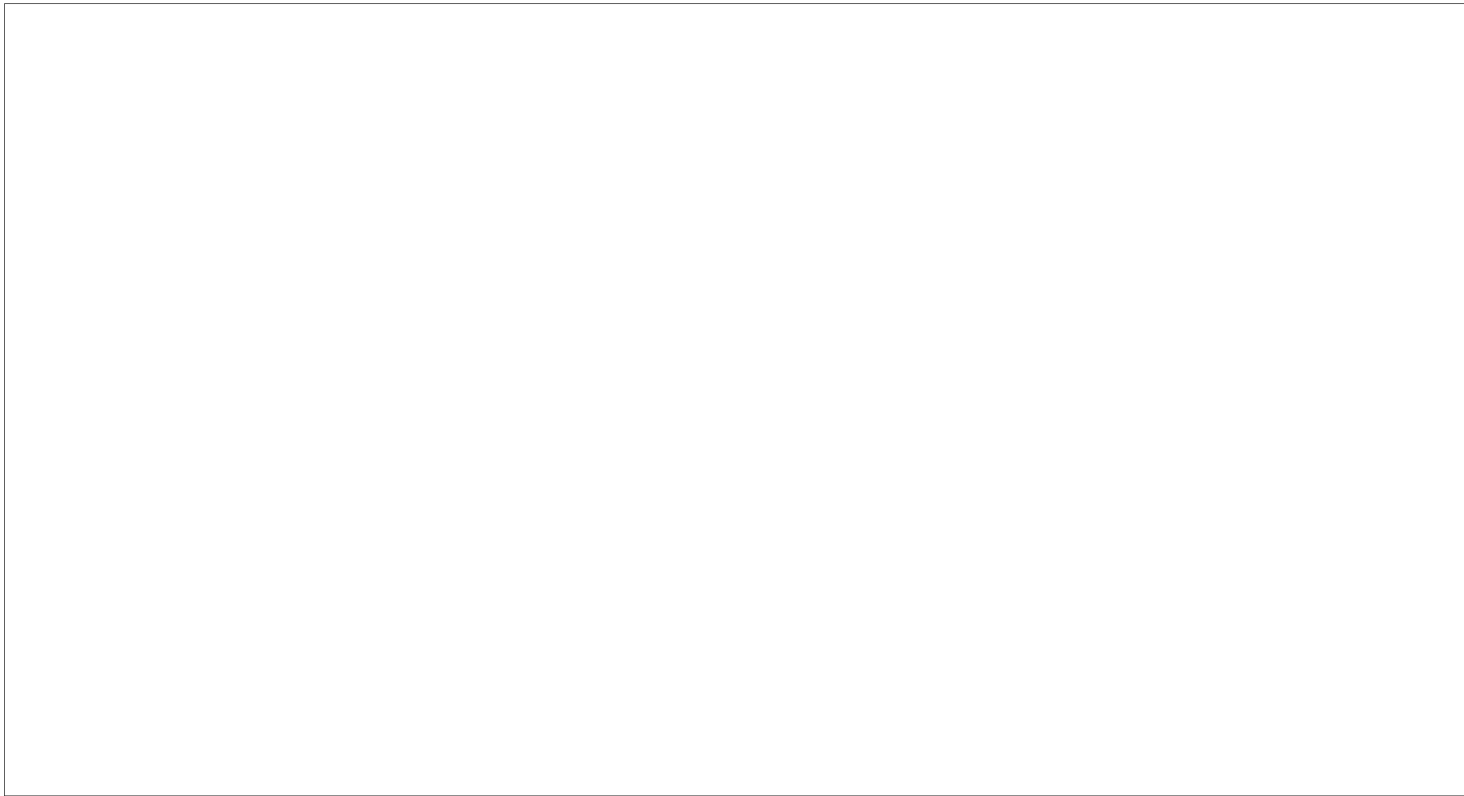




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**Bulgaria**

**Limited Economic Recovery**

Bulgaria has reported that its economy recovered sharply in 1986, meeting or exceeding most plan targets.



While we estimate 2-percent Bulgarian economic growth, following a nearly 1-percent decline in 1985, the rebound was due largely to good weather that bolstered agricultural output. Industrial growth, on the other hand, showed only slight improvement, and Bulgaria's hard currency trade deficit reached \$900 million after several years of surplus. Trade problems and shortfalls in investment are hamstringing Sofia's critical economic modernization drive. Sofia probably put the best face on 1986 statistics, hoping to stave off renewed tough Soviet criticism and gain time to experiment with its own brand of limited economic reform. The Bulgarians are also eager to impress the West with their resurgent economy and dedication to reform in an effort to attract joint ventures and enhance Bulgaria's bid for GATT membership.