

Bulgarian government commits itself to more aggressive policy against Moscow

By Markus Salzman
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Following the recent collapse of the Bulgarian Socialist Party (BSP)-led government, Bulgaria will be governed by a transitional cabinet of technocrats until fresh elections on October 5. In line with the demands of the European Union, the new regime is pledged to overcome the consequences of the banking crisis at the expense of its population and—unlike the previous government—to take a tougher stance towards Russia.

The minority government under the non-partisan prime minister Plamen Oresharski had resigned in late July, marking the climax of the country's ongoing political crisis. The BSP and the Party of the Turkish minority (DPS) withdrew their support for the financial expert Oresharski, who had been in office since May 2013. Besides these two parties, the ultra-right party Ataka had also supported the government.

The collapse of the government was directly linked to the banking crisis that had erupted in June with a massive rush of customers withdrawing their savings from the Fibank and the KTB. Although the exact causes for the bank panic are still uncertain, they seemed to be connected to the crisis in the Ukraine and the growing tensions between the EU and Russia, which had sparked severe disputes between different political factions and rival oligarchs in Bulgaria.

Bulgaria, which is a member of both the EU and NATO, traditionally maintains close economic and political relations with Russia. The Oresharski government and the BSP, which is the Communist Party's successor, cultivated good relations to Moscow and rejected elements of the EU's harsh confrontational policy.

The most important issue behind the disputes and intrigues was the construction of the South Stream Pipeline, which is planned to transport Russia's gas through the Black Sea directly to Bulgaria and from

there to Austria and Italy, while bypassing Ukraine. Following massive pressure from the EU and US, Oresharski ordered the project's suspension.

The transitional government now consists exclusively of people who maintain close relations to the EU and US. The ministers were trained in the EU and the US, or previously worked there.

The 57-year-old constitutional law expert Georgi Blisnaschki is the new prime minister. He was the BSP's legal expert until last summer, when he joined the protests against the government and sharply criticized its policies. As a result he was expelled from the party last May. He is considered to be a strong supporter of the austerity policies demanded by the EU and a foreign policy that is directed against Russia. Blisnaschki said that the aim of the transitional government was to improve the EU and NATO's tarnished image of Bulgaria.

Ilijana Zanova, who was a secretary in the transitional government in 2013, will take the deputy prime minister's office. Previously, she had worked for the European Bank for Reconstruction and Development (EBRD) for many years and, among other positions, was the director of its office in London.

Jordan Hristoskov was involved in the country's first right-wing government in the early 1990s as secretary of Labor and Social Affairs. He was regarded as one of the architects of the "reforms" that undermined the country's social system. He was the architect of the pensions reform of 1998 that resulted in massive pension cuts and increasing poverty among the elderly. He is now again the Labor and Social Affairs secretary.

The 36-year-old political scientist Daniel Mitov has been working for the US think tank National Democratic Institute for International Affairs (NDI) since 2010, first in Iraq, then in Libya and the Ukraine.

He takes over the leadership of the Ministry of Foreign Affairs. As a general in the Bulgarian army, Velisar Schalamanov has served for years in many executive positions for NATO. He will be the defense secretary.

The Ministry of Finance is taken over by Rumen Porodshanov, who is a close confidant of Boris Borisov, the head of the conservative GERB. Porodshanov is considered to be an advocate of radical austerity measures. According to his pronouncements, the banking crisis is to be overcome with a more stringent monitoring of the Bulgarian banking sector by the EU.

President Rosen Plevneliev declared that his cabinet of technocrats is tasked with a rigorous implementation of Brussels' policies. The appointment as prime minister of Blisnashki, a supporter of the protests against the recently resigned government, was a guarantee of a pro-European development of Bulgarian society.

The interim government's tasks also include a supplementary budget for 2014. The parliament has come to no agreement so far, since the BSP wanted to provide additional funds for the budget. Plevneliev and Blisnaschki have argued for a reduction in spending.

Another goal of the transitional government is to move towards an energy policy independent of Russia. To this end it plans to introduce a so-called "energy-council". In close coordination with the EU, the council's task will be to come up with alternatives for the energy supply that bypass Russia.

The transitional government will also prepare the adoption of the euro and initiate Bulgaria's admission into the banking union of the EU. This decision was made for Bulgaria, the first EU country outside the Eurozone, as a direct response to the banking crisis of the KTB.

Bulgaria is under massive pressure to solve its largest banking crisis since the 1990s. The KTB was shut down in June, and the European Commission is pressing for the payment of approximately \$2.5 billion to creditors. In a letter, the commission expressed it was "very concerned" about the situation and called for a bank rescue. A group of European and American investors has already announced plans to sue the Bulgarian government if it does not pay for the losses.

Many investors fear a banking crisis similar to that of 1996, which triggered the bankruptcy of a dozen

Bulgarian banks and led to hyperinflation. Mass protests at the time led to the overthrow of the government.

The required bank bailout takes place against the backdrop of a massive impoverishment of the Bulgarian population. The last government's austerity programs have increased unemployment and led to a further reduction of the standard of living.

According to Eurostat, the official unemployment rate currently stands at around 12 percent compared to 6.5 percent in 2008. Youth unemployment is above 23 percent. It should be taken into account that many people are not recorded in these statistics. As a press conference in June, Nikolay Nenkov on behalf of the Association of Independent Trade Unions in Bulgaria stated that 23.3 percent of households live below the poverty line.

The average cost of living has risen by 22 percent over the last seven years, with food prices rising by 26 percent. About 80 percent of Bulgarian households are living on less than €304 (US \$406) per household member a month.

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