



~~Secret~~

(b)(1)  
(b)(3)

28

88

*Directorate of Intelligence*  
**Intelligence Memorandum**

*Office of European Analysis*

10 May 1994

**Bulgaria: Growing Challenge to Reform** [redacted]

*Summary*

Prime Minister Berov's 17-month-old government of technocrats appears to be running out of steam.

- Berov's recent heart problem has renewed talk about early national elections. His hospitalization, however, has barely affected government policy, which is influenced mostly [redacted] by the ex-Communist Socialist Party (BSP), the largest party in parliament and Berov's most important supporter.
- Berov's government, despite its success in securing financial support from international lenders, has done little to advance the economy, combat crime, or bring Bulgaria closer to the West, according to press [redacted] reporting. [redacted]

[redacted] President Zhelev is worried that Bulgaria's democratic reform has stalled under Berov.

- Zhelev feels he must act soon, especially because the Socialist flexed their muscles by forcing two key officials to resign and demanding that others go.
- Zhelev is trying to cobble together a strong centrist coalition to minimize Socialist gains in any elections. No parties have yet signed on to his scheme, however, and he faces an uphill struggle.
- Zhelev's probable failure to stem Socialist gains suggests a further slowdown in reforms and reorientation of Sofia's foreign and security policy away from the West. [redacted]

APPROVED FOR RELEASE - CIA INFO [ ] DATE: 07-07-2011

EURM 94-20057

~~Secret~~

## Discussion

Prime Minister Berov's government of technocrats came to power in December 1992 following the collapse of the Dimitrov-led Union of Democratic Forces coalition government that October. It represented parliament's last chance to form a new government or else hold new national elections--a prospect no party favored. Dependent on an odd assortment of votes from ex-Communists, ethnic Turks, and centrists to stay afloat in parliament, Berov is faced with a hostile opposition that has tabled five unsuccessful motions of no-confidence against him. His hospitalization for heart trouble in mid-March raised political tension and has spurred talk of an early election.

- Berov's absence has hardly affected policy, however, since the ex-Communist Socialist Party runs the government from behind the scenes.
- He returned to work on 25 April amidst growing pressure from his backers for cabinet changes in return for continued support. After two key government officials resigned under pressure from the Socialists, the BSP is demanding that the Industry and Defense Ministers be replaced, according to press reports. [redacted]

Although Berov can claim success with international financial institutions, the public perceives that he has made little progress on other pressing economic and social problems.

- A public opinion poll early this year showed that only 27 percent of the populace trusts Berov's government, with 9 out of 10 respondents in Sofia believing that it is corrupt.
- Support for Berov may have reached a new low when President Zhelev, the country's most popular politician according to recent polls, announced late last month that he was withdrawing support from the government. Zhelev said the government had failed to address the country's needs. [redacted]

## Stagnant Economy, Languishing Reform, Rising Crime

Bulgaria remains mired in recession that has led to growing unemployment and falling real wages. Slow progress on privatization or restructuring has left Communist-era enterprises largely intact and deeply in debt, undermining efforts at stabilization and threatening reforms previously completed, according to [redacted]

---

This memorandum was prepared by [redacted] Office of European Analysis. Comments and queries are welcome [redacted]

[ ] press reports.

- Unemployment rose to 16.5 percent in March as indebted state enterprises responded to a 9 percent drop in sales last year by laying off workers, according to the Bulgarian National Statistical Institute.
- Banks lost \$278 million in 1993 and currently are carrying another \$1.3 billion in bad loans. Overdue debts account for more than 50 percent of outstanding loans, according to officials of the Bulgarian National Bank. [ ]

The dramatic rise in crime--both street crime and organized criminal activity--and corruption is causing many Bulgarians to question whether democracy has improved their lives. [ ] The National Police chief admitted to the press in February that he could not guarantee the public's safety. Even Zhelev chastised the government publicly for failing to control organized crime. [ ]

### **Frustration with the West**

The lack of Western financing and investment, the EU's delay in ratifying its association agreement with Bulgaria, NATO's refusal to provide explicit security guarantees in case of a wider Balkan war, and other factors are fueling Bulgaria's perceptions that the West is losing interest.

- Politicians of all stripes have blamed the lev's sharp drop on the West's failure to disburse promised balance-of-payments support, according to press.
- [ ] Sofia's half-hearted enforcement of UN sanctions against neighboring Serbia, at least in part, reflects Bulgarian leaders' frustration with the lack of Western compensation. [ ]

### **Growing Socialist Influence**

Berov is especially dependent on support from the Socialist Party--the largest in the legislature. The ex-Communists are using their expanding clout to place political allies in key government positions, slow market-oriented reform, and reduce the country's pro-Western tilt. [ ]

- Last month the Socialists forced the resignation of pro-NATO Deputy Defense Minister Noev following the heated debate over transit of the UNPROFOR convoy. [ ] The press reports that the BSP plans to nominate Dimitir Pavlov, an ex-

Communist hardliner less inclined toward the West, as Noev's replacement.

- Press [ ] reporting indicates that Trade Minister Karabashev's resignation late last month also resulted from Socialist pressure. [ ]

### **Weighing New Elections, Seeking a New Center**

President Zhelev is increasingly worried that Bulgaria's nascent political system and economy are adrift and fears that his influence over the government is waning [ ]. A leading dissident-turned-President who helped bring Bulgaria out of its Communist past, [ ]

- [ ] Zhelev is especially anxious to avoid a Socialist-led government emerging from the next legislative election, which must be held by October 1995. [ ]

Zhelev probably hopes he can use his office to time the elections to minimize BSP gains. He has said publicly that the country should go to the polls within six months, or no later than autumn. However, he would have to convince either the Socialists, or more likely, both the ethnic Turkish party (MRF) and the centrist National Union for Democracy (NUD) to vote against the government to precipitate new elections.

- Zhelev [ ] plans to convince the parties to agree to a fall election and a provisional government to bring the country to the polls.
- In a probable attempt to preempt Zhelev, the Socialists declared that they would give Berov 45 days to resolve the country's fiscal crisis and threatened to withdraw their support and precipitate new elections if he failed. [ ]

Zhelev's ultimate goal appears to be to cobble together a broad centrist coalition strong enough to push reforms through parliament. [ ]

- In recent weeks, he has met with leaders of the country's centrist parties, moderate factions of the ex-Communists and rightist opposition, and extraparliamentary parties to discuss a new coalition, according to press reports. [ ]

### Potential Building Blocks

The Union of Democratic Forces (UDF). Zhelev realizes, [redacted] that he cannot construct an anti-BSP/center coalition without the former center-right UDF, and he has begun talking to some of its more pragmatic leaders, according to the press. As long as former prime minister Filip Dimitrov is UDF chairman, however, he and his far right, hardline allies seem almost certain to block any kind of arrangement with moderate center groups.

- Zhelev recently failed to convince UDF moderate Stefan Savov-- leader of one of the UDF's larger groups--to abandon the party for this new grouping, according to the press. However, Zhelev may have approached Savov again in early April and offered him the premiership, according to the press, but information about their talks remains sketchy. [redacted]

Movement for Rights and Freedom (MRF). Zhelev and the mainly ethnic Turkish party chairman, Ahmed Dogan, discussed a centrist coalition during talks last January, according to the press, [redacted]

New Union for Democracy (NUD). NUD chairman and former UDF member Dimitur Ludzhev offered to throw his center-right party's support behind a bid by Zhelev to strengthen the Presidency during talks in late January, [redacted] However, the Bulgarian press reported in April that NUD representatives declined to sign on to a November election and rejected a coalition with the current crop of parliamentary parties. [redacted]

The press reports that Zhelev has also courted various extraparliamentary parties.

Civic Alliance for the Republic (GOR). Zhelev has also appealed to ex-BSP member Aleksandur Tomov's GOR, according to the press, but we have seen little else about these discussions. Although Tomov has announced publicly several times that the defection of a large block of moderates from the BSP is imminent, he is the only moderate leader, to date, to have bolted party ranks. [redacted]

### BZNS-Moser Agrarians, [redacted]

[redacted] Bulgarian political pundits have speculated that the BZNS may join a centrist coalition. Moser has told US officials that her party supports land reforms and has blamed the Socialists for the slow pace of land-related legislation. [redacted]

Most of the extraparliamentary parties probably believe that their chances of crossing the 4 percent electoral threshold on their own are slim, and several, according to the press, are engaged in coalition talks. For example, late last month the Bulgarian Social Democratic Party agreed to cooperate with Tomov's GOR.

### If Zhelev Fails...

Zhelev probably sees the general drift of the country, especially the growing influence of the ex-Communists, as approaching a critical point and believes that he must act soon. However, he faces an uphill battle in building a centrist coalition strong enough to minimize Socialist gains in new elections.

- Barring an unlikely split among the Socialists, they are almost certain to be the big electoral winner. [redacted] the BSP will win 40 percent of the votes primarily because of its well-organized electoral machine. [redacted] the UDF, plagued by internal divisions and obsessed with anti-Communism, has narrowed its base and is likely to garner only 20 percent.
- The former-ruling UDF continues to distance itself from mainstream voters with its hardline leadership and political intransigence, and without the UDF, any centrist coalition is unlikely to garner enough votes to challenge the Socialists. [redacted]

A Socialist-led government--whether more heavily influenced or outright controlled by the Socialists--would continue to act as a drag on Western-style reforms, especially in the economic sector. It would also shift Sofia's foreign policy focus away from the West and toward Russia and Serbia.

- Socialists leaders have said publicly that they prefer collective ownership of land over individual private property, extensive state ownership of industries, and an activist industrial policy built around tax breaks, subsidies, and protectionism.
- BSP foreign policy welcomes Russia's reassertion of its great-power status in the region and shows a preference for: more conservative Russian elements in Moscow; anti-Turkey, pro-Serbia/pro-Greece policies; an "all-European" security system; and preference for "old friends" in the near East such as Syria, Iran, and Libya, [redacted]