BACKGROUND: Communist domination of the former People’s Republic of Bulgaria ended in 1990. The country joined NATO in 2004 and the European Union in 2007. Boyko Borissov of the center-right GERB party was elected prime minister for the third time in 2017. His coalition was supported by three nationalist parties in the United Patriots coalition. Rumen Radev, a pro-Russian, independent candidate and former air force commander, won the largely ceremonial presidency in 2016. Tourism, information technology and telecommunications, agriculture, pharmaceuticals, and textiles are leading industries. Bulgaria has been trying—so far unsuccessfully—to join the eurozone and Schengen Area. Heavily dependent on Russian gas, Bulgaria is seeking a link to the Turkish Stream pipeline, which is currently under construction.
Property rights are not well protected. The judiciary in Bulgaria’s “flawed democracy” has benefited from legal and institutional reforms associated with EU accession, but practical gains in efficiency and accountability have been lacking. The court system remains the least trusted government institution. The government has struggled to combat corruption, which is fueled by human and narcotics trafficking and contraband smuggling.

The individual income and corporate tax rates are a flat 10 percent. Other taxes include value-added and estate taxes. The overall tax burden equals 28 percent of total domestic income. Over the past three years, government spending has amounted to 34.7 percent of the country’s output (GDP), and budget deficits have averaged 0.1 percent of GDP. Public debt is equivalent to 23.9 percent of GDP.

Launching a business has become less time-consuming, and licensing requirements have been eased, although the pace of change has lagged behind that of some other countries. Relatively flexible labor regulations enhance employment growth, but there is room for further reform. State-owned enterprises, such as airports, are being privatized, and government subsidies to the largely state-owned, loss-making energy sector are gradually being reduced.

The combined value of exports and imports is equal to 131.1 percent of GDP. The average applied tariff rate is 2.0 percent. As of June 30, 2018, according to the WTO, Bulgaria had 116 nontariff measures in force. Generally, foreign and domestic investors are treated equally under the law. About 75 percent of adult Bulgarians have an account with a formal banking institution. The level of nonperforming loans remains relatively high.