

Political crisis in Bulgaria linked to South Stream

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On 10 June the Bulgarian Socialist Party (BSP), which is in the government coalition, granted its consent for a snap election to be held. The crisis inside the coalition coincided with the climax in the dispute between Bulgaria and the European Commission concerning the compliance of the Bulgarian section of the South Stream gas pipeline with EU law. Due to pressure from the European Commission and increasing criticism from the United States, Prime Minister Plamen Oresharski announced on 8 June that the investment would be withheld until it could be guaranteed that the implementation procedures of the project were in compliance with EU law. Whether this promise will be kept will probably depend on the stance the new government will take. The conflict over South Stream exacerbated tensions within the coalition. However, what really determined the break-up of this coalition were the conflicts visible from the very beginning of its operation and the changing political strategies of the parties after the election to the European Parliament.

The minority cabinet led by Plamen Oresharski has been weak and unstable since it was established in May 2013. The Bulgarian Socialist Party (BSP) and the Movement for Rights and Freedoms (DPS) representing the Turkish minority were one vote short of a majority in the 240-seat parliament. This forced these two parties to embark on its problematic cooperation with Attack, a xenophobic party. BSP and DPS decided that the cabinet would be headed by an independent expert. However, the key decisions were taken within a small circle of party activists who were not members of the cabinet. This, coupled with a number of controversial decisions, added to the impression that political games were being played behind the scenes and it was undermining the government's public legitimacy. For example, the circumstances surrounding the nomination of Delyan Peevski, a controversial politician from DPS and a media magnate, as head of the National Security Agency in May 2013 remain unclear. The rapid withdrawal of his candidacy did not prevent public protests which lasted many months and died out only towards the end of last year.

The decay of the government coalition

The Oresharski government has been unsuccessful in winning broader public support even though it has increased social benefits and reduced energy prices three times. This was demonstrated during the election to the European Parliament in May this year, whose outcome accelerated the crisis in the coalition. The level of support for BSP was one of the lowest in history (19%), while DPS's disciplined electorate helped the party achieve a good result (17%). Citizens for European Development of Bulgaria (GERB), the opposition party led by former prime minister Boyko Borisov, scored an electoral success by winning over 30% of

the votes. Voter turnout was 36%. The election also made manifest the growing popularity of two new parties: the populist Bulgaria Without Censorship (BBC – 10%) and the right-wing Reformist Bloc (RB – 7%).

DPS began its calls for a snap election to be held after the election to the European Parliament. It continually emphasises the need for the government to regain public legitimacy and would like to repeat its electoral success. There are signals that it has been taking the position of a potential coalition partner for the centre-right GERB party. The Socialists, who are going through a serious crisis, have come to the conclusion that it is better to hold a snap election rather than risk a further decline in support. Moreover, BSP might hope to co-opt with BBC after elections.

The dispute with the European Commission over South Stream

An additional factor which accelerated the tensions in the coalition was Bulgaria's dispute with the European Commission over the South Stream gas pipeline project. In early June the European Commission launched a procedure against Bulgaria concerning the infringement of public procurement rules in the course of the implementation of the South Stream gas pipeline and requested Bulgaria halt the investment. DPS then began to criticise the Socialists even more strongly for bringing Bulgaria into conflict with the European Union.

The European Commission's reservations concern the unclear procedure used to appoint South Stream Bulgaria (50% Gazprom and 50% Bulgarian Energy Holding) and the non-transparent way in which this company selected its subcontractors in the process of building the gas pipeline. These include a Bulgarian consortium named Gazproekt Yug (there are many signs that companies in consortium are linked to the Bulgarian government elite) and Russia's Sroytransgaz, a company controlled by Gennady Timchenko, who is subject to US sanctions. The choice of Sroytransgaz has also raised serious reservations among US diplomacy, who are suggesting sanctions could be imposed on Bulgarian firms co-operating with this Russian company.

The international context

The European Commission's call to halt the investment is a clear political sign for Bulgaria that it should stop pushing through the construction of South Stream even though the legal aspect of this investment remains unsettled. Nor can it be ruled out that the European Commission's move has been aimed at disciplining other EU member states to comply with EU law while building South Stream. The European Commission has problems enforcing compliance with EU law during the process of the implementation of this pipeline. Bringing all intergovernmental agreements signed by Russia with the countries participating in the South Stream project into compliance with EU law has been deadlocked since December 2013 (this concerns, in the northern section: Bulgaria, Serbia, Hungary, Austria, Croatia and Slovenia; and in the southern section: Greece and Italy). The EU member states taking part in this project have granted the European Commission the mandate to renegotiate the agreements with Russia. However, talks have been halted due to EU sanctions imposed on Russia for its moves in Crimea (only working meetings have been held). Meanwhile, preparations for the launch of this investment have been accelerated despite the continuing

crisis in Ukraine: in March, Gazprom signed a contract worth 2 billion euros with Italy's Saipem envisaging the construction of the first submarine section of South Stream (work is expected to begin in June/July this year). It also signed a memorandum concerning the construction of the pipeline's Austrian section with OMV in April. Furthermore, the European Commission's appeal to halt construction of the gas pipeline could be aimed at strengthening Ukraine's negotiating position during its current gas talks with Russia.

Possible scenarios

The Socialists' leader has announced that the election will be held in July this year. However, given the technical conditions and the constitutional calendar, the election is likely to be scheduled for September. No radical change regarding Bulgaria's support for South Stream should be expected regardless of whether GERB takes power or in the unlikely event that the coalition led by the Socialists should be re-formed.. All the major political parties in Bulgaria clearly want this pipeline to be built as soon as possible, since they view it as an economically profitable investment which will also improve the country's energy security. The project's compliance with EU law became an issue in the political game in Bulgaria only when it was made clear that the European Commission could launch penal proceedings. Therefore, it is still uncertain whether Prime Minister Oresharski's declaration on halting the investment will be put into practice.