

Strategies for Doing Business with Bulgaria

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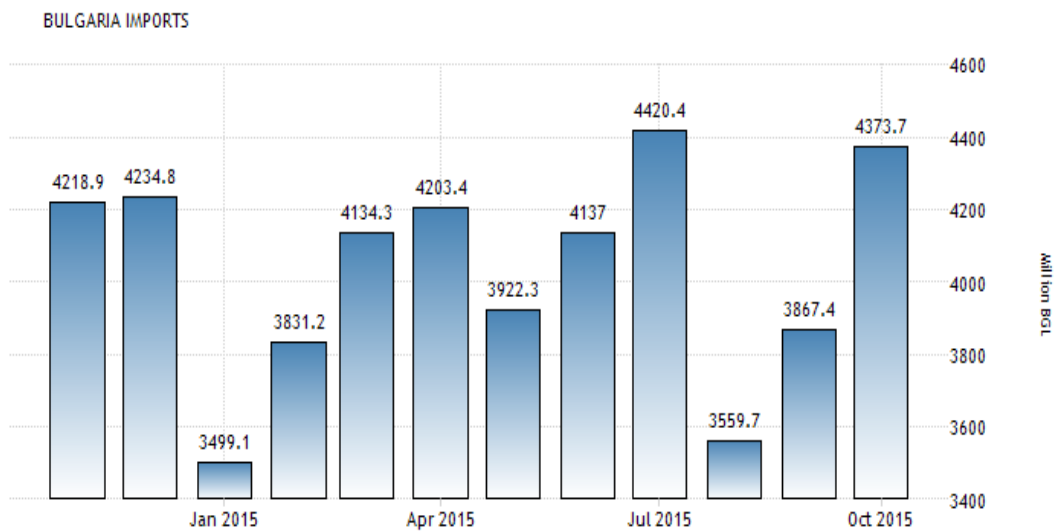
ABSTRACT

The study has presented a comprehensive picture of the Indian export in special reference with Bulgaria. The Gross Domestic Product (GDP) in Bulgaria was worth 55.73 billion US Dollars in 2014. (World Bank) with the leading manufacturing industries includes Organic Chemicals, Plastic and Articles thereof, Pharmaceutical Products, Tobacco and Manufactured Tobacco, Clothing accessories, Electrical Equipment's and Ceramic products. Imports in Bulgaria are expected to be 4284.47 Million BGL by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. Looking forward, we estimate Imports in Bulgaria to stand at 4204.96 in 12 months' time. In the long-term, the Bulgaria Imports are projected to trend around 4200.63 Million BGL in 2020The Bulgarian market is receptive to American goods and services. E.U. Members will continue to offer funding opportunities for infrastructure projects, provided the Bulgarian government procedure is efficient and transparent. EU membership offers additional opportunities as structural and Cohesion funds are financing major infrastructure projects.

Keywords: E.U, Bulgaria, Indian Export, Market Entry Strategy, Export Opportunity, Indian Export Performance, Export Commodity

INTRODUCTION

European exporters are increasingly looking to succeed not just in the large economies of the developed world, but in emerging economies such as China, India, Brazil and Russia. Bulgaria imports mainly fuels, machinery and transport equipment metals, raw materials. The EU market for goods is already highly integrated and harmonized along the 28 countries. Bulgaria's main import partners are Russia, Germany, Italy, Romania and Italy. Imports in Bulgaria increased to 4373.70 Million BGL in October from 3867.40 Million BGL in September of 2015. Imports in Bulgaria averaged 2764.79 Million BGL from 2000 until 2015, reaching an all-time high of 4515.50 Million BGL in June of 2008 and a record low of 824.50 Million BGL in April of 2000. Imports in Bulgaria are reported by the National Statistical Institute, Bulgaria.



SOURCE: WWW.TRADINGECONOMICS.COM | NATIONAL STATISTICAL INSTITUTE, BULGARIA

Fig. 1: Bulgaria Import Statistics in USD Millions
(Source: <http://www.tradingeconomics.com/bulgaria/imports>)

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The Country

Bulgaria is a Balkan nation with diverse terrain encompassing Black Sea coastline, rivers, including the Danube, and a mountainous interior. A cultural melting pot with Greek, Slavic, Ottoman and Persian influences, it has a rich heritage of traditional dance, music, costumes and crafts. At the foot of the domed Vitosha Mountain is its capital, Sofia, dating to the 5th century B.C.E.

Bulgaria is a country in southeastern Europe. It is bordered by Romania to the north, Serbia and Macedonia to the west, Greece and Turkey to the south, and the Black Sea to the east. With a territory of 110,994 square kilometers (42,855 sq mi), Bulgaria is Europe's 16th-largest country.

Organized prehistoric cultures began developing on Bulgarian lands during the Neolithic period. Its ancient history saw the presence of the Thracians and later the Persians, Greeks and Romans. The emergence of a unified Bulgarian state dates back to the establishment of the First Bulgarian Empire in 681 AD, which dominated most of the Balkans and functioned as a cultural hub for Slavs during the Middle Ages. With the downfall of the Second Bulgarian Empire in 1396, its territories came under Ottoman rule for nearly five centuries. The Russo-Turkish War (1877–78) led to the formation of the Third Bulgarian State. The following years saw several conflicts with its neighbors, which prompted Bulgaria to align with Germany in both world wars. In 1946 it became a single-party socialist state as part of the Soviet-led Eastern Bloc. In December 1989 the ruling Communist Party allowed party elections, which subsequently led to Bulgaria's transition into a democracy and a market-based economy.

Bulgaria's population of 7.4 million people is predominantly urbanized and mainly concentrated in the administrative centers of its 28 provinces. Most commercial and cultural activities are centered on the capital and largest city, Sofia. The strongest sectors of the economy are heavy industry, power engineering, and agriculture, all of which rely on local natural resources.

The country's current political structure dates to the adoption of a democratic constitution in 1991. Bulgaria is a unitary parliamentary republic with a high degree of political, administrative, and economic centralization. It is a member of the European Union, NATO, and the Council of Europe; a founding state of the Organization for Security and Co-operation

in Europe (OSCE); and has taken a seat at the UN Security Council three times.

| | |
|-------------------|--|
| Capital | Sofia |
| Population | 7,364,570 (2011 census) |
| Nationality | Bulgarian |
| Official Language | Russian, English, French, German, Spanish, Italian |
| Currency | Lev (BGN) |
| GDP (PPP) | \$128.053 billion (2015 estimate) |

Market Overview

A member of the European Union since 2007, Bulgaria is a small, strategically located country in Europe's southeast corner. It offers interesting opportunities for U.S. companies in many sectors, among them infrastructure development, IT and agriculture. Bulgaria boasts Europe's lowest public deficit rates and it grew at a rate of 2 percent in the first quarter of 2015, despite last year's collapse of its fourth largest bank (Corporate Commercial Bank). Bulgaria has the lowest rates in the region—a 10 percent rate both on personal income and corporate income— as well as a bilateral treaty that allows for the avoidance of double-taxation in the United States. The global financial crises slow investment growth, particularly in the real estate manufacturing sector, but as the European economy recovers, the investment may pick up in certain sectors.

U.S. companies are conducting business across the major industry sector and the top foreign investor in Bulgarians a U.S. company. The Bulgarian market is receptive to American goods and services. E.U. members will continue to offer funding opportunities for infrastructure projects, provided the Bulgarian government procedure is efficient and transparent. Furthermore, due to its geographic location, Bulgarian is an excellent launching pad for sale in European Union Russia, Turkey and Middle East.

Market Challenges

In the course of the last 17 years Bulgaria underwent a complete political transformation and enjoys steady economic growth, macroeconomic stability and clear geopolitical perspectives. Nevertheless, the problems are too many: low salaries, slow reforms in education and health care, bloated administration, red tape, corruption, ineffective judicial system, large and non-integrated Roma minority, growing nationalism, to name the most important.

But beneath the surface lay hidden mechanisms which often give an explanation to the current state of matters. A swift glance over some historical bonds, prejudices, clichés and current tendencies reveal the specifics of a nation in transition and the challenges in front of it.

One of the main challenges in Bulgaria in the foreseeable future concern clash traditional mentality

and backward working habits with the orders of modernity.

The Bulgarian political elite must meet the challenge of less hypocritical approach and forge a national doctrine with clear definition of the Bulgarian interest as a constituent and integral part of a broader and common European interest.

The main challenge for Bulgaria is to find its true place in the EU so as not to lose identity – which means – to

take on easy its traditional role of a small country without leadership ambitions and at the same time stand up for its rights and interests when necessary. It's the responsibility of a new generation of young leaders – in politics as well as in economics – to better utilize the resources of the state and the potentials of young people in order to trace the path to a society of tolerance and social welfare.

India Exports to Bulgaria

| S. No. | HS code | Commodity | 2014-15 | 2015-16 Apr-Sept |
|--------|---------|---|---------|---------------------|
| 1. | 29 | Organic Chemical | 34.38 | 19.21 |
| 2. | 61 | Articles of Apparel and Clothing Accessories, Knitted or Corchted | 0.15 | 15.51 |
| 3. | 39 | Plastic and Articles Thereof | 9.16 | 7.33 |
| 4. | 30 | Pharmaceutical Products | 11.68 | 5.11 |
| 5. | 24 | Tobacco and manufacturing Tobacco Substitutes. | 5.66 | 3.74 |
| 6. | 72 | Iron and Steel | 8.21 | 3.29 |
| 7. | 85 | Electronic machinery and Equipment and Parts Thereof: Sound Recorded and Producers, television Image Sound Recorders, and Parts. | 7.63 | 3.08 |
| 8. | 84 | Nuclear Reactors, Boilers, machinery and Mechanical Appliances | 2.5 | 3.04 |
| 9. | 62 | Articles of apparel and Clothing Accessory, Not Knitted or Crocheted | 0.48 | 2.22 |
| 10. | 69 | Ceramic products | 1.53 | 1.75 |
| 11. | 38 | Miscellaneous Chemical Products | 4.05 | 1.39 |
| 12. | 32 | Tanning or Dyeing Extracts: Tanning and Their Deri Dyes, Pigments and other Colouring Matter: Paints and Ver: Putty and other mastics: inks | 2.02 | 1.09 |
| 13. | 42 | Articles of Leather, saddler and harness; Travel goods, Handbags and Similar Cont. articles of Animal Gut (Other than Silk-Warm) Gut | 0.74 | 0.89 |
| 14. | 12 | Oil Seed and Oles. Fruits; Misc. grains, seeds and Fruits; industrial or Medicinal Plants; Straw and Fodder. Oil | 1.84 | 0.87 |
| 15. | 78 | Lead and Articles thereof | | 0.87 |
| 16. | 70 | Glass and Glassware | 2.59 | 0.83 |
| 17. | 54 | Man- Made filaments. | 2.48 | 0.75 |
| 18. | 51 | Wood, Dine or Coarse animal hair, Horsehair Yarn and Woven fabric. | 3.95 | 0.73 |
| 19. | 28 | Inorganic Chemicals; Organic or Organic or Inorganic Compounds of Precious Metals, of rare-Earth Metals, or radi. Elem or of Isotopes. | 0.86 | 0.72 |
| 20. | 40 | Rubber and Articles Thereof | 1.46 | 0.72 |
| 21. | 52 | Cotton. | 4.65 | 0.67 |
| 22. | 33 | Essential oils and resinoids; Perfumery, Cosmetic or Toilet Preparations. | 1.07 | 0.64 |
| 23. | 9 | Coffee, Tea, Mate and Spices | 1.15 | 0.57 |
| 24. | 87 | Vehicles other than railway or Tramway Rolling Stock, and parts and accessory thereof. | 0.65 | 0.56 |
| 25. | 73 | Article of Iron or Steel | 2.03 | 0.55 |
| 26. | 82 | Tools Implements, Cutlery, Spoons and forks, of base Metal: Parts Thereof of Base Metal | 1.2 | 0.55 |
| 27. | 55 | Man Made Staple Fibres | 0.91 | 0.49 |
| 28. | 63 | Other made up Textile articles: sets: Worn Textile articles: rags | 1.13 | 0.46 |
| 29. | 49 | Printed books, Newspapers, Pictures and Other Products of the printing Industry: Manuscripts and plans | 0.3 | 0.45 |
| 30. | 56 | Wadding, Felt and Nonwovens: special yarns: Twine, Cordage, Ropes and cables and articles thereof. | 0.65 | 0.44 |
| 31. | 7 | Edible Vegetables and Certain Roots and Tubers. | 0.76 | 0.41 |
| 32. | 58 | Special Woven fabrics: Tufted Textile Fabrics: lace: Tapestries: Trimmings: Embroidery | 0.39 | 0.39 |
| 33. | 10 | Cereals | 1.16 | 0.35 |
| 34. | 68 | Articles of Stone, Plaster, cement, Asbestos, Mica r Similar material. | 0.93 | 0.32 |
| 35. | 76 | Aluminium and Articles thereof. | 135.57 | 0.3 |
| 36. | 27 | Mineral Fuels, Mineral Oils and products of their Distillation: bituminous substances: Mineral Waxes | 0.5 | 0.27 |
| 37. | 23 | Residues and waste from the food industries: Prepared animal Fodder | 0.47 | 0.25 |

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|-----|----|--|------|------|
| 38. | 21 | Miscellaneous Edible Preparations | 0.84 | 0.23 |
| 39. | 48 | Paper and Paperboard: Articles of paper pulp, of paper or of paperboard. | 0.73 | 0.19 |
| 40. | 57 | Carpet and other Textile floor coverings | 0.28 | 0.16 |
| 41. | 14 | Vegetable Plaiting material: Vegetable Products Not Elsewhere Specified or Include. | 0.21 | 0.11 |
| 42. | 8 | Edible Fruit and Nuts: peel or Citrus fruit or Melons. | 0.85 | 0.08 |
| 43. | 34 | Soap, Organise Surface- Active Agents, washing Preparations, artificial Waxes, Polishing or scouring Prep. | 0.23 | 0.08 |
| 44. | 25 | Salt: Sulphur: Earth and Stone: Plastering Materials, Lime and Cement | 0.16 | 0.07 |
| 45. | 53 | Other Vegetable textile Fibres: Paper Yarn and Woven Fabrics of paper Yarn. | 0.15 | 0.07 |
| 46. | 74 | Copper and articles Thereof | 0.07 | 0.06 |
| 47. | 13 | Lac: Gums, Resins and Other Vegetable Saps and Extracts. | 0.6 | 0.05 |
| 48. | 26 | Ores, Slag and Ash | 0.16 | 0.04 |
| 49. | 41 | Raw Hides and Skins (Other than Furskins) and Leather | 0.21 | 0.04 |
| 50. | 44 | Wood and Articles of Wood: wood charcoal. | 0.03 | 0.03 |
| 51. | 71 | Natural or Cultured Pearls, Precious or Semiprecious Stones, Pre. Metals, Clad with Pre. Metal and articles Thereof: IMIT. Jewellery: Coin | 0.06 | 0.03 |
| 52. | 6 | Live Trees and Other Plants: Bulbs: Roots and The Like; Cut Flowers and Ornamental Foliage | 0.46 | 0.02 |
| 53. | 20 | Preparations of Vegetables, Fruit, Nuts or Parts of Plants. | 0.32 | 0.02 |
| 54. | 83 | Miscellaneous Articles of Base metal. | 0.07 | 0.01 |

Market Opportunities

Bulgaria Boasts a well- educated labor force, one of the lowest wage rates in the EU, and a convenient geographic location. EU membership offers additional opportunities as structural and Cohesion funds are financing major infrastructure projects. Good prospects for exports to Bulgaria are listed below (in alphabetical order).

- Agricultural Equipment
- Environmental Technologies
- Healthcare/Medical
- Information and Communications Technologies
- Franchising
- Power Generation, Oil & Gas, Renewable Sources of Energy and Energy Efficiency

Reasons to Doing Business with Bulgaria

Bulgaria offers a combination of factors which form a unique combination of business benefits. For this reason Bulgaria is chosen often as a main place of business for internationally oriented companies and businesses wanting to do business in Europe.

Bulgaria has various high rankings, including being the 4th fastest growing economy of the European Union

(source: European Commission), fifth place for math specialists (source: World Bank), 3th place for the amount of qualified IT specialists per capita (source: American embassy in Sofia) and the 2nd place on the European ranking list for favorable locations for transport companies.

Market Entry Strategies

Finding good, reputable local representative is a key for successful entrance into the market, and conducting due diligence before selecting a representative is essential enlisting qualified local legal service for contract negotiations is also highly recommended. The U.S. Commercial Services located in the U.S. Embassy in Sofia can assist with market research, contact facilitation evaluation, and service providers.

Bulgaria Imports Forecast

Imports in Bulgaria are expected to be 4284.47 Million BGL by the end of this quarter, according to Trading Economics global macro models and analysts' expectations. Looking forward, we estimate Imports in Bulgaria to stand at 4204.96 in 12 Months' time. In the long-term, the Bulgaria Imports are projected to trend around 4200.63 Million BGL in 2020.

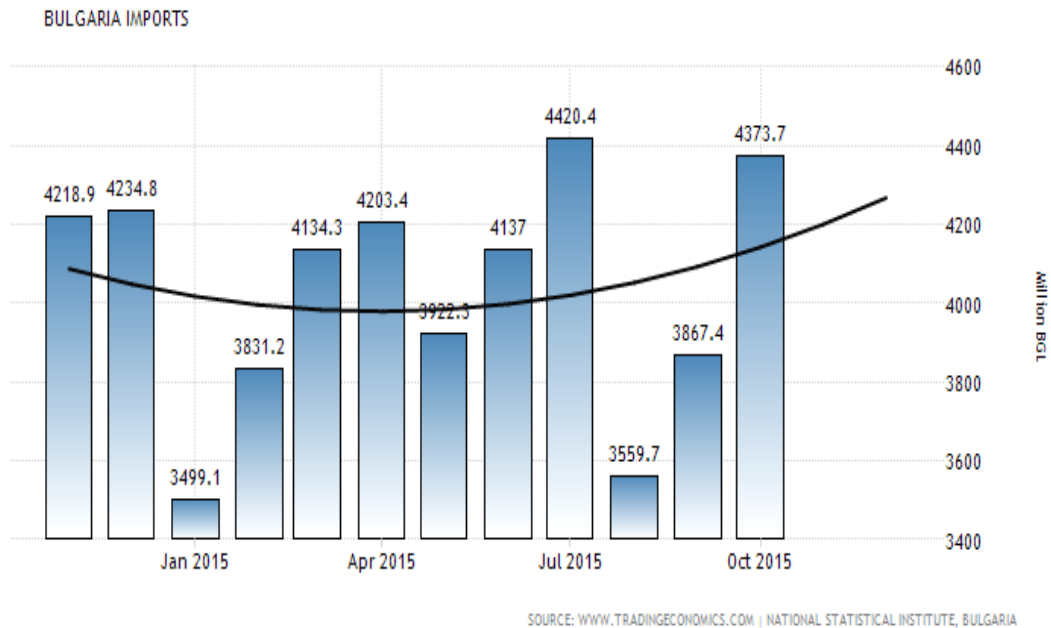


Fig. 2: India Export Performance against Bulgaria
(Source: <http://www.tradingeconomics.com/bulgaria/imports/forecast>)

CONCLUSION

Imports in Bulgaria are expected to be 4284.47 Million BGL by the end quarter of the financial year, according to Trading Economics global macro models and analysts' expectations. During the financial year 2013-2014 and 2015-2016 (in million USD) Organic Chemicals, Plastic and Articles thereof, Pharmaceutical Products, Tobacco and Manufactured Tobacco, are major commodities recorded higher export to Bulgaria. On the basis of the recent performance of India's Export to Bulgaria, including Organic Chemicals, Clothing accessories, Electrical Equipments, Nucleare Reactors, Boilers, Machinery and Mechanical Appliances, Plastic and Articles thereof, Pharmaceutical Products, Tobacco and Manufactured Tobacco, are major commodities exported during the current financial year 2015-2016. India's Export is followed by the market entry strategies and Bulgaria Import forecasts. According to Trading Economics global macro models and analysts' expectations (2015), imports in Bulgaria are expected to be 4284.47 Million BGL by the end quarter of this financial year.

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