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Bulgaria: An Overview

After decades of single-party communist rule and a difficult transition period in the 1990s, Bulgaria joined NATO in 2004 and the European Union (EU) in 2007. Bulgaria's Black Sea location and NATO and EU memberships make it an important U.S. partner, particularly in the wake of Russia's full-scale invasion of Ukraine starting in 2022. Members of Congress may monitor several issues in Bulgaria with implications for the U.S.-Bulgaria strategic partnership, including energy security, military modernization, building resilience to external authoritarian influence, and combating corruption and organized crime.

Domestic Overview

Bulgaria is a parliamentary republic. Prime Minister Nikolai Denkov leads a pro-Western government comprising Denkov's We Continue the Change (PP), Democratic Bulgaria (DB), and the Citizens for European Development of Bulgaria-Union of Democratic Forces (GERB-SDS) coalition. In spring 2024, the post of prime minister is to rotate to GERB-SDS. President Rumen Radev was reelected to a second term in 2021 with support from the Bulgarian Socialist Party (BSP), which some observers consider to have a more pro-Russian orientation.

Bulgaria has experienced persistent political instability in recent years. A wave of anti-corruption protests in 2020 and 2021 weakened then-Prime Minister Boyko Borisov and his political party, GERB, which had ruled the country for most of the preceding 12 years. Bulgaria has held five parliamentary elections since April 2021. GERB and BPS, the two largest parties in the 2010s, lost some support to parties that ran on pro-reform platforms, such as DB and PP, as well as to the populist There Is Such a People (ITN) and the ultranationalist, pro-Russian Revival. The Movement for Rights and Freedom (DPS), which is mostly backed by ethnic Turkish voters, has had stable support.

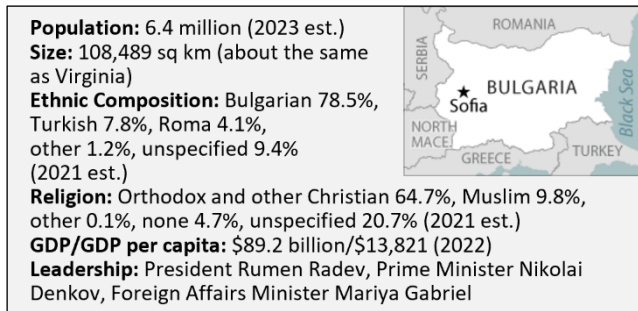
Since 2021, a mix of caretaker and largely pro-Western governments has presided over Bulgaria; polarization and close election results complicated government formation following each parliamentary election. PP and DB expressed hesitance to govern with GERB and other former ruling parties, citing corruption concerns, but ultimately struggled to build coalitions without them. Kiril Petkov, a cofounder of PP, led a coalition government comprising PP, BSP, ITN, and DB from December 2021 to August 2022. This government oversaw Bulgaria's early response to Russia's war on Ukraine but grappled with internal divisions over various domestic and foreign policy issues.

In Bulgaria's April 2023 parliamentary election, GERB-SDS won 26.5% of the vote, followed by a PP-DB coalition (24.6%), Revival (14.2%), DPS (13.8%), BSP (8.9%), and ITN (4.1%). Following difficult negotiations, PP-DB and GERB-SDS agreed to a rotational government (initially under Denkov) and a pro-EU program to finalize adoption

of the euro as Bulgaria's currency, join Europe's Schengen area of free movement, and counter Russian influence in Bulgaria, particularly in the security sector.

Bulgaria's political scene remains contentious. The governing parties share pro-Western orientations but are political rivals. The government's relations with the opposition and President Radev also are fraught, including over such issues as energy and military aid to Ukraine.

Figure 1. Bulgaria at a Glance



Source: CRS figure using CIA *World Factbook* and IMF data.

Corruption, Organized Crime, and the Rule of Law

Corruption, organized crime, and rule-of-law challenges intensified during Bulgaria's transition in the 1990s. Citing concern that these issues had not been resolved when Bulgaria joined the EU in 2007, Brussels continued to monitor reforms through the Cooperation and Verification Mechanism (CVM). The CVM closed in late 2023, when the EU assessed that Bulgaria met benchmarks in judicial reform and in combating corruption and organized crime.

Some observers assess that corruption and organized crime remain significant barriers to good governance and economic growth. Bulgaria is consistently among the worst-scored EU member states in Transparency International's Corruption Perceptions Index. The U.S. State Department's 2023 Investment Climate Statement for Bulgaria assesses that "high-level corruption, particularly in public procurement, remains a serious concern." The Biden Administration has imposed sanctions on several prominent Bulgarians for corruption (see below).

Economy

The World Bank classifies Bulgaria as an upper-middle-income country. Bulgaria's strategic location, relatively low business costs, and EU membership have attracted investment in such areas as information technology and the automotive industry. Gross domestic product (GDP) contracted by 3.9% in 2020 but grew by 7.6% in 2021. Growth slowed to 3.4% in 2022 and an estimated 1.7% in 2023, due in part to the economic impacts of Russia's war on Ukraine. Bulgaria is to receive €5.7 billion in EU

COVID-19 recovery and resilience grants, supplementing other EU funds for Bulgaria.

Bulgaria is among the poorest EU member states, although living conditions improved alongside EU integration. Barriers to growth include infrastructure deficiencies, corruption, and an unpredictable legal environment. Demographic decline also poses a challenge; peaking at nearly 9 million in the 1980s, the population had decreased to 6.5 million by 2021.

Foreign and Security Policy

Closely aligned with the Soviet Union during the Cold War, Bulgaria adopted a Euro-Atlantic foreign policy in the 1990s. Alongside Bulgaria's EU and NATO accession, Bulgarian leaders generally sought to preserve good relations with Russia. Pro-Russian sentiment persists among certain political parties and segments of Bulgarian society. Some analysts assess that Bulgaria's corruption challenges, weak media climate, and energy dependency expose the country to Russian influence and hybrid threats.

Russia's ongoing invasion of Ukraine has posed security risks to Bulgaria. The Petkov government, which was in office for the first half of 2022, backed EU sanctions against Russia and, according to Petkov, discretely supplied fuel and ammunition to Ukraine. The Petkov government also agreed to host a new NATO battle group, expelled dozens of Russian diplomats on suspicion of espionage, welcomed Ukrainian refugees, and sought to rapidly diversify natural gas imports (see below). Prime Minister Denkov, who leads the current pro-Western government, has expressed unequivocal support for Ukraine and pledged to end what he described as an "eyes wide shut" approach in Bulgaria to Russian interference. Bulgarian authorities are weighing measures to halt Russian crude oil imports earlier than planned (Bulgaria is exempt until late 2024 from an EU ban on Russian oil imports) and pressure Russia's Lukoil to sell its oil refinery in Bulgaria.

The war has amplified foreign policy differences over Russia. Some of the Denkov government's responses to the war have faced opposition in parliament or from President Radev. The issue of military aid to Ukraine is particularly contentious. Ukrainian officials criticized Radev's position that such transfers will prolong the conflict. In December 2023, parliament authorized the transfer of 100 Soviet-era armored vehicles to Ukraine, overriding Radev's veto.

Black Sea security is a key issue for Bulgaria. Bulgarian officials have expressed concern about Russia's ambitions to "dominate the Black Sea" and direct security threats stemming from the war, such as drone debris and sea mines. In late 2023, Bulgaria, Romania, and Turkey announced an initiative to clear sea mines. The Denkov government supports NATO initiatives in the Black Sea region and Bulgaria joining the European Sky Shield Initiative.

Bulgaria has a comparatively large defense industry and inventory of legacy Russian equipment. Since 2022, Bulgarian officials have pledged to revive long-delayed equipment upgrades and enhance defense capabilities. Bulgaria spent an estimated 1.84% of its GDP on defense in 2023 and plans to meet NATO's 2% target in 2024. In 2019, Bulgaria agreed to purchase eight F-16 fighter jets from the United States at an estimated cost of \$1.67 billion;

in 2022, it moved to purchase eight additional F-16 aircraft. In 2023, parliament approved the purchase of 183 U.S. Stryker vehicles for an estimated cost of \$1.5 billion.

U.S.-Bulgaria Relations

During the 1990s and 2000s, the United States provided foreign aid and diplomatic support for Bulgaria's domestic transition and integration into NATO and the EU. The United States and Bulgaria maintain good relations.

Security Cooperation

In 2006, the United States and Bulgaria signed a Defense Cooperation Agreement allowing joint use of several Bulgarian military facilities. In 2020, the two countries agreed to a 10-year military cooperation road map. Since 2022, the United States has deployed additional troops and equipment to Bulgaria, including as part of the new NATO battle group. The United States provided close to \$240 million in security assistance to Bulgaria from FY2017 to FY2022. U.S. security assistance to Bulgaria prioritizes military modernization, Black Sea maritime domain awareness, cybersecurity, and interoperability with NATO.

Sanctions

The Biden Administration has used sanctions to address corruption in Bulgaria. In June 2021, the Department of the Treasury sanctioned three Bulgarian individuals and 64 associated entities for corruption under the Global Magnitsky Human Rights Accountability Act (P.L. 114-328, Title XII, Subtitle F; as implemented through Executive Order 13818). In February 2023, Treasury sanctioned five current and former Bulgarian officials and five entities for corruption under Global Magnitsky. Treasury's press release states that the "diverse profiles and longstanding prominence in Bulgarian politics [of the sanctioned individuals] illustrate the extent to which corruption has become entrenched across ministries, parties, and state-owned industries." Under the Biden Administration, the State Department also imposed travel bans on several Bulgarian officials for corruption under Section 7031(c) of annual Department of State, Foreign Operations, and Related Programs appropriations legislation (P.L. 117-328, Division K, for FY2023).

Energy Cooperation

The United States supports Bulgaria's steps to end dependency on Russian nuclear fuel supplies, crude oil, and natural gas, as well as its contributions to energy diversification in southeastern Europe. U.S. liquefied natural gas (LNG) helped Bulgaria cope with a gas supply crisis triggered when Russia's Gazprom cut deliveries in April 2022. U.S.-backed regional projects, such as an interconnector with Greece enabling gas imports from Azerbaijan and Bulgaria's stake in a new LNG terminal in Greece, are expected to help diversify supplies. The U.S. International Development Finance Corporation has approved financing of up to \$365 million for an expansion of Bulgaria's underground gas storage facility. In 2023, Bulgaria signed memoranda of understanding with U.S. firm Westinghouse on expanding the country's sole nuclear power plant.

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