

Learning to Play the Game: Bulgaria's Relations with Multilateral Organisations

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This article aims to examine the extent to which Bulgarian governments after the fall of communism have succeeded in mastering the challenge of developing constructive and sustainable relations with multilateral organisations. The article focuses on Bulgaria's relations with the EU, the central multilateral organisation in post-Cold War Europe and the overriding target of Bulgarian foreign policy. Achieving integration with the EU has not only been the most important, but also the most complex task facing Bulgarian policy-makers. Bulgaria's previous experience of working within Soviet-bloc organisations such as the CMEA has had a negative, rather than a positive impact. It habituated the country to placing undue emphasis on ideological loyalty and expecting material rewards in return for it. Most Bulgarian governments after 1989 have been unprepared to work patiently, systematically and consistently on a number of levels in order to achieve their objectives, and have lurched easily from high if rather naïve hopes to a nearly total loss of confidence when some of their advances were, inevitably, rejected. In its regional policy, Bulgaria has been shifting uneasily and inconclusively between regarding its Balkan neighbours as a bridge or a barrier to the EU. The article aims to answer the following questions: what have been the main stages in the development of Bulgaria's relations with the EU, what factors have influenced the evolution of these relations, and to what extent has regional co-operation been compatible with EU integration.

I. Bulgaria and the EEC During the Communist Period

The reasons for Bulgaria's backward position on the road to European integration have to be sought both in terms of path dependence going back to the communist period, and in terms of the specific policy decisions taken by the EEC/EU and Bulgaria as the two struggled to construct a new relationship in the 1990s. This section aims to analyse the impact of first of these factors.

Before 1989, the EEC took up a smaller proportion of Bulgaria's foreign trade than that of any other East European or even Balkan country. This was not purely, or indeed mainly the result of geographical distance. Before the Second World War, more than 70% of Bulgaria's exports went to countries that now comprise the EU.¹ Bulgaria's isolation from Western Europe can be dated back to the onset of the Cold War and was brought about partly by the conscious policy of the communist leaders and partly by the real benefits that the country derived from its vastly expanded relations the Soviet Union and the Council for Mutual Economic Assistance, (CMEA). The structural transformation of the Bulgarian economy in the post-war period was perhaps the greatest of any East European country, and was vitally dependent on the existence of the large and undemanding CMEA market. The development of new branches of

industry such as engineering which by the 1980s came to provide more than half of the Bulgarian exports was only possible because of the CMEA.² The Soviet Union guaranteed a steady supply of raw materials, at below world prices, and provided credits for Bulgaria's industrialisation.³

A cautious opening to the West only began in the 1960s, driven by the more permissive climate of *detente* and the growing needs of the modernising Bulgarian economy. The EEC's share of Bulgaria's foreign trade began to rise substantially, reaching a peak in the mid-1970s with 17% of imports and 10% of exports. The trade was clearly unbalanced. Not only did Bulgaria's imports from these countries exceed its exports by more than half, but in addition its imports were largely composed of machinery and equipment, whilst its exports were dominated by low-technology products such as foods, textile, fuels and basic chemicals.⁴ Attempts to redress the imbalance by artificial cuts in imports only led to the shrinkage of trade with the EEC as a proportion of Bulgarian foreign trade, but did not succeed in solving the underlying problems. In 1989, Bulgaria's trade with the EEC amounted to a tenth of its imports and a meagre 5.5% of its exports.⁵ Even at this low level of trade, the negative trade balance amounted to \$7 billion in 1985-1989, which was covered largely by a dramatic increase in Bulgaria's foreign debt, to more than \$10 billion in 1989⁶. The low level of trade, and its unfavourable structure, indicated the growing paralysis of the Bulgarian economy and the inability of the communist leaders to undertake structural reforms and even to maintain macro-economic discipline.

II. Bulgaria and the EEC/EU, 1989 - 2000

In 1989, the communist regime in Bulgaria collapsed. As in the other East European countries, the fundamental political and social transformations that followed that momentous event were inspired by the desire to "return to Europe". Bulgaria's relations with the EEC/EU, however, followed a very different course to those between the Union and the Central European countries. This was not simply the result of the unfavourable starting conditions outlined above. It was also a product of Bulgaria's mismanagement of its political and economic transition, as well as of its relations with the EEC/EU. The gap between Bulgaria and Central Europe opened up almost immediately after the fall of communism, and whilst some ground was made up in 1991-92, it was never closed. In 1995-97, Bulgaria's relative position deteriorated even further, excluding the country from the first wave of EU expansion. In 1997-99, Bulgaria's domestic situation took a definite turn for the better. The EU's decision at the Helsinki summit in December 1999 to bring the country at least formally into line with the Central European countries by opening membership negotiations with it, had, however, as much to do with Bulgaria's own merits as with the impact of an exogenous factor, the war in Kosovo. The start of negotiations in March 2000 made EU accession a practical rather than simply a potential goal, and has presented Bulgarian policy-makers with radically new challenges. This section aims to explain the development of Bulgaria's relationship with the EEC/EU after 1989 by analysing the main factors which influenced the course of that relationship.

Political Parties

In contrast to the other East European countries, whilst all the political parties in Bulgaria regarded European integration as the most desirable option for the country, they did not consider it to be the only possible one in the early 1990s. The key difference was the position taken by the former communist party, and the nature of the role it played in the early years of transition. The Bulgarian Socialist Party (BSP), as the communists renamed themselves in 1990,

was committed to building up links with the EEC/EU for economic reasons, but also sought to maintain Bulgaria's extensive relations with Russia. By contrast, the BSP's counterparts in Hungary and Poland defined themselves unambiguously as European social democratic parties and indeed tried to present themselves as a more European than their conservative and nationalist right-wing opponents. The second important difference was that the BSP did not lose power after 1989 as was the case with virtually all former communist parties in Eastern Europe, but managed to win a majority the first democratic elections in 1990, come a very close second in 1991 and win a majority again in 1994. That meant that the party was in power or able to influence nominally-independent governments for all but one year between 1989 and 1997. For a number of years, Bulgaria could therefore be seen as being governed by scarcely reformed communists. Another unfavourable factor in the Bulgarian party system was the fact that policy towards Europe became embroiled in the vicious struggle for power between the BSP and the rising opposition which was soon united in the Union of Democratic Forces (UDF). Not being able to offer a strong challenge the BSP on domestic issues, the opposition used Europe as its main weapon, accusing the BSP of being "non-European". None of the two main parties was able to use relations with sister-parties in the EU to advance Bulgaria's cause: the BSP because it was regarded as an unreformed communist party by the European socialists and was denied membership in the Socialist International, and the UDF because it found it difficult to define its political ideology, composed as it was of a multitude of parties ranging from monarchists to environmentalists.

The critical turning point came with the collapse of the socialist government in early 1997 and the overwhelming victory scored by the UDF in the parliamentary elections of April 1997. The UDF transformed itself into a coherent right-wing party, and was able to establish good links with the European Peoples' Party. The BSP, under a new leadership, purged itself of the remnants of communism and adopted an unambiguous social-democratic platform. Defectors from the BSP formed a Euro-Left party in the spring of 1997, and have been trying to prove that it is they who constitute the legitimate European-style left-wing party in Bulgaria. Whilst they have not succeeded in displacing the BSP from its dominant position on the left, the pressure they have exercised has been an important factor in speeding up BSP's modernisation. The Bulgarian party system has thus become recognisably European, creating the conditions for Bulgarian policy-making on European integration to be based on consensus between government and opposition, and on continuity between succeeding governments.

The Making of Bulgaria's Policy Towards the EEC/EU

The communist leaders who led the internal coup against the aging dictator Zhivkov in November 1989 quickly expressed their commitment to Europe.⁷ The two most prominent protagonists in the coup, foreign minister Mladenov and former foreign trade minister Lukanov, were probably amongst members of the party leadership who had had the most extensive links with the West and realised most acutely Bulgaria's need to integrate with the EEC which after progressing towards a single market and undergoing sustained economic growth in the late 1980s, was at the peak of its popularity. At the same time, however, they were committed to maintaining the links with Moscow, and saw relations with the EEC in the context of overcoming the post-war division of Europe, rather than as Bulgaria's exclusive choice.⁸ The lack of clear emphasis made their policy towards the EEC confused and ineffective. Lukanov was able to conclude a trade and co-operation agreement with the EEC, but only because of the relatively narrow scope of the agreement.

Lukanov's hesitant approach to economic reform led to widespread shortages in November 1990, and resulted in his replacement by an expert government headed by Dimitur Popov. The new government, together with the UDF president Zhelev elected in August 1990, departed from its predecessors' *perestroika* policy, supporting the dissolution of the Warsaw Pact in 1991 and building up links with the West. The latter was defined rather vaguely, with the United States featuring at least as Europe. With regard to the EEC, the government's efforts concentrated on obtaining economic aid for the collapsing Bulgarian economy rather than on establishing longer-term relations with the Community.⁹

The Popov government was succeeded by the UDF after a narrow election victory in October 1991. The UDF government in many ways marked a turning point in Bulgarian foreign policy. The government immediately engaged in intense diplomatic activity designed to compensate for the passivity of its predecessors. The government was able to make up a substantial portion of the gap that had opened between Bulgaria and the Central European countries in the previous two years, by securing entry into the Council of Europe and negotiating an association agreement with the EEC in December 1992. The impressive amount of diplomatic activity, was, however, badly-coordinated, with the president, the prime minister and the foreign minister struggling for supremacy and acting independently of each other. The United States continued to receive a disproportionate amount of attention, primarily for ideological reasons, as a counterweight to the socialists' obsession with Russia.¹⁰

The breakthrough achieved by the UDF government proved to be only a temporary one. The government antagonised too many powerful interests by its brash actions and was brought down within a year of its coming to power by a combination of the socialists and the Turkish minority party. The expert government that emerged after the UDF's downfall reverted to what it saw as a more realistic approach towards European integration. Concerned about import penetration, it sought to develop limited protectionist measures to safeguard the interests of Bulgarian producers.¹¹

The BSP government which came to power in early 1995, in spite of its proclaimed commitment to European integration, was unable to activate relations with the EU precisely at the point when decisions on enlargement were being taken. One indication of the isolationist policy of the government was the fact that in his two years in office, the prime minister did not make a single official visit to his counterparts in West Europe.¹² The government did make the symbolic gesture of submitting Bulgaria's application for membership in December 1995, but did little to prepare the country's case. It was slow in establishing an institutional mechanism for co-ordinating work on EU accession and paid little attention to transposing EU legislation. Indeed, its relations between Bulgaria and the EU began to regress, and unresolved problems to accumulate. The EU expressed, for example, increasing concerns over the safety of Soviet-made nuclear reactors at Kozludui. The situation deteriorated further in the winter of 1996-97, when Bulgaria fell in its most serious economic and political crisis since the start of transition.

The turning point in the development of Bulgaria's policy towards the EU came in the spring of 1997, when the country acquired for the first time since 1989 a government fully committed to European integration and commanding a strong parliamentary majority. The UDF, under the forceful prime minister Kostov, whilst seeking to maintain good relations with the United States, clearly focused its attention on preparing the country for EU accession. The change of government came too late to make an impact on the European Commission's recommendations in July 1997 on the first wave of EU expansion, but in the next three years the government's efforts gradually began to push Bulgaria forward in the ranks of the second wave

of applicants. The government improved Bulgaria's institutional capacity for dealing with EU integration by establishing a more focused co-ordinating mechanism. The key body for formulating the country's positions in negotiations with the EU became the government's newly-created Council on European Integration. In September 1997, the Council created 20 working groups on various aspects of EU legislation, a number which increased to 30 in the course of 1998.¹³ The government also adopted a comprehensive strategy for Bulgaria's integration with the EU in March 1998, an action programme for its implementation, and targeted programme for the adoption of the *acquis communautaire*.¹⁴ The government succeeded in taking quickly through parliament key legislation on the creation of a functioning market economy, including laws on public procurement, standardisation, VAT and liberalisation of the communications industry. The government's crucial test, however, came with the Kosovo crisis in the spring of 1999. In spite of a deeply divided public opinion, it gave unambiguous support to NATO's actions in Yugoslavia. It granted NATO access to Bulgarian air space and aided the alliance's operations within the limits of its resources. It was thus able to demonstrate Bulgaria's importance as a factor of stability in the Balkans, laying the foundations for the EU's political decision later that year to open membership negotiations with the country. The government was also able to handle skilfully EU's preconditions for opening the negotiations, which consisted primarily of demands for closing down the nuclear reactors at Kozludui, a policy that was resisted by the majority of public opinion in the country. The compromise negotiated in December 1999 committed Bulgaria to closing down two of the older reactors, in exchange for substantial financial compensation from the EU, but the government was able to delay the closure of the two more modern reactors. The agreement opened the way for the start of the membership negotiations in February 2000. Since then, the government has acted remarkable speed, preparing and presenting Bulgaria's positions on as many as eighteen chapters. Negotiations have been opened on eleven chapters, and have already been concluded on eight of them. The remaining three should be closed in 2001.¹⁵ In virtually all cases, however, the Bulgarian government's work has simply consisted in accepting the requirements of the relevant sections of *acquis*.¹⁶ This course of action would no longer be viable when the negotiations reach problematic areas such as agriculture and the environment in the coming years.

Trade Reorientation

Bulgaria's overwhelming dependence on the CMEA provided perhaps the worst possible starting point for the reorientation of its trade towards the EEC. The collapse of the CMEA cut Bulgaria's foreign trade by more than half, and set-off a deep recession. The impact of the trade shock has been estimated at 15% of the GDP.¹⁷ At the same time, the pre-1989 relations with the EEC were so limited that even with relatively rapid growth of trade, the absolute volumes remained low. There were important structural limitations for Bulgaria's exports. Most of Bulgaria's exports to the CMEA had been of such low quality as to be practically unsaleable to the West. This applied particularly to engineering products which compromised 60% of Bulgaria's exports. The depth of the economic recession which hit the country after 1989, resulting in the loss of some 25% of GDP in 1989-1994, further limited the opportunities for exports. In spite of these unfavourable factors, however, Bulgaria has succeeded in carrying out a major shift of its trade towards the EEC/EU. Bulgarian exports to the EEC/EU increased by an average of 17% in 1990-93, and after the economy began to recover in 1994, by 41% in 1993-94 and 31% in the following year.¹⁸ After a slight fall in 1996 caused by macro-economic instability and a renewed bout of recession, Bulgarian exports bounced back in 1997 and 1998. Imports from the EU have also increased, although less dramatically. This has allowed Bulgaria to be one of the few East European countries to balance its trade with the EU, although of course the price paid for that has been the limitation of imports of investment goods that could speed up the

modernisation of the Bulgarian economy. Overall, the EU share in Bulgarian foreign trade increased from 28% in 1993 to 52% in 1999.¹⁹ Trade with Russia, on the other hand, declined drastically, to only 6% of Bulgarian exports and 21% of imports in 1998. In proportional terms, therefore, Bulgaria has succeeded in re-orienting its trade with towards the EU. In absolute terms, however, the volume of Bulgarian-EU trade remains low. German exports to Bulgaria, for example, amounted to only ECU 399 million in 1996, as compared with ECU 4023 million to Hungary, thus limiting the interest in Bulgaria of the country that has in many ways been decisive in setting the terms of EU expansion. There were compensating factors. Italy's exports to Bulgaria at ECU 402 million compared well with exports to the Czech Republic at ECU 596 million and to Hungary at ECU 987 million. In the case of one EU member, Greece, exports to Bulgaria at ECU 287 million exceeded those to any other East European country.²⁰ This has made Greece a firm advocate of Bulgarian membership, but its support is obviously less important than that of the big EU players. The low absolute volume of Bulgaria's trade with the EU can explain the EU's more reserved attitude towards Bulgaria's accession, but the proportional reorientation of trade is arguably more important in determining the long-term potential for integration. Bulgaria's rapid economic recovery since 1998 can be expected to lead, within a few years, to a significant increase in the volume of its trade with the EU.

Economic Reform

The most important economic reasons for Bulgaria's back-seat place on the road to EU accession have been its inability to meet the two Copenhagen economic criteria of a functioning market economy and capacity to cope with EU competitive pressures.

On the first criterion, which includes elements such as liberalisation of prices and trade, the creation of a large private sector and the setting up of an effective legal and regulatory framework, Bulgaria tended to mark time in 1989-1997. In the first phase of its economic reforms, 1991 to 1994, Bulgaria achieved substantial liberalisation but not sustainable macroeconomic stabilisation. This was caused by lax fiscal policy, in particular the consistently high level of budget deficit, and the governments' inability to either control the state sector or undertake structural reforms. The absence of controls in a highly monopolistic situation allowed state enterprises to respond to the "big bang" not by increasing their output of products in heavy demand but rather by raising prices. Bulgaria followed neither the Czechoslovak model of early and comprehensive privatisation, nor the Polish model which placed the emphasis on restructuring the enterprises before selling them off.²¹ By the end of 1992, not a single failing enterprise had been closed down. Losses in the state sector continued to accumulate, amounting to 15.3% of GDP in 1992 and 17.6% in 1993.²² Worse was to follow. The socialists, brought to power in 1994 in a wave of popular revulsion against neo-liberal policies, proceeded both to reverse the liberalisation of prices, with 52% of prices brought back under state control by the end of 1996,²³ and failed to maintain macro-economic discipline, with wages in the state sector increasing by 30% in real terms and the budget deficit rising to 6.4% of GDP. The government also failed to make an adequate provision for the annual foreign debt repayments of more \$1 billion in 1995-97. Structural reforms stalled, with privatisation remaining largely on paper. The burgeoning problems of the state enterprises imposed increasingly unsustainable burdens on the banking system. Enterprise losses in 1995 amounted to 15% of GDP, and were all absorbed by the still largely state-owned banking sector.²⁴

All of these problems intertwined in 1996-97 to produce the most serious recession since the start of transition. A combination of a drastic devaluation of the *Lev* and the near bankruptcy of the banking system produced hyper inflation of 311% in 1996 and as much as 550% in 1997,

with the GDP falling by 10.1% and 7% respectively. Thus precisely at the point when the EU made its decision on which countries to include in the first wave, Bulgaria was at its nadir economically. Its position seemed even less favourable when compared with the booming economies of the other East European countries in that period.

The critical turning point in Bulgaria's transition to a market economy came in the spring of 1997 with the adoption of a "currency board" system by the UDF government. The "currency board" had the effect of finally stabilising monetary policy by ensuring that the amount of Bulgarian *Lev* in circulation could not exceed the country's foreign currency reserves.²⁵ The *Lev* was fixed to the DM at the rate of 1000 to 1, a decision which reflected the increasingly important role of the EU in Bulgaria's foreign trade. The introduction of the "currency board" marked the beginning of successful macroeconomic stabilisation. In sharp contrast to the earlier period, inflation amounted to only 1% in 1998 and 6% in 1999. The UDF government was also able to contain spending, producing the first budget surplus of the Bulgarian transition in 1998 and balancing the budget in 1999. Privatisation has also made progress, although not as much as the government initially promised, and by 1999 nearly 65% of value added was being produced by the private sector. This has allowed the Bulgarian government to claim the country already has a functioning market economy and has thus satisfied that the first Copenhagen condition. The European Commission, in its latest report on Bulgaria's candidacy, disagrees, pointing out that privatisation of key entities such as the national telecommunications company and the national tobacco company, has been delayed. Entry and exit in the market place is still not occurring, with too many firms operating at a loss without being forced to restructure or close down. Business conditions need to be improved, and special care has to be taken to encourage the creation and development of new firms. Investors are still faced with heavy bureaucracy, complex and unwieldy procedures, and extensive licensing requirements. Capital markets remain underdeveloped, with the turnover of the stock exchange remaining relatively low. Most importantly, the enforcement and implementation of the legal and regulatory framework remains weak.²⁶ On the second condition, the capacity to withstand competitive pressures, there is little disagreement between the Commission and the Bulgarian government that the country is not yet in position to fulfil it. Economic development is hampered by low investment, with gross capital formation amounting to only 15.9% of GDP in 1999, which is much lower than that of other applicant countries. Foreign direct investment has not shown a consistent pattern of growth, with investment in 2000 likely to be below that of the previous year. Bulgaria's physical infrastructure is not sufficiently developed, and requires large-scale public and private investment to bring it up to the required level. The share of small and medium enterprises in the Bulgarian economy remains too high, with more than half of total employment. These enterprises suffer from lower productivity and wages as compared with larger companies.²⁷ Bulgaria has, therefore, a long way to go before it can even approximate the level of competitiveness existing in the EU.

EEC/EU's Policy Towards Bulgaria

It takes two to tango, and in the matter of Bulgaria's integration with the EEC/EU, it is not sufficient for the small Balkan country to demonstrate its readiness to join, but it is also necessary for the Union to be willing and able to admit it. EEC/EU policy towards Bulgaria since 1989 has been largely a function of its policy towards Central Europe, with Bulgaria being granted the same status as the Central European countries, albeit with a few years' delay. Since 1999, EU policy towards Bulgaria has also been guided by the desire to promote Balkan stability, although the implications of this policy in terms of constructing a regional approach are still to be worked out. The EEC/EU's differentiation between Bulgaria and the Central European countries has been largely the result of Bulgaria's own problems rather than the product of

deliberate discrimination on the part of Brussels. In 1988-89, when the EEC began to consider concluding trade and co-operation agreements with the East European countries, Bulgaria was held back by its relative lag in political reforms. The EEC sought to encourage Bulgaria by approving a negotiating mandate for it at the same time as for the much more rapidly reforming Poland in February 1989, but in the summer of 1989 the Community froze relations over the Bulgarian government's violations of the rights of its Turkish minority. Negotiations with Bulgaria were resumed only in March 1990, after the communist regime had been brought down and minority rights largely restored. This was the first but not the only example of EEC's use of political conditionality towards Bulgaria. Once opened, the negotiations were concluded in the space of three months, and the trade and co-operation agreement came into force on 1 November 1990. The agreement removed quantitative restrictions on a number of Bulgarian exports to the EEC, although not on sensitive products such as textiles, coal, steel and agricultural products.²⁸

The trade and co-operation agreements were soon seen as inadequate by the Central European countries, both because of their limited economic value and because they were overshadowed by the larger aim of gaining accession to the Community. The lead in the protests was taken by the Hungarian, Czechoslovak and Polish governments, with the Bulgarian governments of the time too absorbed in their internal problems to be capable of devoting serious attention to the issue. The Community itself was sceptical of Bulgaria's credentials, both because of the continuing power of the former communists and Bulgaria's lacklustre economic reform. Up to mid-1991, it seemed possible that Bulgaria may be left out of the negotiations for association agreements which the EEC, unwilling to offer membership as yet, had opened with the Central European countries in December 1990. The turning point came in August 1991, and was brought about primarily by political considerations. The attempted conservative coup in Moscow demonstrated to the EEC the dangers of a resurgent Soviet Union, and on 30 September 1990 the Community agreed to open exploratory talks with Bulgaria.²⁹ The EEC's continuing unease about Bulgaria's commitment to democracy was indicated by the insertion of an article on the protection of human rights which had not been present in earlier agreements. The association agreement was the largest as well as the most complex treaty concluded by Bulgaria up to that point. Some of its aspects, such as the establishment of a free trade area, presented entirely new challenges to the Bulgarian government and public administration. It was only to be expected that they experienced serious difficulties in the negotiations. The talks took more than a year, and were finally concluded in December 1992. The Bulgarian association agreement largely followed the model established by the earlier agreements with Central European countries. It differed from the association agreements the EEC had concluded with countries in other parts of the world in three critical respects: it explicitly recognised that Bulgaria's aim (but not yet the EEC's) was eventual EEC membership, established a framework for political dialogue between Bulgaria and the Community, and provided for the creation of a free trade area in steel by January 1995, industrial products by January 1998, and textiles by January 1999.³⁰ In spite of important remaining limitations on Bulgarian exports, especially on agricultural products, the impact of the agreement on Bulgaria has been largely positive. The fact that Bulgarian exports to the EU have not increased by as much as expected after 1995 has been largely due to the inability of the Bulgarian economy to generate exports in sufficient quantities.

The most important delay in Bulgaria's race to the EU occurred in 1996-1997. At the Copenhagen summit in 1993, the EEC for the first time made a commitment to offer membership to East European countries, partly as a result of continuing pressure from Central Europe and partly at the instigation of influential member state such as Germany and the UK. In 1996-97, the EU Commission prepared opinions on the potential applicants. Bulgaria's economic crisis made inevitable that it would be excluded from the first wave of EU enlargement. In the following two

years, however, the EU responded positively to the improving conditions in Bulgaria, as shown by the annual Commission reports on Bulgaria's progress.³¹ It took a war, however, for the EU governments to appreciate the political importance of supporting Bulgaria. In the aftermath of the conflict with Yugoslavia in the spring of 1999, Western governments attempted to overcome the legacy of years of relative neglect by offering a number of incentives to reformist governments in the region. For Bulgaria and Romania, this took the form of an invitation to start membership negotiations with the EU in the beginning of 2000.³² The membership negotiations are likely to prove complex and contentious, especially in their latter stages, and cannot realistically be concluded before 2007-2008.

III. European Integration or Regional Co-operation?

One of the dilemmas Bulgarian policy-makers have faced in their relations with the EU has laid in deciding whether European integration should be accompanied by the advancement of regional co-operation. The problem became serious only with the launch of the European Stability Pact in the aftermath of the Kosovo crisis in 1999. In the years before that, there were no practical possibilities for regional co-operation, given the multiple conflicts that divided the Balkan countries, such as the Yugoslav wars, the long-standing Greek-Turkish rivalry and the problem of Macedonia which once again threatened to become the Balkans' "apple of discord". For most of the 1990s, Bulgaria could therefore only develop its Balkan policy on a bilateral basis, taking care not to commit itself too fully to any one partner as this was bound to upset the rest. Bulgaria's main problem in that period was to balance the need for avoiding involvement in conflicts that were not of its making, with the desire to exploit them in order to advance some of its traditional revisionist aspirations. The former imperative won on nearly all occasions³³, with the only significant departure in the direction of the latter being Bulgaria's decision to be the first country to recognise the independence of Macedonia in January 1992, in the hope of becoming a "patron" to the newly-founded state with which it has close linguistic, cultural and historical links.³⁴ Even that decision, however, could be seen not so much as part of a long-term strategy to lay revisionist claims to Macedonia but rather the opposite, as an attempt to demonstrate to the Macedonians and Bulgaria's Balkan neighbours, as well as to Bulgaria's own nationalists, that Bulgaria recognised that Macedonia had become a separate entity and no longer aspired to incorporate it within its borders.

It was only after the Kosovo conflict that a realistic opportunity for regional co-operation arose, as a result of the Western powers' desire to follow on their military involvement in the region with long-term measures for promoting regional co-operation. The European Stability Pact, the intended framework for such co-operation, was discussed even before the conclusion of the hostilities, at the meeting of foreign ministers of the EU, the G-8 and the countries of South Eastern Europe. The Pact was officially launched at a summit in Sarajevo in July 1999. Whilst a number of bodies have involved in the Pact, the EU, and more specifically the European Commission, has emerged as the key steering institution. The Plan's work has been organised in three Working Tables dealing with democratisation, economic reconstruction and security, and has been co-ordinated by the specially created institution of the Special Representative.

For Bulgaria, the Stability Pact represents both an opportunity and a potential distraction. The Pact could help Bulgaria by creating a more secure political and economic environment in the Balkans thus reducing the risks of a potential conflict. Bulgaria had suffered extensively from regional instability in the previous ten years, both directly, through the losses it had sustained from economic sanctions against Yugoslavia, and indirectly, through the foreign investors' reluctance to put their money in a dangerous region. In addition to these general benefits, the

Pact could also provide Bulgaria with more specific gains such as much needed funding for infrastructure projects. Bulgaria has already received a commitment of EURO 223 million under the Pact's Quick Start Projects, out of a total of EURO 1221.7 million,³⁵ the second largest allocation to any country in the region. Most of that funding would go towards the realisation of Bulgaria's long-standing ambition of building a second bridge over the Danube, opening up a new trade route to Western Europe and making the country less dependent on transit through Yugoslavia. The Pact's Special Representative, Bodo Hombach, made an important contribution by breaking the long deadlock between Bulgaria and Romania on the location of the bridge.³⁶ In the medium term, Bulgaria can expect to receive even greater benefits from the Pact's Near Term Projects, the finance for which is intended to exceed EURO 3 billion.

At the same time, however, Bulgaria is concerned that the Pact may divert it from its ultimate goals of joining the EU. Bulgarian leaders are particularly concerned to preserve their country's lead in relations with the EU, as compared with other states in the Balkans. Bulgaria and Romania are the only countries in the region to have opened membership negotiations with the EU, and are desperate to avoid being dragged behind by the countries of the Western Balkans which at best have only Stabilisation and Association agreements. Whilst the Bulgarian government welcomes regional co-operation as a valuable opportunity, it is set against it being used a pre-conditions for EU membership. Bulgaria's concerns are heightened by the fact that the EU has not been able to fully resolve the apparent tension between the regional approach implied by the Security Pact and its own bilateral approach towards enlargement. On balance, when it comes to making decision on Bulgaria's admission to the Union, it is likely that the former factor would predominate, given the EU's consistent emphasis on the readiness of each individual country as the decisive criterion for membership, and the difficulty of changing the institutional logic of the enlargement process already under way.

Conclusion

Over the course of the last decade, both Bulgaria and the EU have been engaged in a learning process, although of course it has been the small Balkan country that has had to do most of the learning. It has to be recognised, however, that the process has been one of mutual adjustment. For the EU, the collapse of communism presented unprecedented challenges. In spite of the numerous inconsistencies and hesitations, one can perceive a clear progression in EU policy towards Eastern Europe, from trade and co-operation agreements, to association agreements and ultimately membership negotiations. Considering the obstacles the Union has had to overcome, the progress has been impressive. Long-held distinctions between "foreign policy" and "external economic relations" had to be downgraded in order to deal with the complex problems of the applicant countries, and member-states had to cede control over policy towards Eastern Europe to supranational institutions such as the EU Commission. Whilst there have been inevitable differences between Central Europe and countries like Bulgaria and Romania, the Union's concern with stability has prompted it on numerous occasions to make political decisions to bring the latter to the same level as the former, if with a few years' delay. It still remains to be seen whether the EU's political will to admit these two countries is matched by a negotiation strategy which whilst recognising the very real problems that the countries are facing, can give them effective prospects of overcoming them.

Bulgaria, for its part, has only recently entered a stage when it has to treat relations with the EU as substantive rather than largely symbolic. The earlier stages of EU-Bulgarian interaction, the trade and co-operation agreement and the association agreement, were limited in their scope, and in any case Bulgaria was largely presented with a model that had already been

worked out with the Central European countries. Whilst the EU's approach to the accession negotiations is likely to remain top-down, insisting on acceptance of the *acquis communautaire* with as few revisions and transitional periods as possible, Bulgaria's own role would necessarily be greater, if only because of the magnitude of changes it would have to make to its economic structures, legal and regulatory framework, and administrative system. Bulgarian policy-makers would therefore have to move beyond the enthusiastic but simplistic assertions of their devotion to Europe which have served them well in the past, and start to consider the practical tasks of the enlargement process. The consensus on EU membership is likely to remain strong, but it would have to be based on a more realistic appreciation of the benefits and costs to Bulgaria.

There are a number of areas where Bulgaria has to carry out significant improvements if it is to be able to cope with the huge demands of integration. Just one indication of the magnitude of the task is the fact that the *acquis* consists of over 20,000 regulations and 2,000 directives,³⁷ a body of legislation that far exceeds anything that Bulgaria has had to deal with in the past. It is of course not only a matter of transposing the *acquis*, difficult though that may be, but also of implementing and imposing it. In order to be able to fulfil these tasks, Bulgarian institutions have to strengthen their co-ordination capacity. This has to take place on at least two levels. On the level of the government, the work of different ministries needs to be co-ordinated much more effectively than it is at present. One of the legacies of the communist system has been the high degree of autonomy enjoyed by sectoral ministries and the weakness of steering mechanisms in the centre of government.³⁸ Whilst the prime minister and the foreign minister have been able to exercise a limited co-ordinating role in European affairs since 1997, their roles have not been sufficiently institutionalised. The government's Council on European Integration has so far seen its function as consisting primarily in transposing the *acquis* and has not dealt seriously with substantive problems which are still largely the preserve of individual ministries. On the level of the civil service, where most of the administrative work is being done, co-ordination presents even more serious problems. Civil servants continue to give their loyalty primarily to their own ministries, and little progress has been made in creating a uniform civil service. A law regulating the status of civil servants was only adopted in 1999, and the secondary legislation necessary to put it into effect has yet to materialise. There continues to be a sharp division between the ministries which are seen as commanding expertise relevant for the management of EU integration, such as the foreign ministry, and those possessing technical knowledge. Even within the sectoral ministries, there has often been a breach between the small high-flying sections on European integration and the rest of the ministry's staff. The high level of politicisation of the civil service has presented another problem, as it has meant that a substantial proportion of high ranking civil servants have been replaced after each change of government. Finally, the civil service has had great difficulties in attracting and keeping qualified personnel, given the vastly greater financial rewards offered by the private sector.³⁹ The creation of an effective public administration is a priority for Bulgaria if it is to be able deal adequately with the challenges of accession. In order to achieve that, it has to be ready to recruit and retain a large number of qualified civil servants, ensure that they are being paid commensurate salaries and are given specialised training to equip them for their new tasks.⁴⁰

In its negotiations with the EU, Bulgaria has to learn to combine dealing with supranational institutions such as the Commission with developing strong bilateral links with EU member states. The final decision on enlargement would be taken by the EU Council where the positions taken by member states in their perceived national interests would be of crucial importance. Bulgaria has so far failed to find a reliable "patron" within the Union. This has been partly the product of historical and geographical factors. Bulgaria does not have the intense, if conflict-ridden relations that have existed between Germany and Central Europe, nor even the

looser cultural and geo-political alliance between France and Romania. Geographically, is further east from the EU's centre of gravity than almost any of the applicant countries. In spite of these unfavourable circumstances, there is much that Bulgaria can do in its bilateral relations with members of the Union. It should identify its strategic partners and focus its efforts on them, at the same time as maintaining flexible relations with all other members that could prove useful to it from time to time. The most promising major patron for Bulgaria is likely to be Germany. The foundations for an enhanced relationship already exist. Germany is nearest major economy, and has historically been Bulgaria's main trading partner in Western Europe. The treaty on bilateral relations concluded in 1991 is the most extensive that Bulgaria has with any EU country, containing detailed provisions for co-operation in the key areas of the economy and security, as well as in culture, transport and nuclear energy. The full realisation of the potential of German-Bulgarian relations has been held back for most of the 1990s by Germany's justified scepticism about Bulgaria's economic stability and lack of progress in economic reform.⁴¹ Even in these unfavourable conditions, Germany has consistently been Bulgaria's largest trading partner and leading foreign investor. One indication of the relative maturity of German-Bulgarian relations is the fact that they have developed on a number of levels. *Laender* such as Saxony-Anhalt, North Rhein-Westphalia and Bavaria maintain close contacts with Bulgarian cities and regions. German foundations such as the Christian Democratic "Konrad Adenauer", the Social Democratic "Friedrich Ebert" and the liberal "Naumann" have developed intensive relations with Bulgarian political parties and have encouraged the process of democratic transition. Another important indication of German involvement in Bulgaria is the purchase of the two largest newspapers in the country by the German media group WAZ.⁴² With the recovery of the Bulgarian economy and the increasing availability of viable investment opportunities, Germany's relations with Bulgaria can be brought to a significantly higher level. In geo-political terms, the fact that Germany has taken the lead in formulating EU policy towards South Eastern Europe, especially since the launch of the Stability Pact, should work to the benefit of Bulgaria who can reasonably claim to be an important factor for stability in the region. Whilst focusing its efforts on secure a major ally within the Union, Bulgaria should also build up its relationship with the only EU member with which it shares a common border, namely Greece. Bulgaria and Greece do not have major unresolved problems, and have been drawing closer since the 1980s. Relations were temporarily soured in the early 1990s by disputes over the status of the former Yugoslav republic of Macedonia and Bulgaria's *rapprochement* with Turkey. These problems have largely been dealt with, and Greece has become a strong advocate of Bulgaria's membership in the Union. In addition to securing firm allies, Bulgaria should also be prepared to build relations with member states which may prove useful to it on particular issues or in particular moments in time. Britain, for example, has been a consistent advocate of early EU enlargement, even if partly motivated by the aim of preventing the excessive "deepening" of EU integration, and can be of substantial help to Bulgaria. It played an important role in the EU's decision in 1999 to open negotiations with Bulgaria in the aftermath of the Kosovo crisis. In order to be able to create such alliances, Bulgarian diplomatic missions in the EU capitals have to learn to co-ordinate their work very closely both with each other, and with the foreign ministry and the Council on European Integration in Sofia.

All of these challenges can be summarised by concluding that Bulgaria needs to start treating its relationship with the EU as a two-way interaction rather than approach Brussels as a supplicant for favours. Whilst EU membership will undoubtedly be of immense potential importance for Bulgaria, much more so through giving it access to the world's largest free-market area and integrating it into the secure legal and regulatory framework of the Union than through the more direct benefits from the EU structural funds and CAP whose own future shape is still uncertain, the country has to carry out an immense amount of work in preparation for

accession. The change in the structure of the Bulgarian party system, the macroeconomic stabilisation, the reorientation of trade towards the EU and the development of relatively clear government policies towards European integration, as well as some fortunate geo-political circumstances, have made it possible for Bulgaria to cross the first threshold towards membership by starting accession negotiations. The progress of these negotiations would depend not only on Bulgaria's ability to transpose the *acquis*, although even there much remains to be done, but also on the country's success in developing institutional structures that would ensure the *acquis*' successful implementation.

Endnotes

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