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Paving the Way for Bulgaria's Accession to the European Union

Stanimir Alexandrov* Latchezar Petkov†

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Stanimir Alexandrov and Latchezar Petkov

Abstract

This Essay is about Bulgaria's accession to the European Union. Bulgaria seeks closer ties with, and ultimately full membership in the European Union. Economic relations between Bulgaria and the European Union have developed positively. Bulgaria presented its application for membership in 1995. Full membership is a priority for Bulgaria. Bulgaria's accession to the European Union is a matter of time.

ESSAYS

PAVING THE WAY FOR BULGARIA'S ACCESSION TO THE EUROPEAN UNION

*Stanimir Alexandrov & Latchezar Petkov**

The dramatic events in Eastern and Central Europe in 1989 changed the political and economic map of Europe. The Eastern and Central European countries opted to become democracies and free market economies. They also sought closer ties with, and ultimately full membership in, the European Union.[1]

Bulgaria proceeded to normalize its relations with the European Union as early as 1990. The November 1990 Trade and Commercial and Economic Cooperation Agreement[2] first regulated economic relations between the European Union and Bulgaria. In December 1993, an Interim Agreement[3] entered into force, providing for trade liberalization between Bulgaria and the European Union in the interim period before the entry into force of the Association Agreement (the "Europe Agreement" or "Agreement").[4]

The Europe Agreement, entered into force on February 1, 1995 and promotes the expansion of trade and economic relations between Bulgaria and the European Union. In addition to providing for free trade, the Agreement also includes economic

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* Stanimir Alexandrov is Foreign Counsel with the Washington office of Powell, Goldstein, Frazer & Murphy LLP. He previously was Vice Minister of Foreign Affairs of Bulgaria in charge of multilateral relations and relations with the European Union.

Latchezar Petkov is Consul General and Minister Plenipotentiary of Bulgaria in New York. Prior to his post in New York, he served as Deputy Chief of Mission at the Bulgarian Embassy in Washington D.C., as head of the Department for Western Europe and North America at the Ministry of Foreign Affairs in Sofia, Bulgaria, and as Deputy Chief of Mission and Chargé d'Affaires at the Bulgarian Embassy in Malta.

1. Treaty on European Union, Feb. 7, 1992, O.J. C 224/1 (1192), [1992] 1 C.M.L.R. 719, 31 I.L.M. 247 (amending Treaty Establishing the European Economic Community, Mar. 25, 1957, 298 U.N.T.S. 11, 1973 Gr. Brit. T.S. No. 1 (Cmd. 5179-II), *as amended by* Single European Act, O.J. L 169/1 (1987), [1987] 2 C.M.L.R. 741, *in* TREATIES ESTABLISHING THE EUROPEAN COMMUNITIES (EC Off'l Pub. Off. 1987)).

2. Council Decision No. 90/519/EEC, O.J. L 291/8 (1990).

3. Council Decision No. 93/690/EC, O.J. L 323/1 (1993).

4. Council and Commission Decision 94/908/ECSC, EC, Euratom, O.J. L 358/1 (1994).

and technical cooperation, financial assistance, and a political dialogue chapter. Thus, it sets the path for progressive convergence between Bulgaria and the European Union in a wide range of activities. In moving towards the objective of free trade, the European Union has been reducing its tariffs and other import barriers more rapidly than Bulgaria. Bulgaria is in the process of opening its market for EU goods according to a flexible timetable, which reflects Bulgaria's special situation. The Agreement also covers the establishment of companies, access to public procurement, state aid, and competition policy.

The Europe Agreement creates a variety of institutions to facilitate its implementation, notably a ministerial level Association Council supervising the implementation of the Agreement, an Association Committee at the senior civil servant level dealing with the concrete implementation of various Agreement provisions, subcommittees assisting the Association Committee in the implementation of the Agreement in specific areas and sectors, and a Joint Parliamentary Committee consisting of members of the European Parliament and the National Assembly of Bulgaria. The main objective of the Europe Agreement is to prepare Bulgaria for accession to the European Union.

The June 1993 Copenhagen European Council set out the terms of accession for the Central and Eastern European countries.[5] At the time, the European Union confirmed that all associated countries could join the European Union as soon as they fulfilled the economic and political requirements for membership. The membership criteria required the stability of institutions guaranteeing democracy, the rule of law, human rights and respect for protection of minorities, the existence of a functioning market economy, as well as the capacity to cope with competitive pressures and market forces within the European Union, and the ability to take on the obligations of membership, including the adherence to the aims of political, economic and monetary union. In addition, a fourth criterion refers to the European Union's capacity to absorb new members, while maintaining the momentum of European integration.

At its 1994 Essen meeting, the European Council launched its strategy to prepare Bulgaria and the other Central and Eastern European countries for accession. The strategy provided for

5. 26 E.C. BULL., no. 6, at 12-13, Pt. I.13.

a structured relationship, consisting of joint meetings between the associated countries and the European Union. The strategy also covered European Community matters as well as common foreign and security policy and justice and home affairs cooperation, matters falling under the second and third pillars of the European Union.

Several measures decided in Essen were particularly important for Bulgaria. The trade concessions that the European Union granted to Bulgaria had to be aligned with those granted to the Czech Republic, Hungary, Poland, and Slovakia. Because reasons beyond Bulgaria's control delayed the entry into force of the Bulgarian Europe Agreement, the European Union started implementing the concessions granted to Bulgaria significantly later than those granted to the Czech Republic, Hungary, Poland, and Slovakia. Bulgaria insisted on an accelerated schedule that would make up for that delay. In Essen, the European Union decided to comply with Bulgaria's request.

Moreover, the Essen European Council requested that the Commission issue a White Paper on the approximation of legislation of the associated countries with EU law relating to the internal market.[6] The White Paper analyzed the existing laws in the various areas relevant to the internal market and suggested legislative and regulatory acts or measures the associated countries should adopt to harmonize their laws with EU laws. The White Paper sets out the legislation which Bulgaria and the other candidate countries would need to adopt and implement in order to apply the whole body of EU laws, regulations, norms, and standards known as the *acquis communautaire* ("*acquis*"). The White Paper further prioritizes certain elements, known as stage one measures. In response, the Bulgarian government adopted a policy framework for implementing the White Paper's recommendations. The framework provides a comprehensive survey of existing Bulgarian legislation in light of the requirements emanating from the *acquis* and gives a timetable for the process of approximation.

Finally, the Essen meeting promoted intra-regional trade among the Central and Eastern European countries by encour-

6. Commission of the European Communities, White Paper on the Preparation of the associated countries of Central and Eastern Europe for integration into the internal market of the Union, COM (95) 163 Final (May 1995) [hereinafter White Paper]

aging a system of common rules of origin of all associated countries of the region and by supporting the enlargement of the Central European Free Trade Area ("CEFTA") to include Bulgaria and Romania. The European Union agreed with the Bulgarian view that it was important for the associated countries to liberalize trade among themselves and that the enlargement of CEFTA would be a significant step in advancing the preparation of the associated countries for membership in the Union.

Another important goal was the adaptation of the Bulgarian Europe Agreement to take account of the preferential trade arrangements existing between Bulgaria and each of the three new EU Member States, Austria, Finland, and Sweden, which joined the European Union as of January 1, 1995. The changes to the Europe Agreement also counter-balanced the reduction of preferences granted in the Agreement due to EU commitments in the Uruguay Round. Under agreements with Austria, Finland, and Sweden, Bulgaria enjoyed trade concessions which the Europe Agreement did not grant to Bulgaria. It was, therefore, important for the European Union to grant to Bulgaria additional concessions as compensation for the loss of benefits resulting from Austria's, Finland's, and Sweden's accession to the European Union. These issues were successfully resolved in negotiations between Bulgaria and the European Commission.

Economic relations between Bulgaria and the European Union have developed positively over the past six years. EU imports from Bulgaria increased by 260% since 1991 and reached 1.83 billion ECU in 1995. The most important imports from Bulgaria are iron, steel, base metals, textiles, and agricultural and chemical products. EU exports to Bulgaria increased by thirty-seven percent over the same period and reached 2.05 billion ECU in 1995. The exports consisted mostly of machinery and equipment, agricultural products, textiles, and chemicals. Bulgaria's four main EU trading partners are Germany, the United Kingdom, Italy, and Greece.

Furthermore, Bulgaria has been an active recipient of assistance under the Poland and Hungary – Aid for Economic Restructuring[7] ("PHARE") program, the principal assistance tool of the European Union. The total PHARE budget for 1990-1995

7. Council Regulation No. 3906/89, O.J. L 375/11 (1989), *as amended by* Council Regulation No. 1764/93, O.J. L 162/1 (1993).

was 476 million ECU and the allocation for 1996 was 62.5 million ECU. In 1996, Bulgaria became eligible to participate in community programs under the Additional Protocol to the Europe Agreement.

As the next step toward developing relations with the European Union, Bulgaria presented its application for membership on December 14, 1995. By early 1996, all the associated countries from Central and Eastern Europe had submitted their applications for membership. On July 16, 1997, the President of the European Commission, Jacques Santer, presented to the European Parliament an ambitious 1300 page document, Agenda 2000, which contained the Commission's detailed strategy for strengthening and widening the European Union in the early years of the twenty-first Century. Agenda 2000 is a strategy for strengthening growth, competitiveness and employment, for reorganizing key policies, and for extending the Union's borders as far eastward as Ukraine, Belarus, and Moldova. Agenda 2000 makes clear that enlargement would involve substantial extra costs for the current fifteen EU members, despite the costs being spread over an extended period of time. The Commission estimated the total budget needed for enlargement at 75 billion ECU, leading President Santer to call the enlargement a Marshall plan for the countries of Central and Eastern Europe.[8]

At the request of the European Council, the Commission prepared opinions on each membership application. The Commission's task was different from that during the three previous enlargements because it went beyond assessing the candidates' capacity to apply the *acquis.* Because the Copenhagen criteria include broad political and economic judgments, they require the Commission to look ahead and assess the progress candidates could foreseeably make and to anticipate future developments in EU policies. In the area of democracy and the rule of law, the Commission concluded that even though a number of applicant countries, including Bulgaria, still have to make progress in their practice of democracy, only Slovakia fails to meet the required political conditions.

The Commission found that all countries have made good progress in their transition to a market economy and in their

8. European Commission, *Agenda 2000: For a Stronger and Wider Union* (visited Nov. 20, 1997) <http://www.europa.eu.int/comm/agenda 2000/overview/en/agenda.htm>.

ability to withstand competitive pressures and market forces. In general, however, the Commission noted that structural reforms still have a long way to go, especially in the banking, financial, and social security sectors. In the Commission's assessment, Hungary and Poland come closest to meeting the conditions, with the Czech Republic and Slovenia not far behind. Estonia has a market economy but needs to improve its ability to withstand competitive pressure. Slovakia meets this criterion, but cannot be regarded as a functioning market economy. The rest, including Bulgaria, need to make further progress in creating market economies.

Finally, concerning the taking on of membership obligations, the Commission found that the applicants have scarcely begun the task of embodying European Union legislation in their national laws. This is perhaps the most challenging task. While transition periods may be justified in some cases, the European Council and the Commission have ruled out accession after only partial adoption of the *acquis*. In addition, the countries should make sure their administrative and judicial systems have the ability to apply and enforce the *acquis*. In the Commission's view, the main trends in the candidate countries suggest that, with substantial efforts, Hungary, Poland, and the Czech Republic should be able to take on and apply the main part of the *acquis* in the medium term. Slovakia, Estonia, Latvia, Lithuania, and Slovenia will need a considerable and sustained increase in their efforts. Bulgaria and Romania will need more time to be able to take on the obligations of membership.

The Commission thus recommended that accession negotiations start with Hungary, Poland, Estonia, the Czech Republic, and Slovenia. Those countries were judged closest to fulfilling the criteria set forth by the European Council at Copenhagen. Negotiations with them, as well as with Cyprus, whose application the Commission already favorably received, will begin in March 1998. The Commission emphasized that the door remains open to Bulgaria, Romania, Latvia, Lithuania, and Slovakia and that they will be invited into partnerships with the European Union to help speed up their preparation for membership. As President Santer said, ["I]t is not a process of exclusion. On the contrary, it is a process of inclusion that will be pursued permanently."[9] Beginning in late 1998, the Commission must submit an annual report to the European Council on the progress made by the five countries. The Commission will eventually forward a recommendation to the Council that it judges an applicant country to have fulfilled the necessary conditions to enter into accession negotiations.

In its opinion on Bulgaria's application for membership in the European Union, the Commission referred to the decision of the December 1995 Madrid European Council, which stated that the candidate countries must establish conditions necessary for the gradual and harmonious integration into the European Union through the development of market economies, the adjustment of their administrative structures, and the creation of a stable economic and monetary environment. The Commission proceeded to analyze the Bulgarian application on its merits according to the criteria adopted by the European Council in Copenhagen and Madrid, provided a general assessment of the accession request, and made recommendations concerning the strategy for successful accession of Bulgaria to the European Union.

Bulgaria needs to make substantial adjustments in its economic sector and will, therefore, need heavy investment in areas such as environmental protection, transport, energy, industrial restructuring, and agricultural infrastructure in rural society. The measures Bulgaria must take to step up preparations for enlargement must ensure that Bulgaria can incorporate as much of the *acquis* as possible before accession. This will allow negotiations to be based on the principle that the *acquis* will be applied at accession since the European Commission is firmly opposed to allowing countries to secure opt-outs or derogations from policy obligations.

To speed up the preparation and to accelerate the pre-accession period, the Commission recommended a new framework, the Accession Partnership with Bulgaria and the other applicant countries, and a new system of assessing each country's performance. The Accession Partnership will bring together all forms of assistance within a single framework. The assistance will include precise commitments by Bulgaria to democracy, stable micro-economic policies, nuclear safety, and a national program

9. *Id.*

for adopting the *acquis* according to a timetable set by the priorities defined in the Commission's opinion. Moreover, EU financial assistance to Bulgaria will be conditioned on achieving these objectives and progress made. The Accession Partnership will also include a clear work program and timetable. Two priorities will be the strengthening of administrations and institutions and of investment and business infrastructure.

The European Union is also committed to mobilizing to mobilize its resources, including the PHARE program, to help prepare Bulgaria for accession. The European Union and possibly other international financial institutions might also provide new forms of aid. The proposed financial pre-accession assistance from the European Union for the period 2000-2006 to the countries applying for membership will total 21 billion ECU.[10]

Bulgaria will need to make significant progress in several key areas in order to commence its accession negotiations and to meet the requirements for membership. The Commission stated that Bulgaria was not ready to begin accession negotiations for a number of reasons. Bulgaria has no civil service law or regulations, even though the Bulgarian constitution requires such legislation. Moreover, changes at all levels of administration have accompanied government changes. Considerable discretionary power and the lack of clarity in allocating responsibilities and powers among the government agencies engendered corruption. In the EC Commission's view, corruption is a serious problem in Bulgaria. Bulgaria must therefore introduce transparent public administration procedures, particularly with regard to public contracts, and must establish a professional and impartial public service.

Bulgaria's population totals approximately two percent of the EU population, while Bulgaria's economy represents only half a percent of the Union's economy. Bulgaria's gross domestic product ("GDP") per capita approximates twenty-five percent of the EU average. The country's economic transformation is not sufficiently advanced. The external shocks to the economy came from the break up of the COMECON,[11] with which Bulga-

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10. *Picking Up the Enlargement Tab: European Union Plans Budget for 2000-2006*, TRANSITION (The World Bank), Aug. 1997, at 3, 5 [hereinafter TRANSITION].

11. Charter of the Council for Mutual Economic Assistance, Dec. 14, 1959, 368 U.N.T.S. 253 [hereinafter COMECON]. It was decided formally to dissolve COMECON

ria conducted a particularly large share of its foreign trade, and from the Gulf War because Bulgaria had important commercial relations with Iraq. A further external shock came from the disintegration of Yugoslavia and the subsequent embargo on Serbia and Montenegro, which cut Bulgaria's main land transit route to Western markets.

Structural reform has been the weak point of Bulgaria's transition to a market economy. Initial progress in de-monopolization and restructuring of state enterprises stalled in the absence of clear political support. Privatization has been extremely slow. In the enterprise and financial sectors, market disciplines remain largely absent. The Bulgarian government abolished central planning, but did not set up the basic institutions necessary for a market economy. Six years into its transition to a market economy, Bulgaria is still in the early stages of structural reform.

Moreover, with the slow pace of privatization and an unstable political, economic, and legal climate, foreign direct investment has been low. From 1989 to December 1996, cumulative foreign indirect investment amounted to under 400 million ECU, reflecting an annual inflow averaging less than one percent of GDP. Generally, Bulgaria has had significant problems in the financial sector. Imprudent lending, poor supervision, and an absence of fiscal responsibility resulted in mounting losses in this sector and derailed progress toward macro-economic stabilization. The slow pace of structural reform and the inadequate and partial implementation of attempted reforms exacerbated these difficulties. Action to prevent the recurrence of bad debt did not follow the re-capitalization of banks. This created an expectation that the government would ultimately bail out insolvent banks and firms.

Weaknesses in banking supervision and in the relevant legislation contributed to the emergence of private sector banking and enterprise loans problem as well. Gaps in the regulatory framework, ineffective banking supervision, and a certain reluctance to act in isolation of structural measures in other parts of the economy, enabled the Bulgarian National Bank to engage in excessive uncollateralized lending to commercial banks to pre-

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following its 46th session in Budapest on June 28, 1991. MULTILATERAL TREATIES: INDEX & CURRENT STATUS (Supp. 1995).

vent their collapse. This, in turn, contributed to the onset of the exchange rate instability in early 1996 which led to a serious financial crisis and to very high inflation in 1996 and early 1997. The government created a Currency Board in July 1997, thereby significantly restricting the Bulgarian National Bank's authority to conduct discretionary monetary policy. The successful operation of the Currency Board will be a key instrument in restoring economic stability. Finally, Bulgarian capital markets are underdeveloped. The equity market is in an embryonic state and has yet to emerge as an alternative source of financing for the corporate sector.

Delays in its transition to a market economy have made it difficult for Bulgaria to cope with the competitive pressures of the European Union's internal market. The transformation of Bulgaria's centrally planned economy into a market economy able to prosper within the Union will require substantial investment over many years in modernizing the country's productive capacity and physical infrastructure. Furthermore, potential investors continue to face an unfavorable economic and institutional climate: low private and public investment levels have marked Bulgaria's transition. Legislation in some areas, such as tax treatment of foreign investment, has been subject to frequent revision. In addition, Bulgaria's administrative structures will require a concerted and sustained reform effort if there is to be adequate capacity in the medium term to effectively administer the *acquis*.

On the positive side, since abolishing the state monopoly on foreign trade in 1990 and 1991, Bulgaria has maintained a relatively liberal trade regime. There are virtually no quantitative restrictions on trade, other than for health and security reasons. Recently, Bulgaria acceded to the World Trade Organization ("WTO") and is seeking to join CEFTA. In addition to the trade liberalization provisions of the Europe Agreement, Bulgaria also has a free trade agreement with EFTA. There has been a remarkable change in the direction of Bulgaria's trade. Trade with the European Union accounted for as little as five percent of exports and under ten percent of imports in 1990. In 1996, the share of Bulgaria's foreign trade conducted with the European Union had risen to about thirty-five percent.[12]

12. Eurostat, *Statistics in Focus: Bulgaria's Foreign Trade*, External Trade No. 10/97.

	Imports				Exports				Balance	
	1990 million ECU	1996 million ECU	95/ 96%	1996 % share	1990 million ECU	1996 million ECU	95/ 96%	1996 % share	1990 million ECU	1996 million ECU
EU	582.9	1695.6	-7.6	100.0	903.8	1716.3	-16.4	100.0	321.0	20.8
Belgium	22.7	70.2	-23.6	1.1	32.6	58.1	-19.9	3.1	10.0	-11.8
Denmark	4.5	18.7	-9.3	1.1	17.1	23.5	-27.4	1.4	12.6	4.8
Germany	183.6	399.1	-2.0	23.6	389.1	516.5	-23.0	31.8	205.8	117.1
Greece	85.5	287.3	-19.4	16.9	41.7	246.8	-26.8	14.4	-43.8	-40.5
Spain	26.8	112.8	3.0	6.7	11.1	21.3	-0.3	1.1	-12.7	-88.5
France	60.9	118.4	-17.4	7.0	92.1	134.6	-4.3	7.8	31.2	16.2
Ireland	0.5	0.8	-71.5	0.1	3.2	8.0	-10.5	0.5	2.8	7.2
Italy	115.0	408.0	6.0	24.1	198.1	294.4	-8.5	17.2	83.1	-113.5
Netherlands	29.9	75.6	-17.8	1.5	18.5	81.0	-12.9	1.7	18.6	5.1
Austria		44.9	12.3	2.7		98.7	-15.7	5.8		53.8
Portugal	3.1	10.7	-52.1	0.6	1.5	7.1	8.0	0.1	1.1	-3.6
Finland		7.4	-36.2	0.4		-26.6	-30.2	1.6		19.2
Sweden		11.2	5.6	0.8		61.8	113.1	3.8		50.5
UK	50.2	127.2	-9.0	7.5	62.6	101.6	-15.3	5.9	12.3	-25.6

Id.

Data today show the EU has become Bulgaria's biggest trading partner, although there was a slowdown in 1996. Eurostat - Statistical Office of the European Communities in Luxembourg - reports that in 1996, 35% of Bulgarian trade was with the EU. This compares with 30% with Newly-Independent States (NISs) - mainly reflecting the still high level of Russian energy imports - and 9% with other Central and Eastern European countries (CEECs). Eurostat says that, although down in '96, the EU's Bulgarian trade expanded vigorously between 1990 and 1995. Imports and exports rose by an annual average of 25.8% and 17.8% respectively. After a series of big surpluses - 400 million ECU in '93 - the EU balance with Bulgaria approached equilibrium in '96 for first time this decade. The report says Bulgaria's trade with traditional partners, particularly the USSR, collapsed in 1991. Rises in imports and exports at annual rates of 10.8% and 3.5% respectively between '91 and '96 gained only some lost ground. A world trade surplus of 2.2% of GDP at the start of the '90s became a 5.2% deficit by '96. But, adds Eurostat, "the Bulgarian economy remains very much geared to international trade, with imports amounting to 55% and exports 50% of GDP in 1996."

Some key points on EU trade with Bulgaria:

BIG SURPLUS IN MANUFACTURED GOODS

- In 1996 Bulgaria accounted for only 0.3% of EU external trade - lower than all other CEECs except the Baltic States. In total the 12 CEECs had a 9.9% share of EU trade.
- The EU had a '96 deficit of -120 million ECU with Bulgaria in crude materials, but a 110 m surplus in manufactured goods.
- Biggest EU surplus - of 400 m ECU - was in machinery and transport equipment. In '96 it had been 590 m.

FIRST FALL IN IMPORTS

- 1996 saw first fall (-7.6%) in Bulgaria's sales to the EU since trade liberalization
- Almost 80% of EU imports from Bulgaria in '96 were manufactured goods compared with only 58.6% in '90.
- Articles of apparel involved in further processing arrangements represented biggest single item in EU purchases in '96 at 17.8% of total imports.

The process of Bulgaria's accession to the European Union is not a unilateral effort on Bulgaria's part to meet the requirements for EU membership. Joining the European Union today is very different from joining it ten or even five years ago. The European Union has made tremendous progress: it has completed its single market and is embarking on a monetary union. If enlarged by the ten Central and Eastern European applicant countries, the European Union would comprise an economic area of up to 500 million consumers, compared with the current 370 million.[13] The scale of the changes that enlargement will bring about is tremendous. EU average per capita GDP will decrease more than it did following all previous enlargements. The ten applicants from Central and Eastern Europe, with an overall per capita GDP estimated at thirty-two percent of the EU average, lag far behind Greece, Ireland, Portugal, and Spain, whose average per capita GDP stands at seventy-four percent of the EU average.[14] Usually, when countries joined the European Community or the European Union, it was the new Member States, rather than the European Union, that had to change their policies in various areas. With the new accession of the Central and Eastern European countries, the European Union itself will have to change its policies. The European Union, for example, will have to change the common agricultural policy

EXPORTS ALSO DOWN

- Annual rise in EU exports to Bulgaria between 1990 and 1996 - an average 11.3% - was well below the 19.5% recorded for imports. But over the same period EU exports to CEECs as a whole were up by 34.1%.
- EU exports to Bulgaria fell by 16.4% in '96.
- Manufactured goods were 86% of EU sales. Machinery and transport equipment alone accounted for 33.1% of total exports.
- Yarns and fabrics for further processing in the Bulgarian textile sector made up 10.5% of the export total.

GERMANY, ITALY & GREECE TAKE LEAD

- Germany is Bulgaria's main EU trading partner, followed by Italy and Greece. In '96 they accounted for 27.7%, 20.4% and 15.6% respectively of EU transactions.
- Germany's share of EU trade with Bulgaria fell by more than half between '90 and '96 - mainly to the benefit of Italy and Greece.
- Germany and the three new Member States posted surpluses with Bulgaria of 147.1 and 123.5 million ECU respectively in '96. Italy ran the largest deficit at -113.5 m.

Spain had a large deficit -85.1 m in '95 and -88.5 m in '96.

Eurostat, *EU Now Bulgaria's Biggest Trade Partner*, No. 01/98 (Jan. 8, 1998).

13. TRANSITION, *supra* note 10, at 3.

14. *Id.* at 3.

("CAP") to reduce costs and to maintain the commitments made to the other members of the WTO. Agenda 2000 has already set forth some of the necessary changes. Whereas in 1990 the European Union was a major net importer of agricultural products from Eastern Europe, it is now a major net exporter. Even Bulgaria, a traditional agricultural exporter, has agricultural trade deficits with the EU Member States. This is partly a result of protectionist EU policies under the CAP rules, but partly a result of the superior competitiveness of EU agribusiness. This situation will be very unfavorable to Bulgarian agriculture unless Bulgaria negotiates appropriate terms of accession.

The European Union also has to contribute substantially to Bulgaria's economic development and to prepare Bulgaria for membership. The European Union needs to make a number of commitments. Notably, Bulgaria's accession should not turn into a one-sided *diktat* that Bulgaria will have to accept. The relationship must be a partnership that takes account of Bulgaria's interests and aspirations as a future EU member. Bulgaria's accession process involves significantly larger institutional changes than earlier accessions had required. Bulgaria is entitled to a relatively long transition period to achieve these changes and to build up its competitiveness. The EU Member States have a responsibility to assist Bulgaria and the other applicant countries in the accession process. There should be clearly specified proposals for cooperative efforts between existing member states and Bulgaria and other future members, for example, in the fields of transportation, telecommunications, and banking.

The European Union has been taking steps to meet its obligations to Bulgaria and to other applicants for membership. The European Commission has proposed a total of 75 billion ECU, or about ten percent of the EU budget, during the period 2000-2006, to assist the countries applying for membership. As noted above, one of the most sensitive sectors is agriculture.[15] Agricultural expenditure for the applicant countries would include pre-accession aid, beginning in 2000, amounting to some 500 million ECU per year and granted to priority areas, such as modernizing farms, distribution channels, and maintaining food quality control. Other expenditures relate to the new members' agro-environmental action programs, reforestation, and market

15. *Id.*

modernization measures, and will total between 1.5 and 3.3 billion ECU annually from the date of accession.

EU enlargement could increase from 94 million to 200 million the population eligible for assistance aimed at helping regions where GDP per capita is less than seventy-five percent of the EU average.[16] Between 2000 and 2006, the new Member States would receive some 45 billion ECU from the structural and cohesion funds.[17] Priority programs include the trans-European networks, research, education and training, an introduction of environment-friendly technologies, and measures to support small and medium enterprises.

To smooth future members' accession process, the European Union created a new body – the European Conference – in which the fifteen EU member states and the countries aspiring for membership will participate. Bulgaria's participation in the conference will be of utmost importance because it will create opportunities for direct working dialogues with each one of the Member States, and further Bulgaria's relations with them and with the other candidates. The Conference is designed as a multilateral forum for political consultations on issues of general importance. Its objective will be to strengthen bilateral cooperation in the areas of foreign policy, security, and lawmaking, and to assist the countries with specific economic problems. The Conference will have one annual session at the heads of states' level and one annual session at the foreign ministers' level, with the first meeting scheduled to take place in London in March 1998.

The summit of the fifteen EU Member States in Luxembourg in December 1997, sealed the historic decision to begin accession negotiations in March 1998 with the Czech Republic, Estonia, Hungary, Poland, Slovenia, and Cyprus, with the goal to achieve full membership for those countries sometime in the middle of the next decade. Equally significant was the decision of the summit to begin parallel talks with Bulgaria and the four other countries of Central and Eastern Europe on joining the accession negotiations with the first group at a later stage. The Luxembourg meeting confirmed once again that the question for the European Union is not whether Bulgaria will join, but

16. *Id.* at 4.
17. *Id.*

when. The summit brightened Bulgaria's accession prospects, put the European Union's stamp of approval on the important steps Bulgaria made, and clearly stated that the European Union considers Bulgaria a serious partner and a future member.

Full membership in the European Union has been one of Bulgaria's foremost priorities. There has been a remarkable consensus among Bulgarian political parties and institutions that Bulgaria should strive to be a member of the European Union and apply all efforts to achieve this objective as soon as possible. The European Union and its members understand and support Bulgaria's aspirations. It is also worth noting that, while the final goal is of paramount importance, the process leading to it should not be underestimated. In order to meet the criteria for accession, the European Union has encouraged and helped Bulgaria to strengthen its democratic institutions and guarantee the rule of law and human rights, implement the reforms necessary to create a functioning market economy, adopt the legislation and regulations required for achieving those objectives, and significantly improve its economic performance.

Bulgaria's accession to the European Union is indeed a part of a new Marshall plan that will bring considerable political and economic advantages to Bulgaria and to the other countries from Central and Eastern Europe. Bulgaria's accession to the European Union is a matter of time. The speed of Bulgaria's accession to the European Union will largely depend on the speed of the reforms in the country and the extent of its readiness for membership. There is no doubt that Bulgaria is strongly motivated to accede to the European Union as soon as possible.