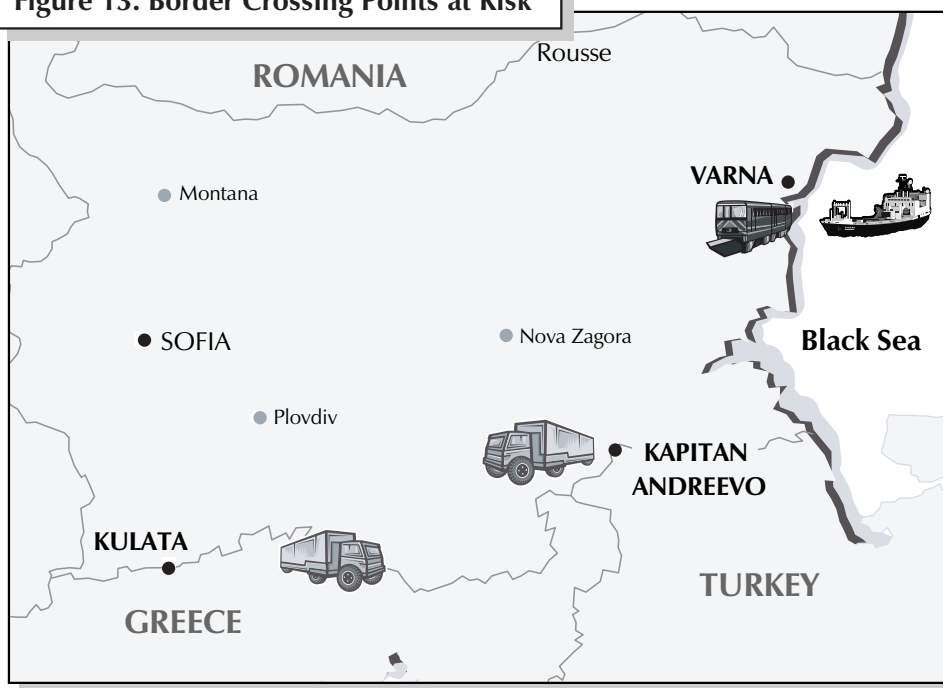


## APPENDIX

### RISK PROFILES OF BORDER CROSSING POINTS

The risk profiles presented here of the border crossings of Kapitan Andreevo, the Port of Varna and Kulata, contain particular observations and facts on the basis of which the first two analytical parts of this report were developed.

Figure 13. Border Crossing Points at Risk



#### 1. KAPITAN ANDREEVO<sup>109</sup>

##### General Information

Kapitan Andreevo is one of the largest border crossings in Europe. It employs a staff of between 400 and 500, while the daily average of trucks crossing the border is between 750 and 850. **Although its annual cargo traffic has risen from 193,127 in 2001 to over 300,000 trucks in 2003, no infrastructure expansion or upgrades have been undertaken at the border station for around 15 years.** There is a single lane for processing freight vehicles which causes 2 to 3-day delays for drivers on the Turkish side of the border during heavy-traffic periods. The traffic of trucks is unevenly distributed due to EU restrictions on weekend travel. This is why the heavy trucks transporting goods from Turkey usually choose to cross the border at the weekend, so that they are able to travel in the EU on weekdays. Thus,

<sup>109</sup> The analyses of the three border crossings, Kapitan Andreevo, Kulata, and the Port of Varna offered below, are based on interviews with former and current officials of the MoI, the NBPS, the BCA, and the Bulgarian Navy. The interviews were conducted between November 2003 and March 2004. The anonymity of the individuals interviewed has been preserved due to the sensitive character of the issues discussed. All quotations, evaluations, and data are from the interviews taken in the above-mentioned period.

the bottlenecks start Friday noon to be relieved no earlier than late night on Sunday. In addition, there are border traffic jams from Tuesday to Thursday when trucks supplying goods to the markets in Bulgaria and most Balkan states (e.g. Romania, Serbia, Macedonia, Croatia, etc) cluster at Kapitan Andreevo.

### Structure and Organization

Similar to all land border crossing stations in Bulgaria, there are six different border control agencies working at Kapitan Andreevo (which is a requirement posed by the Ordinance on Border Crossing Points). These are: the National Border Police Service, the customs, the phyto-sanitary control service, the veterinary-medical control body, sanitary control, and control over vehicles. All these independent agencies are accountable to the border police director—also director to the respective border crossing. This creates tension between customs and border officials and the officers from other agencies since the former have greater influence and power.<sup>110</sup> The structure and organization of the Kapitan Andreevo crossing point is described below:

- There are three customs bureaus—Haskovo, Dimitrovgrad and Kardzhali—which are subordinated to the Regional Customs Directorate in Plovdiv, as well as a dependent Territorial Customs Directorate in Svilengrad. The Svilengrad Territorial Directorate is the main customs point for several other offices: the Novo Selo Customs Post, the Kapitan Andreevo Customs Post, Svilengrad Railway Station Customs Post, and Svilengrad Duty-Free Zone Customs Bureau.
- Employees at the Kapitan Andreevo border crossing work in four shifts of 28-30 officers each. Customs officers are organized in groups performing different functions:
  - a. A TIR-carnet department
  - b. A department for combating smuggling. The department is staffed with two or three officers per shift. During the field visit, an interview was requested with at least one of them, but it turned out the shift consisted of two officers, one of whom was on a sick leave, while the second officer was on duty.
  - c. Regular customs control department consisting of three to four officers.
  - d. Drug trafficking department including four officers.

### Risk Profile

There are three basic groups of risks to be tackled at Kapitan Andreevo border crossing.

- Kapitan Andreevo is the junction of the most significant drug trafficking route through the country—from Turkey to Western Europe. Since the 1980s, the largest amounts of heroin have invariably been captured there. In the last two years, sizeable amounts of amphetamines going from Bulgaria toward Turkey have been caught as well. Although the volume of drugs captured is constantly growing, the customs officers claimed that it comprises no more than 20% of all trafficked drugs. Otherwise, traffickers would not find it profitable to use that route.
- Kapitan Andreevo is the main gateway for goods produced in Turkey and the Middle East. This creates a significant sense of pressure upon customs officers as regards goods smuggling and customs frauds. Some of the most important trafficking channels used by organized crime (employing various customs frauds) have passed and are probably still passing through Kapitan Andreevo. Customs violations there are surely large-scale. Compared to year 2000, illegal incomes in 2003 dropped by € 100 million due to measures taken to raise the average price for a kilogram of goods imported from Turkey.<sup>111</sup>
- The smuggling of illegal migrants from the Middle East, Central Asia, and Africa to Western and Central Europe. Most of smuggling channels lead through the green border, but part of the illegal emigrants, who use counterfeited identity papers, is let in by border authorities through the border crossing as well.

<sup>110</sup> In accordance with this report's focus, the CSD team interviews inquired mainly about the BCA and NBPS activities.

<sup>111</sup> The calculation is based on BCA data for the period 2000-2003.

## Cooperation

### *Turkey*

There is no regular information exchange with the Turkish border authorities. The customs officers on either side of the border do not know each other and their relations are kept formal. This is odd, given that most officers have been employed at Kapitan Andreevo for ten to twenty years. Their Turkish counterparts are in a similar situation. The infrequent visits of the regional customs director or the border-crossing director are limited to an exchange of promises that are usually broken by the Turkish side. For instance, if a suspicious truck has passed through from Turkey and the Turkish authorities are asked to check the authenticity of its goods customs declaration, they usually refuse to do so under the excuse that the information is not available and the documents "have just been sent out." Such checks or coordination between the adjacent border posts would be an efficient method of control. Compared to Turkey, cooperation with Greece is much better, and the Greek authorities regularly transmit the requested information (for more details, see the section on the Kulata Border Crossing Point). The customs officers interviewed identified two main reasons for such ineffective relations. The first is Turkey's policy of stimulating export at all costs. If the actual value of goods is stated in the invoice, merchants' expenditures would be higher and therefore Turkish goods would be less competitive. Second, there are cultural specificities inhibiting the Turkish authorities when they have to respond to requests for cooperation from their Bulgarian counterparts.

### *National Border Police Service*

Customs officers perceive their relations with the NBPS as satisfactory. It has become clear that whenever either of the services requests the other's cooperation (e.g. an inspection), it is usually performed neatly and on time. During the field study well-ordered information-exchange meetings between shift supervisors of the customs and border police were witnessed. Nevertheless, customs and border police officers are distrustful and suspicious of each other. Some of the interviewees think that the tension between the two services dates back to the time between 1991 and 1997, when border police officers often reported against customs officers, assuming that this would further their career. As to future information exchange based on currently existing databases, most of the interviewees were skeptical, although no clear reasoning was given why passport and vehicle details shouldn't be registered by one of the services only.

### *Other services*

Services like the road tolls and the veterinary and phyto-sanitary control are only marginally present at the border crossing point. Customs and border police officers, on the other hand, have a disparaging attitude to them, and one of their remarks was that these services try to exploit every chance to get a bribe by being excessively strict to the passengers and vehicles crossing the border. Other comments were targeted against the very system of border control involving too many separate services and their employees interested in keeping the status quo, given the variety of passage fees through which they generate income.

## **Equipment and Infrastructure**

The following vital equipment is available at the Kapitan Andreevo border crossing station:

- X-ray units: There is one large x-ray machine where scanning of pallets is done, and another, mobile x-ray unit. The larger machine is positioned in a shed, where cargo can be inspected thoroughly. Since the shed is at the entry lane, it is usually trucks entering the country that are scanned. Trucks exiting Bulgaria are rarely scanned or searched, but scanning is possible if the need arises. The Turkish border authorities have a very large x-ray unit at their disposal, which can scan trucks without unloading the cargo. A similar high-quality x-ray unit in the mid-1990s was delivered to Kapitan Andreevo, but it was never actually put to use because of the expense of installation. According to some opinions, this was a policy deliberately chosen to facilitate trafficking channels at that time.
- Freezer sheds where trucks carrying perishable goods are searched.
- A radioactive detector through which every vehicle is required to pass.

- Surveillance cameras
  - ♦ The border police have their own surveillance cameras that record the license plates of all vehicles entering and exiting Bulgaria.
  - ♦ The border police have their own cameras at the first gate. Thus, the customs officials have 20 minutes to check their database and confirm the carrier's reliability. Nevertheless, customs officers think that the quality of handling passengers and cargo has not improved after the cameras were installed.
- Dogs: four dogs trained in Germany assist the anti-drug operations at Kapitan Andreevo. However, their olfactory sense is reduced in the summer season due to heat and exhaust gases from motor vehicles.

#### Thorough inspections

- Such inspections have various levels of thoroughness depending on the type of cargo, and take from one to three hours, although in some cases they may last as long as one to three days. An average of four officers is usually engaged in these checks.
- No more than three trucks per day are inspected thoroughly. According to official statistics, however, an average of twelve thorough customs inspections (TCI) per month was carried out in 2003. This is so because checks that did not involve unloading of the whole cargo, noting the number of items, and weighing and inspecting them, were also recorded as thorough inspections.

**Table 11. Customs Inspections at Kapitan Andreevo**

	2002	2003
Thorough customs inspections carried out (TCI)	1907 (-5 / 24 hours)	4593 (-12 / 24 hours)
Customs fraud reports	288	507

Source: Regional Customs Directorate—Plovdiv

- Thorough inspections are done in the following cases:
  - ♦ If a truck is owned by a company with a bad record.
  - ♦ The border police have sent a preliminary, oral or written, warning, together with a mandatory written request for a thorough inspection.
  - ♦ NSCOC and NBPS have started conducting checks with greater regularity.
  - ♦ Checks of trucks with TIR-carnets are more infrequent.
- A list of approved traders and manufacturers has been published, and the companies on it are inspected on rare occasions.
- The BCA risk analysis department alerts the border crossing stations about untrustworthy companies (e.g. the so called "cargo traders"), which are afterwards thoroughly inspected.

Transit flows at Kapitan Andreevo are rather uneven. Most trucks cross the border point on Fridays and Saturdays. The flow also varies across seasons, with the traffic being busiest during the Christmas holidays. Given that the BCA aims to ensure that 2-3% of entering trucks are inspected, two conclusions can be drawn. If one assumes that the number of TCIs would correspond to heightened traffic during certain days or seasons, this would mean that each inspection would have to take no longer than an hour. Therefore, they would not be effective enough. If TCIs are made with regular frequency (twelve per 24 hours on average), then the risk of smuggling on busy days and seasons will increase considerably. With the current staffing and infrastructure, both approaches foster a high smuggling risk.

Some former Kapitan Andreevo customs officers, or officers not favored by the present management, stated that the practice was to “bully small companies and let through the big shots.” The CSD team could not check the authenticity of such statements, neither have their authors provided any evidence to confirm them.

### The Crown Agents Customs Mobile Teams

The interviewed border guards at Kapitan Andreevo found it hard to decide whether the mobile teams are effective or not, since they work primarily inland. Besides, no information has been sent to the border crossing about their activities. The mobile groups visit the site periodically, but neither a positive, nor a negative effect of their work has yet been observed. The customs officers were not aware of any fault that the teams might have found with their work.

These findings pose the crucial issue of feedback. The mobile groups’ conclusions and criticism should be used to improve customs operation locally.

### Customs Frauds and Smuggling

- Some of the officers interviewed were of the opinion that from 1998 on, pressure for illicit customs clearance of cargo—either on the part of traders doing business in Bulgaria or by corrupt senior customs officials and Mol agencies—has been easing.
- Although the number of flagrant violations (i.e. contraband) has considerably fallen since 1998, the “softer” version of illicit goods clearance has remained a widespread practice. Examples were given of indirect pressure for such activities during the period 1998-2002:
  - a. Through unofficial orders by the regional director of the BCA that the trucks of a certain company should not be thoroughly inspected. In other cases, senior government officials sent representatives to ensure that a “special treatment” be provided to certain trade companies. Yet on other occasions, such attitudes were mandated through a phone call.
  - b. The trucks of certain companies are thoroughly inspected on any possible occasion. Thus, they are compelled to accept the protection of certain well-positioned intermediaries. When asked directly about the business of the late Konstantin Dimitrov, a.k.a. Samokovetza, some officers recounted cases dating from before 2002 when NSCOC officers came from Sofia to order that the trucks of his rival companies be always thoroughly checked. These inspections stopped only after the rivals started paying their dues, that is, became part of Samokovetza’s network.
  - c. With big smuggling channels or when the police break up a channel and the owner must salvage his cargo, they are assisted both by BCA and NSCOC officers.
- **Drug trafficking.** All official reports released by the BCA or the anti-drug departments of the Mol contain no information for complicity of customs officials in any drug violations. All interviewees denied the possibility that any of their colleagues had participated or are presently participating in any of the drug channels. Most of them backed their statements with moral arguments such as: “he may have been into all kinds of affairs during these fourteen years, but he has never gotten mixed up in drugs.” Some other, more rational explanations, referred to the high risk of being involved in a drug channel. The smuggling of goods rarely results in a verdict, while the perpetrators in drug trafficking cases are usually punished by ten to fifteen years of imprisonment. At the same time, the officers interviewed agreed that the drug traffickers are very well aware of the operation of all services at Kapitan Andreevo. A case in point was a recent heroin haul (foiled on 14 December 2003). The attempt to smuggle 30 kilos of heroin in a van was made exactly when the customs officials were changing shifts. In addition, some of the known criminal bosses like Kossyo Samokovetza ran goods-smuggling channels through Kapitan Andreevo. One could easily suppose that the same custom officers can be used to aid the transit of drugs.
- **The “cargo companies,”** as both customs officers and traders have dubbed them, are associations of 4-5 to 20-30 different traders importing goods from Turkey and Asia. Thus, a truck whose cargo’s value is €5,000-7,500 is levied at €1,000-1,700. Interviewees described this as one of the most frequently used smuggling schemes, which, however, is hard to prevent since the real price of the goods was impossible to prove. As mentioned above, the Turkish authorities are not willing to cooperate, either.

- **Shuttle traders.** Although suitcase trade has diminished considerably in comparison to the boom in the period 1990-1999, officers confirmed that even nowadays certain types of goods are illegally imported on a petty scale. The team witnessed how motor cars with enlarged fuel tanks are filled in at the duty-free gas stations at the border crossing only to sell the gas right after they cross over into Turkey. The types of goods and the patterns of trafficking them are numerous. Some of the officers interviewed claimed that the local "suitcase traders" from the border area who make a living from their activity were not problematic. It is rather the big players who collect the goods and redistribute them to the large markets in the country that present a problem. They deal mainly in excise goods (alcohol, cigarettes, and fuels) and agricultural products (fruits and vegetables).
- **Smuggling.** All of the officers that were interviewed, both the complacent and the critically-minded, agreed that the **lifted-gate type of smuggling** is no longer practiced. Cases when entire shipments were not declared at all are rare (including the variety of concealing whole contraband shipments screened behind a small amount of regular goods, or when declaring lower amounts of the shipped merchandise) and most violations are not as brash as in the past. The growing price of Turkish and Asian goods, as some of the local traders noted, might however incite certain players to use the "old methods," where brash violations of the law carrying a high risk are committed.

### General Evaluation

The general impression that the Kapitan Andreevo border crossing and the area around it give is that of dilapidation and poor hygiene. The infrastructure is outdated and is in urgent need of modernization. The employees at the border crossing, however, were distrustful that any modernization might alter the current situation. More than that, the necessary and inevitable changes were perceived as a threat rather than a positive development.

Svilengrad, the town closest to the border crossing where most of the border officers come from, had, by contrast, a different look. A number of luxury cars stood out, their Sofia or Plovdiv-registered license plates with four identical digits (a privilege only for those well-connected with the MoI) revealing who of the shady business bosses were in town. The occasion that had brought them there, it turned out, was a wedding reception. Such a congregation of €100,000-priced cars in a small-sized remote town is a clear signal of what interests the border zone is still attracting. The structure of gray business could also be deduced from the layout of the posh or less luxurious vehicles' owners seated in the local restaurant.

Some local townsmen in Svilengrad, who had never worked at the border, disclosed that there were several famous families for whom the "promised" Kapitan Andreevo border crossing was reserved. Many border matters were being decided within their circles and no outsiders were ever allowed to trespass. Most people believed that one group of these families was in charge of the customs, and the rest controlled the border police. Occasionally, people from these families are employed at the other border services, but the strict division between customs and border police control is never broken. It is hard to say how much of all of this is true. The officers interviewed at Kapitan Andreevo confirmed the above hypothesis by refusing to give comprehensive and direct answers to CSD's team.

Regarding the various risks at the border crossing, one fact should be specifically mentioned: there are numerous trade outlets around Kapitan Andreevo, most of them doing business in the gray, according to interviewees. The duty-free zone of Svilengrad, the duty-free shops and especially the three gas stations owned by the Turkish national Fuat Guven were cited as relevant examples. This type of business is also reserved for certain families in which no strangers are admitted.

It is noteworthy that the particular cases recounted by Kapitan Andreevo officers were all set in the past, not going beyond the time when the BCA's penultimate Director, Emil Dimitrov, resigned from office in 2001.

From the interviews with people who are either no longer employed at the border, or who are in a certain "isolation" from the rest of their colleagues, it could be concluded that the expertise of customs and border officers also poses certain risks. They are fully aware of what part of their activities may be subject to audit and by what authorities, what charges might be brought against them for each failure in fulfilling their duties, and how these charges are proven.

The interviewees with a critical attitude argued that there are a variety of ways to get income at the customs post, its size depending on two main conditions: the position the customs officer occupies and the risks he is inclined to take. Grassroots officers could earn €5-10 by providing the truck that pays faster

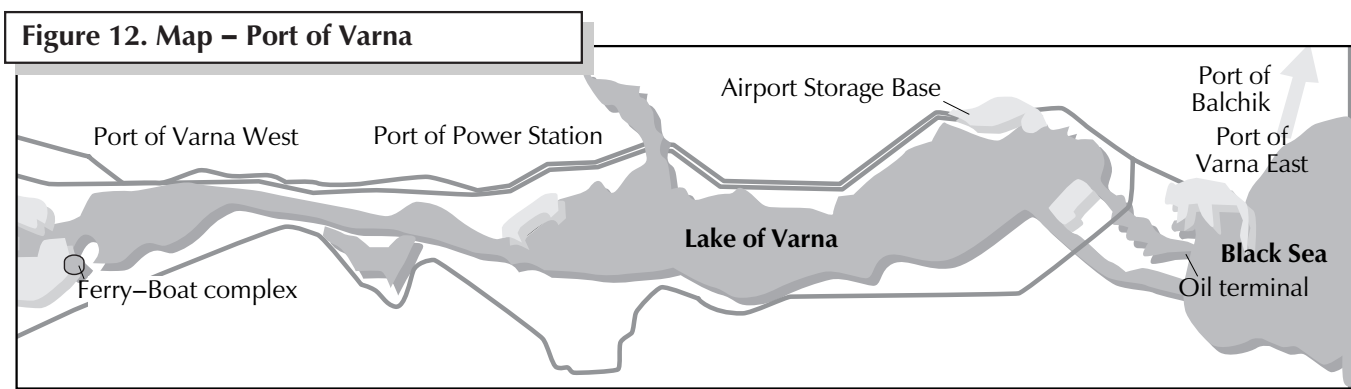


clearance or service. Alternatively, they could advise a trader about what goods it is advisable to declare, in which cases the company bears the whole risk and therefore the customs officer's commission would be modest. They could let in a truck without inspecting it every two months and the importer or organizer would pay for the risk taken by the officer. Therefore, good knowledge of the system is essential for significantly reducing the risk of clearance violations when the presented cargo clearance documents are precisely completed. As some interviewees put it, only "dumbos and rough players" get caught, and then only if their luck fails them. The issue of the customs management's attitude and the corresponding threat to one's position is more complex and ambiguous. You could "lose the trust of your superiors without actually committing a faux pas, just because rival colleagues have set you up."

## 2. PORT OF VARNA

### General Information

The structure of the Port of Varna includes three component port units: Port of Varna East, Port of Varna West, and the remote Port of Balchik, which will not be discussed in this report. The risk profile of the Port of Varna is worth drawing since it is one of the largest, most complex and hardest to guard border infrastructures in Bulgaria with constantly growing cargo traffic. These characteristics make it one of the main points where customs violations and goods or drug trafficking are attempted. Certain issues regarding the Port of Power Station and Port Naphtex are also brought up, and a broader overview of security along the northern Black Sea border is provided.



A number of factors in recent years have made Varna the leading port at the Bulgarian Black Sea coast. It has a well-developed infrastructure, offers quality services and competitive prices, enough to draw clients even from the other large port, Bourgas. Northern Bulgaria as a whole has made considerable economic progress, therefore increasing cargo traffic. After Greece lifted its embargo on Macedonia, the cargo traffic shifted back to Thessaloniki (during the embargo it passed through Bourgas) and thus Varna became the port of highest gross tonnage.<sup>112</sup> A total of 1,437 ships were serviced at the port in 2003. It has several terminals for liquid chemicals, for clinker and cement, as well as facilities for dichloroethane and liquid fertilizers, sulphuric acid, soda, carbamate, etc. The number of handled containers has grown by 45% since 1998, reaching a peak of 65,063 containers in 2003.

The primary export trade destinations are CIS states through the Varna-Ilichevsk and Varna-Poti ferry lines, as well as the Middle East and South Africa. The port also handles transit cargo headed for Serbia and Montenegro and Macedonia. Over 60% of the port's turnover is provided by products of the chemical plants in the nearby town of Devnya—Solvay Sodi JSCo, Devnya Cement JSCo, and Agropolychim, as well as Union Miniere and Chimco Ltd, Vratza. Customs **duties** on the greater part of the container cargo **are not imposed at the Varna Customs, but are in transit to be handled at inland customs bureaux.**

<sup>112</sup> Bourgas, however, still ranks first as regards the value of cargo passing through the port, mainly due to the Lukoil refinery.

**Table 12. Ship Traffic (1998-2003)**

Year	Tons	Number of ships serviced
1998	6 426 312*	1 312*
1999	6 188 953	1 130
2000	6 263 160	1 219
2001	6 773 750	1 179
2002	7 503 514	1 311
2003	8 056 957	1 437

Source: Port of Varna Plc.

\* Figures for 1998 include also the ship traffic of Varna Power Station berth. Since 1999, this port facility is not within the structure of Port of Varna Plc.

**Table 13. Container Traffic (1998-2002)**

Year	Container traffic
1998	44 900
1999	43 022
2000	37 255
2001	45 489
2002	59 061
2003	65 063

Source: Port of Varna Plc.

The port is seeking to improve its operation in view of the growing number of containers. It is a pilot site for a project for transiting containers, whose aim is to dispense with excessive bureaucratic procedures. This is a project within the larger, World Bank supported Trade and Transport Facilitation in Southeast Europe Program, under which several companies have been pre-approved to undergo expeditious customs servicing. For these companies' cargo Varna customs receives the preliminary ship manifests listing their cargo twenty-four hours before these companies' ships have entered the port. Although the procedure has already been launched, thorough inspections are still being made at the Varna customs clearance terminal, even with cargo of these companies, so that expeditious service is not interpreted as lack of control. Such facilitations are not applied to excise goods.

**The Port of Varna East** is situated on the northern shore of Varna Bay, in proximity to the old part of the city and the railway station. Its total quay length is 2.4 kilometers. The port handles mainly general and container cargo, grain, and occasionally other types of bulk cargo. Passenger ships are handled at the port's passenger terminal. The container terminal operates container trailers and containers, including the expeditious handling of transit container cargo. There are open storage areas and warehouses as well as a storage base for liquid cargo (wine). The port has its own railway tracks connecting it to the country's railroad network.

**The Port of Varna West** was built in the industrial area of Devnya, 25 km. west of Varna, on the shore of Lake of Varna. A canal links the port to the Black Sea. Access to the national railway network is provided through Razdelna Station, while road lanes link it to the country's road network. The cargo handled at the port is of the general, bulk, and container variety. It has facilities for liquid chemicals as well. Ships carrying apatite, phosphorite, sulphuric acid, dichloroethane, and liquid fertilizers are handled at a specialized chemical and hazardous cargo terminal. The bulk cargo terminal services vessels shipping fuel, clinker, bulk soda, and carbamate. It also handles export shipments of calcinated soda produced by the Devnya plant Solvay Sodi and carbamate produced by Chimco. Varna West also deals



in exports such as bulk and packaged cement, inert materials, quartz sand, china clay, caustic soda, fertilizers, etc. There is also a container terminal.

### **Risks Arising from the Infrastructure**

In contrast to land borders, the specific features of the sea border invite broader interpretations of security issues. Smuggling and customs violations can be committed not only in port areas where the border crossing stations are located, but also in the territorial sea, the coast line, inland waterways (e.g. the lake of Varna), and ports without permanent border crossing points (such as the Varna Power Station Port and the Naphtex Port).

### **Port Security**

Security at the two sites the CSD team visited—the ports of Varna East and Varna West—is at levels comparable to that of all other Bulgarian ports. The main problem is that, since the old security system was discarded, it hasn't been replaced by any of the modern IT-based low-priced solutions. A case in point is the security of the berths. One of the border police service tasks in the past was to assign each berth where a ship is moored a border guard who would monitor crew members and visitors. Nowadays, border guards are only monitoring some of the ports' entrances. No security zones actually exist and access to the berths is not barred in any way.

The Port of Varna East is fenced with low walls that are not equipped with video surveillance systems. There are four gates to the port, only one of which is suited for trucks, another two for pedestrians and a fourth one for trains. The central gate is not heavily guarded or supplied with surveillance cameras. No information about incoming and outgoing individuals is recorded, neither is their hand luggage checked. Upon entering the port, a pass is required, but no control whatever is exercised over those exiting it. This is a border crossing area, yet no border police patrols are safeguarding it. The few surveillance cameras available at the port are installed only around the excise goods enclosures; the latter are also permanently man-guarded.

The inflow and outflow of people at the port is hard to control. Thousands of people working at the port, the port administration, the company warehouses, or as stevedores enter the port daily. It would be unfeasible if they cleared customs or went through passport control each day. However, there is no obstacle for illegal entrants or the smuggling of small quantities of drugs or arms in or out of the country. The vehicles gate does not prevent such possibilities either, since much of the port staff also enters the port in their own cars.

Varna West is faced with similar problems. It is built on an even larger expanse of land, with a total quay length 3.2 km. Its eastern part is protected by a stretch of natural marshlands. The whole port is surrounded by industrial facilities, mostly of the Solvay Sodi plant. The presence of border police officers is even more inconspicuous than at Varna East. The fences are easy to jump over, especially by night, due to poor lighting and the lack of any video or electronic surveillance devices. Apart from the enclosures around the excise goods warehouses—which are equipped with alarm devices and 24-hour guards—the port has no surveillance cameras. There is only one gate with a booth, where passport and customs control is exercised.

The customs and border police officers interviewed asserted that despite lax controls, goods smuggling by trucks and containers was difficult. They claimed that the risk was too high and no such cases had been registered. However, some striking stories were told about Bulgarian seamen trying to smuggle in cars for personal use.

Port security is also low at the other two ports in the area, the Varna Power Station Port and the Naphtex Port, since they have no permanent BCA or NBPD posts there. Besides the lack of secure fences and electronic surveillance devices, the period of customs and border police monitoring of the ships moored at the two ports is rather short. In some cases, the authorities arrive at the site hours after the arrival of the ships.

Security services for the two ports of Varna East and Varna West (and, in addition, the Port of Bourgas) are provided by Daga-S, one of the largest and oldest security firms in Bulgaria owned by former military counterintelligence officers. The customs officers interviewed by us confirmed that they were satisfied to work with a private company and assessed its efficiency as much higher than that of police guards.

### Coast Security

Prior to 1998, the protection of the Black Sea coast was a responsibility of the Navy, which then handed it over to the National Border Police Service. Nowadays, there are two systems of surveillance of the littoral area (12 miles off the shore) of the NBPS and the territorial waters (from 12 to 24 miles into the sea) by the Navy. The two systems are not integrated and they only provide information upon request from the other party. When necessary, information might be exchanged with other services such as the BCA, and the port administrations of Varna and Bourgas.

At the start of 2004, the NBPS had only three patrol boats in service (two 40-ton vessels provided under the PHARE Program and another 220-ton second-hand craft). The remaining nine ships were out of Commission. One of the functioning patrol boats is used by the Port of Varna to safeguard Bulgaria's Northern Black Sea border. Coast protection, including the fast patrol boats (FPBs) used in Varna, is coordinated by the Regional Border Police Service in Bourgas. They contact the Varna Regional Border Police only if need arises.

Navy experts claim that the available NBPS vessels cannot perform their tasks when the wind force is over 4 on the Beaufort scale. The three ships (with even the fourth 220-ton craft to be purchased in 2004) of the border police are not sufficient to control and intercept violations in the littoral and territorial waters, let alone the exclusive economic zone extending up to 200 nautical miles from the coast. On the other hand, the Navy, which has about 50 ships and patrol boats, is not empowered by law to stop, inspect, or arrest merchant ships that might be engaged in trafficking.

The Navy started promoting the introduction of a *national, automated radar system for control of navigation and protection of the sea borders* called Ekran, as early as in the year 2000. The arguments supporting this proposed system are the following:

- Positioning of radar sites along the coast does not provide for full control of shipping.
- The great variety in radar and communications equipment used by the Navy, the NBPS, and the Port Administration Agency hinders compatibility, and even interoperability among the units of the system.
- The low level of automation in information processing and information exchange impedes adequate decision making, especially in rapidly changing situations.<sup>113</sup>

The Ekran system could function as an information and coordination center collecting, processing, and transmitting data from all video surveillance and radar sites to all authorities concerned (the NBPS, the Bulgarian Navy, etc.). The Navy maintains that the Ekran system could facilitate the search, detection, identification, classification, and tracking of ships and boats. It will help introduce automatic data processing, picture compilation, and integrated display on digital maritime charts in a unified standardized coordinate system. In terms of reducing the risk of trafficking, an important component of the system will be the stricter control of navigation in the littoral zone, straits, and channels. Data will be transmitted to the automated command and control systems of the Navy, the NBPS, the State Maritime Administration, the BCA, the ports, etc. In addition, there is a considerable potential in the integration of the Bulgarian automated information system Ekran with similar systems in Turkey and Romania.

Although an inter-agency group<sup>114</sup> has started working on the establishment of an integrated information system similar to Ekran, there are still certain inter-institutional contentions to resolve. The main one is who should be in control of the system. The Navy claims that it should be the leading authority and the one having permanent access to all the information. The Maritime Administration, NBPS and the BCA would receive filtered information corresponding to their needs and will also access additional data on special occasions. The NBPS is the chief opponent of this proposal. They think that their responsibility of protecting the sea border of Bulgaria entitles them to permanent and full control over the information. Moreover, during off-the-record conversations, border police officers shared that their service introduced their own modern radar surveillance system in 2003, so they would not need to cooperate with the Navy. In their opinion, some naval officers take advantage of their position to engage in illegal goods trafficking.

<sup>113</sup> Petrov, Peter, "Towards Creation of a Unified Information System of the Navies of the Black Sea Countries," *Information and Security*, Volume 6, 2001, pp. 94-101.

<sup>114</sup> Decision 64 of the Council of Ministers of 27 January 2003 supplementing Decision 204 of the Council of Ministers of the Republic of Bulgaria of 12 April, 2002 on the Establishment of a National Friend-or-Foe Identification System.

One of the most serious challenges faced by the NBPS and the BCA is the smuggling of goods outside the zones of international ports. Such activities have a long history dating back to the days of total state control. The usual practice at that time was for ships sailing back from abroad to throw goods close to the coastline, which would be later fished out by accomplices in small boats.

Another smuggling pattern is applied out at sea, where fishing boats approach a ship and the goods are transferred overboard in motion. These actions can only be captured through visual surveillance equipment. Radar observation cannot discern between two crafts merely sailing close to each other and two crafts exchanging goods. Often, such smuggling operations are carried out close to the sea borderline with Romania, and if the authorities attempt any actions, the boats can cross into Romanian territory. These boats are usually unloaded in small harbors without permanent customs or border control. The more direct smuggling pattern is when small boats enter small bays or harbors.

The situation is even harder to control nowadays, when trade between Turkish and Bulgarian small fishing crafts and boats is commonplace. Bulgarian fishermen sell or barter fish or shellfish in the open sea with their Turkish counterparts, which provoke concerns that at-risk goods might be imported. There have been certain signals about the possible import of heroin in recent years, but inspections have not confirmed any of them. Nevertheless, it is considered that part of the smaller vessels (up to 200 tons) sailing under flags of convenience (Ukrainian, Georgian, etc.) have managed to smuggle heroin to Bulgarian shores.

Small craft are also suspected of trafficking various brands of import cigarettes. It is considered that they unload the cargo beyond the 12-mile zone or in the zones of radar shadow. One of the versions of the incident with the *Elena* was that two of the containers with cigarettes that turned out to be empty had been unloaded with the help of a small craft.

Apart from the described patterns, certain zones of radar shadow in the open sea are also used to perform such operations. The area around Cape Kaliakra and most of the Varna Lake are radar shadow zones. Buoy 9, anchored in the widest part of the Lake of Varna, has become a synonym for smuggling. At that particular spot small boats often swarm around passing ships. Customs officers explained that there are numerous cases when not only goods, but also fuel is dropped off from passing ships to small boats and then loaded on automobiles and vans parked by the roadside. Such maneuvers are also done on the lake's south banks, which is farthest from the Port of Varna and the port authorities would take longer to react to any signal. The canal's southeastern part is also situated in a radar hole and is handily used by smugglers to unload goods.

### **Mode of Operation**

The organization of work at the ports also heightens certain risks. There are two separate customs units at Varna East and Varna West, but the border police remain with a centralized department based at Varna East. The low-rank officers will rarely venture to take action without the shift supervisor's approval, which delays the procedures, and is generally ineffective, since the Varna East supervisor might not be familiar with the specific problems at Varna West.

Incoming ships are always inspected by officers from the whole range of border agencies—NBPS, the BCA, the Maritime Administration, the phyto-sanitary, veterinary and sanitary control services—irrespective of the type of cargo shipped. Thus, the phyto-sanitary, veterinary and sanitary experts are often a redundant part of the inspecting team.

The legally regulated tasks of NBPS are passport control and the control of drugs and hazardous devices. However, for some time they have been tracking goods traffic as well. Border police officers have been instructed to be especially watchful of certain types of cargo, e.g. meat. Yet, such control is inefficient since NBPS officers are not trained accordingly in customs regulations. To the bystander, the scene which the CSD team witnessed—of ten officers moving from container to container feigning an inspection—looks no less than ridiculous: they just opened the containers, threw a glance, and closed them, thus considering the order for inspection to be fulfilled. To the question of how one would discern problem meat from normal meat, only the customs officer could reply that “the meat which looks different may be sent to the laboratory in Sofia for expertise.”

### Collaboration between Institutions

At the Port of Varna, the NBPS and the BCA remain two divided institutions, interacting by intricate bureaucratic procedures. Conversations with either service easily reveal mutual distrust. Operational intelligence information is provided by any of the services only upon the express demand of the other. The two agencies keep formal high-rank or strictly informal contacts only when necessary.

Apart from superficial, routine knowledge, border police officers are not familiar with the work of the customs. Even high-level officers are not acquainted with BICIS. No customs officers are included in the NBPS patrol boats crews inspecting ships suspected of violations. Thus, their checks lack efficiency due to the border police's unawareness of the possible customs violations, especially in terms of drug trafficking.

Moreover, the NBPS provide input to the National Service for Combating Organized Crime and the National Security Service—the two agencies gathering and processing the operational intelligence data. The latter, however, rarely supplies the NBPS with reciprocal data or feedback.

### Customs Frauds and Smuggling

The trend from the last two years has been that of increased attempts at lighter customs frauds at the expense of smuggled imports. Between 1998 and 2002, cargo traffic rose by 44%, which has enhanced the risk of smuggling and customs frauds. This is all the more applicable for container traffic at the Port of Varna.

The rise in cargo traffic is, however, not accompanied by an improvement of technical capacity and staff skills. This is why the number of thorough inspections is way below European standards requiring that 4% of the traffic be checked (Table 16).

It is striking that the number of thorough inspections has gone way up at most border crossings, while at Varna hardly any change in inspections or proven violations is observed, despite the steady growth in cargo traffic. Critics of Varna customs, a core group of who resides in Bourgas, argue that "Varna supports the most 'liberal' import regime in the country." The Varna model includes private customs brokers and forwarders employing former customs officers that use their contacts at the customs bureau to secure speedy passage for their clients. Varna customs officials, on the other hand, claim that this border crossing is generally preferred for its competent, highly qualified staff. The CSD team fully supports this last argument, on the basis of conclusions drawn from the CSD team's visits to a few other border crossing points. The problem is that no reliable criteria, including quantitative ones, have yet been designed to allow for objective assessment of the various types of inspections and their effectiveness in the separate customs posts and bureaus.

The efficiency of control is further affected by the specific features of coastal customs. For instance, a ship is considered to have between 12,000 and 14,000 convenient caches all of which are practically impossible to search. Some of the border and customs officers claimed that a proper thorough inspection of a large vessel had not been made for ten years, even when there had been signals for drugs or arms being carried.

The other problem is the low motivation to inspect containers thoroughly, especially if they are full of miniature items. On certain occasions, a team of six or seven officers has had to spend three days to make a thorough container check.

One reason against thorough inspection, the interviewees pointed out, is that these might impair the goods, and traders might claim damages. In one such instance, smuggled cigarettes were found in pallets full of timber. The unpacking of such cargo can cause a problem, since the customs do not have the technical means and funds necessary to pack the merchandise back. The way containers are currently inspected is limited to taking samples from randomly chosen spots.

The critically minded customs officers claimed that cigarettes smuggling is a well-developed trafficking scheme at the Port of Varna. The management also confirmed that smugglers are fully aware of the obstacles to a thorough inspection of an export cargo (of timber for example). Thus, the absence of an x-ray unit that may be used for inspection was defined as a serious risk at Varna customs.

Another problem, both at Varna West and Varna East, is the lack of indoor sheds to carry out inspections in adverse weather conditions. There are no freezer sheds in which to inspect meat products either, although the latter are quite frequently used in customs violations.

**Table 14. Cargo Traffic at Port of Varna (1998-2002)**

Year	Tons
1998	4 508 000
1999	4 652 000
2000	5 560 000
2001	5 820 000
2002	6 509 000
2003	6 576 000

Source: Port of Varna Plc.

**Table 15. Traffic at Port of Varna by Cargo Type (1996–2002)**

Type of cargo	1996	1997	1998	1999	2000	2001	2002
liquid cargo	278 612	197 446	341 817	813 728	765 862	620 287	424 916
crude oil	–	–	0	403 371	–	12 473	–
oil products	112 612	52 259	191 726	102 357	214 668	138 206	64 424
other liquid	166 000	145 187	150 091	308 000	551 194	469 608	360 492
bulk cargo	4 536 070	4 863 425	4 510 120	4 193 594	4 812 627	5 664 754	6 589 284
Ore	4 000	10 000	72 000	111 000	394 000	40 122	251 267
Coal	1 293 458	1 194 744	1 644 805	1 035 479	1 363 833	1 978 203	1 201 894
agricultural products	89 902	236 552	772 013	969 648	655 723	546 966	209 615
Coke	111 000	123 000	116 000	219 000	228 000	309 069	–
Gravel	553 000	839 000	544 000	347 000	72 000	19 379	–
Other	2 484 710	2 460 129	1 361 302	1 511 467	2 099 071	2 771 015	4 926 508
Containers	302 000	372 000	416 000	395 000	415 000	533 037	674 394
Ro-ro	760 846	468 662	295 338	253 787	235 729	418 900	356 757
general cargo	934 531	846 834	697 315	432 601	623 630	633 625	447 924
Wood	38 889	35 544	12 867	1 761	11 764	38 269	–
Metals	70 000	80 922	51 803	31 728	67 975	34 713	–
other general	825 642	730 368	632 645	399 112	543 891	560 643	447 924
total sum	6 812 059	6 748 367	6 260 590	6 088 710	6 852 848	7 870 603	8 493 275

Source: Port of Varna Plc.

**Table 16. Thorough Inspections 2002-2003**

	2002	2003
Total thorough inspections	1 782	1 648
Proven violations	153	160

Source: Bulgarian Customs Agency

The contraband moving through Varna has provoked huge discussions, mostly in the second half of the 1990s. They focused primarily on smuggling channels for stolen cars, alcohol, cigarettes, electronic household appliances, and certain items used in construction or interior design. According to Mol information, a trafficking channel for motorcars stolen from European countries transported to Asia (Russia, the Trans-Caucasian, and Middle Eastern countries) and Africa was operational through the Port

of Varna between 1996 and 1998. In the period 1998-2001, importers of international alcohol brands frequently announced Varna and Kulata as entry points for illegal import of their products. Later, in 2000-2001, customs violations involving oil products became one of the most profitable smuggling schemes for gray businesses: the delivery of propane-butane by freight trains using the Varna-Ilichevsk ferry line, for instance, could yield a profit of up to 200%. The highest-value deals, however, are those with export cigarettes. A variety of patterns are employed here: containers are unloaded from ships onto trailer-trucks and transported to Italy via the Macedonia-Kosovo-Albania route, especially after the war in Yugoslavia ended in 1999. Customs officers commented that most documents for such contraband operations are genuine. Another profit-making destination for smuggled cigarettes is the UK. In such contraband schemes cigarettes, either legally imported or smuggled in, are exported in trailer-trucks, concealed by a declared cargo placed and at the back of the container or covered up in other ways.

According to MoI officials, despite the closure of the most widely used smuggling channels, e.g. those for stolen cars and propane-butane, gray and black business players would not discard the good income earned by them in the 1990s. They claim that the existing criminal infrastructure has been preserved; moreover, it is better developed in Varna than in Sofia. The only proof of this, however, albeit indirect, are certain well-know Bulgarian underworld bosses who continue to live in Varna, as well as the multitude of Russian, Ukrainian, Chechen, Georgian, Armenian, or other former Soviet citizens prosecuted for crimes in their own countries who have permanently settled in Varna. Apart from the criminal network, numerous charges have been leveled at the law-enforcement and judicial bodies in Varna.

Both the critically-minded and the supporters of the customs' performance thought that the changes that took place between 2001 and 2003 were for the better. They testified that a shift from raw contraband to customs frauds was noticeable.

### **Cigarettes and Alcohol**

There are **two main contraband and fraud schemes related to cigarettes**. The first one is a trend established in the 1990s—international brands of cigarettes were illegally imported. In 2001, for instance, the illegal import of Marlboros from Malta through Piraeus, Greece to Varna was registered. In March 2003, after a signal by Philip Morris International, customs officers from Varna West and officers from the National Service for Combating Organized Crime conducted a joint inspection. They took samples from three different containers with Marlboro cigarettes unloaded at the port and sent them for analysis in Switzerland. The analysis revealed that the cigarettes were fakes, i.e. produced by an unauthorized manufacture of unknown origin.

Cigarettes going to Serbia and Montenegro are also concealed in containers and illegally imported through the container terminal: these are usually loaded at ports in Asia and are headed for Serbia.

In the last few years, the basic customs frauds involving cigarettes have been changing. Cases of *transit* are ever more frequent. It involves reloading of the freight from the Port of Varna to a number of other, mainly Black Sea ports, in order to conceal the actual cargo being carried. There are two examples that illustrate this scheme. In the first case, a plane loaded with cigarettes, initially carried to Bulgaria by ship, landed at Sofia Airport where it was declared that they were to be exported to Greece. The plane next returned to Plovdiv Airport and was declared empty. The cigarettes were smuggled out of the airport and loaded on a truck to Western Europe. Compared to reloading done beyond the territorial sea, planes are less frequently involved in smuggling operations. The other variation of the scheme uses the shuttle traders who are mainly British tourists going back and forth from the UK to Bulgaria with their luggage full of cigarettes. This pattern is employed mainly in the summer when the traffic of low-cost charter flights from smaller British airports is really heavy.

Customs officers commented that while multinational companies were extremely willing to cooperate in cases of fake cigarettes smuggling, it is much harder to ensure such cooperation in cases of contraband of original cigarettes. Some of the interviewees even claimed that "tobacco manufacturers assist smugglers with logistic information."

Between 1999 and 2002, the Varna customs has been accused of tolerating "parallel import" on numerous occasions. Customs officials affirmed that this was a legal dispute relating to trademark law, which should be resolved in court. Corporate officials representing famous trademarks accused the BCA that such import was conducted exclusively through Varna Port, since the local customs tended to "interpret the law nonjudgmentally pressured by gray importers." The official importers brought forward cases in which spirits were illegally imported from the UK and Germany by presenting invoices of smaller



amounts and by replacement of the actual tariff numbers to eschew the payment of due customs duties and other state receivables. According to them, however, the situation improved considerably in 2003, when most gray actors were ousted from the market. Smaller offenders are also having a hard time—in 2003 one report for the **smuggling** of 9,937 bottles of strong alcoholic beverages (from Greece to Bulgaria) and five reports for **customs fraud** with spirits amounting to € 298,000 were drawn.

### Drugs

In April 2003, customs officials at the port captured 5 tons of the drug precursor anthranilic acid (200 25-kilo bags), a raw material for the production of narcotic and psychotropic substances. The cargo had entered in a container through the Port of Varna East and was declared as chemicals. It was temporarily stored at the port's facilities and reloaded in a different container that was declared for re-export.

In the autumn of 2003, 103 kilograms of hashish were discovered. The customs' drug enforcement department interpreted this as a test case of whether a trafficking channel might be set up. CSD's interviews showed that this particular capture was rather by chance. The officers that took part shared that their attention was initially drawn by a reefer container with apples from Lebanon because of its unusual itinerary. The local recipient company's odd behavior further raised their suspicions, and encouraged them to conduct a thorough inspection. The inspection would not have been made, had not some officers from the Sofia drug department been there by coincidence. The drug enforcement officers helped their customs counterparts open a hard to access cache in the reefer container. From this perspective, one cannot help but ponder how many containers of frozen meat have actually been inspected in the last few years. Hundreds of similar containers from Latin American countries of concern enter the country every year. With no x-ray equipment or reefer stacks at the port, they cannot practically be examined. This fact is well-known at the BCA. There is a relevant fact worth mentioning here that is not known to the wide public. The national record-breaking haul of 600 kilos of drugs captured by customs authorities was set due to a chance coincidence when a group of port workers decided to bust a container labeled "jeans."

### Methods for Oil Smuggling

*The Port of Petrol JSCo., Varna* is the oil terminal run by Naphtecs. Oil and oil products are imported through this terminal, which however has no permanent border crossing station or a customs bureau. The border police and customs officials are informed whenever an import operation has to be conducted and they visit the site to control the import procedures. A check made by the BCA found that supplementary pipes had been built to unload oil tankers, which, however, were not marked on the port's plan that was in use. It is thus hard to identify into which tanks the fuel goes when being unloaded. The products with their customs duty paid, and those for which it has not been paid, go to the same tanks. When tank trucks are loaded, there is no way of discerning between the taxed and untaxed fuel. The lack of a permanent border crossing makes control over the products leaving the port nearly impossible.

The exact amount of fuel is also hard to follow since tanks at the port are not calibrated, and even a slight slant might produce an error in its measurement. The port's guards do not keep an exact record of incoming and outgoing trucks. Moreover, the fencing has holes in places and no effective control over the movement of people through them can be applied. No security equipment—either surveillance cameras or alarm devices, are available. In addition, the port's property status has remained unresolved for years;<sup>115</sup> hence, the BCA could not lodge an official claim that the above issues be addressed.

There are two major types of customs violations with oil products:

- The importer deceives customs officers, declaring a different amount from that actually imported. Since customs officers cannot establish the exact amount by just looking at it, an *ullage survey* has to be done at a price ranging between €500 and €1500. This is a special method for measuring the quantity of oil by an independent expert. The whole procedure takes between two and three hours. There are a great number of external *ullage survey* experts in Varna, yet it is uncertain whether they are really independent or are bribed by the importer. Such a survey has to be paid for by the customs. In 2003, only three such surveys were carried out.

<sup>115</sup> A dispute between the private company Petrol JSCo and Port of Varna JSCo run by the Port Administration Agency of the Ministry of Transport and Communications.

- The other type of fraud is to declare the imported oil products as oil products levied by a lower customs duty than the product actually imported. Since visual examination would hardly produce authentic results, the only way to inspect the product would be a laboratory test. However, the BCA's laboratory is not licensed to analyze all oil products. The agency has lost two lawsuits disputing its competence on account of this. Such analyses may be done in laboratories in Sofia, as well as in the laboratory of the company Prista Oil in Pleven. The closest facility where such expertise might be carried out is that of Lukoil in Bourgas, but its independence and objectivity are highly questionable.

One of the most acute smuggling issues is related to the **ship fuel supply companies**. There are around 15-20 of them in Varna, supplying the ships with fuel, most of them while the crafts are docked, while four of the companies have their own fuelling vessels delivering to ships in roadstead. In a typical smuggling pattern, the captain of a ship orders the needed 60 tons of fuel. The need is of course non-existent, but no one is aware of that, and will not check the amount of fuel available. The fuelling tank or vessel makes a false refill of the ship supposedly needing the fuel and finally the tank carrier leaves the port full. Afterwards, the fuel supply company lodges a request that the excise duty and VAT paid by them be reimbursed and the fuel itself is sold again to another client.

This type of smuggling is difficult to prevent since hardly any physical control over the process can be exercised. No regulation exists that would oblige fuel supply companies to inform the BCA about the exact hour and place of the filling (when the crafts are not in berth). Even if a customs officer attends the fuelling in person, s/he would not be able to measure the amount of fuel delivered, while the reliable ullage survey is too expensive, as explained above.

Apart from this, some ship captains often declare a smaller amount of fuel received and in turn sell the surplus to the supply companies or to smugglers. In some cases, smaller vessels quickly unload a couple of tons of fuel and drive it off port in motor cars or minivans.

#### **Propane-Butane**

Propane-butane has usually been transited in freight trains along the Varna-Ilichevsk ferry line. There used to be a regularly running ferryboat between the two cities, but now it runs on demand, provided there is enough cargo to be carried, and even then the ferries are often half empty. There are no weighbridges for railway cars at the port, so the quantities of propane-butane imported in the country cannot be assessed. The only way a tank car could be weighed, and respectively the authenticity of the declared amount of gas verified, is for the train to be driven 6 kilometers off the port to the Bulgarian State Railways facilities. This procedure involves too much bureaucracy, which was cited by customs officers as the main reason why weighing is not regularly done. No effective measures against illicit propane-butane import are as yet been implemented, but the sheer cut of the amount imported through Varna in recent years has diminished the problem itself. Nowadays, the amounts of propane-butane are mainly intended for the regional market.

#### **Chinese Goods**

The illicit import of Chinese goods is considered in detail in Chapter Five of this report. Varna customs authorities certainly encounter problems much similar to those of their colleagues at other customs bureaus. First of all, the actual value of the goods is hard to ascertain, since no cooperation with Chinese customs is possible. Bulgaria has signed no customs agreement with China and there is no information exchange between the two services.

### **3. KULATA**

Kulata Border Crossing Point is the main transport corridor through which not only trade with Greece, but also worldwide trade through the second biggest Greek port Thessaloniki is carried out. Since the mid-1990s, the port has been competing with the Bulgarian ports of Varna and Bourgas, and has even ousted them in trade with certain groups of commodities. The Port of Thessaloniki has become a trading alternative because of lower transportation costs and the shorter time (about one week) needed to transport cargo to the largest market in Bulgaria—Sofia. Kulata is also on Bulgaria's border with the European Union, which makes it a focus for human trafficking.

### Transport

The average weekly number of motor cars with Bulgarian and foreign registration crossing the border is 3,885, the number of buses is 307, and that of trucks and other freight vehicles is 2,963. Depending on how heavy the traffic is, the total of vehicles going in and out of the country per day varies from 950 to 1,022. Other estimates show that an average of 600 to 700 motorcars is released daily.

The average weekly number of persons crossing in both directions is about 22,814,<sup>116</sup> including those crossing on foot; the daily average of people registered crossing the border is thus 3,259. Around 14 passenger and 28 freight trains pass through the border point in both directions each week.

Most trade with Greece is conducted through this border crossing that is exceedingly busy due to the slow release of cargo and passenger traffic. Sometimes carriers have to wait for two days to cross over. The several-kilometer-long lines of freight vehicles are customary during the Christmas and Easter holidays.

### Infrastructure

There are eight main entry and eight exit lanes at Kulata. The adjacent Greek border crossing point is Promahonas. There is also a railway passage. A new weighbridge and several new administrative buildings, cold storage for inspections, an x-ray machine, and a shed for inspections have been in operation since February 2004. These improvements significantly lower some of the risks caused by lack of suitable inspection infrastructure.

The border police are probably to be supplied with additional equipment, too. The gear presently in use is insufficient. For instance, the quality of surveillance cameras makes their usage meaningless. The CSD team could not differentiate cars from trucks on the border police monitors. The sixteen digital cameras and recording devices needed at Kulata are already so cheap that even small private Bulgarian companies can afford them. The fences and lighting at the border crossing are in poor condition and need improvement as well.

Trade outlets such as cafes, stores and casinos concentrated immediately outside the NBPS' first gate present another problem not only to security, but also to the fast and effective clearance of goods. This mass of buildings narrows the access to the border crossing to a two-lane road. The eight control lanes in one direction do not make much of a difference to traffic as there is no waiting plaza and there is only a two-lane road leading to the border crossing. This road is often jammed not only by trucks awaiting clearance, but also by local taxis and other vehicles densely parked in front of the cafes or stores. One occasion in 2003 is telling of the disorder in the border area, especially in the busiest periods: a trailer-truck attempted to cross into Greece without clearing customs at all and was detained by chance.

The premises of the border crossing are not air-conditioned, which further impairs border officers' performance. In summer, temperatures often stay over 40°C for days on end. Electricity supply is not stable either. In December 2003, a power failure caused a six-hour blackout at the Kulata border crossing. The damage was not repaired by the emergency service of the national electricity supplier, but by a private repair company alerted by the NBPS.

### Risk Profile

There are three specific groups of risks at the Kulata border crossing.

- The main risk is related to imports from China, since in the last few years the values of commodities coming from Western Europe are easy to check. The declared prices of Chinese products based on customs calculated duty are way lower than the real purchase price. The real price is hard to prove, which provides the opportunity most frequently used for customs frauds in which customs officials participate.

<sup>116</sup> This figure does not reveal last year's growth of the so-called commercial tourism, that is, the growing number of Greek citizens crossing back and forth several times a week to do their shopping in Bulgaria, where prices are lower.

- Kulata is still an entrance preferred by importers of Western European goods, and although frauds have been significantly curbed due to cooperation with EU countries, there is still a serious risk present. This is so because of fast-growing trade and the opportunities to secure documents proving a value lower than the actual price of the commodities.
- Smuggling people through the Bulgarian-Greek border is still a grave risk. Despite the fact that pressure on border police was alleviated after Shengen states lifted their visa requirements for Bulgarian and Romanian nationals, the Greek border continues to attract emigrants from the former Soviet Union, the Middle East, Central Asia, and Africa. The biggest trafficking channels lead across the green border. However, some of the illegal immigrants rely on a combination of document fraud and border officers that secure their passage. Until Bulgaria's expected accession to the European Union in 2007, this border crossing will most probably remain one of the most risk-laden in the country in this respect.

The established criminal infrastructure in the Kulata area further complicates the situation. According to Mol specialized services' analyses, the organized crime structures that emerged and flourished during the Yugoslav embargo and the surge of smuggling throughout the 1990s in the southwest of Bulgaria still exert considerable pressure over customs and border officials. The BCA further analyses that the scale of customs violations may be deduced if the taxes paid in different years are compared. As a result of the rise in the average price per kilogram of imported Chinese goods in the period 2000-2003, in 2003 gray channels incurred losses amounting to approximately €150 million more compared to the year 2000.<sup>117</sup> Any traveler on their way to the border can observe that criminal infrastructure by its landmarks, such as numerous roadside hotels with huge parking lots hosting trailer-trucks of nameless companies. The hotels, as well as the surrounding warehouses and buildings, are in most cases owned by notorious local gray-economy businessmen.

#### **Specific Characteristics of the Kulata Border Crossing Point**

The rapid growth in trade, combined with insufficient equipment, impedes the customs in making the necessary number of thorough inspections. In contrast to other Bulgarian border crossings, data about thorough checks carried out at Kulata is available only for the last year and a half (See Table 17).

Local customs officers pointed out that the important thing was the number of uncovered violations and not the total number of inspections made. Their other argument concerned the generality of categories under which inspections are recorded, which cannot capture the very specific details and the extent to which regulations are violated.

From a sociological point of view, Kulata is an interesting phenomenon. Until the autumn of 2001, the officers serving at the border crossing were local citizens from the nearby town of Petrich, which was dubbed the "city of millionaires." It was probably such ill fame that made the then customs director Emil Dimitrov<sup>118</sup> lay off most customs officers then in service. Next, he commissioned officers from the crossing point with Yugoslavia, Kalotina, to replace them. Since then, some of the former officers have been reinstated by the court, but have no access to positions related to commodity control (they can't use customs seals, passwords for access to BICIS, etc.). The customs officers from Kalotina live in Sofia and have to travel to their jobs at Kulata. In this odd situation, the tension between the Kalotina officers who are "in power" and those "out of power" is apparent. Both parties claim to be in the right. The custom post's director argues that the locals used to follow orders from the crime bosses, so he had reasons to dismiss such officers for breaking the discipline at work. The officers "in isolation from power" also made some curious comments about their colleagues who were vested with responsibilities. They argued that the same smuggling players continued to do their business across the Kulata border point. There were several disclosures made in 2003 in support of this argument, the strongest among them being the dismissal of six officers and their shift supervisor for gross violations. It was proven that, in 2003, they had illegally cleared about 400 trucks with Chinese cargo declared as construction materials. Some critically-minded employees maintain that this is a system of many participants, and the dismissal of several minor officers is not a solution to the problem. This view is supported by the latest frauds uncovered by chance, in which the perpetrators would not have attempted a violation, had they not expected inside assistance.

<sup>117</sup> The calculation is based on operational data of the customs for the period 2000-2003.

<sup>118</sup> He was head of the BCA between August 2001 and February 2002.

**Table 17. Customs Inspections at Kulata**

	2002		2003	
	Thorough Inspections	Uncovered Violations	Thorough Inspections	Uncovered Violations
January			55	4
February			41	–
March			99	1
April			128	3
May			95	9
June	60	4	123	5
July	106	–	138	4
August	96	–	102	1
September	119	3	123	1
October	86	2	194	1
November	77	2	207	4
December	105	6	248	1
<b>Total</b>	<b>649</b>	<b>17</b>	<b>1 553</b>	<b>30</b>

Source: Bulgarian Customs Agency

Border police officers also commented on “the burdens of the past.” According to some high-ranking officers, some of their subordinates have participated in certain unsanctioned or even criminal activities but are still in service since current legislation does not provide for their discharge.

#### **Mode of Operation and Interaction between Institutions**

The Kulata customs office employs 140 staff working in four shifts. The border police work in four shifts as well, by the same working hours as the customs.

##### *Bilateral cooperation with Greece*

Cooperation with the Greek **customs authorities** is considerably better than that with other neighboring countries. The Bulgarian and Greek customs exchange information by fax about arriving excise goods on a daily basis. The Greek authorities provide regular and speedy data upon request from the Bulgarian customs to compare information contained in invoices. The interviewed customs officers think that this exchange has nearly obliterated one of the most frequent types of customs fraud: the fake invoices presented to Bulgarian authorities that state prices lower than the actual ones. This popular fraudulent scheme is already considered nearly impossible by the interviewed drivers as well.

Although thus far automatic information exchange has been limited to excise goods such as oil, gas, alcohol, and cigarettes, the Bulgarian and Greek customs authorities have been negotiating a full real-time electronic exchange. Both sides, however, are anxious that stricter control might diminish the export level of their country. Bulgaria has a positive trade balance with Greece, and its exports for the first 11 months of 2003 amounted to USD 703.9 million, while Greek imports were USD 639.8 million. If the two information systems are connected, all discrepancies between goods values declared at both sides of the border will be detected. If the project is put into practice, “this will be the end and they will have to go home,” as one Bulgarian customs officer formulated it during the interview. The experience gained after the launch of the Bulgarian Integrated Customs Information System shows that developments rarely go at such speed. The supposition that Bulgarian and Greek customs officers might conspire to secure an illicit passage channel was refuted by the argument that this would substantially raise the bribes which would thus exceed the regular border crossing costs.

Interviewees claimed that cooperation with the **Greek border police** was satisfactory. Occasional tensions arise when Greek border police try to expel emigrants that have not entered Greece through the Bulgarian border. The Bulgarians assess the organization at the adjacent border crossing as very good.

### Cooperation Between Border Police and Customs

Interviewed customs officers defined their relations with the border police as normal and declared they cooperate whenever the situation requires it. The CSD team observed a constant communication between the two services. Nevertheless, the opinion of border policemen was generally negative. They think that customs officers are still engaged in various violations, even though the times have passed when "Kossyo Samokovetza drew a list of the trucks that must be let cross the Kulata border without inspections and presented it to the head of customs". The Bulgarian border officers agreed that the situation has improved considerably since cooperation with the Greek customs officials was put on a regular basis. At the same time, they cited numerous examples from the previous year of violations committed by customs officers, which border policemen had uncovered by accident. Customs officers retorted that, "border policemen give themselves undeserved credit." The other explanation was that since border policemen are locals, they make up stories against the custom officers that replaced the laid-off locals in 2001.

To all questions concerning the possible information exchange on a shared information system basis, both the customs and border police officers gave skeptical answers. No clear reasoning was offered as to why passport and vehicle details should not be registered only once by either of the services.

### *Other Services*

The interviewed customs and border officers attested that while the influence of the phyto-sanitary and veterinary control services on clearance was insignificant, the road tolls service exerted considerable corruption pressure over motor vehicles' drivers. The most typical pressure pattern is "the solution of problems" arising from truck or axes overload (see below). The road tolls service is in charge of the weighbridge which allows some level of control over crossing vehicles to be applied without engaging in thorough checks (by comparing the weight of declared goods with actual weight). However, the CSD team was not given any clue as to what extent suspicious vehicle weight deviations were conducive to the disclosure of violations.

### Smuggling and Customs Frauds

Smuggling and customs fraud have been widespread at Kulata, more than at most border crossings in Bulgaria. A large number of violations with a variety of products have been uncovered, ranging from Chinese goods, through petroleum, citrus fruits, meat and meat products, household appliances, to cigarettes, alcohol, and other consumer goods.

The interviewees were unanimous that Kulata border crossing was the juncture of all basic smuggling and customs fraud channels for import of **Chinese goods**. This is a group of commodities that inflict the greatest loss of revenues. The strategy followed by the customs post complies with the model of gradual increase of the dutiable value adopted by the BCA. The mobile customs teams are also especially watchful to that same set of goods. Customs officers are quite aware of what might imperil their position and what would pass unnoticed. Critical customs officers claimed that Chinese cargo illicit clearance has not ceased, but goes on through utilizing the control system's weak points. The case with Chinese goods declared to be construction materials is a manifestation of the criminals' excellent expertise in the border security system and the confidence that such blatant contraband will go unnoticed.

Regular import violations are also associated with oil products transported from Greece in tank trucks and tank railway cars. A great number of violations during the import of **gasoline and gas oil** have been uncovered in recent years, including the use of double sets of documentation to break the transit regime. Alternatively, fuel import involved **low value invoices** and documents for oil product varieties charged with lower duties and taxes. These types of frauds, however, are considered to have shrunk in number with the new regulations mandating control over the importation of all oil products. Some loopholes allowing for customs frauds with fuel remain, the interviewees argued, but these are kept down to 4-5% of merchandise value. For instance, between one and two tons of propane-butane may be concealed if a lower pressure of the gas is declared at import.



Violations of the meat importation procedures are periodically registered, especially with the import of **chicken (chicken thighs, etc.)**. This involves false data in documentation as well as violations of the transit procedure and failure to register the goods at the recipient customs office.

An illicit channel for importing automobiles was foiled in 2003, which reportedly had been assisted by customs and MoI officials. Expensive cars were declared to be car bodies, engines, and other parts. Thus, impossible duties and other receivables were not fully charged, making it possible to further validate stolen cars whose number plates had been replaced. Later on, various MoI agencies and Transport Police departments assisted the registration of these illicitly imported vehicles as locally assembled from imported parts.

Another stolen car channel used the following smuggling method: the import documents of the stolen vehicle were counterfeited, and replaced with the registration data of an automobile legally registered in the EU. The customs declaration included misleading data about the car's power and model to partially avoid duties. After importation, the cars were registered at the Transport Police with counterfeit customs papers without paying the chargeable duties.

One of the rather costly schemes has to do with the duty-free shops in the border area. Apart from the sizeable quantities of cigarettes and alcohol sold to Greek citizens visiting Bulgaria for shopping, these involve much greater amounts being marketed inside the country. During the field visit, the CSD team observed a taxi driver stuffing the trunk of his car with spirits bought from one of the four duty-free shops in the vicinity. Four hours later, the operation was repeated as cigarettes were added to the alcohol. In the next day and a half the team witnessed two more cars and a minivan engage in the same violation. This was all the more odd, considering that two mobile customs teams were present at the border crossing at that time.

Other violations that have been registered relate to the illicit import of textiles or refined cotton oil. Some cigarette smuggling channels operate along the Sofia–Thessaloniki railway line, smuggling them into Greece on board international passenger trains. Frequent violations concerning the import of electronic devices, spare parts, and components shipped in containers have also been registered.

### Corruption Practices

Customs officers at Kulata are without doubt the object of very strong corruption pressure. The fees charged by corrupt officers could roughly be divided into three types: "passage fees," "client fees," and "channel fees." The **passage** fee charged for the processing of documents is €5 (or a bottle of expensive alcohol) per trailer-truck in order to cut the time spent waiting at the border. If a carrier's documents (such as the international consignment notes, invoices, etc.) are not in perfect order, a driver can be held at the station until he sets them right or, as some drivers interviewed testified, pay the €20-30 charge customary at Kulata, and be let through.

The corruption scheme involving "clients" usually includes a truck driver (who may be a small company owner), a small trader, and a customs officer at the border crossing. The passage of the vehicle is planned for a certain time coinciding with the customs officer's shift. This may involve waiting long hours for the officer to take his shift anew. In order to minimize the risk, the driver is duly instructed about the exact quantities and type of cargo he should declare. As a rule, the cargo is legal, but lower amount and value are declared so that the client can benefit from the difference. This pattern may also be applied without conspiring with a particular customs officer, since the officers side with each other relying on similar favors from colleagues to their own clients. The fee varies between €100 and €250 per truck. The scheme should also involve a customs officer serving at the inland customs bureau (where an additional bribe is given). The channels (as in the case with the 400 trucks with Chinese cargo), on the other hand, are reputed to bring a participating low-ranking customs officer roughly €2,000 per month.

During the interviews, one particular corruption pattern in the **road tolls** service stood out. The average value of bribes demanded in cases of excess weight is €25, and could vary with smaller or higher overloads. A regularly crossing driver could discount the bribe down to €10-15. In case a driver refuses to pay his dues, he is made to unload part of the cargo or pay the legally determined fine for overload. Bribes are usually half the amount of a fine. Drivers claimed that the border police set the fewest obstructions to their passage.