

# Barriers to Foreign Direct Investments: Managerial Perceptions and Performance

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## 1. Introduction

In the context of the European Union enlargement and the economic restructuring of the candidate countries, the foreign investment is an issue of priority. *The present paper is aimed* to outline the typology and motivation of the foreign initiatives in Bulgaria. In view of this, a concise review is made of the literature examining the role of foreign investment in transition economies. The theories on internalisation, the eclectic paradigm of J. H. Dunning, as well as the concept of networks could be a basis for analysis. Very often foreign enterprises in a higher risk environment are guided by defensive motives, taking advantage of the weakness of the local 'players' and the benefits of being the 'first'.

The standard statistical information used in the paper is supplemented with results from surveys among foreign investors in Bulgaria.

Investors aim towards the consumers on the Bulgarian market, take into account the cost and qualification of the labor force, rely on long established contacts. Despite the opinion, that the most perspective branches in Bulgaria are travel, light industry and services, the investments in chemical and pharmaceutical industry, petroleum-processing and non-ferrous metallurgy are the prevailing ones. The investments in the banking sector and telecommunications are becoming more active. The situation on the labor market is among the major factors determining the behavior of foreign investors.

## 2. Theories for FDI in the emerging market economies.

Initially the studies of the multinational enterprises and the cross-border production are dominated by the traditional theory of the foreign trade - Heckscher - Ohlin - Samuelson theorem. The works of authors like Stephen Hymer (1960, 1968) study the multinational enterprises from the point of view of the imperfections of the capital markets, the transfer of technologies and entrepreneurial skills and organizational modalities. Raymond Vernon (1966, 1983) and his followers study them in accordance to the product cycle and a special attention is drawn to the localization of their production. The theory of the internalisation (Buckley and Casson 1985, Buckley 1987, Casson, 1992) studies the multinational companies from the point of view of the correlating of “markets - hierarchy” and the internalising of markets. The eclectic paradigm of J. H. Dunning (1993) puts the multinational enterprises and cross-border production and initiatives in dependence to the different configurations of the triad advantages - O (Ownership) – L (Location) – I (Internalisation).

The contemporary studies of the value-added-cross border activities focus on Cooperative Alliances (Richardson, 1972, Sereghyova, 1997, Bara, 1996), on Network Analysis (Johanson and Mattson, 1987; Graber G. and D. Stark 1997; Elg U., U. Johansson 1997, Axelsson, Easton, 1992; Rizopoulos, 1997) and on Strategic Management (Buckley and Casson 1988, 1996, Casson, 1990). Special attention is drawn to the inter-firm forms of cross-border business. The multinational enterprises face the question to compete or to cooperate with the domestic enterprises. The literature draws the attention to two types of inter-firm relations - equity cross-border activities and non-equity cross-border activities.

The strategies of equity cross-border activities evolve from transition – from “seeing how the land lies” to first-best entry strategy. The insecure transition environment makes these kinds of inter-firm relations attractive for the multinational as well as domestic enterprises. Non-equity cross-border activities are relations from type “buyer-seller” (buyer/seller ventures). At the relations between the buyers and the domestic suppliers stands a dilemma – to operate on open market or to proceed to vertical integration and internalisation of this market. At the relations between the buyers and the domestic contractors used are licensing, franchising, management contract, etc. They are an alternative to the forward vertical integration.

Internalisation and eclectic paradigms (Buckley and Casson 1985, Buckley 1987, Casson, 1992, J. H. Dunning, 1993) constitute an appropriate theoretical framework aiming to examine whether foreign-owned firms prefer to reform the activity internally (a “make” decision) or contract with external agents (a “buy” decision). The incentive to internalise or to operate on the open market depends on the various groups of factors among which are: *industry-specific factors*, e.g. nature of products, market structure and economies of scale; *region-specific factors*, e.g. geographical location and cultural differences; *nation-specific*

*factors*, e.g. political and fiscal factors; *firm-specific factors*, e.g. management expertise. *The knowledge factor* is considered to be of major importance as well.

On the other hand, the network conceptual framework is appropriate to discuss the inter-organizational relations of foreign-owned and domestic firms. Networks emerge and evolve as a consequence of interaction. Firms try to stabilize environment by establishing direct and lasting relations with other organizations in order to regulate production, information flows and resource exchanges. Some economic actors control some resources directly and others - indirectly, via relations with other actors (Johanson and Mattson, 1987; Graber G. and D. Stark 1997; Elg U., U. Johansson 1997, Axelsson, Easton, 1992; Rizopoulos, 1997; Hakansson H., Johanson J. 1988). Cross-organizational networks are clusters of economic actors united by a variety of stable, explicit or implicit links that create mutual influence. They are based on mutual knowledge, reciprocity and, eventually, trust and loyalty (Jansson H., Saqib M., Deo Sharma D., 1995). Collective learning process characterizes with networks, enabling the establishment of rules and behavioral norms that guide the nature and the direction of material and information exchange between the participants.

This theoretical framework is appropriate to the analysis of the relocation of the based in the European Union multinational enterprises. The observed in the last years anticipating increase of the intra-European investments to a great extent is due to the process of enlargement of EU (World Investment Report, 1999). The geographic and cultural closeness makes the European cross-border initiatives more dynamic.

### **3. Typology and motivation of foreign investors in Bulgaria**

The opinion that traditional approaches and theories, accounting for “factor endowment”, financial profitability, as well as theories about the internalisation of companies and transaction costs prove insufficient for the analysis of FDI in the transition economies have received wider acceptance. (Y. Rizopoulos, mimeo, ACE project 94-0760)

According to other (eclectic) approaches, based on the “limited rationality” of economic subjects, first, the maximisation of profit is not always possible and second, not always aimed at by the investor. Quite often foreign investment has been motivated by the problems of the company on the internal market. In this line of reasoning preventing losses of advantages or retaining a market share can be a serious motive for investments abroad.

The type of investor that are interested in CEE markets is defined not only by the behaviour of dominant and dominated enterprises on the specific world markets (i.e. the leaders on the pharmaceutical products market prefer elementary forms of co-operation with CEE counterparts. Dominated companies employ the opposite strategy and orient themselves towards long-term engagements – participation in privatisation and joint ventures.

Considering the high level of uncertainty in CEE countries and especially in the Southeastern part, the companies “leaders” are moved by defensive motivation.

The ones that are present are more often “dominated” companies, which face the limitations of competition in the already “processed” and familiar western markets, and which accept to be led by the paradoxical maxim that less attractive regions for investment can offer chances for higher profits.

### 3.1 Typology

Depending on the size, the time of entry in the country and the strategies pursued foreign investors in Bulgaria can be grouped in the following way:

- Transnationals aiming at developing, consolidating and defending their positions and advantages within the framework of a international oligopoly;
- Companies “followers”, which attempt to improve their general positions utilising specific opportunities of the Bulgarian market;
- Big groups or SMEs established on the market from before 1989 with stable positions and developed contacts.

Typical for the first category is participation in privatisation. The first steps in the privatization process were the result of the global strategy of transnationals for securing a place on the Eastern markets. These involved the Belgian Amilum of Tate & Lyle (the Sara Lee group), which bought Maize Products (Razgrad). Following similar strategies Kraft Jacob Suchard bought Republica (Svoge), Danone bought Serdika (Sofia), etc.

Within this category can be found also “mixed” strategies – participation in privatisation and “green field” investment. Shell is a good example in this line.

The second group – the so called “followers” - is formed mainly by companies from neighbouring countries like Greece. Relatively uncompetitive on European markets they find considerable opportunities for expansion in Bulgaria. According to some estimates in 1994 already more than 1000 Greek companies settled in Bulgaria. Their total capital however does not exceed USD 3 ml. According to Bulgarian data (see table 4). Greek information points to USD 47 ml. of Greek capitals in Bulgaria.

The third group can be illustrated by Dow Chemicals, which has relations with many Bulgarian firms for years. Dow Chemicals is a shareholder in the joint venture CHIMTRADE, established in 1984. They are presented in many CEE countries – Slovak Republic, Hungary, Poland. The example with the participation of the medium size German company Byk Gulden in the joint venture with the Medical Academy – MEDABYK is of a different character. Unlike Dow Chemicals, Byk Gulden are not a “leader” and search for niches on Bulgarian market.

### 3.2. Motivation

Foreign companies, investing in Bulgaria try to achieve the following more important aims:

- Penetration of Bulgarian market and consolidating of the position before the entry of other competitors. The difficulties of Bulgarian enterprises and low competition potential are attractive factors for foreign investors and allow the extraction of high profits;

- Investments aimed at penetration of neighbouring markets. Most probably this is the character of investments in the cement industry;
- Strengthening of the positions of the investor due to the relatively cheap skills and resources in Bulgaria (Solvey, Union-Miniere, Navan, etc).

According to a survey of the companies with FDI in 1995 by the national statistical Institute, made for the Agency for foreign investment the foreign investors, operating in the country consider that the investments can be of the following types:

- Competition-reaction investment – aimed at higher competitiveness through lower costs in Bulgaria;
- Market seeking investment;
- Technological advantages based investment.

Most critical towards the conditions in the country are big investors in industry. And the reverse – the opinion of small and medium investors in trade and services is that the investment climate is favourable.

According to the same survey 35.2% from the companies with FDI do not intend to make further investment in the country and 31.2 % would not recommend to their partners to invest in Bulgaria.<sup>1</sup>

At the implementation of the survey among foreign investors on the part of KPMG five years later, investors have distinguished the following motives for their involvement to Bulgaria. Forty-two percent of the respondents specified as a major motive the customer base in the region (the so-called market-seeking investments). About 40% indicated their established contacts in Bulgaria. Slightly over 35% of the respondents indicated the geographical situation of the country as a motive for their investment. Again 35% designated the low labor cost, and about ¼- the qualified labor force.

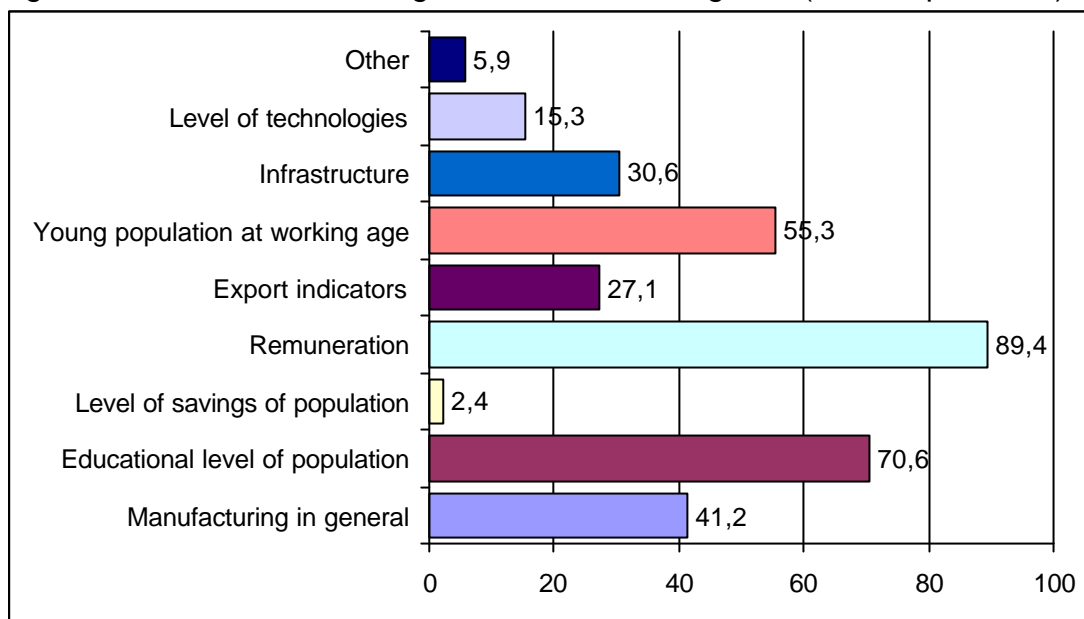
With regard to the factors determining the local transactions of the foreign enterprises, they are ranged as follows: about 47% and 35% of the respondents respectively put in the first and second places factors connected with the labor market – the comparatively highly-qualified labor force and its low cost. The consumer base is put third. And future investments are put in dependence mostly upon the stable political environment, the qualification of the employees, the EU-membership perspectives. About 80% of the respondents have determined business opportunities as most promising in travel, light industry, services, telecommunications, etc. It should be noted that after the privatisation of pharmaceutical enterprises (Deutsche Bank, London), the opportunities in the pharmaceutical sector are considered promising. With regard to the obstacles that foreign investors encounter, they continue to be related to bureaucratic hindrances, unstable legislative system and limited purchasing power. (Foreign Investors in Bulgaria, KPMG, Survey 2000, p. 17-21.)

With the survey implemented by Vitoshka Research during the December 2000 we present different aspects of the business environment in which the

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foreign investors operate (See Technical Report). Fig AD5 sought respondents' evaluation of the factors that are attractive for work in Bulgaria. The low labour costs were put in a leading position – nearly 90% of the respondents, and about 70% indicated the comparatively high educational qualification. Among the factors that did not favour the initiation of business in Bulgaria were the following: the level of savings of the population – the comparatively low savings restrict the local market – over 2/3 of the interviewees shared that opinion; the technological level is also indicated as a factor that does not favour the inflow of foreign enterprises in the Bulgarian market – that is the opinion of about 70% of the respondents; the infrastructure is not among the attractive factors either, as considered by over half of the respondents.

Fig. AD 5. Which attracts foreign investments in Bulgaria? (% of respondents)



The respondents were given a choice of ranging their problems from 1 (not a problem at all) to 5 (an insuperable obstacle). At least five extremely serious problems can be distinguished, whose range exceeds 3.5. Those are:

- The unstable, frequently changing legislation - ranged 3,89;
- The services provided by the state administration - ranged 3,76;
- The corruption level - 3,73;
- The tax burden in the country - 3,68;
- The restricted possibilities for business financing - 3,51.

It should be noted that the dispersion of the answers concerning the legislation and the corruption is smaller in comparison with the answers to the other questions. On the other hand, the staff qualification, the present legislation on foreign investment in the country, as well as the level of business services are hardly perceived as problems by the investors (See Technical Report - Table C20)

#### 4. FDI in the Balkans

The Balkans as a whole attract insignificant part of the foreign direct investments in CEE after the beginning of the system changes – only about 8% of all investments. This is a little below 10% of the investments in Central Europe and only twice more than the investments in the Baltic. An impression is made that Slovenia and Croatia attract over 1/3 of all investments in the Balkan region.

Obviously the crisis, the instability and the insufficient development does not allow more in number and in scale foreign engagements. In these conditions a big part of the investors, directed towards the risky Balkan region, search for compensating the problems they face on their own markets. The companies – leaders, following strategies in the frames of international oligopoly, use the weakness of the domestic enterprises and follow strategies for keeping the

market, benefiting from the advantages of the “first come”. From the point of view of geographical origin of the investments attention draws the not so high share of the American investments compared with their share in Central Europe (exception is Croatia where the share of the investments from USA is about 40%).

Outlined are the serious engagements of Belgium and Cyprus in Bulgaria, of South Korea in Romania, etc. The insufficient degree of “saturation” of the Balkan countries with foreign investments can be seen also in the lack of serious engagements of based in the Balkans enterprises abroad – exceptions again are Slovenia and Croatia. Concerning the Bulgarian investments in Romania or respectively the Romanian investments in Bulgaria, they do not exceed 10 million dollars for the 10-year period of transition and are mainly in the entertainment business (such are also the Bulgarian engagements in Albania). By information of UNCTAD the Bulgarian and Romanian investments in 1998 totally do not exceed 150 million dollars. While the three Central European countries – Poland, Hungary and the Czech Republic – invest almost 3 billion dollars; about half of these investments are of enterprises located in Hungary.

## **5. Current state of FDI in Bulgaria**

According to the information of the Bulgarian Foreign Investment Agency (BFIA) the level of FDI is about USD 3634,0 ml. As it can be seen from Table 5 more than 43% - USD 1 591,5 ml. Are investments through privatisation deals. Capital market has attracted only USD 162 ml. or 4.5%. The combined accounting for joint ventures, credit from direct investor and “green-field” investments under “other” (Greenfield+) places them at the top – USD 1 880,5 ml. or 52% of the total. This approach however somewhat disguises other interesting trends, i.e. the development of green-field projects, an important indicator for specific interest and motivation of foreign investors.

The latest years – 1997-1999 mark a kind of peak in the inflow of FDI in the country. However the scale and amount of FDI as a whole is such that any of the expected more serious deals – the sale of telecommunications company or Bulgartabac holding can drastically change the current correlations.

Among the top ten countries, from which enterprises invest in Bulgaria four are not from the EU – Cyprus, USA, Russia and Turkey. As of June 2000 the ten biggest investors account for USD 2209,36 ml. or about 72% of the total FDI. The share of FDI originating in the EU is about USD 1734,23 ml. or 56% of the total.

German investors head the list for the moment and the amount is USD 439.43 ml. or 14.3% of all investments. Second is Belgium with USD 390.53 or 12.7%. Third, Cyprus – USD 286.5 or 8.7%. USA and Great Britain are accordingly – USD 254.7 (8.2%) and 169 (5.5%). Among the top ten are also Netherlands, Russia, Austria, Turkey and Spain.

The significant level of presentation, for Bulgarian scale, of investments from countries like Cyprus, Bahama islands, Malta suggest about intentions of MNCs to test the conditions for business in the emerging market and also about the



returning in a legalised way of Bulgarian capitals that have left the country in the previous years. Especially in the case of Cyprus it is quite possible that these are investments from subsidiaries of multinational companies registered on the island according to the offshore regime. The 12-th place for Greece and even more – the 15 place for Italy, which are among the biggest trading partners for Bulgaria in Europe indicate a seriously underdeveloped potential for investment from these two directions.

In the last few years the branch structure of the FDI has undergone serious changes. Again, however any new big deal can significantly reshape the profile at any moment.

For the period 1992-94 the predominant areas of investment are trade and transport. From 1995 investments in industry begin to grow and in 1998 these surpass the investments in trade, finance, etc. Still quite limited until now are the investments in telecommunications and agriculture.

By the end of 1999 Foreign investment in industry reach USD 1556,53 ml. or a bit above 55% of all investment at that time. Trade has attracted USD 542,96 (19,2%); finance – USD 324,04 ml. (11,4%), tourism – USD 142,83 (5%).

An important characteristic feature of FDI in Bulgaria is their uneven distribution around the country. According to the data of the BFIA, towards the end of 1997 almost 2/3 of all investments have been concentrated in three of the then existing nine regions. I.e. 72.31% of the FDI have been concentrated on about 1/3 of the territory of the country – Sofia, Sofia-region, Varna region. In another three – Montana, Plovdiv and Bourgas there are less than 10%. Still, the picture is very changeable. The sale of the oil refinery near Bourgas in 1999 and new German initiatives in Plovdiv substantially rearranged these figures.

The differentiation is even more evident if foreign investments are judged through the territorial taxation services (TTS), which follow the current administrative division of the country. Almost 70% of all investment is concentrated in three of the 28 TTS – in Sofia city, Varna and Sofia-region. In more than half of the TTS – in 16 of them, foreign engagements are virtually absent. In each of these TTS the investments made are below 1% of the total for the country. In particularly unfavourable situation are the border regions like Kurdzhali, Yambol, Kyustendil, as well as the industrial centres of traditional industries – Sliven (woollen textile), Pernik (metallurgy), etc.

That situation did not change in the following years. According to BFIA data, as of December 1999, 73.71% of the foreign investments attracted in Bulgaria were concentrated in five of the 28 regions, existing after the new *Law on Administrative and Territorial Organization* (Sofia-city, Sofia region, Varna, Bourgas and Gabrovo regions); whereas in the five regions with lowest foreign investments – Kurdzhali, Silistra, Yambol, Smolyan, and Kyustendil, were attracted only 0.26% of the foreign investments. And if USD 1.166 billion foreign investment were attracted in Sofia, which makes up 41.98% of the total foreign

investment in the country, in 14 regions (or half of the administrative regions) were attracted only 4.63% of them. In this sense, Bulgaria is becoming an utterly 'uneven' model of development, eroding the national labor market.

## **6. Technical Report - Problems with the Foreign Direct Investment in Bulgaria. 2000 – 2001.**

### 6.1 Technical data about the sample

The survey was implemented in the period 2 December, 2000 – 4 January, 2001. The general aggregate covers 353 companies that meet the requirement that they represent or are owned by foreign entities and their fixed capital exceeds USD 10 000. Within them, only 243 were chosen for the survey.

Eighty-five properly completed survey forms were received, making up 24% of all companies from the sample. They are distributed as follows:

<b>No</b>	<b>Regions</b>	<b>Projected interviews</b>	<b>Implemented interviews</b>
01	Blagoevgrad	5	4
02	Bourgas	10	7
03	Varna	8	1
04	Veliko Tarnovo	5	3
05	Vidin	3	0
06	Vratza and Montana	5	5
07	Gabrovo	6	3
08	Dobrich	4	0
09	Kardzhali	1	0
10	Kyustendil	3	1
11	Lovech	4	4
13	Pazardzhik	3	0
14	Pernik	1	0
15	Pleven	4	2
16	Plovdiv	12	4
17	Razgrad	2	0
18	Rousse	4	3
19	Silistra	4	0
20	Sliven	1	0
21	Smolian	4	0
22	Sofia city	130	38
23	Sofia district	7	3
24	Stara Zagora	5	2
25	Targovishte	3	2
26	Haskovo	3	0
27	Shoumen	3	3
28	Yambol	3	0
29	<b>Total</b>	<b>243</b>	<b>85</b>

## 6.2. Data collection.

The applied research method was a standardised interview with representatives of the management of the company – the owner or the manager.

The data collection work began on 2 December, 2000 and was completed on 18 December, 2000. It was accomplished by 65 interviewers, distributed in the whole country.

## 6.3. Encoding and processing of the data.

The description of the open questions, encoding, logical check and processing of the data was accomplished in the period 18 – 21 December, 2000. The data was processed by use of the SPSS software.

## 6.4. Summarised results of the work and certain problems.

The main problems determining the low rate of return of survey cards were due to the fact that the list of foreign investment enterprises, provided by the Bulgarian Foreign Investment Agency, was not updated.

As a whole, the specific reason for the high number of non-responding companies can be outlined as follows:

- *Non-existent at the indicated address or already liquidated organisations – 164 companies, making up 46% of all organisations included in the survey*
- *Refusal to participate in an interview due to high workload, lack of interest or other reasons – 75 companies, or 21%.*
- *Existing organisations, for which respondents could not be found at the indicated address (mainly small-sized companies, registered at residential addresses) – 7 companies (approximately 2%)*
- *Inaccessible organisations – companies, for which a refusal for an interview was given or no access to a representative of the organisation's managing body was provided - 7 companies*
- *Continuous absence of the manager or director of the company, as a result of which the other employers did not take the responsibility to participate in the interview – 12 companies, 3%,*
- *Duplicating companies or the cases of one company existing under different names – 4 companies*

The list provided by the Foreign Investment Agency included a number of organizations undergoing liquidation or lawsuits, such as 'Life Choice International', 'Bank for Agricultural Credit', 'Asko – Denitsa', 'Agir – Beloizvorski Tsiment', etc.

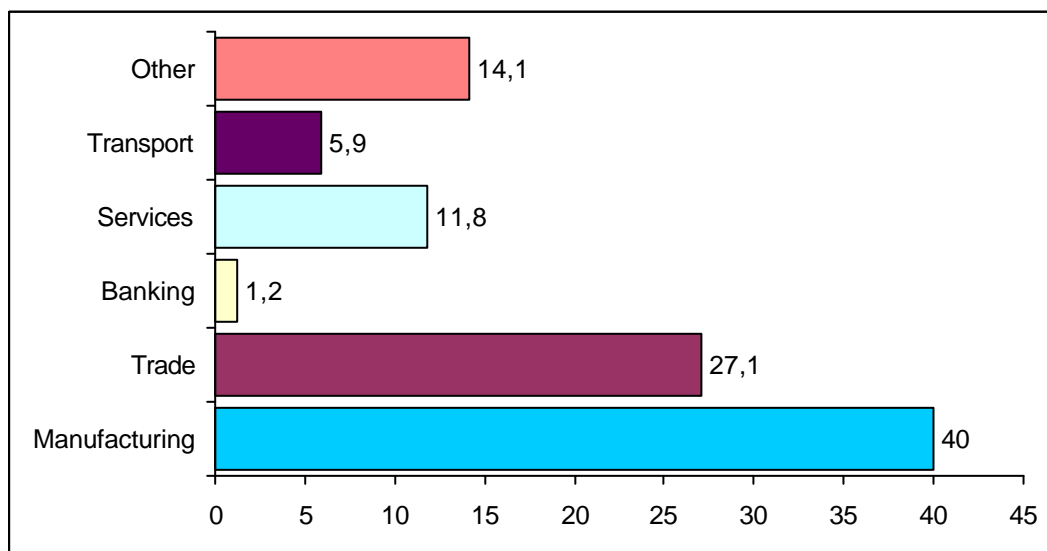
#### 6.5. General Information (BLOCK A)

The bulk of the enterprises in the sample are industrial – 40%, and over 27% are commercial. Nearly 12% are from the sector of services. The geographical structure of the surveyed foreign enterprises reflects the intensifying reforms in Bulgaria. The external interest in the country is gradually re-directing from commerce towards industry, which makes Bulgaria resemble the Central and Eastern Europe countries. Five of the surveyed enterprises were from the transportation sector, and one – from the banking sector. The significant number of enterprises from other branches of the economy should be noted, too.

Table A1

Main business activity in BG	Number	Percent
Manufacturing	34	40
Trade	23	27,1
Banking activity	1	1,2
Services	10	11,8
Transport	5	5,9
Other	12	14,1
Total	85	100

Fig.A1. Main business activity in Bulgaria (% of respondents)



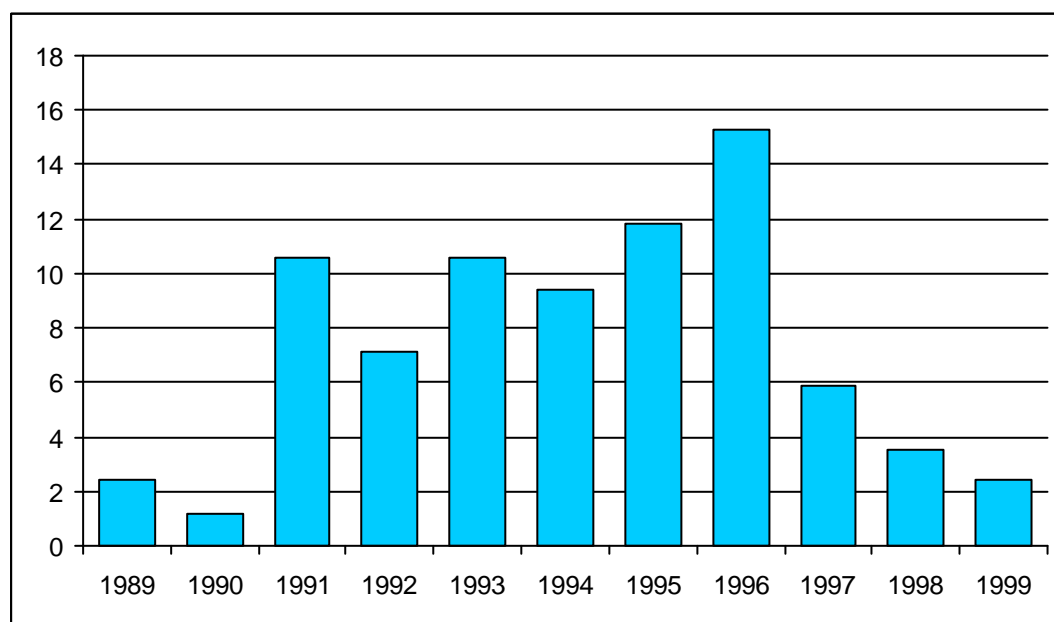
The next questions were aimed to provide data on period of the first foreign investment inflow in the respective company. The large number of those indicating lack of foreign investment – over 16%, as well as the years of initial foreign investment, indicated by the rest of the companies, mainly in the

beginning of the reforms: over 10% in 1991 and 1993, nearly 12% in 1995, and over 15% in 1996, confirm the impression that due to problems with the registration of foreign investors, the examined aggregate covered mainly investments from the initial stage of the reforms.

Table A2

Inflow of foreign investment for the first time - Year	Number	Percent
No foreign investment	14	16,5
1989	2	2,4
1990	1	1,2
1991	9	10,6
1992	6	7,1
1993	9	10,6
1994	8	9,4
1995	10	11,8
1996	13	15,3
1997	5	5,9
1998	3	3,5
1999	2	2,4
No response	3	3,5
Total	85	100

Fig.A2. Year of foreign investment inflow for the first time (% of respondents)

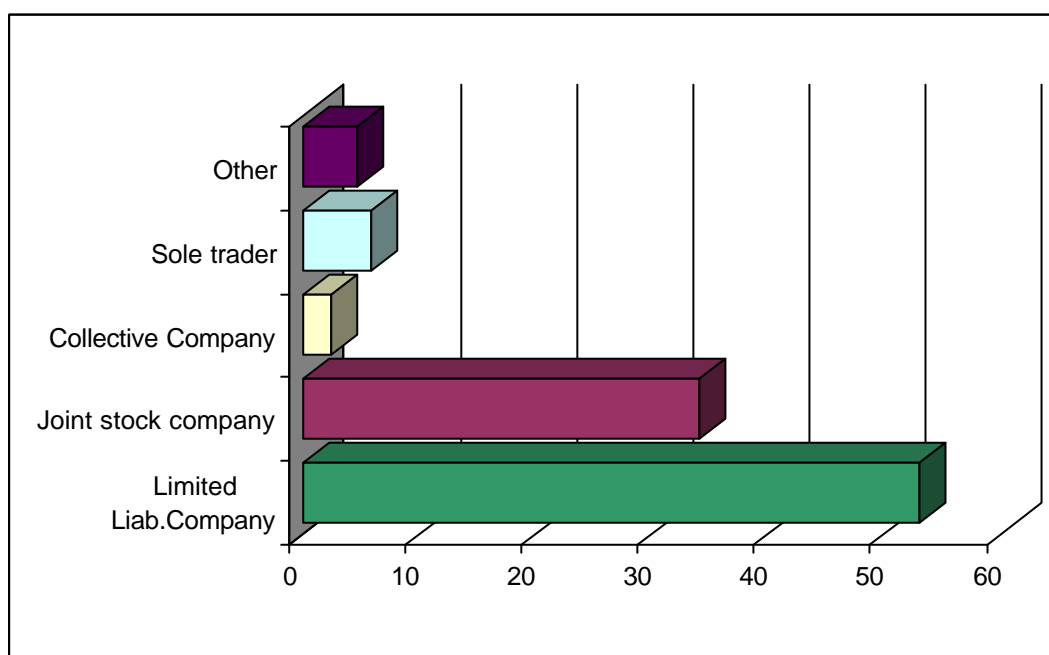


Corporations (Societies) were the preferable organizational form by foreign investors. Such were over 80% of the examined enterprises. Limited liability companies prevail – such are more than half of the enterprises, as well as joint-stock companies – over 1/3 of the enterprises. Relatively more restricted is the distribution of partnerships (collective companies) - only 2, and of privately owned companies (sole traders) – only 5.

Table A3

Legal status of the company	Number	Percent
Limited Liab. Company	45	52,9
Joint stock company	29	34,1
Collective Company	2	2,4
Sole trader	5	5,9
Other	4	4,7
Total	85	100

Fig. A 3. Legal status of the company (% of respondents)



At the present moment over 2/3 of the surveyed enterprises are small- and medium-sized enterprises according to the Bulgarian legislation – having up to 100 employees. Only 3.5% have 101 – 200 employees. Over 20% of the enterprises have more than 200 employees. This distribution illustrates the increasing role of small- and medium-sized enterprises at the transition to market economy. The picture was very different in 1996, from when most of the investments from the sample date. Still, the increased number of enterprises with up to 100 employees should be noted, as well as the higher number of enterprises with more than 200 employees. The change was due mainly to the lower number of enterprises that did not answer that question in the last year.

Table A51

Full time staff - Today	Number	Percent
Up to 100	61	71,8
101-200	3	3,5
Over 200	18	21,2
No response	3	3,5
<b>Total</b>	<b>85</b>	<b>100</b>

Table A52

Full time staff - in 1996	Number	Percent
Up to 100	55	64,7
101-200	3	3,5
Over 200	15	17,6
No response	12	14,1
<b>Total</b>	<b>85</b>	<b>100</b>

Table A53

Full time staff – establishment year	Number	Percent
Up to 100	55	64,7
101-200	4	4,7
Over 200	10	11,8
No response	16	18,8
<b>Total</b>	<b>85</b>	<b>100</b>

The next question, whose answers are presented in tables A61, A62 and A63, was aimed to reveal the ownership structure of the surveyed enterprises. In more than half of the enterprises – totalling 50, over 67% of the ownership belongs to the foreign investor (physical or legal entities). In 6 cases, that is, in over 7% of the enterprises, the foreign ownership is over 50% but does not exceed 67%, and in 9 of the surveyed enterprises, making up slightly over 10% of the enterprises from the examined aggregate, it is below 50%. In nearly ¼ of the enterprises, over 67% of the ownership is concentrated in local physical and legal entities. In about 1/3 of the cases however, Bulgarian economic agents hold under 50% of the ownership. In a limited number of the surveyed enterprises – only 3, the state preserved its control and holds over 67% of the ownership. That confirms the fact that the withdrawal of the state from the economy reveals new horizons to the development of private business and favours the inflow of foreign investments.

Table A61

Partially-owned by - Physical or legal foreign entities	Number	Percent
0%	19	22,4
1% - 33%	4	4,7
34% - 50%	5	5,9
51% - 66%	6	7,1
67% - 100%	50	58,8

No response	1	1,2
Total	85	100

Table A62

Partially-owned by – Physical or legal domestic entities	Number	Percent
0%	36	42,4
1% - 33%	19	22,4
34% - 50%	8	9,4
51% - 66%	2	2,4
67% - 100%	19	22,4
System	1	1,2
Total	85	100

Table A63

Partially-owned by - State	Number	Percent
0%	67	78,8
1% - 33%	13	15,3
34% - 50%	1	1,2
67% - 100%	3	3,5
No response	1	1,2
Total	85	100

The following question was aimed to identify the geographical origin of foreign investors. The sample covers enterprises with German investment – 14 enterprises, or more than 16% of all surveyed enterprises. This is not occasional – Germany is a leading investor in the Easter-European region. Next come the investments from the USA – almost 10% of all cases, Greece and Italy – approximately 7% and 6% respectively. In the sample are underestimated the Belgian investments in the country – probably due to the fact that the Belgian investors are fewer in number, but on that account they have serious engagements. Besides, Belgium is among the leading investors in Bulgaria between the two world wars - incl. in the chemical and electro-technical industry – spheres in which the Belgian enterprises are still active. Greek and Italian investors are activating recently. Along with the geographical proximity, this is also a result of Bulgaria's intense foreign trade turnover with these countries. It should also be noted that there is a significantly high share of the investments from Cyprus – mainly offshore companies, as well as from the CIS. However, considerable is also the share of the indicated other countries.

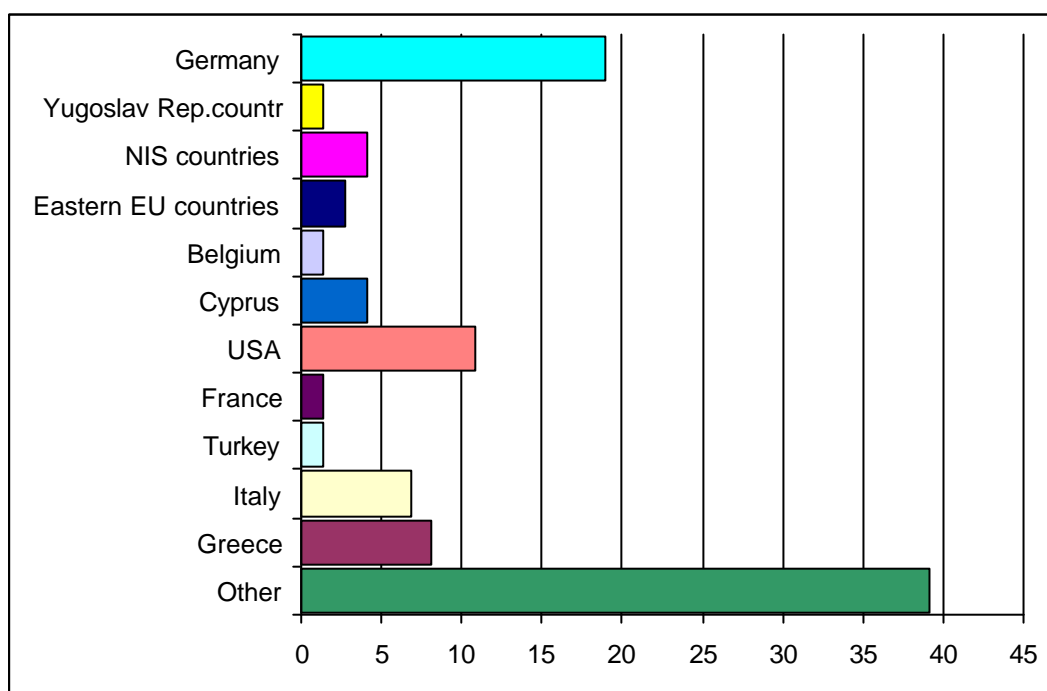
Table A8

Origin of the foreign capital	Number	Percent
Greece	6	7,1
Italy	5	5,9
Germany	14	16,5
Turkey	1	1,2
France	1	1,2



USA	8	9,4
Cyprus	3	3,5
Belgium	1	1,2
Eastern EU countries	2	2,4
NIS countries	3	3,5
Yugoslav Rep. countr	1	1,2
Other	29	34,1
No response	11	12,9
Total	85	100

Fig.A8. Origin of the foreign capital (% of respondents)



The following two questions, summarized in tables A9 and A10, reveal the extent to which the enterprises from the examined aggregate are engaged outside the country. Almost half of them – or over 41% have activities abroad. Still, prevailing are the companies – almost half of the cases, which concentrate their efforts within the country. With regard to the trans-border involved companies, it should be presumed that they follow strategies in the framework of an international oligopoly, or that they have comparatively more restricted capacities and try to find solutions to the problems that they have in their own markets by investing in Bulgaria. Obviously the enterprises involved almost entirely with the Bulgarian market are to a significantly higher degree encountered with the local administrative and other restrictions.

Table A9

Main owner involvement in business-out of BG	Number	Percent
No	42	49,4
Yes	35	41,2

No response	8	9,4
Total	85	100

Table A10 illustrates the considerable 'dispersion' in the answers of the respondents that have stated that they have activities abroad. The number of answers exceeds the number of the examined cases, as more than one answer has been indicated. The number of those that have indicated Germany or USA should be noted. Apparently the investors from these countries develop in the framework of an international strategy. The comparatively high number of indicated former USSR republics supports the hypothesis of the use of enterprises, based in Bulgaria, for expansion towards the Russian and the Ukrainian markets.

Table A10

In which countries is another business involvement of main owner	Number	% of responses	% of cases
Australia	1	1,9	1,2
Austria	2	3,8	2,4
Brazil	3	5,7	3,5
Czech Republic	2	3,8	2,4
China	1	1,9	1,2
Croatia	1	1,9	1,2
Cyprus	1	1,9	1,2
Europe states	3	5,7	3,5
FSR-Former Soviet Rep	5	9,4	5,9
Germany	7	13,2	8,2
Greece	2	3,8	2,4
Hungary	1	1,9	1,2
Italy	2	3,8	2,4
Netherlands	2	3,8	2,4
Panama	1	1,9	1,2
Poland	1	1,9	1,2
Romania	2	3,8	2,4
Singapore	1	1,9	1,2
Slovakia	1	1,9	1,2
Sweden	2	3,8	2,4
Switzerland	1	1,9	1,2
USA	4	7,5	4,7
Yugoslavia	1	1,9	1,2
Africa states	1	1,9	1,2
America states	1	1,9	1,2
Asia states	2	3,8	2,4
Others	2	3,8	2,4
Total	53	100,0	63,0

In the examined aggregate dominate the enterprises that have not been state-owned (Tables A11 and A12). This could mean that the existing complicated and frequently changing privatisation procedures do not attract

foreign investors at all. Still, a rather large number of the companies have been entirely state-owned – slightly over 1/3 have been such. The share of the enterprises with state assets is even higher – in 40% of the cases the state has owned part of the assets.

Table A11

Has the state ever been the owner of 100%	Number	Percent
No	54	63,5
Yes	29	34,1
No response	2	2,4
Total	85	100

Table A12

Company assets belonged to a state enterprise before	Number	Percent
No	47	55,3
Yes	34	40
No response	4	4,7
Total	85	100

#### 6.6. Sales (*BLOCK B*)

The next question is aimed to identify the geographical origin of the suppliers of finished products and raw materials to the enterprises of the examined aggregate. The high share of the suppliers from Germany and Italy should be noted, which are Bulgaria's leading foreign trade partners among the European Union countries. The relative share of the suppliers from the former socialist countries is high too, as well as of the indicated other countries. Obviously the foreign enterprises depend to a large degree on the foreign trade policy of the Bulgarian administration, incl. on the different import regimes, as well as on the bilateral relations with countries such as Germany and Italy, as well as with the countries from the Central-European Initiative and the CIS.

Fig.B14. Origin of the imports of products/raw materials (% of respondents)

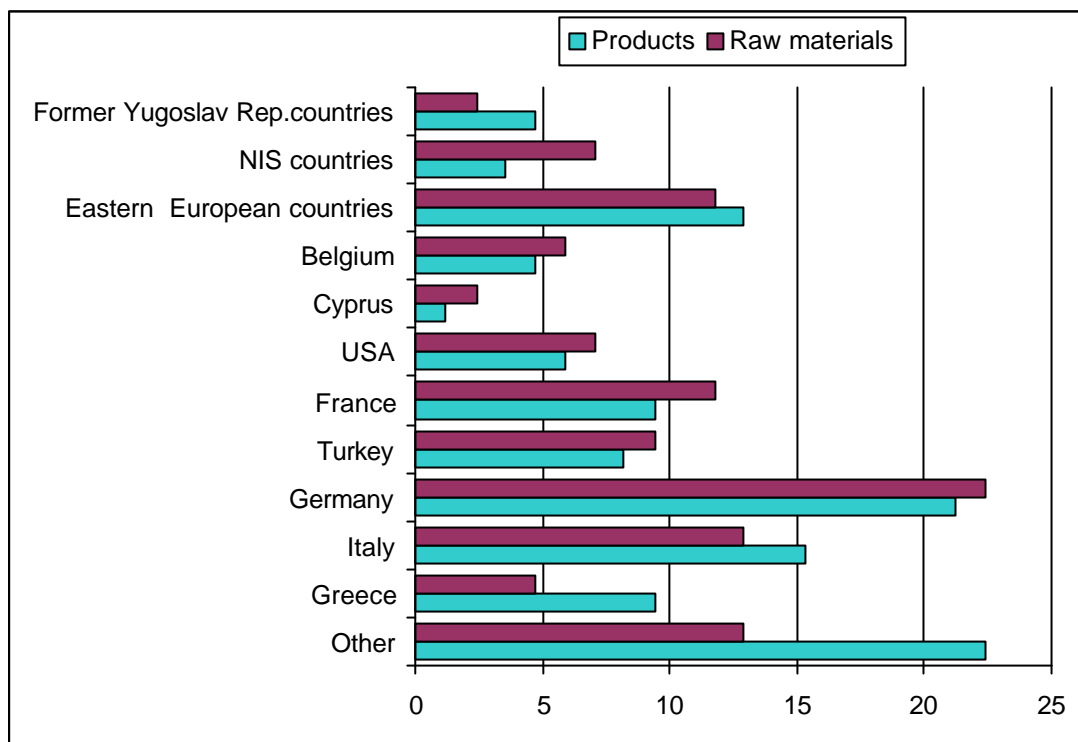


Table B14

Importing from:	Products		Raw materials	
	Number	Percent	Number	Percent
<b>Greece</b>				
No	30	35,3	30	35,3
Yes	8	9,4	4	4,7
No response	47	55,3	51	60
	85	100	85	100
<b>Italy</b>				
No	25	29,4	23	27,1
Yes	13	15,3	11	12,9
No response	47	55,3	51	60
	85	100	85	100
<b>Germany</b>				
No	20	23,5	15	17,6
Yes	18	21,2	19	22,4
No response	47	55,3	51	60
	85	100	85	100
<b>Turkey</b>				
No	31	36,5	26	30,6
Yes	7	8,2	8	9,4
No response	47	55,3	51	60
	85	100	85	100
<b>France</b>				
No	30	35,3	24	28,2
Yes	8	9,4	10	11,8
No response	47	55,3	51	60
	85	100	85	100
<b>USA</b>				

No	33	38,8	28	32,9
Yes	5	5,9	6	7,1
No response	47	55,3	51	60
	85	100	85	100
Cyprus				
No	37	43,5	32	37,6
Yes	1	1,2	2	2,4
No response	47	55,3	51	60
	85	100	85	100
Belgium				
No	34	40	29	34,1
Yes	4	4,7	5	5,9
No response	47	55,3	51	60
	85	100	85	100
Eastern Europe countries				
No	27	31,8	24	28,2
Yes	11	12,9	10	11,8
No response	47	55,3	51	60
	85	100	85	100
NIS countries				
No	35	41,2	28	32,9
Yes	3	3,5	6	7,1
No response	47	55,3	51	60
	85	100	85	100
Former Yugoslav Republic countries				
No	34	40	32	37,6
Yes	4	4,7	2	2,4
No response	47	55,3	51	60
	85	100	85	100
Other				
No	19	22,4	23	27,1
Yes	19	22,4	11	12,9
No response	47	55,3	51	60
	85	100	85	100

The following two questions, whose answers are presented in tables 15 and 16, characterize the export orientation of the enterprises from the analysed aggregate. Almost half of the respondents have exported in the last two years. However, the high relative share of the enterprises working only for the domestic market should be noted, too. The restrictions that the enterprises meet are therefore due to the export resources of the country, as well as to the limited scale of the domestic market.

Table B15

Exporting any product during last 2 years	Number	Percent
No	40	47,1
Yes	42	49,4
No response	3	3,5
Total	85	100

The export to Germany can be distinguished – almost 1/4 of the total exports of the companies from the examined aggregate, as well as the intensity of the export to the Eastern Europe countries, the CIS and the former Yugoslavia countries, which in total exceeds 40%. All that serves as a confirmation of the conclusion for the incomplete re-orientation of the Bulgarian economy towards the European Union countries, as well as for the interest of the foreign enterprises based in Bulgaria in the markets of the former Eastern bloc.

Table B16

Exporting products to:	Number	Percent
Greece		
No	30	35,3
Yes	10	11,8
No response	45	52,9
	85	100
Italy		
No	29	34,1
Yes	11	12,9
No response	45	52,9
	85	100
Export products-Germany		
No	20	23,5
Yes	20	23,5
No response	45	52,9
	85	100
Turkey		
No	30	35,3
Yes	10	11,8
No response	45	52,9
	85	100
France		
No	31	36,5
Yes	9	10,6
No response	45	52,9
	85	100
USA		
No	30	35,3
Yes	10	11,8
No response	45	52,9
	85	100
Cyprus		
No	37	43,5
Yes	3	3,5
No response	45	52,9
	85	100
Belgium		
No	36	42,4
Yes	4	4,7
No response	45	52,9
	85	100

Eastern European countries		
No	29	34,1
Yes	11	12,9
No response	45	52,9
	85	100
NIS countries		
No	28	32,9
Yes	12	14,1
No response	45	52,9
	85	100
Former Yugoslav Republic countries		
No	28	32,9
Yes	12	14,1
No response	45	52,9
	85	100
Other		
No	26	30,6
Yes	14	16,5
No response	45	52,9
	85	100

Table A17 illustrates the identification of the examined aggregate of enterprises, realizing up to 10% of their annual turnover on the Bulgarian market – such are over 22% of the respondents, and of the enterprises, realizing over 76% of their turnover on the local market, such as over 1/3 of the respondents. Excluding the non-respondents, which again have a significant share, the remaining enterprises are in very different situation, realising between 11% and 76% of their turnover on the domestic market.

Table B17

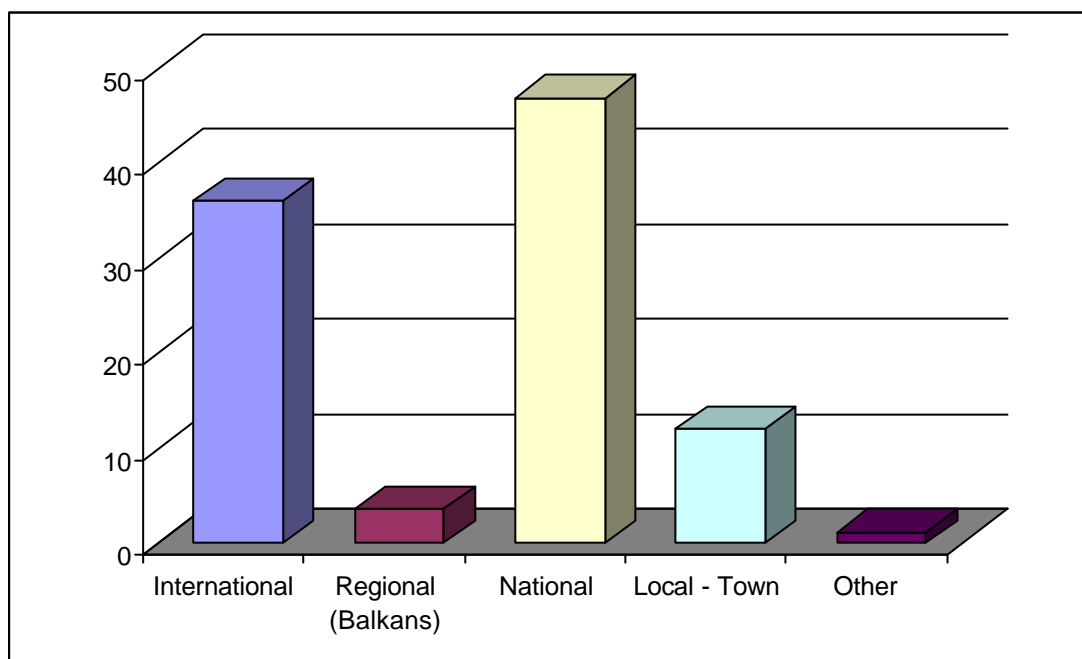
Share of annual turnover realized within Bulgaria (2000)	Number	Percent
0%	7	8,2
1% - 10%	12	14,1
11% - 25%	3	3,5
26% - 50%	3	3,5
51% - 75%	4	4,7
76% - 100%	32	37,6
No response	24	28,2
Total	85	100

Most of the enterprises work for the domestic market – national in over 45% of the cases, and local – over 11%. That is, in total, more than half of the enterprises operate on the domestic market. This fact confirms the hypothesis for the dominating 'market-seeking' foreign investors that are very often guided by 'defensive' strategies, seeking to avail themselves of the advantages of the 'first comer' and of the low competitiveness of the local economic agents.

Table B18

Your market is mainly:	Number	Percent
International	30	35,3
Regional (Balkans)	3	3,5
National	39	45,9
Local - Town	10	11,8
Other	1	1,2
No response	2	2,4
<b>Total</b>	<b>85</b>	<b>100</b>

Fig.B18. Main market of the company (% of respondents)



The considerable market share 'controlled' by some of the respondent enterprises should be noted – in over 22% of the cases the enterprises hold over 76% of the market, and in over 8% of the cases – between 51% and 75%. That situation reveals the presence of monopoly of those investors (in accordance with the Bulgarian legislation). Probably in this case this is due to specific products occupying almost completely certain 'niches' in the local market.

Table B19

Main product/service market share	Number	Percent
0 - 5%	12	14,1
6 - 25%	11	12,9
26 - 50%	8	9,4
51 - 75%	7	8,2
76 - 100%	19	22,4
No response	28	32,9
<b>Total</b>	<b>85</b>	<b>100</b>

#### 6.7. BUSINESS ENVIRONMENT (BLOCK C)

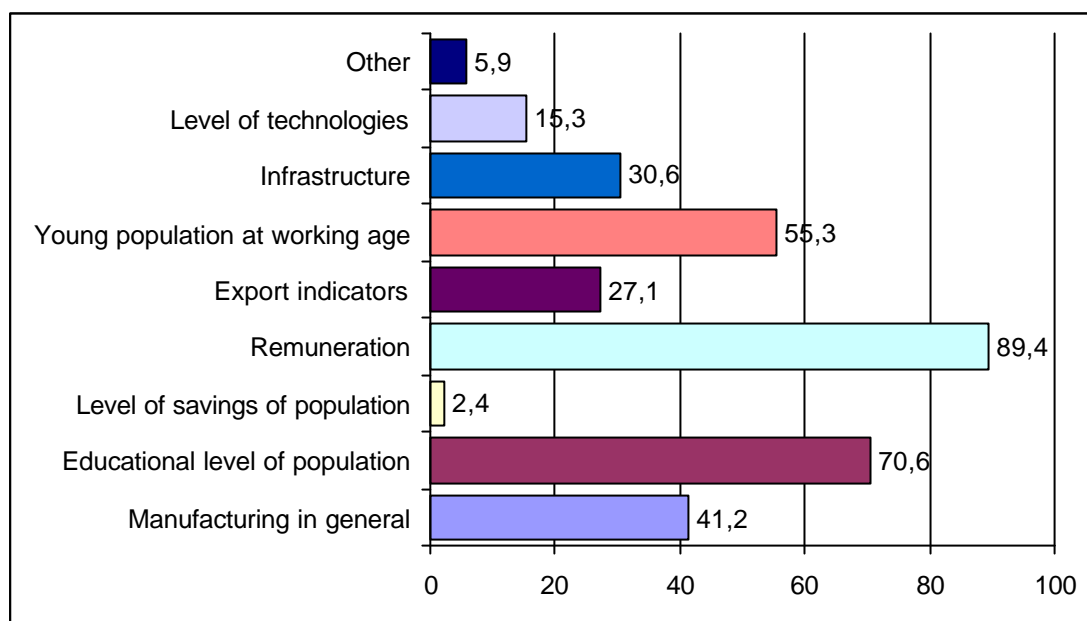


With the next group of questions we present the business environment in which the foreign investors operate. Questions AD5 sought respondents' evaluation of the factors that are attractive for work in Bulgaria. The low labour costs were put in a leading position – nearly 90% of the respondents, and about 70% indicated the comparatively high educational qualification. Among the factors that did not favour the initiation of business in Bulgaria were the following: the level of savings of the population – the comparatively low savings restrict the local market – over 2/3 of the interviewees shared that opinion; the technological level is also indicated as a factor that does not favour the inflow of foreign enterprises in the Bulgarian market – that is the opinion of about 70% of the respondents; the infrastructure is not among the attractive factors either, as considered by over half of the respondents.

Table AD5

Which attracts foreign investments in Bulgaria?	Number	Percent
Manufacture in general		
No	34	40
Yes	35	41,2
No response	16	18,8
	85	100
Educational level of the population		
No	18	21,2
Yes	60	70,6
No response	7	8,2
	85	100
Level of savings of the population		
No	65	76,5
Yes	2	2,4
No response	18	21,2
	85	100
Remuneration		
No	6	7,1
Yes	76	89,4
No response	3	3,5
	85	100
Export indicators		
No	35	41,2
Yes	23	27,1
No response	27	31,8
	85	100
The infrastructure		
No	45	52,9
Yes	26	30,6
No response	14	16,5
	85	100
Level of technologies		
No	58	68,2
Yes	13	15,3
No response	14	16,5
	85	100

Fig. AD 5. Which attracts foreign investments in Bulgaria? (% of respondents)



The following questions were aimed to try to reveal and range the problems that the foreign investors encounter in Bulgaria. The respondents were given a choice of ranging their problems from 1 (not a problem at all) to 5 (an insuperable obstacle). At least five extremely serious problems can be distinguished, whose range exceeds 3,5. Those are:

- The unstable, frequently changing legislation - ranged 3,89;
- The services provided by the state administration - ranged 3,76;
- The corruption level - 3,73;
- The tax burden in the country - 3,68;
- The restricted possibilities for business financing - 3,51.

It should be noted that the dispersion of the answers concerning the legislation and the corruption is smaller in comparison with the answers to the other questions. On the other hand, the staff qualification, the present legislation on foreign investment in the country, as well as the level of business services is hardly perceived as problems by the investors (Table C20; Table C20-A).

Table C20

How much problematic is:	Mean rank	C.Var.(%)
Unpredictability of laws, regulat.,decis.	3,89	25,7
State bureaucracy	3,76	33
High cost of corruption	3,73	34,3
Tax level	3,68	29,9
Financing	3,51	38,2
Crime and theft	3,39	38,1
Unfair competition- monopoly	3,35	36,4
Problems with domestic market size	3,08	40,9

Inflation	3,04	44,7
The level of physical-technical infrastructure	3	38,3
Political instability	2,86	42
Exchange rate	2,85	46
Problems in property registration	2,84	41,2
Probl.related-product.,techn.,busin.serv	2,72	36,4
Laws and regulation for foreign investment	2,7	48,5
Laws and regulation for starting business	2,55	49
Qualified human resources	1,88	56,9

The data in Table C20-A indicates that almost 40% of the interviewees consider corruption an insuperable obstacle to their business. Similar is the evaluation of the activity of the state administration – in over half of the cases the level of the central administration services, if not an insuperable obstacle (5), is considered a sufficiently serious problem (4) for the business of foreign investors. The very frequent changes in legislation are indicated by over 1/3 of the interviewees as an insuperable obstacle (5), and another almost 35% of the respondents perceive that as a very serious problem (4), increasing insecurity. On the other hand, the staff qualification is not considered a problem and obviously is a favourable factor for the attraction of foreign investors. Relatively well are evaluated also the opportunities provided by the present legislation to foreign investments in the country. The level of business services, the condition of infrastructure, the registration of property, etc., restrain to a lower degree the development of trans-border business.

Table C20-A

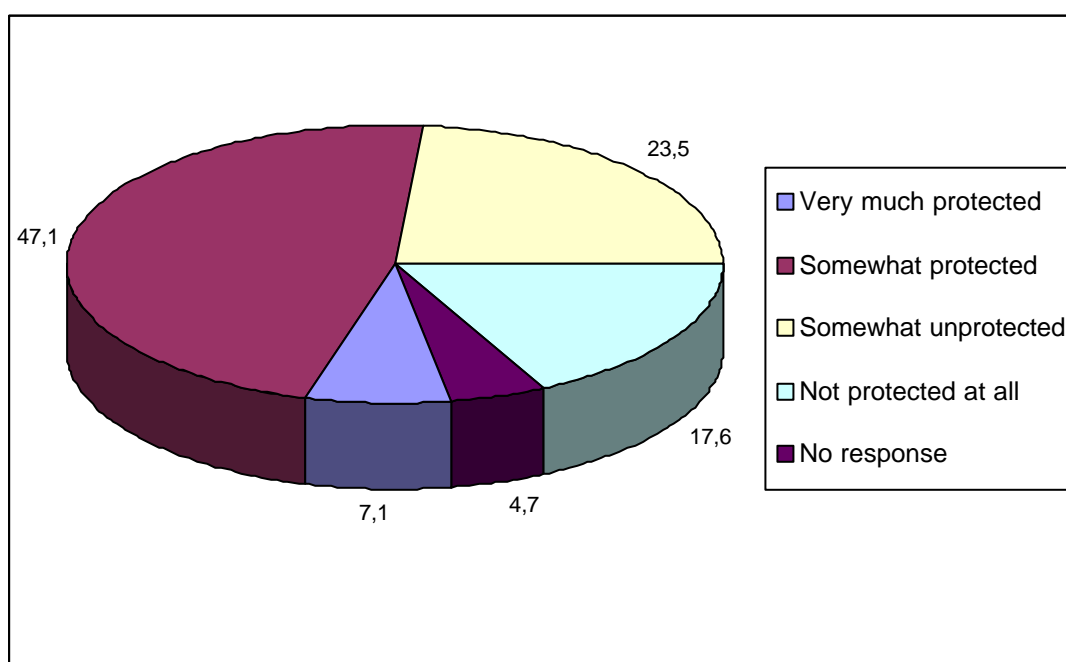
How much problematic is for your business:	Not a problem at all (1)	2	3	4	Big barrier (5)	Total
Laws and regulation for starting business	26,2	21,4	33,3	9,5	9,5	100
Laws and regulation for foreign investm.	25,6	17,1	30,5	15,9	11	100
Unpredictability of laws, regulat., decis.	1,2	8,4	22,9	34,9	32,5	100
Problems in property registration	13,3	25,3	37,3	12	12	100
Tax level	3,6	11,9	23,8	34,5	26,2	100
High cost of corruption	8,4	7,2	25,3	20,5	38,6	100
State bureaucracy	7,1	10,7	15,5	32,1	34,5	100
Problems with domestic market size	15,7	14,5	28,9	27,7	13,3	100
Unfair competition- monopoly	8,4	15,7	30,1	24,1	21,7	100
Financing	11,9	9,5	25	22,6	31	100
Inflation	17,9	16,7	28,6	17,9	19	100
Qualified human resources	47,6	29,8	11,9	8,3	2,4	100
The level of physical-technical infrast	12,2	18,3	37,8	20,7	11	100
Probl.related-product.,techn.,busin.serv	12	26,5	42,2	15,7	3,6	100
Crime and theft	11,9	10,7	27,4	26,2	23,8	100
Political instability	14,5	24,1	34,9	14,5	12	100
Exchange rate	20,2	20,2	27,4	19	13,1	100

The next question is aimed to provide information on the degree of protection of the foreign investment by the Bulgarian legislation. The greater part of the respondents, that is over 47%, consider their business protected to a certain degree. Troublesome is the high percentage – nearly ¼ of those that consider themselves unprotected, rather than protected to a certain degree. It should be indicated that in over 17% of the cases the foreign business is considered not protected at all, against only 7% considering their business thoroughly protected.

Table C21

Extent of protection of the business by BG legislation	Number	Percent
Very much protected	6	7,1
Somewhat protected	40	47,1
Somewhat unprotected	20	23,5
Not protected at all	15	17,6
No response	4	4,7
Total	85	100

Fig.C21. Extend of the protection of company business by Bulgarian legislation (%)



The apprehensions of foreign businessmen about unjust court orders in the cases of contract break are impressive. Over 60% of the interviewees share such apprehensions. The doubts in the capacities of the juridical system to guarantee the fulfilment of contracts with foreign enterprises are obvious.

C22

Fear of unjust judgement of courts in case of a contract break	Number	Percent
No	25	29,4
Yes	54	63,5
No response	6	7,1
Total	85	100

In spite of the explicitness of the above evaluation in over 2/3 of the cases, the investors have been neither defendants, nor claimants in lawsuits.

Table C23

Last 2 years-firm been -Accused part	Frequency	Percent
No	66	77,6
1-10 times	16	18,8
More than 10 times	2	2,4
No response	1	1,2
Total	85	100
Last 2 years-firm been -Accuser part	Frequency	Percent
No	62	72,9
Once	10	11,8
2-10 times	11	12,9
More than 10 times	1	1,2
No response	1	1,2
Total	85	100

Similarly, the bulk of the interviewees – over 60%, have not appealed court orders to higher authorities.

C24

Appeal of any juridical decision in the last 2 years	Number	Percent
No	53	62,4
Yes	22	25,9
No response	10	11,8
Total	85	100

The next group of questions is aimed to reveal the inter-relations of investors with the juridical system with regard to the expenses and procedures of lawsuits, the risk of revelation of trade secret, the professionalism of the members of the jury and the barristers. When ranging the answers from '1' – not a problem at all, to '5' – a serious problem, the highest mean rank is given to the continuity of the legal procedure – 3.2, followed by apprehensions of revelation of trade secret – 2.42; as well as by the 'implementability' of court orders – 2.26. The evaluation of the competence of the jury and the barristers are positive, as well as the relatively low apprehensions of unjust outcome of the legal process. Apparently the problems of the foreign investors ensue, to a much higher degree, from the level of services and the environment of the central administration, than from the legal system.

Table C26

Evaluation of issues related to courts	Mean rank	C.Var.(%)
Court processes long too much	3,02	67,5
Risk of disclosing the trade secret is too high	2,42	87,6
Bailiff offic.-not execute court's decis	2,26	93,4
Official court expenses are too high	1,98	93,9
Unofficial court expenses are too high	1,87	103,7
Judges' decisions are unfair	1,82	93,4
Lack of a good attorney	1,61	77
Jurists are not competent	1,49	86,6

The next question is aimed to provide information on whether the interviewees have bribed and what exactly they have bribed for. In spite of the serious doubts in the reliability of that information, the received answers show that in almost 1/4 of the cases the foreign investors have resorted to bribery in the cases of customs procedures, of inspections on the part of public controlling bodies and of license issue. On the other hand, it should be noted that when hiring terrains or when purchasing materials from state-owned enterprises, corruption conditions are almost completely absent. Obviously the terrain hiring market, as well as the control on state-owned monopoly enterprises restrain the dissemination of corruption practices.

Table C27

Paying bribery to public officials for:	Number	Percent
Obtain land-extend, exercise-business	Frequency	Percent
No	50	58,8
Yes	5	5,9
Not applicable	28	32,9
No response	2	2,4
	85	100
Custom clearance	Frequency	Percent
No	45	52,9
Yes	19	22,4
Not applicable	19	22,4
No response	2	2,4
	85	100
Buying raw materials from state-owned enterprise	Frequency	Percent
No	57	67,1
Yes	4	4,7
Not applicable	22	25,9
No response	2	2,4
Total	85	100
Various inspections by state institutions	Frequency	Percent
No	52	61,2
Yes	19	22,4
Not applicable	12	14,1
No response	2	2,4

Total	85	100
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The following table reveals what part of their time the foreign investors spend on work with the government administration for interpretation of government resolutions. In about 60% of the cases the devoted time does not exceed 20%. Still, in over 17% of the cases, the investors' agenda is burdened with such engagements between 20% to 50%. In comparatively restricted cases the devoted time can exceed 50% of the investor's working hours.

Table C28

Time main owner spends working with state administration	Number	Percent
0%	4	4,7
Up to 10%	25	29,4
10%-20%	26	30,6
20%-50%	15	17,6
More than 50%	2	2,4
No response	13	15,3
Total	85	100

#### 6.8. FINANCIAL ISSUES (BLOCK E)

The next set of questions is aimed to distinguish the problems and restrictions to the foreign investors, ensuing from the situation in the financial sector.

According to the interviewed investors, banking payments are not problematic to them – almost 1/2 of the interviewees support such an opinion. However, in almost half of the cases the interest rates are evaluated as very problematic. The evaluations of the speed of the banking operations are divided – about 1/4 of the interviewees consider the banking operations too slow and therefore problematic, whereas another 1/4 of the interviewed investors, on the contrary, do not consider the speed of banking transactions problematic at all. Opinions diverge with regard to the banking services, too.

Table E30

How much problematic is:	Very problematic (1)	2	3	4	Not a problem at all (5)	Total
Forms of payment	7,1	12,9	12,9	20	47,1	100
Speed of banking oper.	22,4	23,5	11,8	17,6	24,7	100
Level of bank.services	17,6	21,2	27,1	16,5	17,6	100
Level of lend.inter.rate	48,2	16,5	12,9	5,9	16,5	100

The answers to the following questions reveal the underdevelopment of the banking system in the country. The limited range of banking instruments restrains every more significant foreign engagement. In almost half of the cases 3/4 of the companies' turnover is carried out through the banking system. Another fact that

should not be ignored is that in half of the surveyed enterprises, 25% of the payments are in cash.

Table E31a

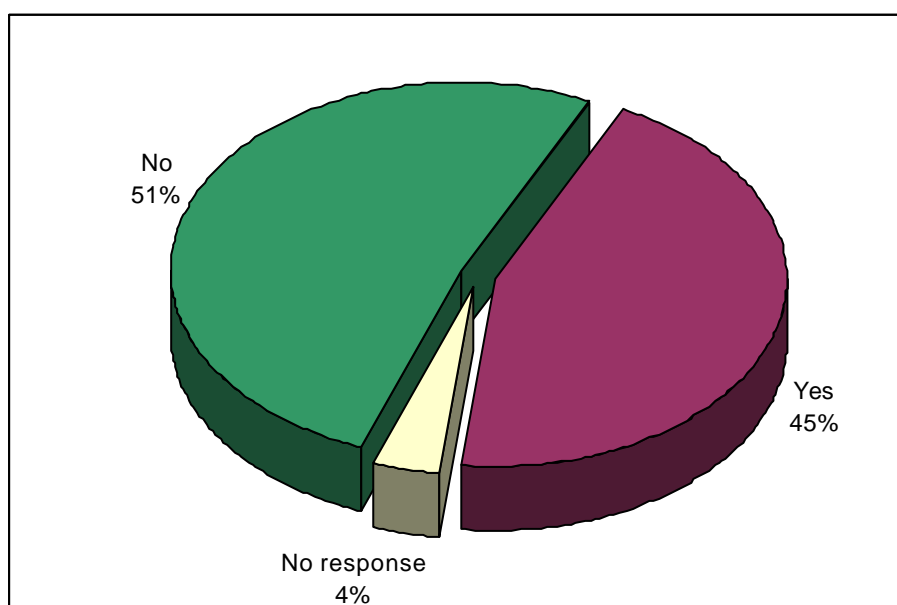
Approximate percentage of company's income realized through bank system	Number	Percent
up to 25%	13	15,3
26%-50%	11	12,9
51%-75%	10	11,8
76%-100%	37	43,5
No response	14	16,5
Total	85	100

Table E31b

Approximate percentage of company's income realized in cash	Number	Percent
up to 25%	42	49,4
26%-50%	14	16,5
51%-75%	7	8,2
76%-100%	8	9,4
No response	14	16,5
Total	85	100

The enterprises from the surveyed aggregate are divided almost equally with regard to the use of credit. Still, slightly over half - 52%, have not used credit. The other about 45% (not taking into consideration those that have not answered) have used credits.

Fig. Å32. Did your company get any loan since the beginning of its business in Bulgaria?





With regard to investments in the past 12 months the organizations that have declared investments in machines and appliances are more than those that have stated the opposite. The intentions to invest in machines and appliances in the next 12 months remain – again the bulk of the interviewees say that they will be involved with new investments. The intentions to invest in buildings increase, too. The insignificant investments in real estate ensue from the legal restrictions on the sale of land to foreign citizens. These restrictions however are a serious problem for the investors that have decided to establish themselves in the country for a long term.

Table E34/E35

Last 12m undertaking any investment in:	No	Yes	No response	Total
Land	85,9	4,7	9,4	100
Buildings	76,5	15,3	8,2	100
Machinery	45,9	50,6	3,5	100
Equipment	36,5	61,2	2,4	100
Next 12m plan to undertake investment in:	No	Yes	No response	Total
Land	75,3	8,2	16,5	100
Buildings	65,9	21,2	12,9	100
Machinery	31,8	54,1	14,1	100
Equipment	22,4	63,5	14,1	100

The answers to the next question clearly illustrate that the tax burden is a serious problem and an obstacle to foreign investors. Over 55% of the interviewees define the individual income tax as too high. As too high are also defined the levels of the VAT, insurances, as well as the corporative income tax. Apparently, the Bulgarian authorities should not ignore the lower tax burden in the Central European countries and the Baltic countries, such as Hungary and Estonia, which have been extremely successful in the attraction of foreign investment.

Table E36

Assessment of the level of financial obligations in Bulgaria	Very low (1)	2	3	4	Very high (5)	Total
Value Added Tax	-	1,2	15,3	34,1	49,4	100
Profit tax	2,4	1,2	17,6	36,5	42,3	100
Personal income tax	-	1,2	11,8	31,8	55,2	100
Tax on real estate	4,8	8,3	31	29,8	26,2	100
Payment of Social-health Insurance	2,4	3,5	17,6	27,1	49,4	100
Customs tariffs	3,7	7,3	34,1	28	26,8	100

### 6.9. BLOCK F

This last section will summarise the answers to some more general questions related to the expectations for development of the business of the surveyed enterprises, as well as to their evaluation of the business environment and factors in Bulgaria, and also to the possible preferences after the Bulgarian legislation. In spite of the significant share of those that have not given any

answer (Table F37), it should be noted that a rather large part of the respondents have optimistic expectations. In over 1/3 of the cases the expectations were for increase in turnover of 5% to 25%, and almost 20% of the investors expect an increase even exceeding 33%. When interpreting these results, the rather modest monthly turnover, declared by the surveyed enterprises, should be taken into consideration, although the reliability of the provided information arouses serious suspicion, especially with view of the fact that more than 1/2 of the interviewees have provided no answer to it (Table F38).

Table F37

Expectations about the growth percentage of company's turnover in the next year	Number	Percent
up to 5%	13	15,3
5% - 10%	15	17,6
10% - 25%	15	17,6
25% - 33%	5	5,9
33% - 50%	7	8,2
more than 50%	10	11,8
No response	20	23,5
Total	85	100

Table F38

Company's last month turnover	Number	Percent
Up to 10 000	6	7,1
10 000 - 100 000	12	14,1
100 000 - 500 000	11	12,9
500 000 - 1 000 000	2	2,4
More than 1 000 000	8	9,4
No response	46	54,1
Total	85	100

The answers to the following questions outline certain aspects of the business ethics in the country, as well as the attitude towards the policy of the government. The ranging of the answers from 1 to 10 expresses the significant diversity of opinions. The moderate evaluations however prevail – between 30% and 40% of the interviewees' evaluation of their confidence in personal inter-relations in Bulgaria is positive, rather than negative; the attitude towards the government's economic policy is similar. Over 2/3 of the interviewees feel inclined to risk, in order to achieve changes and success.

Table F42

Evaluation of issues concerning Bulgaria:			
Rank	One can hardly trust somebody in Bulgaria	People must be careful to do changes in their life	Don't trust the economic policy of this government
1	8,2	7,1	9,6
2	3,5	4,7	7,2
3	4,7	3,5	10,8
4	11,8	10,6	18,1

5	17,6	14,1	14,5
6	22,4	20	10,8
7	14,1	18,8	7,2
8	9,4	12,9	13,3
9	2,4	3,5	3,6
10	5,9	4,7	4,8
	One can trust a lot of people in Bulgaria	People can achieve nothing if don't act blindly	Fully trust the economic policies of this government

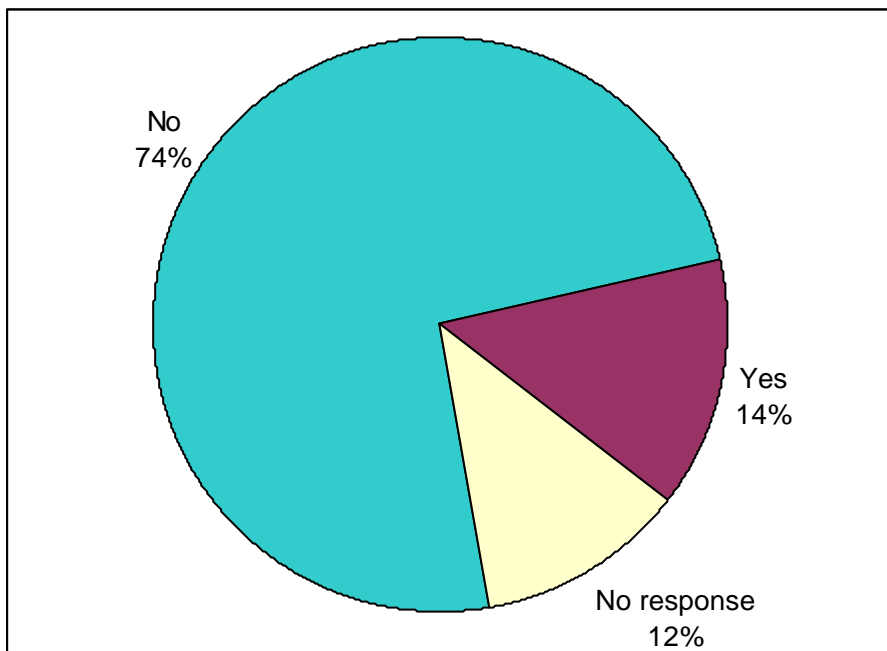
The following questions were aimed to find the interviewees' evaluation of certain business factors and macro-economic variables forming the business environment of the foreign investors. The opinion that the remuneration rate is the most attractive factor to foreign investors, is confirmed. That type of investments however can be of short-term character, and most probably they do not imply any increase in the qualification level of the staff. A whole group of factors is perceived rather as a barrier to the investment in the country – this is the prevailing evaluation of the growth rates and the infrastructure, as well as of the state of the balance of payments.

#### AD11-17

Evaluation of factors of restrictions/attraction of foreign investments in Bulgaria							
	Rate of economic developm. of the country	Condition of Payment Balance of Bulgaria	Recent level of communic . and transport in Bulgaria	Recent level of bu- siness and financial services network in Bulgaria	Currently operating labor legislation	Recent level of labor payment	Condition of corporate governanc e and control in Bulgaria
Restrict	15,3	15,7	11,8	9,4	8,3	2,4	4,8
2	14,1	10,8	8,2	10,6	13,1	-	6,0
3	21,2	18,1	21,2	17,6	11,9	2,4	11,9
4	20,0	16,9	18,8	15,3	14,3	1,2	10,7
5	7,1	10,8	11,8	15,3	21,4	2,4	23,8
6	4,7	7,2	5,9	10,6	9,5	9,5	17,9
7	9,4	10,8	8,2	10,6	8,3	11,9	11,9
8	5,9	4,8	3,5	2,4	7,1	22,6	8,3
9	-	1,2	5,9	4,7	1,2	21,4	2,4
Attract	2,4	3,6	4,7	3,5	4,8	26,2	2,4
Total	100	100	100	100	100	100	100

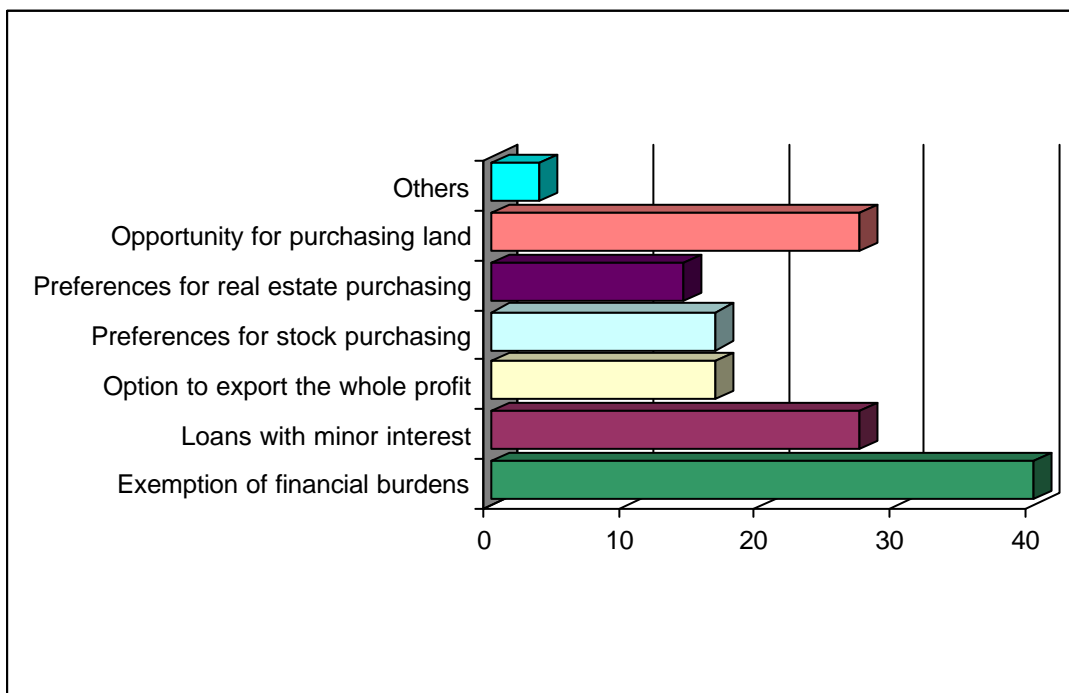
Figure AD18 illustrates the information on the share of the surveyed enterprises that have taken advantage of the preferences for foreign investments, envisaged in the Bulgarian legislation. Over 2/3 of the interviewees have not resorted to those preferences. This confirms the fact, known from the practice, that the available preferences are almost never among the leading motives for taking a 'decision to invest'.

Fig.AD18. Has your company ever used preferential conditions for foreign investor? (%)



With regard to investors' favoured preferences, they would be pleased, as shown in Figure AD20, to be granted tax alleviations, or to be allowed to purchase land – although that measure can hardly be regarded as a preference, as well as to be granted loans on alleviated conditions.

Fig.AD 20. Kind of preferences that must be given to foreign investors (% of respondents)



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Table 1 **Theories of FDI**

<p><b>1. From the viewpoint of “factor endowment” and comparative advantages:</b></p> <p><i>1.1. Customs unions, tariff and non-tariff barriers, transport costs</i></p> <ul style="list-style-type: none"> <li>■ Mundell R.A., (1957), International trade and factor mobility, American Economic Review, vol. XLVII, No 3, June, pp.321-335.</li> <li>■ Caves R., (1981), Multinational enterprise and economic analysis, Cambridge University Press, Cambridge.</li> </ul> <p><i>1.2. Technological advantages</i></p> <ul style="list-style-type: none"> <li>■ Hirsh S., (1967), Location of industry and international competitiveness, Oxford University Press, London.</li> <li>■ Vernon R., (1966), International investment and international trade in the product life cycle, Quarterly Journal of Economics, vol. 80, May, pp. 190-207.</li> </ul> <p><i>1.3. Combination of comparative and technological advantages</i></p> <ul style="list-style-type: none"> <li>■ Kojima K., (1978), Direct foreign investment, a Japanese model of multinational business operations, Helm, London.</li> </ul> <p><b>2. Financial profitability and portfolio diversification</b></p> <p><i>2.1. Level and changes of interest rates</i></p> <p><i>2.2. Risk diversification</i></p> <ul style="list-style-type: none"> <li>■ Ragazzi G., (1973), Theories of the determinants of foreign investment, IMF Staff Papers, vol. XX, No 2, July, pp. 471-498.</li> </ul> <p><i>2.3. Currency premium for the country exporter of capital with stable currency</i></p> <ul style="list-style-type: none"> <li>■ Aliber R., (1970), A theory of direct foreign investment, in Kindleberger C. P., (1970), The international corporation, MIT Press, Cambridge</li> </ul> <p><b>3. Internalisation and transaction costs.</b></p> <ul style="list-style-type: none"> <li>■ Buckley P.J., Casson M., (1976), The future of the multinational enterprise, Macmillan, London.</li> <li>■ Michalet C. A., (1985), Le capitalisme mondial, PUF, Paris.</li> </ul> <p><b>4. Eclectic theory</b></p> <p><i>4.1. Combination of firm specific comparative and oligopolistic advantages.</i></p> <ul style="list-style-type: none"> <li>■ Hirsh S., (1976), An international trade and investment theory of the firm, Oxford Economic Papers, 28, July, pp. 258-270.</li> <li>■ Mucchielli J.L., (1985), Les firmes multinationales, mutations et nouvelles perspectives, Economica, Paris.</li> </ul> <p><b>5. Oligopolistic competition</b></p> <p><i>5.1. Reaction to faster growth on foreign markets</i></p> <ul style="list-style-type: none"> <li>■ Hymer S. and Rowthorn R., (1970), Multinational corporation and international oligopoly: the non-American challenge, in Kindleberger (1970)</li> </ul> <p><i>5.2. Comparative advantages of local companies and high potential profit abroad</i></p> <ul style="list-style-type: none"> <li>■ Kindleberger C.P., (1969), American business abroad, six lectures on direct investment, Yale University Press, New Haven.</li> </ul> <p><i>5.3. Product cycle and oligopolistic behaviour of investors</i></p> <ul style="list-style-type: none"> <li>■ Vernon R., (1974), The location of economic activity, in J.H. Dunning (ed.), Economic analysis and the multinational enterprise, George Allen and Unwin, London, pp. 89-114.</li> </ul>
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<p><i>5.3. Imitation oligopolies</i></p> <ul style="list-style-type: none"> <li>■ Knickerbocker F., (1973), <i>Oligopolistic reaction and the multinational enterprise</i>, Harvard University Press, Boston.</li> </ul> <p><i>5.4. Stable oligopoly and reaction of a dominated firm</i></p> <ul style="list-style-type: none"> <li>■ Cotta A., (1970), <i>Les choix économiques de la grande entreprise</i>, Dunod, Paris.</li> <li>■ Rainelli M., (1979), <i>La multinationalisation des firmes</i>, Economica, Paris.</li> </ul> <p><i>5.5. Creating barriers for entry</i></p> <ul style="list-style-type: none"> <li>■ Swedwenberg B., (1979), <i>The multinational operations of Swedish firms, an analysis of determinants and effects</i>, Almquist and Wiksell International, Stockholm.</li> <li>■ Lipsey R.E. and Weiss M.Y., (1981), <i>Foreign production and exports in manufacturing industries</i>, <i>Review of Economics and Statistics</i>, vol. LXIII, No 4, November.</li> </ul>
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Source: Rizopoulos Y. (1997) *Foreign Direct Investment and Western Firms' Internationalisation Strategies in the Balkan Countries*, mimeo, ACE project 94-0760: *Economic Co-operation in the Balkans: A Regional Approach to European Integration*, p.1-4.

**Table 2 Obstacles to foreign investors in Bulgaria**

Unfinished, unclear and unstable legislation	39,5%
Unfavourable conjuncture (lack of stimuli for production, unstable markets and connections)	11,4%
Bureaucratic and administrative obstacles	1,0%
High customs duties for machinery, customs obstacles to imports, constantly continuing changes in the customs regime	10,8%
Underdeveloped financial market and banking system	10,3%
Crime and racketeering	7,6%
Other	9,4%

Source: *The Bulgarian Economy in 1995 and Perspectives for the Period 1996 – 1998 – Annual Report of the Agency for Economic Projects and Development (AEPD)*, p. 101.

**Table 3. Distribution of the Foreign Direct Investments by Zones in CEE and CIS, 1991-1997**

Year	Mln USD						
	1991	1992	1993	1994	1995	1996	1997
Total	3219	7991	14791	21573	37632	52790	74534
CEFTA	2926	6178	10968	15096	25962	34121	42677
Balkans	293	626	1051	1522	2385	3579	6034
Baltic	-	121	358	819	1274	1958	2993
CIS	-	1066	2414	4136	8011	13132	22830
	%						
Total	100	100	100	100	100	100	100
CEFTA	90,9	77,3	74,2	70,0	69,0	64,6	57,3
Balkans	9,1	7,8	7,1	7,1	6,3	6,8	8,1
Baltic	-	1,5	2,4	3,8	3,4	3,7	4,0
CIS	-	13,3	16,3	19,2	21,3	24,9	30,6

Source:

**Table 4. Distribution of the Foreign Direct Investments in the Receptient Balkan Countries, 1991-1997 (mIn. USD)**



	1991	1992	1993	1994	1995	1996	1997	Total 1991-1997
Albania	-	20	58	53	70	90	48	339
Bulgaria	56	40	48	105	90	109	497	939
Croatia	-	-	95	102	98	533	348	1176
Macedonia	-	-	-	24	9	11	16	60
Romania	40	80	94	342	420	265	1224	2456
Slovenia	-	111	113	128	176	186	321	1035
Total	96	253	400	754	863	1194	2454	6014

Source:

Table 5 FDI by years

	Value in ml. USD				Number
	Privatisation	Capital market	Other*	Total for the year	
1992			34,4	34,4	69
1993	22		80,4	102,4	604
1994	134,2		76,7	210,9	2276
1995	26		136,6	162,6	1932
1996	76,4		180	256,4	3308
1997	421,4	29,7	185,1	636,2	1890
1998	155,8	64,2	400	620	553
1999	305,7	53,1	447,3	806,1	-
Jan-Oct 2000 Preliminary	450	15	340	805	-
Total	1591,5	162	1880,5	3634	-

Source: Bulgarian Foreign Investment Agency, 2000, October.

Table 6 FDI in Bulgaria by countries and years

		1992	1993	1994	1995	1996	1997	1998	1999	Jan- June 2000	Total by countries
1	Germany	0,11	56,63	111,4 3	16,16	53,1	31,44	55,7	101,30	13,56	439,43
2	Belgium	0	0,14	0,3	10,02	0,79	264,3 9	31,22	66,22	17,45	390,53
3	Cyprus	0,33	1,19	0,39	1,4	7,51	20,55	109,09	108,91	19,13	268,50
4	USA	0	10,49	16,15	16,1	20,66	46,61	38,6	49,80	56,29	254,70
5	UK	6,21	5,55	2,43	13,74	7,26	15,83	58,85	48	11,13	169
6	Netherlands	0,07	0,52	37,94	0,85	46,27	10,8	41,28	27,96	0,19	165,88
7	Russia	0,31	1,35	2,27	15,05	14,37	2,01	14,84	103,74	0,71	154,65
8	Austria	13,03	1,02	14,66	1,39	12,07	12,46	46,91	23,39	16,56	141,49
9	Turkey	0,0	9,84	1,26	13,74	7,26	9,87	23,76	39,39	9,98	115,10
10	Spain	0,04	0,06	0,01	0	0	49,55	56,8	3,21	0,41	110,08
11	Switzerland	0,38	6,69	0,24	7,87	23,08	31,36	6,58	13,13	6,75	96,08
12	Greece	0,16	5,08	2,97	29,79	14,55	16,1	3,33	14,91	6,62	93,51
13	France	0	0,22	4,19	4,99	6,51	0,82	3,35	62,72	6,69	89,49
14	Korea	0	0	0,26	0,2	22,31	22,9	1,78	2,81	6,58	56,84
15	Italy	0,01	0,22	5,17	2,27	1,19	0,42	2,06	23,02	20,03	54,39
16	Bahamas	0	0	0	0	0	0	22,76	10,36	14,22	47,34
17	Luxembourg	0	0,58	0,58	0,36	0,23	11,75	22,71	3,81	0,39	40,81
18	Ireland	0	0	0,02	17,4	0,18	5,21	0,97	3,72	0,59	28,09

19	Israel	0	0,03	0,93	0,02	1,45	0,01	0,03	13,84	-0,04	16,27
19	Hungary	12,26	0,05	0	0	0,07	0	0,68	0,53		13,59
20	Liechtenstein	0	1,11	0,13	0,01	0	2,53	0,79	1,28	7,36	13,21
22	Czech	0	0	0,05	2,34	2,28	4,68	0,58	0,09	0,0	10,02
23	Malta	0	0	0,01	0,12	0,09	0,09	8,9	0	0,51	9,72
24	Sweden	0	0	0,01	0,03	1,42	2,36	0,94	1,57	0,19	6,52
25	Denmark	0	0	1,07	0,02	0	1,12	1,58	0,33	0,89	5,01
26	Japan	0,01	0	0,08	0,50	0,60	1,90	1,89	0,00	0,02	5,0
	Total by years	34,42	102,37	210,86	162,63	256,36	636,96	619,96	806,10	247,23	3076,09

Source: Bulgarian Foreign Investment Agency, 2000, October.

**Table 7 FDI in Bulgaria by sectors and by years in mln. USD**

	Sectors/ Years	1992	1993	1994	1995	1996	1997	1998	1999	Total by sectors
1	Industry	0,16	20,82	28,2	94,53	172,48	458,46	310,64	471,24	1556,53
2	Trade	13,5	70	59,89	20,6	32,37	45,72	177,37	124,05	542,96
3	Finance	0	1,85	18,82	32,34	15,4	64,34	72,23	119,06	324,04
4	Tourism	0,55	0,86	43,31	10,22	23,31	5,7	18,37	40,51	142,83
5	Transport	12,76	2,06	55,21	1,2	4,78	3,11	6,22	-11,73	73,61
6	Telecommunications	6,08	3,97	0	0	0,9	3,58	23,23	14,13	51,89
7	Construction	0,17	0,31	4,77	1,11	1,11	6,19	6,34	6,47	26,47
8	Agriculture	0	0	0	0,06	1,38	4,63	0,06	2,36	8,49
9	Others	1,2	2,5	0,65	3,11	4,62	44,44	5,52	40,01	102,05
	Total by years	34,42	102,37	210,85	162,63	256,35	636,17	619,98	806,10	2828,87

Source: BFIA, march 2000.

**Table 8 FDI by regions in Bulgaria as of 31.12.1997 ã.**

N	Regions	Total amount in ml. USD	Relative share, %
1.	Sofia city	514,92	41,13
2.	Varna	248,31	19,84
3.	Sofia- region	141,94	11,34
4.	Lovetch	105,01	8,39
5.	Haskovo	57,45	4,59
6.	Rousse	55,44	4,43
7.	Montana	48,07	3,84
8.	Plovdiv	37,55	3,00
9.	Burgas	27,89	2,23
	Undefined	15,27	1,22
	Total	1251,86	100,00

Source; Agency for foreign investment, January 1998 ã.

Table 9 **FDI BY TERRITORIAL TAXATION SERVICES as of 31.12.1997 ã.**

N	Name	Amount in ml. USD	Relative share, %
1.	Sofia city	514,92	41,13
2.	Varna	227,48	18,17
3.	Sofia-region	131,55	10,51
4.	Lovetch	47,68	3,81
5.	Razgrad	46,11	3,68
6.	Vratza	34,48	2,75
7.	Stara Zagora	33,24	2,65
8.	Plovdiv	29,85	2,38
9.	Pleven	29,38	2,35
10.	Burgas	27,47	2,19
11.	Gabrovo	24,85	1,99
12.	Haskovo	23,63	1,89
13.	Shumen	11,20	0,89
14.	Blagoevgrad	9,82	0,78
15.	Dobrich	9,63	0,77
16.	Montana	7,66	0,61
17.	Pazarjik	6,52	0,52
18.	Vidin	5,93	0,47
19.	Turgovishte	5,42	0,43
20.	Veliko Turnovo	3,10	0,25
21.	Russe	2,77	0,22
22.	Smolyan	1,18	0,09
23.	Silistra	1,14	0,09
24.	Kurjali	0,58	0,05
25.	Kyustendil	0,52	0,04
26.	Yambol	0,39	0,03
27.	Pernik	0,06	0,00
28.	Sliven	0,03	0,00
	Undefined	15,27	1,22
	TOTAL	1251,86	100,00

Source; Agency for foreign investment, January 1998

Table 10 **PRIVATISATION TRANSACTIONS WITH FOREIGN INVESTORS 1993 - 1999**

No	Name of enterprise	Date of transaction	Subsector	Shares sold %	Revenue (million)	Liabilities undertaken (million)	Investments contracted (million)	Name of the buyer
1	Tzarevichni Producti-Razgrad	May 12, 1993	food industry	81	USD 20		USD 20	Amylum-Belgium
2	Republika	Nov. 15,	food	82.08	USD		USD 10	Kraft General

	Svoqe	1993	industry		2.052			Foods-USA
3	Hidroprobivna Tehnika-Russe	Feb. 10, 1994	machine building	98.11	USD 0.35	BGL 6.37	USD 0.35	Breakers A/S Co-Denmark
4	Gazobeton-Sofia	Feb. 11, 1994	construction	100	DM 5	BGL 5.361	DM 5.6	Ytong Ltd.-Germany
5	Sh.Z.I. - Sofia	June 13, 1994	food industry	75.9	USD 2.277	USD 4.274	USD 7	Nestle S.A.-Switzerland
6	SOMAT Sofia	Aug. 2, 1994	transport	55	USD 8.2181	USD 46.782	USD 48	Willi Betz GmbH-Germany
7	Eskos Dograma-Sofia	Sept. 16, 1994	wood process.	80	DM 0.7	BGL 96	DM 4	Gibu Ltd.-Italy
8	Zagorka-Stara Zagora	Oct. 28, 1994	brewery	80	USD 21.7		USD 41.4	Brewinvest S.A.-Greece
9	Separ. unit from Vamo-Varna	Nov. 3, 1994	automotive industry	100	USD 1.4		GBP 3.5	Rover-Bulgaria Ltd.-UK
10	Hotel Vitosha-Sofia	Dec. 14, 1994	tourism	80	DM 65			Ivan Zografski-Germany
11	Kamenitza Plovdiv	Jan. 25, 1995	brewery	70	USD 4.88		DM 31.87	Interbrew-Belgium
12	Burgasko Pivo-Burgas	Apr. 27, 1995	brewery	67	USD 5.02	BGL 33.9	USD 19.7	Interbrew-Belgium
13	Storko Pleven	Nov. 2, 1995	food industry	80	USD 0.1	USD 12.8	USD 6.5	Luxcraft Trading Ltd.-UK
14	Pirinska Mura - Bansko	Nov. 3, 1995	wood process.	67	BGL 18 5.83		BGL 350	Evrotech Ltd. -USA-Bulgaria
15	Instrument-Gabrovo	July 3, 1996	machine tools	78.94	DM 6.315		DM 1.5	Planzee Tizit GmbH-Austria
16	Avangard Sevlievo	Aug. 15, 1996	el. engineering	67	USD 1.9	USD 1.264	DM 1.703	Asea Braun Boveri-Switzerland
17	Varnenchik Hotel- Varna	Aug. 21, 1996	tourism	100	BGL 81.6		BGL 920	SP "ALT-VI.Bahnov" - Russia
18	Vitamina-Stamboliyski	Aug. 30,	food industr	60	BGL 10	BGL 1700	BGL 160.7	TKM Fruit and Juices- Greece

		1996	y					
19	Eltos - Lovech	Sept. 5, 1996	el.engi neerin g	55	DM 11.5	BGL 2252	DM 12	Sparky Trading GmbH-Germany
20	Diana Hotel- Varna	Sept. 5, 1996	tourism	100	BGL 120		BGL 820	"ALT" Ltd.- Russia
21	Sheraton Sofia Balkan- Sofia	Sept. 23, 1996	tourism	67	USD 22.3		USD 5	DAEWOO Group - Korea
22	Microelektroni ka separatepart	Sept. 24, 1996	machin e tools	100	USD 0.6			EURO TEC CO Ltd. - Japan
23	Vidima- Sevlievo	Oct. 17, 1996	sanit. fittings	77	USD 5.4		USD 5	"American Standart" Inc.- USA
24	Elprom N. Kirov-Russe	Oct. 31, 1996	el.engi neerin g	76	USD 0.604	BGL 153.924	USD 0.49	"Costra Development Ins.", Israel
25	Incoms- Blagoevgrad	Oct. 31, 1996	el.engi neerin g	40	USD 0.003	DEM 3	BGL 35	"BL Bulgarleasing AG", Switzerland
26	Feromagnit- Pernik	Nov. 8, 1996	engine ering	75	USD 0.310	BGL 294.384	USD 1.34	"Pramet-Bulgaria", CzechRepublic
27	Mraz - Sofia	Dec. 20, 1996	freezin g techn.	67	USD 1	USD 2	USD 1	Consortium France- Ireland-Bulgaria
28	Ceramics Workshop- Silistra	Jan. 10, 1997	cerami cs	100	USD 0.064	BGL 4.358	USD 0.08	"Coats Industries" SPLtd.,UK
29	Stind - Sofia	Jan. 13,199 7	glass industr y	70	USD 4.05	BGL 386.172	USD 27.325	"Glassinvest" JSC, Cyprus
30	Gipsfazer - Vidin	Jan. 31, 1997	buildin g mater.	60	USD 4.6	USD 1.1	USD 5.405	KNAUF GmbH, Austria
31	Magnitni Glavi-Razlog	Feb. 28,199 7	electro nics	80	USD 0.34		USD 2.326	"Ahead Technology", USA
32	Sodi - Devnya	Apr. 14,199 7	chemic al ind.	60	USD 160		USD 67	"Solvay", Belgium
33	Devnya Cement Devnya	-5/7/97	cement prod.	70	USD 44.551		USD 209.45	"Marvex" - Spain - BG
34	Bules- Bourgas	May 26,199 7	wood proc.	51	USD 3.2		USD 7.0	Kaindl/Cronospan- Austria

35	Kambana 1899 Bourgas	May28, 1997	food industry	68	USD 5.5		USD 23.0	Helian Commodities-Netherlands
36	Interpred WTC-Sofia	June6,1997	trade	70	USD 20		USD 5.0	DAEWOO Group - Korea
37	Agromashina - Russe	June 20,1997	mach. building	70	USD 0.0525	BGL 707	BGL 500	Sparky Trading GmbH-Germany
38	Elprom-Trapho-Sofia	July1,1997	el. engineering	70	USD 2.9		USD 4	Hyundai Heavy Industries-Korea
39	Lesoplast Troyan	July 28,1997	wood proc.	24.4	USD 1.1			WELDE GmbH - Austria
40	MDK - Pirdop	Sept.10,1997	copper prod.	56	USD 80		USD 220	Union Miniere Group - Belgium
41	Vazhod Trudovets	Sept.29,1997	mach.b building	65	DM 1.6		DM 2.1	"Grammer" AG - Germany
42	Ceramic workshop-Dobrotitsa	Oct.8,1997	ceramics	100	USD 0.105		USD 0.045	"Coats Industries" SPLtd.,UK
43	Bulgarska Rosa-Kazanlak	Oct.16,1997	perfumery	68	USD 5.21		USD 25	Erlton Fund Limited - Ireland
44	KMH - Belovo	Nov. 12,1997	paper	58	USD 6.392		USD 10.65	Trace Paper Mill S.A. -Greece
45	Albena resort-Balchik	Nov. 17,1997	tourism	33	USD 10.11			BNP, London
46	PLAM-Kostenets	Dec. 1,1997	safety-matchs	58	USD 2.35		USD 1.9	"Swedish Match" A.B. -Sweden
47	ZKO Hadji Dimitar-Svoqe	Dec.17,1997	paper prod.	75	USD 1		USD 3.05	ADUT-ADOX S.A. - Slovakia
48	SOMAT Sofia	Feb.20,1998	transport	38	DM 24.867		USD 5	Willi Betz Group-Germany
49	Novotel Evropa Sofia	March 4,1998	tourism	60	USD 12.05		USD 4	Sudi Ozkan - Turkey
50	Velpa 91 Strazitsa	May 8,1998	paper	26.4	USD 1.121			Norekom GmbH - Germany
51	Unipack Pavlikeni	May8,1998	paper	22	USD 0.545			Profitek Enterprises Ltd- Cyprus

52	Metalsnab Holding	June 26, 1998	trade	75	DM 12			Klockner & Co AG - Germany
53	Druzha JSCo.- Plovdiv	July 23, 1998	glass	51	USD 20		USD 30	Bareck Overseas Ltd.-Cyprus
54	Orgahim-Rousse	July 30, 1998	chemical	51	USD 8.9		USD 5.04	Whitebeam Holdings Ltd-international
55	ZIE JSCo.- Gorna Malina	Aug. 14, 1998	metalworking	76	USD 0.833		USD 1,065	DenHaan Group-Belgium
56	Tzelhart-Stamboliski	Aug. 17, 1998	paper	23	USD 2.1			Asshaklar Holding-Turkey
57	Ariana - Sofia	Sept. 7, 1998	brewery	4.27	USD 0.17			Brewmasters Holding Ltd. - Cyprus
58	ZMK Nikopol	Oct. 22, 1998	paper	31	USD 1.215			Enerholding Limited- Cyprus
59	Hotel Trimontsium-Plovdiv	Nov. 16, 1998	tourism	58	USD 3.150		USD 3.504	"Novotel Evropa" JSCO-Turkey
60	Grand Hotel Sofia- Sofia	Nov. 25, 1998	tourism	55	USD 7.1		USD 4.0	World Trade Company- USA
61	Dunavska Koprina-Rousse	Dec. 7, 1998	textiles	68	USD 0.126		DM 1.5	A. Mueller&Soehne GmbH-Germany
62	Rulon Iskar-Sofia	Dec. 16, 1998	paper	75	DM 3.326	DM 5	DM 38	Europack- Austria
63	Prima M-Polski trambej	Dec. 17, 1998	food industry	70	USD 3.315		USD 13.7	Helian Commodities-Netherlands
64	Sviloza - Svistov	Feb. 12, 1999	chemical	60	USD 7	BGL 11,000	USD 31.2	A.R.U.S. Ltd. & Sviloza-2000JSCo.
65	Rousse Shipyard Rousse	Feb. 12, 1999	shipbuilding	80	USD 1.615		DM 14.4	R. Shipyard Beteiligungsges.mb H- Germany
66	Vinprom Rousse Rousse	Feb. 26, 1999	food industry	22.4	USD 3.2		USD 4	Vinprom-Holdings LLS -USA
67	Medipharma 91SPJSCo.- Sofia	March 1, 1999	trade	51	USD 0.070		BGL 340	Renoto Holdings Ltd. -Cyprus
68	Pektin SPJSCo.- Pernik	March 8, 1999	food industry	79	USD 0.060		USD 0.6	ZANKL GmbH(Austria) + PektinInvest Ltd -

								BG
69	Balkan Holidays International-Sofia	April 1, 1999	tourism	80	USD 0.410		USD 1.500	LogicInvest Watches Ltd.-London(GB)
70	Dyuni JSCo. -Sozopol	April 16, 1999	tourism	51	USD 2.7		USD 4.397	Jovanda International Ltd.-Delaware-USA
71	Yambolen SPJSCo. -Yambol	April 29, 1999	chemical	67	BGL 1,200	BGL 3,665	BGL 8,890	Chimimport Investment&Fertiliser/VirginIslands-UK
72	DZU SPJSCo. -Stara Zagora	June 15, 1999	electronics	48	USD 0.0542	BGL 8,400	DEM 1.2	Videoton Holding RT - Hungary
73	Asarel-Medet SPJSCo./Panagyuriste	June 15, 1999	mining	75	USD 1.43		USD 42.695	Asarel Invest JSCo/VoestAlpine Intertrading AG-Austria
74	Pharmacia JSCo. -Dupnitza	June 23, 1999	pharmaceutical	55	USD 11		USD 15.52	Balkanpharma JSCo/Deutschebank JSCo.-London,UK
75	Troyapharm JSCo. -Troyan	June 23, 1999	pharmaceutical	55	USD 7.35		USD 8.555	Balkanpharma JSCo/Deutschebank JSCo.-London,UK
76	Antibiotic JSCo. -Razgrad	June 23, 1999	pharmaceutical	51	USD 5.65		USD 14.06	Balkanpharma JSCo/Deutschebank JSCo.-London,UK
77	Balkan Airlines SPJSCo.-Sofia	June 30, 1999	transportation	75	USD 0.15	USD 30	USD 100	Zeevi Holdings Ltd.&Knafaim-ArkiaHoldings Ltd.,Israel
78	Chimco JSCo. -Vratsa	July 23, 1999	chemical	57	BGN 1		USD 50	IBE TRANS OF NY Inc. -USA
79	Kapitan Diado Nikola JSCo-Gabrovo	July 28, 1999	plastics	67	USD 1.38		USD 10	ALTUN MAYA Sanayi ve TicaretLtd. Sirketi - Turkey
80	ZMK Nikopol -Nikopol	July, 1999	paper	8.19	USD 0.32			Enerholding Limited- Cyprus
81	Petrol JSCo. -Sofia	Aug.4, 1999	chemical industry	51	USD 52		USD 60	Consortium of Yucos PetroleumBulgaria, Petrol Holding & OMV, Austria
82	Gorubso	-August	mining	80	USD		USD 4.5	RODOPA



	Madan liquidation/	/in 27,1999			0.053			INVESTMENT Consortium /Russia, Turkey/
83	Gorubso ROF Rudozem	- August 27, 1999	mining	80	USD 0.118		USD 0.93	RODOPA INVESTMENT Consortium /Russia, Turkey/
84	Alumina JSCo. Shoumen	- Sept. 13, 1999	metallurgy	51	USD 4.5	USD 2.5	USD 38	FAF Metal Ltd. - Turkey
85	Agropolychim JSCo. Devnya	- Oct. 6, 1999	chemical ind.	63	BGN 1*		USD 15	ACID & FERTILIZERS LLC /Belgium, USA/
86	Neftochim JSCo. Bourgas	- Oct. 12, 1999	chemical ind.	58	USD 101		USD 408.3	LUCOIL PETROL JSCo. /Russia/
87	Assenova krepost JSCo. Assenovgrad	- Nov. 16, 1999	chemical ind.	15.64	BGN 1.124			France Appro JSCo. - France
88	Devnya cement JSCo. - Devnya	- Dec. 21, 1999	chemical ind.	14.06	BGN 3.326			Marvex Ltd. /owned by Siman Frances - France/

Source: Bulgarian Agency of Privatisation; march, 2000.

**Table 11 Companies with biggest foreign investment in january-september 1999.**

1	Name	FDI in ml. USD
1	Metro Cash & Carry Bulgaria	77,71
2	Petrol	52,00
3	Plama	26,80
4	Vulkan PLC	18,81
5	Luxury Hotels Company	15,72
6	Domein Boyar	13,89
7	Elkabel PLC	12,52
8	Pharmacia Dupnitsa	11,00
9	Plevenski cement PLC	9,18
10	Corecom PLC	8,00
11	Spektra Real Estate	8,00
12	Bulstrad	7,61
13	Troyapharm	7,35
14	Celhart PLC	7,23
15	CUM	7,08
16	Sviloza PLC	7,00
17	Shvedski Kibrit Plam Bulgaria	6,51
18	Antibiotic	5,65

19	Mobiltel	5,16
20	World Tade Company	5,03
21	Alumina	4,50
22	Zlaten Lev Holding PLC	4,31
23	Vidima	4,24
24	Ideal Standard Bulgaria	4,23

Source: BFIA, March 2000

**Table 12 Registered joint-ventures by years in Bulgaria**

Year	Joint-Ventures
Before 1991	17
1991	13
1992	20
1993	15
1994	16
1995	3
Íáùî	84

Source: BFIA.

**Table 13 Registered joint-venture by ministries**

Institution	Number of deals	Average share of foreign investor, %	Size of foreign participation in USD
Committee for Energy	7	1.4	504 248
Committee for post and telecommunication s	4	50.9	131 976
Committee for Tourism	14	62.2	1 334 233
Ministry of transport	17	76.5	24 996 016
Ministry of Industry	28	61.0	60 541 102
Ministry of agriculture and food industry	14	49.4	5 802 697
Total	84	-	93 310 272

Source: BFIA.