The Undergraduate Journal of Social Studies

Volume 1 | Issue 1 Article 5

8-25-2011

Rediscovering Old Roots: Bulgaria and Agricultural Possibilities

Miranda S. Becker
Wesleyan University, mbecker@wesleyan.edu

Follow this and additional works at: http://wesscholar.wesleyan.edu/ujss

Part of the Economic History Commons, Growth and Development Commons, and the Macroeconomics Commons

Recommended Citation
Becker, Miranda S. (2011) "Rediscovering Old Roots: Bulgaria and Agricultural Possibilities," *The Undergraduate Journal of Social Studies*: Vol. 1: Iss. 1, Article 5.
Available at: http://wesscholar.wesleyan.edu/ujss/vol1/iss1/5

This Article is brought to you for free and open access by the Wesleyan Journals and Series at WesScholar. It has been accepted for inclusion in The Undergraduate Journal of Social Studies by an authorized administrator of WesScholar. For more information, please contact dschnaidt@wesleyan.edu, ljohnson@wesleyan.edu.

Bulgaria's domestic industry in agriculture has gone through a fast series of shifts over the past sixty years. In 1947, like other East European states, it began to break ties with the Western world by refusing Marshall Plan aid following World War II, and by joining the Communist Information Bureau. From this point until 1989, Bulgaria was steeped in a centrally-planned Soviet-styled economy marked by an emphasis upon output production, urbanisation, and industrialisation. With 1989 came the fall of Bulgaria's communist regime and the beginning of a transition to a market economy. In 1991, Bulgaria began negotiations with the European Community to discuss possible future accession and the signing of the Europe Agreement, and in 2007 joined the European Union. Each of these dates has marked a turning point in Bulgaria's relationship with its agricultural sector.

Since the fall of communism, Bulgaria has been regaining an old comparative advantage in agriculture, which along with a newly developed service sector provides for the bulk of its employment and GDP. Bulgaria now stands locked into a system of polarised farm structures, though it has successfully reoriented its trade outward and is receiving the benefits of admittance into the European Union's Common Agricultural Policy. This paper will investigate the transition of Bulgaria's agricultural sector from (I) the pre-communist and communist periods, (II) the process of the beginnings of liberalisation and privatisation reforms, (III) trade and sectoral reorientation, (IV) the transition of the Central and East European countries toward the European Union, and (V) the implications of this transition for Bulgaria, more particularly. Ultimately, Bulgaria is benefiting from the discovery of a trading bloc to replace old Soviet networks, and from opportunities provided by the strong protection of agriculture in the EU.

I. Background: Strength of the Agrarian Tradition

Prior to communism, Bulgaria was marked by a comparative advantage in the production of food and agricultural goods, and its residents had earned the nickname 'the gardeners of southeastern Europe' (Schlack 519; Jackson 205). 1.1 million peasant farms existed in the mid-1940s, with an average size of 4.3 hectares (Goodwin and Holt 185). However, under communist rule, Bulgaria's sectoral focus on agriculture was replaced by a focus on industries and urban centres. Rather classically, Bulgaria was overindustrialised in rapid fashion, with industry accounting for 70 and 60 per cent of the gross output in 1988 and 1989, respectively, and 58 per cent of the net material product in 1988 (Dobrinsky et al. 218; Schlack 519). In the 1980s, simultaneously, Bulgaria's trade in food and agriculture fell by over 50 per cent (Schlack 519).

Family farming was also subject to industrialisation, with 'agro-industrial complexes' supplanting household agriculture in the 1980s. Ago-industrial complexes were intended to eliminate older, more individual, and less intensive styles of farming. They were also intended to establish a merger of both the land and labour of collective and state farms along with sections of industrial food processing (Jackson 206). Before the institution of agro-industrial complexes, much of Bulgaria's farmland had been reorganised into 932 co-operative farms, facilitating the grouping of collections of land into the complexes. By 1971 these

co-operative farms had been transformed into 161 complexes of an average 24,000 hectares and with an average workforce of 6,500 (Goodwin and Holt 186).

Yet Bulgarian farms were never fully nationalised, and there is some evidence that the fall of dictator Todor Zhivkov in 1989 was connected with the unsuccessful agricultural policies of the 1980s (Dobrinsky et al. 218). The same year of his ousting, he was 'forced to admit' that 'the effort to industrialize agriculture had failed, and a new decree was passed emphasizing small-scale farming' (Jackon 206). Violence also periodically swept through the countryside as farmers resisted industrialisation and collectivisation, and as the Bulgarian Turkish-Muslim ethnic minority defied attempts to coercively assimilate their labour power (Jackon 206).

During this time, Bulgaria was also heavily dependent upon the Soviet Union's communist trading bloc, the Council of Mutual Economic Assistance (CMEA). Of all the bloc trading partners, Bulgaria was the most reliant upon CMEA for its economic exchange, with 65 per cent of its total trade directed through CMEA. Its most favoured trading partner within this bloc was, moreover, the Soviet Union, which accepted 76 per cent of Bulgaria's CMEA exports. Outside trade with OECD countries only accounted for 25 per cent of Bulgaria's total trade (Schlack 519). 1988, the year before economic transition began in Bulgaria, 80 per cent of the country's industrial exports were sent to CMEA markets (Djankov and Hoekman 195).

As communism collapsed throughout Central and Eastern Europe, these networks and trading patterns could no longer prove sustainable nor profitable. Bulgaria witnessed the collapse of the Soviet Union through the deterioration of its own export industry and GDP. Total exports in 1991 fell to 45 per cent of their 1988 figure, with total imports also falling to 33 per cent of their 1988 figure (Dobrinsky 235). GDP dropped first by 9.1 per cent in 1990, then 11.7 per cent in 1991, and again 7.7 per cent in 1992 (Dobrinsky 216). With the fall of the Soviet Union and the Soviet bloc, Bulgaria not only 'lost its major export markets', but also faced rising costs for imports, especially fuel and energy products. Under CMEA, prices had been set politically and bureaucratically, allowing the Soviet Union to 'subsidise' the satellite states, offering higher prices for their finalised goods while providing raw goods at lower prices (Djankov and Hoekman 195). With the elimination of these subsidies, Bulgaria faced rising foreign debt. By 1993, this foreign debt was 'approaching [Bulgaria's] national income', having risen to $12 billion USD, with the debt to export ratio around 227 per cent (Schlack 519). Unemployment similarly began to increase, leading to the 1991 introduction of a 'big bang' stabilisation package (Djankov and Hoekman 195; Goodwin and Holt 186).

II. Reform: Liberalisation and Privatisation

Bulgaria's transition from a centrally-planned Soviet-styled economy to a market economy began with the ousting of former communist dictator Todor Zhivkov and the adoption of Decree No. 56, allowing for the beginning of privatisation, in the year 1989 (Goodwin and Holt 186). Bulgaria's transition, however, was a slow one, marked by several phases of reform and a 1994 reversal of the liberalisation reforms made up until that point (Mihov 3).

In 1991 the International Monetary Fund and the Bulgarian government launched a 'comprehensive economic policy package' complete with price liberalisation; foreign trade liberalisation; creation of a uniform exchange-rate, which would be market-determined or floating; interest rate liberalisation; and the 'demonopolisation and restructuring' of state owned enterprises (Dobrinsky et al. 215). Liberalisation opened Bulgarian industries to international competition, while simultaneously removing the old direct agricultural subsidies, which in 1990 amounted to over 7 per cent of GDP (Bojnec 79). Agricultural output immediately began to respond to these changes, dropping 14 per cent in 1992 and 16 per cent in 1993, while prices jumped with inflation. In the 1989-95 transition period, agricultural output in all transition CEECs dropped 40-50 per cent. In February 1991 alone, aggregate prices in Bulgaria increased 122.9 per cent, with total 1991 inflation exceeding 570 per cent (Fernández 31; Djankov and Hoekman 195; Goodwin and Holt 186).

Agricultural and sectoral restructuring was also occurring in the form of privatisation. The first actual privatisation programme was initiated in 1990 with the establishment of the Ownership and Use of Farm Act. This 'land reform' 'abolished' the agro-industrial complexes and initiated a system of restitution for rural lands (Dobrinsky et al. 219). All current agricultural co-operatives and their assets were to be liquidated and returned to either the previous owners or their inheritors (Dobrinsky et al. 219). Large declines occurred in state employment, particularly in agriculture, with 21 per cent of the 12-15 per cent unemployment rate at the time attributable to agriculture and agricultural restructuring (Goodwin and Golt 186). Unemployment peaked in 1993 at 17 per cent (Djankov and Hoekman 195). In 1992 a management-employee buyout (MEBO) system was implemented, and in 1996-1997, a mass voucher privatisation programme was adopted to complete the earlier stalled privatisations (Calacean and Aligica 88-89). Indeed, only 12.7 per cent of restitutable land had been returned to its previous owners by the end of 1993, with an additional 25.5 per cent returned 'conditionally, until formal procedures [were] finalised', according to economists Rumen Dobrinsky et al. (1995). Yet even with these reforms, by 1996, a year later, still only 58 per cent of land had been returned by restitution (Goodwin and Holt 186). Five years after land reform was begun, Bulgaria earned only a '7' in terms of progress from development economists Scott Rozelle and Johan Swinnen (2004), and ten years afterward, still stood at an '8' out of 10 (Rozelle and Swinnen 423, table 6).

In agriculture, moreover, restitution posed a series of (sometimes contradictory) problems. First, there was 'a danger' that farmlands would become fragmented, leading to a decline in production efficiency, at least temporarily (Mathijs and Noev 74; Ciaian and Swinnen 800). Second, there was a problem of rent-seeking, as many 'former farmers or their heirs' were now working outside of agriculture, and would not return after the granting back of old lands (Rozelle and Swinnen 425). Third, frequent division of land plots between two types of use and ownership systems complicated agricultural market mechanisms. Systems largely corresponded to the categories of 'smaller individual farms and large-scale corporate farms'. Corporate farms in particular benefited from both a legacy of

collective and state farming, and from imperfect competition and information in the land marketplace (also partially caused by the large corporate farms' dominance).

Corporate farms are also able to enforce a system of co-ownership of larger land plots. In combination with national laws that require agreement from all co-owners before any partial landowner may sell hir land or leave, this reinforced high transaction costs for such landowners. In Bulgaria around 2005, 50 per cent of farmland was co-owned by more than two people, excluding married couples' co-ownership, with co-ownership most often translating into use by corporate farms. Thus, this effect was strongly felt in the economy. Furthermore, corporate farms are able to benefit over individual household farms by paying lower rents for their land, and by paying these rents in-kind, rather than in cash, which further reduces the amount paid in rent. Meanwhile, in Bulgaria the majority of family farms pay rent through a mixture of cash and in-kind payments, or exclusively through cash, putting them at a distinct disadvantage against corporate farms (Ciaian and Swinnen 800-806). Hence, the prominence of this mixed-type land ownership and usage system creates tensions within the agricultural sector and affects Bulgaria's entire farming and landowning population, as well as the agricultural industry overall.

III. Reorientation: Market and Sectoral Shifts

The Central and East European Countries (CEECs) are at once marked by their very quick external reorientation, 'redirect[ing] their trade away from other transition economies and towards the [European Union] market', and also by their very slow internal reorientation, as sectoral composition has remained relatively stable from the beginning of transition (Nello 297). For Bulgaria, this has translated into a renewed and continued reliance upon agriculture as the national economy has moved away from pre-reform period focus on industry. Bulgarian economist Stoyan Totev (2002) reports that particularly the South East European Countries (SEECs) of Albania, Bulgaria, the Former Yugoslav Republic of Macedonia (FYR Macedonia), and Greece, and especially those in transition (Albania, Bulgaria, and FYR Macedonia), are distinguished by their high share of agriculture in their GDPs, and by their increasing proportional reliance upon agriculture as industrial sectors fade during the transition process. This, according to Totev, is 'typical of so-called negative structural adaptation' that coincides with serious structural difficulties in need of reform (Totev 52).

Agricultural and environmental economists Erik Mathijs and Nivelin Noev (2004) note that part of these structural difficulties is accounted for in the subpar development of a social safety network in Bulgaria. The particular economic link they discover is with 'a high incidence of pensioners and subsistence farming', as farmers are unable to sell or lease their land to those who would use it more efficiently (Mathijs and Noev 81). American agricultural economists Barry Goodwin and Matthew Holt (2002) expand upon this point, writing that 36 per cent of the Bulgarian population exists below the poverty line, with wages paling in comparison to other CEEC wages, particularly in the private and agricultural, trade, and social services sectors. However, while Mathijs and Noev find a stronger presence of subsistence farming because of underdeveloped social

security networks, Goodwin and Holt argue that, generally, agricultural workers are encouraged by social benefits and social support programmes. When these decrease, agriculture is no longer sustainable, and there is an 'increase [of] the off-farm supply of labor in the agrarian sector', leading both to higher unemployment among low-skilled workers, and to increased pressure on the urban service and manufacturing labour markets to absorb these displaced workers (Goodwin and Holt 207).

Susan Senior Nello (2002), an economist specialising in European integration, characterises Bulgaria's strong agricultural sector as part of a larger trend of CEEC reliance on exports in 'traditional' sectors with an emphasis on intensive unskilled labour. These 'traditional' areas frequently align with those sectors the European Union deems 'sensitive': agriculture, textiles, clothing, coal, footwear, steel, and chemicals. These areas further have a tendency toward 'overproduction at the world level' (Nello 298). Yet it seems possible that, for Bulgaria, the economy is merely rediscovering its old comparative advantage. Agricultural economist Štefan Bojnec (2001) reveals that, in comparing CEEC domestic industries along with import and export patters, Bulgaria does indeed still display a relative comparative advantage in the export of agricultural products (Bojnec 82, 92). In fact, while most of the CEECs have recently become net agricultural importers, Bulgaria and Hungary remain exceptions to this rule. Both display a 'relative revealed trade advantage' in agriculture, as well as demonstrated track records as net exporters of agricultural goods (Bojnec 77, 93).

In terms of sectoral composition and distribution by GDP, and by employment, Bulgaria has remained steadily dependent upon agriculture since transition began. From 1990 to 1999, Bulgaria's portion of GDP accounted for by agriculture shifted only one percentage point, moving from 18.3 per cent to 17.3 per cent of GDP, while industry shrank from 50.9 per cent to 26.8 per cent, largely replaced by services (Totev 54, table 1). In 2002, Javier Fernández of the Agricultural Research Council of Spain (INIA) reported that 21 per cent of Bulgaria's GDP was produced through agricultural industries, with 26 per cent of its workforce employed in agricultural-related pursuits (Fernández 29, table 1). Totev similarly charts that agrarian employment had grown from 18.9 per cent in 1990 to 25.8 per cent in 1999, while the percentage of the workforce employed in the manufacturing industries fell from 43.5 per cent to 28.8 per cent (Totev 56, table 2). Hence, while Soviet-styled overindustrialisation had sought to eliminate and replace Bulgaria's historical reliance upon and comparative advantage in agriculture, it seems the economy is now rebounding in this sector. Thus, the former imposed concentration in industry and manufacturing, which makes up approximately 95 per cent of Bulgaria's industrial sector, is declining (Totev 60).

IV. Reorientation: CEECs Move Toward the European Union

CEECs, including Bulgaria, began adopting a series of trade and agricultural policies designed to improve economic integration with the European Union (EU) before actually proceeding to membership (Nello 292). For instance, for each CEEC that applied for membership, the primary trading partner had already become the European Union (Nello 291). Between 1988 and 1992, exports from Bulgaria to the then-European Community increased from 4.6 per

cent to 30.8 per cent (Dobrinsky et al. 237). More specifically, CEECs began adopting policies closely resembling the EU's Common Agricultural Policy (CAP), with export subsidies and 'market support' for a number of agricultural products, such as cereals, sugar, meat, and dairy products. These support levels remained lower than the levels provided for by the CAP within the EU-15. Nonetheless, some degree of convergence was increasing throughout the beginning of the 2000s (Fernández 31).

In 1990, the European Community began to incorporate Hungary and Poland into a Generalised System of Preferences (GSP) trading scheme, which treated these parties to a free trade area in manufactured products. The institution of the GSP was intended to prepare these economies for participation in the free trade area of the then-EC itself. Since 1990, other CEECs have been included, allowing for an economic transition process to begin before actual EU enlargement for this region generally. However, agriculture was exempted from this trade agreement, as the European Union's agricultural sector operates under a protected sphere through the CAP. Initially, liberalising measures to agriculture were limited, though they have since been improving (Nello 296).

The CAP is considered to be one of the most controversial and one of the most expensive policies of the European Union, consuming the largest share of the EU budget. This share was just under 50 per cent in 2002 (Fernández 29; Nello 302). Applicant nations such as Bulgaria are eager to reap the benefits of the CAP's strong support for farmers, but previous member states have been wary of the possibility for 'excessive transfers from the Community budget' that could result if the CAP were perfectly extended to new member states (Nolle 302). Furthermore, the costs of adhering to the CAP are very high, requiring complex levels of administration and conformity with strict standards. Hence, the CAP 'constitute[d] one of the greatest challenges for the enlargement of the European Union' (Fernández 28-29).

Despite these challenges, as stated, the CAP represents the possibility of future prosperity for incoming member states. First, the CAP is predicted to raise agricultural prices for CEEC goods; second, to raise farm income; and third, to stimulate production increases and growth (Fernández 31-33, 43). For those nations that, in 2002, were net importers of agricultural goods, studies ancticipated a future production surplus. The CAP would encourage the agricultural sector and lead to CEEC agricultural exports outside of the European Union. Several different studies estimated the growth rates to be between 24 and 76 per cent in cereals production, 23 and 41 per cent in the livestock sector, and between a .5 per cent decrease and a 119 per cent increase in dairy production. The lone estimate for decrease in the dairy field reached this conclusion through a corollary supposition of the imposition of milk quotas (Fernández 33-34). For Bulgaria and Hungary, already identified as the rare net agricultural exporters, the growth effects cited would be exaggerated.

However, not all of these results have full realisation potential. In fact, those projections quoted 'totally ignore the presence of structural problems' CEECs face in their agricultural and food production sectors. The expectations presume farmers are able to respond quickly to changing market incentives as

their respective nations join the European Union and become incorporated under the CAP (Fernández 36). However, many farmers in CEECs face the barriers of an 'extremely polarized farm size structure' (discussed earlier), as well as low degrees of skilled agricultural labour. Most farm labourers have relatively low levels of training and education and low degrees of 'mechanization', in addition to being mostly older demographically. Furthermore, Bulgaria and similar CEECs face an overly-large population of agricultural labourers, which has actually decreased marginal productivity and competitiveness, due to a lack of corresponding amounts of capital investment (Fernández 37-38).

Moreover, CEEC agricultural products would still be competing with overly-subsidised EU agricultural goods, which have much higher rates of capital and labour productivity (Fernández 37). Bojnec reports that the EU-15 displayed a high relative comparative advantage in exporting agricultural goods, but largely because this export comparative advantage was 'likely to be biased toward an extensive use of export subsidies' (Bojnec 82). This is particularly remarkable, given Fernández's observation that in the majority of the CEECs, 'agriculture has greater relative importance than it does in the EU in terms of gross domestic product (GDP) and employment' (Fernández 28-29).

Recognising this, the European Union in 1991 began to consider reform of the CAP under the Berlin Agreement. The Berlin Agreement specifically looked at how the CAP would need to be altered in order to 'prepare the Union for enlargement' (Nello 302). Support prices for cereals, dairy products, and beef would all be cut, by 15 per cent for the former two, and 20 per cent for beef. The milk quotas which one study (quoted above) estimated would counteract the positive impacts of the CAP on simulating CEEC agricultural production would continue until 2006, and compulsory amounts of land left idle on farms would be raised to 30 per cent. However, as compensation for these losses, direct subsidies to farmers, called 'direct payments', would be substituted to pad any effect of price cuts. Mid-term reviews chart the progress of various farm sectors throughout the transition process. Rural development policy would increase in importance, earning the distinction of becoming the second pillar of the CAP. Member states would also be allowed to 'modulate' or reallocate funds from direct payments made to farms in order to subsidise certain crops, toward other policy measures, such as environmental protection or retirement pensions. Both of these latter provisions have achieved limited practical implementation, with rural development policy only amounting to 10 per cent of the CAP spending in 2002, and minimal use of modulation by member states (Nello 303-304).

Member states have in fact continued to rely extensively upon direct payments to farmers. Direct payments are the main method for CAP subsidy dispersal, and represent two-thirds of the CAP budget alone. In 2001, this figure translated into €27.4 billion within the EU-15 region, with payments issued per hectare for crops, and per animal for livestock. Because direct payments constitute such a large portion of the European Union's Common Agricultural Policy, and therefore of the EU's agricultural protection mechanism, established EU member states were loath to allow new member states access to this full range of subsidy benefits. Furthermore, the European Commission argued that, because

the direct payments were meant to act as a counterbalance to price cuts incurred by the 1999 Berlin Agreement, new member states could have little justification for receiving direct payments, as they were not expected to experience price cuts (Nello 303). The new member states, however, fought aggressively to be included in direct payments and in 2002 the respective parties reached an agreement on gradual incorporation. Once a member state had acceded, partial direct payments would begin at a maximum of 55 per cent, and then steadily increased to 100 per cent of full payments in 2010 (Ciaian and Swinnen 806).

What would be the effects of these direct payments in CEECs? First, as the Commission stated, entry into the European Union and the CAP would raise farmers' incomes and agricultural prices, particularly as pre-entry prices were far below those in the EU (Nello 303). Second, these gains would be offset by a rapid increase in the prices of agricultural inputs, such as land and fertilisers. Land prices were predicted to 'more than double' with the introduction of direct payments in CEECs. However, the costs of not receiving direct payments seemed greater, as competition with EU farmers receiving direct payment subsidies for their products was also expected to 'further compound the disadvantages of CEEC farmers', especially as CEECs would simultaneously be paying up-front costs of structural adjustment toward competition in the enlarged EU marketplace (Fernández 43; Nello 303).

Direct payments have since begun to be conducted through a new avenue, called single farm payments (SFPs). SFPs came into effect in 2005 and constitute 'a fixed set of payments per farm', and would be intended to match the previous amount of support received by the farm in the last reference period. Certain conditionalities exist, including operation on an 'eligible' amount of hectares. Furthermore, rather than aiming such payments at *landowners*, this support system would target actual *farms*, instead. The farms considered qualified to earn SFPs are those that currently existed when this payment plan was formulated, effectively excluding new farmers and new farms from the support system. Pavel Ciaian and Johan Swinnen observe this fact dismally, noting that new farmers are those 'who are potentially more dynamic and productive and therefore a source of growth'. Since new member states are still particularly prone to continued restructuring, many possible recipients of SFPs will now be ineligible, which is made all the more unfortunate by the fact that these same member states still need such stimuli for productivity growth (Ciaian and Swinnen 809). Ciaian and Swinnen state it more explicitly, writing that, 'CAP reform reduces farm restructuring and restricts productivity gains associated with it…The SFP may even lead to a total freeze of farm structures' (Ciaian and Swinnen 812).

V. CAP and SFPs Relative to Bulgaria

Associated with the debate over farm restructuring, the Common Agricultural Policy, and single farm payments is the continued question of agricultural efficacy and productivity when compared to the size of the farm. If restructuring cannot occur, current farm polarisation of ownership and size structures remains in place. However, it is still unclear what sort of allocative transfer would be preferable, should restructuring occur. Ciaian and Swinnen favour a move from individual farming toward corporate farming. The World

Bank's Simeon Djankov and Bernard Hoekman concur that corporate farms are best able to withstand competition from imports as agricultural trading agreements between the EU and Bulgaria liberalise with membership (Ciaian and Swinnen 812; Djankov and Hoekman 206). Fernández, too, agrees that smaller firms have greater difficulties in responding to changes in supply incentives (Fernández 39). Goodwin and Holt link larger co-operative farming to increased off-farm employment opportunities, and find that co-operative farming is relatively ingrained in Bulgaria historically and culturally, even pre-socialism. Here, corporate farming is seen to lead into co-operative farming, and is praised as a positive transformation (Goodwin and Holt 200). In fact, corporate farming may be relatively easier to maintain, as transaction costs remain high for smaller individual farms. Nonetheless, Bulgaria has maintained a mixed system in which individual farms continue to have a strong presence (Rozelle and Swinnen 425). Yet overall, the World Bank has recorded a tendency for transition economies to prefer an increase in farm size (Mathijs and Noev 74).

Fernández, however, has an interesting point to add to this debate: larger-sized farms contribute to heightened efficiency and total factor productivity, but only up until a point. That point seems to be about 15 hectares of farm area, after which point, agriculture becomes 'less technically efficient' (Fernández 39-40). In fact, he quotes the European Commission (1998) as observing a general tend toward a convergence of farm size and structure, in confirmation of his findings (Fernández 40-41). Though smaller farms show a proclivity toward increase in land area, larger farms such as former state-owned and collective farms are down-sizing, 'which can contribute to increased efficiency as these large units reach proportions that are more manageable'. This is no indictment of larger farms, however, as he further states that 'former state-owned and collective farms can be regarded as the most promising production units of the CEECs' agriculture' (Fernández 41).

Hence, under the current SFP subsidy system within the CAP, Bulgaria will likely remain fixed in a dual-farm structure, though it seems that a restructuring of all farm sizes toward a more mid-range area would be preferable, in both efficiency and productivity. Thus, while Bulgaria looks forward to the price and income elevations received from incorporation into the EU's protected agricultural sphere, it stands poised to gain even more with the allowance for increased farmland transfers and reallocation achieved through restructuring. Yet this does not seem to have overly damaged Bulgaria's reputation with neighbourhood trading partners. Mitko Dimitrov et al. (2003) record for the European Commission that outside traders hold the highest levels of confidence in cross-border trade co-operation with Bulgaria of any SEEC (Dimitrov et al. 18-21). Moreover, they write that 'the best policy of cross-border cooperation may well prove to be the development of the economies in the region', which are necessarily aided by 'EU membership, or the prospect of membership and the necessary institutional arrangements that it implies' (Dimitrov et al. 22). Hence, despite the limits implied by participation in the EU's Common Agricultural Policy and its recent reliance upon single farm payments, Bulgaria's gains will be great, and should not be overshadowed by said limits.

VII. Concluding Remarks

Hence we find that Bulgaria has progressed a long way, from a historical reliance upon the agricultural sector and renown as the garden of Europe, to overindustrialisation and urbanisation. Now with the fall of communism and the country's transitions both to a market economy and EU membership, agriculture has rebounded and reclaimed its prominence in Bulgaria's trade and domestic industry. This re-emergence of agriculture's importance has coincided with Bulgaria's privatisation process, which restituted land back to old owners; the liberalisation process, which redirected resources away from the imposed focus on manufacturing and other such industries; and with Bulgaria's search for new trade outlets after the collapse of the Soviet Union and CMEA. Bulgaria's dependence upon its agricultural sector is now increasingly highlighted with its accession to the European Union and its gradual membership in the Common Agricultural Policy. Both of these memberships will mark major changes in the way Bulgarian agriculture is pursued, offering challenges and possibilities. Ultimately, however, it is likely that EU membership and CAP participation will provide Bulgaria with channels to further develop (if not restructure) its agricultural industries as it is provided with more open access to export markets and capital investment influx.

Bibliography

Bojnec, Štefan, 'Trade and Revealed Comparative Advantage Measures: Regional and Central and East European Agricultural Trade', *Eastern European Economics*, Vol. 39, No. 2 (Mar.-Apr. 2001).

Calacean, Gelu and Paul Aligica, 'Soft Budget Constraints, Enterprise Restructuring, and Economic Reform Policy: The Cases of Bulgaria and Romania', *Eastern European Economics*, Vol. 42, No. 1 (Jan.-Feb. 2004).

Ciaian, Pavel and Johan F.M. Swinnen, 'Land Market Imperfections and Agricultural Policy Impacts in the New EU Member States: A Partial Equilibrium Analaysis', *American Journal of Agricultural Economics*, Vol. 88, No. 4 (Nov. 2006).

Djankov, Simeon and Bernard Hoekman, 'Market Discipline and Corporate Efficiency: Evidence from Bulgaria', *The Canadian Journal of Economics / Revue canadienne d'Economique*, Vol. 33, No. 1 (Feb. 2000).

Dimitrov, Mitko, George Petrakos, Stoyan Totev and Maria Tsiapa, 'Cross-Border Cooperation in Southeastern Europe: The Enterprises' Point of View', *Eastern European Economics*, Vol. 41, No. 6 (Nov.-Dec. 2003).

Dobrinsky, Rumen, Nikolay Markov, Boyko Nikolov and Dimiter Yalnazov, 'Economic transition and industrial restructuring in Bulgaria' in *Industrial restructuring and trade reorientation in Eastern Europe*, Cambridge: Cambridge University Press, 1995.

Fernández, Javier, 'The Common Agricultural Policy and EU Enlargement', *Eastern European Economics*, Vol. 40, No. 3 (May-June 2002).

Goodwin, Barry K. and Matthew T. Holt, 'Parametric and Semiparametric Modeling of the Off-Farm Labor Supply of Agrarian Households in Transition Bulgaria', *American Journal of Agricultural Economics*, Vol. 84, No. 1 (Feb. 2002).

Grabbe, Heather, 'European Union Conditionality and the *Acquis Communautaire*', *International Political Science Review*, Vol. 23, No. 3 (2002).

Jackson, Marvin, 'The Rise and Decay of the Socialist Economy in Bulgaria', *The Journal of Economic Perspectives*, Vol. 5, No. 4 (Autumn, 1991).

Nello, Susan Senior, 'Preparing for Enlargement in the European Union: The Tensions between Economic and Political Integration', *International Political Science Review*, Vol. 23, No. 3 (2002).

Macours, Karen and Johan F.M. Swinnen, 'Agricultural Labor Adjustments in Transition Countries: The Role of Migration and Impact on Poverty', *Review of Agricultural Economics*, Vol. 27, No. 3 (Sept. 2005)

Mathijs, Erik and Nivelin Noev, 'Subsistence Farming in Central and Eastern Europe', *Eastern European Economics*, Vol. 42, No. 6 (Nov.-Dec. 2004).

Mihov, Ilian, 'The Economic Transition in Bulgaria: 1989-1999', *INSEAD* (Sept., 1999).

Rozelle, Scott and John F.M. Swinnen, 'Success and Failure of Reform: Insights from the Transition of Agriculture', *Journal of Economic Literature*, Vol. 42, No. 2 (June 2004).

Schlack, Robert F., 'Going to Market in Bulgaria: Uphill on a Knife Edge', *Journal of Economic Issues*, Vol. 27, No. 2 (Jun., 1993).

Totev, Stoyan, 'Economic Performance and Structure of Southeastern European Countries—Albania, Bulgaria, FYR of Macedonia, and Greece', *Eastern European Economies*, Vol. 40, No. 6 (Nov.-Dec. 2002).