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EES NEWS

MARCH-APRIL 2008

Understanding State Weakness in Postcommunism

Venelin Ganev

*Venelin Ganev is Professor of Political Science at Miami University. He spoke about his new book *Preying on the State: The Transformation of Bulgaria after 1989* at an EES meeting on January 31, 2008. The following is a summary of his presentation. **Meeting Report 345.***

Among the many unanticipated developments in the former Soviet world, the decay of infrastructures of governance was one of the most visible. By the late 1990s, the assertion that the capacity and organizational integrity of postcommunist states had declined considerably did not engender serious dissent. That the state was weaker than before, that it was weaker than it should have been, were among the very few empirical and normative propositions around which a genuine consensus coalesced.

At the same time, however, this universally recognized trend never became the focal point of careful empirical research, serious analytical inquiry and sustained theoretical reflection. The reason for this neglect is easy to explain. The hegemonic trope in the discourse on postcommunism throughout the 1990s was "neo-liberal reforms," and the analytical texture of this trope almost effortlessly yields a straightforward account of the postcommunist states' malaise. At the core of this account lies the claim that the problems afflicting East European societies were caused by the neo-liberal reforms pursued by newly empowered political elites. Once catapulted in power, those elites began to design and implement austerity measures inspired by the so-called "Washington consensus" and permeated by a strong anti-statist, pro-free-market animus. It was the ideologically-driven reformers that proceeded to dismantle the state in order to open room for markets. They were aided and abetted by various representatives of international financial institutions that made the flow of much needed financial assistance contingent upon strict conformity with the devoutly laissez-faire orthodoxy. In sum, the state was weakened because this is what local neo-liberal zealots and their international capitalist mentors wanted.

Preying on the State: The Transformation of Bulgaria After 1989 is a book that challenges this account and offers a new interpretation of the fluctuation of stateness in early postcommunism. It situates the phenomenon of state weakness in a broader analytical framework grounded in the historical sociology of state formation. It identifies the institutional and social processes that crucially and negatively affected the organizational basis of effective governance. And it demonstrates how the causes and manifestations of state weakness can be explained in terms of the structural factors and modes of elite agency that constitute the historical specificity of postcommunism as an episode of state transformation: the institutional legacy of state socialism; the incentives facing powerful elites; the dynamic unleashed when fundamental social relations underpinning the collecting, managing, husbanding and distribution of resources were convulsively altered. The empirical evidence presented in the book is culled from a hypotheses-generating study of a rarely examined, but fairly intriguing case: Bulgaria. This is an important country for those who study postcommunist politics in general and for those interested in state weakness in particular. To begin with, singling out Bulgaria for special consideration seems a worthwhile endeavor in view of the fact that no former Soviet satellite in Eastern Europe has posed so many problems for those willing to systematize and explain the outcomes of postcommunist transformations. Suffice it to say that while for some scholars, such as Carol Skalnik Leff and Gerardo Munck, Bulgaria exemplified the failures of democratic reforms in the region, other analysts, such as M. Steven Fish, depicted it as a "backslider" that attained a level of democratic-ness in the early 1990s only to lose some of it later on. Still others, such as Juan Linz and Alfred Stepan, unequivocally praised

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it as a democratic over-achiever. *Preying on the State* sets the record straight and shows that by the mid-1990s Bulgaria did indeed acquire all important attributes of a consolidated democracy and hence the setbacks experienced by Bulgarian society cannot be attributed to the failure of democratic reforms.

Furthermore, the Bulgarian case contradicts the conventional narrative about state dysfunctionality in postcommunism—a narrative that assigns to neo-liberal reformers causal centrality. Simply put, during most of the 1990s, the role of pro-market politicians and neo-liberal ideas were minimal in Bulgaria. During the first eight years of Bulgaria’s “transition,” an unreconstructed

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communist party retained its hegemonic position in the political domain and proudly championed policies intended to preserve, rather than radically alter, the economic structures of the ancient regime. Relations with international financial institutions were either cut off (e.g., in the aftermath of the last communist government’s decision to declare a moratorium on the payment of the foreign debt in 1990) or kept in a state of suspended animation. The intellectual milieu remained thoroughly dominated by a left-leaning intelligentsia that bravely exposed the cruelty of markets and tearfully reminisced about “the good old days under Zhivkov.” Whatever the ‘vices’ of Bulgarian policy-makers and media pundits, allegiance to the magic of the market, free capitalist enterprise and economic liberty were not among them. In sum, until 1997 local neo-liberals and the IMF were a non-factor in the country. And yet, during that period the symptoms of dysfunctional governance were most conspicuous. The evidence thus strongly suggests that explanations of state weakness should be detached from the ideological critique of neo-liberalism.

Preying on the State offers such an explanation. The main analytical insight behind it may be summarized in the following way: in order to understand the decay of postcommunist state structures, we have to employ a state-centered view of the fluctuation of stateness in postcommunism. This proposition is not tautological. It builds upon the commonsensical premise that massive short-term fluctuations of stateness are not brought about by ideological “inputs”—such as the reformist visions or policy preferences of temporarily empowered elected winners—or by the realignment of broader social

constituencies. Behind such logistical ebbs and flows lies a dynamic autonomously generated within the state itself. Nor does the proposition imply that the state is a unitary actor. In fact, the opposite is true. The state-centered view encourages the intellectually curious to dissect the non-unitariness and the multi-faceted nature of postcommunist states. It is precisely under the analytical gaze of analysts willing to conjure up basic questions about modern state structures in the context of postcommunist studies that the apparently unitary character of postcommunist state is analytically decomposed.

What the state-centered view *does* entail is a particular conceptualization of the legacies of state socialism and a novel understanding of the transformative processes that affected the infrastructure of governance in the aftermath of 1989. From an institutional point of view, the legacies of the *ancient regime* should be construed as an array of sensitive positions in proximity to flows of resources, strategic sites where various assets are stashed, elite networks privy to scarce knowledge about what is to be found where in the numerous niches of the public sphere, and cadre loyalties that permeated the *l’esprit de corps* of the civil service. The weakening of the state is the aggregate result of the dynamic yet patterned way in which sensitive positions were reconfigured, strategic sites were reconstituted, elite networks were reassembled and cadre loyalties were redefined.

The heuristic potential of the state-centered approach to state dysfunctionality is demonstrated through a detailed examination of three developments that have been duly noted but somewhat superficially discussed in the literature: the separation of party and state, the conversion of political power into economic influence, and the rise of postcommunist “winners”—the powerful private conglomerate that quickly accumulated all kinds of valuable assets. The book accentuates the *statist* implications of such processes and the ways in which they affect bureaucratic structures, administrative apparatuses and the organizational foundation of governance. Thus, from a state-centered perspective, the separation of party and state might be construed as an intense conflict over the redistribution of various resources stockpiled in what was until then a unified power base. Having relinquished their political monopoly, party cadres in Eastern Europe launched a systematic effort to reconsolidate their power in non-state domains. Given the intertwining of state and party structures, however, the attempt of state-entrenched actors to create power positions outside the state had as its downside the atrophy of the very patterns of institutionalized interactions that formed the infrastructural fundament of statehood. The logic guiding the reproduction of logistically well endowed party networks was incompatible with the logic of maintaining

the robustness of state structures. The clash between these logics explains why the withdrawal of the communist party from the state decreased levels of governability in the democratizing polity.

The conversion of political influence into economic clout triggered a similar dynamic. Such conversions have been widely discussed in the literature and the popular press, but the emphasis has invariably fallen on their *generic* aspect—on the timeless plot about how the powerful became rich. What has been overlooked is the *sui generis* intertwining of economic change and state restructuring in postcommunism. It cannot be refuted that, in the immediate aftermath of 1989, the most important form of entrepreneurship was the large-scale effort by state officials to re-deploy and appropriate resources hoarded into the immense public sphere previously guarded by the party/state. It is also important to grasp, however, that such modes of agency revamped the public domain. To put it in a formulaic fashion, from a state-centered perspective, resources converted by self-interested entrepreneurs were resources siphoned off state structures. Under the structural conditions of postcommunism, the surfeit of opportunities for conversion rendered much more difficult the task of sustaining the logistical wherewithal necessary for effective democratic rule. Conversions of power directly affected the capacity of the state to regulate economic transactions and thus added a momentum to the tendency towards organizational anomie.

Preying on the State also demonstrates how postcommunist “success” is inextricably linked to the transformation of state structures. This insight is conveyed by means of a novel concept, “The Dorian Gray Effect,” that refers to the way in which newly acquired control over economic and logistical resources impinges upon the effectiveness and coherence of the machinery of government. While “winning” in early postcommunism undeniably involves redistribution of national wealth, this contextually-specific form of redistribution differs from redistributive conflicts in societies where powerful actors use state agencies in order to appropriate assets held by other social groups. What the evidence from Bulgaria shows is that the relations established between postcommunist winners and their changing counterparts within the state are prone to disruptive reversals, and the shocks attendant to such reversals drain state apparatuses of their capacity to design and implement policies. What the Dorian Gray effect reveals, therefore, is that from the vantage point of the historical sociology of state formation, the distinct behavioral characteristic of successful predatory elites in early postcommunism is that they have an incentive to act as state-breakers, not state-makers.

The case study of Bulgaria thus sheds analytical light on the readily observable syndromes of state weakness in postcommunism: the lack of information

about what was to be found where in the public domain, reduced levels of transparency within administrative apparatuses, the acute organizational incoherence, and lack of administrative tools that would make possible salutary state interventions in largely spontaneous processes of social and economic change. But the book also proposes that it is precisely the syndromes of state weakness that constitute the most important feature of the *context* in which constitution-making and institution-building unfold. In other words, the fragmentation of the infrastructure of governance shapes the results of ambitious efforts to use constitutions and laws in order to design new political institutions. In that regard, *Preying on the State* advances two specific claims. First, it depicts the outcome of the Bulgarian constitutional experiments of the 1990s as *weak state constitutionalism*, an institutional configuration characterized by a relatively high degree of functionality of newly created constitutional structures and a much lower degree of functionality of pre-existing, non-constitutional tools of governance. The complexity of these and other hard-to-classify outcomes may be adequately conceptualized only if detailed surveys of constitutional norms and practices are superimposed on state-centered accounts of the spontaneous organizational overhaul of the public arena. The second claim is that given the matrix of predatory opportunities in postcommunist Eastern Europe, “exotic” institutional transplants, such as a Constitutional Court, stand a better chance of survival than more traditional institutions such as an independent Central Bank. Why and how political elites who possess

What are the analytical ramifications of the fact that the transformation of state structures in postcommunism takes place simultaneously with the disintegration of a state-owned economy?

the power to derail constitutional experiments choose to do so is a context-specific issue, and the evidence from the Bulgarian case may help us understand why predatory networks may tolerate the presence of an autonomous Court while attacking and destroying the Bank.

The interlinked analyses of separation of party and state, conversions of power and winning offered in *Preying on the State* suggest that inquiries into the causes of state weakness in postcommunism converge on the following question: What are the analytical ramifications of the fact that the transformation of state structures in postcommunism takes place simultaneously with the disintegration of a state-owned economy? Conceived as the most important aspect of the structural legacy of state socialism, the state-owned economy is important to the study of state transformation in three distinct ways. First, this structural legacy makes inevitable the

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rise of a qualitatively new dominant elite project most aptly described as “extraction from the state.” Powerful elites involved in this project prey upon the wealth accumulated in the state domain. Second, since these elites are fully capable of manipulating flows of resources within the existing institutional edifice of the state, they have no incentive to develop strong state structures, i.e., structures that penetrate society and regularize the extraction of resources from the population. Quite to the contrary, undermining key institutions from inside is necessary for the success of their project. Finally, this

In postcommunism, elites weaken existing state agencies in order to extract resources from the state; they do not have to reckon with societal counterparts and to fear the enforcement of rules and conventions imposing nominal constraints on their projects. The result is decomposition of state structures.

form of predatory behavior does not pit elites against large groups of title-holders, which in turn means that (at least in the short to the medium run) the dominant elite project is not likely to encounter popular resistance and therefore to reckon with formal and informal constraints. These three empirically grounded analytical propositions comprise an analytical matrix which, in honor of the foremost authority on state formation in Western Europe, is labeled “the reversed Tillyan perspective.” In Charles Tilly’s account, elites create a web of institutions in order to channel resources in the treasury and are forced to negotiate the terms of their predatory projects with mobilized social groups. The outcome is robust state structures. In postcommunism, elites weaken existing state agencies in order to extract resources from the state; they do not have to reckon with societal counterparts and to fear the enforcement of rules and conventions imposing nominal constraints on their projects. The result is decomposition of state structures.

The main intellectual message of *Preying on the State* is that scholarly debates about postcommunist stateness—and much else!—should move beyond the passionate but ultimately stale discourse on the virtues and vices of neo-liberal capitalism. The turn to historical sociology is one possible analytical strategy in that regard. Hopefully, future participants in the on-going conversation on the postcommunist political condition will offer even better alternatives. ■

JUNIOR SCHOLARS’ TRAINING SEMINAR 2008

CALL FOR APPLICATIONS

DEADLINE: APRIL 14, 2008

East European Studies and the Committee on Eastern European Studies of the ACLS are soliciting applications for the 21st annual training seminar for junior scholars in East European studies, to be held August 8-11, 2008.

JSTS, funded by Title VIII, combines formal and informal meetings to promote a variety of intellectual exchanges. Activities include: individual presentations; constructive feedback and question and answer sessions; one-on-one meetings for Junior Scholars with Senior Scholars; advice regarding publishing; and discussions about the state of the profession and obtaining employment in the field.

Only American citizens or permanent residents may apply. Graduate students enrolled in a doctoral or masters program and recent graduates working on Southeast Europe in any field of study are eligible. Projects on other countries that have crossover application to the Western Balkan region will also be considered.

Application guidelines and forms are available on the EES website:

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Macedonia and its Hurdles on the Road to the European Union

Naum Panovski

Naum Panovski is Associate Professor and Director of the Graduate Program in Performance and Society, Rhode Island College. He spoke at an EES Noon Discussion on January 17, 2008. The following is a summary of his presentation. Meeting Report 344.

The integration of Macedonia into the European Union and NATO becomes a more complex issue every day. The reasons behind this complexity can be found both within Macedonia and outside its borders. However, at this moment the chief issue seems to be the fact that EU member states—vigilantly protecting their own interests first—tend to disagree on many issues related to Macedonia's readiness to accede to the EU. This has significantly slowed down the process of reaching an agreement on Macedonia's swift integration into the European Union.

Over the last year, Macedonia received an answer to the question of whether it should be given a date to start negotiations on EU membership. The EU progress report on Macedonia is clear: the answer was no. Among the many problems outlined in the report, the EU noted that the normal functioning of the parliament has been disrupted by a dispute between the government and the main ethnic Albanian opposition party, the Democratic Union for Integration (DUI). As a result, establishing an inclusive dialogue within the parliament remains very difficult and progress on several major items of legislation has been held up, notably on judicial reform. On 25 September, 2007, there was a confrontation in the Macedonian parliament between the ethnic Albanian parties, which escalated into physical violence. Clashes between MPs from different parties broke out during the debate on the amendments to the Electoral Code. Other people were also injured, including journalists. Cooperation between the government and the President, who belongs to an opposition party, has been difficult. And the large-scale dismissals of officials following the change of government in 2006 not only illustrated the high degree of politicization of appointments at all levels in the public administration but disrupted the government's functioning well into 2007.

However, what is not covered by this diplomatically written bureaucratic report is a long list of ideological, political, ethical, moral, economic, cultural and ethnic issues that have dominated the country's politics from the moment Macedonia became a sovereign state in 1991. At that time, Macedonia entered the process of political and economic transition to democracy and free market economy, having no historical democratic tradition, no democratic culture and no experience with free market economy. Under these unfavorable circumstances three major ideologically, ethnically and culturally antagonistic political forces—led by a very young and inexperienced political elite—appeared on

the political scene and began their fight for dominance. These three opposing forces were represented by the new-old communists of the Social Democratic Union of Macedonia (SDUM); the Macedonian nationalist Internal Macedonian Revolutionary Organization–Democratic Party for Macedonian National Unity (IMRO-DPMNU); and the Albanian community, which rallied around the Albanian national cause and tightly controlled by their parties, Democratic Party of Albanians (DPA), Democratic Union for Integration (DUI), and Party for Democratic Prosperity (PDP).

Internal Hurdles

The list of mischief that these narrow-minded parties produced is very long, and the damage they have caused has become an enormous obstacle on Macedonia's road to the EU and NATO. These three political forces have never found common ground on anything. They behave as irresponsible and instable bus drivers (as seen in Slobodan Sijan's film of the late 1980s "Who is Singing over There?") driving Macedonia's bus into an abyss. This irresponsibility can be seen in the fierce contests over the Macedonian Constitution, which as a result of its strong national sentiment rather than civic vision has been amended many times. The parties continue to aggressively contest the use of the Albanian language in the education and public sector institutions and fight over irregularities during the parliamentary elections and over territorial and

For 17 years, the leaders of these three dominant political factions, without any will to work together or to compromise (because to compromise is a sign of weakness in the Balkans), have fought for power in order to forward their own personal interests.

administrative reorganization of Macedonia in 2005. The constant conflict over their radically different interpretations of the Ohrid Agreement, which ended the conflict there in 2001, illustrate that the Macedonian political elite is incapable of overcoming differences in order to pave the way to a truly multiethnic, civil and democratic society. For 17 years, the leaders of these three dominant political factions, without any will to work together or to compromise (because to compromise is a sign of weakness in the Balkans), have fought for power in order to forward their own personal interests. As a result, Macedonia has failed to transition to democracy.

Each of these three dominant political forces has played a significant role in this mischief in their own particular way. In the early 1990s, the so-called "transformed communists," along with their spoiled children, took over the former communist party. They changed the name of the party into SDUM, shed its

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skin, but did not change the authoritarian one-party ideology or behavior. For more than 16 years politics in Macedonia has been marked by the incompetent and immoral rule of SDUM rookies and grey-haired apparatchiks. Out of their fear of losing the privileges gained in the previous regime and of losing control over Macedonian politics, they created an environment dominated by fear and corruption. In that way and with its old fashioned and dogmatic manners, SDUM became a party that has promised a lot and delivered nothing.

The Macedonian nationalists are organized and represented by IMRO-DPMNU. Usually they consider themselves to be the best Macedonians of all Macedonians. This party is much like other nationalist

Macedonian leaders of every stripe sidestepped the rule of law to initiate the worst process of transition to a market economy, refashioned corruption as a life-style choice and destroyed the moral and economic fabric of the country.

parties in the region. IMRO-DPMNU and its leaders enthusiastically affirmed the romantic idea of nation, which confers rights to an ethnic group rather than the demos. For them, the dominance of class collectivism—communism—was replaced by the dominance of ethnic collectivism—nationalism, heavily peppered with populism and nepotism.

In its attempt to create Macedonia as a state for ethnic Macedonians, rather than a state of citizens, IMRO-DPMNU fought for their land only and for “their nation only,” and this is reflected in the Constitution. Blind to the country’s inherent multiethnicity, Macedonian nationalists dug huge potholes on the Macedonian road to the EU. Looking awkwardly far back to ancient history, glorifying the myths and dreams of national unity and purity, they worked against the interests of Macedonia. Keeping nationalist’s blinders fixed to their heads, defending Macedonia from both real and imagined enemies, these Macedonian patriots search for ethnic roots hidden in the conquests of Alexander the Great. At the same time, the IMRO-DPMNU economically devastated the country by initiating the worst managed privatization in Eastern Europe. Just as the SDUM government that preceded them, the IMRO-DPMNU government sold many companies that were of paramount strategic importance to Macedonia far below market value.

Most shockingly, the Macedonian nationalists, along with their Albanian counterparts, proposed exchanges of people and territories (essentially, forced internal migration) in the name of ethnic purity and stability in order to relieve interethnic tensions. The ethnic Albanian parties, also tightly controlled by their party elites, are almost the mirror image of both SDUM and IMRO-

DPMNU. The lack of sincere trust between Albanians and Macedonians is at the core of the country’s problems. The Albanian leadership has yet to demonstrate that they have the requisite knowledge and capacity to participate in a parliamentary democracy. Since 1992, they have continuously put Albanian interests above those of the state, and thus, above the interest of the other ethnic groups living in Macedonia. These interests involve the independence of Kosovo and the unification of the Albanian cultural space, rather than on building a common country for all citizens living in Macedonia. Behind their rhetoric of bringing human rights to the Albanians in Macedonia, it can be seen that they continuously promote the idea of Macedonia as a bi-national consensual confederation, which implicitly provides them with a future option for secession. The statement made by the outgoing president of Kosovo Fatmir Sejdiu, that if Kosovo is divided Macedonia can be divided as well, is one more confirmation of where the heart of Macedonian Albanians truly lies. Another important issue on the complex map of Macedonia is the relationship within the Albanian community itself, and the ferocious confrontation between the leading Albanian political leaders for their dominance within the Albanian community. This contest over the souls—and the money—of the Albanians in Macedonia brought rivals to physical blows in the parliament last year.

Each party in power installed young and inexperienced people in top positions, training politicians on the job, enforcing party strength and nurturing nepotism as a system of selection and judgment. Through this process, Macedonian leaders of every stripe sidestepped the rule of law to initiate the worst process of transition to a market economy, refashioned corruption as a life-style choice and destroyed the moral and economic fabric of the country.

In that context, Macedonian politicians pose the most serious obstacle to the country on the road to the EU and NATO. There is a desperate need to reverse this unproductive situation in Macedonia. And, on the first step in the process of change, politicians should be required to learn the basic elements of democracy and how the process works. They should be required to learn what every child learns in the first grade: to listen, respect each other, apologize, work together, collaborate and compromise. And to say thank you as well. Because, as president Lincoln believed, the main task of a statesman is to negotiate and seek compromise, to forgive and look towards the future. In order to meet EU standards, Macedonian politicians must do their homework without any excuses, lest Macedonia continue to be its own worst obstacle.

External Hurdles

Over the years, the question of whether Macedonia is on the right path to democracy, and whether it should become a full member of the European Union has been overshadowed by the inability of the EU member states

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Bulgaria's First Year in the European Union: Progress, Problems and Pessimism

John R. Lampe

John R. Lampe is Professor of History, University of Maryland-College Park and Senior Scholar at the Wilson Center. He spoke at an EES Noon Discussion on December 19, 2007. The following is a summary of his presentation. Meeting Report 343.

Western attention in Southeastern Europe is focused on Kosovo, Bosnia and the surrounding Western Balkans. But, I ask that some attention also be paid to neighboring Bulgaria. This core state of the historical Ottoman Balkans is completing its first year as a member of the European Union and its fourth year as a member of NATO. I resist the temptation of dwelling on how unlikely this prospect seemed when I first went to Sofia as a young Foreign Service Officer some 40 years ago. Now, with the same special interest in wider economic prospects and the same domestic pessimism about its own political process that has repeatedly surfaced over the past century, Bulgarians should nonetheless be looking back with satisfaction on their initial year as a full member of the largest common organization in European history. On a personal level, a Bulgarian friend traveling to Italy welcomed the smile and a wave that replaced a scowl and a Schengen visa check at the Rome airport. Some 60 percent of Bulgaria's foreign trade is now with the EU, and as a new member, it is expecting 11 billion euros of adjustment assistance over the next six years. But before turning to the clouds that I found gathering over Sofia, let me first address the silver lining.

Already, it has been good first year for the Bulgarian economy, at least by most of the key macro-economic indicators. There are significant signs of domestic progress, signs connected to the most favorable set of international relations in Bulgarian history, relations with the US included. They deserve to be mentioned before I turn to three sets of problems: 1) the economic problems of convergence, corruption and demographic decline; 2) political divisions in the absence of an established majority party; and 3) public pessimism about what long-term advantage Bulgaria can take from EU membership.

Progress and sources of strength

For the third year in a row, the real GDP growth has exceeded 6 percent, with export growth leading the way. The Bulgarian economy is recording these overall advances in 2007 despite an early heat wave and prolonged drought this past summer that cut the yield from specialty crops, such as roses and lavender, by half and kept overall growth in agricultural output to 1 percent. The state's budget revenues continue to generate a surplus equivalent to 3 percent of GDP, with income and corporate tax rates cut to less than 15 percent. Unemployment has fallen by more than one half since 2002 to barely 7 percent, as some 400,000 new jobs

have been added to the legal work force. Sofia has grown in the process to 1.3 million people, with another half million coming in to work there during the day.

Foreign direct investment is again approaching the 4 billion euros received in 2006, equal to 10 percent of GDP, despite the virtual end of large-scale privatization with the subdivision of Bulgartabak, the former state tobacco monopoly. Property sales from the booming real estate market have stepped in to account for a third of foreign investment. Buyers first from the UK and now from Russia and the rest of Europe are pushing up prices for new holiday, retirement or business housing in Sofia and the along Black Sea coast. These prices are still, according *The Financial Times* of November 10, cheaper than elsewhere in the former Eastern Europe. Sales are expected to continue growing in 2008 by at least 20 percent.

A major contributor to domestic manufacturing, services and construction has been the new commercial banking sector, dominated by the foreign banks that line the former Ruski Bulevar. Primarily Austrian, Italian and Greek, they provide 80 percent of the more affordable and accessible

Helping to inform Bulgaria's public opinion is a set of domestic NGOs that cannot be equaled in any of Yugoslavia's successor states. They join a range of published media which only Croatia and Serbia can match.

credit, mortgages now included. Lower interest rates, falling under 10 percent, have also fed the aforementioned construction boom and allowed Bulgarian enterprises and individuals to join in. Many small and medium-sized enterprises (SMEs) have also benefitted from this new credit market, some of them now going on to raise capital from Initial Public Offerings (IPOs) on an expanding stock exchange. The most recent IMF judgment praises this financial sector as the strongest structural feature in the Bulgarian economy, strong enough to keep supporting the Currency Board's exchange rate fixed to the euro at 2/1 and to manage a rate of inflation which has now advanced from a projected 4 percent for 2007 past 8 percent.

Problems with the economy and education

Helping to inform Bulgaria's public opinion is a set of domestic NGOs that cannot be equaled in any of Yugoslavia's successor states. They join a range of published media which only Croatia and Serbia can match. Here I cite only the weekly economics newspaper *Kapital*, the weekly magazine *Tema*, and a couple of daily newspapers, *Sega* and *Standard*. As for NGOs, I cite the

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Center for the Study of Democracy, the Center for Liberal Strategies, and the Centre for Advanced Study. They pay special attention respectively to the political process, the economics of the market mechanism, and interdisciplinary scholarship. All of them pay attention to the historical record and join in the wider debates about how to appraise the Ottoman and Muslim legacies and the interwar and the Communist periods. Advocates on different sides are agreed on one point—the need for the wider connection to Southeastern Europe that has repeatedly surfaced in Bulgaria’s aspirations, then failed and left the country regionally isolated over the past century.

This regional interest is now well represented in official Bulgarian policy, most recently in concern for the accession prospects of the Western Balkans and in support for Turkey in the long term. Most striking during my visit was mounting anxiety about the pending independence of Kosovo. More specifically, it is the potential of unconditional independence for destabilizing an already turbulent Serbia and Macedonia that is worrying officials and observers in Sofia. Adding to Bulgarian

Crime-related cases catch the most headlines, with no convictions yet recorded in a lengthening series of hired killings or in corruption charges against high level officials. While the EU remains most concerned about the courts’ failings in these cases, the wider economic problem is tax evasion and related smuggling, particularly now that the VAT, already 20 percent, must add extra EU excises on alcohol and tobacco. Upwards of one quarter of all publicly funded procurement is lost to corruption, according to Ognyan Shentov, long-time head of the Center for the Study of Democracy. At least the police-connected protection rackets no longer confront any successful new SME, as they did in the 1990s.

In addition to the current international credit squeeze and persistent corruption, the longer-term problem facing the Bulgarian economy is demographic decline. Still slipping at over half a percent a year, a population of 8.9 million in 1981 has fallen to 7.6 million. A low birth rate is partly responsible, combined with (first Turkish and now ethnic Bulgarian) emigration. The number employed is shrinking down toward the number of pensioners. A widening income disparity means a declining access to the far greater range of consumer goods that have become available over the past decade. The shrinkage of the active labor force, if continued, will force the country to import labor from the Ukraine and elsewhere: shock estimates put the impending number of needed laborers at half a million after 10 years. Even if these projections are exaggerated, increasing the productivity of existing labor may be the only way to reduce this prospect and also continue the growth rates needed to begin closing the gap between per capita income and the member average in the EU. That is the conclusion of the latest World Bank report of prospects for *Accelerating Bulgaria’s Convergence: the Challenge of Raising Productivity* (July, 2007). It argues that the 2 percent annual increase in productivity recorded for 2003-5 will only widen the gap, but it adds that the 5-6 percent rate for 2000-2, if recaptured, would indeed reduce it significantly.

The Report (no. 38570) sees two unsurprising ways to reverse course. One priority is to promote the same more flexible labor market, with easier movement between full and part-time employment plus “life-long learning,” that France, Germany and other EU members are now trying to promote. The Report adds that sufficient social support must also be included, speaking of “flexicurity.” More concretely, the Report places its second priority on improving primary, secondary and university education, just as we find in the EU’s Bologna Process for higher education, to which Bulgaria has also signed on but which the Report does not mention. It does mention expanding vocational and other alternative education (VET), pointing out that Bulgaria’s VET enrollment is by far the lowest in the EU compared to the university total, barely 3 percent. But as Ivan Ilchev, a former Wilson Center Fellow and the newly elected

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worries about the years ahead, are a series of long-term economic problems and short-term political divisions that are causing more concern in Bulgarian public opinion than Kosovo’s pending independence. Underlying the major challenge to the Bulgarian economy is the huge gap, slightly wider than Romania’s, between its per capita income and the EU average, which is three times larger.

Although not interconnected as in some of the Western Balkans, legal credit and illegal business raise serious difficulties heading into 2008. The otherwise invaluable appearance of European banks has fed the easy access to commercial credit by drawing on *their* home-base resources. While the higher inflation that appeared in 2007 may well be manageable, the huge import surplus that this credit boom has helped to fund may not be. Despite the rise in direct foreign investment, remittances and tourist income, the current account deficit climbed to 19 percent of GDP, now amounting to two-thirds of Bulgaria’s foreign debt. Now the credit squeeze spreading through European banks may reign in those home-based resources, and the squeeze may threaten foreign investment as well. The more obvious threat to foreign investment and domestic business in general is the continuing burden of the grey economy. It removes an estimated 30 percent of income from regulation or taxation and feeds corruption, particularly in the judicial system.

President of Sofia University, explained to me, the shift in funding needed to make up vocational ground would severely handicap a university system already short of funds. Sofia University's budget is beset with a huge heating bill for a main building protected from renovation as an historic site and also with paying the largest number of senior professors in a system where state funding flows only from projected student enrollments. The many smaller universities and institutes (50 in all) are not only staffed with junior faculty but also fall short of their targets on students actually enrolled. Even Sofia University's curriculum neglects science and information technology, and hence the potential to close the gap with the EU in supporting research and development. Bulgaria's overall enrollment is less than 30 percent of the age cohort, well below the EU standard unless we count the 20,000 Bulgarian students studying abroad. They are currently the largest foreign contingent at the University of Leipzig for instance. But we should not count them since most of them do not plan to return to Bulgaria after graduation.

Meanwhile, the crisis in education at the primary and secondary levels spilled over this Fall into a teachers' strike that lasted nearly six weeks. Demanding that all salaries be doubled from unlivably low levels of \$300 a month (even per capita GDP is now \$500 a month), the teachers were eventually forced to accept the Education Ministry's offer of a one-third increase with higher raises for superior performers. Ivan Ilchev, sounding like a school reformer in the US, looks beyond initial merit raises and the consolidation of rural schools to a smaller but well paid cohort of better trained professional teachers as the only way forward. Here is the same blueprint for the smaller, more efficient and less corrupt public administration that EU guidelines are demanding of Bulgaria and Romania.

Political parties and public pessimism

The lack of public confidence in the current political spectrum to respond to these economic and administrative challenges underlies the pessimism that pervades opinion surveys as well as opinions expressed to me personally. Two specific problems emerged in the clamor surrounding the recent municipal elections, held on October 28, 2007. Although the number of parties running was down by almost half from the last elections in 2003, they still totaled 88, versus only 16 for the European Parliament balloting in May. Too many local special interests are still running, ready to reward supporters accordingly. The second problem is their readiness to reward supporters in advance by simply buying their votes. Originally focused on the community of several hundred thousand Roma, the practice has spread with the cell phone to many of the contests involving these strictly "local interests." Payments reported ranged up to \$100 and included voters bused in from Turkey and

Macedonia. The National Democratic Institute joined in with Bulgarian NGOs last Fall in a campaign to discourage it called: "*Ne prodava glasa si*" (Don't sell your vote). But the major change since the 2003 balloting was that voter turnout fell still further from 47 percent to 42 percent, evidence that public confidence in the political process has fallen. The major parties also bear their share of responsibility, with none of them enjoying even a near majority of public support. Where do they stand after these local elections, still a long way from parliamentary elections in 2009 and presidential elections in 2010? There are some signs of promise, if not yet perceived by a public that has a reputation for pessimism. Two lesser parties stayed roughly in place. The relatively new party

Compounding the failure of his heralded Corruption Commission even to meet in recent months was the July assassination of a figure close to Socialist campaigning and married to its Minister for Sport.

Ataka, ill-famed for its anti-Roma and now anti-Turkish rhetoric, remained between 7 and 8 percent of the national vote, electing no mayors in a major municipality, and winning only 3 percent of the vote in Sofia. The larger and longer standing Turkish party, the Movement for Rights and Freedoms (MRF), also held its ground at 14 percent of the vote. Its original leader Mehdi Dogan remains in place as a partner, yet again, in the coalition government headed by the Bulgarian Socialist Party (BSP). His Kurdjali region of heaviest Turkish settlement is distinguished by more newly paved roads and other public facilities than other rural areas. At the same time, delays in EU agricultural subsidies to all of rural Bulgaria that have dragged on through most of the year are blamed, fairly or not, on his party's Minister of Agriculture.

Both the Socialists and still more their minority partner in the ruling coalition, former King Simeon's National Movement for Stability and Progress (NMSP), appear to be losing ground. Projections for the parliamentary elections based on the recent local balloting suggest that their declining shares, even when combined with MRF's constant share, would leave the coalition short of a majority in the Subranie. For the Socialists, the slippage seems less on the side of President Georgi Parvanov (despite some initial furor over pages missing from his pre-1989 Security Service file) than for Prime Minister Sergei Stanishev, whose disapproval rating approaches 60 percent. Compounding the failure of his heralded Corruption Commission even to meet in recent months was the July assassination of a figure close to Socialist campaigning and married to its Minister for Sport.

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The influence reputedly still retained by dismissed Energy Minister Roumen Avramov adds to the perception of a party operating behind the scenes. The nomination of the former Security Service intelligence chief as the BSP candidate for mayor of Sofia seemed to support the impression of a party still too little changed, despite its having led the way to NATO and EU membership and despite launching a surprise initiative to start the movement toward a flat income tax. In the event, Brigo Asparuhov won less than 16 percent of the vote in the Sofia mayoral race, and the BSP total fell to under 25 percent.

As Simeon himself steps further back from the political stage, NMSP has struggled to find new leadership. Teachers held the NMSP Minister of Education particularly responsible for rejecting their

without the onus that service in the surely interconnected DS would carry with it. Beyond Borisov, the party's ideological identity seems a curious combination of populism, with ties established to the European Populist Party, and a program that reads like an EU prescription for a liberal market economy. Its 36-page "New Rightist Treaty for Bulgaria" ticks off an ambitious agenda reportedly put together by a number able economists. Among the proposals are a fully flat income tax of 10 percent, combined with a VAT cut from 20 to 15 percent, a comparable reduction in state expenditures to 30 percent of GDP, a choice of health plans and schools to include new private options and a reduction in the number of ministries. This last proposal, combined with one to route all EU funds through the Ministry of Finance, seems the one most likely to have a positive impact in the short run.

But to do that, and to advance the rest of their agenda, the CDDDB will have to count on coalition partners in the new parliamentary framework that seems likely to emerge in 2009. Then, and before then, we may hope that the surprisingly little difference in the economic programs of CDDDB, UDF and the present coalition will allow them to overcome their otherwise partisan divisions and focus on the serious problems identified here, problems that Bulgarian public opinion increasingly acknowledges. Progress in addressing them will be crucial to the reputation that most of that same public opinion now wishes to establish as a full and equal member of the wider European community, a reputation to which the bulk of Bulgaria's twentieth century history has not been kind. Let us hope that another Bulgarian reputation familiar to regional specialists—a reputation for hard work and special attention to practical economic issues— will serve it well. ■

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demands, however reasonable that rejection in fact was, during the recent strike. The aforementioned elections put parliamentary projections for the party in 2009 under 10 percent.

Hopes that a revived Union of Democratic Forces (UDF), in combination with the small Democratic Party, might step forward to fill the space vacated by NMSP failed to materialize in the local elections. The results support the pessimistic arguments I heard in Sofia to the effect that the UDF split prompted by former Prime Minister Ivan Kostov remains a fatal blow. Victories for five mayors in the 27 major municipalities would not seem to compensate for an overall showing under 5 percent.

Stepping into the space in the political spectrum vacated primarily by the UDF is the newly created Citizens for the Democratic Development of Bulgaria (CDDDB). It won the largest number of local votes, if we aggregate those received separately and in coalition, exceeding the comparable BSP aggregate by 8 percent. The CDDDB scored its greatest success in Sofia, winning 53 percent of the votes cast, albeit based on a reduced turnout of barely 35 percent. For the first time in the capital, a Roma candidate nominated by CDDDB was among the local councilors elected.

CDDDB burst on the scene last May by winning the largest single share of votes in the EU parliamentary elections. Its leader, Boyko Borisov, has used his frequent and telegenic presence before the public as Mayor of Sofia to appeal to a public weary of the established parties. His pre-1989 experience as a police general seems to count for credentials in law and order

to justly see and understand the problems in and around Macedonia, and to reach a diplomatic consensus on these issues. On a wide range of issues, from the rule of law, to human rights and the dangers of nationalism, the development of a market economy, the issues of tolerance in the region, the international community has not always been able to engage with Macedonia in a just and unbiased way. Because of its inconsistency, the prevailing sentiment among Macedonians is that the EU and its flip-flopping bureaucracy is part of the problem in the country.

The lack of cohesion within the EU caused instability by allowing surrounding countries to continue their contests over Macedonian territory, language and identity. In that irrational Balkan contest over Macedonia, all neighbors have shown that they are savvy players. Albania, which through its rhetoric supports good relations with all its neighbors, has not recognized Macedonia under its constitutional name and has not settled a border agreement with it. Bulgaria, which prides itself on being the first to recognize Macedonia as a sovereign state and under its constitutional name, does not recognize the Macedonian language or nation and continuously violates the human rights of the Macedonian minority in Bulgaria. Serbia, particularly the Serbian Orthodox Church, would probably intensify its aspirations towards Macedonia if it was not so busy with Kosovo. Greece rejects the constitutional name of the Republic of Macedonia, lays claim of exclusive ownership of the name Macedonia, and denies the existence of a Macedonian ethnic identity that is not Greek.

Greece's irrational politics in the region may become the biggest obstacle to Macedonia's road to the European Union and NATO. And it is not the name that is the problem. Greece continues to intimidate Macedonia by insisting on referring to it by the acronym FYROM (former Yugoslav Republic of Macedonia). Peter Hill, professor of Slavonic studies at the University of Hamburg in Germany, has noted that: "Funnily enough, northern Greece was for many years called just that, 'Northern Greece'... and the name Macedonia was considered somehow suspect.... But three years ago that all changed. Now that name, Macedonia, is at the heart of a dispute that has paralyzed the foreign policy of the European Community and brought thousands of people onto the streets of Melbourne, Sydney, Canberra and Brussels." The name, therefore, is only a very superficial issue.

The problem between Greece and Macedonia goes deeper, and is more complex and dangerous. Since the Bucharest treaty was signed in 1912, Macedonia was divided between Bulgaria, Serbia and Greece. This treaty initiated a mass migration between the countries. By 1913, more than 100,000 Macedonians from Kukus [Kilkis in Greek] and Seres fled those regions. Between 1924 and 1925, more than 348,000 Turks left from the part of Macedonia given to Greece and moved to Turkey, while more than 600,000 Greeks—called *profigi* or *madziri*—from the Black Sea area and Asia Minor were resettled in that part of Macedonia. Macedonians who were born on what is today considered Greek soil, fought

on the side of Democratic Army of Greece in the Greek civil war from 1946 to 1948. Yet, after the defeat of the Democratic Army of Greece, they were expelled from Greece and became refugees, were deprived of their citizenship and their property was confiscated. Still today, they and their families, including more than 30,000 children, are denied entry into Greece and as a consequence are denied their basic human right to return to their homes and to reclaim their property.

In 1981, Andreas Papandreou's Panhellenic Socialist Party won elections and announced that all political refugees who had been expelled from Greece after the Civil War would be able to return to Greece after more than 32 years of exile and to reclaim their citizenship, civil rights and property. However, this new law, introduced 1982, only applied to those who would claim Greek ethnicity, leaving 100,000 Macedonians and their families without a legal remedy.

Ethnic Macedonians living in Greece—a country that claims to be the cradle of democracy—are denied the right to study in their own language, nurture their culture, or to establish their own associations and religious institutions. Macedonians who have raised voices against this harassment, such as the Macedonian organization Rainbow, have been intimidated, imprisoned and have had their properties confiscated. Human Rights Watch-Helsinki, in its report "Denying Ethnic Identity: The Macedonians of Greece," writes: "The Greek government denies that a Macedonian minority exists in Greece. It refers to ethnic Macedonians as 'Slavophones' or 'Slav-speakers.'" The official Greek position is that the Greek state is ethnically homogeneous, the only exception being the Muslim minority in western Thrace—which is in reality a Turkish minority. The Greek Government's denial of the existence of the Macedonian minority violates international human rights agreements to which the Greece is a party, which clearly states that ethnic identity is a matter to be determined by the individual, not by the state.

Greece holds the EU hostage by imposing its self-serving interests over those of the EU. And the fact that Greek nationalist politics are still tolerated by the EU acts as a litmus test for the EU's foreign policy, its sense of justice, and its ability to integrate Macedonia in a fair and just way. To that end, everyone in the Balkans talks about looking to the future but no one is taking the first step to get out from their entrapment in the past. If politics is an art of imagining what is possible, then I would like to paraphrase the words of President Ronald Reagan: Your excellences, foreign Minister Bakoyanni, Prime Minister Karamanlis, President Carolos Papulas, tear down those walls, open the borders between Greece and Macedonia. Lets go together to the future. ■

CALENDAR OF EVENTS

Please Note: Events are subject to last minute changes. For the most up-to-date information on events please visit our website at <http://www.wilsoncenter.org/ees>.

WEDNESDAY, 12 MARCH: Noon Discussion, 12:00-1:00

*The After-Live of Projects: Mapping Democracy
Promotion in the Western Balkans and beyond*

5th Floor Conference Room

KEITH BROWN, Associate Professor, Watson Institute,
Brown University

WEDNESDAY, 19 MARCH: Noon Discussion, 12:00-1:00

Southeast Europe on its Way to the European Union

5th Floor Conference Room

DUSAN SIDJANSKI, President of the European Cultural
Centre, Professor Emeritus at the University of Geneva
and Special Advisor to the President
of the European Commission

*this meeting is co-sponsored by the Alexander S. Onassis
Public Benefit Foundation (USA)*

WEDNESDAY, 26 MARCH : Noon Discussion, 12:00-1:00

The Bucharest Summit:

Romania's Perceptions on NATO's Future

5th Floor Conference Room

ANDREI VIERITA, Romanian Ambassador to the United
States and **SAMUEL WELLS**, Associate Director of the
Wilson Center and Director of the West European
Studies program

*this meeting is co-sponsored by the History and Public
Policy program*

TUESDAY, 8 APRIL: Book Launch, 4:00-5:30

*The Balkan Conflict and Its Solution: Creating Peace,
Stability and Development in the Western Balkans*

6th Floor Boardroom

FRANJO STIBLAR, Professor of Law, University of
Ljubljana and Scientific Advisor at the Economic
Institute of the School of Law

WEDNESDAY, 9 APRIL: Noon Discussion, 12:00-1:00

*The Bosniak Bogomil Myth and the Modern Statehood of
Bosnia and Herzegovina*

5th Floor Conference Room

DUBRAVKO LOVRENOVIC, Associate Professor of History,
University of Sarajevo

MONDAY, 14 APRIL: Noon Discussion, 12:00-1:00

History, Diversity and State Community-Building:

Integrating Collective Memories in Poland and Ukraine

6th Floor Boardroom

MAGDELENA DEMBIRSKA, Postdoctoral Fellow, Centre for
Developing-Area Studies (CDAS) McGill University
this meeting is co-sponsored by the Kennan Institute

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