

Statement by Mr. Petar Dimitrov,
Minister of Economy and Energy of the Republic of Bulgaria
on the 4th Meeting of the Regional Economic Forum for Southeastern Europe
Dubrovnik, Croatia, Hotel “Dubrovnik Palace”
22 November 2007, 15:30 h

**Your Excellencies,
Dear Ladies and Gentleman,**

For me is honour to take part in today’s meeting. I express my satisfaction that in such important circle we will discuss the guidelines of development of economic cooperation in the region and integration of Balkan countries into European economic structures.

Bulgaria, as an EU member is a center of stability with high level of economic growth on the Balkans. Bulgaria maintains excellent relationships with all the countries from the region and it intends to develop the economic relations with all of them. We consider the economic cooperation will stimulate and guarantee the prosperity and wealth of our region.

Now I will present briefly the recent trends and priorities in development of the Bulgarian economy. Today Bulgaria is considered as an attractive destination for business, which is a key recognition, because, the most exact and impartial value of this what is happening in one country and its economic policy could be given by business and investors.

The maintenance of macroeconomic and financial stability is a necessary condition for economic prosperity and high competitiveness. In the recent years the economic development of Bulgaria is highly successful:

The average rate of GDP growth for the period of 2000-2006 reached 5.4%. Bulgaria takes the seventh place by economic growth rate in the EU. The real GDP growth in 2006 is 6.1% and accelerates to 6.6% in the second quarter of 2007. Rapidly developing private sector, investments and export are the main sources of the realized economic growth.

In 2006 the level of inflation in the country is 6.5% and in the period January-August 2007 – 7.5%. The inflation processes are caused mostly by the dynamic and successful development of the Bulgarian economy and by the deepening of integration processes with the economies of the countries from the Euro-zone, which unavoidably brings gradual equalization of prices in the country with those in the European Union.

The main result of the active policy for employment promotion is a considerable reduction of the rate of unemployment in the country – from 18% in 2000 to 6,78% in September 2007.

In 2006 Bulgarian export is 12.01 billion Euros. It marks growth by 26.9% at year 2005 base and for the first time during the recent years it outruns the import growth (25.2%).

The investments are the crucial factor for economic growth and contribute to the increase the economy competitiveness. The share of the investments in the GDP has grown from 15.7% in 2000 to 29.6% in 2007, which makes Bulgaria one of the leaders in Central and Eastern Europe.

The FDI inflow in 2006 reached 4.4 billion of Euros. By preliminary data, the direct investments in the country in the period January-September 2007 are 3,8 billions of Euro.

The fast economic development as well as the purposeful economic policy made Bulgaria an attractive destination for investments.

For the first time in 2006 Bulgaria was included in the most famous world chart for the economies competitiveness of Swiss Institute for managerial development. Bulgaria is ranked on 47th place in the list of 61 countries. In 2007 Bulgaria is ranked on 41st place in the list of 55 countries.

According to the 2007 investment report of the United Nations Confederation for Trade and Development (UNCTAD), Bulgaria is ranked on the 7th place in the world for the period of 2004-2006 by indicator investment attractiveness.

Bulgaria is ranked on the 5th place by conditions of business climate on the list of 27 countries in the EU, according to the research of the Association of the EUROCHAMBERS. It is due to the following facts:

- 10% corporate tax (reduction by 33%);
- 0% corporate profit tax in 138 municipalities with unemployment rate over 35% (increase of the number of municipalities by 30);
- 0% capital gains tax (CGT);
- 7% dividend tax;
- 7% value added tax (VAT) in tourism;
- Reduction of social and security burden by 9 percents in last two years;
- 10% flat rate tax on personal income as of 2008

In the sphere of economic development and business environment will be paid special attention on maintenance and development of financial stability and high levels of economic growth (over 6%). Special attention has the successful utilization of EU funds.

The realization of these priorities will be achieved through maintenance of macroeconomic and financial stability, encouragement of investments, improvement of business environment, promotion of Research and Development activities, improvement of infrastructure and in particular – transport and energy networks.

In this context the Bulgarian government made changes in the Investment Promotion Law, which came on force on 31st August 2007 and additional stimulation for the investors are offered:

- Shortened terms of administrative services;
- Individual administrative service;
- Acquisition of property rights on real estate – state and municipal property;

- Financial support for construction of infrastructure, especially industrial zones for new industries;
- Finance support for professional training of persons under 29 years old;

The Law is focused on investment promotion in:

- Manufacturing industry, electric power from the renewable energy sources;
- Service sector: high-tech activities in the field of computer technologies, R&D activities, as well as education and health services.

The Bulgarian Government conducts a consistent policy of **modernization of the infrastructure**. For its improvement are utilized all available financial instruments – budget, international loans, the EU programs, foreign investors.

Also it is foreseen a realization of a number of significant measures related to increase of energy effectiveness and stimulation of production and consumption of energy, produced from the renewable energy resources. An importance is given to reduction of energy dependence on external sources and guarantee of security of energy supplies.

In the recent years Bulgaria was an active participant in the process of the trade liberalization in the region, as a member-country of Central European Free Trade Agreement, Memorandum on trade liberalization and facilitation in Southeast Europe – initiatives that have purpose to promote trade. From the beginning of trade liberalization process in the Southeast Europe in 2001, Bulgaria signed free trade bilateral agreements with all the countries in the region that reflected strongly positive on exchange of goods and services.

As of 1st of January our country accepted Common trade policy of the EU which led to termination of the above-mentioned bilateral agreements.

In the moment Bulgaria applies EU principles of stabilization and association towards the countries in the region, as a process for their integration in the Community. Simultaneously the Bulgarian Government makes efforts our EU membership not to be a barrier, but an incentive for development of economic relationships with our neighbors. We consider these efforts as successful. The approval for this is the increase of the bilateral trade of Bulgaria with all countries in the region as of year 2000.

Of course there are more potential, as in the field of trade, as in field of bilateral investments and I hope that it will be efficiently utilized in the coming years.

As a conclusion I would like to assure you that the Bulgarian Government gives significant importance on development and maintenance of active trade and economic relations with the countries from the region. I think that faster integration of all countries in European family will bring stability and prosperity of the whole region.

Thank you for the attention