

Bulgaria: New government implements cuts and privatisation

Verena Nees
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This summer, Bulgaria's former king, Simeon the Second, returned to head a new government. Since then, the composition and initial measures his administration has implemented shows it to be an unrelenting champion of international capital.

In the parliamentary elections of June 17, the National Movement of Simeon II (NDS), founded in April of this year, won 43 percent of the vote. After 10 years of free market economics, bringing wealth to a few corrupt profiteers but bitter misery to the majority of workers, "Tsar Simeon" presented himself in true demagogical style as the saviour of the people.

The two parties that had formed governments since the collapse of Stalinist rule in Bulgaria in 1990—the Union of Democratic Forces (UDF) and the Bulgarian Socialist Party (BSP)—are widely hated and managed only 18 and 17 percent respectively in the June poll.

The relatively broad support for the former king resulted from the fact that the Bulgarian working class is still unable to find its own political alternative to organisations with their roots in the former Stalinist parties, on one hand, and the new bourgeois movements, on the other.

Simeon Saksoburggotski (the former King's civilian name) stems from the Hungarian branch of the Saxa-Coburg-Gotha royal dynasty. In 1943 he came to the Bulgarian throne aged six. His three regents—including his uncle Prince Kiril, and his Minister for War General Mihov—collaborated with Hitler and were executed after 1945 because of Bulgaria's complicity in the fascist terrorisation of Nazi occupied regions of Yugoslavia and Greece. After the abolition of the monarchy in the 1946 referendum, Simeon left the country.

He has always refused to accept the 1946 referendum decision and never renounced his claim to the Bulgarian throne. After his return to Bulgaria from exile in Spain at the beginning of this year, it was first supposed that he wanted to exploit the parliamentary elections, either to return to the throne or at least to assume the office of president. Simeon has since declined to become a candidate in the November 11 presidential election. In his June campaign, Simeon had made a populist call for a "new morality" in politics and business, promising to achieve considerable improvements in the population's living conditions within 800 days and to wage an effective battle against corruption.

But behind his masquerade of medieval royalty, lies a political programme as modern as it is brutal, designed to intensify the social attacks on the mass of the population that have already taken

place.

Finance Minister Melen Velchev best expressed the credo of the new government in an interview with the German-language economic publication *Bulgarisches Wirtschaftsblatt* on August 18. Questioned by the paper's editor as to whether there was a conflict between the welfare promises of the NDS and the "restrictive, sound, right-wing orientated financial policies" followed by the government, Velchev answered: "The promises that have been made are medium and long-range obligations. It's no accident that His Majesty spoke of 800 days. Of course, increasing the prosperity of Bulgarian citizens is our main concern. But our immediate aim is the maintenance of economic stability and the securing of a sustainable, high rate of growth..." Velchev also explained that the first priority was to attract foreign investment. "We intend to give businesses a free hand and open the way for their development."

The initial economic steps adopted by the new cabinet include a small increase in the minimum wage—from \$40 to \$47 dollars per month—and an increase in the meagre child allowance rate to \$7.45. However, a 10 percent increase in electricity, heating and telephone costs introduced this month is tripling the cost of living.

Ten percent of public sector jobs are to be cut, and the privatisation of state owned facilities—already responsible for the destruction of half of Bulgaria's industrial capacity and an official unemployment rate of 18 percent, (unofficially 28 percent)—is to be driven forward at full steam. Next to be privatised are the state-run tobacco industry, Bulgarian Telecom and the banks, with the German Deutsche Bank and the Credit Institution for Reconstruction keen to get on board.

On the other hand, business enterprises and investors will receive real concessions through tax cuts and low or zero credit rates. Financial concerns dealing in securities will be exempted from taxation on profits, as will firms reinvesting their profits.

An article published by the German Institute for International Policy and Security describes the scale of the impoverishment of ordinary Bulgarians. The minimum wage is officially put at 238 Bulgarian leva (\$111) per month, but the Institute for Social Welfare and Labour Studies assumes it to be only 85 leva (\$40). About 850,000 employees have no social insurance. Last July, half a million Bulgarian workers received only a minimum wage, amounting to \$39. According to trade union estimates, "every Bulgarian needs 100 leva (\$47) a month to buy enough food to enable him or her to survive on 2,000 calories a day. The income

of 75 percent of the country's more than two million pensioners, for example, lies under this magical limit". The article quotes a study by the Social Democratic Institute in Sofia from last year, according to which 9 percent of the population feeds itself exclusively on own-grown food, and 45 percent mainly relies on such self-produced food: "Data shows that there are many different categories of poverty, including one dividing 'those who can afford to eat from those who cannot'. Which category a person belongs to depends upon his or her connections with people living in rural districts."

The composition of the cabinet also makes it clear that the former king is to be a figurehead for a government that is responsible only to finance capital and investors.

Apart from two ministers from the Turkish Minority Party (DSP), a coalition partner of Simeon's NDS, and two BSP ministers, stemming from Bulgaria's previous Stalinist bureaucracy, the economically important government departments have gone to a team of young technocrats. These were mainly trained in the US, Japan and Germany, and possess no political experience, although they are accustomed to meeting the requirements of the stock exchange and the demands of the International Monetary Fund, the European Union (EU) or the World Bank.

After studying in New York, *Nikolay Vassiley*, the 31-year-old deputy prime minister and trade minister, was last employed at Lazard Capital Markets in London as its leading analyst for Central and Eastern Europe. After studying economics at New York's Rochester University and the Massachusetts Institute of Technology, 35-year-old Finance Minister *Melen Velchey* worked at the National Bank of Greece and finally with the Merrill Lynch investment trust in London. Following several training courses in marketing and finance in Munich and Japan, *Lydia Schuleva*, also a deputy prime minister and minister for labour and social services, worked in the EU as a management advisor in Greece, and from 1996 as managing director of Albena Invest Holding and secretary of the Association of Business Assessors in Bulgaria. *Solomon Pasi*, the new foreign minister, is founder and president of the Atlantic Club in Sofia and advocates close relations with the EU and NATO. After attending university in the US, 35-year-old Transport Minister *Plamen Petroy* established the Bulgarian consortium for investment in the cable television and telecommunication industries.

In the field of defence and security policy, the new Bulgarian government is striving even more eagerly than its predecessor to be admitted to NATO. In particular, it has declared its unconditional support for all NATO-sponsored military actions following the terrorist attacks on the US. Defence Minister Nikolai Svinarov and Foreign Minister Solomon Pasi have declared their willingness to provide Bulgarian troops for retaliatory attacks against Afghanistan or any other target. This stance goes too far even for the deputies of the previous UDF government, who had permitted NATO, the use of Bulgarian air space during its attacks on Serbia in 1999.

Through promoting such policies, Simeon's government hopes to count on approval from NATO and the international economic institutions, the IMF, the World Bank and the European Union

(EU). After the government had agreed to further wide-scale privatisation, as well as the first concrete measures towards reducing the budget deficit, the IMF approved Bulgaria a new credit of \$840 million on September 28. Prior to this, the World Bank had already decided on new credits amounting to \$80 million.

Even before the election, Bulgaria was regarded as a model pupil within the EU. The previous UDF government had included representatives from the IMF, the EU and the World Bank in its monetary council; tied the Bulgarian lev to the German mark at a rate of 1:1 and pursued an aggressive anti-inflation policy. In August, Bulgaria complied with the principal requirement for candidates seeking EU membership: the opening up of its property market to foreign buyers as soon as possible. After a seven-year transitional period from the date of EU entry international investors should be able to purchase Bulgarian land and property—in contrast to Poland (such purchases being possible only after 20 years) and other states like the Czech Republic or Hungary (after 10 years).

Bulgaria's most important EU trading partner and largest investor is Germany. In the first quarter of 2001, German trade with Bulgaria showed a record growth of 32.5 percent. Numerous German business concerns and banks are already participating or negotiating investments. They are exploiting the extremely low wage and taxation rates, even compared to other eastern European countries, and are concerned that this situation be maintained. Gernot Erler, foreign affairs spokesman and deputy parliamentary chairman of Germany's governing Social Democratic Party, welcomed the new Bulgarian cabinet. He praised the fact that the former king had also included two BSP members and formed a coalition with the Turkish Minority Party, and wished the government "good fortune and success". According to Erler, "As the government will have to take unpopular decisions in the future in order to make Bulgaria fit for Europe, it seems sensible to try to achieve this via a broad consensus."



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