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DECEMBER 1998

FOREIGN AFFAIRS

Hoods Against Democrats



*In Bulgaria the distinction between the state and
organized crime is clear -- for now*

by [Robert D. Kaplan](#)

BOGOMIL Bonev, Bulgaria's Interior Minister, a towering, thickset man with wavy black hair, spoke to me last spring in a tense voice as we sat in his vast, gloomy office -- the same office where security officials of the former Communist regime may have worked out details for the 1981 assassination attempt on Pope John Paul II. Now the situation was reversed. Bonev was hunting down the Communist-era security service, which along with former members of Bulgaria's Olympic wrestling teams had broken up into various criminal "groupings."

"One of the reasons our criminal groups became so powerful," Bonev told me to explain this curious turnabout, "is that they were organized by the state itself. The other very important factor was the embargo against Serbia. Breaking the embargo was a catalyst for organized crime in the Balkans to the degree that Prohibition was in the United States. My biggest problem has been that our policemen did not look at the wrestlers as criminals."

The outcome of this battle has major significance, because perhaps no other country in the world has made more progress than Bulgaria toward stable Western democracy

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The Atlantic Monthly
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Unbound.

From the archives:

- ["Was Democracy Just a Moment?"](#), by [Robert D. Kaplan](#) (December, 1997)

"Marxism's natural death in Eastern Europe is no guarantee that subtler tyrannies do not await us, here and abroad."

From *Atlantic Unbound*:

- [Atlantic Abroad: "Night Train to Istanbul,"](#) by [Robert D. Kaplan](#) (July, 1998)

"An American and a Bulgarian might send e-mail to each other, but once they walk away from their computer screens each has to deal with the reality of a vastly different society: one where you have to pay protection money to keep your car or house from being vandalized, and one where you don't."

Related links:

- [Government of the Republic of Bulgaria](#)
Biographies of national ministers and transcripts of government documents. (The official site of the Bulgarian Government).
- ["Bulgaria - political and economic analysis](#)

in the past two years. In early 1997 street demonstrations against a corrupt and ineffective government of former Communists brought Bulgaria to near anarchy. New elections returned the non-Communist United Democratic Forces (a broader version of the coalition that ruled from 1991 to 1994) to power. Because the UDF, divided as it was into multiple factions, had been neither competent nor orderly, few observers were optimistic this time; I certainly was not. But the UDF united all the factions into one party, and put together a cabinet of young technocrats. Helped by [President Petar Stoyanov](#), a lawyer in his forties with a methodical, disciplined mind, who was elected in November of 1996, the cabinet seems finally to have put Bulgaria on the road to real stability and reform. Even the International Monetary Fund is happy. Yet, as I found out during a visit of several weeks last spring, this is only half the story.

WITHIN twenty-four hours of crossing into Bulgaria by train from Romania, I began hearing two words over and over again: "wrestlers" and "groupings" -- particularly in reference to [Multigroup](#), the Orion Group, and the Tron Group, names that conjure up a blend of George Orwell and Batman. "They run the country," I was told -- or, at the least, the groupings were as palpable a presence in people's lives as the government.

A Bulgarian friend explained: "In the Communist era, Bulgaria had a great Olympic wrestling tradition, and weight lifting, too. When these regime favorites lost their subsidies, they went into racketeering -- with the help of friends from the security services -- and amassed tremendous wealth during the power vacuum that followed the regime's collapse. The wrestlers all look the same -- big and tough, with cell phones, fancy cars, and Versace suits, and young girls on their arms. All their girlfriends are beautiful in the same way: thin, with blonde hair and vacuous expressions, and adorned with gold. At a restaurant where a meal costs more than most Bulgarians make in a month, I heard one of these girls tell her wrestler boyfriend over and over, 'This is so cheap; I can't believe how cheap this is.' The wrestlers and their girlfriends go to expensive nightclubs with loud metallic music, where go-go dancers sing cheesy lyrics like 'I love *shopska* ["peasant"] salad.' Everyone knows that his car will be stolen if it is not 'insured' with one of the wrestlers' 'insurance' companies. Another name for the wrestlers is the *moutras* -- the 'ugly faces.' We're all repulsed by their behavior, but we have to deal with them. This is a country where people have put their life savings into sugar and flour because of inflation, yet there is a criminal class driving stolen Audis and Mercedes."

30.05 - 06.06.1997,"

A Bulgarian consulting group's analysis of the primary challenges currently facing the Bulgarian Cabinet, which they identify as 1) rampant corruption and 2) the implementation of structural reforms.

- **Capital Weekly**

An online magazine focusing on the Bulgarian economic and political situation.

- **Bulgaria: Country Commercial Guide, Fiscal Year 1998**

"A comprehensive look at Bulgaria's commercial environment, using economic, political and market analysis," prepared by the U.S. and Foreign Commercial Service.

- **Jesse Ventura for Minnesota Governor Home Page**

The politically influential former-wrestler phenomenon -- it can happen anywhere.

Jovo Nikolov, a flinty reporter for the weekly *Kapital*, the nation's most respected news publication, began an article about organized crime in the Fall, 1997, *East European Constitutional Review* this way:

A couple of years ago, one of the owners of a well-known Bulgarian bank beat up his senior foreign currency dealer in front of the entire staff. The boss was enraged because the dealer had just lost \$1.2 million in what appeared to be a routine transaction. There and then, the currency dealer was forced to sign a document stating that he would work for a nominal wage until the bank's losses were restored.

The banker in this incident is a former wrestler. Today he is an influential member of several "economic groups" in Bulgaria.

Frequently I saw the wrestlers as I walked around the capital, Sofia. A high-performance car would screech to a halt, and muscular men in fashionable clothes would emerge with cell phones, their cologne noticeable from fifteen feet away. The boss might have a beautiful woman on each arm. It was both frightening and pathetic. The grounds of the wrestlers' expensive homes -- on the slopes of Mount Vitosha, above the haze of pollution that hovers over Sofia -- are surrounded by two-story-high brick walls and punctuated with satellite dishes.

Organized crime is a common feature of former Warsaw Pact societies: toward the end of the Cold War, Communist parties evolved into large-scale mafias, which, after the collapse of the Berlin Wall, divided into smaller mafias that bought off the politicians who served in democratic but weak governments. Also common are allegations of a new Russian imperialism, by way of Europe-wide crime connections and the energy monopoly Gazprom. Nowhere, however, are such phenomena so transparent as in Bulgaria -- a poor, small country of fewer than 10 million people in which democratic institutions are valiantly fighting a Russian attempt to regain a former satellite by criminal stealth. Bulgaria illustrates more clearly than anywhere else how dangerous the evils of the coming century might be, because they are so very ambiguous. It is no accident that the word "groupings" is used instead of "mafias": these firms are dangerous hybrids engaged in fully legitimate enterprises that are audited by Western accountants. Their increasing links to Western multinationals have helped to mask activities like compact-disc pirating, the smuggling and sale of illicit drugs, money laundering, and extortion. One foreign

official told me, "These groupings engage in violent intimidation and they corrupt politicians, and their genius is covering their tracks."

The leaders of such groups, and similar ones throughout the former Communist world, should not be mistaken for robber barons like Andrew Carnegie, Edward H. Harriman, and John D. Rockefeller. A century ago these men produced wealth for America (in the form of steel plants, railroads, and oil fields) as well as for themselves. The groupings have skimmed profits by raping state assets. They have shown that global capitalism does not necessarily promote civil society: what counts is the nature of capitalism in each country.

Here is a description of how Bulgaria's crime groupings evolved, what they have done, and how they illuminate Russia's new imperial strategy after the collapse of its armed forces -- a collapse revealed by the 1996 defeat in Chechnya. My information is based on written sources and on interviews with Bulgarian officials, foreign diplomats in Sofia, and, in particular, the investigative reporter Jovo Nikolov, whose old clothes and unshaven face obscure the discerning professionalism he has maintained in pursuing this story. His job is dangerous. In May of this year Anna Zarkova, a local journalist who had exposed these criminal groups in her articles for the daily *Trud*, had sulfuric acid hurled at her face at a bus stop. Zarkova, the mother of two children, lost her left ear and much of the sight in one eye.

CRIME in Bulgaria has no prominent tradition, as in Italy, nor is there even one of heroic thieves or warrior clans, as in Russia, Serbia, or Albania. Absent, too, is the colorful aspect that distinguishes criminal circles in the Caucasus -- particularly in Georgia and Chechnya, with their family mafias and highwaymen. The Bulgarian groupings came purely out of the transition from Communist totalitarianism to parliamentary democracy. Because this transition is unique in history, these groups are too. Zhelyu Zhelev, Bulgaria's first post-Communist President and the author of the 1982 dissident work *What Is Fascism?* (in which he actually defines communism), told me that a totalitarian state should logically be followed by a military regime. He gave the example of Francisco Franco, who, by taking Spain from a fascist to a military regime (bolstered by the Catholic Church), allowed for a subsequent relatively peaceful and civil transition to democracy. "But the West's victory in the Cold War and its support for democracy made a direct transition to democracy possible in Eastern Europe," Zhelev explained. The explosion of organized crime was an ironic side effect.

It began in the late 1980s, before the fall of the Berlin Wall, when a middle-aged Bulgarian apparatchik, Andrei Lukanov, who was born in the Soviet Union and had spent many years there, realized that the Communist system was dying. He began developing a plan to turn local Party leaders into economic leaders. The aging Todor Zhivkov, who had been the Communist Party boss of Bulgaria since 1954, hated Lukanov, seeing him as a radical reformer. But Lukanov understood the future. Just as another middle-aged apparatchik, Slobodan Milosevic, realized that ethnic nationalism was the only way for his generation of Communists in Serbia to preserve their villas and hunting lodges, Lukanov saw that only through economic reform could Communists in Bulgaria remain in power. In the early 1990s Lukanov twice served as Prime Minister in an elected Bulgarian government composed of ex-Communists; he used privatization as a mechanism to help found the most powerful of the oligarchical groupings, Multigroup, by transferring state assets to his friends.

On October 2, 1996, Lukanov was gunned down in front of his house in Sofia. No one has been apprehended for the gangland-style killing, but the assumption among many experts is that Lukanov was murdered by the very beast he had created, because he was no longer necessary as a transition figure. Many believe that Lukanov's views had become too conservative for Multigroup's new regime, headed at the time by Ilija Pavlov, a former Olympic wrestler and (through his first wife) the son-in-law of one of the Communist-era bosses of the security services. Another prevalent theory is that the assassination was ordered by erstwhile allies in the Bulgarian Socialist regime whose corruption Lukanov had threatened to expose. A Sofia-based Western business executive told me, "Lukanov knew that his friends were skimming so much cream off the state that the supply would soon run out. He knew that they would eventually have to compromise with the democratic authorities, in order to satisfy the IMF and international investors." Still others believe the killing was the work of a Russian mafia. Yet in the shady world where Lukanov garnered both power and fortune, all these suspects seem to converge as bitter enemies of reform. The business executive put it this way: "They killed him for the same reason that Zhivkov hated him -- Lukanov was always the messenger of a future no one liked."

Of course, the formation of the groupings involved much more than one man's having an idea. The breakdown of the Communist state provided all sorts of opportunities for people close to power. Olympic wrestlers quickly got their

hands on the border checkpoints and the motels along Bulgaria's international highways, for instance, and gleaned revenues from prostitution and currency dealing. This gave them access to the car-theft business, which involved not only local vehicles but also vehicles stolen in Western Europe and then shipped to the former Soviet Union across the Black Sea. In 1989, the last year of communism, 4,318 cars were stolen in Bulgaria; in 1991 the number was 12,873, and theft has remained close to that level ever since. The same people then formed "insurance" companies: because they were responsible for the thievery, they were in a position to offer guarantees against it in return for hefty premiums. Throughout Bulgaria I saw security-agency stickers on cars and houses -- especially for VIS-2, an agency created by Vassil Iliev, another ex-wrestler, before he was assassinated, in 1995. These stickers had no alarm systems to go with them; they simply showed that the owner had paid protection money. In an example of the new government's determination to fight crime, these stickers were recently banned.

The security agencies have been highly visible, but they are minor compared with the more strategic assets of the groupings, such as energy firms, sports and tourist facilities, food-processing companies, and the agricultural import-export market. The groupings gained control of that market, according to Nikolov, through "beatings, kidnappings, and assassinations." He writes, "The largest 'economic groups' sometimes bear an uncanny resemblance to the state itself: they maintain giant security, intelligence, and data processing departments." In other words, just as increasingly powerful multinational corporations may indicate the evolution of one kind of political form, crime-based oligarchies in the former Communist world may indicate the evolution of another. Both forms derive from the triumph of global capitalism.

THE groupings impoverished the Bulgarian state by establishing suspect joint ventures with state enterprises through which any profits were privatized and all losses were nationalized. Essentially, the scam worked by allowing the groupings to supply their partner state enterprises with expensive raw materials and to buy back finished products at below-market rates. Meanwhile, the groupings financed these joint ventures and kept the loss-making enterprises afloat through the use of loans that, by agreement with corrupt officials, were never paid back. (The failure to repay large loans, of course, helped to fuel inflation and later hyperinflation.) Even though such schemes are under attack by a newly aggressive Interior Ministry and the IMF, they allowed the groupings to acquire enough capital to enter the lucrative field of

compact-disc pirating, and to make inroads into legitimate enterprises with long-term possibilities -- for example, the energy sector.

DZU, an affiliate of Multigroup, controlled a significant percentage of the Bulgarian compact-disc market. Documents show that DZU was connected to Intercom, a foreign-registered company, which was in turn connected to Overgas, a Multigroup firm with strong links to Gazprom, the huge Russian energy monopoly once run by the former Russian Prime Minister Viktor Stepanovitch Chernomyrdin. Thus pirated compact discs left Bulgaria in planes owned by Gazprom, though Gazprom denies that it knew of or consented to this use of its planes.

A recent diplomatic dispute between Bulgaria and Russia illuminates the close relationship between the Bulgarian groupings and the Kremlin, a relationship that has worked against the Bulgarian state. Bulgaria is largely dependent on natural gas that is shipped from Russia through a pipeline whose ownership was originally divided between Russia and Bulgaria. Gazprom came to control not only the Russian half but also the Bulgarian half, through Overgas and other companies associated with the groupings. The Bulgarian government demanded control over its share of the pipeline. But the Kremlin, backing Multigroup and its allies, objected, and threatened to curtail Bulgaria's energy supplies if the Sofia government did not yield. Foreign diplomats note that the Russian threat to deny gas to Bulgaria began after Bulgaria formally applied for membership in the North Atlantic Treaty Organization, in March of last year.

The bond between the Bulgarian groupings and the Russians exists on three levels: strong economic connections, which have evolved out of Party connections forged in the Communist era, when Bulgaria was the most subservient satellite; crime connections that have grown out of the strong links between the KGB and Bulgaria's Communist-era security service; and more general connections among criminals which are fostered by the similarity of the two Slavic languages. The interrelationships are most apparent in Varna and other Bulgarian Black Sea ports, which have become hangouts and transportation hubs for Russian criminals. What makes Bulgaria particularly vulnerable to Russian organized crime is that in Bulgaria, for reasons not only linguistic but also historical (for example, Czar Alexander II liberated Bulgaria from the Turks in 1878), Russians as a people are liked, even though Russian communism was not. (In other ex-Communist states, such as Hungary and Romania, Russians are detested.)

From the Archives:

- **"Europe's Third World,"** by Robert D. Kaplan (July, 1989)

"More so even than the Serbs, the Bulgarians shoulder a morose sense of lost national destiny."

Related link:

- **History of Bulgaria**
Bulgaria's history from 691-1944. Text is excerpted from *Bulgaria Illustrated History*, by Bojidar Dimitrov, PhD.

BULGARIANS have an acute sense of tragedy and irony -- the very stuff of history. A kingdom that was one of the most advanced in medieval Europe, from which in the ninth century the monks Cyril and Methodius spread the Cyrillic alphabet north, Bulgaria was brutally occupied for five centuries by the Ottoman Turks and later endured half a century of economic servitude under Russian communism. Bulgarians now comprehend how even with a stable democratic government their society might remain uncivil, as they themselves become victims of a new and subtle brand of Russian imperialism. "Our big fear," Atanas Paporizov, a former Minister of Trade, told me, "is that, yet again, no one in the West will pay attention to us. We will be forgotten at the end of the Balkans and occupied by companies that, shall we say, don't always pay their taxes."

"I am a strong believer in the power of psychological truths," President Stoyanov told me. "And now we badly need encouragement from the West, for we have made a civilizational choice to be part of NATO. There are those here who vividly remember Yalta [the conference at which, in 1945, President Franklin D. Roosevelt opened the door to Soviet domination of Eastern Europe]. Because of Yalta and the Iron Curtain, Western investors knew more about Sri Lanka than about Central and Eastern Europe. And Yalta was not predetermined -- it did not have to happen that way."

This time, too, the outcome is unclear, at least as of this writing. A battle is quietly raging between Western-style parliamentary institutions and neocommunism in the form of oligarchical crime groups. Public opinion and the degree to which people, especially the elite, resist these groupings will turn on NATO enlargement. If Bulgaria is denied NATO membership and the West continues to allow Milosevich's Serbs to dominate Kosovo, the elite will understand that individual survival may depend on compromise with Russian-influenced crime groups.

Whereas Russian influence in Bulgaria is felt mostly through corruption, American influence is felt through the new consumer culture and liberal institutions -- notably the American University in Bulgaria, at Blagoevgrad, in the southwest. At the university, founded in 1991 and affiliated with the University of Maine, students from all over the former Communist world are educated in an American setting. It is probably the only place in the world where Serbs and Albanians -- at violent loggerheads in Kosovo -- not only sit together but are good friends. These students see themselves as part of an enlightened global intelligentsia. If this institution and others like it in

Bulgaria are to remain secure, democracy and the other forces of the West will have to fight harder than they have done.

Robert D. Kaplan is a contributing editor of *The Atlantic*. His *Atlantic* cover stories for last [July](#) and [August](#) appeared, in somewhat different form, in his book *An Empire Wilderness: Travels Into America's Future*, published last summer.

Illustration by Geoffrey Grahn

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