



## Reinvention of Europe Project

### **Bulgaria and the Anxieties of Incomplete Membership**

*By Daniel Smilov*

The financial crisis in Europe has exposed a certain inferiority complex regarding Bulgaria's position within the EU. As the EU's poorest member Bulgaria sees the Union as the surest way to improve its economic position (and its people see Brussels as a corrective to the inadequacies of domestic politics). But is also aware that its links to Greece, the fall-out from the euro crisis more generally, and a reputational problem over the efficiency of the country's government and corruption might deny it the full benefits enjoyed by previous joiners of the EU. Bulgaria has striven to demonstrate that it justifies its membership, for instance through financial discipline. Despite this it is caught in a anxiety-inducing position of apparently incomplete membership, without the time to absorb the benefits of EU accession before the euro crisis hit.

That Greece has been at the centre of the euro crisis is a considerable problem. Bulgaria's links to Greece are very apparent in its banking sector, with around a quarter of its banking system owned by Greek banks. Although the local bank affiliates are registered in Bulgaria and operate under the supervision of the Bulgarian National Bank, there is considerable anxiety as to the consequences of a possible Greek financial meltdown. However, its relative financial discipline underlines the differences with Athens: its debt-to-GDP ratio is around 16% and it has small annual budget deficits (before 2009 these were preceded by almost a decade of surpluses).

Bulgarian governments are faced with the difficult task of convincing the rest of the EU that: first, that Bulgaria is not Greece despite all the geographical, cultural and historical similarities; second, that the periphery can grow and catch up under current EU arrangements for solidarity and modest redistribution (benefitting from direct subsidies, increased foreign investment and low borrowing costs); third, that this model is sustainable into the future (even if we assume that the country is not Greece at the moment, it has to demonstrate that it will not become Greece after a period of EU-wide growth).

The strategy of the governing centre-right GERB<sup>1</sup> party is to demonstrate that the Bulgarian economy is robust enough to survive all forms of austerity required by the EU, and could even outdo the others in terms of financial discipline. This explains why Bulgaria has committed itself to the fiscal compact, and has promised to follow its financial discipline rules even before becoming member of the Eurozone. As the economic slowdown has so far only been moderate in Bulgaria the government has not been forced to adopt severe austerity measures in order to stick to its fiscal commitments. Nevertheless, salaries and pensions have been frozen for several years (with a small indexation of pensions over the last year).<sup>2</sup>

The opposition Bulgarian Socialist Party is not opposed to this strategy in principle (its 2005-2009 government had economic policies largely in tune with the fiscal discipline rules, and it introduced the flat income tax of 10%). However, since 2011, the party has adopted a more critical stance largely due to two factors. Firstly, party chairman Sergey Stanishev has become the acting chair of the European Socialist Party (and has ambitions of making this arrangement permanent), and so has espoused arguments aired in Europe by Socialists against the fiscal compact and austerity in general (the party has now abandoned its defence of the flat tax, and has promised to repeal it). Secondly, despite comparative stability, the Bulgarian economy is showing signs of a serious slowdown and a tendency towards stagnation. Long term fiscal stability is highly dependent on continued growth. Following François Hollande's election in France, it is clear that the Bulgarian Socialists will be much closer to the French position on the EU financial crisis than the German one.

The Bulgarian political landscape is thus shaped largely by the positions of the two main Eurozone countries: Germany (in the case of GERB), and France (in the case of the BSP). However, as Bulgaria's main interest is in a stable, growing, and politically coherent Eurozone, it has a strong interest in being cooperative and open to compromise, and following whatever the main Eurozone position is on any given issue. Although the Bulgarian prime minister, Boyko Borissov, is known as a great admirer and friend of Angela Merkel, if the Eurozone were to swing in favour of austerity measures being relaxed there is not likely to be ideological opposition from Sofia.

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<sup>1</sup> GERB is abbreviation of *citizens for European development of Bulgaria*. It was formed largely as a protest party around its charismatic leader Boyko Borissov. As discussed below, some of its characteristics make it suitable for analysis from the point of view of the concept of populism as well.

<sup>2</sup> Recovery in 2010-11 was not dramatic. The new slump reflecting decreasing demand in the Eurozone for BG exports means projections are down to 0.7% in 2012 (within statistical error – that is, on the verge of recession).

One particular sticking point might be a serious effort to harmonise tax policy across the EU. The GERB government is vehemently against such measures, while the Socialists are rather ambiguous about it, since they themselves now envision the introduction of a progressive tax in place of the 10% flat one (but they would probably not support any significant tax rise as that would deprive the country of one of its few competitive economic advantages).

The overall picture is that Bulgaria will carefully observe emerging trends, support measures intended to strengthen the Eurozone, and try not to rock the boat through initiatives of its own. While struggling to limit any negative fallout from the Greek crisis in neighbouring Greece, Bulgaria understands that its hopes of escaping economic slow-down are directly linked to the survival and the reinvigoration of the Eurozone.

### EU debates in Bulgaria

The debates on the EU in Bulgaria are easy to summarise as they are almost non-existent. A large majority of Bulgarians are pro-European, and this near-consensus prevents the issue from becoming a focus of domestic political confrontation. Even the nationalist-populist Ataka party emerged as a pro-European force back in 2005, and only changed its position after its MEPs encountered the anti-European rhetoric of their sister parties in the European Parliament (so even this case could be seen as a successful example of Europeanisation, rather than as ventilation of authentic anti-European sentiments).

Despite a small slip since accession, Bulgarians currently trust the EU more than anyone else by a wide margin (59%, with Estonia second on 51% and Romania on 50%<sup>3</sup>). These high levels cannot be explained by general ignorance about the EU: on average, more Bulgarians have heard about the institutions of the EU compared to citizens of most other member states.<sup>4</sup> Although 23% of Bulgarians associate the EU with 'prosperity' compared to an EU average of 12%, this is unremarkable in comparison to others such as Romania (27%), the (far richer) Netherlands (24%) and Latvia (22%).

Other factors contribute to Bulgarian support for the EU, beginning with the country's history. Bulgarians love their history so much they can be accused of constantly trying to improve its length and quality. Bulgarians tend to see their history (since the 7<sup>th</sup> century) in terms of fighting for worthwhile causes and being the victims of historical injustice. EU accession – along with liberation

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<sup>3</sup> Eurobarometer 76, December 2011

<sup>4</sup> While on average 69% of Europeans answer basic questions about the EU correctly, for Bulgaria the score is virtually the same - 67%. Bulgarians are more acquainted with the EU institutions and fundamentals than the citizens of most Southern European states, such as Spain, Italy, Portugal, Romania, and also the Baltic states and the UK, which is at the bottom of the table with 54%

from the 'Turkish (Ottoman) yoke' in 1878 – is seen as a major exception to this. It followed a slow post-1989 transition (it had been the most loyal Soviet satellite) with little anti-communist or anti-Russian sentiment. Serious reform only began in 1997 following hyperinflation, the widespread disappearance of the savings of the population, and a governmental crisis. Despite accession in 2007 (including a probationary delay of three years), the delays of the 1990s can be seen as contributing to continued problems over living standards, stresses in the welfare state, and markedly worse inequality than in other former Soviet satellites.

This transition is therefore seen as both the biggest (if not the biggest) historical achievement of modern Bulgaria, entrenching its status as a developed European nation, and also as a source of anxiety: it did not go smoothly, and was marked by lagging behind, spectacular efforts to catch up, additional conditions, probationary periods, monitoring and so on, creating a feeling of incomplete membership and a fear of reversal. As a consequence, Bulgarians feel obliged to defend their membership by demonstrating exceptional loyalty to the Union. In addition, the incompleteness of Bulgarian membership (in contrast to that of Britain, for instance) is a product of an inferiority (rather than superiority) complex: Bulgarians enjoy lower living standards, income and public services provision than the rest of the EU. Finally, Bulgarians are not concerned about sovereignty, as their history shows that sovereignty is usually not lost in negotiations where you are treated as equal (whatever dangers the EU poses, it does not resemble previous polities like the Ottoman Empire).

As elsewhere in the former communist accession countries, Bulgaria has experienced a rise in populism. However, despite the pro-nationalisation bias of the various manifestations of populism in these countries, there has been little (if any) negative impact on perceptions of the EU and EU membership. Charismatic populists signed the Accession Treaty in 2004, and currently represent Bulgaria within the EU. Despite the occasional use of nationalist rhetoric, the current (GERB) prime minister, Boyko Borissov, has publicly acknowledged that whatever chancellor Merkel says, he "listens and obeys". Counter-intuitively, such remarks seem to be conscious efforts to gain credibility with domestic audiences.

The rise of Bulgarian populism has coincided with an increase in super-constitutionalisation of political processes, with legal or quasi-legal constraints imposed on elected and democratically accountable bodies. These have not just been through joining multinational organisations such as the EU and NATO, but also domestically through the creation of bodies such as a powerful constitutional court. Specific EU conditionality measures are also present in the areas of judicial reform and the fight against corruption and organised crime, both of which are closely monitored in Bulgaria and Romania in the so-called Cooperation and Verification Mechanism.

Economic decision-making has been subject to similar impositions, for instance the pegging of the national currency to the euro and the accession requirement for a “functioning market economy... capable of withstanding competitive pressures” (from the Copenhagen criteria). The advent of populism has not decreased enthusiasm for the progressive constitutionalisation of economic and (especially) fiscal rules, under the umbrella of the EU and its fiscal compact. The Bulgarian government has shown itself to have an appetite for such constraints. For instance the GERB government’s finance minister, Simeon Djankov (a former World Bank employee), proposed the entrenchment not only of the EU-wide fiscal rules, but also rules under which changes in the level of taxation could be achieved only with 2/3 parliamentary majorities. In effect this is a constitutionalisation of the 10% flat income tax.

These developments and the phenomenon of ‘super-constitutionalised populism’ are further evidence of the exceptionally low trust that Bulgarians have in their democratically elected political elites. Polling data suggests that only 14% of people trust political parties<sup>5</sup>; that only 16% of the people believe Bulgaria is governed in the interest of all<sup>6</sup>; and that 14% believe that, once elected, they care about the views of voters<sup>7</sup>. These attitudes support a pro-EU view where the Union is seen as an instrument that helps the people to monitor and constrain their (distrusted) elected representatives. This could be termed a ‘populism of fear’ (rephrasing Judith Shklar), motivated by a general distrust in the capacity of democratically elected officials, and democratic politics more generally.

As well as constraining domestic politicians, such super-constitutionalism is intended as a demonstration of commitment to the EU. The fear is of a core of EU countries, grouped around the single currency, moving away from the rest (including Bulgaria). Bulgaria needs a substantial amount of time before it could be part of any such inner core, and this demonstration that it can abide by externally imposed constraints and conditions shows both commitment to economic convergence and further integration and the difference between it and countries (such as Greece) in the troublesome periphery.

## Conclusions

There is a lot of truth in the widespread opinion that Bulgarians trust the EU because they do not trust their own elected political elites. The EU is a handy monitoring device, which helps them control the elites and expose their mistakes and misdemeanors. EU membership is also a mark of status for the Bulgarian state and its democracy (although for some within the EU the question of whether this

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<sup>5</sup> Eurobarometer 76, December 2011

<sup>6</sup> Pew Research Centre Global Attitudes Survey, 2009

<sup>7</sup> Ibid

mark is deserved remains moot). The Bulgarian public neither sees the EU as endangering sovereignty or identity, nor its consitutionalising of politics as endangering Bulgarian democracy. Indeed, a specific variant of populism has emerged that trains Bulgarian representatives to live with significant constraints on their own powers, and even to introduce new ones.

These developments explain the exceptional level of trust in the EU in Bulgaria, and its absence from heated domestic political debates. Dissatisfaction and distrust in the EU might come at a later stage, when the inferiority complex of incomplete membership starts to be overcome. Alternatively the development of a two-speed Europe, with a central core grouped around the euro, will also concern Bulgarians fearful of being trapped in the 'incomplete' grouping. It is of prime importance within Bulgaria that it both underlines the differences between it and neighbours like Greece, and shows that it is willing to adopt external constraints and conditions to help it eventually join any inner core. Until that date, however, the fears of Bulgarians are different: as a popular joke goes, all empires in which Bulgaria has been a part have come to a crushing end. The hope is that in terms of longevity the EU will be more like the Byzantine and the Ottoman empires, rather than the Soviet Union.

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