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SHAPING INDUSTRY FROM THE LEFT IN EUROPE

COUNTRY REPORT BULGARIA

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Summary

This study investigates the current state of Bulgarian industry and traces the main lines of thought in national policy debates. The research is positioned within the *longue durée* historical development of the country's industrial relations. The first chapter (Historical Background: The Origins of Industrialization) provides the historical background of Bulgarian industrialization, which happened mostly during the socialist period (1944-1989). The second chapter (Primitive (post)Socialist Accumulation – The Liberalization Reforms) elaborates on the post-1989 neo-liberalization process and the concomitant processes of industrial restructuring and the entrenchment of the peripheral status of the Bulgarian economy. The third chapter (The Social Cost of Austerity and De-Industrialization) turns towards the negative social effects of the transformation of the Bulgarian political economy after the fall of socialism in 1989. The fourth chapter (The Debate about Industrial Renaissance in Bulgaria from the Perspective of Labour) revisits the debates about reindustrialization currently held in the public sphere and outlines their limitations (mainly the fact that neither side has left the perspective of capital). The study concludes reindustrialization policy, which puts labour and its needs first, must be at the heart of any viable industrial development.

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Chapter 1: Historical Background: The Origins of Industrialization

Long after the foundation of the modern Bulgarian state in 1878, out of parts of the Ottoman Empire, the Bulgarian economy remained predominantly pre-industrial. The population consisted mostly of subsistence peasants and surplus extraction was extra-market (e.g. through taxes, debt, political violence and so on). Industry was predominantly artisan and low-scale¹ and small-scale peasant farmers formed about 80% of the Bulgarian population up until the socialist industrialization after WWII, with a million production units comprising 4.3 ha on average². The peasants organized a strong agricultural cooperative movement. They also formed their own political organization – a mass peasant party with a distinct ideology, articulating concurrently anti-militarism, anti-nationalism, left populism and (non-Marxist) anti-capitalism that aimed at alternative modernization based on a post-ethnic peasant Balkan federation.³

The peasants' class, owning its means of (re)production, remained the backbone of Bulgarian society up until the transition to socialism after WWII. Ironically, it was only the socialist-imposed modernization that separated peasants from common ownership of their land, hence dispossessing peasants and transforming them into workers.

Therefore, from the perspective of industrial productivity, Bulgaria remained economically “underdeveloped” up until post-war reconstruction. As part of his classical studies of economic “backwardness”, Gerschenkron asserts that Bulgarian industrialization was impeded due to the low efficiency of agricultural subsistence farming. Industrial growth lacked its agricultural conditions, as “poor, stagnant, and inefficient agriculture could serve neither as an adequate raw-material basis for industry nor as a source of effective and growing demand for industrial products”⁴.

Gerschenkron does not explain the situation by reference to the historical constellations

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1. Daskalov, R. 2005. *Bulgarian Society: 1878-1939, vol.1: State, Politics, Economy*. Sofia: Gutenberg p. 313
 2. Csaki, Cs., Nash, J., Fock, A. and Kray, H. 2000. *Food and Agriculture in Bulgaria: The Challenge of Preparing for EU Accession*. World Bank Technical Paper No.481. Washington, DC: World Bank.
 3. cf. Bell, John D. 1977. *Peasants in Power*. Princeton, NJ: Princeton University Press; cf. Hatzopoulos, P. 2008. *The Balkans Beyond Nationalism and Identity: International Relations and Ideology*. London & New York: I.B. Tauris.
 4. Gerschenkron, A. 1966. Some Aspects of Industrialization in Bulgaria, 1978-1939. In: Gerschenkron, A. (ed.). *Economic Backwardness in Historical Perspective: A Book of Essays*. Cambridge, MA: Harvard University Press, p. 233.

of antagonistic class and political forces, but as an effect of irrationality of governance and “militant nationalism”⁵. This perspective, in fact widely shared, misses the fact that the entrenchment of the small-scale peasant class forced elites to resort to extra-market instruments of surplus appropriation, namely “irrational” militarist nationalism, debt, taxation, as well as corruption, patronage and clientelism⁶. The lack of a process akin to the enclosures in England, famously depicted by Marx in the first volume of *Capital*, meant there was neither stimulus for innovation in labour productivity and surplus value extraction, nor was there mass proletarianisation and commodification of labour, i.e. the needed conditions for high economic growth. Moreover, on the international level, the post-Ottoman Bulgarian state was heavily indebted to Western banks, aggravating its peripheral position.

The country was industrialized after WWII. During the war, Bulgaria sided with the Axis, but in the end of the war, with the support of the Soviets, the pro-German government was overthrown by the Fatherland Front (a wide anti-fascist coalition, dominated by the pro-Soviet communists) on the 9th of September 1944. After the war, there were severe economic problems – high budget deficits, difficulties of the state to regulate illicit markets, growing inflation, loss of international markets (particularly Germany), and so forth. When the communists took over the government in 1944, there were only 91 000 industrial workers.⁷ By 1948, solely 7.9% of the workforce was employed in the industrial sector and about 82.2% was still living from small-scale agricultural production. By 1988 agricultural employment had dropped to 19.3% and the industrial one had risen to 38.0%.⁸

In the immediate post-war years the pro-Soviet communists had to adapt their positions to their coalition partners’. Despite the fact that all the parties in the early pro-Soviet government agreed on the general course to actively support industrialization, they had strong disagreements on the course, the pace, and most importantly on the role of private capital. Between 1944 and 1948, the pro-Soviet communists in the Fatherland

5. Ibid.

6. Crampton, R.J. 1983. *Bulgaria 1878-1978*. Cambridge: Cambridge University Press, pp. 158-169

7. Brunnbauer, Ulf. 2010. “*Socialist Way of Life*”: *Ideology, Society, Family and Politics in Bulgaria (1944-1989)* [“Sotsialisticheskiat nachin na zhivot”: Ideologia, obshtestvo, semeistvo i politika v Bulgaria (1944-1989)], p. 176.

8. Ibid. p. 208.

Front had suppressed internal resistance, including the left opposition⁹, and took on a course, most pronouncedly in the 1950s, for mass industrialization and land collectivization, modelled on Soviet primitive socialist accumulation¹⁰. Violent dispossession of land and forced cooperativisation provided the industrial backbone (in terms of resources and labour power) to the newly built heavy industry. The pro-Soviet communists successfully marginalized the role of private capital and set on a firm course of a state-led mass industrialization¹¹, via central planning mechanisms, but also by nationalizing banks and industry. The focus was on heavy industry, and state support (and control) of the cooperative movement. In fact, before the nationalization campaign from 1947 only 6.1% of the industry was state-owned.¹²

At the 5th Congress of the Bulgarian Communist Party [BCP] in 1948 its leader Georgi Dimitrov famously declared that in 10 to 15 years Bulgaria has to reach what other nations had achieved in centuries. The Soviet-backed forced industrialization and land collectivization were pointed out as the main mechanisms for achieving the rapid socialist modernization project. In 1948 alone, 28 economic treaties were signed between Bulgaria and the Soviet Union, and Soviet economic experts were sent to the country. Bulgaria was also integrated in the Council for Mutual Economic Assistance (Comecon) when it was founded in 1949. From 1949 until 1953, 88% of Bulgarian trade turnover was within Comecon. The first 5-year plan was adopted in 1949 and reflected

9. Bell, John D. 1997. *Peasants in Power: Alexander Stamboliski and the Bulgarian Agrarian National Union, 1899-1923*. Princeton: Princeton University Press.

10. The Soviet economist Yevgeni Preobrazhensky, in the 1920s during the New Economic Policy (NEP) period in the Soviet Union, dubbed "primitive socialist accumulation" the idea was that successful socialist modernisation required the appropriation of "peasant surpluses" by the state to feed industrial development. The implementation of "primitive socialist accumulation" meant the abandonment of NEP with the especially violent collectivisation campaign of the 1930s, and the "elimination of the kulaks as a class" (cf. Fitzpatrick, S. 1994. *Stalin's Peasants: Resistance and Survival in the Russian Village after Collectivization*. Oxford: Oxford University Press.). In Bulgaria it was imposed in the 1950s and even though the harshest atrocities (e.g. mass famines) never occurred, collectivization was accompanied with violence and political persecutions, giving rise to various peasants resistances (see Gruev, M. 2009. *Collectivization and social change in Bulgarian Northwest (40's 50's of the XX century)* [Preorani Slogove. Kolektivizatsia i sotsialna promiana v Bulgarskia Severozapad 40-te i 50-te godini na XX vek].Sofia: Ciela.).

11. Clearly this reflects a wider trend, shared both in East and West, in the post-War economic policy and the general disillusionment with unregulated markets, a classic expression of that disillusionment would be Karl Polanyi's *The Great Transformation* published in 1944.

12. Brunnbauer, Ulf. 2010. "Socialist Way of Life": *Ideology, Society, Family and Politics in Bulgaria (1944-1989)* ["Socialisticheskiat nachin na zhivot": ideologia, obshestvo, semejstvo i politika v Bulgaria (1944-1989)], p. 176; cf. Baeva, Iskra, Evgenia Kalinova. 2006. *Bulgarian Transitions 1939-2005*, pp. 81-86.

the forced industrialization line, focusing on heavy industry, the energy sector, metallurgy, mechanical engineering, along with a strong push towards land collectivization.¹³

Collectivization of land had already started in 1945, but its peak was between 1950 and 1953. It was an attempt to emulate the Soviet *kolkhoz* model of highly centralized collectivist agricultural production. At the end of the 1950s, about 90% of the arable land was collectivized in over 3000 state-led cooperatives (of 1200 ha on average).

It is important to understand central planning was not an all-powerful “totalitarian” control imposed on all levels of society without any contradictions, tension, resistance, etc. The centralization trend, embedded in planning, led to what Janos Kornai calls “shortage economy”. Within his model of the socialist economy, shortages are accumulated in not only consumer goods, but also production resources and labour power, etc. That is to say, market realization of production was not the main concern for industrial management, but it was rather securing steady access to means of production. This explains why industrial management sought vertical integration, or that they tended to accumulate means of production (labour power and production materials) for which shortages existed.¹⁴ From the perspective of industrial management, planning was “inefficient” both due to the party-imposed central plan as well as in terms of labour productivity. The party-imposed plan was concerned with the production of use values seen from the generalized perspective of the five year plan, and the necessity to maintain full employment meant managerial difficulties in disciplining labour.

In other words, shortages were produced not only from the perspective of the means of reproduction of labour power (consumption), but also as deficits of means of production from the perspective of capital. This is not to say that the socialist economy is the only one to produce deficits. The difference is that via the price mechanism, the liberal economy depoliticizes deficits (they are naturalized and thus appear as individual misfortune). If in the socialist economy deficits are mediated collectively, via informal (re)distribution networks (gift economies, favours, etc.), in the liberal economy the

13. Baeva, Iskra and Evgenia Kalinova. 2006. *Bulgarian Transitions 1939-2005* [Bulgarskite prehodi 1939 - 2005]. Sofia: Paradigma, pp. 101-104.

14. cf. Verdery, Katherine. 1996. *What Was Socialism, and What Comes Next?*. Princeton: PUP; cf. *Socialist Way of Life”: Ideology, Society, Family and Politics in Bulgaria (1944-1989)*.

market is superimposed as a mediator of deficits. Deficits remain individualized by credit, which simultaneously posits the individual consumer as solely responsible for the fulfilment of their needs.

What is fundamental here is that the socialist economy was not the “organic system” as it is often presented as, i.e. within the strict “shortage economy” model. Instead, various logics operated within the field – political planners, industrial management and the working class all had different, sometimes even antagonistic positions.¹⁵ From the 1960s onwards, along with destalinization, there was a shift towards consumer industry and market liberalization reforms. Along with the development of light industries, there was a turn from extensive to intensive growth model, focusing on “efficiency”. BCP also made a number of concessions to the managers: planning and economic liberalization reforms were imposed, and more autonomy was granted to industrial management. For example, wage rates were tied to profits and productivity. This new system was implemented by ⅔ of the companies by 1967.¹⁶ There was also a transition towards intensive growth from the 1960s onwards, that is to say production was reorganized in terms of productivity per resource unit, with the idea to boost “efficiency”.¹⁷

Initially, the implementation of market mechanisms within central planning had positive effects in terms of productivity growth. But in post-Bretton Woods and the 1970s’ crises generally, Bulgaria had its USD reserves devalued and was pushed into a severe debt crisis. It was resolved by re-exporting oil to global markets, bought below international prices from the Soviets. Another attempt to escape dependency was the development of high tech IT industry in the 1980s. Global pressures, stemming from growing foreign debt, furthered the push for economic liberalization, and moreover stimulated the integration of the Bulgarian economy into Western markets (in order to accumulate the needed USD for debt repayment).¹⁸

15. cf. Lebowitz, Michael. 2012. *The Contradictions of "Real Socialism": The Conductor and the Conducted*. New York: Monthly Review Press.

16. Baeva, Iskra and Evgenia Kalinova. 2006. *Bulgarian Transitions 1939-2005*, pp. 152-153.

17. Todorova, Maria. 2010. *Bulgaria, the Balkans, the World: Ideas, Processes, Events* [Bulgaria, balkanite, svetat : idei, procesi, sabitalia]. Sofia: Prosveta, p. 320.

18. Baeva, Iskra and Evgenia Kalinova. 2006. *Bulgarian Transitions 1939-2005*, pp. 155-160.

Overall, this process of transition towards a kind of market socialism also meant the integration of an incipient liberal managerial-technocratic logic within BCP that attempted to split planning from concerns over hitherto prevailing use-value social production. The antagonisms between the use-value and “efficiency” concerns could be observed in many political debates during late socialism.

Chapter 2: Primitive (post)Socialist Accumulation: Liberalization Reforms, Industrial Transformation and Austerity

The liberalization reforms after the 1960s consolidated the class of socialist industrial managers. From their perspective, central planning, coupled with the party's rationality of production of use-values, was limiting as it disregarded "efficiency". It is specifically this class of industrial *nomenklatura*, peculiar class of "red" managers and technocrats, who initiated *coup d'état* within the party in 1989. They pushed for a course towards transition to capitalism and liberal democracy, backed by the international elite of democratization experts around the World Bank, imposing Washington Consensus-style policies from the 1990s onwards.¹⁹

Their project was challenged (unsuccessfully) from the marginalized hard-line members of BCP, who had already converted to nationalism by 1989. The nationalist hardliners tried to instigate ethnic conflict in order to regain authority in the new conjuncture. The Bulgarian Communist Party, now renamed Bulgarian Socialist Party [BSP], managed to counter their opposition by granting them key positions and thus integrating them within the party. The transformed (ex)communists were also challenged in the 1990s by the newly established liberal anti-communist movement that tended to attack them on their own grounds, that is to say for not being "radical enough" in the implementation of shock therapy "structural reforms". If the ex-communists were trying to impose a kind of a gradualist (neo)liberalization with a "human face", the anti-communists were pushing for the radicalization of BSP's very own line. There were certain progressive strands both within the anti-communists and within the socialist party, but neither strand was able to change the policy course substantially.

A strong factor for the 1990s deindustrialization was the loss of international markets (84% of foreign trade in 1989 was within the Comecon, trade turnover with Russia fell by 90% between 1988 and 1998, from 17 billion USD to 1.2 billion USD. Additionally, in the early 1990s, Bulgaria became severely indebted; thus, in 1994, foreign and internal debt reached 188% of GDP and in 1996 over half of budget spendings went for debt

19. cf. Guilhot, Nicolas. 2005. *The Democracy Makers: Human Rights and the Politics of Global Order*. New York: Columbia University Press.

service²⁰. However, the radical push towards privatization and austerity was also politically motivated, mediated by both internal forces, as well as by the shock therapy conditions of “structural adjustment” loans by international financial institutions.

Despite widespread conviction, particularly shared by liberals, that Bulgaria is still in the economic throngs of Russia, Bulgaria’s current most important trading partner is the EU. As of 2013, Bulgaria’s main export destinations were Germany, Turkey, Italy, Romania, Greece and France. Bulgaria’s 10 most important export trading partners in 2013 were Spain, the Russian Federation, Belgium, China, France, Greece, Romania, Italy, Turkey, and Germany.²¹ Bulgaria imports mostly from the following 10 countries: France, China, Hungary, Spain, Greece, Turkey, Romania, Italy, Germany, and the Russian Federation. (Where turnover with France is the lowest and turnover with Russia the highest, mostly due to the import of petrol.) As of November 2007, Bulgaria’s main export destinations were Turkey (11.5%), Germany 10.5%), Italy (10.3%), Greece (8.9%), Belgium (6.3%), and Romania (4.8%).²²

In terms of share of trade with the common internal market and the euro area (volume and structure), Bulgaria has been running consistent trade deficits with the EU. In 2013, imports stood at 30 billion BGN (or about 15 billion EUR), whereas exports stood at little over 26 billion BGN.²³ Similarly, in 2012 Bulgaria exported 24 billion BGN worth of goods and imported 29 billion BGN, with a resulting trade deficit of 5 billion (4 billion in 2013). In 2014, Bulgaria exported nearly 25 billion BGN worth of goods and imported 29 billion resulting in a 3.7 billion deficit.²⁴

20. Vassilev, Rossen. 2003. *The “Third-Worldization” of a “Second-World” Nation: De-development in Post-Communist Bulgaria*. In: *New Political Science*, Volume 25, Issue 1, pp. 102-4.

21. National Statistical Institute. *Statistical reference book 2014 [Statisticheski spravochnik 2014]*. http://export.government.bg/ianmsp/docs/statistical-reference/2014/07/21/srb_eng_7_2013_2014.pdf. Last accessed March 10, 2015.

22. Investor program for residence and citizenship in Bulgaria. *Trade in Bulgaria*. <http://www.investbulgaria.eu/a/about-bulgaria/economy/trade.html>. Last accessed March 10, 2015.

23. National Statistical Institute. *Exports, imports and trade balance by groupings of countries and main partner countries of Bulgaria in 2012 and 2013*. <http://www.nsi.bg/en/content/7991/main-trade-partners>. Last accessed March 10, 2015.

24. National Statistical Institute. *Exports, imports and trade balance of Bulgaria with non-EU countries by sections of SITC, REV. 4 in January 2014 and 2015*. <http://www.nsi.bg/en/content/7986/sections-standard-international-trade-classification>. Last accessed March 10, 2015.

What follows is a breakdown of figures in terms of import and export.

Export – main trade partners of Bulgaria.²⁵ (in billion BGN)

Country	2010	2011	2012	2013
Germany	3.2	4.6	4.1	5.3
Turkey	2.6	3.4	3.9	3.9
Italy	2.9	3.4	3.5	3.8
Romania	2.7	3.8	3.3	3.4
Greece	2.5	2.8	2.9	3.0
France	1.2	1.7	1.6	1.8

Export structure.²⁶ (in million BGN)

Product	2010	2011	2012	2013
Manufactured goods classified chiefly by material	7	9.9	9	9.6
Machinery and transport equipment	5	6.7	6.7	7.8
Miscellaneous manufactured products	4.9	5.6	5.5	5.8
Food and live stock	3.2	3.8	4.2	5

25. National Statistical Institute. 2014. *Statistical Reference Book 2014 [Statisticheski spravochnik 2014]*, p. 161.

26. Ibid.

Import – main trade partners of Bulgaria.²⁷ (in million BGN)

Country	2010	2011	2012	2013
Russia	6.1	8.1	10.3	9.4
Germany	4.4	5	5.5	5.4
Italy	2.8	3.3	3.3	3.8
Romania	2.7	3.2	3.2	3.3
Turkey	2	2.1	2.3	3

Import structure.²⁸ (in million BGN)

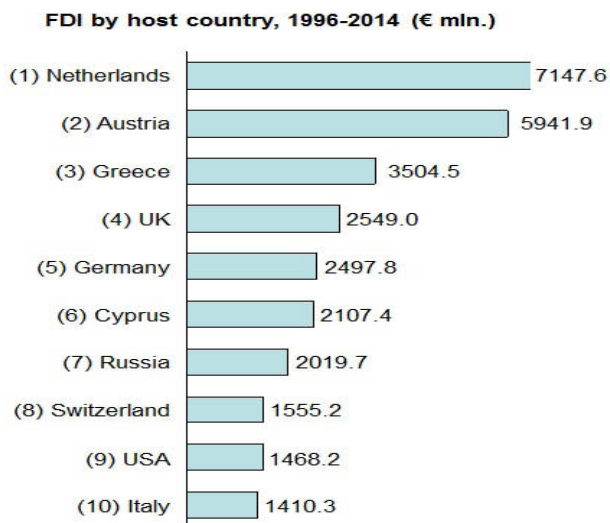
Product	2010	2011	2012	2013
Machinery and transport equipment	8.7	10.5	12	11.9
Mineral fuels, oils, etc.	8.4	10.5	12.4	11.7
Manufactured goods classified by material	6.3	7.7	7.7	8.1
Chemicals and chemical products	4.4	5.2	5.7	6.1

27. National Statistical Institute. 2014. *Statistical Reference Book 2014 [Statisticheski spravochnik 2014]*, p. 163.

28. Ibid.

Once again, despite unshakable liberal fears that Russia is in full control of Bulgaria's economy, Russia does not top the list in terms of FDI either. For example, in 2012 the top ten FDI contributing countries were the Netherlands, Luxembourg, Switzerland, Russia, France, Hungary, Cyprus, Czech Republic, Turkey and Italy.²⁹ According to the Bulgarian National Bank, Russia occupies the seventh position in terms of FDI by host country for the 1996-2014 period:

FDI by host country, 1996-2014 (in million EUR):³⁰



Meanwhile, FDI inflows from *offshore jurisdictions* substantial enough to attract the attention of the national bank have also made inroads to Bulgaria, according to the Bulgarian National Bank.³¹

29. KPMG. *Investment in Bulgaria*. <https://www.kpmg.com/BG/en/IssuesAndInsights/ArticlesPublications/Brochures/Documents/2013-Investment-in-Bulgaria-web.pdf>. Last accessed March 8, 2015.

30. Invest Bulgaria Agency. *Economic Structure*. <http://investbg.government.bg/en/pages/economic-structure-111.html>. Last accessed March 10, 2015.

31. BNB. *Direct investment*. http://www.bnb.bg/bnbweb/groups/public/documents/bnb_publication/201408_s_fdi_pub_en.pdf. Last accessed March 9, 2015.

Here is the breakdown of the National Statistical Institute³² of FDI for 2013 by economic sectors (in billion EUR):

Economic activity groupings – 2013			
TOTAL		23.4	
Agriculture, forestry and fishing	0.128	Wholesale and retail trade, repair of motor vehicles and motorcycles	3.8
Mining and quarrying	0.741	Transportation and storage	0.343
Food products, beverages and tobacco products	0.935	Accommodation and Food service activities	0.681
Textiles, apparel, leather and related products	0.262	Publishing, audio-visual and broadcasting activities	0.047
Wood and paper products, and printing	0.257	Telecommunications	1.9
Chemicals	0.502	IT and other information services	0.191
Pharmaceuticals	N/A	Real estate	3.32
Rubber and plastics products, and other non-metallic mineral products	1	Legal, accounting, management, architecture and engineering and similar activities	0.841
Basic metals and fabricated metal products, except machinery	0.895	Scientific research and development	0.048
Computer, electronic and optical products	0.118	Other professional, scientific and technical activities	0.5
Electrical equipment	0.246	Administrative and support service activities	0.3
Machinery and equipment n.e.c.	0.330	Education	0.005
Manufacture of transport equipment	0.188	Human health services	0.007
Manufacture of furniture and repair;	0.106	Residential care and social work activities	0.0006
Electricity, gas, steam and air-conditioning supply	2.7	Arts, entertainment and recreation	0.008
Water supply, sewerage, waste management and remediation	0.177	Other services	0.023
Construction	0.929		

As the table makes it painfully clear, real estate bubbles absorb a disproportionate amount of money compared to socially valuable activities such as education, research and development, social work and the arts. FDI in real estate is slightly less than that in manufacturing (3.3 billion and 3.7 billion, respectively, 2013 est.) To illustrate the relative weight of FDI by sector, for 2011, the sectoral breakdown of FDI stock (in per cent of total stock) went to manufacturing – 16.8, construction 7.7, trade 13.3, transport and communications, 12.7, finance 17.7, and real estate 22.1.³³

32. National Statistical Institute. *Foreign direct investments in non-financial enterprises as of 31.12 by economic activity groupings*. <http://www.nsi.bg/en/content/6194/foreign-direct-investments-non-financial-enterprises-3112-economic-activity-groupings>. Last accessed March 10, 2015.

33. Dimitrov, Y. 2012. *Youth Unemployment in Bulgaria*. Sofia: Friedrich Ebert Stiftung. <http://library.fes.de/pdf-files/bueros/sofia/10070.pdf>. Last accessed March 10, 2015.

As the trade and investment figures demonstrate, with the loss of Comecon (and especially the Russian) market, Bulgaria has propelled itself away from its dependent position in the so-called Second world only to reappear in a dependent position in direct competition with the so-called Third world.

2.1. The first structural reforms

The first major liberalization reform was in the agricultural sector and was initiated in the early 1990s. It comprised the dissolution of the capital of the agricultural cooperatives that became known as “the Liquidation.” Machines and buildings were sold, while livestock that could not be sold was simply slaughtered and thrown away. This practically destroyed the capital of the industrial agricultural units and retracted growth in the sector severely. The other side of the agricultural reform was restitution of land ownership to the “original” pre-socialist owners. This was extremely difficult, due to the large number of heirs to the already small-scale tracts of land. Moreover, land restitution did not distribute the land to those who work on it, but to populations that had been separated from it for generations (due to urbanization, industrialization, etc.).³⁴ The combined effect was rapid agricultural deindustrialization and severe land fragmentation. The trend was overturned in the last decade and we are now witnessing a new wave of centralization and industrialization of agriculture, this time led by private investors and the market. The new industrialization is not embedded in any central plan governing the holistic development of agriculture with a focus on the production of jobs and use-values for the population. Instead, the focus is on production of capital intensive cash crops such as corn, grain and rapeseed, mostly for export. Thus, paradoxically, some of the regions with highest economic growth in the sector are simultaneously the poorest in the country, with the highest unemployment.³⁵

34. cf. Begg, R. and Meurs, M. (1998) Writing a new song: Path dependency and state policy in reforming Bulgarian agriculture. In: Szelenyi, I. (1988) *Privatizing the Land. Rural political economy in post-communist societies*. London: Routledge

35. cf. Medarov, Georgi. 2013. *Land Concentration, Land Grabbing and Land Conflicts in Europe: The Case of Boynitsa in Bulgaria*. in Jennifer Franco and Saturnino M. Borras Jr. (eds.) *Land Concentration, Land Grabbing and People's Struggles in Europe*. Amsterdam: TNI

This first liberalization reform bred strong resistance, mostly among rural populations, due to grievances related to agricultural liberalization, mostly the Liquidation. Thus, in 1994 the ex-communists of BSP won the national parliamentary elections on a mandate to tame the more radical liberalization reforms, especially in agriculture, mostly with the support of rural populations. Nevertheless, BSP furthered the course of the “structural reforms,” most infamously in the banking sector.

Just as in the agricultural sector, the banking sector liberalization proceeded via redistribution of state-owned banks to private hands. For example, in 1990, 59 new commercial banks were created in the very premises and branches of the state-owned Bulgarian national bank, thus legally “vampirizing” and appropriating national property by converting it into private. The banking reforms already had started during socialism. Until 1981, there were only 3 banks: the Bulgarian National Bank (BNB, which combined money printing and commercial bank activities), the Foreign Trade Bank (which dealt with proceedings from foreign trade) and the National Savings Bank, which acted as a savings bank for the general population. In 1981, however, another commercial bank was created - Mineral Bank, followed by seven other commercial banks, created between 1986 and 1987, which catered to the credit and financial needs of the different sectors of the economy. In 1990, BNB was stripped of its commercial bank functions and the following year the Banking Act granted it autonomy as a national bank.

In 1990, an independent civil society organization called Union of Economically Active Citizens took the decision to establish a private bank, and with the help of the first democratically elected president, Dr. Zhelyu Zhelev, the appropriate legislative acts were passed (such as the abolition of state monopoly over banking) and the bank became a reality. The newly formed bank was called First Private Bank and became the most notorious commercial bank in the recent history of the country. Its initial capital of 10 million BGN was provided by the private shareholders and the state-owned enterprises Korekom and Metalchim. Within the scope of the next two years, many more commercial banks were established, usually with credit from the National Savings Bank, or in some cases by leveraging of state securities presented as capital. By 1995, a sizable portion of the loaned monies, nearing half of the country's GDP, was declared “uncollectible”. The privatization of public money still goes by the name “credit millionaires” - *nouveau riche* who borrowed money and never repaid it, and few of them

have been tried and convicted.³⁶

The rapid process of privatizing public money and the establishment of the new private banks was accompanied by corruption scandals and an escalating financial crisis. The government did not stem the impending economic meltdown and, in 1996, a currency crisis erupted, coupled with hyperinflation, bank runs, banking crisis and bankruptcies, resulting in mass anti-communist protests at the end of 1996 and the beginning of 1997. In order to stem inflation, the government, after much haggling and with the help of the IMF, introduced a currency board and pegged the Bulgarian lev to the Deutsche mark (the peg is still operative, albeit to the euro).

The currency board

The currency board installed a regime of a permanent internal devaluation, as opposed to the more “standard” liberal mechanism of currency devaluation. Internal devaluation is the restoration of competitiveness via austerity, reduction of labour costs, welfare cuts in a situation where market and/or political instruments to control currency rates in order to curb negative trade imbalances is forfeited for the purposes of maintaining “sound money.” The board guarantees exchange-rate stability within a regime of free capital mobility and internal “adjustment” via falling wages, rise of unemployment (if needed), austerity, and “flexibilization” of labour. Additionally, the currency board undermines the country’s capacity to develop independent industrial policies for its exports. Despite the fact that the austerity regime was installed about 17 years ago, it did not lead out of economic underdevelopment and was in fact instrumental for the post-socialist “primitive” accumulation by dispossession and the reorientation of the economy towards low value-added production, as demonstrated by the rising importance of the extractive industries.

The introduction of the currency board further reduces, along with the autonomy of the central bank, state control over national currency exchange rate. For governments that have forfeited currency, devaluation remains the option of internal devaluation: falling wages, austerity and cuts. However, building a competitive export sector cannot rely

36. Mediapool. 09.04.2010. *How were Bulgarian Banks Founded?* <http://www.mediapool.bg/kak-byaha-sazdadeni-balgarskite-banki-news163965.html>. Last accessed March 10, 2015.

solely on internal devaluation as its long-term depressive effects over the economy have been repeatedly demonstrated by leading economic experts. Currency devaluation will be needed for boosting foreign demand for Bulgarian goods, but this cannot be a viable option so long as the country (and the EU) remains within the trappings of the ideology of “sound money.” Therefore, one of the first steps to be taken for the cultivation of an export-oriented sector within the Bulgarian economy will be the abandonment of the currency peg that makes Bulgaria a *de facto* member of the Eurozone, albeit without voting rights in it (not that those matter, as the Greek case has shown).

2.2. Primitive post socialist accumulation

Bulgaria embarked on privatization of its economy as early as 1992 when Parliament first passed the needed legal framework and the State Agency for Privatization was established.³⁷ The early waves of privatization affected industry as well as services and natural commons. Officially, there are two types of privatization: mass and direct (“kasova” in Bulgarian) privatization. There is, however, a third category, which is unacknowledged by the authorities: what is colloquially known as “hidden privatization.” This is privatization only of a segment of a certain company (say commercial or repairs departments). In this way, the newly privatized parts of companies were able to prey on public capital by overcharging the “host” public company for services it cannot seek elsewhere. This, along with loss of international markets, made the companies incur unsustainable debts, forcing the state to embark on selling indebted enterprises that became too costly for the state budget.

The industrial gross value added dropped to 56.9% in 1998, with a base of 100 from 1991, and by 2004 it slowly grew to 81.7% of the 1991 levels. Industrial employment fell by 40% between 1991 and 2004.³⁸

37. Omda. *Mass privatization*. <http://prehod.omda.bg/page.php?!IDMenu=525>. Last accessed March 10, 2015.

38. Cherkezova, St. 2008. *Deindustrialization and Restructuring of Employment in Bulgaria: economic and social effects* [Deindustrializatsia i prestrukturirane na zaetostta v Bulgaria: ikonomicheski i sotsialni posleditsi]. In: Vladimirova, K. *Deindustrialization and Restructuring of Employment in Bulgaria: economic and social effects*, pp. 289-329. cf. Vladimirova, K. 2007 *Restructuring of the economy and social effects. Bulgaria's perspectives in the European economic space* [Prestrukturirane na ikonomikata i sotsialni posleditsi. Perspektivite na Bulgaria v evropeyskoto ikonomicheskoprostranstvo]. Sofia: Shans, p. 271.

In the mid-1990s the government wanted to further the privatization campaign by transferring company ownership to the citizens at large, a process referred to as “mass privatization”. An equal amount of privatization bonds were distributed to citizens, allowing them to participate in the privatization effort. Despite it being presented as a kind of socialization of state capital, it in fact led to a concentration of the bonds in a small number of private investment companies, which managed to buy out the bonds at a price below the value they realized later on. Thus, in the first mass privatization wave between 1993 and 1997, 81 privatization funds and 3 million individual bondholders participated. The former managed to acquire 60 million shares, the latter – even though they were numerically predominant – acquired only 9 million.³⁹ When mass privatization proved “inefficient,” the government pushed for direct privatization.

The National Statistical Institute differentiates between direct privatization of state property and municipal property. Here, we will amalgamate them into a single category for the sake of brevity. According to the National Statistical Institute, in the period between 1993 and 2004, 5,280 privatization procedures were instituted. Of those, 3,034 were for acquiring majority shares and 2,246 for separate parts of companies (warehouses, shops, individual industrial units, etc.).⁴⁰ The highest number of tenders were carried out in 1998 – 1,608. Of these, 877 were for majoritarian shares. In 1999, the tenders diminished to 860. In 2000 there were 285 tenders until they dropped to 65 in 2004. The State Agency for Privatization had started the highest number of tenders (2,119), followed by the Ministry of Economy (1,683 tenders). The Ministry of Forests and Agriculture made 622 tenders; the Ministry of Regional Development 362; Ministry of Transport and Telecommunications 331; and the Ministry of Energy 101. The Ministry of Culture and the Ministry of Health have issued 62 tenders between themselves.⁴¹

The successfully concluded deals between 01.01.1993 and 31.12.2004 amount to 5,186, out of which 2,882 have been over entire enterprises and 2,304 separate parts of companies. Minoritarian packages from privatized enterprises began to be sold after 1993. Sum total of negotiated payments, assumed debts, paid debts, and pledged

39. Omda. *Mass privatization*. <http://prehod.omda.bg/page.php/?IDMenu=525>. Last accessed March 10, 2015.

40. National Statistical Institute. *Privatization in Bulgaria*. <http://www.nsi.bg/sites/default/files/files/publications/New-Private2004.pdf>. Last accessed March 10, 2015.

41. Ibid.

investments is over 14.7 billion BGN or 9.8 billion USD (at a rate of 1.51 BGN for 1 USD).⁴² For the entire duration of the privatization process, the most affected sector of the economy was industry and manufacturing with 1,646 deals in the entire period (1993-2013).⁴³

What follows is a breakdown of the number of deals throughout the years and their effect the state coffers (or the lack thereof!).

The highest amount of deals was concluded in 1999 – 1,211 (or 23.4% of this period) amounting to 4.7 billion BGN or 2.5 billion USD (at a rate of 1.85 BGN for 1 USD. In 2004, there were only 208 deals.⁴⁴ Nevertheless, the revenue, negotiated payments, and the paid debts from them amounted to 2.9 billion BGN. Their direct effect is 2.22 billion BGN.⁴⁵

Most importantly, according to the National Statistical Institute, the highest share of the total effect of privatization is of *negotiated payments* – 49.5%, whereas the smallest share is of paid debts – 0.7%. When we consider the fact that of the several types of payment instruments (for the entire 12-year period) 69.5% is money (followed by payment in obligations - 14%, 3.5% in compensatory bonds, 2.5% in compensation bonds and 2.0% in investment bonds), this means that slightly over a half of the 0.7% the state received entered state coffers as liquid money.⁴⁶

For the period from 01.01.1993 until 31.01.2004, there were 5,186 privatization deals. In the industrial sector there were 1,625 deals; trade, 1170; agriculture and forests, 618; tourism, 522; construction, 520; transport, 384; energy, 182; culture, 55; healthcare, 52; defense, 47; and others, 11. Of the 2,882 deals over entire enterprise, deals struck after public competition predominate – 1,093 or 37.9%, followed by deals struck after direct negotiations – 1,075 or 37.3%, followed by tenders (22.5%).⁴⁷ In the following section,

42. Ibid.

43. The Privatization and Post-Privatization Control Agency. *Privatization in Bulgaria: January 1, 1993 - December 31, 2013*. http://www.priv.government.bg/upload/diagrams/Po%20otrasli_BG.pdf. Last accessed March 10, 2015.

44. National Statistical Institute. *Privatization in Bulgaria*. <http://www.nsi.bg/sites/default/files/files/publications/New-Private2004.pdf>. Last accessed March 10, 2015.

45. Ibid.

46. Ibid.

47. Ibid.

we zoom into some of the most notorious privatization deals.

2.3. Privatization at fire-sale prices

The right-wing government elected in 1997 on the wave of the anti-communist mass protests used their legitimacy to push for the harshest reforms, this time in the industrial sector. It accelerated the privatization process with the result of over 32% of all privatization deals of state assets being struck in 1997. Some of the deals acquired notoriety. For example, 71% of the capital of the giant metallurgical company Kremikovtsi was sold for 1 (one!) USD in 1999. Kaolin, another high-profile plant, was privatized in 2000 by one of the most influential media owners in the country, who sold it in 2013 to the German firm Quarzwerke.⁴⁸

Established in 1963, Kremikovtsi, located near Sofia, was the largest metallurgical company in Bulgaria. In the 1960s, it used to employ over 30,000 workers. After 1989, the workforce fell dramatically (by half). However, it was still key for the Bulgarian economy as 1/3 of Bulgarian State Railways freight trains were transporting Kremikovtsi's supply and output, and half of the turnover of Bourgas's port was also from Kremikovtsi. In the early 1990s, Kremikovtsi suffered the combined negative effects from both loss of international markets, as well as from "hidden privatization," and started to accumulate huge losses. In 1999, 71% of Kremikovtsi was sold for the symbolic 1 USD to a Bulgarian investor with the promise that the buyer will deal with the plant's debt and will invest 300 million USD in the company, according to the privatization contract. The state had also cancelled 200 million BGN of Kremikovtsi's debt and also injected the company with huge subsidies. Contractual obligations were not observed by the private company and it invested only a fraction of what was initially negotiated (only 50 out of 300 million USD), and started to further accumulate debt. The private investors started delaying salaries for months and stopped covering social security and welfare payments to workers. Health and safety standards were also lowered, and as a result, three people died in 2004. The management and the owners have been at the centre of numerous corruption scandals and have been accused of illegally appropriating Kremikovtsi's

48. investor.bg. 06.06.2013. *Kaolin sold Solar Ventures to Alpha Finance Holding*. <http://www.investor.bg/novini-i-analizi/339/a/kaolin-ad-e-prodalo-solar-venchys-eood-na-alfa-finans-holding-152281/>. Last accessed 10.03.2015.

property and real estate, and some of the management have been sentenced by court. In 2005, Kremikovtzi was resold to Global Steel Holdings Limited, a corporation owned by Pramod Mittal, who is the brother of the Indian steel magnate Lakshmi Mittal. However, many of the previous problems (lack of investment, delayed wages, etc.) persisted. It now employs less than 7,000 workers and its future is still gloomy.⁴⁹ The case of Kremikovtzi is a poignant example of the fate of deals for the privatization of big industrial companies in Bulgaria.

A notorious privatization tragedy also befell “Balkan” – the socialist era national air carrier. It was sold in 1999 for 150,000 USD and promises for 100 million USD worth of investment, which did not materialize. Instead, the new owner, Israeli industrialist Gad Zeevi, bankrupted the company in 2002, fired all pilots and employees and raked in hundreds of millions of dollars by selling Balkan’s aircraft, airport slots and property around the world.⁵⁰ After the bankruptcy, a decade-long arbitrage saga ensued in which the Paris Arbitrage ordered Bulgaria to pay Zeevi 10 million USD, but Bulgarian courts disregarded the decision and the government appealed. Only in 2012 was a resolution found by the Federal Appeal Court of the US when it rejected the counter-appeal of Zeevi.⁵¹

2.4. Privatizing services and natural commons

When the large industrial plants were privatized, particularly during and after the 2001-2005 government, led by the exiled heir of the pre-socialist Bulgarian monarchy Simeon Saxe-Coburg-Gotha, there was a push for the privatization of public services, utilities as well as natural commons. The state telecom and national electric grid were privatized towards the end of the term of this government (2004). Various New Public Management mechanisms for the introduction of the market logic within the operation of public institutions have also been more pronounced after the mid-2000s. The most

49. cf. vesti.bg. 06.02.2008. *Kremikovtzi's history*. <http://www.vesti.bg/novini/istoriata-na-kremikovci-dezha-viu-1157710>. Last accessed March 10, 2015.

50. Bozhanov, I. *Balkan Sold at a Midnight Meeting*. <http://www.temaneews.com/index.php?p=tema&iid=168&aid=4412>. Last accessed March 10, 2015.

51. Capital. 10.12.2012. *Bulgaria wins the Lawsuit against Gad Zeevi*. http://www.capital.bg/politika_i_ikonomika/bulgaria/2012/12/10/1965429_bulgariia_specheli_sudebniia_spor_s_gad_zeevi/. Last accessed March 10, 2015.

notable case was the imposition of competition between public schools by a BSP-led “centre-left” (but practically neoliberal) government, in 2007, when the government broke a powerful teachers’ strike. The current rightist government coalition (2014-) is trying to also enable private schools to compete for public money with a voucher-financing scheme. Still more radical than new public management (and all varieties of public-private partnerships) is the latest push to privatize the state in the form of e-government. E-government is currently coming with at least 10% of state administrative workers being shed off in the name of bringing the state in line with latest tech developments, streamlined budgets and cost-efficiency. A cost-efficient state, however, will be less efficient for citizens who will get to shoulder themselves the tasks bureaucrats used to do, with the attendant bloated expenditure of time and effort to navigate the waters of government regulations and requirements.

In the 2000s, more and more privatization deals were pushed as concessions and/or public-private partnerships, especially on a municipal level, and attempts to regulate them on a national level legally were made only recently.⁵² In 2014, 47 out of 48 concessions were for the provision of services at the municipal level. In 2013, there were 28 deals, 27 of which were for the provision of services on a municipal level.

Concessions have been the major instrument for the enclosure of commons.⁵³ Beaches have been at the heart of many social tensions, largely due to an unregulated increase of the paid area of the beach at the expense of people using the free area of the beach.⁵⁴ Important for the industrial development of Bulgaria is the rise of concessions in the mining sector (discussed below).

52. Ministry of Finance of the Republic of Bulgaria. *Public-private partnerships*. <http://www.minfin.bg/bg/page/523>. Last accessed March 10, 2015.

53. cf.. Dolenc, D., et al. 2013. *The Struggle for the Commons in the Balkans*. In: Bibić, V., Andrea Milat, Srećko Horvat and Igor Štikš (eds.) *The Balkan Forum: Situations, Struggles, Strategies*. Zagreb: Bijeli val Organization.

54. OFFNews. 07.08.2012. *In September it is going to be clear which beach concessions will survive*. http://offnews.bg/news/%D0%91%D1%8A%D0%BB%D0%B3%D0%B0%D1%80%D0%B8%D1%8F_1/%D0%A1%D0%B5%D0%BF%D1%82%D0%B5%D0%BC%D0%B2%D1%80%D0%B8-%D1%89%D0%B5-%D0%B5-%D1%8F%D1%81%D0%BD%D0%BE-%D0%BA%D0%BE%D0%B8-%D0%BA%D0%BE%D0%BD%D1%86%D0%B5%D1%81%D0%B8%D0%B8-%D0%BD%D0%B0-%D0%BF%D0%BB%D0%B0%D0%B6%D0%BE%D0%B2%D0%B5-%D1%89%D0%B5-%D0%BE%D1%86%D0%B5%D0%BB%D0%B5%D1%8F%D1%82_88048.html. Last accessed March 10, 2015.

2.5. Supply-side industrialization

There are sectors of the economy that had been able to recover from the destructive 1990s policies of deindustrialization, privatization, radical liberalization, austerity and the loss of international markets. The direction of the industrial and more generally the economic (under-)development of Bulgaria, however, pushed the country into a peripheral position within transnational surplus extraction networks. Therefore, despite the fact there are areas of economic growth, this did not necessarily have a positive effect for the working class, but have been developed only with the needs of capital and investors in sight (that's why we have entitled this section "supply-side" industrialization). The successful areas of economic development are, on the one hand, low-skilled and low-value added industries such as garments, the extractive industry, and, on the other hand, high-skill, "highly-mobile" and "flexible" outsourced IT services and "creative industries" (such as customer support in call centres, software development, design, etc).

In the last few years, extractive industries enjoyed very high growth and investment rates. According to a recent study⁵⁵ on mining in the Rhodope mountain region in Bulgaria, there is a new "mining renaissance" due to rising international prices of metals. The new mining projects have also profited from the introduction of new capital-intensive technologies (such as cyanide gold extraction). The planned investment for the two largest mining projects (gold in Krumovgrad and tungsten in Velingrad) are 200 million EUR and a dozen new mines are being negotiated for 500 million EUR of pledged investment. The 1990s deindustrialization affected mining regions severely, with mines and processing factories employing 2,700 people, which was only 20% of the level of the big mining plant GORUBSO in 1989. Low employment rates are also an effect of the environmentally unsustainable and high-risk (e.g. open mines), but economically highly efficient new "innovative" technologies. Even though the new mining projects in the Rhodope region have enjoyed high economic yields (in 2012 the profitability coefficient of companies' sales was 0.12, and for some it even reached 0.3), wages tend to be low (around 400 EUR/month), given the harsh work conditions.

Furthermore, after privatization, miners largely lost their social benefits, labour

55. Sabev, Dimitar and Ruslan Yordanov. 2014. *Social Economy of the Rhodope Mountains Mining Industry*. Sofia: Friedrich Ebert Stiftung. <http://www.fes.bg/?cid=79&NewsId=1188>. Last accessed March 10, 2015.

conditions worsened, regular health checks are not done and safety standards suffer as well. Environmental norms are also bypassed by the investors. Low health and safety standards lead to industrial incidents, sometimes with lethal consequences, such as in the 2013 case when four miners lost their lives in the Oranovo coal mine. An additional problem is that the mining companies pay extremely low concession fees (between 1.44% and 5%).⁵⁶

Concession fees that enter state coffers are low, while the state and society are the ones who have to absorb all negative ecological and social effect of mine exploitation such as decreased quality of life, increased exposure to adverse health effects, expenditures to clean polluted areas and so on. There is no logical reason why the state should not exploit its own natural resources for the benefit of wider economic development, instead of allowing the free export of profits from the mines into foreign banks (which the government then would have to ask for loans in order to make up for deficits).

Another sector that has enjoyed growth is the garment industry. According to a recent Clean Clothes Campaign report⁵⁷, there are 100,000 workers with regular contracts and 50,000 more who are working in non-regular conditions without proper contracts, social/employment protection and so forth. This sector is highly feminized as women form 86% of the workforce. The garment industry is comprised mostly of Bulgarian firms (¼) who are subcontracted by large Western corporations. The industry is also an important exporter (¼ of total exports), marketing half its production to Germany and Italy.

It should be noted that the high growth of the ITC, telemarketing, accounting, customer support, design, etc. and the relatively higher wages in the industry comes at the cost of sharpening the labour inequalities within the country (including by placing more pressure on labour to be highly mobile) and those between Bulgaria and its international competition in the outsourcing field. Attracting FDI in outsourced industries have been granted state support and favourable conditions: flat corporate and income tax of 10%,

56. Kanev, Todor. *Whom do natural resources belong?* <http://todorkanev.blogspot.com/2014/05/blog-post.html>. Last accessed March 10, 2015.

57. Clean Clothes Campaign. 2014. *Stitched Up: Poverty wages for garment workers in Eastern Europe and Turkey*. <http://www.cleanclothes.org/livingwage/stitched-up>. Last accessed March 10, 2015.

withholding low minimum wage (currently 184 EUR per month⁵⁸), but also tax cuts, public funding of corporate education, etc.

In 2014, there were more than 20,000 employees working in 20 corporations in the ITC sector with turnover of 1 billion BGN. The sector has doubled its share in the GDP per capita between 2000 and 2011.

58. Eurostat. *Minimum wages*. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00155&plugin=1>. Last accessed March 10, 2015.

As anthropologist Tsvetelina Hristova puts it:

While the general economic and social development of the country is targeted to achieving the image of a developed EU country, outsourcing poses a contradiction. On one hand, it corresponds to the strife for more service and knowledge based economy, while on the other, it places Bulgaria in the company of traditional outsourcing countries from Asia. In the area of outsourcing Bulgaria is competing not so much with other EU countries, but with the booming Asian economies in India, Singapore, China, and Malaysia.⁵⁹

Hristova explains that, ironically, Bulgarian “special assets” lie in its “worst economic positioning in the EU”, forcing the Bulgarian economy into a race to the bottom with low-wage economies in Southeast Asia, similar to the garment industry.⁶⁰ In effect, paradoxically, the development of a super high-skilled ITC sector is premised on the perpetuation and radicalization of Bulgaria’s position in the low-end of the global surplus extraction networks, so as to ensure viable competition with developing countries, while simultaneously taking advantage of the country’s EU membership. Despite the fact that such outsourced digital industries provide relatively high wages and fed reactionary ideologies⁶¹ of the “new middle class” and the “creative industries”, they employ solely a small fraction of the Bulgarian workforce and are permeated with brutal fordist-like forms of labour discipline and tend to offer highly precarious working conditions.

The failure of privatization and economic liberalization to bring about economic prosperity (save for a select few) has given rise to widespread criticism. Very few people in the country claim that the privatization process was beneficial for the majority. On the contrary, nearly all grim theories about “what went wrong” in the transition, including rightist and liberal ones, implicate the process in one way or another of having paved the way to entrenchment of extreme inequalities and injustices that are still plaguing the

59. Hristova, Tsvetelina. 2014. *Outsourcing Destination Bulgaria: New Patterns of Labour Migration and the Rise of Call Centres in Bulgaria*. In: Apostolova, R., Deneva, N., Hristova, T. (eds.) *Situating Migration in Transition: Temporal, Structural and Conceptual Transformations of Migrations. Sketches from Bulgaria*. Sofia: KOI.

60. Ibid.

61. cf. Nikolova, Madlen. 2014. *The Bulgarian “Creative Class” and the Reproduction of Neoliberal Ideology*. www.criticatac.ro/lefteast/cognitive-workers-in-bulgaria/. Last accessed March 10, 2015.

country. What most of such accounts do, however, is treat the Bulgarian socio-economic restructuring in an idealist fashion, as a kind of anomalous “corruption,” an aborted “authentic” liberalization, rather than as a contextually specific crystallization of a wider historical conjuncture, that is to say as “actually existing neoliberalism” to borrow the term coined by Neil Brenner and Nik Theodore.⁶²

62. cf. Brenner, N. and N. Theodore. 2002. *Cities and the geographies of “Actually Existing neoliberalism”*. In: *Antipode*, 33(3), pp. 349-379.

Chapter 3: The Social Cost of Austerity and Deindustrialization

This chapter focuses on the social cost of labour power reproduction in the context of a widespread erosion of the welfare state and the lack of secure employment. The forms of exploitation within the framework of productive consumption of labour power by capital are explored in the next chapter (The Debate about Industrial Renaissance in Bulgaria from the Perspective of Labour).

The combined effects of the economic liberalization and austerity have been a social disaster - skyrocketing inequalities, poverty and social exclusion. Furthermore, austerity was an effective cause of deindustrialization and not an instrument to remedy it. Similar to other post-socialist countries, as the political scientist Rossen Vassilev argues, "the gains of the postwar developmental process have been largely eroded" and in Bulgaria particularly, "unemployment, poverty, growing income disparity, mass emigration, crime and corruption have reached alarming and destabilizing proportions."⁶³ According to him, the "erstwhile glorification of the party-state" was displaced "by anti-state nihilism, resulting in a deepening crisis of all state institutions, the breakdown of state capacity, and general ungovernability."⁶⁴ Vassilev claims the sharp economic decline was followed by a social crisis.⁶⁵ For example, one third of Bulgarians were classified as "poor" in 1993, as opposed to 2% in 1987-8. In 1996, 20% of school-age Bulgarians were found to suffer protein deficiency.⁶⁶

Bulgaria's transition to a neoliberal, austerity state began at least around 1997 (with the introduction of the currency board). In fact, some of the figures by the end of the 1997-2001 government, elected on a mandate to impose mass privatization, austerity, deindustrialization, etc., were significantly worse compared to the current. For instance, Eurostat data shows that in 2001 unemployment was 19.5% and youth unemployment stood at 38.3%. Long-term unemployment (over 12 months) was 12.1%.⁶⁷ Rates that are

63. Vassilev, Rossen. 2003. *The "Third-Worldization" of a "Second-World" Nation: De-development in Post-Communist Bulgaria*. in *New Political Science* Volume 25, Issue 1, 2003, pp. 99-100

64. *Ibid.*, p. 106

65. *Ibid.*, p. 110

66. *Ibid.*

67. Google Public Data (Eurostat based): Unemployment in the EU. <http://www.google.com/publicdata/>

substantially higher compared to the current ones (11.5% and 22.6%, respectively⁶⁸). Nevertheless, the crisis at the end of the 1990s was not faced with any resistance, unlike the situation within various Eurozone states after the implementation of the austerity measures in the last years with the current European debt crisis. Given the early imposition of austerity and internal devaluation regime in Bulgaria vis-a-vis Greece and countries in Western Europe, can we still maintain the viability of the term “periphery”? Is it not Western Europe itself that is currently catching up with the East in terms of austerity, privatization, deregulation and fiscal stability?

The so-called “favourable business climate,” based on austerity, low taxes and low costs of labour, failed to attract FDIs. There was a short peak in 2008, right after flat income and corporate tax of 10% were introduced and Bulgaria became a member of the EU. Since then, FDI flows have been falling and remained considerably below EU average.

Direct investment flows as % of GDP⁶⁹

Year	2006	2007	2008	2009	2010	2011	2012
Bulgaria	0.5	0.7	1.5	-0.2	0.5	0.3	0.7
EU 27	2.7	4.5	3.0	2.8	2.5	3.7	2.0

Bulgaria’s population growth has been negative.⁷⁰ Mortality outflanks birth rate, compounded by intensive outmigration.⁷¹ Emigration is a huge economic factor, though.

[explore?ds=z8o7pt6rd5uqa6_&ctype=l&met_y=unemployment_rate#!ctype=l&strail=false&bcs=d&nselm=h&met_y=unemployment_rate&fdim_y=seasonality:sa&scale_y=lin&ind_y=false&rdim=country_group&idim=country_group:eu:non-eu&idim=country:bg&ifdim=country_group&hl=en_US&dl=en_US&ind=false](http://sofiaglobe.com/2015/03/02/unemployment-in-bulgaria-eu-continues-easing/)

68. Sofia Globe. 02.03.2015. *Unemployment in Bulgaria, EU continues easing*. <http://sofiaglobe.com/2015/03/02/unemployment-in-bulgaria-eu-continues-easing/>. Last accessed March 10, 2015.

69. Eurostat. *Direct investment flows as % of GDP*. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&pcode=tec00046&language=en>. Last accessed March 10, 2015.

70. Eurostat. *Crude rate of population change*. Last accessed March 10, 2015. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00006&plugin=1>

71. Beleva, I. 2008. *Bulgaria: migration flows - problems and policies*. Last accessed March 10, 2015. http://pdf.mutual-learning-employment.net/pdf/CZ08/bulgaria_CZ08.pdf

According to the Bulgarian National Bank's 2014 balance of payment, remittances amounted to around 825 million EUR for the same year,⁷² prompting media reports that claim that Bulgarians working abroad are the biggest investors in the country.⁷³ According to an Open Society report, in 2010 remittances were more than the money European funds provide to the Bulgarian economy.⁷⁴ Money remitted by Bulgarian emigrants is usually spent on food, utilities, healthcare and education, thereby helping individual households navigate the deficits on the macro level in the systems of social security, healthcare, education, concludes the report.

Outmigration has been accompanied by internal migration and centralization of the population. The liquidation of state-owned enterprises after 1989 has resulted in a marked concentration of the Bulgarian population in a few dense urban centres.⁷⁵

A 2013 EC report states Bulgaria is characterized by "alarming poverty levels and increasing social unrest" and that "Bulgaria was the poorest member state in 2011."⁷⁶ The same EC report shows Bulgaria tops the chart for risk of poverty or social exclusion, with half of the population affected. This is over two times the EU average. According to a poll organized by the Bulgarian Open Society Institute in June-July 2014, 69% find the

72. Bulgarian National Bank: *Balance of Payment*. Last accessed March 10, 2015. http://www.bnb.bg/Statistics/StExternalSector/StBalancePayments/StSearchStandard/index.htm?FILTERSANDVALUES=%27FREQ=M;COUNT_AREA=A1;SERIES_DENOM=E%27&pageId=5&series=3495,4261,4218,3798,3867,3277,4179,4082,3702,3310,3473,3266,3556,3166,3505,3379,3960,3186,3938,3706,4095,3613,3197,3230,4247,3610&KEYFAMILY=BOP&TRANSFORMATION=SDMX_TABLE&reportName=%D0%A2%D1%80%D0%B0%D0%BD%D1%81%D1%84%D0%B5%D1%80%D0%B8%20%28%D0%BC%D0%BB%D0%BD.%20%D0%B5%D0%B2%D1%80%D0%BE%29

73. BNR. 18.03.14. *The Bulgarian Emigrants Are the Biggest Investors in the Country*. <http://bnr.bg/radiobulgaria/post/100357473/balgarskite-emigranti-sa-nai-golemite-investitori-u-nas>. Last accessed March 10, 2015.

74. European Institute. *Open Society: Remittances from Bulgarian Emigrants Are More than Utilized EU-Funds*. <http://old.europe.bg/htmls/page.php?id=31731&category=5>. Last accessed March 10, 2015.

cf. also Open Society Foundation. 2010. *Tendencies in transnational migration of labour power and the freedom of movement: effects on Bulgaria*.

It is important to note that this figure of remittances cannot account for non-banking and informal ways to send money, e.g. through friends, relatives, bus drivers, etc., therefore it is actually even higher. Over a million Bulgarians are living abroad, working especially in Spain and Greece.

75. National Statistic Institute. *Internal migration of the population between towns and villages by sex*. <http://www.nsi.bg/en/content/6693/internal-migration-population-between-towns-and-villages-sex> Last accessed March 10, 2015.

76. EU Employment and Social Situation. Quarterly Review, March 2013.

situation in the country “unbearable”⁷⁷

About 85% of households’ monthly income goes for basic necessities.⁷⁸ This dire social situation proved explosive and mass social protests triggered by high utility bills erupted in early 2013. Many industrial workers were, however, reluctant to join the protests. As anthropologist Dimitra Kofti shows, even though the “protests, especially the ones in February 2013, were about the unbearable market prices, workers did not protest, because, as they said, they had to cope with difficulties in their daily lives, including the unbearable prices”⁷⁹, along with other difficulties such as time poverty, high levels of indebtedness and care labour for relatives. The February protests, nevertheless, managed to briefly shatter the liberal consensus. In order to restore it and to further the austerity regime, liberal elites had to resort to blatant racism and present the anti-social austerity policies as directed against ethnic minorities, particularly targeting Roma.⁸⁰

Even though Bulgaria has avoided some of the worst effects of the current European crisis (unemployment crept up to 12%; but this is half of Greece’s current levels), the economic crisis was surely severely felt. Unemployment started going up steadily after a decade of decrease since 2001 when it hit a peak of 19.5%. In 2007, it had gone down to 5.6% but it almost doubled in 2012 when it was 12.3%.

Unemployment trends in the EU (2000-2014, estimated).⁸¹

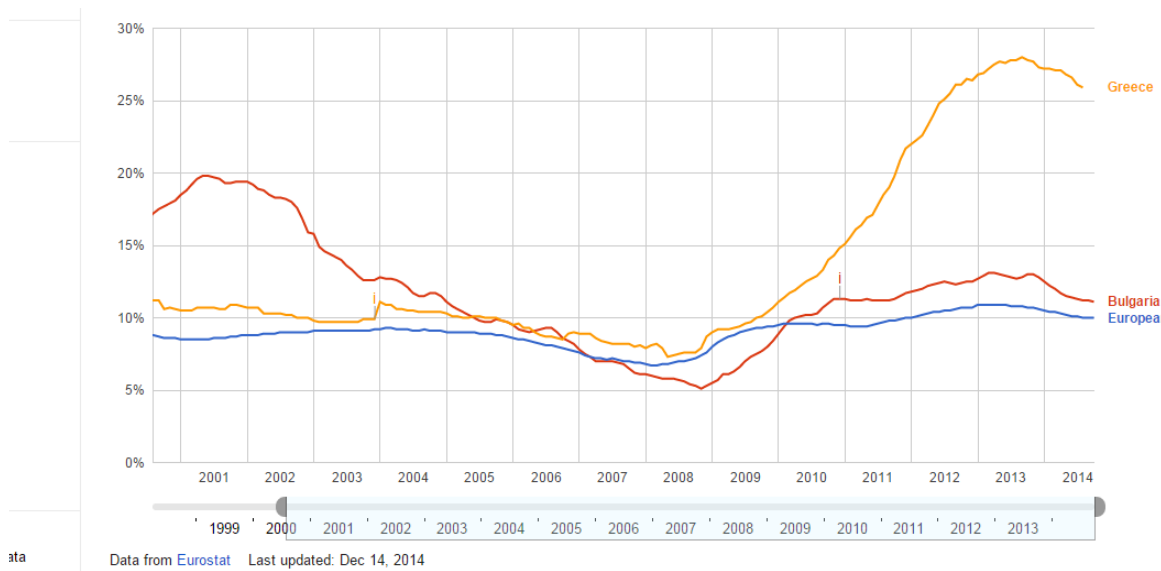
77. Sega. 06.08.2014. $\frac{2}{3}$ of Bulgarians find the situation they are in unbearable. <http://www.segabg.com/article.php?id=711144>. Last accessed March 10, 2015.

78. EU Employment and Social Statistics, Quarterly Review, March 2013.

79. Kofti, D. 2014. *Abstention from the Bulgarian Protests: Indebted Workers and Declining Market Teleology*. In: FocaaBlog, <http://www.focaaBlog.com/2014/11/05/dimitra-kofti-abstention-from-the-bulgarian-protests-indebted-workers-and-declining-market-teleology/#sthash.C9CMBgy4.dpuf>. Last accessed March 10, 2015.

80. Tsoneva, J. 2015. *Bulgaria’s Creeping Apartheid, Part I: Mobilizing Racism to Shrink the Social State*. <http://www.criticatac.ro/lefteast/bulgarias-creeping-apartheid-i-mobilizing-racism-to-shrink-the-social-state/>. Last accessed March 10, 2015.

81. Google Public Data (Eurostat based): Unemployment rate - Seasonally adjusted data. http://www.google.com/publicdata/explore?ds=z8o7pt6rd5uqa6_&ctype=l&strail=false&bcs=d&nselm=h&met_y=unemployment_rate&fdim_y=seasonality:sa&scale_y=lin&ind_y=false&rdim=country_group&idim=country_group:eu:non-eu&idim=country:eu&ifdim=country_group&tstart=966286800000&tend=1413320400000&hl=en_US&dl=en_US&ind=false. Last accessed March 10, 2015.



Bulgaria's youth unemployment grew from 11.9% in 2008 to nearly 30% in 2013. It currently stands at 22.6%.⁸² Long-term unemployment (over 12 months) doubled, from 2.9% in 2008 to 6.3% in 2012.⁸³ Female unemployment was 7.3% of the total workforce in 2007, 5.8% in 2008, 7.1% in 2009, 9.5% in 2010, 10.1% in 2011 and 10.8% in 2012.⁸⁴ The picture of total unemployment is the following: 6.9% in 2007, 5.6% in 2008, 6.9% in 2009, 10.2% in 2010, 11.3% in 2011 and 12.3% in 2012.⁸⁵ In the post-crisis years, women tend to fare a little better off than men concerning finding gainful employment (disregarding the nature of the job and wages). In the crisis years (2007-2009), however, they were affected worse by unemployment than men. So were young women in the crisis years compared to men.⁸⁶ Women predominate as workers in public enterprises:

82. Trading Economics. *Bulgaria Youth Unemployment Rate 2000-2015*. <http://www.tradingeconomics.com/bulgaria/youth-unemployment-rate>. Last accessed March 10, 2015.

83. Trading Economics. *Bulgaria Long Term Unemployment Rate 2000-2015*. <http://www.tradingeconomics.com/bulgaria/long-term-unemployment-rate>. Last accessed March 10, 2015.

84. National Social Security Institute. *Social Indicators by Gender*. http://www.noi.bg/images/en/statistics/Po_Pol_pokazateli_GB.pdf. Last accessed March 10, 2015.

85. Ibid.

86. Dimitrov, Y. 2012. *Youth Unemployment in Bulgaria*. <http://library.fes.de/pdf-files/bueros/sofia/09396.pdf>. Last accessed March 10, 2015.

705,500 in total of which 289,000 are men and 415,900 – women.⁸⁷

In the run-up to the crash of 2008, Bulgaria also experienced a boom in construction and property price bubbles. This led to increased levels of private indebtedness and mortgage loans. The 2008 crash left huge numbers of unsold holiday flats along the Black Sea coast.⁸⁸ When the builders went bust, property prices plummeted (after a double-digit annual growth between 2000-2008, surging to 300%⁸⁹) creating a situation of negative equity for those still in possession of their assets. According to the IMF, one of the most significant reasons behind the large decline in employment since 2008 is the global financial crisis, which hit construction severely and forced overextended construction firms to shed their workforces.⁹⁰

The rise of unemployment has also affected public employees. Their figure fell from 2.3 million in 1990 to 700,000 in 2005, producing a state of permanent anxiety.

Average salary is the lowest in the EU in 2012⁹¹, and in 2015, 8% of the workforce is employed on the minimum wage of 184 EUR per month⁹², marking a 45% increase from 2015.⁹³

87. National Statistical Institute. *Employed and employment rates - national level; statistical regions; districts*. <http://www.nsi.bg/en/content/6500/employed-and-employment-rates-national-level-statistical-regions-districts>. Last accessed March 10, 2015.

88. Financial Times. *Hot or not spots*. <http://www.ft.com/intl/cms/S/2/859f97da-de03-11df-88cc-00144feabdc0.html#axzz3UkW3gycy>. Last accessed March 10, 2015.

89. Global Property Guide. 2014. *Bulgaria's Property Market Recovering Slowly*. <http://www.globalpropertyguide.com/Europe/Bulgaria>. Last accessed March 10, 2015.

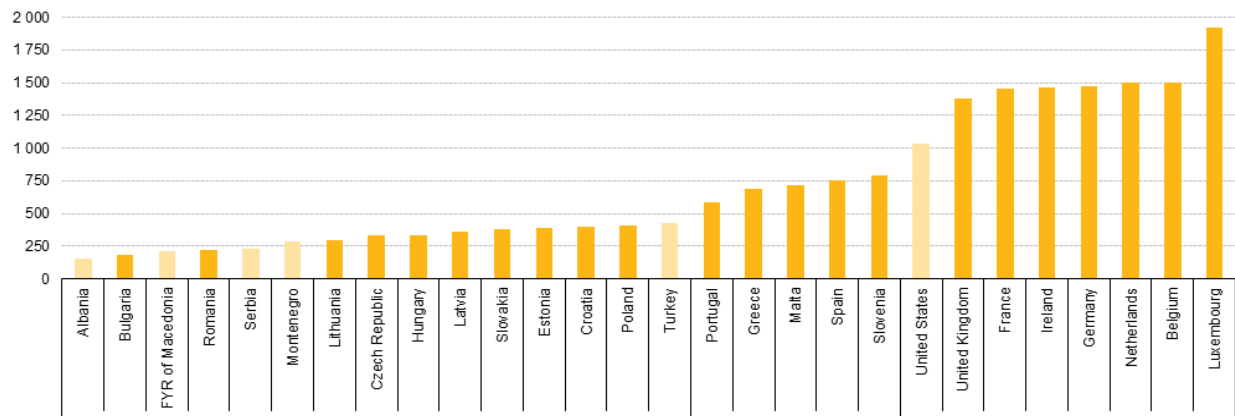
90. IMF Country Report No. 14/24. <http://www.imf.org/external/pubs/ft/scr/2014/cr1424.pdf>. Last accessed March 10, 2015.

91. Eurostat. *Wages and labour costs*. http://ec.europa.eu/eurostat/statistics-explained/index.php/Wages_and_labour_costs. Last accessed March 10, 2015.

92. Eurostat. *Minimum wages*. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tps00155&plugin=1>. Last accessed March 10, 2015.

93. Pariteni.bg. 16.03.2015. *Those receiving minimum wage are 45% more than last year*. <http://www.pariteni.bg/index.phtml?tid=40&oid=124271>. Last accessed March 17, 2015.

Minimum wages as of January 2015 (EUR per month)⁹⁴



Bulgaria has a very high income inequality gap. In 2013, it topped the chart of Gini coefficient of equivalised disposable income in the EU with 35.4 with a 30.5 for the EU 28. In contrast, in 2003, it was 24 for Bulgaria.

Gini coefficient of equivalised disposable income⁹⁵

Year	2006	2007	2008	2009	2010	2011	2012	2013
Bulgaria	31.2	35.3	35.9	33.4	33.2	35.0	33.6	35.4
EU 27	30.3	30.6	30.9	30.5	30.4	30.7	30.4	30.5

Bulgaria is a European “leader”, according to Eurostat, in “severely materially deprived people” with 43% for 2013 and in “inability to make ends meet”, with 32.9% for 2013.

94. Eurostat. *Monthly minimum wages*. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=earn_mw_cur&lang=en. Last accessed March 17, 2015.

95. Eurostat. *Gini coefficient of equivalised disposable income*. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&pcode=tessi190&language=en>. Last accessed March 10, 2015.

Inability to make ends meet⁹⁶

Year	2006	2007	2008	2009	2010	2011	2012	2013
% of Bulgarian population	35.7	33.3	31.1	27.8	29.0	27.8	32.8	32.9
% of total EU 27 population	9.6	9.1	9.7	10.4	10.4	10.1	11.0	12.1

Severely materially deprived people⁹⁷

Year	2006	2007	2008	2009	2010	2011	2012	2013
% of the Bulgarian population	57.7	57.6	41.2	41.9	45.7	43.6	44.1	43.0
% of the total EU 27 population	9.9	9.1	8.5	8.2	8.4	8.8	9.9	9.6

Sociologist Boyan Zahariev from Open Society Institute Bulgaria explains that the figure of materially deprived Bulgarians includes not only the monetary deprived, but also the poor who cannot afford eating meat at least every second day, pay utilities or maintain adequate temperature at home.⁹⁸ Comparing Bulgaria and Romania from 2008 onwards, Zahariev argues that in 2008, 50% of Romania's population is poor vis-a-vis 55% in Bulgaria. In 2011, the poor in Romania were 47.7%, and in Bulgaria 60.1%.⁹⁹ With regards to the number of working poor, Bulgaria ranks among the middle to high incidence of in-work poverty states.¹⁰⁰ Zahariev also points to the phenomenon of people falling under

96. Eurostat. *Inability to make ends meet*. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_mdex09&lang=en. Last accessed March 10, 2015.

97. Eurostat. *Severely materially deprived people*. http://ec.europa.eu/eurostat/tgm/refreshTableAction.do?tab=table&plugin=1&pcode=t2020_53&language=en. Last accessed March 10, 2015.

98. Solidary Bulgaria. *Poverty in Bulgaria is due to monstrous inequality - an interview with Boyan Zahariev*. <http://solidbul.eu/?p=3188>. Last accessed March 10, 2015.

99. Zahariev, B. 2013. *Bulgaria of the poorest and the wealthiest - 6.5 times different*. <http://www.24chasa.bg/Article.asp?ArticleId=1889855>. Last accessed March 10, 2015.

100. COPE. Spannagel, D. *In-work Poverty in Europe - Extent, Structure and Causal Mechanisms*. http://cope-research.eu/wp-content/uploads/2013/03/In-work_Poverty_in_Europe.pdf. Last accessed March 10, 2015; Eurostat. *In-work at-risk-of-poverty rate*. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=tesov110&plugin=1>. Last accessed March 10, 2015.

the poverty line *after* they have paid their taxes. This became a common feature after the “centre-left” government introduced the flat tax in 2007.¹⁰¹

In 2007, Bulgaria introduced a flat tax of 10% and it simultaneously abolished the non-taxable minimum income. The concomitant rise of indirect taxation (such as VAT and excise duties) point straightforwardly to the fact that the political elite (of any party) has been favouring the upper strata of society by forcing the working class to shoulder the burden of taxation. Indirect taxes are not a reliable source of income, especially so during crises when consumption is reduced. Currently, Bulgaria has one of the lowest tax-to-GDP ratios in EU-28: 27.9 % of GDP.¹⁰² It also has one of the lowest rates of *direct* tax-to-GDP ratio – only 5% (as opposed to Denmark, which financed its welfare system with 30.4% in 2012). No sustainable policy for reindustrialization can be embarked on with empty state coffers. Despite rosy predictions, the flat tax has failed consistently in bringing sizeable amounts of foreign investment.

According to the think-tank Centre for the Study of Democracy, Bulgaria also ranks among the countries with highest incidence of energy poverty in Europe. There are several benchmarks measuring energy poverty. According to the one, which establishes a 10% threshold of income going to energy needs per household, in Bulgaria every household is energy poor. Energy poverty can be also measured in terms of ability to maintain adequate temperature at home, especially in winter. By this benchmark, the estimated energy poor households in Bulgaria amount to over 40%.¹⁰³ Until 2008, households’ income was indexed to energy prices and energy poverty was more or less constant. With the outbreak of the crisis incomes stalled, whereas prices continued to increase. In 2012 this led to a nation-wide protest against the price of fuel, in 2013 – against electricity price hikes. Thousands took to the streets while several people self-immolated as part of the 2013 February protests. There has also been a visible trend of “demodernization” of energy consumption: in the winter of 2009-2010, nearly 60% of households used wood to heat their homes, which has had negative impacts on air

101. Zahariev, B. 2013. *Bulgaria of the poorest and the wealthiest - 6.5 times different*.

102. European Commission. *Tax revenue statistics - government revenue from taxes and social contributions*. http://ec.europa.eu/eurostat/statistics-explained/index.php/Tax_revenue_statistics_-_government_revenue_from_taxes_and_social_contributions. Last accessed March 10, 2015.

103. Eurostat. *Inability to keep home adequately warm*. http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=ilc_mdcs01&lang=en. Last accessed March 10, 2015.

quality in cities.¹⁰⁴

Forty percent of Bulgarians use electricity to heat their homes, according to some estimates.¹⁰⁵ Less than 1% heat their homes with gas¹⁰⁶ due to the relatively high price of gas, on the one hand, and the lack of nation-wide central gasification, on the other. The current centre-right government coalition has introduced a national scheme for government-funded insulation in order to make apartment blocks throughout the country more energy efficient. Such moves are unable to make the industrial sector more energy-efficient, which remains the most energy-intensive part of the economy:¹⁰⁷

104. Centre for the Study of Democracy. *Why Electricity Bills in Bulgaria Spoiled the Party?* www.csd.bg/fileSrc.php?id=21221. Last accessed March 10, 2015.

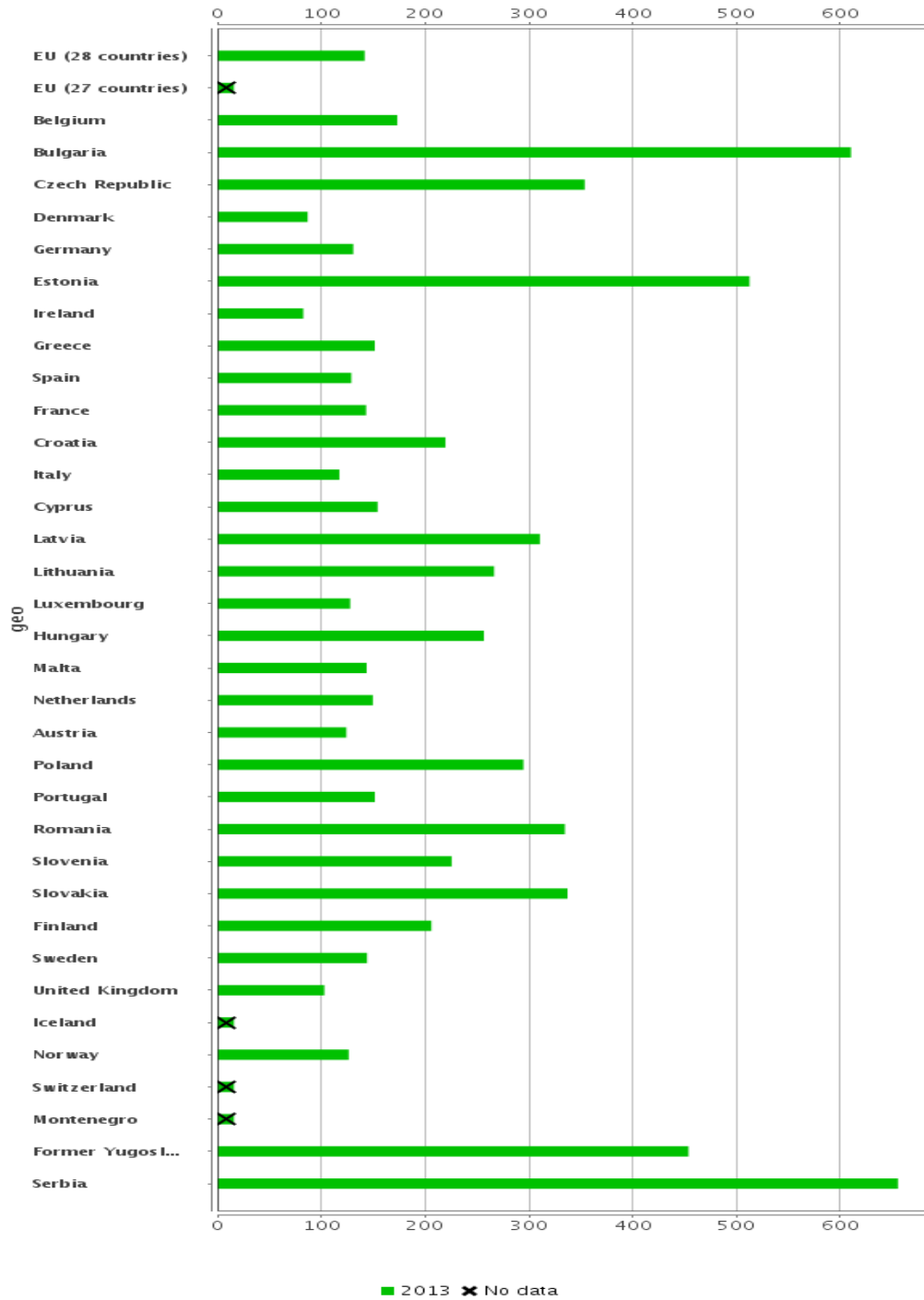
105. For the Earth. *Energy poverty was the cause of the protests.* <http://president.bg/docs/1364558597.pdf>. Last accessed March 10, 2015.

106. Econ.bg. *Less than 20% of homes in Bulgaria have external insulation.* http://econ.bg/%D0%9D%D0%BE%D0%B2%D0%B8%D0%BD%D0%B8/%D0%9F%D0%BE%D0%B4-20-%D0%BE%D1%82-%D0%B1%D1%8A%D0%BB%D0%B3%D0%B0%D1%80%D1%81%D0%BA%D0%B8%D1%82%D0%B5-%D0%B4%D0%BE%D0%BC%D0%BE%D0%B2%D0%B5-%D0%B8%D0%BC%D0%B0%D1%82-%D0%B2%D1%8A%D0%BD%D1%88%D0%BD%D0%B0-%D0%B8%D0%B7%D0%BE%D0%BB%D0%B0%D1%86%D0%B8%D1%8F_I.a_i.431468_at.1.html. Last accessed March 10, 2015.

107. Eurostat. *Energy intensity of the economy.* <http://ec.europa.eu/eurostat/tgm/graph.do?tab=graph&plugin=1&language=en&pcode=tsdec360&toolbox=type>. Last accessed March 10, 2015.

Energy intensity of the economy

Gross inland consumption of energy divided by GDP (kg of oil equivalent per 1 000 EUR)



Food banks have risen in importance dramatically in recent years. In 2015, an estimated 250,000 Bulgarians will receive food donated by the EU.¹⁰⁸ Bulgaria has been a recipient of EU food donations for several years now.¹⁰⁹

Welfare transfers in Bulgaria are far from existence-securing. Bulgaria, along with Romania, has the lowest ratio of welfare spending per capita in the EU: 30% lower than the EU average. In 2008, Bulgaria had one of the lowest welfare transfers in the EU both in relative and absolute terms. Even when in reception of welfare transfers, the effect is negligible on people at risk of poverty (from 17% to 14%, according to Eurostat).¹¹⁰ When a person loses their job, they are entitled to a one-off payment of 75.8% of the average salary. Then they will receive around 30% of the average salary for up to a year,¹¹¹ on condition that they had paid at least 9 months of social contributions during their last employment.¹¹² We have to acknowledge though, that benefits of 30% of the average salary are still more than what employed in the garments sector receive. The Clean Clothes Campaign country report on Bulgaria, for example, states that an “average salary of a garment worker covers just 21% of a living wage.”¹¹³

Even though regular employment contracts predominate, this does not mean that the contract clauses are observed. Precarity has wedged itself into the heart of the labour contract. The problem with official statistical data and with legal definitions is that they cannot account for all new forms of labour exploitation and precarious employment situations. According to a joint study by Bulgaria’s two largest labour union confederations, a large proportion of remuneration is received just like in illegal work

108. Frog News. *There is going to be food aid for 250 000 Bulgarians in Autumn.* http://frognews.bg/news_87705/Hranitelni-pomoshti-za-nad-250-000-balgari-shte-ima-prez-esenta/. Last accessed March 10, 2015.

109. Eurostat. *Expenditure on social protection, 2002-12 (% of GDP).* http://ec.europa.eu/eurostat/statistics-explained/index.php/File:Expenditure_on_social_protection,_2002%E2%80%9312_%28%25_of_GDP%29_YB15.png. Last accessed March 20, 2015.

110. Eurostat. *Europe in figures - Eurostat yearbook 2009: Living conditions and welfare.* http://ec.europa.eu/eurostat/en/web/products-statistical-books/-/CH06_2009. Last accessed March 10, 2015.

111. Novinite. 28.11.2012. *Bulgaria Pays Fourth Most Generous Unemployment Benefits - OECD.* <http://www.novinite.com/articles/145542/Bulgaria+Pays+Fourth+Most+Generous+Unemployment+Benefits+-+OECD>. Last accessed March 10, 2015.

112. National Social Security Institute. *Unemployment benefits.* <http://www.noi.bg/en/benefits/benefits/101-unemployment/625-pokso>. Last accessed March 10, 2015.

113. Clean Clothes Campaign. 2014. *Stitched Up: Poverty wages for garment workers in Eastern Europe and Turkey.* <http://www.cleanclothes.org/livingwage/stitched-up>. Last accessed March 20, 2015.

conditions, the so-called “envelope wage” in order for the employer to avoid paying the full amount of social security. In effect, this means that the worker will be eventually eligible for a lower pension once they retire. Thus, “[i]n 2011-2012, 10% of those employed reported that they received higher wages than stated in the contract with their main employer.”¹¹⁴ As can be expected, women predominate in the part-time labour force (2013 est.).¹¹⁵ Flexibilization and transnationalization of labour power, and working class fragmentation, lead to extreme forms of social suffering and, in some cases, to the practical denial of citizens’ rights to highly mobile low-skilled workers.¹¹⁶ This is also evidenced in the mainstreaming of institutional racism in Western Europe, for example, the French program of mass deportation of Bulgarian and Romanian Roma in 2010. Despite the fact that the deported had citizenship formally, they were practically treated as stateless.

Austerity measures forced a number of schools and hospitals to close down. Furthermore, austerity and privatization of public services transferred the responsibility of the reproduction of labour power onto the working class. The rollback of the welfare state, along with transnationalization and flexibilization of the working class, leads to what Bulgarian anthropologist Neda Deneva depicts as “a move from welfare to kinfare, in which kin reciprocity substitutes the state support.”¹¹⁷ Such processes pave the way to “return” to patriarchal personal dependencies (the concrete numerical expression thereof were mentioned in the discussion about remittances), “re-traditionalization” and the rise of identitarian and ultra-conservative ideologies as functional responses to current conjuncture.¹¹⁸

114. EurWORK. 06.01.2014. *Precarious work under the spotlight*. <http://eurofound.europa.eu/observatories/eurwork/articles/industrial-relations-other/precarius-work-under-the-spotlight> Last accessed March 10, 2015.

115. National Statistical Institute. *Underemployed and potential additional labour force*. <http://www.nsi.bg/en/content/6491/underemployed-and-potential-additional-labour-force>. Last accessed March 10, 2015.

116. cf. Deneva, Neda. 2014. *Conflicting Meanings and Practices of Work. Bulgarian Roma as Citizens and Migrants*. in Apostolova, R., Deneva, N., Hristova, T. (eds.) *Situating Migration in Transition: Temporal, Structural and Conceptual Transformations of Migrations. Sketches from Bulgaria*. Sofia: KOI.

117. Deneva, Neda. 2012. *Transnational Aging Carers: On Transformation of Kinship and Citizenship in the Context of Migration among Bulgarian Muslims in Spain*. In: *Social Politics*, Volume 19, Number 1, p. 124.

118. cf. Močnik, Rastko. 2010. *Why Ideology Along with Commodity Fetishism?* [Zashto ideologijata nared sas stokovia fetisizam]. In: *Kritika i Humanizam* (34/2010).

Overall, the liberalization of the Bulgarian economy, industrial degradation and the long-term austerity regime had disastrous social effects, produced extreme inequalities, political instability and delegitimation of public authorities. Therefore, the current debate on Industrial Renaissance became central in the Bulgarian public sphere. The problem is that active industrial policy is not understood in a uniform way by different political actors and usually it is not addressed from the perspective of labour. Instead, positive social effects for labour are often presupposed as a trickle-down effect of growth of “innovative” industries. What is also omitted, as explained in the next chapter (The Debate about Industrial Renaissance in Bulgaria from the Perspective of Labour), is that deindustrialization was not a one-directional process. While certainly some industries have collapsed (e.g. metallurgy), others (e.g. mining, garment and IT), particularly recently, have enjoyed high growth. But, as we have demonstrated, this supply-side industrialization has produced little benefits to workers while it has locked the country into a competition with developing South East Asian economies.

Chapter 4: The Debate about Industrial Renaissance in Bulgaria from the Perspective of Labour

The perspective of labour is ignored in the public debate about reindustrialization in Bulgaria. The debate coincided with a political crisis. The centre-right government collapsed in early 2013 after mass anti-austerity protests. The new government that was elected in 2013 was led by the Bulgarian Socialist Party (BSP). After the 1990s, BSP had completely turned neoliberal and introduced some of the most extreme policies, as shown above. In 2014, they tried to step into the wider EU debate on the “Industrial Renaissance”. Leading politicians from BSP argued that “neoliberalism” and “financialization” disregard the need for active industrial policy. However, their concrete proposals were identical with those of the Right.

BSP, for example, consistently called for a closer integration of businesses and universities in order to reorient education towards market demands. This proposition is premised on the idea that high unemployment in Bulgaria is due to public education system not being pro-market enough. Politicians from BSP also proposed the introduction of the so-called “dual education system” combining apprenticeships in a company and vocational education at school. In that respect, their position is identical to that of centre-right affiliated President Plevneliev (an ex-entrepreneur) who has also been actively promoting the dual educational system. Furthermore, BSP also adapted to the neo-Schumpeterian discourse on “investment in innovation”, the “knowledge” economy, and so forth.

BSP, unlike the Right, also promised to develop programs for subsidies (and other kinds of support) for manufacturing. They glorified the perceived entrepreneurial spirit of the “true” Bulgarian captains of industry. This, however, ignores the fact that there is no substantial conflict between the so-called comprador and national bourgeoisie, both in terms of their political organization (for example KRIB, the largest industrial chamber, includes both national and foreign companies) and in terms of forms of exploitation or in the working conditions that are provided.

One of the most ardent supporters of active industrial policy in BSP is Dragomir Stoynev, who is one of the most neoliberal pro-business technocrats in the party. According to BSP’s adversaries from rightist parties, Stoynev is an “A student” in “red

propaganda” and is plotting to nationalize Bulgarian industry.¹¹⁹ If we look at his own words, however, Stoynev could hardly be seen as a socialist. According to Stoynev, the Left does not have any “problem with the rich”. He says that what BSP means by reindustrialization is by no means helping non-profitable enterprises. Instead, Stoynev explains, BSP stands for:

Improving access to funds which is the main challenge SME are facing... we propose to establish a National Collateral Fund, in which private banks can participate... The second pillar [of reindustrialization] will be innovations supported by the National Innovations Fund... The third pillar is human capital. The dual school system and education reform will be the state’s answer to the needs of business and industrialization.¹²⁰

In other words, BSP does not have any intention to question industrial policy driven by supply-side concerns. It is unwilling to consider labour’s needs, support the public sector nor problematize the neoliberal slogans about the “knowledge economy.”

The “family resemblance” with the Right notwithstanding, BSP, unlike the other right-wing parties, had supported large investment projects, such as South Stream and the construction of a Second Nuclear Power Plant (Belene). The Right had resisted both projects out of concerns that they will bring the Bulgarian economy closer to Russia’s. BSP, however, had a more pragmatic stance and rightly pointed to the fact that the Right has no idea how to provide the energy for industrial development. As shown above, currently Bulgaria has the highest level of energy intensity of GDP in the EU.¹²¹

The BSP-led government collapsed in the middle of 2014 due to internal conflicts in the coalition. The new government that was elected in 2014 is a coalition between all rightist parties, from liberal right to far-right. Rightist parties oppose active industrial policy and both the construction of Belene and South Stream. Instead, there has been mounting

119. cf. ClubZ. 31.07.2014. *The Year #Who. Nationalization, Industrialization and Other Nonsense*. http://clubz.bg/6594-godinata_koj_nacionalizacij_industrializacij_i_drugi_gluposti. Last accessed March 10, 2015.

120. BSP Regional Council in Stara Zagora. *Stoynev: No Grounds for the Establishment of a Bulgarian SYRIZA Exist*. <http://www.bsp-obls-starazagora.org/%D1%81%D1%82%D0%BE%D0%B9%D0%BD%D0%B5%D0%B2-%D0%BF%D0%BE%D1%87%D0%B2%D0%B0-%D0%B7%D0%B0-%D1%81%D1%8A%D0%B7%D0%B4%D0%B0%D0%B2%D0%B0%D0%BD%D0%B5-%D0%BD%D0%B0-%D1%81%D0%B8%D1%80%D0%B8%D0%B7%D0%B0-%D1%83/>. Last accessed March 20, 2015.

121. Eurostat. *Energy intensity of the economy*. <http://ec.europa.eu/eurostat/tgm/graph.do?tab=graph&plugin=1&language=en&pcode=tsdec360&toolbox=type>. Last accessed March 20, 2015.

pressure on the government to lift the ban on shale gas fracking for the sake of “national energy independence” from Russia. In terms of the energy needed for industrial development, the liberal-Right called for public funding of energy infrastructure, enabling import of US shale gas. GERB, the largest rightist party, proposed the implementation of a vast state-funded energy efficiency program for insulation of private housing. This might indeed reduce energy poverty, while skirting the thorny issue of prohibitively expensive electricity bills, but will not address the larger issue of high-energy industrial costs.

BSP supported big energy investment projects, but failed to consider workers’ interests related to industrial development. BSP, retaining a pragmatic-technocratic position, presupposes a trickle-down effect, that is to say, welfare as a function of industrial development and GDP growth. There is an urgent need for economic planning, but not every plan is socialist, since they do not always consider workers’ needs.

BSP’s support for reindustrialization was strongly opposed by the Right. Liberal politicians¹²² and activists¹²³ presented it as a “nationalization,” “return to Socialism,” and “post-Communist nostalgia.” A similar position was shared by key neoliberal think-tanks. The Institute for Market Economy (IME), arguably the most influential neoliberal think-tank in Bulgaria, held that BSP also understands reindustrialization as renationalization. IME argued against EC’s vision of Industrial Renaissance, and claimed a better and market-driven reindustrialization would be to get rid of environmental standards.¹²⁴ Mainstream liberal press associates the talk about reindustrialization in Bulgaria with socialism and claims policy-makers need to be careful as the topic can be “hijacked by bureaucracies and populist politicians.”¹²⁵ The liberal right press argues that only high-tech IT industry, “investment in innovation,” infrastructure and not the manufacturing sector or

122. Bulgaria for Citizens Movement. 25.01.2014. *Toma Bikov: The BSP sees reindustrialization as party secretaries placements.* <http://grajdani.bg/?p=5558>. Last accessed March 20, 2015.

123. e.g. Protest Network: *Concretely about Industrialization.* <http://www.protestnamreja.bg/industrialization/>. Last accessed March 20, 2015.

124. IME. *The Yearning: Reindustrialization.* <http://ime.bg/bg/articles/kopnejt-reindustrializaciya/>. Last accessed March 20, 2015.

125. Capital. 20.04.2014. *Debates: For or Against an European Reindustrialization Plan?* http://www.capital.bg/interaktiv/debati/48_za_ili_protiv_evropeiski_plan_za_reindustrializaciia/2285200_za_ili_protiv_evropeiski_plan_za_reindustrializaciia/#pro. Last accessed March 20, 2015.

big energy projects need support. Centre-right politicians¹²⁶ asserted that we need a “knowledge” and not a “chimney” economy. Representatives of industrial chambers maintained businesses should be the leading actor in any plans for active industrial policy as democratic deliberation is “inefficient”.¹²⁷

The Greens and the environmentalist movement in general, were also highly critical of BSP’s plans for active public support for large industrial and energy projects. Inspired by the “Green New Deal”, they have argued for the creation of “green jobs” with public support for private companies that invest in renewables. Despite low electoral support for the Greens, some of their positions enjoy the support of mainstream centre-right parties. What environmentalists overlook is that the proposed “green jobs” are going to be short-term and precarious. More importantly, public support for renewable-energy companies, such as guaranteed high prices, etc., remains blind to the fact that not only they do not provide needed employment, but also render utility prices an explosive social issue.

4.1. The limits of the “knowledge” economy

The liberal Right glorifies the IT industry, a sector that enjoys the highest wage rates (averaging 900 EUR per month in 2014¹²⁸). However, IT employs only a small fraction of the working class, less than 29,000 workers.¹²⁹ In contrast, manufacturing employs over 584,000 people¹³⁰ but their average monthly wage is at least 3 times lower (300 EUR in 2014). The garment industry is one of the top employers with nearly 100,000 workers with regular contracts and 50,000 with irregular¹³¹

126. e.g. the minister of economy and energy from the previous GERB government Delyan Dobrev

127. Deutsche Welle Bulgaria. 24.02.2014. *Reindustrialization the Bulgarian Way*. <http://www.dw.de/%D1%80%D0%B5%D0%B8%D0%BD%D0%B4%D1%83%D1%81%D1%82%D1%80%D0%B8%D0%B0%D0%BB%D0%B8%D0%B7%D0%B0%D1%86%D0%B8%D1%8F-%D0%BF%D0%BE-%D0%B1%D1%8A%D0%BB%D0%B3%D0%B0%D1%80%D1%81%D0%BA%D0%B8/a-17452828>. Last accessed March 20, 2015.

128. National Statistical Institute. *Average wage*. <http://www.nsi.bg/en/content/6410/total>. Last accessed March 10, 2015.

129. National Statistical Institute. *Employment - total*. <http://www.nsi.bg/en/content/6426/employment-%E2%80%93-total>. Last accessed March 10, 2015.

130. National Statistical Institute. *Employed and employment rates - national level*. <http://www.nsi.bg/en/content/6500/employed-and-employment-rates-national-level-statistical-regions-districts>. Last accessed March 10, 2015.

131. National Statistical Institute. *Employment - total*. <http://www.nsi.bg/en/content/6426/employment-%E2%80%93-total>

The liberal media, nevertheless, had been praising for months the acquisition of the largest Bulgarian IT company, Telerik, by US-based Progress Software. The Bulgarian company was bought for 262.5 million USD in 2014.¹³² What liberals forget is the IT and communication get among the lowest levels of foreign investment in the “real economy”. Highest levels of both FDI and foreign acquisition of tangible assets have been attracted by mining and manufacturing, and they have been constantly growing. In 2013, 192 million EUR of the total FDI in non-financial enterprises went to IT and other information services, 741 million EUR to mining and quarrying, and about 3.7 billion to manufacturing.¹³³ Foreign acquisition of fixed assets in the extractive and manufacturing industries grew from 5.1 billion BGN in 2010 to 5.9 billion in 2013, whereas the figure for information and communications fell from 733 million BGN in 2010 to 585 million BGN in 2013.¹³⁴ Moreover, FDI in extraction and manufacturing is also rising, accounting for nearly half of the non-financial investment.¹³⁵ FDI in real estate is also particularly high (around 3.3 billion), meaning that the real estate bubbles absorb disproportionate investment flows instead of socially valuable sectors.

[total](#). Last accessed March 10, 2015.; Cf. also Clean Clothes Campaign. 2014. *Stitched Up: Poverty wages for garment workers in Eastern Europe and Turkey*. <http://www.cleanclothes.org/livingwage/stitched-up>. Last accessed March 10, 2015.

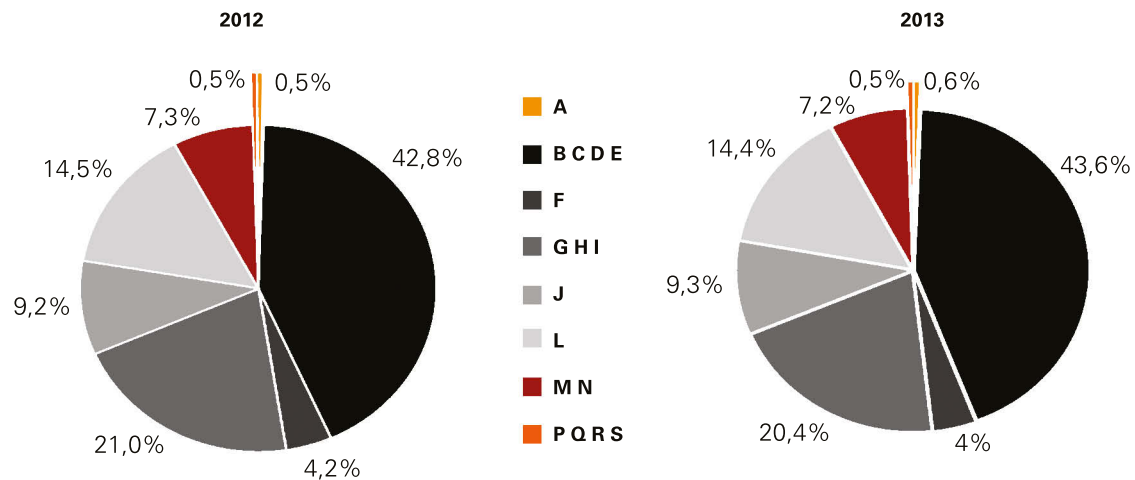
132. Capital. 24.10.2014. *Telerik's Big Hit*. http://www.capital.bg/biznes/kompanii/2014/10/24/2406365_golemiat_udar_na_telerik/. Last accessed March 10, 2015.

133. National Statistical Institute. *Foreign direct investments in non-financial enterprises as of 31.12 by economic activity groupings*. <http://www.nsi.bg/en/content/6194/foreign-direct-investments-non-financial-enterprises-3112-economic-activity-groupings>. Last accessed March 10, 2015.

134. National Statistical Institute. *Foreign direct investments*. http://www.nsi.bg/sites/default/files/files/pressreleases/Investments2013p_68ZK7H8.pdf. Last accessed March 10, 2015.

135. Ibid.

FDI structure in the non-financial sector as of 31.12.2013 (data: Bulgarian National



A (7.3) - Agriculture, forestry and fishing; B, C, D, E (42-3) - Mining, quarrying and other industries; water supply; sewerage, waste management and remediation activities; F (4.2) - Construction; G, H, I (21%) - trade; repair of motor vehicles and motorcycles; transport, storage and mail, hotels and restaurants; J (9.2)- Creation and dissemination of information and creative products; telecommunications; L (14.5) - Real estate; M, N (7.3) - Professional, scientific and technical activities, administrative and support service activities; P, Q, R, S - Other services.

Even with deindustrialization, the industrial sector remains a formidable part of the Bulgarian economy. At the end of the 1990s, industry accounted for 27% of GDP and employed about the same percent of the workforce. The figure remained higher than the EC 2020 goal of 20% and at the end of 2013 it amounted for about 25% of Bulgarian GDP.¹³⁷

136. Ibid.

137. Petkov, Krastyo. 2014. *Reindustrialization labeled "BG": Is it happening?* <http://www.kpetkov.eu/node/532?page=1>. Last accessed March 10, 2015.

4.2. Industrial working conditions

The quality of jobs in manufacturing, both domestic and foreign-owned companies, is questionable. Private sector disregard for safety leads to industrial incidents, often with a fatal outcome. In October 2014, 15 people were killed after an explosion in an arms disposal factory in Northwest Bulgaria. After the incident, it turned out workers had to disarm land mines with obsolete technology, namely hand hammers. Their salaries (of about 120 EUR per month) were paid irregularly and depended on the number of mines workers disarm.¹³⁸

The last decade saw high growth in the extractive industries, such as gold mining. This high growth is in terms of profits and investment, not in jobs: barely 24,000 workers are employed in the sector.¹³⁹ Importantly, the combined effects of low taxes and low concession fees (between 1.44% and 5%¹⁴⁰) make it impossible to raise revenue for welfare spending and social redistribution. As mentioned in the second part of the study, this rise of investment in the extractive industries lead some to talk about a “mining renaissance”. Despite the high growth of the sector, along with disregard of health, safety and environmental standards, wages are still inadequately low (400 EUR) for the severe working conditions and the high risks involved. Moreover, miners also lost their social benefits after privatization, and the working conditions worsened.

After the mining accident in the Oranovo coal mine in 2013, mentioned above, when four miners died, the General Labour Inspectorate conducted mass checks in the Summer of 2013 and found out that 65% of underground miners are working in conditions that do not comply with the standards. The “main factors that did not meet the norms were noise, vibration, microclimate, dust, toxic gases and physical exertion.”¹⁴¹ Also, most mines in the Rhodope region lack proper ventilation systems. There had been a number of lethal accidents in the Rhodope mines as well. Between 2003 and 2014, at

138. Tsoneva, J. and Nikolova, M. 2014. *Work of Mass Destruction*. <http://novilevi.org/nlpenglish/194-jtmn-mass-destruction>. Last accessed March 10, 2015.

139. National Statistical Institute. *Employees Under Labour Contract at the End of the Month by Economic Activities in 2014*. <http://www.nsi.bg/en/content/6426/employment-%E2%80%93-total>. Last accessed March 10, 2015.

140. Kanev, Todor. *Whom do natural resources belong?* <http://todorkanev.blogspot.com/2014/05/blog-post.html>. Last accessed March 10, 2015.

141. Sabev, Dimitar and Ruslan Yordanov. 2014. *Social Economy of the Rhodope Mountains Mining Industry*. Sofia: Friedrich Ebert Stiftung. <http://www.fes.bg/?cid=79&NewsId=1188>. Last accessed March 10, 2015.

least 19 miners had lost their lives.¹⁴² Another negative effect on the working class is the degradation of living conditions caused by environmentally destructive mining practices such as cyanide extraction. This sometimes leads to successful resistance by both environmentalist NGOs and local communities, such as in the case of the big cyanide gold mining project near the town of Krumovgrad (also in the Rhodope region), stopped as a result of a strong local grassroots protest, active for nearly 10 years.

According to the Clean Clothes Campaign country report on Bulgaria¹⁴³, the average salary of a worker in the garment industry (220 EUR) amounts solely to 21% of a minimum living wage. Wages in the industry are “the second lowest compared to other sectors”. The wages in the sector vary from 51 to 340 EUR monthly. The highest monthly rate of 340 EUR is for a regular employee working a staggering 75 hours per week. Irregular home-based worker monthly salaries go up to 307 EUR for a 108 working hours weekly (this means 18 hours per day, six days per week). The same report also claims that the “garment sector is notorious for violations of the law”, leading to severe health degradation and deadly industrial accidents. Lethal incidents are met with utter cynicism by employers. For example, when in 2006 two women died in a shoe factory due to poisonous glue¹⁴⁴, the manager of the Italian company, employing over 1,600 workers in Bulgaria, pledged to offer jobs to their underage daughters once they turn 18.

There is also a constant delay in payment and anti-union policies, which trigger strikes. For example, recently there was a strike in the Japanese-owned factory in the Bulgarian town of Yambol. According to the striking workers’ communique, the working conditions in the plant are substandard, and the large turnover (8,000 workers have quitted their job despite lack of employment prospects in the region) in the past years testifies to this.¹⁴⁵ There are cases in other industries where wages are paid and food stamps are distributed on condition of voting for a peculiar political party.¹⁴⁶ Another problem is also

142. Ibid.

143. cf. Clean Clothes Campaign. 2014. *Stitched Up: Poverty wages for garment workers in Eastern Europe and Turkey*. <http://www.cleanclothes.org/livingwage/stitched-up>. Last accessed March 10, 2015.

144. Sofia Echo. 30.01.2006. *Workplace deaths in Bulgaria cause labour tension*. <http://sofiaecho.com/print.php?storyid=644329>. Last accessed March 10, 2015.

145. Banker. 04.03.2015. *A strike in a Japanese factory in Bulgaria has begun*. <http://www.banker.bg/upravlennie-i-biznes/read/zapochna-stachka-v-iaponski-zavod-u-nas>. Last accessed March 10, 2015.

146. Offnews. *Kovachki’s workers are queueing up for food*. http://offnews.bg/news/%D0%9E%D0%B1%D1%89%D0%B5%D1%81%D1%82%D0%B2%D0%BE_4/

subcontracting of industrial jobs, creating tensions within the working class and contributing to its fragmentation.

[%D0%A0%D0%B0%D0%B1%D0%BE%D1%82%D0%BD%D0%B8%D1%86%D0%B8-%D0%BD%D0%B0-%D0%9A%D0%BE%D0%B2%D0%B0%D1%87%D0%BA%D0%B8-%D0%BD%D0%B0-%D0%BE%D0%BF%D0%B0%D1%88%D0%BA%D0%B8-%D0%B7%D0%B0-%D1%85%D1%80%D0%B0%D0%BD%D0%B0-%D0%B2-%D0%A0%D0%B0%D0%B4%D0%BD%D0%B5%D0%B2%D0%BE-%D0%B8-%D0%A1%D1%82%D0%B0%D1%80%D0%B0-%D0%97%D0%B0%D0%B3%D0%BE%D1%80%D0%B0_342804.html?page_which=0](#). Last accessed March 10, 2015.

Chapter 5: Conclusion

With the loss of Comecon (and especially the Russian) markets, Bulgaria propelled itself away from its dependent position within the so-called Second world, only to reappear in a dependent position in direct competition with developing countries. This process was internally mediated by the domestic constellations of social and political forces, which led to the imposition of austerity measures (especially the currency board introduced in 1997), which were not a remedy to industrial degradation, but instead its effective cause.

Deindustrialization in Bulgaria was not a one-directional process. Some industrial sectors have collapsed (e.g. metallurgy), but others (mining, garment) have enjoyed high growth. We have shown that this new supply-side reindustrialization produced little benefits to workers and it locked the country into a race to the bottom competition with developing South East Asian economies. In other words, the direction of the economic (under-)development of Bulgaria, pushed the country into a peripheral position within transnational surplus extraction networks.

The so-called “creative” industries (IT, outsourced call-centres and customer support, etc.) have also managed to become a central part of the Bulgarian economy. The latter have been praised by political elites as a prime example of the “knowledge” economy, “innovation” and so forth. However, as we have shown, what such mainstream perspective misses is they employ a tiny fraction of the working class in precarious employment conditions.

Austerity did not just cause economic decline. Transferral of the cost for the reproduction of labour power onto the working class produces brutal forms of social suffering, inequalities and, as we have argued, enhances the rise of reactionary ideologies (patriarchal, racist, etc.). These processes were furthered by industrial restructuring, leading to the fragmentation of the working class and thus various kinds of internal tensions.

Overall, the liberalization of the Bulgarian economy, with the concomitant industrial degradation and long-term austerity regime, have had disastrous social effects, produced extreme inequalities and political instability and delegitimated public authorities. This sense of urgency and generalized collapse has placed the current

debate on Industrial Renaissance at the centre of Bulgarian public sphere. Mainstream positions (including social democrats), presuppose positive social gains as a trickle-down effect from economic growth and thus end up adopting a stance for capital-driven industrial policies.

A comprehensive democratic socialist policy proposal has to envisage reindustrialization *not* from the perspective of capital's rate of profit, but from the point of view of use-values for the reproduction of labour power, as well as from the perspective of the concrete forms of surplus value extraction, taking place on the industrial shop floors. Moreover, it has to take into account the current conjuncture that produces more and more "unproductive," from capital's point of view, "surplus" populations. A working class perspective would be able to transcend fetishisation of industrial growth for growth's sake that seems to be shared by both conservatives and mainstream social-democrats.

Additional country data

- GDP for 2014 is 42 billion EUR
- Composition of GDP by sector: agriculture: 6.7% industry: 30.3% services: 63% (2013 est.).¹⁴⁷
- In 2013, the share of imports on GDP was 68.97%¹⁴⁸ and that of exports 68.39%.¹⁴⁹
- According to OECD, 28.8% of Bulgarian workers are employed in the public sector.¹⁵⁰
- According to the National Statistical Institute, the total number of public servants is 228,600 of whom 124,700 are men and 103,900 are women.¹⁵¹
- Corporate tax and income tax are flat and are set at 10%. Minimum wage is not exempt from paying taxes. Social security payable by employer is 17.9 % - 18.5%; and by employee, it is 12.9%. VAT is 20%.¹⁵²
- According to the World Bank, Bulgaria has the largest shadow economy in the EU, making up 33% of the country's GDP.¹⁵³
- Currently inflation in Bulgaria is: -0.9%. In 2008, Bulgaria experienced the highest inflation rate in recent years: nearly 10%. Since then it has been going steadily down, with the exception of a rapid decline in 2009.¹⁵⁴

147. index mundi. *Bulgaria GDP - composition by sector.* http://www.indexmundi.com/bulgaria/gdp_composition_by_sector.html. Last accessed March 10, 2015.

148. Quandl. *Imports as Share of GDP By Country.* <https://www.quandl.com/c/economics/imports-as-share-of-gdp-by-country>. Last accessed March 10, 2015.

149. Quandl. *Exports as Share of GDP By Country.* <https://www.quandl.com/c/economics/exports-as-share-of-gdp-by-country>. Last accessed March 10, 2015.

150. The Economics Blog. 12.07.2013. *Public Employment in Bulgaria.* <http://ikonomika.org/?p=7017>. Last accessed March 10, 2015.

151. NSI. *Employed and employment rates - national level; statistical regions; districts.* <http://www.nsi.bg/en/content/6500/employed-and-employment-rates-national-level-statistical-regions-districts>. Last accessed March 10, 2015.

152. Investor program for residence and citizenship in Bulgaria. *Economic Structure.* <http://investbg.government.bg/en/pages/economic-structure-111.html>. Last accessed March 10, 2015.

153. World Bank. Packard, T., Koettl, J. and Montenegro, C. 2012. *In From the Shadow. Integrating Europe's Informal Labour.* <https://openknowledge.worldbank.org/bitstream/handle/10986/9377/706020PUB0EPI0067902B09780821395493.pdf?sequence=1>. Last accessed March 20, 2015.

154. Trading Economics. *Bulgaria Core Inflation Rate 1997-2015 .* <http://www.tradingeconomics.com/bulgaria/core-inflation-rate>. Last accessed March 20, 2015.

- Bulgarian lev (BGN) is pegged to the EUR in a currency board scheme at a rate of about 1.95 BGN for 1.00 EUR.

Structure of the Bulgarian debt (% of GDP and million EUR)¹⁵⁵

Year	General government gross debt as % of GDP	General government gross debt in million EUR
2007	16.6	5.3
2008	13.3	4.9
2009	14.2	5.1
2010	15.9	5.9
2011	15.7	6.3
2012	18.0	7.4
2013	18.3	7.5

155. Eurostat. *General government gross debt - annual data*. <http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&language=en&pcode=teina225&plugin=1>. Last accessed March 20, 2015.

Public vs. private debt in million BGN¹⁵⁶:

Indicators	2009	2010	2011	2012	2013
Internal government debt	3 009.5	3 934.2	4 808.0	4 981.0	6 289.6
External government debt	6 434.2	6 598.0	6 821.2	8 692.6	7 828.9
Total government debt	9 443.7	10 532.1	11 629.1	13 673.6	14 118.5
GDP	68 322.0	70 511.0	75 308.0	78 089.0	78 115.0
Internal government debt-to-Total government debt ratio	31.9%	37.4%	41.3%	36.4%	44.5%
External government debt-to-Total government debt ratio	68.1%	62.6%	58.7%	63.6%	55.5%

Underemployed part-time workers¹⁵⁷

Sex	Number (thousands)	% of total employed
Total	32.5	1.1
Male	13.4	0.9
Female	19.1	1.4

156. Ministry of Finance. *Actualization of the Government Debt Management Strategy from 2012 to 2014*. www.minfin.bg/document/10963:1. Last accessed March 20, 2015.

157. National Statistical Institute. *Underemployed and potential additional labour force*. <http://www.nsi.bg/en/content/6491/underemployed-and-potential-additional-labour-force>. Last accessed March 20, 2015.

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