or present customs officials, and former or present Ministry of Interior officials.

Bribes range between one and ten thousand leva. The functioning of such schemes creates immoral personnel atmosphere and generates losses to the state budget amounting to 30 percent of the sums, which should be paid into the budget.

3. Corruption schemes, involving **individual customs officials, border policemen, sanitary and veterinary workers, officials collecting road taxes and issuing various permits** are created within the customs departments at the borders. In exchange for money, officials involved in such schemes let certain goods pass through the border without registering them. In other words, these are the cases of the so-called outright smuggling, which causes huge losses to the state budget and creates favorable conditions for illegal traffic with banned substances and goods. Bribes range from 3,000 leva for a ten-ton truck to 10,000 leva for a twenty-ton truck.

4. **Individual corruption schemes** function within the customs departments in the interior of the country. In such schemes, a customs officer establishes a relation with one or more companies – importers of goods, and assists them in the customs violations, leading to 10 to 30 percent losses in the customs duties collection. The bribe depends on the location of the customs department and on the position of the customs official, and varies between 1,000 and 5,000 leva. Very often such violations are realized with the knowledge of the direct superior, who receives a share of the bribe as reward for his passive involvement.

5. Some customs officials create individual or group corruption schemes, in which they conduct actions often bordering to extortion. They imitate exaggeratedly strict observation of nonexistent procedures, and then face the importer with demands that cannot be justified by any legislative norms and blackmail the importer on psychological basis, threatening to conduct a thorough physical inspection of the goods. In such cases, the bribes range from 20 to 200 leva and have exceptionally negative impact on the relations between business people and customs administration. On first sight, there are no fiscal consequences for the state budget, but certain investigators believe that about 60 percent of the customs officials are involved in such practices through which they receive undeclared and thus untaxed revenues.

6. The same is true for individual manifestations of corruption, connected with speedy procedures and customs clearances of goods belonging to companies owned by friends and relatives. Bribes reach up to 100 leva. In such cases, mistakes in the procedure are often made and sometimes preconditions are created for unchecked traffic of banned goods like drugs and weapons, without the involved customs official being aware of it.

Table 1: General classification of smuggling and related to it corruption

Main actors	Type of illegal activity	Consequences
<p>1. Large organized groups, operating on national level</p> <p>(Most of the involved do not know each other, but are aware of the organization. Its leaders have the power to influence the personnel selection in law-enforcing institutions.)</p> <p>Bribes: from 10,000 to 50,000 USD per month.</p>	<p>Importer → customs official at the border → representative of border authority → Ministry of Interior officials, securing the transit to the customs bureau in the interior → customs bureau in the interior → representative of the communal authority → representative of the high-level authority → political person (or person with influence on politics), providing administrative comfort to the others and the final recipient and distributor of the bribes.</p> <p>5% of officials</p>	<p>Threatens entire branches of the economy. Creates social tensions. Casts suspicion on the public contract.</p> <p>Losses of the state budget: up to 50% depending on the type of the goods.</p>
<p>2. Small organized groups</p> <p>Operate in particular region or in one or two regional customs bureaus.</p> <p>Bribes: up to 5,000 USD per month.</p>	<p>Importer → former or present high-ranking customs official → head of customs department → former or present Ministry of Interior official (neutralizes the inconvenient officials or informs on inspections) → operative inspector.</p> <p>10% of officials</p>	<p>Creates immoral personnel atmosphere. Causes corrupt behavior among business people. Has a negative impact on foreign investors.</p> <p>Losses of the state budget: five million leva and more (up to 30%)</p>
<p>3. Type "Tandem" (Customs official and another employee at the border crossing).</p> <p>Bribes: 1,500 USD for a ten-ton truck and 5,000 USD for a twenty-ton truck.</p>	<p>So-called "wild smuggling" → goods pass without being registered by the customs → "opened barriers."</p> <p>10% of officials</p>	<p>Creates conditions for smuggling of banned goods (drugs, weapons).</p>
<p>4. Individual operations: officials from any operative department. In most cases involves customs inspectors.</p> <p>Bribes: depends on the type of the customs department and the position of the official; up to 2,500 USD monthly.</p>	<p>Importer → customs official (in many cases with the passive involvement of the superior).</p> <p>20% of officials</p>	<p>One to ten companies-importers pay 10 to 30% lower taxes. Due to some changes in the tax legislation (VAT, profit tax), the practice is diminishing.</p>
<p>5. Individual operations: customs inspector or superior on the lower level.</p> <p>Bribes: 20 to 200 leva per month.</p>	<p>Too strict observation of non-existing procedures, demands without foundation in the Law, threat of thorough inspection of the goods, blackmailing on psychological basis.</p> <p>60% of officials.</p>	<p>No fiscal consequences for the budget. Exceptionally negative consequences on the business people. Creates negative image of the administration.</p>