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MEMORANDUM:

SUBJECT : Bulgaria and the Popov Visit

General

Bulgaria is going through a period of substantial change that is altering the stereotyped image of a dreary country populated by conformist, humorless and unenthusiastic people. Earlier this summer, the US Ambassador in Sofia described Bulgaria as "bursting with vitality, artistically creative, moving ahead economically, and reaching out eagerly for what the West in general and America in particular can offer it."

Nevertheless, some important aspects of Bulgaria will remain unchanged. It is essentially a closed society under a leadership fearful of the impact of Western ideas and closely allied with the Soviet Union for sound political and economic reasons. Since 1958, for example, Bulgaria has received four to six billion dollars worth of Soviet aid in various forms--far more, in proportion to its size, than any other member of the Council for Economic Mutual Assistance (CEMA).

Partly in exchange for economic assistance, Bulgarian leaders regularly serve as spokesmen for Moscow's interests. At the behest of the Soviets, Party Chief Zhivkov has taken a leading role in calling for an International Communist Conference. At the same time, he has traveled to nearly every socialist country, pushing such Soviet-endorsed policies as bilateral economic cooperation within the overall framework of CEMA, socialist unity, and a united front against China.

There have been indications over the past year, however, that the Soviets told the Bulgarians that they cannot continue to keep up with Bulgaria's expanding economic needs. As a result, Sofia has apparently received a green light from Moscow to seek additional assistance in the West.

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--Recent efforts to woo the US are part of this push and will become even more evident when Deputy Premier Popov is in Washington next week.

The Economy

Bulgaria's economy in 1973 continued to have one of the highest growth rates in East Europe. National income rose by an estimated 8.7 percent and, despite some shortfalls in agriculture and construction, overall performance met or surpassed planned rates of growth. A chronic labor shortage continues to affect all sectors of the economy, but particularly agriculture. The Bulgarians are also having some trouble with obsolete plants and equipment, unused production capacity, uncertain management, and other problems long associated with centrally directed economies in the Communist world.

Recent worldwide shortages of petroleum and raw materials have had a relatively small effect on the economy. Trade agreements with the Soviet Union will supply Bulgaria about 70 percent of its petroleum needs through 1975. Nonetheless, increased prices and cutbacks in deliveries from Arab oil-producing nations did result in some shortages in late 1973 and early 1974. Gasoline prices, for instance, jumped 100 percent last February.

Bulgaria's economy is heavily oriented toward foreign trade, approximately 80 percent of which is with the Soviet Union and Eastern Europe (55 percent with the USSR); 15 percent is with the West (West Germany, Italy, France, Great Britain, Japan and Austria are the major trading partners); and five percent is with the less developed countries. Trade with the US constituted about 0.2 percent of Bulgaria's total foreign trade in 1973.

Popov's Areas of Interest

While in the United States, Popov will probably concentrate on three general economic topics:

--Industrial Cooperation: Popov will seek US participation in large scale industrial projects in Bulgaria in at least six areas, including metallurgy, mining, ship-building, electronics, agriculture and petroleum exploration in the Black Sea shelf. Since Bulgarian law prohibits foreign equity ownership, he will propose "joint ventures," in which the US supplies technology and equipment in exchange for a percentage of the plant's output.

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--Trade: Popov will point out that trade with the US, although doubled in 1973, remains far below its potential. Bulgarian leaders recognize that with full employment of a basically semi-skilled labor force, and an economy strained to the utmost, any further improvement of industrial and agricultural capacity can only come from better technology and increased labor productivity. Many Bulgarian officials automatically assume that US products are the best available. Bulgaria already buys American goods from third countries, but would prefer to buy from the source. Their ultimate goal, of course, is a long-term trade agreement with the US with MFN status. Popov has a realistic appreciation of the US's attitude on these matters.

--Credits: Bulgaria wants an EXIM bank contract to help finance the technology it intends to import for the next Five Year Plan. It now receives a full line of credits from West Europe, and particularly West Germany. Loans to Bulgaria are regarded as safe because the economy is reasonably sound and, perhaps more importantly, because the Soviet Union is not likely to let its favorite ally go into default.

Ivan Popov

Popov is the highest ranking Bulgarian official to come to this country since 1960. He is visiting in his capacity as Deputy Premier, but he is also a full member of the party Politburo and a close confidant of party and state chief Todor Zhivkov.

Popov, who is 67, is an electrical engineer and has held a variety of scientific and technical posts in his government since the 1950s. He is impressed by the performance of the Western economies, and is keen to introduce Western methods into Bulgarian industry so that the country can compete in world markets.

Those who have seen him in action say he is an impressively intelligent and sophisticated man. He prepares well for discussions, knows exactly what he wants to achieve, and presents his case in a well-reasoned and straightforward manner. When his points are challenged, he is cool and logical in response.

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Popov handles business matters quickly and efficiently. A serious man, he is unwilling to spend time on side issues. In preparing for this trip, for example, he was not receptive to visiting scenic areas or examining the various facets of American society. Nevertheless, he is a cordial host and, although he drinks very little himself, he makes frequent toasts during dinners and receptions.

Popov has never been to the United States, but he has traveled widely in the West and lived in France as a student. He is impeccably groomed, has fine manners and a good sense of humor. He is fluent in German, French and Hungarian. He understands some English but always uses an interpreter.

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