Market Access Sectoral and Trade Barriers Database

-Bulgaria-

last updated on 2004-01-29

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GENERAL FEATURES OF TRADE POLICY

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The current preferential trade relations between Bulgaria and the European Union are mainly governed by the EU/Bulgaria Europe Agreement (see below under EU-Bulgaria bilateral trade relations).

Bulgaria is a candidate country to the accession to the European Union. Accession negotiations for membership opened between the European Union and Bulgaria on 31 March 1998. This came three years after Bulgaria's formal application for membership of the Union, made on 14.12.1995. The date of Bulgaria's accession to the European Union is dependent on the country's ability to meet the accession requirements. At the Copenhagen Summit in December 2002, Bulgaria's accession to the EU was officially mentioned as a realistic objective. There has been continued support in Bulgaria for the medium-term economic reform programme and for EU accession-related policies. Following the June 2001 elections, all parties represented in parliament support the stability oriented and EU accession related policies. The policy measures of the new government confirm its commitment to these goals. Bulgaria has continued to align with the acquis on common commercial policy.

Bulgaria is a member of the World Trade Organisation (WTO) since December 1996. Bulgaria actively co-ordinates its policy in the WTO with the EU and has been supportive of EU policies and positions within the WTO framework, in
particular with regard to the Doha Development Agenda.

Bulgaria is a member of UN (since 14.12.1955), IMF (since 1990), IBRD and WB, EBRD, Council of Europe and applied for membership to the OECD. Bulgaria has the associated partner status to WEU . It joint the NATOin November 2002. The national consensus in favour of NATO membership, though it exists, is not as strong as that over the EU. The role of Bulgaria as a co-founder of the OSCE is both active and constructive.

In South-Eastern Europe (SEE) Bulgaria has been playing a constructive role in various regional cooperation schemes such as the Stability Pact for South East Europe. Bulgaria's relations with all its immediate neighbours (Turkey, Greece, Former Yugoslav Republic of Macedonia, Serbia & Montenegro and Romania) are good – as are those with Albania. As of August 2003, the country had signed or initialled bilateral Free Trade Agreements with all the South-Eastern European countries of the Stability Pact. These are expected to boost regional integration and trade. Currently, SEE accounts for less than 10 % of total Bulgarian exports, against a 55 % export share for the EU markets. Relations with Russia, which had cooled under the 1997-2001 UDF government, have improved under that of Prime Minister Simeon Saxe-Coburg-Gotha.

ECONOMIC DEVELOPMENTS AND OUTLOOK (State of play : nov. 2003)

The stabilisation of the economy and the subsequent resumption of economic growth were underpinned by wide-ranging structural reforms encompassing improvements in the regulatory framework, privatisation, labour market reforms, price deregulation, and trade liberalisation. In recent years there has been an added impetus to pursue these reforms, following the invitation in 2000, to begin negotiations for full EU membership. Bulgaria's progress in its economic reforms has been acknowledged by the European Union, as it was adjudged to have progressed to a functioning market economy, by the end of 2002.

Prudent fiscal policies and market-based economic reforms are the main priorities of the government. Announced policies have mostly been implemented by the government, although some structural reforms were delayed. In July 2003, the International Monetary Fund successfully completed the third review of a two-year stand-by arrangement agreed in February 2002. Prior to the review a "Memorandum on Economic Policies of the Government and the Bulgarian National Bank" had been submitted which re-confirmed the economic policy programme based on the currency board arrangement, a cautious and flexible fiscal policy aimed at a balanced budget over the medium term and an acceleration of structural reforms to create a fully functioning and competitive market economy. In August 2003, the Bulgarian authorities submitted their latest Pre-accession Economic Programme to the Commission which had been prepared by the Ministry of Finance, following consultations of social partners, NGOs, academic circles and various government institutions. The programme confirms the government's commitment to its reform agenda.

Macroeconomic stability has allowed sustained economic growth of real GDP at rates above 4% since 2000. In 2002, real GDP growth was 4.8%, despite the adverse global economic conditions, and real GDP growth in the first half of 2003 compared to the corresponding period of 2002 is estimated at 4.1%. Growth was largely based on buoyant domestic demand, while the contribution of net foreign trade was more neutral than in previous years. Investment growth in real terms was at 9.3% in 2002, while the investment-to-GDP ratio was almost stable, compared to 2001, at 18.1% in 2002.

Unemployment is decreasing as a consequence of job creation in both private sector and government schemes. The unemployment rate decreased steadily from 19.2% in 2001 to 18.1% in 2002 (ILO definition, Labour Force Survey) as a result of both an increase in employment and a reduction in the labour force. Registered unemployment stood at 13.2% in July 2003 and was more than 4 percentage points lower than in July 2002. This is partly due to measures taken by the Government to bring "grey economy" workers into the mainstream through active labour market measures, including public sector employment relief, compulsory registration of labour contracts (resulting in the registration of 428,800 new labour contracts between January and April 2003) and the institution of minimum insurance thresholds.

Inflation has declined further. Measured by the (interim) harmonised index of consumer prices on annual average, inflation has come down to 5.8% in 2002 from 7.4% in 2001. Compared to the corresponding month of the previous year, inflation was at 3.8% at the end of 2002 and decreased to levels below 2% in the first half of 2003, due to a base effect and the reduction of import prices as well as moderate wage increases. Higher excise taxes on fuel and alcohol at the beginning of 2003 were not fully passed through to consumer prices, while higher electricity, district heating and telephone prices, implemented at the beginning of July 2003, had only a moderate effect on inflation. The overall year-on-year growth of administered prices declined from a peak of 29.5% in July 2002 to 8.4% in July 2003. Inflation excluding administered prices was -0.8% in July 2002 and 0.2% in July 2003.

Bulgaria continues to adhere to the currency board arrangement which fixes the Bulgarian lev (BGN) against the euro. The currency board arrangement, which was introduced in July 1997, continues to be well covered by foreign exchange reserves. Nominal short-term interest rates remained broadly stable throughout 2002, while real short-term interest rates turned negative at the end of 2002. The broad monetary aggregate M3 grew by 19.6% in nominal terms and by 17.6% in real terms between July 2002 and July 2003. As, under a currency board, money supply is determined exclusively by economic actors' demand for money, this shows that the economy is being remonetised and re-establishing confidence in the Bulgarian currency.

Fiscal policy has continued to be tight. The general government deficit has been 0.6% of GDP in 2002 and is targeted at 0.7% of GDP in 2003. At the end of July 2003 the consolidated budget had a cash surplus of 1.8% of projected GDP. An active debt management strategy, including two Brady bond exchange operations, as well as the depreciation of the US dollar contributed to a strong reduction of general government debt from 66.4% of GDP at the end of 2001 to an estimated 53.0% of GDP at the end of 2002. A new law on government debt has been adopted which forbids the government to take on new debt if the ratio of consolidated general government debt to GDP exceeds 60%. The government is shifting from direct to indirect taxation and is reducing the share of the government's budget in GDP. Ongoing restructuring of the customs and tax administration in the context of preparations to create a National Revenue Agency is already increasing revenues. Measures to reduce fiscal fraud have been decided, including the creation of a fiscal investigation agency and better control of the sale of excise goods as well as the closure of certain duty-free shops. By July 2003, the government's fiscal reserve, from which it can draw in the case of unforeseen events, had increased to above 12% of GDP. Fiscal decentralisation is ongoing by transferring certain tasks and funds from the central to municipal budgets.

The macroeconomic policy mix has been adequate. In the absence of monetary policy instruments and the possibility of changes to the nominal exchange rate in a currency board arrangement, fiscal policy is the main instrument of macroeconomic stabilisation. The tight fiscal stance – in spite of a worsening global economic environment - was appropriate in order to maintain the credibility of the currency board arrangement, to avoid a deterioration of the current account deficit and to make further progress in the reduction of public and foreign debt. The current account deficit has so far not been a cause of concern, since it allowed higher investment than domestic savings alone would do and was partly covered by net inflows of foreign direct investment. In order to maintain external competitiveness vis-à-vis the euro area as the main trading partner against which the Bulgarian lev had some real exchange rate appreciation, moderate wage increases in the budgetary sector, which tend to serve as a benchmark for the private sector, have also contributed to stability. Wages and salaries of employees with a labour contract have increased by 5.6% in real terms comparing the first half of 2003 to one year earlier, with slightly lower growth rates in the public than in the private sector. The IMF performance criterion of a maximum increase of 2% in the wage bill of 60 state-owned enterprises relative to their wage bill in the third quarter of 2002 has been respected.

Outlook

The Bulgarian economy is expected to continue its recovery. Government projects real GDP growth over 2003-05 at an annual average of 5.17%. Domestic consumption is increasing rapidly and making a major contribution to GDP growth. Trends in investment, as reflected in gross fixed capital formation, are highly positive, and foreign direct investment is playing a significant role. These trends are expected to continue. Stability in the macroeconomic environment is expected to continue, as the authorities are committed to maintaining the Currency Board Arrangement (until Bulgaria joins the European Monetary Union) and a continuation of the conservative fiscal stance with the goal of achieving a balanced budget by 2005. The current account deficit appears sustainable in the short run, being supported by strong inflows on the financial account. Future reforms in administered prices, in particular in the transport and energy industries, as well as the shift from direct to indirect taxation and to financing of the health sector through a public insurance scheme, may lead to a decline and possible adverse redistribution in disposable income (with implications for consumer demand patterns) and an increase in inflation.
The major role of trade in spurring growth in the Bulgarian economy is expected to continue, emphasizing the importance of positive developments in the external environment. IMF forecasts of the international price indices of key Bulgarian exports show an overall positive trend over 2003 05.(IMF estimates)

The Government regards exports as a major force underlying Bulgaria's future GDP growth. This will depend, however, on recovery in the world economy and, in particular, in the euro-zone on which Bulgaria's trade increasingly depends. Recent improvements in Bulgaria's credit ratings are likely to attract further FDI, with potential positive impact on competitiveness of Bulgaria's productive sectors and their ability to access new markets. Other external developments favouring Bulgaria's integration in the world economy include its potential accession to the EU in 2007.

Attainment of the highly favourable growth performance projected by the Government will hinge on further domestic policy reforms as well as developments in the external environment. On the domestic front, policies slated to be implemented over this period include improvements in competition via the deregulation of monopolies in the energy, railway transport, and telecommunication industries; investment promotion via further improvements in the legal, regulatory, and institutional framework; restructuring the manufacturing and services sectors to allow for the generation of high-value-added, particularly export-oriented industries; improvements to the quality of core infrastructure; reduction in the share of administered prices; privatization of the insurance institutions; and further trade liberalization.

External Aggregates

- ***Current account***

The current account deficit, 6.0% of GDP in 2001, was 4.7% of GDP in 2002 due to a lower trade deficit, higher revenues from tourism, lower interest payments and higher current transfers. However, the current account deficit in the first half of 2003 was about 5.2% of projected GDP, much higher than in the same period one year earlier, mostly due to higher import than export growth and a higher deficit of the income balance. Net inflows of foreign direct investment (FDI) of 3.9% of GDP in 2002, after 2.6% in 2001, have again been lower than the current account deficit, but preliminary balance of payments data for the first half of 2003 suggest that FDI inflows have almost reached the level of the full year 2002. Nevertheless, because of other net capital inflows, the foreign reserves of the central bank increased further to an amount equalling about 6 months of imports in goods and services and continue to give credibility to the currency board arrangement. Total foreign debt declined substantially from 77% of GDP at the end of 2001 to 70% of GDP at the end of 2002 resulting from tight fiscal policies, two Brady bond exchange operations and the depreciation of the US dollar.

- ***Foreign Direct Investment***

FDI inflow rose steadily from US$505 million in 1997 to a peak of over US$1 billion in 2000. Overall FDI inflows declined markedly in both 2001 and 2002 due to the stalled privatisation process and the run-up to parliamentary elections. With the scheduling of some large privatization transactions in 2003, a recovery of FDI inflows is expected. Since 1998, FDI has been higher from non privatization sources than from privatization sources.

The leading foreign investors in Bulgaria are from the European Union. Within the EU, the major investors since 1992 have been Germany (US$637.6 million), Greece (US$634.3 million) Italy (US$569.9 million), and Belgium (US$484.2 million). Investments from Greece and Italy soared particularly following the privatization reforms, whereas investments from Germany have remained relatively stable over the transition period. Significant non-EU investors were the United States (US$309.9 million), Cyprus (US$274.5 million), and Russia (US$202.1 million).

Inflows of FDI to Bulgaria have mainly been in manufacturing and services, which absorbed some 42% and 49% of FDI inflows over the 1992-2002 period. Privatization has created relatively greater opportunities for foreign domestic investment in the manufacturing sector. FDI in manufacturing has been principally in petroleum, chemical, rubber, and plastic manufacturing (17.2% of the sectoral total), mineral products (16.2%), mechanical products (9.45%), and the food industry (8.7%). FDI in the services sector has been principally in financial intermediation (23% of the sectoral total); sales, maintenance, and repair services (14%); communications, including sales of second-generation GSM licences (9%); and tourism, including hotels and restaurants (3%).

The agriculture sector accounted for less than 0.5% of total FDI flows during the same period, reflecting the chaotic state of agriculture and food production following the transition, and the difficulties experienced in land reform and restitution.

- ***Foreign Trade***

Since the beginning of transition reforms in 1991, export values have in general fluctuated in accordance with the performance of the economy. In 1992-94, they averaged around US$3.9 billion; after a rise to some US$5 billion in 1995, they fell back to US$4 billion in 1999. Recent estimates show a rising trend: in 2001 exports were estimated at US$5.1 billion and in 2002 at US$5.7 billion.
Similarly, the value of total imports has fluctuated considerably since the pre-transition period. By 1992, total imports had fallen to US$ 4.5 billion (from 9 billion in 1989, of which 4.6 billion from the CMEA), mainly due to the drastic fall in real incomes that occurred during the early transition period. Imports rose to US$5.3 billion in 1995; however, as with exports, this trend was curtailed by the 1996/97 economic crisis. Since the resumption of economic growth, imports have resumed their rising trend. In 2001 and 2002 total imports were estimated at US$7.3 billion and US$7.9 billion respectively (against about 4.9 billion in 1997).
With improved economic performance in recent years, Bulgaria's merchandise trade balance has fallen from

a surplus of US$ 321 million in 1997 to a deficit of US$ 1.6 billion in 2002. In relation to GDP, its share has moved from +3.1% to –10.5%. (Source IMF)

In 2002, the EU accounted for half of Bulgarian's exports and imports. Other preferential partners (EFTA, CEFTA, and Turkey) accounted together for some 16.5% of exports and 13.6% of imports in 2002. The Russian Federation accounted for 1.6% of exports and 14.5% of imports. The United States took 4.7% of exports and supplied 2.2% of imports.

The structure of Bulgaria's imports in 2002 was dominated by raw materials (35% of the total); textiles and plastics and rubber jointly accounted for 15% of imports. Investment goods accounted for one quarter of imports, with machines and equipment the largest element. Mineral fuels, oils and electricity were one fifth of the total, with crude oil and natural gas accounting for 16.2%. Due to data limitations, only broad comparisons are feasible, but there appears to be a significant drop in imports of machinery and equipment since the transition reforms. In 1989, this category accounted for 37% of all imports, as against 9.6% in 2002; this decline may be attributed to the contraction of Bulgaria's heavy machinery sector. Imports of consumer goods, on the other hand, have risen in share, from 5.6% in 1989 to 19% in 2002.
Exports focus on labour-intensive light manufacturing and natural-resource-intensive products; and has opened up new sources and types of imports, including inputs to these industries and consumer goods. As the situation of production and trade in Bulgaria is still developing, a challenge for business and Government in Bulgaria is to establish where the country's long-run comparative advantage may lie, in a world of new trading relationships and differing patterns of trade.

BUSINESS CLIMATE

Liberalisation of prices has progressed, in particular in energy and telecom, but is not yet complete. Prices for tobacco, water supply, waste disposal, electricity, district heating, medicines, certain hospital and medical services, passenger rail transport, postal services as well as fixed phone subscriptions and calls are administered or regulated. The current weight of these products and services in the consumer price index is 23%, slightly up from 22.4% last year due to their higher importance for consumers. Although the number of goods and services with administered prices has not decreased, important steps have been taken to reduce their number, in particular in the energy and telecom sectors. An average increase of 15% for electricity prices, 10% for district heating prices and 14% for local phone calls was implemented in July 2003. The price hikes in the energy sector are part of a three-year schedule aiming to achieve cost recovery prices in 2004 which allows to reduce state aid as well as crosssubsidisation between firms and households. For the telecom company, the objective is to reduce the cross-subsidisation of local by long-distance and international phone calls in view of increasing competition.

Private ownership has progressed further. In June 2003, 62.6% of all employees with a labour contract were working in the private sector, compared to 61.5% one year earlier. The private sector's share in gross value added grew from 71.4% in 2001 to 72.7% in 2002. Houses and land property are largely in private hands. A total of 275 privatisation deals were sealed in 2002 and 133 until the end of August 2003 of which 73 sales of minority packages, bringing the percentage of privatised assets which were state-owned in 1995 excluding infrastructure up to 82.3%.

The privatisation programme advanced more slowly than expected. The last major state-owned bank Banka DSK was sold in October 2003. In autumn 2002, preferred buyers for 80% of the national tobacco company (Bulgartabac Holding) and for 65% of the national telecom monopoly (BTC) were selected, but - after long negotiations with many procedural problems - in September 2003 a decision was still pending for BTC while a new privatisation strategy was under preparation for Bulgartabac. Procedural uncertainties such as those experienced with BTC and Bulgartabac do discourage potential international investors to get involved in the privatisation of a major company in Bulgaria. In 2003, the Privatisation Agency launched the sale of minority stakes in 11 major companies on the stock exchange. They have been grouped into two pools of which one includes energy companies and the other minority stakes in the State Insurance Institute (DZI), Bulgarian Maritime Shipping, an oil and gas prospecting company in Pleven, Bulgartabac and BTC. State minority stakes in 425 enterprises were offered in an open tender in June 2003.

Market entry and exit are not yet working smoothly, but recently introduced measures could improve the situation. The proportion of new companies (including selfemployed) in the business register relative to all existing companies was 4.6% in 2001 and 3.4% in 2002. At the same time, the number of companies eliminated from the business register was 0.7% in 2001 and 0.8% in 2002. While these figures indicate high, though falling, net creation of new firms, they may also reflect both the overall business cycle and a lack of rigour in market exit procedures. Market entry is still hampered by various administrative procedures, which slow down start-ups and bind considerable amounts of enterprises' and public administrations' resources. Many licensing regimes have been eliminated or simplified and a public register of all required licensing, permission and registration regimes, accessible via Internet, has been created. In June 2003, a law establishing general principles on administrative regulation and control, including silent consent if the administration does not react within the foreseen time, has been adopted and will come into force in December 2003; it gives clearer rules and less discretion to administrations in their regulatory decisions. The law also establishes a list of 39 activities for which licensing is required, whereas only prior registration is required for all other activities, and it encourages the administration to introduce one-stop-shops. In spite of these improvements, there is still a widespread perception that starting and running a business is difficult because of complex rules and major inefficiencies in administrations and courts. Regarding market exit, insolvency procedures remain slow. For the year 2002, court statistics show that 432 insolvency cases were pending from previous years, 1707 new cases were initiated, and 1740 cases were completed, so that 399 cases were still pending at the end of the year. In order to speed up insolvency proceedings, amendments were made to the Commercial Code in June 2003 such that a company that fails to make an outstanding payment within 60 days after the payment was due will be considered insolvent. In addition, special legal chambers are being created at regional level which deal exclusively with bankruptcy cases.

EU-BULGARIA BILATERAL TRADE RELATIONS

The European Union is Bulgria's main trading partner and trade between both partners continue to expand. Turnover in trade with the EC in 2002 was 4% up on 2001 and accounted for 52.7% of Bulgaria's overall trade. In 2002, exports to the EC were 3% up on 2001, accounting for 55.9% (€ 3.44 billion) of Bulgaria's total export sales. Its main industrial exports to the EC were textiles and clothing, and iron and steel. Bulgaria's main agricultural exports to the EC were cereals, oil seeds and oleaginous fruits, and meat. In 2002, imports from the EC were up by 5% on 2001, accounting for 50.4% (€ 4.13 billion) of Bulgaria's total imports. Its main industrial imports from the EU were textiles and clothing. Its main agricultural imports were meat, fats and oils, and fruits and nuts.

The EU-Bulgaria Europe Agreement - Main provisions

The E.A. is a preferential agreement whose trade part aims at establishing a free trade area over a maximum period of 10 years, on the basis of reciprocity by Bulgaria and asymmetry by the European Union (i.e. more rapid liberalisation on the side of the European Union). It takes the objective of future membership of Bulgaria into account and provides a framework for Bulgaria's gradual integration into the Community. The duration of the E.A. is unlimited, it provides for a transition period of maximum 10 years, divided into 2 stages of 5 years each and for a general review at the end of the first stage (before 1.1.2000), but not for trade matters.

- ***Trade in goods and services:***

1) Free trade in industrial goods
Elimination of EU tariffs and quantitative restrictions on imports from Bulgaria on 1.1.95;
Elimination of EU tariffs on coal and steel imports from Bulgaria on 1.1.96;
Elimination of EU tariffs on textile imports from Bulgaria on 1.1.1997 and of quantitative restrictions on 1.1.98
Elimination of Bulgarian tariffs on imports from the EU on 1.1.2002.
2) Agricultural products:
Reciprocal concessions in the form of reduced tariffs and increasing quotas; veterinary and phytosanitary protocol being negotiated.
3) Exemptions from standstill clause for both sides (safeguard, anti-dumping, shortage, agricultural policy and Balance of payment measures) and only available to Bulgaria (infant industries, restructuring, social problems).

4) Adaptation of the E.A. further to the Uruguay Round and enlargement being negotiated. In the Meantime autonomous measures have been adopted.
5) Progressive liberalisation of trade in services.

- ***Establishment and movement of workers.***

1) Since 1.2.1995, national treatment by EU Member States of Bulgarian enterprises and their operations and gradual national treatment by Bulgaria and of EU enterprises by end of transition period (10 years);
2) Commitment by both parties not to discriminate against legally employed workers and their families and allow aggregate or transfer social security rights.

- ***Public procurement***

Since 1.2.1995, Bulgarian companies have access to public procurement and procedures in the EU under the same conditions as EU companies. Bulgarian reciprocity not later than end of transition period.

- ***Liberalisation of payments and movement of capital:***

Payments of goods, services and persons between the parties must be authorised in freely convertible currency. Capital transfers must be authorised.
Examine as from 1.1.2000 how Bulgaria can apply EU rules in full.

- ***Competition rules (including state aid)***

are based on Rome Treaty rules. Implementing rules to be adopted.

- ***Intellectual, industrial, commercial property***

By end 1996, Bulgaria should have introduced legislation giving the same protection as in the EU and has to adhere to international conventions.

- Approximation of legislation

Bulgaria commits itself to approximating its legislation to EU legislation and the EU will provide assistance to this effect.

- ***Economic co-operation: Extension of economic co-operation in 23 areas of mutual interest.***

• Cultural co-operation : Continuation of existing support facilities
• Financial Co-operation : Continuation of existing support facilities
• Institutions
The institutional framework of the Agreement provides the necessary mechanism for implementation, management and monitoring of all areas of relations. Sub-committees examine questions at a technical level. The Association Committee, at senior official level, provides for in-depth discussion of matters and often finds solutions to problems arising under the Agreement. The Association Council examines the overall status of and perspectives for relations and provides the opportunity to review Bulgaria's progress in preparation for accession.

The following table is an overview of the tradeflow between the European Union and Bulgaria

Section	Year	Import(Euro)	Export(Euro)
Animals & animal products	1996	35,793,190	18,593,090
	1997	40,438,130	31,836,450
	1998	37,168,010	42,217,820
	1999	37,693,440	35,329,900
	2000	48,851,570	52,503,930
	2001	64,275,370	53,252,990
	2002	61,858,710	49,616,760
	2003	73,729,950	39,546,260
Vegetable products	1996	65,873,330	21,662,060
	1997	66,659,380	36,031,290
	1998	84,823,330	30,613,270
	1999	102,994,780	30,325,300
	2000	58,556,210	45,373,750
	2001	81,156,600	55,508,420
	2002	219,179,930	44,516,730
	2003	133,401,770	54,773,010
Animal or vegetable fats	1996	324,700	6,301,940
	1997	156,310	6,259,930
	1998	119,650	8,922,860
	1999	352,740	7,925,260
	2000	248,200	9,631,190

	2001	447,870	12,196,120
	2002	7,334,610	22,434,790
	2003	1,599,750	17,465,040
Prepared foodstuffs	1996	102,034,100	78,153,010
	1997	115,779,350	60,230,020
	1998	104,041,340	97,189,290
	1999	116,067,210	80,592,570
	2000	95,486,400	98,226,470
	2001	89,230,770	114,983,400
	2002	84,699,550	108,208,890
	2003	83,288,280	122,274,760
Mineral products	1996	45,828,780	25,722,930
	1997	71,706,210	43,435,090
	1998	61,689,390	70,972,020
	1999	41,582,350	76,081,580
	2000	98,482,100	90,594,690
	2001	168,781,540	87,316,800
	2002	164,633,180	78,404,970
	2003	179,793,000	83,295,530
Chemical products	1996	212,671,070	160,130,740
	1997	225,510,100	178,029,510
	1998	149,973,720	256,788,000
	1999	111,754,170	286,952,020
	2000	175,968,300	374,291,530
	2001	189,768,260	444,760,810
	2002	137,255,330	431,886,970
	2003	138,160,560	449,984,010
Plastics & rubber	1996	58,950,240	77,250,870
	1997	63,400,410	82,602,710
	1998	69,312,410	104,207,500
	1999	61,474,790	124,782,870
	2000	77,119,780	157,388,860
	2001	76,406,500	182,431,920
	2002	80,567,480	196,826,970
	2003	77,631,210	232,184,780
Hides & skins	1996	26,266,670	24,894,770
	1997	27,185,430	27,189,980
	1998	19,567,480	25,423,130
	1999	18,875,460	29,679,070
	2000	32,548,190	47,624,710
	2001	38,724,600	60,796,780
	2002	37,965,450	57,186,340
	2003	40,496,360	68,597,450
Wood & wood products	1996	40,482,220	11,902,510
	1997	56,657,790	12,324,200
	1998	56,228,380	11,633,760
	1999	62,304,050	12,828,630
	2000	64,758,660	15,621,720
	2001	80,212,750	19,148,290
	2002	77,414,920	20,808,920
	2003	80,433,130	24,664,610
Wood pulp products	1996	17,057,210	68,118,160
	1997	34,875,430	70,936,170
	1998	20,734,670	78,706,990
	1999	21,093,860	74,799,790
	2000	25,905,690	89,158,060
	2001	30,186,010	106,457,760
	2002	28,459,430	118,414,470
	2003	25,029,760	110,743,600
	1996	149,099,270	94,473,780
	1997	253,614,210	194,280,500

Textiles & textile articles	1998	321,777,550	285,445,200
	1999	339,866,280	328,188,610
	2000	476,587,200	469,962,900
	2001	686,656,780	613,935,760
	2002	847,123,930	541,049,430
	2003	925,833,760	838,364,330
Footwear, headgear	1996	58,716,710	30,538,810
	1997	76,019,280	36,811,670
	1998	75,183,030	39,419,560
	1999	88,042,930	42,598,190
	2000	106,340,110	53,246,360
	2001	154,878,650	74,521,400
	2002	156,293,260	64,924,880
	2003	175,369,460	75,629,360
Articles of stone, plaster, cement, asbestos	1996	33,957,290	31,366,070
	1997	39,904,660	32,587,930
	1998	39,720,840	41,593,080
	1999	43,596,670	38,883,250
	2000	61,386,310	44,652,240
	2001	72,291,580	54,144,770
	2002	71,459,970	59,136,510
	2003	72,284,640	68,959,170
Pearls, (semi-)precious stones, metals	1996	7,768,460	9,476,130
	1997	5,739,070	5,138,390
	1998	14,862,570	5,879,370
	1999	15,403,130	2,840,310
	2000	19,595,990	7,444,980
	2001	10,285,220	9,028,150
	2002	187,200,660	8,401,340
	2003	31,834,450	5,953,570
Base metals & articles thereof	1996	357,879,540	97,960,050
	1997	479,312,480	96,404,690
	1998	556,459,030	109,887,160
	1999	508,981,280	132,269,390
	2000	899,989,600	178,053,870
	2001	801,619,420	200,518,830
	2002	656,460,050	208,736,470
	2003	787,474,080	270,870,010
Machinery & mechanical applicances	1996	136,979,260	345,731,970
	1997	150,491,880	365,886,310
	1998	186,375,590	527,470,990
	1999	209,713,920	657,792,360
	2000	254,627,970	740,289,410
	2001	297,079,480	988,997,420
	2002	354,337,580	1,097,199,130
	2003	434,836,380	1,144,462,780
Transportation equipment	1996	15,826,940	133,486,470
	1997	14,053,450	121,515,460
	1998	18,472,720	218,407,200
	1999	25,250,340	244,679,330
	2000	20,325,450	250,465,390
	2001	25,141,920	349,022,050
	2002	57,419,010	387,035,170
	2003	46,403,010	482,538,750
Instruments - measuring, musical	1996	9,007,020	39,947,590
	1997	9,640,610	39,928,720
	1998	13,751,410	56,745,290
	1999	17,009,810	62,547,360
	2000	19,439,450	72,331,650
	2001	25,002,750	88,754,260
	2002	27,962,810	93,842,910

	2003	34,225,480	107,437,140
Arms & ammunition	1996	252,930	1,824,030
	1997	298,570	2,277,820
	1998	497,710	2,517,840
	1999	317,200	3,072,530
	2000	654,480	2,872,090
	2001	1,387,910	2,993,100
	2002	1,387,930	4,394,060
	2003	1,518,600	3,921,200
Miscellaneous	1996	30,789,380	36,079,570
	1997	35,851,770	37,140,650
	1998	40,225,140	48,804,320
	1999	52,570,910	52,151,360
	2000	67,344,160	60,423,930
	2001	82,127,260	67,831,590
	2002	102,758,840	83,046,540
	2003	121,368,180	91,040,770
Works of art	1996	682,040	662,840
	1997	372,680	83,950
	1998	459,000	95,230
	1999	3,287,570	5,021,470
	2000	752,270	427,770
	2001	612,980	707,670
	2002	2,595,140	84,930
	2003	708,980	652,570
Other	1996	6,749,850	4,667,920
	1997	8,228,570	8,408,610
	1998	8,359,630	19,906,140
	1999	6,603,590	15,903,010
	2000	18,913,660	14,036,820
	2001	26,289,630	11,923,460
	2002	19,438,700	11,155,970
	2003	14,147,340	26,574,460

Agriculture and Fisheries
last updated on 2004-01-29

AGRICULTURE

Almost 56% of Bulgaria's land is agricultural; a further 35% is covered by forest and about 5% by water. Of the agricultural land, 69% is arable, 27% permanent pastures and meadows, and about 4% vineyards and orchards. The principal cultivated lands are in the Danube and Thracian Plains and the hinterland of the Black Sea. Crops currently produced in Bulgaria include: cereals and pulses, principally wheat, barley, maize, oats, and legumes; industrial and oil-bearing crops, of which sunflower, sugar beet, cotton, and tobacco dominate; grapes and wine; and vegetables and fruit, mainly tomatoes, green and red peppers, cucumbers, apples, plums, cherries, peaches, apricots, and berries. The main livestock production involves the breeding of cattle and water buffalo, sheep and goats, pigs, poultry, rabbits, horses, bees, and silkworms.

Food and agriculture have historically been major components of Bulgaria's foreign trade, contributing up to a quarter of total exports. The value of agricultural exports fell between 1990 and 1997 by two thirds and continued to decline up to 2000. In 2001, Bulgaria's agricultural and food exports were estimated at US$504 million, an increase of 3% over 2000 but still only one-quarter of their 1990 value. The balance of agri-food trade in 2001 was estimated to be positive, at US$100 million. The main agricultural export products were cereals; tobacco and processed tobacco substitutes; non-alcoholic and alcoholic beverages (mainly wine) and vinegar; meat and offals for consumption; oilseeds and fruits, and animal feed. In 2002, there is estimated to have been an upturn in farm production and an increase in agricultural exports.

The decline and subsequent slow recovery in Bulgaria's agriculture sector stem from a number of interlinked factors. Some are common to the economy as a whole; others are specific to the sector. Common factors include the loss of the CMEA market as an export outlet (for raw and processed agricultural goods) and the severe contractionary effect of the decline in Bulgaria's domestic market, particularly up to 1997. Specific factors include the disruptive process of land restitution, which led to a lack of clearly enforceable property rights for several years, with consequent effects on access to credit and on investment: many farms were left in the hands of small owners without the capacity, in finance and machinery, to develop or even maintain production; and the dramatic change in structure, and reduction in levels, of domestic support for the sector . One major deterioration is that irrigation, which was widely used, has become largely unserviceable and Bulgarian agriculture has thus become increasingly weather dependent.
The share of the agricultural sector in the overall gross value added in Bulgaria has continued to decrease from 13.8% in 2000 and 13.4% in 2001 to 12.5% in 2002.

- **EU-Bulgaria agricultural trade relations**

In 2002, due to large exports of cereals, Bulgaria's agricultural exports to the EU grew from €247 million to €386 million, giving it a trade surplus of €109 million (as against a deficit of €45 million in 2001). Apart from cereals and oil seeds, key EU imports were dominated by meat and offal products. EU food exports were dominated by meat and animal fats and oils.

Over the past years, Bulgaria has continued to further develop its agricultural policy.
In ther framework of the Europe Agreement, a new consolidated Additional Protocol on agricultural trade entered into force in June following adoption by the EU Council of Ministers in April 2003. This Protocol, which incorporates the results of the "double profit" negotiations concluded in October 2002 extends the liberalisation process to sectors where market protection has been substantial (e.g. cereals, dairy products, beef and sheep meat) and where Bulgaria has important export interests. It potentially covers trade worth € 300 million.

The free trade agreement on fish and fishery products negotiated between the EC and Bulgaria came into force in March 2003.

The Ministry of Agriculture and Fisheries (MAF) continues to pursue strategies and actions for the five priority areas identified in the 2001-2005 government programme. These are :
(i) efficient management of agriculture and forestry resources and the development of market structures; (ii) increasing the competitiveness of primary and secondary agriculture and creating conditions for the development of an export-oriented agriculture; (iii) preparing for the implementation of the requirements of the EU single market and CAP mechanisms, as well as adherence to international agreements; (iv) improving living and working conditions of those employed in agriculture and forestry as well as of other rural inhabitants; and (v) eco-friendly and sustainable management of forestry resources, game, and protected natural areas.
In July 2003, the Ministry of Agriculture and Forestry presented a special report halfway through the Governments four-year mandate. The report presented achievements in fields such as support from the State Fund Agriculture for those agricultural producers observing quality standards and other legal requirements, SAPARD Programme implementation in Bulgaria, EU integration, plant growing, animal breeding, forestry and land related issues. The report also referred to the main objectives for the second half term of the Ministry including the Agricultural Census in 2003, the finalisation of the negotiations on Chapter 7 "Agriculture" in 2004 and the fulfilment of the commitments on veterinary and phytosanitary issues.

The first stage of the land reform, i.e. the process of restitution of agricultural land, was completed in 2001. At the end of 2002, 92% of woodlands and forests had been restituted. Further work has been done in establishing a land parcels register (agricultural cadaster) and a computerised geographical information system for graphical display and register of agricultural land and forestry regions, which are now almost completed. The second phase of the land reform, i.e. the consolidation of land, has started. In this context, legislation was adopted allowing for different possibilities to consolidate land such as renting or leasing of agricultural land in government property and the exchange of land. Other work has included creating a legal basis defining the land ownership bodies and extending the competence and staff of the Ministry of Agriculture and Forestry in this context. The increased number of transactions and the slowly rising prices indicate that the land market is gradually developing although from fairly low levels. Fragmented agricultural land, shared ownership and cases of unclear limits of land plots as well as low profits in the agricultural sector are still leaving agricultural land under-exploited and are leading to under-performance of the land market.While progress has been made as regards land reform and the establishment of the agricultural land register and the related geographical information system, more needs to be done in relation to land consolidation in order to develop an efficient land market.

With regard to agricultural price policy, this was almost fully liberalised in 2002. There were only a few exceptions, including the state guarantees of tobacco buying-in and subsidies for wheat, quality milk, tomato and pepper producers. The Farmers Support Act authorises the State Fund Agriculture (SFA) to intervene on the agricultural markets, by buying-in agricultural products produced at intervention prices based on annual decisions of the Council of Ministers. Implementing legislation has been adopted that establishes the procedures and conditions for buying-in and for possible subsequent sale of the agricultural products by the intervention agencies.

Bulgaria has taken the necessary legislative and institutional steps for a comprehensive agricultural census, which started in July 2003 and is to be completed in 2004. The data will be a key input for determining Bulgaria's baseline for participation in the Common Agricultural Policy.

PROCESSED AGRICULTURAL PRODUCTS

Based on the guidelines for processed agricultural products delivered by the EU Council in October 2002, several negotiation meetings have already been held with Bulgaria aiming at concluding an agreement as soon as possible.

Food, drink, and tobacco is the largest sub-sector of Bulgaria's manufacturing output, contributing 27.5% of gross manufacturing output in 2001. The main products in this area are beverages, tobacco products, meat products, grain mill and starch products, dairy products, processed fruits and vegetables, vegetables, and animal oils and fats. In 2001, the subsector employed 94,932 persons, or 17% of manufacturing employment. Over the period 1997-2000, productivity levels (measured by GVA per employee) decreased by 18.2%. Similarly, profitability declined, though less rapidly. Due to the lack of international competitiveness, the share of exports to turnover declined from 29.3% in 1997 to 13.7% in 2000.

According to an industrial survey carried out by the Japanese International Cooperation Agency (JICA), covering 162 enterprises in this subsector, the major obstacles to the development of this sector (in order of importance) are the shrinkage of the domestic market, "unfair competition" (circumvention or under-invoicing on importation), lack of working capital, lack of investment capital and strong competition. Out of a total of 15 significant obstacles, high tariffs and high standards in foreign markets were ranked ninth and eleventh, respectively. Most enterprises considered the value-added tax to be the most important amongst taxes and tariffs hindering businesses. Import tariffs were ranked seventh and export taxes and tariffs eighth of the ten taxes and tariffs hindering business.

Chemicals
last updated on 2004-01-27

The chemicals, rubber and plastics industry is the third largest manufacturing sector. Its share of gross manufacturing output in 2001 was 15.4%. Though output in this industry has fallen by one fifth since 1998, recent trends show a recovery as growth rates of 12% and 17.6% were recorded for 2000 and 2001. Production is focused on basic chemicals, such as industrial gases, dyes, pigments, fertilizers, nitrogen compounds, and plastic and rubber in primary forms; nonetheless other products such as pharmaceuticals, soap and detergents, man-made fibres, rubber products, and plastic products are also significant. In 2001 the industry employed 45,622 persons, or 8.6% of manufacturing employment; total exports were US$476 million, a 37% increase over the previous year. As with other sectors, a 2001 industrial survey (JICA study, referred to by the WTO) revealed the major perceived obstacles to business development in this sector to be unfair competition, strong competition, lack of working capital, and the shrinkage of the domestic market.

Iron, Steel and Non-Ferrous Metals
last updated on 2004-01-27

The share of **basic metal processing and metal products** in manufacturing output was 16.4% in 2001. Production increased in 2001 by 4.4%, showing signs of recovery from the annual declines of over 15% in 1997 and 1998. The main products in this sector are basic iron and steel of ferro-alloys, basic precious and non-ferrous metals, structural metal products, cutlery, tools and general hardware, treatment and coating of metals, tanks, reservoirs, and containers of metal. Total employment was 55,302 in 2001, or 10.5% of manufacturing employment. Export earnings amounted to US$955 million in 2001 (27% of manufacturing export earnings). From an 2001 industrial survey(JICA study, referred to by the WTO), shrinkage of domestic demand, incorrect clients, and unfair competition were identified as the major barriers to business.

Machinery
last updated on 2004-01-27

- **Machinery and equipment**

Production of machinery and equipment sector amounted to US$523 million in 2001, or 8.6% of manufacturing output. Output recovered by 4.5% after declined by 5.1% in 2000. The main products in the subsector are: machinery for production and use of mechanical power, such as engines, turbines, pumps etc; chemical power; weapons and ammunitions, machine tools and other general purpose machinery such as furnace burners, handling and lifting equipment, and cooling and ventilation equipment. The sector employed 60,681 persons in 2001, a fall of 28% on the previous year. Exports amounted to US$204.5 million (5.8% of manufactured exports), an increase of 4.4% over the previous year. A 2001 industrial survey (JICA study, referred to by the WTO) shows shrinkage of the domestic market, lack of working capital, and the lack of investment capital to be the main perceived business obstacles.

- **Electrical machinery and electronics and instrument engineering**

Gross output in this subsector amounted to US$327.3 million in 2001. Growth rates of 7.9% and 2.0% were recorded for 2000 and 2001, respectively. Main products include electric motors, generators, and transformers; instruments for measuring, checking, navigating, and other purposes; medical and surgical equipment; and photographic equipment. This subsector contributed to 5.8% of total manufacturing employment. In 2001, exports amounted to US$146.5 million. Shrinkage of the domestic markets, unfair competition, strong competition, and incorrect clients were noted by enterprises to be the most important business obstacles, according to the JICA 2001 industrial survey.

Other Industries
last updated on 2004-01-27

- **NON-METALLIC MINERALS INDUSTRY**

The non-metallic minerals industry benefits from the availability of favourable natural conditions, including local raw materials such as clay, kaolin, gypsum, rock-salt, lime,

granite, and sand . Its contribution to gross output in manufacturing stabilised at between 5.3% and 6.0% in 1997-2001. The main products are **glass and glass products, cement, lime and plaster, articles of concrete, plaster, and non-refractory ceramic** goods. In 2001, the sector employed 21,480 persons, some 4% of total manufacturing employment. Exports dropped by 29.7% in 1998 and 22.8% in 2000; however they picked up in 2001. Export earnings increased by 38.4% in 2001 to reach US$118.6 million, or 3.3% of manufactured exports. The share of FDI flowing to the non-metallic minerals sector annually was between 15% and 18% of overall inflows over the period 1998-2000.
A 2001 industrial survey (JICA Study, referred to by the WTO) revealed that 91.7% of surveyed enterprises believed shrinkage of the domestic market to be by far the most important business obstacle. Other obstacles identified in this subsector were high prices of raw materials, lack of production demand, and "incorrect" clients.

- **TRANSPORT EQUIPMENT**

Production of transport equipment amounted to US$95 million (about 1.6% of gross manufacturing output) in 2001. Output declined by 11.1% and 22.5% in 2000 and 2001 respectively. Building and repair of ships and boats accounts for 79% of output in this subsector. Other important products are railway and tramway locomotives and rolling stock (17% of output) and motorcycles and bicycles (2% of output). The industry employs 12,779 persons (2.4% of manufacturing employment). Exports amounted to US$56.8 million in 2001, representing an increase of 163.9% over the previous year. Businesses surveyed by the JICA revealed that the lack of working capital, shrinkage of domestic markets, "incorrect" clients, unfair competition, and strong competition were seen as the most significant business obstacles.

Textiles and Leather
last updated on 2004-01-27

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Textiles, clothing, leather, and footwear is the second most important sector among the manufacturing industries. In 2001 (no more recent figures are currently available), output in this sector amounted to US$651 million, contributing 10.7% of total manufacturing industries' output, and 29.1% of employment. Textiles and apparel account for 97% of the gross output of the sector and have emerged as two of the most competitive industries. The increase of the sector's share in manufactured exports from 16.1% (US$493 million) in 1997 to 28.6% (US$1,013 million) in 2001 was largely driven by the growth in apparel exports, which increased by over 75% between 1998 and 2001, including significant outward processing. It is estimated that about 90% of apparel production is destined for export markets. The major investors in the apparel sector are from Greece, Turkey, Italy, and Germany; the major export markets are Germany, Greece, Italy, and France; the United States is the main non-EU export market.

Identified weaknesses in this sector include the lack of cash flow and working capital, middle-level management, marketing capabilities and knowledge of foreign language, and relatively low productivity compared with other competitors.

Wood, Paper and Pulp
last updated on 2004-01-27

The wood, paper, publishing, and printing sector accounted for nearly 7% of gross manufacturing output in 2000 (no more recent figures are currently available), up from 5.7% in 1997. The main products of the sector are: veneer sheets, saw milling and planing of wood, pulp, paper, and paperboard, publishing and printing, and service-related activities. In 2000 the sector employed 35,860 persons. Though productivity levels (measured by gross value added per employee) are estimated to have increased by 18.6% over 1997-2000, profitability (as measured by gross operating rate) declined from 15.9% to 11.6%. The share of exports in turnover remained relatively stable, ranging between 21% and 23%. According to an industrial survey (in this sectorJICA study, referred to by the WTO), businesses believed that unfair competition, lack of working capital, high prices of raw materials, shrinkage of domestic market, and strong competition were the major obstacles to the development of the sector; only 3.5% of businesses surveyed considered high tariffs to be an obstacle.

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TARIFFS AND DUTIES

As regards the common commercial policy of the European Union, upon accession Bulgaria will be required to align its tariffs with those of the EC. Bulgaria's applied tariffs continued to average 11.6% (MFN – Most Favoured Nation) on all products in early 2003, 23.5% on agricultural products, 11.7% on fishery products and 8.7% on industrial products. By comparison, EC tariffs currently stand at 6.3% on all products, 16.2% on agricultural products, 12.4% on fishery products and 3.6% on industrial products.
For detailed information on currently applied tariffs by Bulgaria, please refer to the Commission's Market Access Database on applied tariffs. **Click here**

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TRADE DEFENCE INSTRUMENTS

Safeguard measures

- Bulgaria initiated an investigation against the EU into ammonium nitrate on 29 January 2002, applied provisional measures in July and definitive ones on 29 December 2002. A further investigation into urea initiated by Bulgaria on 18 June 2002 is still on-going. This surge of protective activity regarding fertilisers was commonly admitted to be due to problems this country encounters with very low priced imports coming from their eastern neighbours (mainly Russia and Ukraine). The Community itself is well aware of these problems, given its own anti-dumping duties on Russian and Ukrainian imports for these products. EU exports to Bulgaria are at negligible levels (less than □ 10,000), which should not be affected by the applied tariff quota (Tariff quota, above which additional duty of $35). The Commission is monitoring developments attentively in close contact with the Community industry, taking the view that, given the well identified source of the problem in these cases, any measures should not penalise Community exports which are clearly not the origin of the difficulties encountered by the domestic industries concerned.

- Bulgaria maintains further a safeguard measure (an additional duty of €1.5 per 1000 piece) on EU Crown corks as from 1/06/2002 which is to expire on 01/05/2004.

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RESTRICTIVE EXPORT MEASURES

Export taxes, charges, and levies

Bulgaria no longer imposes any duties, taxes or other charges on exported goods. At the time, Bulgaria applied a range of export taxes for the purpose of preventing or relieving critical shortages of foodstuffs and other essential products. However, it undertook commitments to minimize the use of such measures upon its WTO accession accession as well under its obligtions under the Europe Agreement. In 1998, export taxes on 24 products, including wheat, barley, and maize were eliminated; export taxes on live cattle, skins, wool, paper waste, metal scrap and metal products were eliminated in 1999; and the remaining export taxes, on unprocessed wood products, were abolished in January 2000.

Exportlicensing procedures

Since January 2000, Bulgaria has liberalised its export licensing procedures. Currently, export licences are required in a limited number of cases such as fulfilment of international treaties and conventions to which Bulgaria is a signatory; protecting public morals; maintaining public order and national security; and safeguarding national artistic, historical, and architectural masterpieces. Licences are issued by the competent government ministries depending on the product and are valid for up to three months from the date of issue. Automatic licensing (registration) is applied to precious metals and unsawn timber exports (Coniferous and deciduous timber from HS 4403 with diameter at the thin end of more than 4 cm, all wood species, as well as firewood – HS 4401.10.00.0). (except for fire-burnt timber).

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INVESTMENT RELATED BARRIERS

Most of Bulgaria's laws covering trade, trade-related policies, and investment have been revised, updated or newly created to enable Bulgaria to meet its obligations under the multilateral trading system and as part of its accession process to the EU .

- In the field of the **right of establishment** and **freedom to provide services**, Bulgaria has made substantial progress as regards the general non-discriminatory regime of national treatment for foreign nationals and companies performing economic activities in Bulgaria. A number of laws regulating the right of establishment have been amended: the law on foreigners (as well as its implementing provisions), which eliminates the requirement to create ten jobs for Bulgarians in order to qualify for a long-term residence permit, the law on control of foreign trade activities in arms and dual-use goods and technologies, and the law on chambers of architects.

- The amendments made in particular to the Law on foreigners are a good step towards eliminating discriminations. However, the Law on **foreign investment** still imposes a permanent residence permit on EU nationals who wish to perform economic activities in Bulgaria.

- Amendments are also required to the **Law on gambling** in order to revoke the existing discriminatory requirements regarding investment and creation of jobs.

Laws and Regulations relating to Investment

The main law governing foreign investment in Bulgaria is the Law on Foreign Investments, adopted in October 1997. Under this law, foreign investors are subject to only minor procedures of approval or registration. Special permit regimes exist for commercial activities in the areas of banking and finance; insurance and activities and participation in insurance companies; manufacturing and trading weapons, explosives and military equipment; securities transactions - issuing, underwriting and trading of securities; and ownership of buildings and limited property rights in border areas. There are no limitations on the amount of foreign participation in a newly formed or existing company (Foreign Investment Law, Article 8 (2)) ; and unrestricted acquisition and transfer of funds abroad are permitted upon verification of taxes paid on income (Foreign Investment Law, Article 27). The law also guarantees the protection of existing investments in the event of any future adverse legislative restriction on foreign investments (Foreign Investment Law, Article 4). Legal safeguards limit the circumstances under which expropriation of foreign-owned property may occur, by requiring the investors' consent to compensation due (Foreign Investment Law, Article 26).

The Bulgaria Foreign Investment Agency (BFIA) was established in April 1995 as a one-stop-shop for foreign investors. Under the Law on Foreign Investments, investors can request the BFIA to propose to the Council of Ministers the formation of an inter-ministerial group, comprising representatives of relevant ministries and agencies, to provide institutional support for investment projects acknowledged by the Council of Ministers as a priority. To promote sectors considered as having high potential for development, BFIA has engaged in extensive marketing of tourism, textiles and apparel, food processing, mechanical engineering, electrical engineering and electronics, information and communications technology (ICT) and transport and logistics.

In addition to the promotion efforts of BFIA, other governmental agencies have been established for the purpose of attracting foreign investment to particular sectors. In this respect the Information and Communication Technologies Development Agency was founded in February 2002, and in November 2002, the Agency for National Advertising of the Tourism Sector was also established. Foreign investments in the energy, transport, and agriculture industries are also promoted by their respective ministries.

Bulgaria offers various tax incentives, including 100% exemption from corporate income tax for investments in manufacturing in municipalities with high unemployment : that is, unemployment exceeding 50% of the national average in the previous year. Tax incentives are subject to meeting specific requirements (Corporate and Income Tax Act (CITA), amendments in force as of 1 January 2003). Tax credits may also be granted on the basis of double taxation treaties in force. Exports of goods, and goods imported goods for processing and re-export are subject to VAT at zero rate. Investment projects over 10 million levs and providing more than 50 new jobs, implemented within a two-year period, may receive a waiver from the Ministry of Finance for the VAT on needed imports (VAT Act, amendments in force as of 1 January 2003).

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IPR

Problems relating to enforcement of intellectual and property rights

- Until 1998, Bulgaria was considered to be the largest source of compact disc and CD-ROM piracy in Europe and one of the world's leading exporters of pirated goods. For this reason, Bulgaria was placed on the U.S. Trade Representative's Special 301 "Priority Watch List" in January 1998. In November of the same year it was moved to the "Watch list", and was removed from the Special 301 "Watch list" in November 1999.

Whilst considerable efforts have been made since then, and in spite of amendments to legislation on intellectual property rights and on counterfeiting, the actual enforcement is still insufficient, in particular as regards border controls. High levels of pirate software and counterfeiting still give cause for concern. According to EU industry information, pirate software and CD levels are respectively at 75% and 75-80%. However, Bulgaria is no longer a major location for the manufacturing of pirate products, and import is the main source of such products on the Bulgarian market.

- BG/EU customs co-operation : There is a continuing improvement in co-operation among the various enforcement bodies, especially with the mounting of joint operations with border police and economic police, although there is a need to further improve the practical implementation of this co-operation. (There is further a PHARE project, agreed in 2002 and currently still operating, for a co-operation system between the Bulgarian authorities, police and customs in order to overcome overlapping of competence and permissions).

- The slow and inefficient proceedings of the judicial system often discourage parties from taking cases to court, which contributes to the lack of reliable enforcement of property rights. Some progress has been made in streamlining administrative procedures, but these still impose substantial costs on the private sector. While large and foreign-owned companies are often able to bridge these shortcomings in the legal and regulatory environment by turning directly to the higher levels of decision-making, this path is not always available to smaller or domestic companies.

Legislative developments relating to IPR

Bulgaria is a member of the World International Property Organization (WIPO). Its legislation appears to be into full compliance with the provisions of the TRIPs Agreement.

On 1 August 1993, Bulgaria's Law on Copyright and Neighbouring Rights (LCNR) entered into force, replacing the 1951 copyright law. Bulgaria's copyright legislation provides for the protection of literary, musical, and graphic works as well as computer programs. Under Article 6 of the law, the author of a work is deemed to be the person whose name or other identifying mark is shown in the customary manner on the literary, artistic or scientific work, until otherwise proved. Rights of reproduction and distribution of sound and video recordings, transactions for the production of compact discs with recordings and other sound and video recording media containing subject matter of copyright and related rights, and the producers of sound and video recording media containing subject matter of copyright and related rights, are subject to registration with the Ministry of Culture. The purpose of such registration is to establish control over the

rights of reproduction and distribution of sound and video recordings.
The law has been amended several times (1998, 2000 and 2002) with the aim of strengthening the copyright regime, enabling Bulgaria to comply with its international obligations including the TRIPS Agreement, and harmonization with EU legislation. The changes introduced in 1998 included a ten-fold increase in administrative fines that could be imposed by the Ministry of Culture. The 2000 amendments provided for copyright protection of 70 years, a new communication right, provisional measures, and border control measures. They also provided administrative sanctions against tampering with rights management information, and against the manufacture and distribution of decoding devices without the consent of the copyright holder, and prohibited circumvention devices and possession of pirated products.
The 2002 changes, which entered into effect on 1 January 2003, included a new chapter on database protection and introduced national exhaustion of distribution rights, thereby prohibiting parallel imports. The latest amendments also regulate management and control of the use of software assets acquired by state bodies and their administrations, as well as the licensing of manufacturers of compact discs and matrices for such discs. Penalties have been strengthened through the introduction of pecuniary sanctions against companies as well as physical persons, and the possibility of both civil and criminal proceedings, the latter envisaging the possibility of prison sentences of up to three years.
The 2002 changes, which entered into effect on 1 January 2003, in troduced in the field of intellectual property rights, legal protection of databases, including sui generis protection, and address several aspects of EC provisions on copyright and related rights in the information society. However, several substantive provisions need further adaptation.
Regarding industrial property rights, amendments to the Code of Civil Procedure, adopted in October 2002, introduced new provisions as regards infringements to registered trademarks, industrial design and geographical indication rights, introducing “summary proceedings” to be followed by courts.

On the basis of the amendment to the Law on customs of April 2003, the customs authorities have acquired explicit functions and tasks related to the enforcement of border measures aimed at protecting intellectual and industrial property rights. Together with organisations representing right holders, the National Customs Agency has organised a number of training activities, in which judges, prosecutors and customs officials have taken part.