Analysis of the Domestic Policy, Regional and Economic Effects of the Upcoming Accession of Bulgaria to the Schengen Zone

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# TABLE OF CONTENTS

**Introduction** ................................................................................................................. 9  
**Domestic policy and social effects of the Schengen Agreement implementation** .......................................................... 10  
  *Emigration of Bulgarian nationals* ............................................................................ 11  
  *Illegal immigration and threats to security: responsibilities in securing the external Schengen borders* .......................................................... 13  
  *Regulating legal immigration* ............................................................................... 15  
  *Bulgaria’s entry into the Schengen zone: possible political consequences* .................................................................................................. 17  
  **Conclusions and recommendations** ........................................................................ 19  
**Overview of the foreign policy effects of the Schengen Agreement implementation** ............................................................................................................. 20  
  *Foreign policy effects of the “Schengen”: prospects and risks* ......................... 24  
  *Short-term scenarios for development* .................................................................. 26  
  *Mid-term scenarios for development* .................................................................. 26  
  *Long-term scenarios for development* .................................................................. 27  
  **Conclusions and recommendations** ...................................................................... 27  
**Economic effects of the Schengen Agreement implementation** ......................... 28  
  *Effects on outgoing travel* .................................................................................... 28  
  *Incoming travel of foreign nationals to Bulgaria* .................................................. 29  
  *Effects on business climate and economic integration* ....................................... 33  
  *Effects on local business* .................................................................................... 33  
  *Trade and transport* ............................................................................................. 35  
  *Migration* .............................................................................................................. 36  
  *Incentives for reform* ............................................................................................ 37  
  *Financing* ............................................................................................................. 37  
  **Conclusions and recommendations** ...................................................................... 38
Executive Summary

The present report seeks to analyze the main domestic policy, regional and economic effects of the upcoming accession of Bulgaria into the Schengen zone, which is expected to become a fact in 2011.

One of the major and most visible benefits of EU membership for Bulgarian citizens is the freedom to travel and work in other Member States. The Schengen Agreement further broadens up the opportunities to exercise this freedom, which would have a positive effect for both Bulgaria and the other EU Member States. Along with the undoubted benefits however, some challenges will also emerge and the State, as well as the society should be prepared to meet them. Thus, for instance, the freedom of movement and settlement involves emigration, which at critically high levels could undermine the sustainable social and economic development of the country. At the same time, while Bulgaria opened up towards EU countries, it became more restrictive towards traditional neighboring foreign policy and economic partners.

The analysis, contained in the present report, covers the broader consequences of the implementation of the Schengen Agreements and the policies related to them, and does not seek to raise a debate “pro” or “con” Schengen. The objective is to outline possible development scenarios based on current processes and trends in order to draw up conclusions and issue recommendations that would maximize the benefits and minimize the challenges for Bulgaria.

Domestic policy and social effects of the Schengen Agreement implementation

Since the Schengen Agreements affect mainly and above all the movement of people towards and inside the Schengen zone, in analyzing the effects of Schengen accession, it is of key importance to consider two parallel processes – emigration from Bulgaria and immigration to the EU (including Bulgaria).

Benefits:
- As far as emigration is concerned, greater freedom of movement will facilitate the travel and settlement of Bulgarian citizens in Member States. Statistical data show that some 700,000 to 1,000,000 Bulgarian citizens have left the country since the beginning of the 1990s (7.9% of the population between 1997 and 2007 according to latest Eurostat data). This process will continue (with approximately 6000–8000 people annually after 2010, according to NSI data), facilitated to the greatest possible extent by Bulgaria’s entry into the Schengen zone and the removal of labor market restrictions.

- The right to free movement, including emigration, which the Schengen Agreements provide, also has a bearing on the issue of security. Current trends show that Bulgarians pose no threat to security in the EU – neither in terms of uncontrollable emigration, nor in terms of organized crime. Moreover, universally applicable restrictive regimes are counterproductive in the sense that they hold back worthy citizens, but not organized crime, which has enough resources to overcome restrictions.

- The economic and social benefits of emigration – both for Bulgaria and for the target countries – are unquestionable and quite significant. The Bulgarian economy is already dependent upon the nearly 4 billion Euro (according to official data), which are being sent annually to the country by expatriate Bulgarians and are supporting thousands of families. Conversely, Western European countries need Bulgarians in order to sustain the level of their economic development and social systems.
As long as it is regulated, immigration can turn out to be a desired resource, rather than just a threat. The emigration of working-age Bulgarians, combined with the rapid economic growth, already creates the need to import workforce as an urgent and necessary measure.

The Government has already adopted a strategy for attracting third-country nationals, targeting specifically countries whose citizens would see Bulgaria as a comparatively good alternative and who have a similar cultural background that would help them integrate more easily – Moldova, Ukraine (with its Bulgarian communities), Armenia, the Republic of Macedonia. This policy is in line with the new “circular migration” approach of the EU, which would provide a less restrictive and flexible access of third-country nationals to the EU.

**Challenges:**

- Emigration has also some downsides for Bulgaria. As a result of the demographic crisis and the outward migration of Bulgarian citizens, the country’s population decreases by approximately 40,000 people per year, which figuratively speaking means that a town the size of Pazardjik, Razgrad or Lovech is being depopulated completely every year. This problem, however, cannot be solved by administrative restrictive measures, similar to the “exit visas” issued before 1989.

- With its entry into the EU Bulgaria became an external border of the Union and assumed all related responsibilities with regard to preventing illegal immigration and the ensuing security threats from third countries. Bulgaria’s entry into the Schengen zone would further strengthen its importance as an external border of the EU, because people entering the country would have a free access to any location in any Schengen Agreement state. The ability of Bulgaria to cope with the pressure of illegal immigration would be a touchstone of the country’s preparedness to effectively participate in the Schengen Agreements. The East-West movement of people would continue to pose the greatest threat, as immigration from poor and failed states (such as Afghanistan, Iraq and some African countries) would persist at pace with the conflicts and the decline of those countries. This is where the immigration policy overlaps with other EU policies such as foreign affairs and security, as well as with NATO peacekeeping actions.

- The Schengen Agreements are closely related to one of the pillars of the EU: the justice and home affairs policy. If Bulgaria fails to demonstrate improvement in this area (after almost 18 months of special monitoring), any outstanding problems would also affect the implementations of the Schengen Agreements.

- The potential contradiction between the need to guarantee more security and the protection of civil rights also constitutes a serious challenge because the Schengen Agreements provide for the creation of huge databases containing personal information that might be used inappropriately.

- There is a risk that the implementation of the Government’s Immigration Promotion Strategy could lead to actual problems with the integration of larger immigrant groups or could incite extremist nationalist and xenophobic parties and groups into using fears from immigration as a tool to further their goals.

**Recommendations:**

- The implementation of the Schengen Agreement provisions (for instance, new identification documents containing biometrical data, new vehicle registration plates) should be planned for the long term and preceded by a public campaign to clarify the details.

- In implementing the Schengen Agreements provisions, care should be taken to guarantee the civil rights of Bulgarian and foreign nationals, including by allowing independent civic monitoring, if necessary.
The procedure for granting Bulgarian citizenship should be developed further to include a requirement that the person settles in the country in order to avoid any misuse of this privilege just as a means to get access to other EU Member States.

Immigration promotion policies should be adopted after a broader debate among experts and the general public. It is particularly important to prepare the public opinion for the influx of foreign nationals and the possible emergence of "new minorities".

The immigration policy should seek to attract educated and highly qualified applicants, cultural compatibility being a supplementary argument.

It should be taken into consideration that Bulgaria competes for these immigrants at the European and global level. The proper functioning of the State and the social and healthcare systems, the availability of related infrastructure and the ability to guarantee certain quality of life standards would contribute not only to attracting immigrants, but also keeping Bulgarian nationals in the country and encouraging a process of re-emigration of Bulgarian expatriates or their descendants.

**Foreign policy effects of the Schengen Agreement implementation**

The development of the visa policy between Bulgaria and its neighbors depends on the relations in the triangle Bulgaria–neighboring countries–European Union. In practice this means that at the bilateral level Bulgaria and its neighbors could regulate their relations only within a narrow framework, making temporary and limited improvements – i.e. Bulgaria can afford to act only in the framework of the Common European requirements.

**Benefits:**

- As far as the two neighboring EU Member States, Greece and Romania, are concerned, virtually non-restricted travel – with the prospect of opening the borders completely after 2011 – lead to an increase in the number of people traveling, thus contributing to the development of trade, tourism and good neighborly relations. An increase in the number of visitors from other Member States has also been registered.

- Free travel regulations within the EU solve in a natural way the problem with illegal immigration from Bulgaria to Greece, which for years on end created conditions for trafficking in human beings and organized crime.

- Bulgaria’s entry into the Schengen zone will increase regional exchange because third-country nationals, whose access to Bulgaria has been so far restricted by individual procedures for obtaining a Bulgarian visa, would now be able to use the common Schengen visa.

- The free intensive exchange of EU nationals, which exists in the Schengen zone, is the most effective foundation for the development of a common European identity.

**Challenges:**

- Bulgaria’s entry into the Schengen zone will further increase its responsibilities as an external border of the EU. Due to its geographic position, Bulgaria became an external border of the EU towards two important regions – the Balkans and the Black Sea region. Thus, Bulgaria is responsible for protecting both the land border (with three countries) and the sea border of the EU.

- The opening of Bulgaria towards other EU Member States came at the price of restricting the access of citizens from neighboring countries, three of which – Serbia, Macedonia and Turkey – are immediate neighbors of Bulgaria. This creates obstacles to the development of human and economic relations and has a negative impact on political relations as well.
Recommendations:

- The visa regime between Bulgaria and its neighboring countries significantly frustrates the political, economic, commercial and human relations and should be made as uncomplicated as appropriate or abolished altogether when possible.

- Since the Schengen restrictions have been designed to protect European citizens against undesired immigration and organized crime from third countries (the Balkans and Black Sea region are seen both as a major source and a transit area for illegal immigrants and criminal threat along the East-West axis), the most logical and most effective way to ease or abolish the visa regime is to encourage reforms in those countries, so that the reasons for EU concerns could be eliminated (in the area of security, uncontrolled immigration, organized crime etc.).

- With regard to the Western Balkans, the most appropriate way to abolish visa regime is to improve the status of these countries with respect to the EU. Western Balkan countries should be assisted in conducting EU membership reforms; more specifically they should be provided technical assistance and expertise to fulfill the requirements for visa-free travel.

- Where the abolition of the visa regime is unfeasible, visa application procedures should be facilitated by opening more consular service sections, increasing the number of consular officers, introducing innovative systems such as electronic visas, implementing effective document processing systems, facilitating visa services for certain categories of citizens – businesspeople, artists, scientists and scholars, etc. Given that most of these elements have already been introduced or will soon be introduced by the MFA, in most cases all that is needed is to guarantee that they will be effectively implemented in practice.

- Opportunities should be pursued to introduce facilitated procedures for traveling to and from borderline areas, in line with the EU requirements in this area.

- The practice of granting Bulgarian citizenship to foreign nationals should be reconsidered so as to eliminate any corruption mechanisms and make citizenship conditional upon settlement or long-term stay in Bulgaria.

Economic effects of the Schengen Agreement implementation

Benefits:

- Limitations on cross-border trade with Macedonia and Serbia led to a sharp decrease in the number of “suitcase merchants”.

- The number of tourists from Romania, Greece and other EU and Schengen States increased significantly.

- The accession of Bulgaria and Romania to the EU facilitated economic integration and largely eliminated retail price differences. Opportunities to take advantage of price differentials decreased significantly in 2007.

- The ability to make hassle-free “combined” trips will benefit Bulgarian tour operators because tourists who possess a Schengen visa will be able to travel freely throughout the entire Schengen zone and those who have been attracted by a Greek resort, for example, will be encouraged to spend several days in a nearby resort in Bulgaria as well.

- The accession of Bulgaria and Romania to the Schengen Agreement will create better conditions for developing a common economic area in the region. This entails integration of value added chains, i.e. greater coherence between enterprises in the region, which would encourage global corporations operating in the region to gradually recall their national representatives. Such integration,
however, would depend on the ability of specialized staff to move quickly and conveniently around the territory they are responsible for.

Preparations for accession to the Schengen zone will have a direct impact on improving the business environment in the country. Measures to fulfill EU requirements for external borders, which include introducing the “common fiche” system, adopting the “one-stop control” principle, speeding up border crossing procedures, improving existing Border Crossing Checkpoints and building new ones, improving the quality of service etc., will reduce obstacles to trade with third countries as well.

Membership in the common EU market (with its freedom of movement of goods, people and capital) will have a significant long-term effect on trade flows. Taken together, the three EU Member States from the Balkan region – Greece, Romania and Slovenia – are a more important trade partner for Bulgaria than Turkey and even than Russia. Bulgaria’s trade with other Balkan countries outside the EU has yet to reach such a high level.

The estimated impact for Bulgarian businesses is rather positive. Relaxed border control (which will be abolished completely with Bulgaria’s entry into the Schengen zone) benefited two neighboring countries with a higher nominal average income per household, which means that aggregate demand will increase, as the number of visiting “shoppers” in Bulgaria grows, and this, in turn, will affect both volumes of trade and retail prices in commercial outlets.

Increased competition and hence, reduced possibilities for Bulgarian producers and merchants to form cartels benefits consumers and in the long run the entire economy, which is forced to become more effective in order to cope with the competitive pressure.

The tendency towards creating regional markets for certain types of goods and services will probably increase. Consumers in Bulgaria, for instance, already regard furniture and clothing markets in Thessalonica or around Bucharest as an alternative to existing retail outlets in large Bulgarian cities. The facilitated access to such markets in turn increases the potential volume of local commercial or production companies.

On the market for services, integration will increase by offering the same “service packages” for the entire region. Some courier companies in Bulgaria, for instance, already offer equally priced services for Bulgaria, Romania and Greece.

Workforce mobility will also lead to regional supply of construction, assembly and repair services, as it already happens on the Bulgarian market.

Greater mobility of consumers could be expected on the real estate market as well, especially in the mass housing segment. Bulgarians with higher income have already become active buyers of real estate property in Greece. Such developments could be expected in Bulgarian resorts with the increase of prospective buyers from Romania, as well as in the demand for urban residential properties purchased for investment or lease purposes.

From a more long-term perspective, competition will also emerge between infrastructural companies in Bulgaria and Romania, and to some extent in Greece. Bulgarians living in borderline areas, for example, could prefer Romanian airports for their trips to Europe, rather than traveling to Sofia and using the Sofia Airport. Black Sea ports, railways, road and highway companies in the two neighboring countries will compete actively for passengers and freight. Businesses and travelers will benefit from this competition because the national monopolies would decline in influence and the quality of services would improve.
Challenges:

- The introduction of visas for two neighboring countries, Serbia and the Republic of Macedonia, at the end of 2006 led to a sharp decrease, by almost 70%, in the number of travelers from these countries to Bulgaria.

- Bulgaria’s entry into the Schengen zone could have a more serious impact on the Bulgarian tourist industry because facilitated travel to Greece (other conditions being equal) could bring about a decrease in the number of tourists visiting Bulgarian resorts, which offer comparable services. For those who live in Southwestern Bulgaria (including Sofia), the summer resorts in Northern Greece are more accessible than those on the Black Sea coast and will become even more attractive for holidaymakers, when border control is eliminated entirely.

Recommendations:

- Efforts should be made to set the stage for and reach agreements for visa-free regime between the EU and the Western Balkan countries. Bulgaria entered into such an agreement almost a decade before becoming a member of the EU; nearly all South American countries, for example, enjoy a similar status. If such agreements are not reached, the region will largely remain closed and isolated from the EU (and from Bulgaria), which will significantly delay its integration and development. It is important for Bulgaria that its neighbors develop at an accelerated pace because this would have a positive impact on the country as well.

- Efforts should be made to reach agreements with the neighboring countries for facilitated cross-border travel of people living in borderline areas – 30-50 km from the border (under the provisions of Regulation (EC) No 1931/2006 of the European Parliament and of the Council of 20 December 2006 laying down rules on local border traffic at the external land borders of the Member States and amending the provisions of the Schengen Convention).

- Measures should be taken to computerize and facilitate visa procedures (for example, by interviewing applicants only in the first instance, rather than at each visa application), as well as to develop a policy for issuing long-term multiple entry visas that would facilitate the economic, cultural, academic, scientific and educational contacts with countries on the Schengen Black List (whose nationals are required to obtain visas).

- A migration policy should be elaborated to ensure that vacant jobs are filled in due course by foreign nationals residing legally in the country, in compliance with the market principles, with minimal bureaucratic obstacles and administrative arbitrariness, and with the appropriate conditions for effective integration.

- Bulgaria’s preparation for entering the Schengen zone should be accompanied by efforts to open up the labor market of older EU Member States for workers from Bulgaria, because freedom of labor would be a natural supplement to the freedom of movement. Moreover, this is in line with the fundamental principles of the EU.
Introduction

At the end of 2007, through the “elimination of borders” within the Schengen zone, new Member States obtained new tangible evidence that they are again part of Europe. An illuminating case from 2008, however, showed that the attitude towards this fundamental achievement of European integration is by no means unequivocal. Shortly after the official celebrations in the European capitals, an Austrian municipality at the border with Hungary restricted the entry for Hungarian vehicles and even placed a rock on the road, just to make sure. Then again, one can immediately refer to other cases, in which immigrants from new Member States have been welcomed as necessary and even desired.¹

This almost anecdotal case is, of course, the outcome of prejudice, rather than of an informed decision about the cost and benefit of the Schengen zone enlargement. That is why the present report seeks to outline some major possible consequences of the implementation of the Schengen Agreements for Bulgaria in terms of “benefits” and “costs”.

The Schengen Agreements have two fundamental functions. One is to create a Europe without borders, in which EU citizens, legal immigrants and third-country nationals possessing a “Schengen” visa enjoy complete freedom of movement. While this function aims at openness, the other one operates in exactly the opposite direction – it “closes” the access of third countries to the Schengen zone.²

Thus, the Schengen Agreements in effect regulate the movement of people, and being part of a process that affects directly large groups of people, they inevitably entail serious social, economic, political and foreign policy consequences.

The purpose of the present report is to highlight certain tendencies, challenges and possible solutions for Bulgaria in the transition period before accession to the Schengen zone, which is expected in 2011, as well as in a more long-term perspective, in the first years of Schengen membership.

The report is divided into three parts. The first one covers the possible social and domestic policy consequences the implementation of the Schengen Agreements; the second part deals with the foreign policy dimensions of the Schengen policy, while the third part discusses the economic effects of Schengen. Each part contains recommendations for alternative policies.

¹ According to a research conducted by the Harvey Nash Agency in March 2008, immigrants have a huge contribution to economic development in the United Kingdom: “Skilled migration to contribute 77bn GBP to UK economy” http://213.86.226.153/uk/mediacentre/press_releases_group/skilled_migration_to_contribut.htm
² In the present report the concepts “Schengen”, “Schengen zone”, “Schengen Agreements/legislation/measures” etc. have been used more liberally and in a broader sense than provided for in the official EU documents and the multilateral agreements.
Domestic policy and social effects of the Schengen Agreement implementation

If the current emigration trends among Bulgarian nationals are preserved and the strategies of the Bulgarian government for attracting immigrants achieve their intended outcome, the average family in the country will soon be young, educated, highly qualified and speaking several languages but... with an accent from the Republic of Macedonia, Moldova, Armenia, Ukraine or some other neighboring country.

Of course, this is a hypothetical scenario, whose exact parameters are difficult to predict, but which is based on the following general trends and assumptions:

First of all, Bulgaria is witnessing a mass emigration of working age citizens – active, educated and highly qualified. For reference, since the beginning of the 1990s approximately 1,000,000 Bulgarian citizens have left the country, while the active workforce as of the first trimester of 2008 amounts to approximately 3,465,000 people. At this ratio it is easy to estimate what losses does the country suffer in terms of human resources and what are the possible social and economic consequences of this process.

Secondly, emigration has been encouraged and catalyzed by Bulgaria’s integration into the EU – initially as a candidate country, then as a full member of the EU, and soon as part of the Schengen zone. This is a natural process that cannot be controlled by restrictive measures such as the “exit visas” issued in socialist times. The only solution is to make the country attractive enough and competitive to other European countries in terms of income, security and quality of life.

Thirdly, measures to address this deficit understandably include first of all creating conditions for keeping the remaining population in the country, secondly, bringing some of the emigrants back, and thirdly, attracting nationals of other countries as legal immigrants. It is quite logical for the government to target nationals from neighboring countries, for whom Bulgaria is a relatively good alternative. Similarities in culture, which could make integration in Bulgaria easier is an additional argument in favor of focusing the efforts on these particular countries (which are the target of the elaborated government strategy as well). The government has already announced its plans to negotiate special agreements with Moldova, Armenia, Ukraine and the Republic of Macedonia for attracting people from these countries.

In general terms, Bulgaria more or less follows the path of other New Member States. Educated and highly qualified citizens tend to leave the country, encourage by the conditions of EU membership, despite of the fact that Bulgaria is not yet part of the Schengen zone and the labor markets of most EU countries are partially closed for Bulgarian citizens. Meanwhile, as the national economy develops dynamically, largely encouraged by the country’s membership in the EU and the inflow of EU funds, a serious deficit in workforce emerges. According to data collected by the European Commission, over the last five years 2.4% of Bulgaria’s workforce has left the country, which ranks Bulgaria among the countries with the highest percentage of economic emigrants, along with Romania and Lithuania. The only feasible solution to this problem in the short and mid term is to attract people from other countries.

These two processes associated with the movement of people – emigration from Bulgaria and immigration through or towards Bulgaria, shape two major circles of issues related to “Schengen”.

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4 For additional information and analysis, see the section on the economic effects of Bulgaria’s accession to the Schengen zone, included in the present report.
Emigration of Bulgarian nationals

Statistics show that Bulgaria has witnessed significant emigration over the last two decades: approximately 700,000 to 1,000,000 people have left the country since the beginning of the 1990s, while according to EC data 2.4% of the workforce has emigrated in the last few years alone. This process of outward migration will be facilitated and catalyzed by the country’s accession to the Schengen zone and the removal of the last obstacles that currently restrict the access of Bulgarian nationals to labor markets in the EU.

Bulgarian emigrants pose a minimal risk to public or individual security in the EU and could make a significant contribution to the economic development, and hence to the quality of life, in the target countries. This invalidates all appeals for delaying the accession of Bulgaria and Romania to the Schengen zone or reversing current freedom of movement.

The financial resources sent by the emigrants back to the country are significant and necessary for the Bulgarian economy; they amount to nearly 4 billion leva per year and support thousands of families in Bulgaria. Emigration rates, however, have a negative impact on the country’s economic and social development.

From the perspective of Old Member States, the accession of Bulgaria and Romania was seen above all as a matter of security and of “labor dumping”, with concerns over possible large waves of uncontrollable emigration and organized crime. Most EU countries restricted temporarily or partially their labor markets for the two new Member States, largely in an effort to appease the public.

Some of these concerns, however, have their grounds. In its reports Europol cites Bulgaria, along with other New Member States such as Poland, Lithuania and Romania, as a source and transit country for illegal immigration. The driving force is the demand for cheap workforce, which however breeds highly negative phenomena such as trafficking in human beings and organized crime. Research conducted in 2003 shows that nearly 10,000 Bulgarian women and girls have been victims of trafficking for sexual exploitation.

At the same time, however, the Europol reports suggest that universally applicable restrictive regimes are a factor that perpetuates, rather than prevent such negative phenomena. The emergence or increase of organized crime, including trafficking in human beings, on the Balkans has largely come as a result of the wars in former Yugoslavia and the imposed embargo and travel restrictions. The exploitation of people, on the other hand, is a side effect of the illegal status of immigrants in the EU, who cannot turn to the police or to other authorities to seek help and protect their rights.

Until its entry in the EU, Bulgaria generated a relatively high number of illegal immigrants and/or persons who were rather undesired in the EU. In the period 2003-2006, for example, approximately 86,763 Bulgarian citizens have been refused access to EU countries, while the Bulgarian citizens detained as illegal immigrants in EU Member States in the period 2003-2005 amount to 36,799. In 2007, 12,727 Bulgarian nationals have been refused to leave Bulgaria on the account that they present a threat to public order in other EU countries.

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Though seemingly high, these figures are by no means disturbing. They certainly cannot be used as an argument to reinstate the “iron curtain” under some form or to introduce universally applicable travel restrictions. An effectively working police and justice system in Bulgaria, cooperating with relevant institutions at the European level would be able to cope rather easily with manifestations of deviant behavior. Experience and sheer logic suggest that given the proximity of Bulgaria to other countries, organized crime with its financial resources will always find a way to bypass visa regimes and it will be ordinary people that would suffer most.9

The other concern about uncontrollable mass emigration also proved unfounded. Research shows that the number of people who had emigrated for employment from New Member States to Old Member States ranges between 100,000 and 400,000. Projections suggest that based on these trends, by 2020 between 2 and 3 mln. people would have moved to neighboring Western countries. Compared to the entire EU population however, this number accounts for only 0.5 – 0.8%, which is a negligible figure.10 The very idea of European integration implies free movement of people, including migration within the EU as a normal and even desired phenomenon in the context of economic growth and flexible labor markets. Over the last few years for example approximately 750,000 British citizens have relocated to Spain without this becoming a political or public issue.

In fact, emigration from New Member States turns out to be rather favorable for “Old Europe”. If one looks at the profile of work permit applicants in the United Kingdom for example, one would see that the majority of immigrants from Bulgaria and Romania are employed in the administration of businesses and financial services, followed by sectors such as education, culture and healthcare.11 This should raise concerns in New Member States which compete for workforce with the West, rather than the other way round.12

Emigration brings considerable economic benefits for Bulgaria. According to data provided by the Bulgarian National Bank, the transfers made by Bulgarian expatriates to their relatives in Bulgaria amount to nearly 4 billion leva for 2007, while temporary emigrants alone have sent to the country nearly 800,000 Euro in 2007.13

When all the aspects of migration within the EU are considered, it turns out that due to the relatively small migration pressure, New Member States, including Bulgaria, do not pose a threat to security for the Schengen countries. As for the problems of organized crime, they will be solved by a determined and effective imposition of law and order in the country in cooperation with the relevant EU institutions, rather than by placing universally applicable restrictions to traveling.

From a political and economic perspective, the “opening” of Europe as a result of the Schengen and of other similar policies creates a win-win situation. European integration benefits from the strengthened common identity built by European citizenship. From an economic point of view, increased workforce mobility within the EU, far from being an obstacle, is actually one of the fundamental goals of the EU Lisbon Strategy, which strives to make Europe competitive in a global scale. In terms of integration potential, practice has shown that the majority of Bulgarian nationals integrate quite easily into their host countries, without creating any significant problems.

9 A case in point is the effective investigation at the Embassy of France to Bulgaria, initiated in 2001, which has established that an estimated 20,000 to 25,000 visas have been issued to Bulgarian prostitutes. “Trafficking of Women and Children for Sexual Exploitation in the EU: The Involvement of Western Balkans Organised Crime 2006”
10 Quoted in Katinka Barysch “East versus West? The European economic and social model after enlargement.”
13 The document is available on the Internet at: http://www.ukba.homeoffice.gov.uk/sitecontent/documents/aboutus/reports/bulgarianromanian/
The problems of migration in Europe will be solved through measures that facilitate, rather than restrict the movement of people. In this regard, Bulgaria's entry into the Schengen zone and the opening of European labor markets are expected to have a very positive impact.

If someone should be concerned by the migration of Bulgarian nationals into other EU countries, it is chiefly Bulgaria, because this process is happening in the context of a serious demographic crisis, which has began as early as the late 1980s, and that is a recipe for disaster – both social and economic. The onset of emigration from Bulgaria was in the beginning of 1990s and since then an estimated 700,000 to 1,000,000 Bulgarian nationals have relocated mainly in the EU, the United States and Turkey. Part from those who have left the country forever or for a long period of time, there are many Bulgarians, who move to other countries temporarily for employment purposes and spend an average of 18 months abroad.

Illegal immigration and threats to security: responsibilities in securing the external Schengen borders

As an external border of the EU, Bulgaria is expected to protect the Schengen zone from undesirable phenomena such as illegal immigration, trafficking and organized crime.

Expectations that EU membership would make the country more attractive as a target destination for illegal immigration do not seem to justify themselves for the time being, but a sharp turn in the near future cannot be excluded.

The EU has made the free access of Bulgarian nationals to the Schengen zone conditional on Bulgaria’s capacity to function as an external border of the EU. In other words, if Bulgaria emerges as a source of problems, the freedom of its citizens to travel in the EU could be restricted in one way or another.

Illegal immigration to or through Bulgaria is another phenomenon that has accompanied the country’s accession to the EU in 2007 and the upcoming accession to the Schengen zone in 2011 is expected to catalyze these processes.

Due to its geographic position, Bulgaria acts as an external border of the European Union and has the responsibility to control human flows, as well as to protect the EU from illegal immigration and organized crime. A Europol report, however, raises concerns that the entry of Bulgaria and Romania into the EU would connect the Balkan and the Black Sea regions and could potentially establish a new criminal hub in Europe.¹⁴

From this perspective, Bulgaria seems to be subject to multiple risks. The most serious risk for Bulgaria as an entry point to the EU is the Southern Mediterranean route of illegal immigration from Turkey, which is being used mainly by nationals from countries in the broader Middle East, as well as from Turkey itself. The second route runs from the Western Balkans to all their neighboring countries, while the third, which is already becoming quite active, is the Central and East European route, mainly from Russia, Ukraine, Moldova and Belarus through Poland, Czech Republic, Slovakia and Hungary.

According to FRONTEX data for Bulgaria, published at the end of 2007, the two borders subject to greatest pressure are the one with Turkey where human flows are directed towards Bulgaria, and the one with Greece, where emigration is targeted to Bulgaria’s wealthier Southern neighbor. The two illegal immigrant groups that pose greatest risk are Turkish Kurds and Moldova nationals who enter the country legally but are trying to cross over illegally to other EU countries. According to data published by the

Bulgarian Border Police in 2007, illegal transit is associated mainly with people from the Middle East, Central Asia, North Africa and the former Soviet republics. Illegal transit incidents registered at the Bulgarian-Turkish border involve mostly citizens of Iraq (425), Palestine (89), Turkey (49) and Afghanistan (13).\(^\text{15}\) Cases of illegal immigration at the other two external borders – with Serbia and with Macedonia are very limited. It should be noted, however, that after its entry into the EU, Bulgaria is increasingly becoming a target country for illegal immigration.\(^\text{16}\) At the borders with Greece, which for many years have been vulnerable to illegal transit, authorities now register mainly attempts by Moldova nationals to cross over with forged documents.

Comparative data show that in 2007 there has been a significant increase in the number of refusals to enter the country compared to previous years\(^\text{17}\):

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<td>Number of refusals</td>
<td>8,528</td>
<td>5,765</td>
<td>6,561</td>
<td>6,395</td>
<td>5,917</td>
</tr>
</tbody>
</table>

Statistics confirm expectations for a stronger migration pressure through or towards the country. According to data published by the Bulgarian Border Police there has been an increase in the number of refusals to enter the country, in the number of illegal transit attempts, as well as in the number of wanted persons detained at the border (3,283 for the first nine months of 2007 against 2,470 for the same period in 2006), with most cases being registered at the Border Crossing Points between Turkey and Bulgaria (Capitan Andreevo) and Greece and Bulgaria (Kulata).

According to the Bulgarian Border Police, the main reason for refusing entry in 2007 was the visa regime imposed on neighboring countries, which indicates that restrictions increase the risk of illegal activities.

In addition to border control policies, asylum policies also have an impact on illegal immigration. Although at the European level there are still ongoing (rather unproductive) debates whether to introduce common regulations on asylum, Bulgaria is one of the countries that has successfully and expediently implemented the existing framework, which regulates the provision of asylum under the so-called Dublin Agreements. The European Immigration Pact, which is expected to be signed in October 2008 under the French Presidency, will provide the necessary guidelines for common policies to address illegal immigration, provision of asylum, etc.

While functioning as an external border of the EU, in terms of migration pressure, Bulgaria is far from being in the position of countries like Spain, Italy or Greece where there are hundreds of thousands of illegal migration cases (an average of 650,000 per year for Spain over the last few years), and the process of illegal immigration through our country could be kept within acceptable limits quite successfully.

In assessing the risk of illegal immigration, however, one should consider not only the growing attractiveness of Bulgaria as part of the EU and the country’s geographic position, but also the broader context, which has to do mainly with the conditions that prevail in the source countries of immigration. FRONTEX data indicate that migration pressure from Iraq and Afghanistan has reached a peak in the period 2001-2003, which is the period of greatest instability in these countries. This confirms the assumption that illegal immigration should be addressed by a set of measures targeted to the origins of this phenomenon, as well. The EU is trying to prevent illegal immigration, cooperating with the source countries and offering compensatory mechanisms such as assistance for

\(^{15}\) Report on the Operations of Border Police General Directorate for 2007

\(^{16}\) Conclusions from the Expert Meeting on the Follow-up of the Joint Frontex Europol Report on the High Risk Routes of Illegal Migration in the Western Balkan Countries within the Frontex Risk Analysis Network, Brussels, February 15, 2008

the improvement of border control services, provision of incentives for the citizens of these countries to return to or remain in their native lands. In the case of Moldova, for example, a “circular migration” mechanism is expected to be introduced to regulate processes legally and rationally.

**Regulating legal immigration**

- While illegal immigration is an undesirable phenomenon, attracting legal immigration is a desirable and necessary process in order to address the serious demographic crises and workforce deficit in Bulgaria.
- Bulgaria’s entry into the Schengen zone will facilitate legal immigration by increasing the mobility of legal immigrants in the common European area, while also boosting the comparative advantages of Bulgaria as part of the travel and exchange area.
- The Government’s strategy seeks to attract immigrants from neighboring countries, but it should be borne in mind that Bulgaria is competing for highly qualified workforce with other EU countries and globally.
- Immigration could partially solve the workforce deficit problem but if immigration flows are not managed properly, Bulgaria could end up having even more serious problems because it could attract large waves of poorly qualified and difficult to integrate immigrants.

And while illegal immigration is a negative phenomenon, legal immigration is not only a contemplated but also a sought after alternative for Bulgarian businesses and the Government. Legal immigration is seen as the only feasible short-term and midterm solution that would compensate for the negative effects of emigration and demographic crisis.

This raises three sets of issues. The first one has to do with the need to develop a favorable legal framework by regulating legal immigration and creating optimal conditions for attracting suitable applicants. The second set of issues has social implications and has to do with the capacity of the State and the society to integrate larger groups of people from third countries (including “new minorities”), given the serious problems with the integration of traditional minority groups such as the Roma communities. The third set of issues has a practical dimension and boils down to the dilemma how can Bulgaria attract suitable immigrants when it has to compete for human resources both at the EU level and globally.

Until recently the need to attract immigrants seemed quite paradoxical because Bulgaria was barely coping with high unemployment and low economic growth rate. At the same time, however, the experience of other New Member States showed that shortly before and after the accession into the EU these countries faced the need to import human resources. Poland, the Czech Republic and Slovakia opened to their neighbors – mainly Ukraine, in order to address the shortage of workforce necessary for their rapidly developing economies. In fact, the Czech Republic was one of the few European countries that managed to plan and implement its own program for attracting highly qualified immigrants, which was expected to develop into a “Green Card”-type program at the beginning of 2008.¹⁸

There is no common policy in the EU with regard to the regulatory framework for attracting immigrants. A “Blue Card” Scheme similar to the American Green Card was suggested in 2005, while in the fall of 2007 the European Commission proposed a future

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directive that would regulate this process. In this document, the need for a common policy was justified by the fact that while highly qualified workers from third countries account for 9.9% in Australia, 7.3% in Canada and 5.3% in neighboring Switzerland, in the EU this percentage is only 1.73. For the time being, however, due to political differences between individual EU Member States, it is unlikely that a common policy would be adopted. But even if this happens, Bulgaria would still need to compete for immigrants on the “common market”. Romania, for instance, who faces similar problems and has a shortage of 150,000 workers in construction alone, is already trying to attract workforce from neighboring countries like Ukraine, Moldova, Turkey, and Bulgaria, where salaries are lower.

As far as legal immigration is concerned, until recently Bulgaria was mainly granting Bulgarian citizenship to members of Bulgarian minorities abroad. This practice, however, was not supported by a targeted and comprehensive policy to encourage settlement in the country. The need for such a policy was recognized only in the last two years in several policy papers adopted by the Government. A first reference to this issue was made in the National Strategy for the Demographic Development of the Republic of Bulgaria, 2006 – 2020, which was adopted in 2006. Another recent document, which provides guidelines for such a policy, is the report “Bulgarians Abroad and State Policy”, which has been issued in February 2008 by a taskforce chaired by the Foreign Affairs Minister Ivailo Kalfin. Among other things, the report proposed the elaboration of a special law to encourage the permanent settlement of people with Bulgarian descent in Bulgaria.

A draft National Strategy on Migration and Integration has already been developed to provide guidelines for regulating the set of measures for attracting highly qualified workers from third countries. The initial reactions are that the cost of imported labor will be too high, if all the requirements are met (which in fact merely guarantee social and employment rights). The Government envisages coordinating this strategy with the EU, while the agreements themselves will be made on a bilateral basis. The targeted “donor” countries are Moldova, Macedonia, Ukraine and Armenia, while interest has been expressed by Egypt and Kosovo, as well.

So far Bulgaria’s policy to attract immigrants from third countries came down to granting Bulgarian citizenship to members of Bulgarian ethnic communities in neighboring countries and the former Soviet republics. Statistics indicate that between 2001 and 2007 Bulgarian citizenship has been granted to 31,958 persons. Many of them use their passports only to get access to other EU countries, while available information suggests that since the beginning of the 1990s an estimated 15,000 to 19,000 representatives of Bulgarian communities abroad have actually settled in Bulgaria, most of them coming from the former Soviet republics.

Breakdown of Bulgarian citizenship applications for 2006 (14,468)

<table>
<thead>
<tr>
<th>Country</th>
<th>Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macedonia</td>
<td>8,240</td>
</tr>
<tr>
<td>Moldova</td>
<td>2,467</td>
</tr>
<tr>
<td>Serbia</td>
<td>716</td>
</tr>
<tr>
<td>Israel</td>
<td>508</td>
</tr>
<tr>
<td>Ukraine</td>
<td>506</td>
</tr>
<tr>
<td>Russia</td>
<td>439</td>
</tr>
<tr>
<td>Albania</td>
<td>421</td>
</tr>
</tbody>
</table>

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19 MEMO/07/423, October 23, 2007, Attractive conditions for the admission and residence of highly qualified immigrants
20 “The Labor Market in Romania Threatens to Explode”, Dnevnik Daily, March 12, 2007
http://evropa.dnevnik.bg/show/?storyid=469824
21 The strategy is published in the website of the Ministry of Labor and Social Policy
http://www.mlsp.government.bg/bg/index.asp
22 “The Illusion of Cheap Workers from Abroad”, Capital Daily, February 29, 2008,
http://www.capital.bg/show.php?storyid=464915&show=0
23 See “Bulgarians Abroad and State Policy”
In fact, statistical data show that there has been a decrease in the number of Bulgarian citizenship applications filed in 2007 – 12,411, almost half of which have been submitted by citizens of Macedonia and 1000 by Moldova nationals.25

In addition to these groups of immigrants, who have recently acquired Bulgarian citizenship, the other large group comprises third-country nationals. Currently, foreign nationals in Bulgaria amount to less than 1% or 55,684 by the end of 2006, out of which 15,000 have employment contracts. Preferred settlement regions include large cities (Sofia – 35%, Plovdiv – 9%, Varna – 8%, Bourgas – 5%).

A total of 14,694 long-term residence permits have been issued in 2006, the highest percentage being granted to nationals of neighboring Balkan and Black Sea countries, although there has been an increase in the number of EU applicants with the United Kingdom ranking third.

**Breakdown of long-term residence permits issued in 2006 (14,694)²⁶**

<table>
<thead>
<tr>
<th>Country</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macedonia</td>
<td>2252</td>
</tr>
<tr>
<td>Turkey</td>
<td>2051</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>1840</td>
</tr>
<tr>
<td>Russia</td>
<td>1075</td>
</tr>
<tr>
<td>Greece</td>
<td>697</td>
</tr>
<tr>
<td>United States</td>
<td>695</td>
</tr>
<tr>
<td>Ukraine</td>
<td>571</td>
</tr>
<tr>
<td>Germany</td>
<td>452</td>
</tr>
<tr>
<td>Cyprus</td>
<td>422</td>
</tr>
<tr>
<td>Italy</td>
<td>305</td>
</tr>
</tbody>
</table>

The fact that the share of foreign nationals in Bulgaria is below 1% (with 2.94% in the Netherlands, 6.81% in Austria, 19.72% in Estonia, 0.77% in the Czech Republic)²⁷ to some extent explains why there are no debates or public reaction in society with regard to the integration of foreign nationals or of persons who have recently acquired Bulgarian citizenship. Unlike Romania, Bulgaria so far has not resorted to somewhat exotic solutions such as the import of workers from China. This however does not mean that things are not bound to change very soon.

The rapid economic development of Bulgaria as part of the EU will undoubtedly attract an increasing number of immigrants who would try to settle in the country. This process will be further catalyzed after the country’s accession to the Schengen zone and the development of a flexible labor market in the EU, because workers from third countries will be further motivated by the possibility to get access to the entire European continent, rather than being limited to just one country.

**Bulgaria’s entry into the Schengen zone: possible political consequences**

- The Schengen Agreements affect a number of measures in the area of justice and home affairs. Given EU’s concern about Bulgaria’s performance in this area, any serious oversights could delay the country’s accession to the Schengen zone, but would not exempt Bulgaria from fulfilling its obligations under the Schengen.
- The Schengen Agreements provide for the creation of huge databases containing personal information, which raises serious concerns at the European level about the effective protection of civil rights. Given the grave violations in Bulgaria (with cases of wiretapping, etc.), the proper implementation of these rights should be monitored even more strictly.

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²⁷ Data have been derived from a 2003 FRONTEX report.
After its entry into the Schengen zone, the country will become more open and nationalist parties would most probably use the “immigrant threat” as a tool for furthering their goals.

There are three potential sources of political tension related to Bulgaria’s entry into the Schengen zone and the issues that it would raise.

The first one has to do with a scenario where Bulgaria does not or is no longer capable of fulfilling its Schengen obligations and fails to prevent migration pressure or phenomena related to organized crime. Currently there are no substantial grounds to believe that such a scenario could happen, because the protection of the external borders is monitored closely by the Commission, the individual Member States and the specialized agencies like FRONTEX, and the Bulgarian government is trying to effectively fulfill its commitments in this respect.

The “Schengen requirements” however are part of the overall set of justice and home affairs issues within the EU, and Bulgaria has yet to prove that its justice and home affairs systems function well even under the conditions of special monitoring. Despite the diplomatic tone used by the European Commission, and the Government’s assurances to the contrary, Bulgaria is increasingly seen in Europe as a glitch in the enlargement process, precisely because of its failure to counteract organized crime and corruption and to bring judicial reforms to completion. The poor performance of Bulgarian institutions could affect the Schengen Agreements, as well. In the long run, if “Schengen” develops dynamically into a form of enhanced cooperation between certain Member States (for instance, if the 2005 Prüm Convention becomes the basis for “Schengen III”) Bulgaria might be left out.

The second potential source of tension has to do with the dilemma whether we should strive for more security or better protection of civil rights. One of the pillars of the Schengen is the Schengen Information System (SIS), which contains huge volume of data on persons and vehicles passing through the Schengen zone. If we add to this the SIS II system, which is now being developed and will contain even greater volumes of information complemented with biometrical data, as well as other similar systems such as Eurodac and the common Visa Information System, concerns as to who would use these huge information databases and in what manner, become even greater. In this context, any mismanagement or misuse of these data in Bulgaria could be attacked by independent civil rights bodies (such as the Schengen Supervisory Authority), as well as by human rights NGOs. Reactions in Bulgaria would be limited to individual initiatives of human rights organizations and other NGOs, involving a small number of liberally-minded citizens – similar, for example, to the ongoing campaign against the excessive rights to monitor Internet traffic, which the Government claimed after a “loose” reading of the EU data retention directive.

The third potential source of tension is the possibility to use actual or imaginary problems in determining the visa regime or regulating the settlement of foreign nationals in Bulgaria as a tool for furthering political goals. Such precedent was already created when visas for Russian citizens were introduced and the political debate was again dominated by the traditional “Russophile-Russophobe” opposition. Similar controversy exists with regard to Turkey, as well.

28 An agreement between Belgium, Germany, Spain, France, Luxembourg, the Netherlands and Austria for enhanced cross-border cooperation in combating terrorism, cross-border crime and illegal immigration
29 http://www.schengen-isa.dataprotection.org/
30 Statewatch, for instance – www.statewatch.com
31 The following statement by Slavi Binev from the Ataka Party could serve as a case in point: "If Turkey joins the EU, the Ottoman yoke would seem like a lullaby to us, a nice, gentle song. Why? Because more than 80 million people ready to accept any job at any salary would flood the country, while five multibillion Turkish corporations would invade the Bulgarian industry and market. No Bulgarian companies would remain, they would not survive and nothing is being done to prevent this". Interview taken on May 17, 2007, http://www.ataka-plovdiv.com/index.php?Itemid=2&id=91&option=com_content&task=view
Another potential challenge has to do with the fact that a modern type of tolerance towards different cultures and new minorities is yet to develop in Bulgaria, but nevertheless people on the whole are much more tolerant to differences than in other New Member States. Still ethno-nationalist formations could try to reap political dividend out of the changes.

While a new type of national identity is still to emerge, and hence is prone to manipulation, Bulgarian laws already stipulate that the citizens of EU Member States are not considered “foreign nationals”. Albeit not widely known, this fact already redefines the current concept of “nation” towards a common European identity and citizenship.32

Conclusions and recommendations

β The implementation of the Schengen Agreement provisions (for instance, new identification documents containing biometrical data, new vehicle registration plates) should be planned for the long term and preceded by a public campaign to clarify the details.

β In implementing the Schengen Agreements provisions, care should be taken to guarantee the civil rights of Bulgarian and foreign nationals, including by allowing independent civic monitoring, if necessary.

β The procedure for granting Bulgarian citizenship should be developed further to include a requirement that the person settles in the country in order to avoid any misuse of this privilege just as a means to get access to other EU Member States.

β Immigration promotion policies should be adopted after a broader debate among experts and the general public.

β The immigration policy should seek to attract educated and highly qualified applicants, cultural compatibility being a supplementary argument.

β It should be taken into consideration that Bulgaria competes for these immigrants at the European and global level. The proper functioning of the State and the social and healthcare systems, the availability of related infrastructure and the ability to guarantee certain quality of life standards would contribute not only to attracting immigrants, but also keeping Bulgarian nationals in the country and encouraging a process of re-emigration of Bulgarian expatriates or their descendants.

β It is particularly important to prepare the public opinion for the influx of foreign nationals and the possible emergence of “new minorities”.

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32 See Foreign Nationals in the Republic of Bulgaria Act, Art. 2. (Amended, SG, issue 29, 2007)
Overview of the foreign policy effects of the Schengen Agreement implementation

Foreign policy effects of the Schengen Agreement implementation:

- The newly acquired freedom of Bulgarian nationals for visa-free travel within the EU came at the price of restricting the access of citizens from neighboring countries with which Bulgaria traditionally maintains close contacts. Due to its geographic position, Bulgaria became an external border of the EU, which further burdened the country with serious obligations towards the EU.
- Travel restrictions coupled with inefficient administrative services (visa services, for example) undoubtedly have a negative impact on bilateral relations – political, civil and economic.
- Visa restrictions in fact contradict the EU stabilization and association policy towards countries neighboring the EU.
- Political problems in these countries will continue to affect relations with the EU as a whole and with Bulgaria in particular, including travel regulations.

After its entry in the EU, Bulgaria became an outpost of the European Union with regard to several key regions: the Western Balkans, Turkey, the Black Sea region, including Russia. The two most important policies related to this function are the protection of the EU external border and the visa policy.

Bulgaria and its neighbors in view of their European prospects

Bulgaria is responsible for guarding 1,647 km of the EU external border with 11 land border crossing checkpoints, 11 ports and 5 airports.

Being a member of the EU, Bulgaria enjoys a visa-free regime with all these countries, but their citizens still need visas to visit Bulgaria. Until the beginning of 2008, travel regulations were even more restrictive for third-country nationals, because they could not use their Schengen visas to enter into or transit through Bulgaria. Since January 2008 this situation has somewhat improved and common "Schengen" visas are now valid for a short stay in or transit through Bulgaria (up to 5 days).

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33 Bulgaria’s responsibilities as an external border of the EU to a great extent coincide with its responsibilities as an external border of NATO and although the two organizations are completely different in nature, from a strategic and geopolitical perspective interests, functions and obligations often overlap.
34 The map has been downloaded from the website of the EC Enlargement Directorate General.
To the north, Bulgaria borders with Romania, which is a member of the EU, has a reciprocal visa-free regime with Bulgaria and is also expected to join the Schengen zone in few years – in 2011. To the south, Bulgaria borders with a Schengen country – Greece, but despite the minimal border control, these are not open borders in the “Schengen” sense.

In formulating its policies toward its neighbors regarding visa and other regulated issues, Bulgaria has very little wiggle room, which is limited by the existing EU policies and the dynamic of the relations between the EU and each of these countries. Moreover, travel regulations are part of a complex set of issues related to foreign policy, security, economy and trade.

In considering visa regimes and related regulations from a long-term perspective, one should take into account the prospects for EU membership or the existence of special arrangements between these countries and the EU. Bulgaria’s immediate neighbors to the West are seen as potential EU Member States and facilitated or visa-free travel arrangements with them are part of the membership negotiations package. Turkey is currently conducting negotiations for EU membership but is a special case and the free movement of people will be one of the last issues to be addressed. Relations with the Black Sea countries are determined in the context of the European Neighborhood Policy and the special EU strategy for the region, the so-called Black Sea Synergy initiative, which include declarations that the movement of people would be facilitated. EU-Russia relations develop along the so-called “Four Spaces”, one of which includes free movement of people.

By the date of accession to the EU, in return for the visa-free regime with the EU Member States, Bulgaria had to comply with some unconditional requirements of the EU, which included among others introducing restrictions (visas) for neighboring countries, which had not signed a free travel agreement with the EU. Only for Macedonia and Serbia, Bulgaria managed to postpone the introduction of a visa regime until the end of 2006.

The introduction of a visa regime for most Western Balkans countries in the beginning of the 1990s was part of the “sanitary cordon” measures, with which the EU sought to protect Europe from the negative effects of the war in former Yugoslavia. For the citizens of former Yugoslavia who had been traveling without restrictions for decades, this was a serious political, economic and psychological challenge. The 2006 Visa Restrictions Index\(^{35}\) registered this situation, ranking Serbia 64\(^{th}\) with a score of 32 (the top rank being held by countries with greater travel freedom), while Bulgaria ranks 29\(^{th}\) with a score of 83. For reference, the top ranking countries are Finland, Denmark and the United States, while Iran and Afghanistan rank 82nd and 83rd accordingly.

From a political point of view, the enforcement of visa restrictions after the fall of Milosevic and the end of armed hostilities in 1999 came into contradictions with the concept for regional cooperation in Southeastern Europe as a key element in the international strategy for post-conflict reconstruction of the region. This had a particularly serious impact on borderline communities, which as a rule are underdeveloped and poor in the Balkans and were surviving mainly on small cross-border trade.

The EU, which assumed almost entirely the responsibility for peacekeeping and reconstructive operations in the Western Balkans after September 11 when the United States shifted their attention to the Middle East and Central Asia, is in fact incurring most of the negative effects of this contradiction. In 2003, the EU adopted a new approach towards the stabilization and reconstruction of the Western Balkans, which takes into consideration the “European prospects” of these countries, i.e. their prospects for EU membership. Freedom of travel is a key element in this new plan for the Balkans, which apart from its practical implications, seeks to achieve also a political and symbolic effect by demonstrating to the Western Balkan nations that there are not restricted into their “ghetto” and by creating incentives for them to conduct reforms.

\(^{35}\) Henley Visa Restrictions Index, available on the Internet at: http://www.henleyglobal.com/visa_restrictions.htm
The EU visa policy is a key element of the “carrot and stick” strategy for reforming the Western Balkans. Easing or abolishing the visa regime would serve as a reward for the countries which fulfill the requirements of the EU. Free access to the EU is considered such a valuable privilege that in the beginning of 2008 the EU proposed to lift visa restrictions on Serbia in exchange for Serbia’s acceptance of the loss of Kosovo (which accounts for 15% of the country’s territory).

In the case of Bulgaria, the introduction of a visa regime for Macedonia and Serbia had undeniable negative consequences, which translated into a deterioration of economic and political relations (the latter albeit unofficially) that affected the general public as well. Bulgaria in fact postponed the imposition of these restrictions for its two immediate neighbors to the last possible moment (the beginning of 2007) in recognition of the multiple negative political and economic effects that this would have on bilateral and regional relations.

Being aware of these consequences, the Bulgarian government addressed the situation by gradually implementing measures to ease the effects of the visa regime: introducing free visas for certain categories of travelers, applying more effective visa application procedures, and extending the consular sections network. Unfortunately, measures were implemented too slowly and provoked frequent and sharp criticism against the Bulgarian bureaucracy, similar to the one Bulgarians themselves used to address towards “Old Europe” a few years earlier.

In considering the case of neighboring Macedonia and Serbia, one should also take into account the policy of the Bulgarian State to grant Bulgarian citizenship to nationals of these countries, who claim and are able to prove that they have Bulgarian origin. Although this policy is justifiable as a compensation for certain historical processes, it is not being accepted unequivocally. Media in the Republic of Macedonia often attack it as an attempt by the Bulgarian State to deprive Macedonian citizens of their identity. From a Bulgarian perspective, the policy is also controversial because many people with anti-Bulgarian attitudes claim citizenship for purely opportunistic reasons. Most Macedonian citizens need the Bulgarian passport just to get access to employment in other EU Member States without ever having anything else to do with the Republic of Bulgaria. Sometimes the process of obtaining Bulgarian citizenship also breeds corruption practices.

As far as the Republic of Turkey is concerned, there is an asymmetrical regime between the two countries, whereby Bulgarian nationals travel without visas, while Turkish nationals are required to obtained visas to enter Bulgaria. It should be noted that in this case Bulgaria is in a privileged position because many other EU Member States have reciprocal arrangements with Turkey and their citizens need visas to enter the country.

Unlike smaller Western Balkan countries, for which the visa regime could be relaxed relatively easily, Turkey is a more complicated case because with its numerous (it would have been the second largest country in the EU if it were a member of the Union) and poor population by Western European standards, the country is seen as a source of migration pressure, while existing problems with the integration of Muslim communities in Europe further affect the political and public attitude towards potential immigration from Turkey.

From a Bulgarian perspective, the case of Turkey raises three specific types of issues. The first one has to do with the fact that Turkey is home to several hundred thousand Bulgarian nationals, immigrants from the Turkish and Muslim minority in Bulgaria. The second specific issue is that in the Bulgarian political and public debate on the European prospects of Turkey (as far as such debate exists), Turkey’s EU membership is associated with domestic policy issues such as the influence of the Turkish minority party “Movement for Rights and Freedoms”. Last but not least, EU concerns about possible uncontrolled emigration from Turkey and the challenge of integrating Muslim communities, are even more pronounced in Bulgaria, which having been part of the former Ottoman Empire, has some historical issues to deal with.
After the accession of Bulgaria and Romania, the countries of the Black Sea region became immediate neighbors of the European Union. For Europe this region is important for at least three reasons. First of all, this is a major transit route for the import of energy resources and any interruption of gas supplies for Ukraine due to disputes with Russia, for instance, means that European economy and consumers are left without gas. Secondly, with its frozen conflicts, unstable statehood and organized crime, the region poses a threat to security and any instability could affect the EU directly or indirectly. Thirdly, certain Black Sea countries (for instance, Moldova and Ukraine) historically have special relations with some EU Member States (Romania, Poland), which make them a priority for a group of countries in the EU, lobbying for closer interaction. Nationals of these countries already form large immigrant communities (mostly illegal) in Europe.

Within the EU, the countries in the region are covered by the European Neighborhood Policy and the new Black Sea Synergy strategy (2007), which among other things include a declared political will for less restrictive travel arrangements.

EU-Russia relations are regulated by strategic partnership in the so-called “Four Spaces”, one of which refers to the free movement of people.

Bulgaria has identified the Black Sea region as a priority of its foreign policy. The country has already accumulated certain foreign policy experience in this region as a member of NATO and is serving for a second term as a contact country for the South Caucasus states – Armenia, Azerbaijan and Georgia.

For Bulgaria, the Black Sea region is important for yet another reason: two of the largest Bulgarian communities abroad are in Moldova and in Ukraine, which means that these countries are a priority target for the Government’s policy towards Bulgarian communities abroad, including with regard to granting Bulgarian citizenship.

The development of the visa policy between Bulgaria and its neighbors depends on the relations in the triangle Bulgaria–neighboring countries–European Union. In practice this means that at the bilateral level Bulgaria and its neighbors could regulate their relations only within a narrow framework, making temporary and limited improvements – i.e. Bulgaria can afford to act only in the framework of the Common European requirements. More significant improvement could be expected only as a result of substantial changes in the status of Bulgaria’s neighboring countries with regard to the EU as a whole, while political relations and the assessment of the security situation in these countries also plays an important role for changing their “Schengen” status.

<table>
<thead>
<tr>
<th>Country</th>
<th>Visa-free regime for Bulgarian nationals</th>
<th>Visa-free regime to enter Bulgaria</th>
<th>Status with respect to the EU</th>
<th>Prospects and risks, incl. relaxed visa regime with the EU</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balkan countries</strong></td>
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<tr>
<td>Greece</td>
<td>Yes</td>
<td>Yes</td>
<td>EU</td>
<td>Member of Schengen</td>
</tr>
<tr>
<td>Macedonia</td>
<td>Yes</td>
<td>No</td>
<td>Candidate country (negotiations have not begun yet)</td>
<td>Possible EU prospects in the mid term; possible bilateral agreement for workforce migration with Bulgaria</td>
</tr>
<tr>
<td>Romania</td>
<td>Yes</td>
<td>Yes</td>
<td>EU</td>
<td>Expected Schengen membership in 2011/2012</td>
</tr>
<tr>
<td>Serbia</td>
<td>Yes</td>
<td>No</td>
<td>Potential candidate country</td>
<td>EU prospects in the mid term; risk of deteriorating relations with the EU</td>
</tr>
<tr>
<td>Turkey</td>
<td>Yes</td>
<td>No</td>
<td>Candidate country</td>
<td>EU prospects in the long term; possible restrictions for access to the EU labor market</td>
</tr>
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Black Sea countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Visa Regime</th>
<th>European Neighborhood Policy</th>
<th>EU prospects in the long term; possible bilateral agreement for workforce migration with Bulgaria</th>
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</thead>
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<tr>
<td>Armenia</td>
<td>Yes</td>
<td>No</td>
<td>European Neighborhood Policy</td>
</tr>
<tr>
<td>Georgia</td>
<td>Yes</td>
<td>No</td>
<td>EU prospects in the long term</td>
</tr>
<tr>
<td>Moldova</td>
<td>Yes</td>
<td>No</td>
<td>Agreement for circular migration with the EU; possible bilateral agreement for workforce migration with Bulgaria</td>
</tr>
<tr>
<td>Russia</td>
<td>Yes</td>
<td>No</td>
<td>Strategic partnership Relaxed regime in the “Four Spaces”; EU prospects in the long term</td>
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<tr>
<td>Ukraine</td>
<td>Yes</td>
<td>No</td>
<td>European Neighborhood Policy</td>
</tr>
</tbody>
</table>

Foreign policy effects of the “Schengen”: prospects and risks

- Countries, which have more structured relations with the EU, are more likely to have their visa regime relaxed or abolished, starting with candidate countries, followed by potential candidates and countries covered by the European Neighborhood Policy.
- EU’s relations with the Western Balkan countries neighboring Bulgaria, however, are determined to a great extent by geopolitical and other considerations; therefore the connection between visas and membership is not always a straightforward one. Croatia, for example, has never had a visa regime with the EU – unlike Bulgaria and Romania.
- Bulgaria’s accession to the Schengen zone will have a positive effect because people from neighboring countries would be able to benefit from the common Schengen visa. Some promising new immigration and visa policy approaches, such as the “circular migration” in which Bulgaria is already participating, are also being introduced gradually.

Macedonia has the status of a candidate country but paradoxically for two years now has been failing to secure a date for the start of accession negotiations. Last month (March 2008) there have been positive signs from Brussels for a new approach towards the entire Balkans, including setting negotiations date and relaxing visa regimes. These declarations, however, have not been followed by practical steps, but rather reflect the new crisis with regard to the status of Kosovo and more or less serve as a “carrot” for preserving stability in the Western Balkans. Following this logic, one would assume that a visa-free regime might be granted to Macedonia as part of a series of measures, confirming Macedonia’s “European prospects” in an effort to preserve ethnic peace in the country. Optimistic expectations are that Macedonia would secure a visa-free regime in the beginning of 2009.

However, it is very likely that travel restrictions for Macedonian citizens would remain in force for a variety of domestic and foreign policy reasons. First of all, statehood in the country is still too fragile and there is a risk of instability should a conflict from Kosovo, provoked by either the Albanian or the Serbian party, expand over to Macedonia. Secondly, the country is not reforming as quickly and as successfully as expected and still needs to cope with years of delayed reforms. Thirdly, there is serious controversy between Macedonia and Greece with regard to the name of the former Yugoslav Republic. Greece has already vetoed Macedonia’s membership in NATO in 2008 and could do the same with respect to the EU. Last but not least, there are certain anti-Bulgarian feelings among the Macedonian post-Yugoslav elite (including some influential media), which strained the relations between Bulgaria and Macedonia over the last few months. In this context, Bulgaria’s support for all Macedonian aspirations should not be taken for granted. Bulgaria could also reconsider its policy of granting Bulgarian citizenship to Macedonian citizens.
Serbia has great development potentials and it is in Bulgaria’s interest for the country to head towards EU membership. Unfortunately, the developments of the 1990s still influence Serbia and its relations with the EU have effectively stagnated for a long time. Radicalization on the political scene in Serbia, following the separation of Kosovo, brought about a thaw in the relations with Russia, while relations with the EU stagnated. Visa policy is undoubtedly part of “the battle for the hearts and minds” of Serbian people; not incidentally, the EU proposed to offer Serbia visa-free travel and possibly set a date for the start of accession negotiations in exchange for Serbia’s acquiescence for the separation of Kosovo – an offer that was rejected by Serbia as unacceptable. Russia, on the other hand, was quick in granting a visa-free regime for Serbia since the beginning of 2008.

The future of EU relations is an issue that provoked a government crisis in Serbia in March 2008 and there are serious concerns that the country would choose self-isolation over potential EU accession. Serbia declared that it would discontinue its relations with any country that recognizes Kosovo. The decision of the Bulgarian government to recognize Kosovo on March 20, 2008, has already affected the relations between Sofia and Belgrade.

If this process of isolation and confrontation with the EU continues, it is possible (albeit not that probable at the moment) for Serbia to introduce a reciprocal visa regime for EU Member States. This, of course, would be highly adverse for Bulgaria, whose direct access to the rest of Europe passes through neighboring Serbia. For the time being, the EU has chosen to encourage Serbia and even signed a Stabilization and Association Agreement at the end of April 2008, which is a step in the right direction.

Turkey is a candidate country but negotiations with the EU have effectively come to a halt. Even in the best case scenario, the visa regime would be one of the last things to change in the relations between Turkey and the EU. If accession negotiations are discontinued and Turkey shifts away from its European path, the visa-free regime for Bulgarian nationals might be reconsidered, although the Turkish minority in Bulgaria and the political and business relations between the two countries would also play a role in such decision.

Russia is a strategic partner of both the EU and Bulgaria, and has already been granted a less restrictive visa regime under the “Four Spaces” strategy. This would have a positive impact on the visa arrangements between Russia and Bulgaria, as well. For the time being radical changes in the visa regime can hardly be expected, apart from some technical improvements such as “electronic visas”, which have already been introduced by Bulgaria since the beginning of 2008.

The remaining countries of the Black Sea region – Ukraine, Moldova, Armenia and Georgia – are covered by both the European Neighborhood Policy and the special Black Sea Synergy Strategy, which envisage liberation of the visa regime. These countries are also within the focus of other active EU Member States such as Romania, Poland, the Baltic and Visegrad republics, which, among other things, lobby for easing or abolishing the visa regime.

Moldova has already signed an agreement with several EU Member States, including Bulgaria, which provides for an innovative model of interaction with the EU in the sphere of workforce migration. More specifically, the agreement envisages a pilot “circular migration” model under which third-country nationals are given the opportunity to work in the EU for a certain period of time and return to their countries without the risk of losing their right to access the EU labor market again. Over the last few years many Moldova nationals were granted Romanian citizenship, while the members of the Bulgarian community in Moldova (and in Ukraine) – obtained Bulgarian citizenship.

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Similar bilateral workforce migration agreements could be signed with Ukraine and Armenia in order to compensate for workforce deficit and demographic crisis in Bulgaria.

As far as the two neighboring EU Member States, Greece and Romania, are concerned, virtually non-restricted travel – with the prospect of opening the borders completely after 2011 – led to an increase in the number of people traveling, thus contributing to the development of trade, tourism and good neighborly relations, as well as to the development of a common European identity. Free travel regulations within the EU solve in a natural way the problem with illegal immigration from Bulgaria to Greece, which for years on end created conditions for trafficking in human beings and organized crime.

**Short-term scenarios for development**

Due to the specific transitional status of Bulgaria, which is a full member of the EU but has not yet joined the Schengen zone, the introduction of visa restrictions for neighboring Serbia and Macedonia in 2007 brought some negative consequences, while at the same time visa regimes existed with respect to other countries in the Black Sea region.

In the short term, the situation improved to some extent after January 1, 2008, when the common “Schengen” visas became valid for a short stay in or transit through the Republic of Bulgaria (up to 5 days). This will greatly facilitate the contacts between Bulgaria and its neighbors because many active citizens from neighboring countries (business people, artists, scholars, scientists and other professionals) already possess long-term visas for a country in the Schengen zone.

Since the beginning of 2008 Russia has been granted some privileges at the EU level under the “Four Spaces” strategy, which would have a positive impact on its relations with Bulgaria as well. With a view to facilitating visa procedures, Bulgaria introduced electronic visas for Russian citizens, which will be also implemented in other countries in an effort to mitigate the effect of visa restrictions.

In 2007, the countries in the Black Sea region and Russia gradually abolished the visa regime for Bulgaria as a member of the EU.

**Mid-term scenarios for development**

In the mid term Bulgaria’s accession to the Schengen zone in 2011 would provide even greater movement of people in the region and citizens of neighboring countries would now be able to use the common Schengen visa.

Meanwhile, neighboring countries, which have the status of EU candidates, would most probably be granted visa-free travel arrangements, similar to the ones Bulgaria had in 2000–2007. If the situation in the region does not deteriorate drastically after the independence of Kosovo, Macedonia, and then Serbia would get free access to the EU.

Turkey, however, would most likely continue to be treated as a special case with restricted freedom of travel and access to the EU labor market.

The Black Sea countries covered by the European Neighborhood Policy could also be granted a more liberal visa regime. New elements already exist in the relations between the EU and Moldova, where a new form of labor market access and freedom of travel is being experimented with the so-called “circular migration” model. Most probably similar bilateral arrangements for facilitated immigration will be also negotiated with Macedonia, Ukraine and Armenia (in coordination with the EU). It should be noted that the greater the travel restrictions, the stronger the pressure for obtaining Bulgarian citizenship.
In the short-term, however, the prospects are rather dim, because of justifiable concerns that the EU relations with countries such as Serbia and Turkey would stall and the access regime would be reconsidered. This would have very negative consequences for Bulgaria, especially in the case of Serbia, whose territory links Bulgaria to the rest of Europe.

Long-term scenarios for development

In the long term (after 2015-2020), in the best case scenario, all countries neighboring Bulgaria would be members of the EU and would have joined the Schengen zone. Only Turkey would probably remain a special case and would still have restrictions with regard to the access to EU labor market and/or the free movement of people.

In case of negative developments, the mid-term scenario would probably fulfill.

Conclusions and recommendations

- The visa regime between Bulgaria and its neighboring countries significantly frustrates the political, economic, commercial and human relations and should be made as uncomplicated as appropriate or abolished altogether when possible.

- Despite justifiable criticism, however, the visa regime reflects EU requirements, as well as the concerns of EU citizens. The Schengen restrictions have been designed to protect European citizens against undesired immigration and organized crime from third countries, and the Balkans and Black Sea region are seen both as a major source and a transit area for illegal immigrants and criminal threat along the East-West axis.

- The most logical and most effective way to ease or abolish the visa regime is not to lobby Brussels for relaxing restrictions, but to encourage reforms in those countries, so that the reasons for EU concerns could be eliminated (in the area of security, uncontrolled immigration, organized crime etc.).

- With regard to the Western Balkans, the most appropriate way to abolish visa regime is to improve the status of these countries with respect to the EU. Western Balkan countries should be assisted in conducting EU membership reforms; more specifically they should be provided technical assistance and expertise to fulfill the requirements for visa-free travel.

- Where the abolition of the visa regime is unfeasible, visa application procedures should be facilitated by opening more consular service sections, increasing the number of consular officers, introducing innovative systems such as electronic visas, implementing effective document processing systems, facilitating visa services for certain categories of citizens – businesspeople, artists, scientists and scholars, etc. Given that most of these elements have already been introduced or will soon be introduced by the MFA, in most cases all that is needed is to guarantee that they will be effectively implemented in practice.

- Opportunities should be pursued to introduce facilitated procedures for traveling to and from borderline areas, in line with the EU requirements in this area.

- The practice of granting Bulgarian citizenship to foreign nationals should be reconsidered so as to eliminate any corruption mechanisms and make citizenship conditional upon settlement or long-term stay in Bulgaria.
Economic effects of the Schengen Agreement implementation

Effects on outgoing travel

- The benefits of Bulgaria’s membership in the EU, as well as liberalization of travel arrangements with the country’s immediate neighbors, already translate into increased number of trips and enhanced exchange.
- Liberalized travel already brings a new type of integration at sub-regional level between two countries, for instance between Western and Southwestern Bulgaria and Northern Greece or South Romania and Northern Bulgaria.
- The increase in the number of trips to countries such as Macedonia most probably results from the fact that a greater share of small cross-border trade is now being undertaken by Bulgarian nationals.

Bulgaria’s accession to the Schengen zone will facilitate road travel to other EU Member States. If Romania joins the Schengen zone together with Bulgaria, then our country will have open borders with two of its immediate neighbors – Romania and Greece.

Given the tightening security measures at international airports, Bulgaria’s accession to the Schengen zone is unlikely to affect significantly the air travel of Bulgarian nationals to other Schengen countries.

Trips to Greece account for nearly 20% of the total outgoing travel from Bulgaria (based on data for 2006 and the first nine months of 2007) with trips to Romania forming another 20% approximately. Bulgarians travel for three main purposes – tourism, business and cross-border trade (the so-called „suitcase trade”).

Facilitated travel to Greece is likely to produce a more pronounced impact on the Bulgarian tourist industry. For those who live in Southwestern Bulgaria (including Sofia) and generate the highest average income in the nation’s economy, the summer resorts in Northern Greece are more accessible than those on the Black Sea coast. Moreover, they have the additional benefit of enjoying a longer summer season. When time-consuming border crossing procedures are eliminated, the relative advantages of Greek resort will increase. Other conditions being equal, this could bring about a decline in the number of tourists visiting Bulgarian resorts, which offer comparable services. In the first few years the effect would probably be more pronounced with regard to short-term vacations (long weekends) and less expressed with regard to longer holidays.

Currently Romania is not considered a preferred tourist destination for Bulgarians. This can be explained on one hand, with the difficult road access via Danube Bridge, and on the other hand, with the less favorable (for now) conditions for summer vacation on the seaside and the underdeveloped ski resorts. Romania’s accession to the EU and subsequently to the Schengen zone, however, could provide incentives for rapid growth of the Romanian tourist industry, and although Bulgarian tourists would not be the main target group, this would affect the local travel market as well. Since the beginning of 2007 there has been an increase in the number of short-term trips (1 or 2 days) to Romania offered in Bulgaria, mainly in the northern part of the country. This tendency will continue.

Table: Outgoing travel to neighboring countries, 2006

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of trips in 2006</th>
<th>Variation compared to 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>TURKEY</td>
<td>1,225,687</td>
<td>-26.13%</td>
</tr>
<tr>
<td>GREECE</td>
<td>709,312</td>
<td>+17.22%</td>
</tr>
<tr>
<td>SERBIA and MONTENEGRO</td>
<td>477,533</td>
<td>+14.97%</td>
</tr>
<tr>
<td>MACEDONIA</td>
<td>267,889</td>
<td>+14.67%</td>
</tr>
<tr>
<td>ROMANIA</td>
<td>232,371</td>
<td>+21.48%</td>
</tr>
</tbody>
</table>
Table: Outgoing travel to neighboring countries, 2007

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of trips in 2007 – first nine months</th>
<th>Variation compared to 2006 – first nine months</th>
</tr>
</thead>
<tbody>
<tr>
<td>TURKEY</td>
<td>907,653</td>
<td>-1.80%</td>
</tr>
<tr>
<td>GREECE</td>
<td>613,759</td>
<td>+15.06%</td>
</tr>
<tr>
<td>SERBIA and MONTENEGRO</td>
<td>367,193</td>
<td>+4.10%</td>
</tr>
<tr>
<td>MACEDONIA</td>
<td>245,232</td>
<td>+28.90%</td>
</tr>
<tr>
<td>ROMANIA</td>
<td>122,983</td>
<td>-25.37%</td>
</tr>
</tbody>
</table>

Source: State Agency for Tourism

According to comparative data of the National Statistical Institute (NSI) for the first nine months of 2006 and 2007, the highest increase in the number of outgoing travel has been registered to countries such as the Czech Republic (55%), the United Kingdom (51%), Macedonia (28%), Germany (20%) and Austria (19%). While the Czech Republic, the United Kingdom, Germany and Austria are members of the EU and therefore, the increase in outgoing travel could be explained by Bulgaria’s accession to the EU, in the case of Macedonia the possible reasons are quite different. On one hand, Bulgarian nationals might have undertaken some share of the “suitcase trade” from their Macedonian “counterparts” who now need visas to enter Bulgaria, while on the other hand this could be an outcome of the practice to grant Bulgarian citizenship to Macedonian citizens, who would be now registered as Bulgarians in the statistics.

There is no doubt, however, that the removal of travel restrictions for Bulgarian nationals traveling to the EU has led to a significant increase in the number of outgoing trips (this development has also been influenced by other factors such as Bulgaria’s accession to the common European Aviation Area and the entry of low-cost airlines on the local market). With the country’s integration into Schengen this process will continue.

Incoming travel of foreign nationals to Bulgaria

- The imposition of visa restrictions for citizens of neighboring countries affected negatively the travel and tourism industry in Bulgaria. The number of travelers from Serbia and Macedonia, for instance, decreased three times.
- Bulgaria’s entry into the Schengen zone is expected to bring about an increase in the number of third-country nationals traveling to Bulgaria because of the common “Schengen” visa.

The gross income from international travel doubled over the last six years reaching 2.3 billion Euro in 2007. This accounts for approximately 12.7% of the total export of goods and services produced by the Bulgarian economy. Outgoing travel, however, also increases with roughly the same pace, reaching nearly 1.3 billion Euro in 2007, which means that the net income for the Bulgarian economy amounts to approximately 1 billion Euro for the last year.

Bulgaria’s accession to the Schengen zone is expected to make travel even easier for citizens of EU Member States that are part of the Schengen area, while the access of people from countries outside Schengen would become more difficult. The effects of the visa regime, which was introduced in 2007 for citizens of Macedonia and Serbia, can already be felt in the threefold decrease in the number of travelers from these countries whose share in the total number of foreign tourists dropped to approximately 5%. Ski resorts in Bansko and Borovets, which with their proximity used to attract weekend visitors from Serbia and Macedonia, would be particularly affected by the new travel restrictions for these two countries.

With the introduction of visas, Bulgaria lost its competitive advantage to other tourist destinations such as Greece and Italy for instance, which have similar geographical characteristics and pricing levels and compete for the same categories of tourists during the summer. Visitors from Russia and Ukraine, which account for 5% and
2% of the total for the first nine months of 2007, have marked a smaller increase compared to the same period in 2006. The advantages of Bulgarian resorts, however, do not seem to be enough to compensate for the difficulties in obtaining a visa.

Bulgaria’s accession to the Schengen zone could also have a positive effect for Bulgarian tour operators because it would make “combined” trips easier. Tourists who possess a Schengen visa would be able to travel freely throughout the entire Schengen zone and those who have been attracted by a Greek resort, for example, would be encouraged to spend several days in a nearby resort in Bulgaria as well. This effect would be most noticeable with regard to the travelers from Asia (including China) who would be able to include Bulgaria in their itinerary more easily.

Bulgaria could improve its competitive advantage as a transit country as well. The expected increase in travel within the Schengen zone will also increase the number of travelers transiting through Bulgaria, with the two major destinations being from Turkey and Greece towards Western Europe, and for Schengen Member States towards the resorts in Turkey and Greece. At the same time, however, travelers to Turkey from countries outside Schengen would rather opt to travel by air in order to avoid the need for obtaining a transit visa for Bulgaria).

Table: Foreign tourists in Bulgaria, 2006

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of trips in 2006</th>
<th>Variation compared to 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>SERBIA and MONTENEGRO*</td>
<td>614,374</td>
<td>+14.95%</td>
</tr>
<tr>
<td>GREECE</td>
<td>606,195</td>
<td>-8.97%</td>
</tr>
<tr>
<td>MACEDONIA*</td>
<td>548,691</td>
<td>-5.58%</td>
</tr>
<tr>
<td>ROMANIA*</td>
<td>369,084</td>
<td>+97.04%</td>
</tr>
<tr>
<td>TURKEY</td>
<td>231,306</td>
<td>-14.70%</td>
</tr>
<tr>
<td>RUSSIA</td>
<td>215,828</td>
<td>+23.12%</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>94,214</td>
<td>+12.50%</td>
</tr>
</tbody>
</table>

Table: Foreign tourists in Bulgaria, January – September 2007

<table>
<thead>
<tr>
<th>Country</th>
<th>Number of trips in 2007 – first nine months</th>
<th>Variation compared to 2006 – first nine months</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROMANIA*</td>
<td>613,435</td>
<td>+113.50%</td>
</tr>
<tr>
<td>GREECE</td>
<td>558,411</td>
<td>+31.87%</td>
</tr>
<tr>
<td>UNITED KINGDOM</td>
<td>404,586</td>
<td>+6.55%</td>
</tr>
<tr>
<td>RUSSIA</td>
<td>226,643</td>
<td>+12.60%</td>
</tr>
<tr>
<td>TURKEY</td>
<td>208,638</td>
<td>+19.85%</td>
</tr>
<tr>
<td>SERBIA and MONTENEGRO*</td>
<td>124,735</td>
<td>-72.97%</td>
</tr>
<tr>
<td>MACEDONIA*</td>
<td>107,019</td>
<td>-72.40%</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>89,139</td>
<td>+9.09%</td>
</tr>
</tbody>
</table>

Source: State Agency for Tourism
Table: Transit through Bulgaria, 15 countries – 2007 (January – September)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Transit</th>
</tr>
</thead>
<tbody>
<tr>
<td>TURKEY</td>
<td>890,534</td>
<td>681,156</td>
</tr>
<tr>
<td>ROMANIA</td>
<td>1,290,203</td>
<td>657,243</td>
</tr>
<tr>
<td>GERMANY</td>
<td>647,248</td>
<td>165,796</td>
</tr>
<tr>
<td>SERBIA</td>
<td>207,908</td>
<td>83,197</td>
</tr>
<tr>
<td>NETHERLANDS</td>
<td>143,584</td>
<td>82,483</td>
</tr>
<tr>
<td>HUNGARY</td>
<td>127,402</td>
<td>70,911</td>
</tr>
<tr>
<td>POLAND</td>
<td>206,799</td>
<td>69,686</td>
</tr>
<tr>
<td>AUSTRIA</td>
<td>122,748</td>
<td>67,052</td>
</tr>
<tr>
<td>REPUBLIC OF MACEDONIA</td>
<td>165,225</td>
<td>58,206</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>82,023</td>
<td>43,122</td>
</tr>
<tr>
<td>GREECE</td>
<td>595,624</td>
<td>29,982</td>
</tr>
<tr>
<td>FRANCE</td>
<td>125,517</td>
<td>27,376</td>
</tr>
<tr>
<td>SLOVAKIA</td>
<td>134,370</td>
<td>19,975</td>
</tr>
<tr>
<td>UKRAINE</td>
<td>105,927</td>
<td>16,788</td>
</tr>
<tr>
<td>CZECH REPUBLIC</td>
<td>132,790</td>
<td>15,983</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>6,519,862</td>
<td>2,180,890</td>
</tr>
</tbody>
</table>

Source: NSI

It is noteworthy that according to NSI data for the first nine months of 2007 the number of incoming travelers has increased from almost all countries in the EU and the Schengen zone (with the exception of a few countries, which mark a small decrease). Meanwhile, there is a huge decline (by nearly 70%) in the number of travelers from Macedonia and Serbia to Bulgaria.

Six countries have registered more than 40% increase in travel to Bulgaria and all of them are members of the EU and/or the Schengen zone. Only Turkey is close to this figure (with 33% increase), but in this case almost all travelers are transiting through Bulgaria (which could also be attributed to the country’s accession to the EU and the preparations for joining the Schengen zone that contributed to reducing the obstacles to transit travel in terms of taxes, etc.).

The effect of Bulgaria’s opening towards the EU and Schengen and the new restrictions imposed on neighboring countries is most noticeable in incoming travel. “Suitcase merchants” from Serbia and Macedonia tend to disappear, but at the same time an increasing number of people from Romania and also Greece visit Bulgaria for shopping because of differences in prices, income and currency exchange rates. A similar development can be observed in tourism as well: there has been a significant decline in the number of tourists from Serbia and Macedonia and a considerable increase in the number of travelers from Romania, Greece and other EU and Schengen Member States.
### Table: Visits of foreign nationals to Bulgaria by purpose of travel
(first nine months of 2007)

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Vacation</th>
<th>Purpose of travel</th>
<th>Total</th>
<th>Business</th>
<th>Other</th>
<th>Transit</th>
<th>First nine months of 2007 compared to first nine months of 2006 in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>AUSTRIA</td>
<td>122,748</td>
<td>36,511</td>
<td>1,740</td>
<td>12,882</td>
<td>4,563</td>
<td>67,052</td>
<td>104.97</td>
<td>113.12</td>
</tr>
<tr>
<td>BELGIUM</td>
<td>82,023</td>
<td>34,467</td>
<td>471</td>
<td>3,475</td>
<td>488</td>
<td>43,122</td>
<td>125.74</td>
<td>99.86</td>
</tr>
<tr>
<td>CYPRUS</td>
<td>18,807</td>
<td>13,265</td>
<td>459</td>
<td>1,955</td>
<td>2,264</td>
<td>864</td>
<td>149.24</td>
<td></td>
</tr>
<tr>
<td>CZECH REPUBLIC</td>
<td>132,790</td>
<td>105,939</td>
<td>303</td>
<td>5,056</td>
<td>5,509</td>
<td>15,983</td>
<td>101.38</td>
<td></td>
</tr>
<tr>
<td>DENMARK</td>
<td>91,570</td>
<td>82,680</td>
<td>249</td>
<td>2,278</td>
<td>487</td>
<td>5,876</td>
<td>99.86</td>
<td></td>
</tr>
<tr>
<td>ESTONIA</td>
<td>7,646</td>
<td>6,496</td>
<td>26</td>
<td>539</td>
<td>148</td>
<td>437</td>
<td>194.75</td>
<td></td>
</tr>
<tr>
<td>FINLAND</td>
<td>73,640</td>
<td>71,150</td>
<td>165</td>
<td>1,552</td>
<td>224</td>
<td>549</td>
<td>86.09</td>
<td></td>
</tr>
<tr>
<td>FRANCE</td>
<td>125,517</td>
<td>84,996</td>
<td>1,604</td>
<td>9,525</td>
<td>2,016</td>
<td>27,376</td>
<td>133.15</td>
<td></td>
</tr>
<tr>
<td>GERMANY</td>
<td>647,248</td>
<td>441,501</td>
<td>4,487</td>
<td>24,946</td>
<td>16,518</td>
<td>156,796</td>
<td>103.92</td>
<td></td>
</tr>
<tr>
<td>GREECE</td>
<td>595,624</td>
<td>514,534</td>
<td>1,861</td>
<td>35,776</td>
<td>13,471</td>
<td>29,982</td>
<td>130.52</td>
<td></td>
</tr>
<tr>
<td>HUNGARY</td>
<td>127,402</td>
<td>43,475</td>
<td>212</td>
<td>4,129</td>
<td>8,675</td>
<td>70,911</td>
<td>192.79</td>
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<td>3,192</td>
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<td>3,515</td>
<td>6,357</td>
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**OTHER EUROPEAN COUNTRIES**

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<tr>
<th>Country</th>
<th>Total</th>
<th>Vacation</th>
<th>Purpose of travel</th>
<th>Total</th>
<th>Business</th>
<th>Other</th>
<th>Transit</th>
<th>First nine months of 2007 compared to first nine months of 2006 in %</th>
</tr>
</thead>
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<td>6,368</td>
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<td>1,191</td>
<td>4,539</td>
<td>30,318</td>
<td>16,788</td>
<td>113.76</td>
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**OTHER COUNTRIES**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Vacation</th>
<th>Purpose of travel</th>
<th>Total</th>
<th>Business</th>
<th>Other</th>
<th>Transit</th>
<th>First nine months of 2007 compared to first nine months of 2006 in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>CANADA</td>
<td>11,075</td>
<td>8,331</td>
<td>844</td>
<td>783</td>
<td>312</td>
<td>805</td>
<td>107.74</td>
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<td>ISRAEL</td>
<td>95,969</td>
<td>89,276</td>
<td>453</td>
<td>5,135</td>
<td>793</td>
<td>312</td>
<td>133.99</td>
<td></td>
</tr>
<tr>
<td>JAPAN</td>
<td>10,153</td>
<td>8,114</td>
<td>41</td>
<td>1,636</td>
<td>138</td>
<td>224</td>
<td>108.06</td>
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<tr>
<td>USA</td>
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<td>1,846</td>
<td>1,738</td>
<td>101.44</td>
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**REST OF THE WORLD**

<table>
<thead>
<tr>
<th>Country</th>
<th>Total</th>
<th>Vacation</th>
<th>Purpose of travel</th>
<th>Total</th>
<th>Business</th>
<th>Other</th>
<th>Transit</th>
<th>First nine months of 2007 compared to first nine months of 2006 in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>REST OF THE WORLD</td>
<td>195,166</td>
<td>87,239</td>
<td>4,116</td>
<td>18,897</td>
<td>35,166</td>
<td>49,748</td>
<td>109.50</td>
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</tbody>
</table>

Source: NSI
**Effects on business climate and economic integration**

- The enlargement of the Schengen zone would contribute for the development of the overall economic environment in the region.
- The implementation of common European standards would create conditions for enhanced international trade for Bulgaria itself, as well as for the EU with respect to third countries.

The accession of Bulgaria and Romania to the Schengen zone will create better conditions for developing a common economic area in the region. This entails integration of value added chains, i.e. greater coherence between enterprises in the region, which would encourage global corporations operating in the region to gradually recall their national representatives. This means that corporations would not be creating identical management, organizational and commercial structures in each of the three EU Member States in the region (and possibly in other Balkan countries in the future), but would position their service centers and operations wherever they feel it is best for their business and will provide services across national borders.

The free movement of people, facilitated by the provisions of the Schengen Agreements, is one of the main factors for this to happen (another important factor is the free movement of goods and services). In business administration, however, integration depends on the ability of specialized staff to move quickly and conveniently around the territory they are responsible for. EU accession has already contributed to building such links between Bulgaria and Romania, although for the time being more global corporations tend to choose our northern neighbor for their regional offices.

One of the serious problems of business environment in Bulgaria according to internationals surveys is associated with administrative obstacles to foreign trade. In its survey “Doing Business”, for instance, the World Bank ranks Bulgaria 89th in the world with respect to foreign trade. The reason for this is the large number of administrative procedures that entail high costs and are very time-consuming (achieving compliance with administrative requirements takes up ten times more time than the transportation and processing of goods).

Accession to the EU and the Schengen zone will contribute to overcoming these problems. On one hand, the removal of internal borders within the EU and the introduction of unified requirements for goods (sanitary etc.) will eliminate some serious obstacles and will facilitate trade within the EU. On the other hand, measures to fulfill EU requirements for external borders, which include introducing the “common fiche” system, adopting the “one-stop control” principle, speeding up border crossing procedures, improving existing Border Crossing Checkpoints and building new ones, improving the quality of service etc., will reduce obstacles to trade with third countries. Thus, preparations for accession to the Schengen zone will have a direct impact on improving the business environment in the country.

**Effects on local business**

- Schengen accession will have a positive impact on local business and consumers in Bulgaria.
- Businesses will be able to attract more clients from neighboring countries or grow into neighboring countries directly with trade, production or services.
- Consumers will benefit from the access to alternative retail outlets and services (including nearby airports, etc.), as well as from the optimal prices, which greater competition in a larger regional market would bring.
- In the long run, the effects for the business environment would be even more favorable because regional competition would increase and monopolization and cartelization would reduce.
The accession of Bulgaria and Romania to the EU facilitated economic integration and largely eliminated retail price differences. Opportunities to take advantage of price differentials decreased significantly in 2007. At the same time, the introduction of visas significantly limited cross-border trade with Macedonia and Serbia.

Until recently the scale of this phenomenon was relatively big. According to Industry Watch estimates for 2003, 66% of Macedonian „tourists” and 81% of Serbian “tourist” were in fact „suitcase merchants”. The number of Bulgarian nationals who performed similar activities in the beginning of the decade is probably comparable. The introduction of visas for the nationals of these two countries had strongest impact on short-term trips, including travel for small retail trade purposes. The fact that short-term visits decreased by 2/3 in 2007 can be attributed almost entirely to the sharp decline in „suitcase trade”.

The estimated impact for Bulgarian businesses is rather positive. Relaxed border control (which will be abolished completely with Bulgaria’s entry into the Schengen zone) benefited two neighboring countries with a higher nominal average income per household, which means that aggregate demand will increase, as the number of visiting “shoppers” in Bulgaria grows, and this, in turn, will affect both volumes of trade and retail prices in commercial outlets.

At the same time, increased competition and hence, reduced possibilities for Bulgarian producers and merchants to form cartels benefits consumers and in the long run the entire economy, which is forced to become more effective in order to cope with the competitive pressure.

The expansion of trade and travel in borderline areas (Greece, Bulgaria and Romania) will also increase the employment of foreign workers on both sides of the border. The main incentive would not be the difference in average salaries at the macro level – in such case everyone would be expected to emigrate to Greece – but rather the ability to benefit from competitive advantages, as well as the need for people capable of servicing clients and partners from the neighboring country.

The tendency towards creating regional markets for certain types of goods and services will probably increase as well. Consumers in Bulgaria, for instance, already regard furniture and clothing markets in Thessalonica or around Bucharest as an alternative to existing retail outlets in large Bulgarian cities. The facilitated access to such markets in turn increases the potential volume of local commercial or production companies. On the market for services, integration will increase by offering the same “service packages” for the entire region. Some courier companies in Bulgaria, for instance, already offer equally priced services for Bulgaria, Romania and Greece. Workforce mobility will also lead to regional supply of construction, assembly and repair services, as it already happens on the Bulgarian market.

Greater mobility of consumers could be expected on the real estate market as well, especially in the mass housing segment. Bulgarians with higher income have already become active buyers of real estate property in Greece. Such developments could be expected in Bulgarian resorts with the increase of prospective buyers from Romania, as well as in the demand for urban residential properties purchased for investment or lease purposes.

From a more long-term perspective, competition will also emerge between infrastructural companies in Bulgaria and Romania, and to some extent in Greece. Bulgarians living in borderline areas, for example, could prefer Romanian airports for their trips to Europe, rather than traveling to Sofia and using the Sofia Airport. Black Sea ports, railways, road and highway companies in the two neighboring countries will compete actively for passengers and freight. Businesses and travelers will benefit from this competition because the national monopolies would decline in influence and the quality of services would improve.
Trade and transport

Freight transportation to EU destinations has marked a significant increase of approximately 15-20%. The increase in the volume of goods transported to and from Romania is particularly high: 20% and 32% respectively, measured in thousands of tons and 8% and 41% respectively, measured in millions of ton-kilometers. Though marking a slight decline, freight transportation to and from Greece remains higher than to all other Balkan destinations taken together. Freight transportation to Macedonia, Turkey and Serbia is decreasing.

The Bulgarian cargo business is mostly oriented towards the EU. This tendency has been growing in 2007 and will further increase over the next few years, as transitional periods phase out and the sector gains full access to the common EU market.

Table: Road freight transportation (first nine months of the year)

<table>
<thead>
<tr>
<th>Destination country</th>
<th>2006</th>
<th>2007</th>
<th>Variation</th>
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<tr>
<td></td>
<td>thousand tons</td>
<td>min. t-km.</td>
<td>thousand tons</td>
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<tr>
<td>EU</td>
<td>1731.6</td>
<td>2422.6</td>
<td>1991.3</td>
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<tr>
<td>Romania</td>
<td>147.9</td>
<td>77</td>
<td>177.3</td>
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<tr>
<td>Serbia</td>
<td>125.4</td>
<td>89</td>
<td>72.5</td>
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<tr>
<td>Macedonia</td>
<td>435.2</td>
<td>170.6</td>
<td>180.4</td>
</tr>
<tr>
<td>Turkey</td>
<td>343.4</td>
<td>243.6</td>
<td>173.9</td>
</tr>
<tr>
<td>Greece</td>
<td>797.9</td>
<td>434.7</td>
<td>628</td>
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</table>

<table>
<thead>
<tr>
<th>Country of origin</th>
<th>2006</th>
<th>2007</th>
<th>Variation</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>thousand tons</td>
<td>min. t-km.</td>
<td>thousand tons</td>
</tr>
<tr>
<td>EU</td>
<td>1207</td>
<td>1374.1</td>
<td>1445.4</td>
</tr>
<tr>
<td>Romania</td>
<td>73.1</td>
<td>40.1</td>
<td>96.3</td>
</tr>
<tr>
<td>Serbia</td>
<td>73.1</td>
<td>40.1</td>
<td>168.7</td>
</tr>
<tr>
<td>Macedonia</td>
<td>244.5</td>
<td>116</td>
<td>185.4</td>
</tr>
<tr>
<td>Turkey</td>
<td>146.1</td>
<td>89.1</td>
<td>111.4</td>
</tr>
<tr>
<td>Greece</td>
<td>708.4</td>
<td>396</td>
<td>687.3</td>
</tr>
</tbody>
</table>

Source: NSI

Foreign trade is mostly oriented towards the EU, with Balkan EU Member States being much larger trade partners of Bulgaria, than other neighboring countries. The only exception here is Turkey, which is Bulgaria's largest trade partner in the Balkans (not surprisingly, given that Turkey is among the 15 largest economies in the world).

Russia is a major trade partner, mostly because of the import of energy resources and – to a much lesser extent – the export of Bulgarian wine (particularly after the imposed restrictions on the import of Georgian wine).

Trade is increasing dynamically with almost all countries in the region. Western Balkan countries, however, still have a minimal weight in the overall trade of Bulgaria. Export to Albania and Bosnia has marked a sharp decrease since the beginning of 2007, import from Serbia and Ukraine has also declined. It is still too early to estimate, however, whether this is the result of one-time deals, the volatility of trade and the small volumes, or has to do with obstacles created by the introduction of visas.

In any case, membership in the common EU market (with its freedom of movement of goods, people and capital) will have a significant long-term effect on trade flows. Taken together, the three EU Member States from the Balkan region – Greece, Romania and Slovenia – are a more important trade partner for Bulgaria than Turkey and even than Russia. Bulgaria's trade with other Balkan countries outside the EU has yet to reach such a high level.
There has been a noticeable change in air travel and transportation. Sofia Airport achieved a record of 2.75 million passengers for 2007, which marks a 24% increase compared to 2006. This can be explained by the entry of low-cost airlines and the launch of new routes. After Bulgaria's accession to the EU, leading low-cost airlines such as EasyJet entered the Bulgarian market, while the number of passengers to and from the country increased significantly. The prospects are even better, given continuing integration into the EU and the accession to Schengen and the Eurozone in a few years time.

**Migration**

Over the last few years unemployment in Bulgaria declined to the average level for the EU, and many sectors began experiencing a serious deficit of qualified workforce. Albeit slowly, this tendency will continue, and will encourage the entry of foreign workforce to Bulgaria.

Similar developments were witnessed in Ireland in the mid 1990s, when after a decade of rapid economic growth the country began attracting immigrants, reversing a centennial tendency of mass emigration. Ireland, however, adopted rather quickly a
transparent and market-oriented policy for managing incoming workforce by introducing the principle of issuing work permits to foreigners willing to take up vacant jobs for which no local candidates have applied for a certain period of time.

Currently Bulgaria’s policy of issuing work permits to foreign nationals is highly restrictive (and costly for the employers), while anecdotal evidence suggests that this process is also associates with many bureaucratic obstacles and formalities (including when it comes to highly educated and highly qualified Western Europeans and Americans, willing to work for high technology companies in Bulgaria). There is no long-term policy for the integration of foreign workers (which constitutes a challenge for people coming from small countries with less common and difficult languages).

Bulgaria’s accession to the Schengen zone would probably make the country even more attractive for foreign workers. The access of foreign workforce will also increase to some extent because almost all Latin American countries, for instance, have a visa-free regime with Schengen Member States, which will gradually affect Bulgaria as well.

The persistent workforce deficit in the country will be compensated for in one way or another: by either legal or illegal migration. The situation in many EU countries is quite indicative. According to data of the European Commission (New tools for an integrated European Border Management Strategy, MEMO/08/85) as of mid February 2008 there are 8 million illegal emigrants in the EU, nearly 80% of whom live in Schengen countries. Approximately half of them have arrived legally in the EU (with a visa), but have exceeded the maximum period of stay allowed.

Illegal immigration makes integration much more difficult and even impossible, including when it comes to using health, social and other public services; guaranteeing security and protection of property rights; providing access to the education system for the children etc. This creates serious risks of ghettoization, social problems, poverty and increased crime.

Incentives for reform

Bulgaria’s eagerness to join the Schengen zone, as well as the EU requirements for external borders, will catalyze reforms in key sectors of the economy. On one hand, harmonization with EU legislation and practices will bring about direct effects, which will improve the business in the country and will accelerate economic integration. On the other hand, there will be some indirect effects as a result of the pressure on behalf of the EU for further reforms in related areas.

The first year of Bulgaria’s membership in the EU indicated that European institutions are using a variety of mechanisms to encourage reforms in the country. Such mechanisms are, for example, the regular reports on the post-accession progress of Bulgaria and Romania, the postponed access to EU funds with more than a year, as well as the “freezing” of EU funds in case of doubts about misappropriation. Bulgaria’s eagerness to join the Eurozone is also being used as a mechanism to pressure for reasonable and reform-oriented economic and fiscal policy, although this is not envisaged in the related regulations.

Accession to the Schengen zone is also likely to be used by the EU as an incentive for reforms. The EU might require specific results, for example, in order to set a date for Bulgaria’s accession to the Schengen. Such reforms will be probably related to the judiciary and security systems. This is a good opportunity to give reforms an additional impetus, but on the other hand, if Bulgaria misses it, Schengen accession might be seriously delayed.

Financing

Under Art. 31 of the Treaty of Accession of Bulgaria and Romania to the EU:

1. A Cash-flow and Schengen Facility is created as a temporary instrument to help Bulgaria and Romania between the date of accession and the end of 2009 to finance
actions at the new external borders of the Union for the implementation of the Schengen acquis and external border control and to help improve cash-flow in national budgets.

2. For the period 2007-2009, the following amounts (2004 prices) shall be made available to Bulgaria and Romania in the form of lump-sum payments under the temporary Cash-flow and Schengen Facility:

<table>
<thead>
<tr>
<th></th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>121.8</td>
<td>59.1</td>
<td>58.6</td>
</tr>
<tr>
<td>Romania</td>
<td>297.2</td>
<td>131.8</td>
<td>130.8</td>
</tr>
</tbody>
</table>

3. (Amended, SG, issue 97 of 2007) At least 50% of each country allocation under the temporary Cash-flow and Schengen Facility shall be used to support Bulgaria and Romania in their obligation to finance actions at the new external border of the Union for the implementation of the Schengen acquis and external border control.

4. One twelfth of each annual amount shall be payable to Bulgaria and Romania on the first working day of each month in the corresponding year. The lump-sum payments shall be used within three years from the first payment. Bulgaria and Romania shall submit, no later than six months after expiry of this three-year period, a comprehensive report on the final execution of the lump-sum payments under the Schengen part of the temporary Cash-flow and Schengen Facility with a statement justifying the expenditure. Any unused or unjustifiably spent funds shall be recovered by the Commission.

5. The Commission may adopt any technical provisions necessary for the operation of the temporary Cash-flow and Schengen Facility.

Conclusions and recommendations

 anglais Efforts should be made to set the stage for and reach agreements for visa-free regime between the EU and the Western Balkan countries. Bulgaria entered into such an agreement almost a decade before becoming a member of the EU; nearly all South American countries, for example, enjoy a similar status. If such agreements are not reached, the region will largely remain closed and isolated from the EU (and from Bulgaria), which will significantly delay its integration and development. It is important for Bulgaria that its neighbors develop at an accelerated pace because this would have a positive impact on the country as well.

 Meanwhile, efforts should be made to reach agreements with the neighboring countries for facilitated cross-border travel of people living in borderline areas – 30-50 km from the border (under the provisions of Regulation (EC) No 1931/2006 of the European Parliament and of the Council of 20 December 2006 laying down rules on local border traffic at the external land borders of the Member States and amending the provisions of the Schengen Convention).

 Measures should be taken to computerize and facilitate visa procedures (for example, by interviewing applicants only in the first instance, rather than at each visa application), as well as to develop a policy for issuing long-term multiple entry visas that would facilitate the economic, cultural, academic, scientific and educational contacts with countries on the Schengen Black List (whose nationals are required to obtain visas).

 A migration policy should be elaborated to ensure that vacant jobs are filled in due course by foreign nationals residing legally in the country, in compliance with the market principles, with minimal bureaucratic obstacles and administrative arbitrariness, and with the appropriate conditions for effective integration.
Bulgaria’s preparation for entering the Schengen zone should be accompanied by efforts to open up the labor market of older EU Member States for workers from Bulgaria, because freedom of labor would be a natural supplement to the freedom of movement. Moreover, this is in line with the fundamental principles of the EU.