



European Council: Bulgaria

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1 Introduction and Executive Summary

The Republic of Bulgaria, one of the EU’s youngest members, joined the Union in 2007. It has not yet joined the Schengen area and has not qualified to adopt the Euro. Instead, the former Soviet republic is struggling with crime and corruption and is at peril of further falling behind its EU allies. Prime Minister Borissov has the chance to convince fellow European leaders to increase EU support for a struggling Bulgarian economy. If he fails with his pro-European course, Bulgaria might become the next Hungary.

2 Societal and Economic History [1]

Since the end of World War II, Bulgaria was under the rule of the Bulgarian Communist Party (BCP), which turned Bulgaria into a model planned economy. The previously agrarian country shifted more towards an industrial economy, encouraging urban growth and furthering trade with its socialist sister states. While at first, this new system provided impressive growth rates, in the 1960s, economic development deteriorated and by the 1980s, the economic malpractice of the BCP regime had become apparent.

The transition into a market-based economy after the fall of the Iron Curtain was hampered by vague political leadership and general inexperience of the Bulgarian people in a Western-style economy and in the 1990s, the country experienced dire economic conditions (see Figure 1). In the mid-90s, the ruling Socialist Party’s failure to reform the financial sector led to a collapse of the banking sector, negative growth and surging three-digit inflation rates.

The 1997 change in government also brought economic change with it: In agreement with the IMF and World Bank, the currency was regulated and the economy was allowed to stabilize. As growth and inflation rates more and more stabilized, the country attracted foreign direct investment and continued to stick to the self-prescribed reforms, allowing the economy to thrive. The 2000s were met with a stable average annual growth rate of 6%, but ended with a 5.5% decline in GDP as a result of the global economic crisis. Although this recession was the worst since the 1980s collapse,

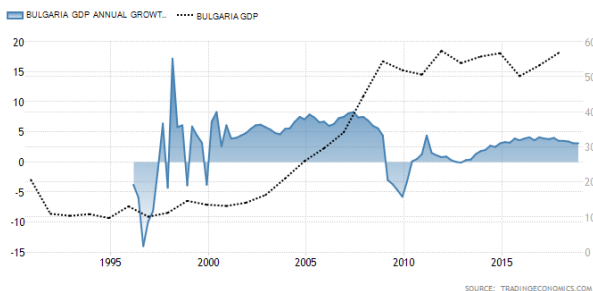


Fig. 1: Bulgarian GDP (.....) and Bulgarian annual GDP growth (—). Until the beginning of the new millenium, the Bulgarian economy was plagued by discontinuous and unstable growth rates, as well as severe recessions. Data obtained from World Bank via [2].

Bulgaria was not hit as hard as other Central- or Easter-European nations.

In 2007 Bulgaria entered the European Union. Inflation, GDP Growth and government surplus remained stable, so that the government was able to cut public debt by about two thirds down to 22.8%.

3 Political Position [3] [4]

In communist Bulgaria, Boyko Borissov worked in the Ministry of Interior, as an engineer and lecturer. After the fall of the Iron Curtain in 1990, he left the Ministry and established the “IIPON-1” company, one of the largest Bulgarian security companies. In 2001 he rejoined the Ministry of Interior as Secretary General, rising to the rank of “Lieutenant General” in 2004. One year later, Borissov was elected Mayor of Sofia Municipality.

In 2006 Borissov founded the *Citizens for European Development of Bulgaria* (GERB), a conservative Christian democratic party. GERB is a member of the *European People’s Party* in the European Parliament. Since January 10, 2010 he is the party’s chairman. Borissov served two non-consecutive terms as Prime Minister of the Republic of Bulgaria, from 2009 to 2013 and from 2014 to 27 January 2017. He was reelected as Prime Minister on 4 May 2017.

On a more casual note, Boyko Borissov became the oldest football player ever to play for a Bulgarian professional club when he appeared in 2013 for FC Vitosha Bistritsa in the B Group, the second division of Bulgarian football.

GERB promotes a full integration of Bulgaria in the European Union. They believe that "In a dynamic and fast-changing world, the European Union is the only chance for Bulgaria to protect and realize our national interests at a global level." [4]

4 Foreign Policy

After leaving its socialist history behind, EU and NATO membership were recognized as top priorities on the Bulgarian foreign policy agenda. In effort to appeal to its Western allies, Bulgaria has managed greatly improved its relations with practically all of its neighbors.

Romania’s foreign policy priorities, namely integration with the EU and NATO, coincide with these of Bulgaria, a fact that has paved the way for a harmonious and fruitful regional cooperation track record between the two. Similarly, relations with North Macedonia proceed in a calm and stable manner, as Bulgaria was the first country to ratify North Macedonia’s NATO accession protocol. [7]

Bulgaria’s tendency for regional cooperation is undoubtedly one of the country’s top foreign policy priorities. However, regional cooperation is not promoted by Bulgarian foreign policy makers for the sake of stabilizing and improving the economic performance of

the region per se, but rather as a vehicle towards EU and NATO membership.

In 1994 Bulgaria joined NATO's Partnership for Peace in 1994. Ten years later, Bulgaria became a full NATO member. The country is also working toward NATO compatibility in communications and training, and has established a Peacekeeping Training Center.

In 2007, Bulgaria was able to also join the EU. One decade later, Bulgaria took over the Presidency of the Council of the EU. At the helm, the Bulgarian government has singled out the future of the EU and of the young people as one of its priorities for the presidency. As a future strategy, Bulgaria proposed to overcome the challenges of the Union through economic growth and social cohesion. While Sofia stressed the importance of economic growth, at the same time "it is important that all EU states participate in the debate on the reforms of the Eurozone as equals, regardless of whether they are members of the latter or not." [8]

Further, the Bulgarian Presidency committed itself to long lasting and fair solutions in the area of asylum policy, to efficient policies for return and readmission, to a balanced approach between short and long-term measures aiming at the source of migration, not only at the consequences thereof. [9]

5 Domestic Policy

Bulgaria's impressive growth figures and low unemployment seem paradoxical when compared to other indicators like GDP per capita (Bulgaria has the EU's lowest), development and poverty. The main reason for the low unemployment rate is mass emigration. Statistics show there are more Bulgarians working abroad than in Bulgaria. Working in other European countries is more attractive, due to higher wages and a generally higher level of development. The high economic growth can largely be attributed to EU funds and is not remarkable if one considers inflation. Bulgarians have the lowest median earnings in the EU, too—so low that labour unions have estimated that even if both partners in a family work and receive the median salary, they will struggle to satisfy the basic needs of a four-member family. A staggering 22 percent of Bulgarians live below the poverty line.

6 Recent Developments

As Brexit can be considered a comparably economic impact for Bulgaria—the trade volume with the UK makes up a mere \$ 1.2 bln. or 2.1%—the Bulgarian Ministry of Interior, as well as Prime Minister Borissov have mainly been focusing on the status and rights of Bulgarian and British citizens. "Bulgaria is in advanced preparation for all possible scenarios for Brexit. We have already adopted two action plans related to the withdrawal of the UK from the EU - 'with a deal' and 'no deal'", said Borissov, as he expressed his full support for the EU Chief negotiator for Brexit Michael Barnier. [5]

7 References

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