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ECONOMICS

BULGARIA'S ECONOMIC RELATIONS WITH THE WEST

This report on Bulgarian economic relations with the West is the last of a series of five by the Research Units of RFE's EERA division, to which "East-West Economic Relations: An Introduction," East-West Background Report/1, Radio Free Europe Research (EERA), 19 February 1973, provides a general background.

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Summary: Bulgaria's trade with the West did not become significant until the late 1950s. This share peaked in 1966, after which it fell back, and it will probably decline somewhat during the current five-year plan, although its total volume will continue to increase. Licensing and the establishment of mixed enterprises abroad have been actively pursued, but no attempts have been made to attract foreign investment to Bulgaria and there have been relatively few of the production co-operation arrangements with the West which have been developed elsewhere in Eastern Europe.

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1. The Pattern of Trade with the West

In 1948 Bulgaria's total foreign trade amounted to some 275,000,000 for-exchange leva, and by 1958 this figure had grown to only 865,000,000. (1) A period of more rapid growth began in 1959, when Bulgaria essayed a "big leap forward," and this trend was strengthened in the 1960s, as the following table shows. It gives total trade and the share in it of noncommunist countries (including the developing countries):

(1) The figure for 1948 has been calculated on the basis of statistics in Vanshna Targovia No. 10, 1957, and Ikonomicheska Misal No. 3, 1963. The figure for 1958 was published in Vanshna Targovia No. 9, 1962.

TABLE I

Total Foreign Trade

Year	Total	Exports	Imports	Share of noncommunist countries	
				Exports	Imports
(in millions of foreign exchange leva)					
1959	1,224.4	546.5	677.9	13.2	21.1
1960	1,408.7	668.6	740.1	16.1	16.1
1961	1,554.4	775.2	779.2	16.4	16.5
1962	1,822.0	903.9	918.1	17.5	17.2
1963	2,067.7	975.8	1,091.9	17.9	17.6
1964	2,389.2	1,146.2	1,243.0	20.3	24.4
1965	2,753.6	1,375.7	1,377.9	20.6	25.8
1966	3,256.5	1,526.9	1,729.6	23.6	30.5
1967	3,545.2	1,706.1	1,839.1	22.2	25.9
1968	3,975.0	1,889.7	2,085.3	21.3	23.3
1969	4,146.2	2,099.5	2,046.7	20.8	20.3
1970	4,486.8	2,344.5	2,142.3	20.7	23.8
1971	5,007.7	2,551.3	2,456.4	20.6	22.5

Sources: Statistical Yearbooks, 1960-1971; for 1971: Statisticheski Izvestia No. 12, 1971 (probably preliminary figures).

Trade with the developed Western countries can be statistically covered from Bulgarian sources only after 1954,(2) but this sector acquired real importance only after the turning point of 1959, as Tables II and III show:

(2) For the period prior to 1955, no Bulgarian statistics providing a detailed and complete picture are available. But that period is of little interest because of the very restricted economic potential of the country and the extremely modest volume of its foreign trade -- especially with the West.

TABLE II
Trade with the Developed West

Year	Total	Exports	Imports	Share in total Bulgarian turnover		
				Total	Exports	Imports
	(in millions of foreign exchange leva)					
1956	78.9	35.6	43.1	12.2	10.0	14.7
1960	185.1	83.5	101.6	13.2	12.5	13.7
1965	524.7	217.9	306.8	19.1	15.9	22.3
1968	669.9	285.1	384.8	16.9	15.1	18.5
1969	612.0	308.6	303.9	14.8	14.7	14.8
1970	743.0	333.6	409.4	16.6	14.2	19.1

Source: Statistical Yearbook, 1971. Earlier statistical yearbooks did not publish this breakdown and this is why figures for other years are not available. Some small differences between the sum of exports and imports and the total figure are in the source.

TABLE III
Trade with EEC and EFTA

Country	1955	1960	1965	1970
(in millions of foreign exchange leva and percentages)				
West Germany	13.7	66.2	128.5	117.7
Italy	2.3	18.8	83.9	133.1
France	3.4	16.8	37.3	96.4
Benelux	2.9	11.2	24.4	46.9
Total EEC	22.3 3.9 %	113.0 8.0 %	274.1 9.9 %	394.1 8.8 %
Britain	7.9	20.5	42.7	81.1
Austria	12.4	24.3	50.9	61.6
Switzerland	3.1	11.1	36.1	57.5
Sweden	0.4	2.0	10.7	18.9
Denmark	?	0.7	?	?
Norway	?	0.9	7.0	10.0
Total EFTA	23.8 4.2 %	59.5 4.2 %	147.4 5.3 %	229.1 5.1 %

Sources: All figures in millions of foreign exchange leva are from the Bulgarian Statistical Yearbooks, except those for Denmark and Norway which have been taken from Vanshna Targovia No.8, 1965, and Rabotnichesko Delo, 20 August 1971. Percentages calculated on the basis of the absolute figures.

Despite its politically and economically conditioned orientation to trade within Comecon, Bulgaria has always been interested in developing trade with the West. The main moving force behind this interest has been the country's technical specialists and economic managers, an influential group. They have always been aware that industrial equipment bought in the West would be of better quality than that supplied by the Soviet Union or other Comecon countries, and have felt that in the long run such equipment would be more profitable, since it would make possible a smoother production process and the output of goods of higher quality. Ultimately, it would help to make Bulgarian exports more competitive.

The first time such pragmatic voices apparently gained the upper hand was in 1959, the year in which Bulgaria embarked on its "big leap" forward. (3) This leap required a major investment effort which was reflected in an otherwise unexampled disproportion between exports and imports. Whereas in 1959 exports were worth 546,500,000 leva, or about 25 per cent more than in 1958, imports jumped to 677,900,000 leva, a 58 per cent rise. In the same period the total share of the noncommunist countries in exports declined slightly (from 13.6 per cent to 13.2 per cent), whereas in the import sector it climbed over the 20 per cent mark for the first time, reaching 21.1 per cent (compared with only 14.7 per cent in 1958).

The second occasion on which a somewhat similar development occurred was during the 1964-1966 period, when imports from noncommunist countries jumped sharply, reaching a peak of 30.5 per cent in 1966 (see Table I). Exports also reached a peak of 23.6 per cent in that year, but, in absolute terms, this meant a large imbalance of 167,200,000 leva (527,500,000 leva of imports against only 360,300,000 of exports).

Both in 1959 and 1966, it was mainly the FRG that accounted for the boom in imports from the West; some 8.2 per cent of all imports in 1959 and 8.8 per cent in 1966 came from West Germany, and in the latter year the FRG achieved second place among exporters to Bulgaria after the Soviet Union. Bulgarian exports to the FRG in 1966, however, were only 47,900,000 leva, or less than 30 per cent of the 154,200,000 leva of imports from that country.

This imbalance of trade with West Germany, although striking, is not unique. The following table on trade with Bulgaria's major partners in the West, ranked according to total trade in 1970, shows that in the last few years imports from them have as a rule continued to exceed exports to them.

(3) Only few months after the third five-year plan (1958-1962) had been approved by the seventh party congress in June 1958, CC First Secretary Todor Zhivkov launched the slogan "to fulfill the five-year plan ahead of time" (in 1960 instead of 1962). See Rabotnichesko Delo, 12 June and 5 and 16 October 1958, and 20 January 1959.

TABLE IV

Exports to and Imports from the West

Country	1966		1968		1969		1970	
	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.	Exp.	Imp.
(in millions of foreign exchange leva)								
Italy	67.5	48.0	50.7	67.1	57.4	64.9	66.5	66.6
West Germany	47.9	154.2	63.2	83.9	63.4	53.2	60.4	57.3
France	16.2	55.7	21.4	57.4	25.1	29.1	44.4	52.0
Britain	24.6	37.1	30.8	23.7	34.2	23.1	28.7	52.4
Austria	26.9	36.8	25.2	38.4	23.7	35.6	19.3	42.3
Switzerland	22.6	25.7	33.0	24.9	31.9	23.1	35.4	22.1
Japan	20.3	31.8	5.7	18.8	12.4	11.9	9.5	23.3
Source: Statistical Yearbook, 1971.								

The difficulty in balancing trade with West Germany had to be overcome by sharply cutting back imports from that country, beginning in 1967. This allowed Italy to take first place among Bulgaria's noncommunist trade partners in 1970 for the first time, a position maintained in 1971. Italy's success may be explained by its greater willingness to buy Bulgarian products and the more flexible approach of Italian businessmen to their Bulgarian counterparts.

According to the latest (and incomplete) figures on Bulgarian trade with the West in 1972, (4) the FRG last year managed to regain its former first place ahead of Italy. Over-all trade with both countries increased, in the case of the FRG to 161,000,000 foreign exchange leva, and in that of Italy to 152,000,000. Surprisingly, Switzerland rose to third place from sixth in 1970, followed by Britain, Austria, and France. Balance of trade considerations may account for some of the change here: over the 1968-1970 period Bulgaria managed to maintain a favorable balance with Switzerland, while there has been a perennially adverse trade balance with France.

Total trade with the "developed capitalist countries" in 1972 was reported to have amounted to 777,000,000 foreign exchange leva, a figure almost at the same level as the 765,000,000 leva reported for 1971. (5) The total increase was only 1.5 per cent, but BTA said that exports had increased by 4.5 per cent, which would indicate that Bulgaria has managed to keep its imports from the West under control.

(4) BTA, 9 February 1973.

(5) Ibid., 7 July 1972.

2. Factors Influencing Trade with the West

The development of Bulgarian trade with the West has been strongly influenced by the following major problems:

a. The Continuing Strong Orientation of Bulgaria's Trade Toward the Soviet Union and the Other East European Countries

Since 1957, with the sole exception of 1966, (6) trade with the USSR has accounted for between 51 and 55 per cent of Bulgaria's total foreign trade. All the communist countries taken together accounted for 82 to 86 per cent of the total up to 1963 and between 75 and 79 per cent of it since then -- again with the exception of 1966.

This orientation has been much disliked in Bulgaria. Public opinion, as expressed in the innumerable jokes circulating in and outside the country (maybe more than in other East European countries) blamed exports to the USSR for shortages of goods on the home market, and the poor quality of Soviet industrial equipment was often held responsible for the unsatisfactory performance of Bulgarian industry. Although it is easy to attribute the overwhelming economic dominance of the Soviet Union primarily to political reasons, it should be noted that it was to a large extent an economic necessity: Bulgaria needed credits, and the Soviet Union was willing to grant them; Bulgaria needed equipment, and was given it readily together with specialists and technological documentation; and Bulgaria did not have much to sell in exchange, but the Soviet Union took anything that was offered.

Over the years, with growing Bulgarian industrialization this economic dependence became greater rather than smaller. The Soviet market remained the safest customer for the still unattractive products of Bulgarian engineering and other industrial branches and, at the same time, the natural riches of the Soviet Union were the indispensable source which supplied Bulgaria's ever-growing need for power and raw materials. Therefore, while there can be no doubt that Bulgaria has in some ways been exploited by its "big brother," the close economic relations between the two countries must be acknowledged to have helped the smaller one's economic development.

When speaking of this orientation of Bulgaria's economic relations, one should not forget that the country's economic development for more than a decade has been based on the "socialist division of labor" outlined by Comecon. With the specialization assigned to each Comecon member, the dependence of the individual countries on each other has been constantly increasing, since industrialization, especially in Bulgaria, has not been primarily designed to develop production for the home market, but to create an increasingly export-oriented industry.

(6) When the Soviet share was 49.2 per cent.

b. Bulgaria's Inability to Offer for Export the Variety and Quality Which the Western Markets Demand

One of the major problems of Bulgarian exports to the West, frequently pointed out by specialists and responsible officials, is their unfavorable structure. The main reason for balance of trade deficits is the restricted choice and poor quality of the products Bulgaria has — or until not long ago had — to offer. Machinery and equipment are generally recognized as the most profitable kinds of exports, yet as late as in 1968 they represented only 1.8 per cent of all exports to the West, while more than 60 per cent of these exports were processed or unprocessed agricultural and raw material products. (7) In the same year, 24.5 per cent of total Bulgarian exports consisted of machinery and equipment, (8) and in 1972 this figure rose to 34.1 per cent, (9) the lion's share of it still going to the communist countries.

c. The "Unjust" Taxation of Imports by the West, Notably the EEC

Thanks to the difficulty of selling industrial products noted above, Bulgaria has been forced to continue to export mainly nonindustrial products which have traditionally found a good market in the West. The high import barriers to these kinds of goods have therefore been a continual cause of Bulgarian complaint against the EEC, and this has found expression in numerous statements and articles. (10)

For a long time, Bulgarian commentaries dealing with the EEC were hostile, and direct contacts with it were nonexistent. In early 1968, EEC sources in Brussels stated that Bulgaria was the only East European country, Albania excepted, which had had no contacts, even unofficial ones, with the organization, (11) and this situation evidently continued for several more years. It was not until mid-1972 that Bulgaria was reported to have informally asked West Germany, Italy, and Belgium if it could benefit from the Common Market generalized preference scheme, but these and subsequent talks did not yield any results, the answer reportedly being in every case that Bulgaria must submit a formal application to the EEC. (12) According to the EEC Committee's annual report, however,

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- (7) Vanshna Targovia No. 8, 1969. See R.N., "Bulgarian Trade with Developed Noncommunist Countries," Bulgarian Background Report/27, Radio Free Europe Research (EERA), 15 October 1969.
 - (8) Statistical Yearbook, 1969.
 - (9) BTA, 23 March 1973.
 - (10) Vanshna Targovia No. 9, 1962; Rabotnichesko Delo, 20 January 1963; Finansi i Kredit No. 10, 1964; Vanshna Targovia No. 8, 1969; Rabotnichesko Delo, 29 August 1972; and others.
 - (11) RFE Special/Brussels, 7 February 1968.
 - (12) Reuter, Brussels, 2 June 1972; the Financial Times, 28 July 1972; RFE Special/Brussels, 29 July 1972.

Bulgaria conducted technical talks with the EEC last year, reaching agreement on minimum price levels for certain farm products. (13)

A fact which deserves to be mentioned when discussing the problems of Bulgaria's trade with the West is the country's lack of apparent interest in joining GATT. In 1964 Sofia even displayed some distaste for the idea, issuing an official denial of reports that (in alliance with Hungary) feelers had been put out toward GATT. (14) Nonetheless, Bulgaria received observer status with the organization three years later, and recently Deputy Minister of Foreign Trade Andrey Lukanov was reported to have said that GATT membership in the future is not to be excluded. (15) The mass media and economic journals, however, have remained cautious, avoiding any expression of positive opinion.

d. The Largely Political Demand that Bulgaria Expand Its Economic Relations with the Developing Countries

During the 1960-1971 period, when total Bulgarian foreign trade was growing by an average of 12 per cent annually, trade with the developing countries grew at a much faster rate -- by about 20 per cent every year. From only 41,000,000 foreign exchange leva in 1960 it increased to 253,000,000 in 1971. Some 6.5 per cent of all Bulgarian exports and 4.7 per cent of all imports in 1970 were to or from developing countries. (16) Beside the political motive (common to all East European countries) of increasing communist influence in the developing countries through trade and economic contacts, in Bulgaria's case there is also a particularly strong economic interest in cultivating these prospective markets for its industrial products.

Although the expansion of trade with the developing countries does not seriously interfere directly with commercial relations with the advanced West, since the composition of such trading is essentially different, its high growth rate may have restricted trade with the developed countries to some extent because of pressure not to infringe on Comecon's share of the cake.

e. State Monopoly and the Complete Subjection of Foreign Trade to Governmental Planning and Control

These two factors have created considerable obstacles to the expansion of trade with the West. The large increase of imports from outside the Comecon bloc in 1964-1966 was in part due to the fact that a large number of foreign trade enterprises went over to the "new system of planning and management" at that time, and this gave them relatively greater

(13) Reported in RFE Special/Brussels, 13 February 1973.

(14) Rabotnichesko Delo, 4 July 1964.

(15) RFE Special/Geneva, 26 June 1967; and Vienna, 14 February 1973.

(16) Statistical Yearbook, 1971.

independence in concluding foreign trade deals. (17) With less control from above, the pragmatism of specialists and managers could more easily gain the upper hand. The large currency debts incurred by the country, however, put a quick end to this approach.

In July 1968, a CC plenum made some important modifications to the new system of planning and management -- which had meanwhile been renamed the "new economic mechanism" -- and outlined some new thinking about the country's over-all management. In the wake of this, the state once more attempted to regain better control over foreign trade activities. A regulation on foreign trade was issued in November of that year (18) and was reinforced, a year later, by a law on foreign trade. (19) Both the regulation and the law emphasized the strict subordination of the foreign trade apparatus to the Ministry of Foreign Trade, and the limited powers of the foreign trade organizations. (20) Despite the strictness of the law on foreign trade, it seems, as will appear from the discussion of recent developments below, that it has left enough room for initiatives by individual foreign trade organizations.

3. Trade Policy Today

The current Bulgarian five-year plan for 1971-1975, approved in April 1971, provides that by 1975 total trade turnover should increase by 60 to 65 per cent over 1970, and that 82 per cent of it should be with the socialist countries and 58 per cent with the Soviet Union alone, (21) (The last two figures compare with 80.2 and 55 per cent, respectively, in 1970.) (22)

These targets make clear the policy underlying them: within the framework of a large over-all growth of foreign trade volume, a larger increase in the relative share of the communist countries is envisaged. With the developing countries having an estimated share of 6.5 per cent by 1975, (23) less than 12 per cent would be left for the developed noncommunist countries in 1975 compared to 16.6 per cent in 1970. (24) In absolute terms, however, this trade too will continue to grow, reaching some 860,000,000-890,000,000

(17) See Vanshna Targovia No. 12, 1964, and No. 1, 1965.

(18) Darzhaven Vestnik No. 90, 19 November 1968.

(19) Ibid. No. 94, 5 December 1969.

(20) It should be recalled here that the law on foreign trade was promulgated only shortly after the major scandal of the Bulgarian Merchant Fleet economic grouping had been uncovered. Apparently the main crime committed by this very large and powerful grouping was its excessive enthusiasm for trade with the West. It was disbanded and several of its managers imprisoned. See M. Costello, "Economic Units Under Fire in Bulgaria," Bulgarian BR/35, RFER (EERA), 3 December 1969.

(21) Rabotnichesko Delo, 28 April 1971.

(22) Ikonomicheski Zhivot No. 7, 9 February 1972.

(23) Commerce International, August 1971.

(24) Statistical Yearbook, 1971.

foreign exchange leva according to plans, as compared with approximately 743,000,000 in 1970, (25) not an impressive figure, but one which allows for continuing and expanding exchanges within a limited framework — and one which may well be exceeded.

Another statistic, however, indicates that Bulgaria plans for an even larger role to be played by the communist world in its total imports: no less than 87.9 per cent of all imports in 1975 are expected to come from these countries. (26) This figure clearly shows that Bulgaria hopes to avoid any new indebtedness in convertible currency and will even try to achieve a surplus in its trade with major partners in the West. Although information is very scarce and far from complete, it is obvious that Bulgaria has in the past obtained credits from the West which will have to be paid back at least in part during the current five-year period. (27) The policy outlined above was confirmed by Andrey Lukanov, Deputy Minister of Foreign Trade, who was reported to have said in an interview with a US journalist: "We have allowed our deficit with the West to grow for some time. Now one of our main objectives must be to achieve a more balanced trade." (28)

Nevertheless, the policy laid down in the 1971-1975 plan, although it was nominally initiated in 1967, appears not to have been effectively implemented. Available statistics up to 1971 show that the communist countries still continued to account for a larger share of Bulgaria's exports than of its imports. (29) At the same time, the most recent figures for 1972 indicate that last year the share of the communist countries in total Bulgarian turnover was 80.5 per cent, (30) or about equal to the 1970 figure. The plan for 1973, once more, envisages that this share will rise, this time to 81.9 per cent. (31) These various figures suggest that Bulgaria's planners have been trying ever since 1967 to increase the communist countries' share of its foreign trade and to reduce that of the West, but practical necessities have prevented the consistent implementation of this policy.

The trade policy outlined in the Bulgarian five-year plan up to 1975 reflects the same problems which have influenced Bulgarian foreign trade in the past. In particular, the EEC problem can be expected to gain in importance by the end of the current five-year period because of the obligation of the EEC no longer to allow individual trade agreements by its members with third countries. Although Bulgaria has long-term trade agreements valid up

(25) Ibid.

(26) Ikonomicheski Zhivot No. 22, 26 May 1971.

(27) Among the credits specifically mentioned by Western sources are one from France granted in 1968 and worth 70,000,000 French francs, and a British one granted in 1970 and worth 3,000,000 pounds, possibly expandable to 5,000,000 pounds.

(28) Christian Science Monitor, 24 August 1972.

(29) See above, Table I. See also Bulgarian Situation Report/18, RFER (EERA), 24 June 1971, Item 4.

(30) BTA, 23 March 1973.

(31) Ibid.

to the end of 1974, Bulgarian media thus far have abstained from discussing the subject.

A revision of one major aspect of Bulgaria's foreign trade policy, which may also influence trade with the West, has recently been announced in connection with the new comprehensive program for improving the standard of living. A Central Committee plenum held last December to discuss living standards also dealt with foreign trade problems as far as they concern the availability of consumer goods on the home market. Todor Zhivkov criticized the extremely small share (only 6 to 8 per cent) of consumer goods in Bulgaria's total imports. He announced that this proportion is to increase to 10 per cent in 1973, 15 per cent by 1975, and 20 to 25 per cent during the 1976-1980 period. At the same time, he called for restrictions on the export of consumer goods. He mentioned both integration within Comecon and trade with the developing countries — and with noncommunist countries in general — when outlining the various steps to be taken to implement this policy. (32) In view of the requirement to reduce indebtedness to the West, it is hardly likely that Bulgaria will begin to accept large imports of consumer goods from that source, but the program on the standard of living outlined by the December plenum, and perhaps the example of some other East European countries, may serve to increase Bulgaria's trade in consumer goods with the West.

4. The Influence of Tourism

In the context of Bulgaria's trade prospects with the West and the difficult problem of the balance of payments, the growth of foreign tourism to Bulgaria should be mentioned. In the late 1950s Bulgaria, until then visited by only a few thousand foreigners each year, took steps to gain recognition as a terminus ad quem for tourists and began to invest money in the necessary facilities. The real tourist boom began around 1964, when the total number of visitors from abroad almost doubled, from 414,000 in 1963 to 809,000 in 1964. In 1965, the 1,000,000 mark was exceeded and by 1969 Bulgaria had more than 2,000,000 visitors annually. (33) In 1972, the total exceeded 3,000,000. (34) Some 19,000,000 foreign visitors are expected over the whole 1971-1975 period, and the number in 1975 alone is estimated at about 5,000,000. (35) Although statistics on foreign tourism as a rule include foreigners passing through the country in transit, who account for roughly half the total number, the expansion achieved is still impressive.

The major purpose behind all this has been to make good the shortage of Western currency and to improve the trade balance with the West by attracting convertible currency tourists, and in fact about half of Bulgaria's foreign

(32) Rabotnichesko Delo, 14 December 1972. See also R.N., "CC Plenum Decisions on Standard of Living," Bulgarian BR/3, RFER (EERA), 2 March 1973, p. 12.

(33) Statistical Yearbooks, 1966-1970.

(34) BTA, 11 January 1973.

(35) Ibid., 4 May 1971; and Rabotnichesko Delo, 19 August 1970.

tourists now come from the West. As in foreign trade, the FRG leads the field: in 1972 there were 163,000 West Germans, followed by 54,000 Frenchmen, 49,000 Italians, and 35,000 Austrians. (36)

There is no reliable information available about currency income from tourism, and statistics on convertible currency in particular are lacking. According to a figure published in connection with the 1971-1975 plan, the total income from tourism during the five-year period is expected to amount to 626,000,000 foreign exchange leva (equivalent to about 645,000,000 dollars at the present rate). (37) The amount is not very impressive if compared with total foreign trade turnover. Yet the money spent by tourists from the West undoubtedly helps to improve the payments balance. And it should not be forgotten that the number of Bulgarians traveling to the West is very small — hardly more than 50,000 a year (including all business trips) — and that they are given very restricted foreign currency allowances.

The Bulgarian government still hopes for a considerable increase in both the number of foreign tourists and in the hard currency they bring with them. Special programs have recently been outlined for the expansion of mountain resorts and the Black Sea coast, for an increase of convention-type tourism, etc. Leading officials in the field of tourism have also become more aware of the foreign currency that can be earned from the sale of souvenirs and other consumer goods. It has been pointed out that in countries with a developed tourist industry (e.g., Italy), 30 per cent of all income from tourism comes from such purchases, whereas in Bulgaria the figure is only 8 to 12 per cent. (38).

5. Economic Co-operation with the West

Parallel with the slow and rather restricted growth of Bulgarian trade with the West, various kinds of economic co-operation have been attempted over the last 10 years with the hope of achieving more efficient economic relations and overcoming some of the barriers to the growth of foreign trade. In the last few years especially, co-operation has more and more frequently been pointed to by officials and specialists as a promising form of economic relations with noncommunist countries, usually with emphasis on the point that these relations should be "mutually advantageous."

a. Co-operation in Bulgaria

One of the first signs of growing Bulgarian interest in economic co-operation appeared in 1965 and concerned the delicate question of Western investment in production in Bulgaria. As trade with the West was rising and trade controls were loosening, on two different occasions high Bulgarian officials expressed readiness to allow Western firms to co-operate

(36) BTA, 11 January 1973.

(37) Narodna Mladezh, 18 December 1971.

(38) Ivan Vrachev, then first deputy chairman and now chairman of the State Committee on Tourism, in Ikonomicheski Zhivot No. 45, 1 December 1972.

with Bulgarian ones within the country. Vladimir Topencharov, the then ambassador to France, told a press conference in Paris that Bulgaria was "inclined to grant certain facilities to French capital." (39) In the same vein, Todor Zhivkov, receiving a British industrialist and newspaper tycoon, Lord Thomson of Fleet, said that Bulgaria was ready to enter into "joint ventures" with British firms if these would contribute to the country's industrial development. He mentioned as an example the exploitation of manganese ore and also spoke of building hotels along the Black Sea coast. (40)

This expressed willingness to allow foreign involvement in Bulgaria, however, appears to have had limited results. Subsequently there has been considerable talk of joint or coproduction and technological co-operation with Western firms, but much of this appears to involve little more than licensing or Bulgarian purchases of plants and equipment. There have been a few instances of greater Western involvement: agreements on the assembly of Fiat and Renault automobiles, for example, were reached in 1966 and 1967, and an industrial co-operation deal was signed in 1967 between the West German firm of Keller & Knappich and the Bulgarian foreign trade organization Electroimpex for switching the German firm's complete production of portable typewriters to Bulgaria. (41) Some Bulgarian trucks are equipped with Western hydraulic equipment, etc.

In 1971, however, Foreign Trade Minister Ivan Nedev was reported to have said that "Bulgaria is not going to follow the Rumanian example and permit the establishment of joint Bulgarian-Western enterprises in Bulgaria." (42) A similarly negative and even stronger statement was made by a Bulgarian foreign trade official in the US in 1972, when he was reported as having advised Americans "to license technology in Bulgaria rather than try to invest in that country, since joint ventures inside Bulgaria are not allowed." (43)

Such statements appear to set firm limits to Bulgaria's interest in co-operation, but recently a more receptive attitude toward more limited forms of co-operation appears to have been emerging. While reiterating Bulgaria's rejection of equity participation and joint ownership or

(39) Le Monde (Paris), 10 September 1965.

(40) The Sunday Times (London), 19 September 1965.

(41) Otechestven Front, 20 August 1967. A factory was set up in Plovdiv, presumably with the German firm's capital, and it was expected that the debt would be paid off within two years by deliveries of Princess typewriters to Germany. The typewriters produced by the factory for the home market and for export to third countries were called Maritsas. According to more recent information (Geografia No. 9, 1972) it would seem that the factory later ceased to be dependent on co-operation with the West German firm apart from using its licenses; it has also bought a French license to build electric typewriters.

(42) RFE Special/Vienna, 2 July 1971.

(43) Journal of Commerce, 30 November 1972.

management, the Deputy Minister of Foreign Trade recently suggested that the joint construction of complete plants in Bulgaria, with repayment to the Western partner through supplies of the product, and the supply of components by Bulgaria for a joint product were acceptable forms of co-operation. (44)

b. Foreign Licenses

The purchasing of production licenses from the West, which also increased in scale in the mid-1960s, seems to be flourishing. Usually, the purchase of a foreign license includes also the supply of know-how, with specialists from the Western firm concerned coming to Bulgaria to help in setting up production and in instructing Bulgarian specialists. In 1971 the purchase of licenses was stepped up sharply and special regulations were issued on the matter, dealing in detail with the planning, procedures, financing, control, etc., of such purchases. A specialized foreign trade enterprise, Technics, was founded to deal in licenses. (45)

Licenses have sometimes led to the creation of major industrial projects in Bulgaria: the British Perkins engines and the West German Setra buses are cases in point. Recently, however, it has been revealed that Bulgaria has often been making poor use of licenses bought for convertible currency. As one leading specialist put it, it frequently happens that "we take that which is being adopted or is about to be adopted internationally and we buy licenses; but by the time we have adopted them in our practice they have become outdated." (46) Alarming details about the failure to make use of foreign licenses were given by the Bulgarian press in 1972, (47) which led to the issue of an official document supplementing the regulations which provided for economic sanctions for delays and failures in following through the purchase of a license. (48) This is an internal Bulgarian problem of poor organization, however, and one which will probably have a minimal effect on license-buying activity, which is essential to the further development of industry.

c. Mixed Enterprises Abroad

In 1964 Bulgaria began setting up a number of joint stock enterprises in various countries, most of them connected with the engineering industry. Their primary aim has been to help to remove one of the most thorny

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- (44) Conversation with Andrey Lukanov reported by Paul Lendvai, the Financial Times, 16 February 1973.
- (45) Darzhaven Vestnik No. 55, 13 July 1971; and B. Andreev, deputy director of Technics, in the Journal of Commerce, 9 August 1972.
- (46) Nikola Videnov, first deputy chairman of the Committee for Science, Technical Progress, and Higher Education, in Trud, 11 January 1972.
- (47) Ikonomicheski Zhivot No. 2, 5 January 1972, and No. 22, 24 May 1972; see also Bulgarian SR/18, RFER (EERA), 16 June 1972, Item 2.
- (48) Darzhaven Vestnik No. 71, 8 September 1972.

obstacles to the realization of the Bulgarian desire to export more machinery and equipment: the lack of adequate servicing and spare parts to support foreign sales. The first joint companies having primarily a servicing character were set up in 1964 in the Netherlands, Italy, and Greece, to service Bulgarian-made electric trucks, one of the main export items of the Bulgarian engineering industry, while a Bulgarian-Austrian company was reported in 1966 to be assembling electric trucks in Austria. (In some developing countries, there are joint companies whose main function is assembly work.) (49) By 1969 Bulgarian foreign trade enterprises were reported to be participating in trade and production companies in 20 countries, mainly in Europe, and some of these companies were reportedly also active in transportation, tourism, banking operations, and construction work -- the Bulgarian share being 50 per cent in most cases. (50)

It would seem that these joint servicing enterprises have generally developed into marketing rather than assembling organizations, and "promotion of trade" is the objective most frequently mentioned in recent years in this context. Some joint companies are additionally intended to arrange re-exports to third countries -- a form of co-operation in which Bulgaria seems to have been particularly interested of late. In 1970, 34 joint foreign-Bulgarian companies were known to exist abroad (including those in the developing countries) with switch deals and re-export transactions among their functions. (51)

Special regulations on joint ventures of this kind were issued in February 1969. (52) They settle a number of details on Bulgarian participation in such firms, only state and co-operative foreign trade organizations which have been approved by the Council of Ministers being allowed to participate in joint firms abroad. The regulations cover the investigation which has to be undertaken before deciding to set up a joint firm, financial procedures for the provision of capital and the treatment of profits, legal status, etc.

d. Joint Commissions

One of the means adopted in the last few years for promoting economic co-operation with the West is the setting up of joint commissions for economic, scientific-technological, and industrial co-operation with individual countries. The pattern which is obviously being followed is that of the commissions which already exist between Bulgaria and the communist countries, although those are on a higher level and are usually headed by ministers, whereas those with the West are led by lesser officials. At present Bulgaria has joint commissions with 12 West European countries, most of them having been set up on Bulgaria's initiative. (53) They are

(49) Rabotnichesko Delo, 14 March 1965; and BTA, 15 January 1966.

(50) BTA, 25 July 1969.

(51) Journal of Commerce, 7 October 1970.

(52) Darzhaven Vestnik No. 13, 14 February 1969.

(53) Rabotnichesko Delo, 17 February 1973.

not known to have played a major role thus far, but they obviously have the capacity to do so in the future, and the Bulgarians plainly wish to make them more active and influential.

e. Chamber of Commerce and Trade Fairs

The increasing activity of the Bulgarian Chamber of Commerce in the last few years should also be mentioned as one of the factors in promoting not only trade, but economic co-operation -- particularly with the West. Set up in 1952, the chamber did not become really active until after its 10th anniversary. In 1965 it set up a British section which since then has maintained lively contacts with the London Chamber of Commerce. This section was followed by others for Greece, Turkey, and France in 1966, Belgium and Japan in 1967, Sweden in 1968, Holland in 1969, West Germany in 1971, and Italy in 1972.

One of the main tasks of the Chamber of Commerce is to organize Bulgarian participation in international fairs abroad, another of the numerous channels used by Bulgaria to increase economic contacts with foreign countries, mainly the West. Participation increased from 14 fairs in 1960 to 20 in 1972. (54) Moreover, in the last few years Bulgaria has been mounting its own national exhibitions, one of the most important of which was that in Cologne in 1972. In addition to a display of export goods, tourism is promoted at such fairs and national exhibitions.

The Plovdiv international fair is the main event of this kind held on Bulgaria's own soil. About 40 foreign countries show their products and buy local goods at the fair, which was held every second year until 1966; since then it has become an annual event -- another move toward intensifying economic contacts. (55)

6. The Policy of Détente and Economic Co-operation

In official statements and press commentaries, Sofia has assumed the role of an eager supporter of the policy of East-West détente. As on past occasions when the promotion of peaceful relations has been at stake, Bulgaria emphasizes its particular role as a factor for peace in the Balkans, which it feels is inherent in its geographical situation; more than in the past, however, it now seems to have an interest in the whole of Europe and the rest of the world.

Among the numerous favorable comments in the press on recent trends in international and European affairs, there have been some dealing with the economic possibilities opened up by détente. A recent article in Rabotnichesko Delo, headlined "New Realities and New Possibilities," (56) commented on the

(54) Ibid., 6 January 1960; and BTA, 16 December 1971.

(55) For details on the Plovdiv fair, see Bulgarian SR, RFER (EERA), 1 September 1966, Item 2.

(56) 8 March 1973.

improvement of US-Soviet economic relations and drew from it conclusions on East-West economic co-operation in general, arguing that expansion of such co-operation would be advantageous for both sides because of the wider horizons opened up for the East. Another recent article on the same subject (57) pointed out the increasing desire of West European countries "to make use of the advantages that development of economic relations with the socialist countries presents." It emphasized that existing differences of social system are not an obstacle to trade and economic contacts and spoke of the growth of economic and scientific-technological co-operation. It also provided a brief and favorable survey of Bulgaria's various forms of economic co-operation with West European countries.

Bulgaria obviously hopes that new opportunities for economic co-operation will open up through an improvement in the political climate in Europe and throughout the world. Intensified co-operation of this sort is expected to help satisfy some of the needs and solve some of the problems of Bulgaria's economy outlined above.

R.N.
(Bulgarian Unit)

(57) Rabotnichesko Delo, 17 February 1973.