

# Why Bulgaria is still out of Schengen, Eurozone



**Vladimir Shopov, Adviser to the Minister of Foreign Affairs of the Republic of Bulgaria, clears the air on why the delay in Bulgaria being still kept out of Schengen and Eurozone while it is a member of EU and NATO.**

### “Joining EU, NATO was a natural choice for Bulgaria”

**A**fter the break-up of the Soviet Union, while the erstwhile States of the Union declared independence calling themselves Confederation of Independent States (CIS), those countries which were in the eastern bloc with proximity to Moscow broke off to join the European Union and the 'protective shield' of NATO. While some were able to become members of the EU, Eurozone and Schengen Agreement, there were others which still remain on the threshold. For various reasons they still wait to be taken in. Bulgaria is one of them. THE BLUE MOON Editor Amit Mittal got a chance to speak to Mr. Vladimir Shopov, Adviser to the Minister of Foreign Affairs of the Republic of Bulgaria, to find out the reasons for the delay. Some excerpts of the talk :

Q. Do you think that Mikhail Gorbachev's Perestroika and Glasnost that led to the break-up of the eastern bloc under the Soviet Union has turned out to be a boon or bane for the erstwhile members of the bloc, Bulgaria being one of them?

A. I think in a way the transition to democracy and market economy was inevitable from the point of view of the economic and political sustainability of the system and the lack of legitimacy. It was not easy to run the inefficient economic system for a long period of time. Even though there were a lot of people who were pointing out to the lack of sustainability of the system, there were very few who could actually predict the timing of the collapse of the system.

From one perspective, It was an inevitable development, but when it came, it did catch a lot of people by surprise, mostly in terms of how you actually manage the transition, how you make it successful? How you go about transforming a system? How you transform that to a liberal society. It had a concentration of state-owned property and the challenge was to transform it into a liberal society.

In systemic terms, transition, I think has been a successful project, because the people and countries in central and Eastern Europe did eventually attain

how to run private economy. So I don't think this was acute difficulty in transition.

Q. What is the difference in the Chinese Communism that has survived till date after the fall of Russian communism? In fact, the Chinese is a strong economy.

A. I never want to get into structural analysis. I think the major difference comes from the legitimacy of the system rather than its output. In Central and Eastern Europe, as I already mentioned, the Communist system was basically seen as an aberration rather than a natural mechanism

to social and economic development.



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Clearly, China has had decades of examining their strategies and there is

if anything strengthens the case for earlier accession to the Eurozone then delaying it, because partially we already have a currency board which pegs the Bulgarian currency to the euro. So acceding to the Eurozone does not really entail dramatic changes in currency policy. Additionally we see joining the Eurozone as meaning greater security for investments for the economy; it means lesser currency risk. I think it is going to have a positive impact on foreign direct investments. It is clearly something that Bulgarian people are supporting increasingly.

Q. Is it the case that Bulgaria has not been able to meet the guidelines?

By next autumn we should finish an assets evaluation review of the Bulgarian banks which is a precondition for signing a cooperation agreement under the banking union arrangement, so in a way this is a logical step before you move on to the final stages of joining the Eurozone.

I am quite optimistic that within the scope of this government we are going to be, if not a member of the Eurozone, but well on our way to joining the Eurozone, precisely because the perception is changing, the cost benefit analysis is changing, I think you cannot actually see a lot that is happening in some of the other central and Eastern



this. There were no major issues and challenges while this transition was happening. But many people in their country had to change their positions, many lost their jobs. There was a price to be paid by the generation. To most people in Eastern Europe the communist system was an aberration. It was imposed on them -- a system which was quite alien to the vast majority of people in those countries. When transition happened, it was the case of going back to what was the norm, recreating market economy of course did mean economic dislocation in the short term, creating a new structure, but it was the vast majority of people in central and Eastern Europe who supported it. It was what we always wanted, but there are always things that are overlooked, processes and dangers in transition.

The discontent that you really find is among those people who did suffer while this transition was happening. People lost jobs in manufacturing and industry, people who had difficulty in integrating in the global economy because they did not have the right education, the right skills. But I think unfortunately and inevitably when such dramatic transformations are happening you are going to have individuals who will suffer. This is the job of the State to assist these people in adjusting to the new system.

In many societies there was an understanding of how this system operates. You still have within the society people whose parents and grandparents were industrialists whose property was nationalized. When Communism fell, these families were able to revive their businesses. There was a great deal of entrepreneurial energy that flourished later. Within the society, if not in the State, there was enough experience of

economic growth, gradually opening up to global markets, companies becoming strong players, its citizens becoming more keen on consumption, etc. Whether one might describe that system as 'communist' is a different matter.

Q. Bulgaria is a member of EU (Jan 2007), NATO, Organisation of Security & Cooperation in Europe (OSCE) and Council of Europe, but still out of Eurozone and Schengen treaty. What is the gain? Why has Bulgaria been kept out of the two important groupings?

A. It has been the policy of a number of governments to meet the criteria for joining Eurozone and Schengen. From the legal perspective there is no question now in the accession of the treaty which stipulates that Bulgaria is to accede into the Eurozone and Schengen. What is specific is that there is no specific time framework for joining. This is left open partially because it is not possible to pre-determine at what point of time a country will be ready. Partially we are beginning to see that there are additional criteria to be met as a response to different crisis within the EU or around it. So we are expecting the entry of Bulgaria in the next year, again partially, most probably first by air and then by land.

#### **Eurozone is complex**

As far as being a part of Eurozone is concerned, the issue is a bit more complex, in case of joining Schengen it is quite clear cut, there is no debate there. Joining the Eurozone is a slightly different matter. I think prior to the global economic crisis most countries in Eastern and central Europe were acting on the presumption that they would be joining the Eurozone sooner rather than later. Then after the global crisis again with the crisis in the

no unified time table under which the countries that have not joined the Eurozone are functioning at the present time.

Our interpretation is that the global crisis, from the Bulgarian perspective,

European countries.

Q. You have the example of Greece facing economic turbulence in spite of being part of Eurozone?

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## The Blue Moon

# “Bulgaria has one of the lowest levels of debt to GDP ratio”

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Why are you positive that the EU and other conglomerations will be successful in years to come?

A. I guess that really depends on how one interprets. I think in our evaluation the crisis in Greece is not so much a consequence of the malfunctioning of the Eurozone itself or on the governance system of the Eurozone, but rather result of national policy decisions that were made in Greece. So from our perspective, as long as we have the right economic policies, this should not be an issue.

During the period of transition Bulgaria had a period of quite stark inflation in 96 and 97 so as a result of that the level of society and also the level of political elites, Bulgaria has been running a pretty tight monetary policy. We tried hard not to get into debt. Bulgaria has one of the lowest levels of debt to GDP ratio, precisely, because we don't want to see a repetition of the kind of financial instability that we had in the mid-90s. So having a tight monetary and fiscal policy is to a large extent part of the political consensus in Bulgaria. Also one has to remember that the governance system of the Eurozone has changed quite dramatically as a result of the crisis and the Eurozone is now in better shape in terms of identifying earlier and managing different imbalances within its member-States.

It is, of course, not a perfect system. It is impossible to devise a perfect system. But we believe that the governance of Eurozone is much better now and you can see the positive results if we look at the cases of Spain and Portugal that have been able to successfully

permanent presence. They are not the kind of bases that really existed in Germany prior to 89. It is just in terms of training with other NATO members.

Q. While Bulgaria has joined the EU club with high hopes, it continues to use, if at all, the military hardware from the erstwhile Soviet inventory like MiG-29s; why not western hardware?

A. The present government is looking quite actively into this and making financial plans for modernization. I think we have been slightly careless in dealing with the issue of military equipment. But I am sure that this government is going to deal with this issue as a matter of urgency. I am not in a position to pre-judge what the final decision is going to be. We are looking at some options, this is an expensive proposition. We have to make these decisions in a way that we can pace them over a number of years so that we are not excessively burdening our budget.

Q. Bulgaria was subservient to Russia and now it has become subservient to Western powers.

A. I know that there is this perception outside of Europe, but from our perspective we feel fully confident in our capacity and ability to protect what we consider our national interest within the collective system of security. From a political, economic, social and cultural point of view Bulgaria is part of the West, a natural place for the country to be and certainly not in a position where we are dictated how to

magnitude of the problem has led to. I think it is probably a legitimate concern. We need to create the right conditions for the people who come and stay in the societies of the EU. We have to have right integration policies, to provide jobs and opportunities to the people who are coming in. Of course some of these people would hopefully be going back to their countries.

This is a difficult question. I don't think anyone in EU at this point of time will be completely honest on this if they said they have the right answer. But we are slowly beginning to find the right combination of policies. A number of member-States have re-committed to be much more active in Libya, in Syria in finding political solutions to the impasse also last couple of weeks we have re-engaged with the countries which are forced into these conflicts not just in terms of financial assistance but also in terms of creating safe areas for the people rather than letting them move around.

At this stage I can say that there is renewed commitment by everyone that can have positive influence on resolving the crisis in Syria. This is good news that US and Russia are looking at various solutions, we do not know how far this would go. The EU is much engaged, the countries within the EU might have been convinced that there is no other option. We are putting aside more money, we are looking at new options so in the current stage it will be presumptuous looking too far ahead how we will resolve the situation within weeks or months. But at least we are making new political commitments and see how far they take us. Within the

the visit of our Foreign Minister, possibly either this year or next year precisely because we want to re-invigorate the relationship.

In my country the perception of India is also changing in the new generations. Probably there was a shift of focus during transition period in our efforts to integrate in EU and NATO. With India now emerging as a digital economy, it is providing new impetus in bilateral relations. Our job is to translate these perceptions into real cooperation at all levels.

In the last couple of years we have seen quite a remarkable increase in Indian investment in Bulgaria. We have three important companies from India in Bulgaria. In Bulgaria, there is interest in establishing partnerships with Indian universities.

Q. How do you see Prime Minister Modi's 'Make in India' campaign?

A. When governments come up with new policies you must always give them sufficient time to be implemented. Our understanding of these policies is that they are part of the opening up of the country.

Q. Opening up Started in Rajiv Gandhi's time? What is new now?

A. Mostly we see Indian economy is from Indian investment in Europe rather than Bulgarian investment in India. I can't really say that we have sufficient evidence that would lead us to conclude at this stage to form an opinion to judge how new policies have improved the situation in India. But from our perspective we welcome any



implement their support.

### Air bases to US

Q. Do you call this strategic benefit that becoming a member of NATO made you give away Bezner and Graf Ignatievo air bases to the US in April 2006? Was this some kind of a bargain deal?

What good is this system than the previous Eastern Bloc? What is the strategic gain?

A. It was a natural choice (coming to western bloc) as most Bulgarians supported it. Bulgarians see themselves as part of European civilization and its institutions, so to a large extent removing the old system naturally led the country to re-integrate in the European mainstream and of course in terms of political institutions, as you rightly mentioned, this meant joining the EU and from security perspective joining NATO.

Prior to 1944 when the Communist system came in, the first part of the couple of decades of the 20<sup>th</sup> century, predominantly Bulgarian industry, trade all of that was Europe oriented. Bulgaria before communism was a Europe oriented society. So at the end of 89 it was a logical thing to do. As far as NATO is concerned it has to be a collective endeavour, has to be based on pooling of sovereignty because you have a NATO shield; it's protective, it's defensive. You can't remain in a security vacuum once you have left a certain system. NATO and EU are, from our perspective, two logical and natural choices.

As about the air bases, they are not strictly speaking US bases. They are established and they function under bilateral agreement. In terms of jurisdiction there is no extra territoriality. The scope is in terms of bilateral agreement. They do not have

act.

### 'Unhappy' EU members

Q. Key powers in EU are expanding membership but they are not happy with the addition at the same time, from 14 to 28 and more....?

A. I would say that history points us in opposite direction, if you see the key members in the European Parliament you will see overwhelming support from them, some people may be of the view that enlargement has made the EU less efficient. If you look at research on that you will find very, very few decisions that have been impacted as a result of any kind of attempt to slowdown the decision-making process on the part of the member-States. Some people in some older States may see the new ones as burden, I think politically this period of adjustments between the old member-States and the new member-States is probably taking some time, but is now over. But if you look at the history of EU, there were times for instance when Spain joined the EU. You could find certain people in certain countries, who were making precisely that point, a decade later that proved to be completely wrong and this is precisely what is happening now with the new member-States. Obviously there have been some waves of migration that has led some people to be concerned that that might be a drain on their social welfare system. But again if you look at the actual evidence, immigrants have been making much larger contribution than they are drawing on the social welfare system.

### Refugees in Europe

Q. How does Bulgaria view the influx of refugees following the crises in West Asian region - Syria, Lebanon, Iraq to Afghanistan? Who is to blame for the violent muddle?

A. There is some concern, the

EU some pretty remarkable things are happening, maybe they are not so much on the radar, but there is now consensus on issues like changing border policies of the Union. From EU perspective these are important.

Q. Why do they overlook the root cause? Why do they create refugees? EU has not done anything at the root.

A. Well in case of Syria there was an attempt right at the start of the crisis. At that time clearly there was no wider support beyond Europe. It will not be a fair assessment to lay all the blame on EU.

From my perspective the good news is that we now have everyone looking for solutions. But I have to say that unless other actors looking beyond Europe unless they show greater responsibility and commitment to actually resolving this crisis it would be unrealistic to expect that Europe can do that by itself.

Q. What is the policy of present Bulgarian government towards India? India may call it 'warm and friendly' as also 'long standing', but there seems to be a diversion after 1991 break-up of USSR. The last important visit from India to Bulgaria was that of President Dr. APJ Abdul Kalam in 2003?

A. It is much of our intention to re-energize bilateral relations. In our perception, historically it has really been one of the best relations that we had in this part of the world. We probably need to focus a bit to find new areas of cooperation which have been emerging and try and be more proactive in developing those areas of cooperation like investment, trade and people-to-people contacts.

From the point of view of high level visits, we are already in discussions for

policy that provides for bilateral economic relationship. The final evaluation of that policy is to come from within Indian society and Indian business. From our perspective we welcome it and will do our best to cooperate.

Q. Do you see the Indian government leaning more towards the US; buying arms etc from them? Is it a sway away from the old trusted friend Russia?

A. It is not for me to comment on the foreign policies, but the way that I see through the lens of globalization it makes sense for governments, just as we diversified our economies, I presume, for many governments it makes sense to diversify against being dependent on one country, one region or on one partner so this is also a consideration when governments make decisions such as the one you have mentioned.

## Beauties...

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Madan Mohan himself has over 200 vintage cars which are under repairs in his garage for restoring their beauty. He was attracted by the Dodge 1929 model of Maharaja of Khetri in Rajasthan when he was merely an 11-year-old boy who used to watch the Maharaja drive past in his royal entourage. Years later he bought his first vintage car - the same Dodge which belonged to the Maharaja of Khetri.

The dream was not fulfilled, it was just the beginning. Over the years he travelled far and wide to learn more about vintage cars, their upkeep and their proud owners. Buying old models and restoring was no child's play. It took away most of his time to trace worn out parts or the broken ones from the original manufacturers.