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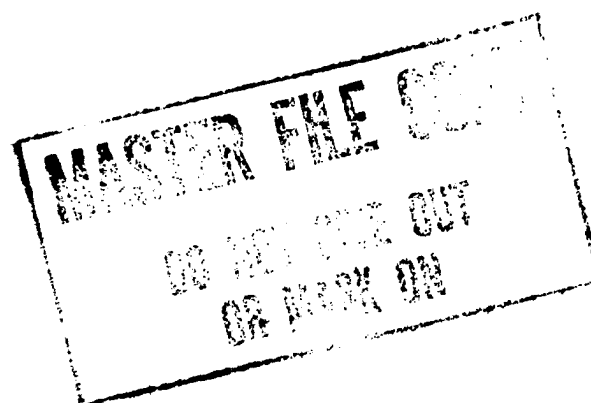
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Bulgaria: A Country in Transition



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An Intelligence Assessment



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EUR 84-10041
March 1984

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Bulgaria: A Country in Transition



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An Intelligence Assessment

This paper was prepared by [redacted] with a contribution by [redacted] both of the Office of European Analysis. It was coordinated with the Directorate of Operations. Comments and queries are welcome and may be directed to the Chief, East European Division, EURA, [redacted]

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March 1984*

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**Bulgaria:
A Country in Transition**

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Key Judgments

*Information available
as of 15 February 1984
was used in this report.*

Bulgaria is entering a period of political and economic transition that portends increasing strains in its traditionally close, subservient relationship with the USSR. In particular, declining economic support from the USSR threatens to slow Bulgaria's economic growth and, ultimately, could have more serious political consequences. The main irony is that party leader Todor Zhivkov, once a totally dependent pro-Soviet sycophant, clearly recognizes that he must increasingly chart his country's development in terms of economic reforms and new openings to markets in the West.

Bulgaria's pace of economic development—though impressive compared to the rest of Eastern Europe—is already slowing and is further threatened by Soviet efforts to reduce its “cost of empire.” Moscow is:

- Pressuring Sofia to balance its sizable bilateral trade deficit.
- Demanding the better quality exports that Bulgaria otherwise would sell for hard currency or consume domestically.
- Pressuring Sofia to increase its share of the defense burden.

To cope, Sofia is testing alternate strategies—including economic reforms and gradually expanded ties with the West—that could diverge from Soviet interests. The Zhivkov regime hopes that economic reforms, stressing profitability and decentralization, combined with new technology from the West, will allow Bulgaria to escape the pattern of economic stagnation in Eastern Europe. To date, this new strategy has been restrained by bureaucratic resistance, by a timidity about departing from Soviet economic and political preferences, and by a Western reticence flowing in part from Bulgaria's poor international image.

Zhivkov is, nonetheless, making more policy decisions predicated on Bulgaria's needs as opposed to those of the USSR or the Bloc. Sofia is already being somewhat more assertive in CEMA councils and showing less enthusiasm about Soviet foreign policy initiatives that increase East-West tensions. The political dynamics in Bulgaria suggest this trend toward greater assertiveness will continue because:

- Zhivkov, now the master of his own party, seems to view the uncertainty surrounding the unstable Soviet leadership as an opportunity to expand Bulgaria's room for maneuver.
- His emphasis on Bulgarian nationalism to enhance his regime's domestic prestige is likely to bring out latent resentment of Soviet tutelage.
- Gradual generational change in the Bulgarian leadership—currently controlled by Zhivkov—is shifting the balance of power away from older, pro-Soviet apparatchiks toward younger technocrats who advocate policies based more on Bulgaria's parochial interests.

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While we believe Bulgarian-Soviet interests will conflict more frequently, major changes in the relationship are unlikely in the near term—say the next one to three years. For a variety of economic and sociocultural reasons, we doubt that Zhivkov will purposely antagonize Moscow, as does Romania's more flamboyant Ceausescu. Rather, we think he will pursue a Kadar-like approach, ostensibly remaining loyal to Moscow while pursuing sometimes controversial policies that he perceives as necessary. We believe the succession, when it comes, promises to accelerate the trend toward more Bulgarian-centered policies.

In the longer term, we think Bulgaria's national interests will conflict with Soviet demands more directly, and in time more serious fissures in the relationship may develop. But the degree to which Bulgaria pursues its own interests against Soviet priorities will be closely linked to its progress in achieving some greater measure of economic autonomy.



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Figure 1. The statue of Czar Alexander II is a monument to the close, historic Russian-Bulgarian ties that predate the Communist era.



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**Bulgaria:
A Country in Transition** [Redacted]

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On the Verge of Change

Bulgaria today is an anomaly of political and economic stability in the Soviet empire. It has the only ruling East European Communist party that has neither rebelled against Soviet dominance nor experienced serious challenges to its supremacy. The party, installed in 1944 by the occupying Soviet army, was immediately able to capitalize on the defeatism felt by a people who had been on the losing side of two world wars. Moreover, Bulgarians harbored no deeply anti-Russian sentiments because Czarist troops liberated Bulgaria from the Ottoman Turks in 1878. The regime, accordingly, has never had to cope with the sort of nationalist-inspired, anti-Soviet attitudes that are common elsewhere in Eastern Europe. [Redacted]



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Figure 2. After three decades as Bulgaria's party leader, 72-year-old Todor Zhivkov enjoys a firm grip over the state and party hierarchy. [Redacted]

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Nor has dissent been much stimulated by aspirations for human rights, no doubt in large part because of the efficiency with which the security service deals with the occasional expressions of overt opposition. Moreover, Bulgarians are by nature a tolerant people with modest expectations, and centuries of oppression by stronger occupying powers have taught them to survive by avoiding confrontation. Finally, the regime has been skillful at co-opting those institutions and forces that have been competitive power centers elsewhere in Eastern Europe—such as the church and the intellectual community. On the economic front, Bulgaria's cautious financial policies and Soviet support have shielded Sofia from the debt crisis hitting Eastern Europe and enabled the regime to improve living standards; Bulgaria's growth rate (though still modest) has been the highest in the area since 1980. [Redacted]

Zhivkov has been in a position in the last several years to lead Bulgaria in new and controversial directions (see appendix). [Redacted]

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Relations With the Soviets: A Stimulus To Change
Changes in economic and political relations with Moscow over the last several years appear to be encouraging Zhivkov to devise and implement a more "Bulgarian" way in his domestic policies. In the economic field, Moscow's own resource constraints have encouraged the USSR to decrease its support to Bulgaria along with the rest of Eastern Europe. On the political side, subtle signs of conflicting interests, first evident at the end of the Brezhnev era, became more pronounced after Yuriy Andropov came to power. [Redacted]

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After repeated challenges in his first decade of power, Todor Zhivkov—Bulgaria's 72-year-old leader—is now considered "an absolute monarch," [Redacted] While this is something of an exaggeration, Zhivkov has over the years rid the leadership of rivals in his own generation and replaced them largely with younger men known for both their technical competence and their loyalty to him. With his power consolidated and his own team in place,

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Diminishing Economic Returns. Soviet gratitude that Zhivkov had maintained Bulgaria as one of their most dependable allies paid Sofia substantial economic dividends. Even now, trade with the Soviet Union accounts for 55 percent of Bulgaria's total trade turnover, the largest share in Eastern Europe. In particular, the Soviet Union supplies 70 percent of Bulgarian energy consumption, 100 percent of its iron ore imports, and 60 percent of its imported timber (see figure 3). Persistent trade deficits with Moscow, coupled with CEMA policies that until recently set prices for Soviet energy and raw materials at lower-than-world-market prices, have provided sizable subsidies. According to one recent Western estimate, implicit Soviet trade subsidies totaled \$1-2 billion a year over much of the past decade. These were the largest subsidies per capita to any East European country.

for increases were denied. [redacted]

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Moreover, recently released Bulgarian data show that Bulgaria's terms of trade with CEMA—that is, mostly with the USSR—worsened by a total of 18 percent in 1981 and 1982. Rising prices for Soviet oil probably were the dominant factor. According to a source of the US Embassy in Sofia, Moscow also rejected a Bulgarian request last year for a 1.2-billion-ruble, interest-free line of credit. According to the source, the Soviets had routinely approved similar types of Bulgarian requests—though smaller—since 1976.

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In addition, imports of Soviet oil in excess of Bulgaria's domestic needs have allowed Sofia to reexport oil for hard currency. In 1981 and 1982 the reexport of Soviet fuel—almost exclusively oil—accounted for one-third of Bulgaria's hard currency exports. Zhivkov frequently justified Bulgaria's subservience to Moscow by asserting that Bulgaria gained more from the relationship than it gave (see inset, page 4).

Thus far, the reduced Soviet support has not had a major impact on the lives of most Bulgarians, but we believe that the impact on the standard of living may soon be felt more directly. Embassy sources have reported for some time that the USSR is pressing Bulgaria to balance its 1984 trade; last September, for example, Soviet officials reportedly demanded increased deliveries of fruits and vegetables, despite drought-diminished harvests in Bulgaria.

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In the past several years, however, Bulgaria, along with most other East European states, has begun to receive less Soviet support—a trend that we believe will continue because of the Soviet Union's other economic concerns.

[redacted] Moscow rejected low-quality food shipments from Bulgaria, and others claim that the Soviets have demanded more of the top-quality exports—largely foodstuffs—which Bulgaria usually consumes itself or sells on hard currency markets. Moreover, according to a US Embassy source, the USSR has told Bulgaria it will make significant reductions in oil deliveries after the current five-year commitment expires next year.²

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Although Sofia has not officially acknowledged a reduction in Soviet oil deliveries, trade data for 1982 indicated some cutbacks in Soviet supplies to Bulgaria. Some Embassy [redacted] sources say that Moscow's anger over Bulgarian reexports of Soviet oil resulted in a temporary cut in oil shipments. [redacted] the shipments have since been restored to previous levels but that Bulgarian requests

² These demands by the Soviets may be the chief reason why Bulgaria is reportedly becoming more vocal in demanding higher prices for agricultural exports within CEMA. ([redacted])

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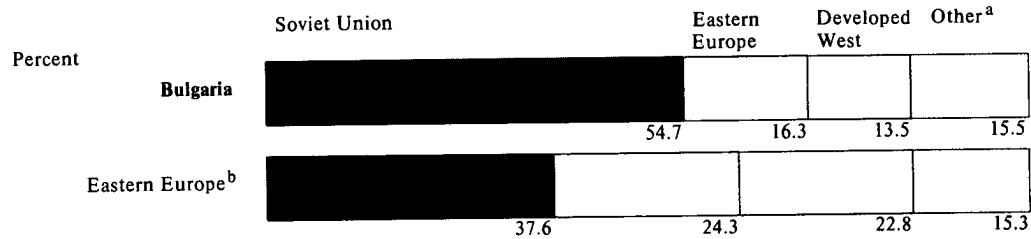
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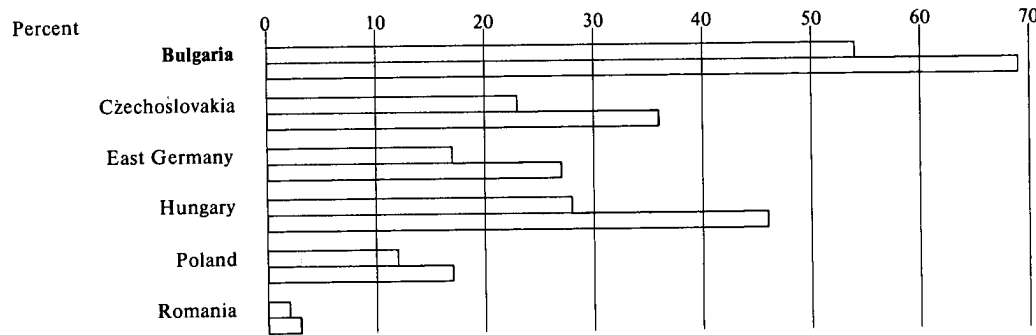
Figure 3
Bulgarian Economic Dependency on the Soviet Union

Trade Shares, 1982

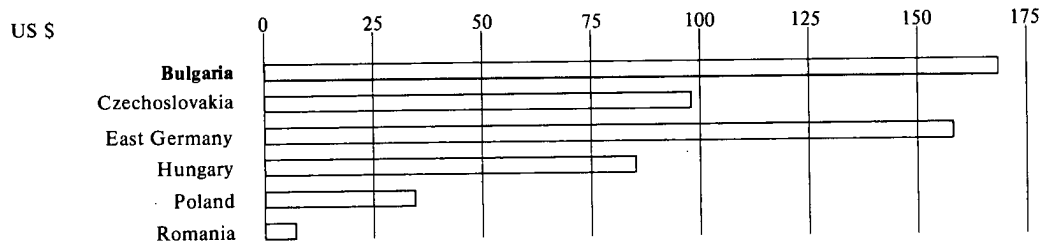


Eastern Europe: Energy Imports From the Soviet Union as a Share of Total Energy Consumption, 1970 and 1982

□ 1970
□ 1982



Implicit Trade Subsidies per Capita, 1978^c



^a Includes other Communist countries and LDCs.

^b Includes Czechoslovakia, East Germany, Hungary, Poland and Romania.

^c These figures are based on a 1983 study by Michael Marrese and Jan Vanous, *Soviet Subsidization of Trade with Eastern Europe*.

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Bulgaria's Strategic Role in the Soviet Camp

The Zhivkov regime has traditionally been a reliable supporter of the Kremlin. It has faithfully backed Soviet foreign policy initiatives, and it constitutes the political and military anchor of Soviet influence in the Balkans and on the Warsaw Pact's southern flank. The Soviets no doubt particularly value such a reliable ally because all other Communist regimes in the region are either independent—Yugoslavia and Albania—or obstructive—Romania. The Soviet Union has no troops stationed in the region to protect its interests. [redacted]

Bulgaria's 165,000-man army by itself poses no threat to other states in the region. But the country's location makes it a potential springboard for Soviet military power. Major Warsaw Pact exercises—including "Shield 1982" with 60,000 troops, the largest exercise hosted by Bulgaria—emphasize the potential for the USSR and its allies to open quickly a southern front in Bulgaria. [redacted]

Short of a military role, Bulgaria also serves as a useful surrogate for Soviet pressures and blandishments in the region. Sofia, for example, has been a center of international arms smuggling, and the Yugoslavs continue to read the ebb and flow of Sofia's

assertiveness on the Macedonian issue as a barometer of Soviet policy in the region. In the past few years, Sofia has taken a soft tack by improving relations with Greece and Turkey and joining in some regional development talks. In 1981 Zhivkov sponsored a renewed call for a Balkan Nuclear Free Zone. In view of US strategic concerns in Greece and Turkey, the latter proposal strikes hard at US interests, particularly as the Papandreaou government in Athens is receptive to Zhivkov's plan. [redacted]

Bulgaria also assists the Soviet Union in international goals beyond the Balkans. Its intelligence support and military sales in the Third World—most notably to Iraq, Libya, and Nicaragua—underscore its role as a Soviet proxy. Bulgaria also reportedly provides Moscow considerable assistance in the legal and illegal acquisition of high technology. [redacted]

[redacted] Sofia recently purchased a 50-percent share in a US business computer company which will give it legal access to controlled technology, as well as to training on, and the maintenance of, the equipment. [redacted]

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Political Relations Cool. As the USSR's economic support has eased, signs have appeared—mostly in the form of private comments by Bulgarian officials to Westerners and in very subtle tones in the press—of growing friction in Soviet-Bulgarian political relations:

- The earliest noted problems stem from Soviet reservations about Zhivkov's increasing identification with Bulgarian nationalistic themes to enhance his regime's image at home and abroad. In the mid-1970s Zhivkov appointed and staunchly supported his Western-educated daughter Lyudmila Zhivkova as the key figure in a highly popular campaign for

more relaxed, more nationalistic cultural policies. The USSR disapproved of Zhivkova's unorthodox attitudes, especially her openness to Western influences. Her sudden death in 1981 had a devastating effect on Zhivkov personally, and Soviet coolness toward her before and after her death is no doubt a factor in Zhivkov's attitudes toward Moscow. His subsequent actions to preserve her legacy have proved to be genuinely popular, probably deepening misgivings in Moscow.

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Figure 4. The impressive Lyudmila Zhivkova Cultural Palace in Sofia—named for Zhivkov's late daughter—is a symbol of her often unorthodox cultural policies and support for Bulgarian nationalism. [redacted]

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[redacted] Zhivkov took offense at Moscow's criticism of Sofia's highly nationalistic celebrations of the 1,300th anniversary of the first Bulgarian state—his daughter's most expansive project. In a rare public reference to the issue during a speech in Moscow in November 1982, Zhivkov claimed defensively, "We are not nationalist megalomaniacs, not ungrateful people." The issue is still very much alive, judging from Zhivkov's continued emphasis on Bulgarian achievements and the fact that the Soviet representative at the Bulgarian Cultural Congress last May notably failed to pay homage to Zhivkov's late daughter—a conspicuous omission compared to the lavish accolades from Bulgarian officials. [redacted]

- Zhivkov played down the importance of Andropov's personal power in talks with the US Ambassador last August. He also implied that Western allegations of Bulgarian complicity in the papal assassination attempt had complicated his relations with the new Soviet leader.
- Sofia also downplayed—compared with Brezhnev's passing—its ceremonial expression of grief when Andropov died. [redacted]

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With Chernenko, an old ally, now in charge in Moscow, Zhivkov may hope to revive some of the special relationship he, as dean of the Warsaw Pact leaders, once enjoyed in the Kremlin. But, given all the potential sources of friction, this will not be easy.

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During the brief Andropov era, a chill developed between Zhivkov and the Soviet leader. And Zhivkov's uncharacteristically self-assertive behavior suggests to us that he is taking advantage of the greater flexibility arising from the uncertainty surrounding the aging Soviet leadership:

- Zhivkov's first talks with Andropov in November 1982 were given lesser billing by the Soviet press than those of the other East Europeans on the same day.

Even differences over important defense issues have caused strains. [redacted] the USSR criticized Bulgaria's performance in the Warsaw Pact "Shield 82" exercise in the fall of 1982 and pressed a reluctant Zhivkov to increase Bulgarian defense spending. More recently, [redacted]

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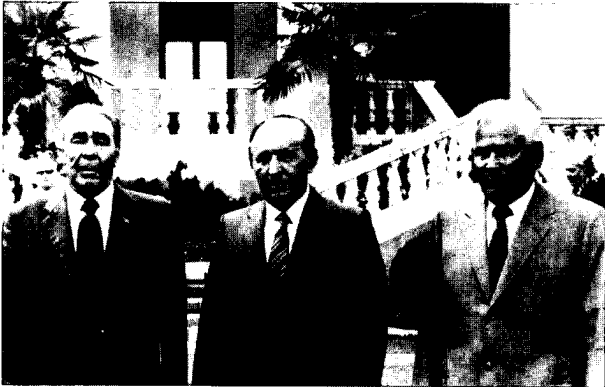


Figure 5. Then Soviet leader Brezhnev and Konstantin Chernenko with Zhivkov at the Crimea in 1981. Zhivkov probably hopes that, with Chernenko as the new Soviet General Secretary, Bulgaria will regain the preferential economic treatment it received during the Brezhnev years. [redacted]

Sovfoto ©

[redacted] Sofia has argued against Soviet counter-deployments of nuclear missiles in Bulgaria. We think it is unlikely that Zhivkov could refuse Soviet missiles if pressed by Moscow, but he may well carp in private about the costs of stationing Soviet nuclear missile units, the introduction of Soviet support units, and the effect on Sofia's efforts to push a Balkan nuclear free zone. There have also been some subtle indications of Bulgarian reticence in supporting Soviet foreign policy moves that contribute to East-West tension, such as Moscow's handling of the Korean airliner incident and its decision to break off the INF talks in Geneva. [redacted]

New Directions

No doubt recognizing that Bulgaria must look more to its own devices as its relationship with the Soviet Union slowly changes, Zhivkov has:

- Moved forward with an economic reform program, despite some domestic opposition and practical problems in application.
- Made political overtures for increased trade with the West, including the United States, despite heightened US-Soviet tensions.

These experiments, although limited in scope, are noteworthy for a regime that in the past has never strayed far from Soviet practice and is still overwhelmingly dependent on the USSR. [redacted]

Economic Reform. Sofia's four-year-old economic reform is its second such major program; the first fell victim to conservative opposition and Soviet nervousness following the Prague Spring of 1968. According to Bulgarian officials, the main goals of the New Economic Mechanism (NEM) are gradually to:

- Increase reliance on profits as performance indicators, limit subsidies to unprofitable firms, and give managers more autonomy.
- Encourage expansion of the private sector in agriculture and services and the use of incentives to increase productivity.
- Tie prices more to world prices.

The reforms are not nearly as far reaching as those in Hungary. To date, the NEM has not introduced any restructuring of the economy, turned to market forces as a means of determining prices, or promoted private enterprise outside of agriculture. [redacted]

The NEM has apparently met some success in agriculture but has run into obstacles since being expanded to the industrial sector in 1982:

- Official encouragement of the private sector in agriculture may be partially responsible for the growth of agricultural production in 1981-82. Despite severe droughts in 1980 and 1983, the agricultural sector has performed well enough to enable Sofia to improve domestic food supplies and maintain exports.

- In the industrial sector, judging by the most common complaints, bureaucratic inertia and selective application of reform guidelines stalled the reforms and forced a reexamination of tactics in mid-1983. At that time, Zhivkov told the US Ambassador that "profits are under house arrest" because of the unspecified disruptions they caused in industry. Party Secretary and Politburo member Ognyan Doynov told the Japanese Ambassador that enterprise managers were applying only those aspects of the NEM they saw as beneficial—presumably pursuing profits at the expense of investments and improving the quality of production. Moreover, in our view, the enterprise managers do not yet have adequate experience in dealing with their new responsibilities. [redacted]

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Eastern Europe: Domestic Economic Indicators*Percentage change*

| | 1979 | 1980 | 1981 | 1982 | 1983 ^a |
|-----------------------|------|-------|-------|-------|-------------------|
| Bulgaria | | | | | |
| GNP | 4.0 | -3.1 | 3.0 | 2.8 | 1.0 |
| Industry | 3.5 | 2.4 | 2.6 | 3.0 | 3.0 |
| Agriculture | 9.3 | -16.9 | 4.9 | 4.4 | -2.0 |
| Consumption | 7.8 | 1.1 | 3.4 | 1.1 | 2.0 |
| Investment | -2.4 | 19.2 | 9.0 | -5.3 | 5.0 |
| Czechoslovakia | | | | | |
| GNP | 1.1 | 2.7 | -1.1 | 0.5 | 1.5 |
| Industry | 1.6 | 1.9 | 1.2 | 0.5 | 1.5 |
| Agriculture | -2.0 | 5.7 | -12.0 | 1.1 | 1.5 |
| Consumption | -0.2 | 0.1 | 1.4 | 1.3 | 1.6 |
| Investment | 1.8 | 1.4 | -4.6 | 3.2 | 0.0 |
| East Germany | | | | | |
| GNP | 2.8 | 2.2 | 2.4 | 0.5 | 1.5 |
| Industry | 3.3 | 2.8 | 3.7 | 2.2 | 3.0 |
| Agriculture | 5.3 | 0.8 | 2.5 | -5.9 | -0.5 |
| Consumption | 1.9 | 1.2 | 1.6 | 1.3 | 1.0 |
| Investment | 1.4 | 0.3 | 2.7 | -6.4 | 1.5 |
| Hungary | | | | | |
| GNP | 0.3 | 0.9 | 0.4 | 1.7 | -0.5 |
| Industry | 1.0 | -1.5 | 0.1 | 0.7 | 1.0 |
| Agriculture | -3.0 | 6.1 | -0.7 | 4.9 | -3.0 |
| Consumption | 1.2 | 1.8 | 1.8 | 0.9 | -0.5 |
| Investment | 1.0 | -5.8 | -5.6 | -2.6 | -5.0 |
| Poland | | | | | |
| GNP | -1.9 | -2.4 | -5.4 | -4.0 | 2.0 |
| Industry | -1.0 | -1.5 | -12.7 | -4.0 | 3.0 |
| Agriculture | -5.6 | -8.5 | 4.3 | -3.5 | 2.0 |
| Consumption | -1.5 | 1.0 | -3.6 | -9.3 | 1.0 |
| Investment | -7.9 | -12.3 | -22.7 | -19.0 | 5.0 |
| Romania | | | | | |
| GNP | 4.4 | -1.6 | 0.6 | 2.7 | -0.5 |
| Industry | 3.2 | 3.2 | -0.2 | -0.9 | 2.0 |
| Agriculture | 2.5 | -11.0 | 0.3 | 7.8 | -5.0 |
| Consumption | 5.6 | 2.4 | 2.1 | -0.4 | -2.0 |
| Investment | 4.1 | 3.0 | -7.1 | -2.5 | 1.0 |

^a Preliminary estimates.
Source: CIA estimates.



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[redacted] there are widespread debates in the leadership over how far to go with the next phase of the reforms. According to one US Embassy source, one school of thought argues that the reforms should be rolled back, while another is urging a slowdown until the Soviet leadership clarifies its attitudes toward economic reform in the USSR and Eastern Europe. A third group believes the reforms should continue but is divided itself over how much decentralization can be allowed without endangering party control. [redacted]

Judging by Zhivkov's comments and announced decisions, he is still solidly behind the group that is pushing reform, despite the temporary reevaluation of the NEM he introduced last year:

- In a major speech last May, Zhivkov ordered an expansion of the reforms and called for a party conference in the spring of 1984 to find new ways to correct the "shameful" decline in the quality of Bulgarian export goods.
- In September Zhivkov purged Aleksandur Lilov, a Politburo member and party secretary for ideology, who Western observers in Sofia believe has been a leading critic of the reforms.
- Deputy Prime Minister Lukanov told a US Congressional delegation in December that the NEM remains official policy and that further economic growth must involve structural changes to help the economy withstand the strains.
- In January Zhivkov announced a number of party and government changes which seem designed to further the implementation of reforms. [redacted]

We suspect that behind-the-scenes debate on the reforms is building momentum and that Zhivkov himself may not have decided how far he can allow them to go. According to Embassy sources, Prime Minister Filipov has already made several private speeches suggesting that new steps are being considered. But we expect the results of the midcourse correction will only be clarified after the party conference this March. [redacted]

Overtures to the West. We think that a search for a new basis for Bulgaria's economic development, probably with the Hungarian example in mind, underlies Sofia's attempts to pursue increased trade ties in the West. The same process has increased the influence of Zhivkov's younger and more pragmatic economic advisers, who have long been advocating a more active pursuit of high technology and improved management techniques available only from the West. Zhivkov, in any event, has undertaken initiatives which involve both risk and potential embarrassment in order to reverse the country's economic isolation from the West and its excessive dependence on the USSR. [redacted]

Bulgaria now has few trade links with the West.³ Its inefficient industry, lack of raw materials, and small domestic market—only 9 million people—provide limited opportunities for Western trading partners. Worse, the country's unsavory reputation—for diverting Western high technology to the USSR and for supporting Third World insurgencies and international smuggling—poses political obstacles to major trade concessions by the West.⁴ Sofia thus has neither a special trade agreement with the EC nor MFN status. [redacted]

Despite few returns so far, Zhivkov is persevering with a number of economic innovations to improve Bulgaria's access to Western technology and its attractiveness to Western businessmen.

- In 1980 Zhivkov created the Bulgarian Industrial Economic Association (BIEA) to develop more sophisticated approaches to the West and implement economic reforms.
- The same year Sofia passed a new joint investment law designed to attract Western investment and know-how.

³ Bulgaria's principal nonsocialist partners—Libya, Iraq, and Iran—have proved unreliable politically and economically. [redacted]

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- [redacted] Bulgaria has invested in over 50 firms in Western Europe and in a US computer firm in order to acquire managerial and technical expertise.
- For several years, Zhivkov has centered much attention on Japan and, [redacted] promised favorable treatment if Japanese firms supply new technology for Bulgaria's metallurgical, communications, and food-processing industries.
- In hopes of improving its hard currency holdings, Sofia has upgraded its tourist resorts and undertaken expensive advertising campaigns in Western Europe to promote Bulgarian tourism. [redacted]

Zhivkov also has begun to show an awareness that improved trade with the West depends on better political relations. [redacted] he decided sometime last year to adopt a more conciliatory approach to the West. [redacted] he sent an official to Budapest last summer to learn how Hungary accommodates US sensitivities. Subsequently, numerous Bulgarian officials have emphasized to US officials a desire to improve bilateral ties, and Zhivkov has directed several positive gestures, among them:

- Granting an unprecedented four-hour private meeting with the US Ambassador last August, in the course of which he instructed Foreign Minister Mladenov to resolve some contentious bilateral issues.
- Halting the jamming of VOA broadcasts last September.
- Muting the protests over the arrest of a Bulgarian spy in New York in September.
- Favorably resolving several divided-family cases and a previously rejected USIA theater exhibit.

These gestures are noteworthy because they coincided with the worsening atmosphere in East-West relations and Soviet pressure on Eastern Europe to reduce its ties with the West. [redacted]

Opportunities for the West?

Western observers are increasingly speculating that the new set of policy guidelines on economic reform and relations with the West means that Zhivkov is willing and able to take a more independent course from Moscow. Bulgarian officials on a number of occasions have tried to reinforce this impression with their Western contacts:

- A Bulgarian official recently told a US Embassy officer that Sofia's close identification with Moscow will change over the next two to three years as Bulgaria gradually weans itself away.
- In a meeting with a US Congressional delegation in December, Zhivkov reiterated his desire to improve bilateral ties and asserted that, beneath the socialist surface, "we are capitalists."

Bulgarians may paint an overly independent picture for Westerners, but even Sofia's most suspicious rivals, the Yugoslavs, may be acknowledging a change. Recently a Yugoslav foreign ministry expert on Balkan affairs, for example, told a US Embassy official that Belgrade would welcome improved US-Bulgarian ties, especially if they could help reduce the Kremlin's influence in the Balkans. [redacted]

We believe, however, the continuing Bulgarian economic dependence on the Soviets will limit Zhivkov's ability to maneuver. He has neither the ability, nor the desire, to risk a major shift in his relationship with the USSR. Moreover, we doubt that he is prepared to halt traditional Bulgarian activities such as COCOM violations, proxy actions in the Third World, and support for arms smugglers. [redacted]

That said, we do see some opportunities for a gradual increase of Western influence in Bulgaria. We believe that Bulgaria's determined and potentially risky pursuit of expanded ties with the West reflects a growing realization that there are limits to what Moscow can do and that Bulgaria must look to the West if it hopes to develop further. Moreover, Sofia's ability to assert its own interests against Soviet priorities will depend on achieving a greater measure of economic autonomy. If the incipient discord in Soviet-Bulgarian relations continues, we believe there will be greater

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opportunities for some expansion of Western influence. The younger pragmatists probably are even now looking for some demonstrable success in cultural and trade openings to the West, partly to strengthen their position vis-a-vis the hardliners before Zhivkov leaves the scene. We think that this group in the longer term might even find it worthwhile to alter some of Sofia's objectionable behavior—including perhaps its tolerance of international smuggling—so as to increase economic opportunities in the West. [redacted]

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Outlook

We do not anticipate a dramatic change in Bulgaria's overall political and economic orientation, but emerging new directions promise more ethnocentric attitudes and a desire for greater flexibility on the part of many Bulgarian leaders. Conflicts of interest between Moscow and Sofia, principally over economic-cum-defense issues, will present challenges for the Bulgarian regime and will almost certainly have a corrosive effect on bilateral political understandings. [redacted]

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With Bulgaria's economy still so heavily tied to CEMA and still dependent on deliveries of Soviet energy and raw materials, Zhivkov is unlikely to undertake autonomous foreign policies along Romanian lines. Moreover, his characteristic prudence in dealing with the Kremlin suggests he is unlikely to borrow trouble by gratuitously antagonizing Moscow. Because Bulgaria is Moscow's only reliable ally in the Balkans, Zhivkov realizes that the Kremlin would use its political, economic, and even military leverage to preserve its position in Sofia and the existing balance of power in the region. [redacted]

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We do, however, expect that Zhivkov will increasingly attempt a Kadar-like approach by expanding his autonomy in domestic and international affairs. He is likely to move cautiously, at each step testing the limits of what he judges to be Soviet tolerance. In particular, as Soviet economic support continues to decline, we expect that Zhivkov and his pragmatic advisers will pursue economic innovations designed gradually to lessen Bulgaria's excessive reliance on the USSR. Over time the effectiveness of economic reforms and the ease with which alternate markets can be developed in the West will become more

important factors in Bulgaria's economic development and its ability to achieve greater political autonomy. In addition, Zhivkov is likely to rely increasingly on appeals to Bulgarian nationalism as a legitimizing force for his regime. In aggregate, these dynamics suggest that Bulgarian and Soviet interests will not coincide as easily as they have in the past. [redacted]

The Less Likely Scenario. If there were more drastic cuts in Soviet support than we now anticipate, the relationship with Moscow could deteriorate sharply. The regime would be hard pressed to find substitutes for Soviet deliveries except in Western markets for scarce hard currency. Sofia would be forced to make tough choices about allocating scarce resources, which could lead to a decline in domestic living standards. Such a blow to the economy could have important political consequences, inviting clashes between Bulgarian party factions over domestic and foreign priorities. Under these circumstances, Zhivkov could become more aggressive in defending Bulgaria's national interests—especially in bilateral economic negotiations and in CEMA. [redacted]

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If such drastic consequences were in prospect, we would first expect to see some warning indicators, including:

- A significant drop in Bulgarian living standards, perceived to be the result of cuts in Soviet economic support.
- Reports of spreading resentment in the leadership toward Moscow.
- Removal of the most pro-Soviet elements in the Bulgarian leadership, such as Prime Minister Filipov.
- A more active Bulgarian role in the Balkans independent of, and perhaps in conflict with, Soviet interests in the region.
- Stepped-up willingness to challenge Soviet desiderata for CEMA and the Warsaw Pact that conflict with Bulgarian national interests. [redacted]

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Should this less likely scenario evolve, Moscow could take steps early to preempt a significant weakening of its influence in Bulgaria. It could, for example, resume higher levels of economic support or it could reverse the trend through coercive measures such as:

- Using its influence in the Bulgarian leadership and security apparatus to attempt to strengthen the pro-Soviet elements.
- Introducing some Soviet troops in Bulgaria, perhaps in conjunction with Warsaw Pact measures to counter INF deployments or NATO exercises.
- Moving against Zhivkov and trying to replace him with a Bulgarian more loyal to Moscow. [redacted]

*The Post-Zhivkov Era.*⁵ The succession, when it comes, may well mark a major watershed for Bulgaria. Even if Zhivkov does designate an heir—a rare move for a Communist leader—his departure after over 30 years at the helm will leave a power vacuum that will almost certainly invite factional struggles. Divisions between ideologues and technocrats over controversial issues—such as the appropriate closeness of Sofia's relations with Moscow—promise to preoccupy and divide the immediate post-Zhivkov leadership. [redacted]

Over the longer term Bulgarian leaders of the next generation are likely to be more aware than their predecessors of the limits of Soviet economic support and less appreciative of what support has meant to Bulgaria in the past. We believe that their gradual

⁵ See also the appendix.

but persistent determination to find alternatives to the Soviet economic model and to expand ties with the West will inevitably conflict with Soviet objectives with increasing directness. [redacted]

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In the longer term, therefore, we believe there will be increasing strains in Bulgarian-Soviet relations. From a broader perspective, ensuing frictions will underscore Moscow's difficulty in maintaining its East European empire. The growing willingness of even traditionally subservient East European regimes to pursue national interests in conflict with the Soviets portends more serious challenges to cohesion in the Warsaw Pact. [redacted]

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Appendix

Past and Future Leadership Struggles

Todor Zhivkov is the unchallenged leader of his party and country; after three decades in power, he has ruled longer than any other leader of a Warsaw Pact state. His rise to total dominance was, however, protracted and sometimes unsure. Because no one in the leadership is positioned to inherit many of Zhivkov's power bases, the eventual succession promises to see a return to the intense factionalism that characterized the Bulgarian party in the past. [redacted]

A Troubled Career

Zhivkov's first 15 years in power were largely a struggle to survive. Zhivkov came to the party leadership not in his own right, but as a consequence of the party's perceived need to copy Soviet practice. When, following Stalin's death, then party leader and Prime Minister Vulko Chervenkov came under pressure to divest himself of his multiple offices, he ceded his party post in 1954 to Zhivkov, a little-known protege. [redacted]

The already badly divided Bulgarian party became even more so. In the ensuing competition, Zhivkov compensated for his lack of an independent domestic power base by portraying himself as Moscow's man in Sofia. With a bold stroke, Zhivkov in 1956 denounced Chervenkov as a Stalinist and demoted him to Deputy Prime Minister. Chervenkov's power waned but it took nearly six years for Zhivkov to overcome Chervenkov's supporters, remove him from the Politburo, and finally ease him out of the party. At the same time, Zhivkov removed several other rivals, but only after a quick trip to Moscow to consolidate Kremlin support. [redacted]

Zhivkov emerged from this phase of his struggle still not the absolute master of Bulgaria. Factionalism continued, and there was even an unsuccessful coup attempt by party and military leaders in 1965. The conspirators, members of the same World War II partisan group, disliked Zhivkov's servility to the Soviets and probably aspired to an autonomous course similar to those by then followed by Yugoslavia and

Romania. Soviet sources discovered the conspiracy and informed Zhivkov. Although the plot failed, it apparently brought home to Zhivkov the dangers of ignoring Bulgarian nationalist aspirations. [redacted]

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Zhivkov subsequently has faced no serious challenge, but his dominance of the party was not complete until the ouster in 1977 of Boris Velchev, who was by all reports a staunch hardliner and a rallying point for opponents of Zhivkov's programs. In the late 1970s, Zhivkov for the first time could be confident in his power base. He has since sought to refurbish his popular image by stressing Bulgarian nationalism in cultural matters, by rejuvenating his aging and ideologically rigid regime, and by entrusting younger advisers to undertake an economic reform program. [redacted]

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The Presuccession Lineup. We do not believe any of Zhivkov's present subordinates would dare challenge him at this time. At 72 years of age, he is reasonably healthy. [redacted]

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But Zhivkov's eventual departure from the scene will doubtless leave a power vacuum. There already has been some maneuvering between pro-Soviet hardliners and younger reformers over such issues as cultural and economic policy, and these debates are likely to sharpen as leaders try to strengthen their position for the eventual transition. [redacted]

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Politburo member and Prime Minister Georgi "Gri-sha" Filipov (64) is, we believe, the dominant force among the pro-Soviet loyalists. One of the architects of Bulgaria's economic reform program, he nonetheless argues against its more far-reaching aspects. Filipov's major liability is that he has image problems. Born and raised in the USSR, he still speaks with a Russian accent and is widely perceived to be abrasive and excessively pro-Soviet. In recent months, he has

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tried to overcome this liability by identifying himself in his public speeches with Bulgarian nationalist themes and by advocating improved living standards. Judging by the frequently negative comments by Bulgarian officials to Western officials, however, he still has a long way to go. [redacted]

Balev is recognized for his ability to influence party policy and personnel decisions because he controls the people and information Zhivkov sees. [redacted]
[redacted] Balev is currently the most likely candidate to succeed Zhivkov. [redacted]

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The younger technocrats want Bulgaria to open up more to the world and to modernize. [redacted]
[redacted] they are better educated and more nationalistic in their private attitudes and, unlike the old guard, are increasing in numbers and influence within the leadership. Among them are Todor Bozhinov, a 53-year-old Politburo member and Deputy Premier, who is one of Zhivkov's top economic advisers. He helped draft the economic reform and is reportedly popular even among older party leaders. Politburo member and Party Secretary Ognyan Doynov, 48, and candidate Politburo member and Deputy Premier Andrey Lukanov, 45, are also powerful and influential members of this camp. The promotion of Chudomir Aleksandrov, 47, to the Politburo and as First Deputy Prime Minister in January 1984 further strengthened this group. All have impressed Western contacts as capable, pragmatic leaders who are likely to play influential roles well into the post-Zhivkov era. The chances that the successor will come from among this group will increase if economic reforms register demonstrable results over the next several years. [redacted]

The Soviet Factor. Moscow will play an important—though not necessarily decisive—role in influencing the succession process. Filipov is probably the Kremlin's preferred choice, but Moscow may fear that backing an unpopular candidate would provoke factionalism and resentment from the more nationalist elements in the Bulgarian leadership. [redacted]

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Between these rival factions stands Politburo member and Party Secretary Milko Balev who, at 63, may be a compromise candidate to balance the extremes in the party. His main strength is a close relationship with Zhivkov because of his years of loyal service as Zhivkov's chief of staff. Over the last year Balev has assumed a much more prominent role in the leadership, judging by his active role in foreign and domestic affairs. [redacted]

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