

C. INDUSTRIAL DEVELOPMENT

Decision-Making: Strategies, policies, programmes and plans, legislation, policy instruments and the regulatory framework; involvement of Major Groups

Bullet 4: Policies to promote open markets such as reduction of quantitative restrictions and tariffs on imports and promotion of exports

Republic of Bulgaria is a country with open economy and predictable trade policy. In the context of trade development the Bulgarian policies are shaped primarily by its World Trade Organization (WTO) membership and by its continued progress in the process of accession to the European Union. Bulgaria joined the WTO on 1 December 1996, and the targeted date for Bulgaria's membership in the EU is 1 January 2007.

The general principles followed by Bulgaria in development of its trade policy are predictability, consistency, compliance with the international trade rules, liberalized trade regimes, extension of bilateral, regional and multilateral trade relations, participation in the ongoing multilateral negotiations in the WTO in a constructive manner.

Tariff policy

- Tariffs on imports are levied in accordance with the provisions of the Customs Law of Bulgaria and adopted annual Customs Tariff. Tariffs are in compliance with the Bulgaria's Schedule of Concessions and Commitments, attached to the GATT 1994.
- The average ceiling bound tariff rate in the Bulgaria's Schedule of Concessions and Commitments, attached to the GATT 1994 is approximately 28%, in particular for industrial products the average bound rate under the GATT is approximately 22%.
- Bulgaria is a Party to the Agreement on Information Technology Products within the WTO and applies zero duties for all products covered by this agreement. The duty free treatment also applies to products falling under the Plurilateral Agreement on Civil Aviation.
- Bulgaria provides more favorable market access and in 2004 the applied "most-favoured nation" (MFN) tariff rate is approximately 11.6 %. The average MFN rate for imports of industrial products amounts to 8.6%.
- Bulgaria grants MFN treatment to the WTO Members as well as other countries.
- Bulgaria provides favourable market access under the Generalized System of Preferences (GSP) to developing and least developed countries. For a large list of goods originating in developing countries Bulgaria applies preferential duties at the rate of 70% or 40% of the MFN duty rate, and least developed countries enjoy zero duty treatment. Under Bulgaria's GSP scheme, originating products must be wholly obtained or sufficiently worked or processed in the beneficiary country (with originating content comprising at least 50% of the ex-works price); must be transported directly to Bulgaria or be under customs surveillance if passing through a third country; and must be covered by GSP certificate "Form A".
- Bulgaria does not apply quantitative restrictions both on imports and exports.
- In accordance with international agreements Bulgaria applies tariff quotas for some agricultural goods in accordance with the provisions of the GATT 1994.
- Preferential treatment is provided by Bulgaria under the free trade agreements (FTAs). Bulgaria has signed FTAs with member states of CEFTA, EC, EFTA, and has also bilateral free trade

agreements signed with Albania, Bosnia and Herzegovina, Israel, Macedonia, Moldova, Serbia and Montenegro, Turkey. Under respective FTAs, the trade in industrial goods is free with CEFTA, EC, EFTA, Macedonia and Turkey. Agricultural trade under the FTAs is selectively liberalized.

Non-tariff measures

Bulgaria does not apply any automatic licenses on imports. Non-automatic licenses are maintained in conformity with Bulgaria's commitments under various international agreements related to trade in arms, and protection of human, animal, and plant life.

The Regulation of the Council of Ministers No. 233/08.11.2000 (published in SG No. 93 as of 14.11.2000, last amendments SG No. 9 as of 25.01.2005) set out the grounds related to the import licensing.

The National Veterinary Medical Service is responsible for ensuring the optimum health environment for all live animals and the safety of all food products of animal origin. A veterinary certificate is required for the importation of certain foodstuffs, and raw materials of animal origin.

Legal framework in relation to aforementioned information:

Lists with countries and granted status is enclosed to the Regulation of the Council of Ministers No. 289/20.12.2002 (published in SG No. 1 as of 01.12.2002, last amendments SG No. 115 as of 30.12.2004).

List with products covered by the GSP is enclosed to the Regulation of the Council of Ministers No. 289/20.12.2002.

The FTAs are published in State Gazette and on Internet site of the Ministry of Economy of Bulgaria.

Promotion of exports

In the context of exports promotion the main activities are as follows:

- The Executive Agency for Promotion of Small and Medium Enterprises, the Bulgarian Chamber of Commerce and Industry, the Bulgarian Industrial Association, branch associations and other institutions provide a range of information focused on export opportunities, export marketing, foreign trade regimes, and running training courses and seminars;
- The activities related to promotion of exports - establishment and development of trade relationships are performed by the representatives in the Bulgarian trade missions abroad;
- The Bulgarian companies traditionally participate in international trade fairs and exhibitions as CEBIT – Germany, Hanover Industrial Fair – Germany, COSMOPROF - Italy, MIDEST France, Poznan International Fair – Poland, Zagreb International Fair – Croatia, PROWINE - Germany, etc. Bulgaria hosts International Fair – Plovdiv. Participation in such fairs and exhibitions is an excellent opportunity for promotion of Bulgarian products, development of perspective business relations and export expansion.

Another tools related to exports are as follows:

- The exporters are able to cover their short-term commercial and non-commercial risks following the procedures adopted by the Bulgarian Export Insurance Agency;
- Bulgaria's Fund "Agriculture" provides export subsidies for some processed agricultural goods in accordance with the Bulgaria's Schedule of Concession and Commitments, attached to the GATT 1994.

Bullet 6: Efforts to promote investor confidence, including protection of intellectual and other property rights, dedicated commercial courts and efforts to promote speed in the resolution of commercial disputes.

The main documents, which define government's investment policy, are:

- The new **Law on Investment Promotion** / adopted on 23.04.2004/ regulates the terms and procedures for encouraging investment in the country, the activities of the state authorities in the field of investment encouragement, as well as the protection of investments.
- The **Rules and Regulations** for its implementation were adopted with Decision of the Council of Ministers No. 213 from 11.08.2004, promulgated in the State Gazette No. 74, 24.08.2004, in force since 24.08.2004.
- The **National Investment Promotion Strategy/NIPS/**, elaborated under coordination of the Investment Policy Directorate, forthcoming adoption by the Council of Ministers.

The new Law on Investment Promotion /LIP/ regulates the terms and procedures of investing in Bulgaria.

According to the new Law on investment promotion, the Minister of Economy is the leading executive authority that shall perform the state policy in the investment field. In the implementation of this activity the Ministry of Economy has prepared a strategy for the promotion of the investment in cooperation with other authorities of the executive power.

The LIP guarantees equal rights to the foreign and local investors in line with the EU requirements. This Law regulates the terms and procedures for encouraging investment in the country, the activities of the state authorities in the field of investment encouragement, as well as the protection of investments.

Under this Law investments shall be encouraged in fixed assets acquisition with the purpose of creating new, or enlarging or modernizing existing production of goods and/or services, which create new job positions, and the period for the realization of the investments shall be up to 3 years.

Under the Law on investment promotion an **informational services** shall be considered to be the disposition of informational materials and information concerning eventual partners in the country, as well as information about all the administrative procedures connected with the implementation of the investment and **individual administrative services** shall be all the activities that the employees of the Agency perform in connection with the application and receiving of all the necessary according to the Bulgarian legislation documents for the implementation of a particular investment project from the competent authorities. Under the LIP are provided one-stop shop services to the investors.

According to the Rules for the implementation of the law, 1-st class are investments over 50 mln. Euro, 2-nd – 25-50 mln. Euro, 3-rd class – 5-25 mln. Euro.

The National Investment Promotion Strategy is a horizontal strategy, involving all the relevant ministries. In its elaboration participated experts from the relevant ministries and from institutes and NGO's under the coordination the Investment Policy Directorate, within the Ministry of Economy. Although it is not a national industrialization strategy, it is developed in line with the major priorities from the National Plan for Economic Development (up to the year of 2006) and the National Plan for Development (2007-2013).

The NIPS contains measures, which are grouped in seven lines, each of them aiming at improving the business climate in Bulgaria and providing better conditions for foreign investors

- Improvement of the general administrative and legal environment;
- Development of the infrastructure;
- Labour quality improvement;
- Regional investment promotion policy;
- Support for investments in innovations and hi-technologies;
- Investment marketing;
- Improvement of the financial environment for the investors.

Government investment policy has a role as a basic factor for achievement of economic growth in Bulgaria. For the last three years Bulgaria has attracted 3,1 bln. euro FDI, which is 45% of the total amount of the foreign investments over the 1992-2003 period.

The measures undertaken for promotion of investments in 2005 will attract considerable investors who will contribute to the creation of high level of value added, because they will assess:

- Highly skilled and talented labor force with the required language competences.
- Favorable financial environment- low operational costs and taxes.
- Good business environment as a result of concluded negotiations with EU in May.
- High assessment of the economic stability from the Worlds Rating Agencies.

Bullet 7: Nature of regulatory approach to environmental issues. Use of command and control as well as economic instruments to enforce legal requirements.

The industrial policy of Bulgaria is broadly in line with the principles of EU industrial policy. This policy is realized within the frames of the Strategy for the improvement of the productive sector, based on the National Economic Development Plan over the 2000-2006 Period. The concrete steps for the achievement of the priorities of the government are launched for:

- Strong and sustainable economic growth
- Enhancement of competitiveness and improvement of business environment

These steps include:

- **Optimization and improvement of the legal framework**

- Law for limitation of the administrative regulation and the administrative control over the economic activity
- Law for the public procurement
- E-Government Strategy 2004-2005
- Law for modification and complementation of the Law for privatization and post-privatization control
- Law for modification and complementation of the Law for public offering of securities

The application of the programme for optimization of existing regulatory regimes (licensing, permit and registration) continues as a main prerequisite for facilitation of economic activity /144 regimes out of 192/ were removed or simplified.

- **Regulations for competition rules, the conditions and the terms for assessment and control of the state aids**

In this field of the national legislation were introduced the strict rules of EU for providing and control of the state aid.

- **Encouragement of small and medium-sized enterprises**

Ensuring of dynamism and competitiveness of national economy is guaranteed by the new Law for encouragement of small and medium-sized enterprises. The objectives are improvement of information and consultant services for enterprises and promotion of investments in small and medium business.

The Regulation for organization and composition of Consultative Council for encouragement of small and medium-sized enterprises to the Ministry of Economy was worked out.

In the Ministry of Economy a Project for assistance to SMEs in the Meat Processing industry for introduction of HACCP System starts. On this project above 100 companies from sector will get gratuitous support for introduction of HACCP System, which have key importance for their presence on Bulgarian and international markets.

In March 2004 the Project “Creating Competitive Start-up Enterprises” (Project 100) starts, jointly with UNDP, which is component of project “Job Opportunities through Business Support”. The project is implemented in the districts of Vidin, Silistra, Shumen and Dobrich and aims at the development of sustainable and competitive private sector through support for starts-up of micro or small production or service business. The results for 2004 are:

- In business skills and business planning are trained above 300 entrepreneurs.
- Starts-up 67 micro and/or small enterprises in different business areas.

In 2005 the Project will be implemented in the districts of Montana, Yambol, Pazardzhik and Sliven.

- **Supporting of innovation, research and technological development**

A key factor for sustainable and accelerating economic development is the encouragement of innovations, research and high-technological development.

In September 2004 an Innovation Strategy was adopted. The Financial Scheme for innovative enterprises support provides for distribution of 5million BGN in 2005, 8million BGN in 2006 and 13 million BGN in 2007. The measures in the Innovation Strategy foresee to create opportunities for development of innovations and research as precondition for Bulgarian industry modernization. Beneficiaries of the funds will be all perspective and innovative industrial companies, which renovate the production structure and strength their presence on international markets.

The adopted strategy is a part of the development and consistent application of policy for technological development and innovations and will include the work out of innovative enterprises, which can reach sustainable development in market economy conditions.