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Protective Structures in Bulgaria

About

Shortly after the end of the Kosovo war, the last of the Yugoslav dissolution wars, the Balkan Reconstruction Observatory was set up jointly by the Hellenic Observatory, the Centre for the Study of Global Governance, both institutes at the London School of Economics (LSE), and the Vienna Institute for International Economic Studies (wiiw). A brainstorming meeting on Reconstruction and Regional Co-operation in the Balkans was held in Vouliagmeni on 8-10 July 1999, covering the issues of security, democratisation, economic reconstruction and the role of civil society. It was attended by academics and policy makers from all the countries in the region, from a number of EU countries, from the European Commission, the USA and Russia. Based on ideas and discussions generated at this meeting, a policy paper on Balkan Reconstruction and European Integration was the product of a collaborative effort by the two LSE institutes and the wiiw. The paper was presented at a follow-up meeting on Reconstruction and Integration in Southeast Europe in Vienna on 12-13 November 1999, which focused on the economic aspects of the process of reconstruction in the Balkans. It is this policy paper that became the very first Working Paper of the wiiw Balkan Observatory Working Papers series. The Working Papers are published online at www.balkan-observatory.net, the internet portal of the wiiw Balkan Observatory. It is a portal for research and communication in relation to economic developments in Southeast Europe maintained by the wiiw since 1999. Since 2000 it also serves as a forum for the Global Development Network Southeast Europe (GDN-SEE) project, which is based on an initiative by The World Bank with financial support from the Austrian Ministry of Finance and the Oesterreichische Nationalbank. The purpose of the GDN-SEE project is the creation of research networks throughout Southeast Europe in order to enhance the economic research capacity in Southeast Europe, to build new research capacities by mobilising young researchers, to promote knowledge transfer into the region, to facilitate networking between researchers within the region, and to assist in securing knowledge transfer from researchers to policy makers. The wiiw Balkan Observatory Working Papers series is one way to achieve these objectives.

Measuring Costs of Protection

This study has been developed in the framework of the Jubiläumsfondsprojekt Nr. 9957: Measuring the Costs of Protection in the Southeast European Countries.

The objective of the project was to analyse quantitatively the costs of current protection in the Southeast European region or, to put it the other way around, to assess the potential benefits of liberalisation in the Balkans. In this way, the study was designed to be able to estimate the intra-regional gains and losses from breaking up fragmented structures and to show the policy implications that arise from this for each of the Balkan countries and the EU in the light of bilateral free trade agreements.

The programme was financed by the Jubiläumsfonds der Oesterreichischen Nationalbank.

For additional information see www.balkan-observatory.net, www.wiiw.ac.at and www.oenb.at

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Trade Regime and Non-Tariff Barriers on Imports in Bulgaria

Introduction

This paper is part of the Project 'Measuring the Costs of Protection in the SEECs'. It deals with the issues of Bulgaria's trade regime. As stipulated by the Project's ToR, data on tariffs have been compiled for 2002. Since 2001 few changes have been introduced in the customs tariff and the non-tariff regulations in Bulgaria, so the presented 2002 customs tariff and foreign trade regulations are representative of the current status.

The short history of foreign trade regimes and regulations executed since 1991 until today illustrates the difficulties and setbacks in the process of demolition of the state monopoly over foreign trade, established during the period of socialism. There are two clear-cut periods in this process: the period of 1991-1995 and the period since 1998.

Part one presents the general status of the Bulgaria's customs tariffs and foreign trade regulations and briefly explains its evolution since 1991. The average customs tariff is gradually reduced and is much lower than the negotiated with WTO. The core principle of foreign trade policy is the establishment of free trade agreements

The customs tariff structure and evolution and the concessions granted to the SEEC and EU are described in section two. The structure of the *ad valorem* duties is a stepwise one – raw materials and intermediate products bear the lowest rates of 0% to 10%. Manufactured goods bear higher levels of 10 to 25% on average. The most protected products in the free trade agreements are as follows: meat of poultry, cheese and curd (in particular feta cheese), fresh grapes, milk and cream, butter, tobacco, beer of malt, vinegar, cigarettes, yogurt, natural honey, vegetables and preparations, fruits and preparations, sausages, sugar confectionaries, wines of fresh grapes, spirits.

Non-tariff barriers are presented in section three. The existing licensing requirements stem mostly from Bulgaria's obligations under certain international treaties and conventions. The competent authorities issue permits for transactions concerning a limited number of products exclusively for protecting public morals, public order and national security, for safeguarding national artistic, historical and architectural masterpieces. Foreign trade regulations, however, underwent considerable changes since 1991 on the way to establishing the current streamlined, stable and simple system of rules.

Agriculture is a sizable sector of the economy supported by the state through subsidies, tax exemptions and high customs tariff – described in section four. In terms of *ad valorem* duties the highest average rate bear tobacco and tobacco manufactures, beverages feature the widest band. The products with least concessions to the SEEC and EU countries are beverages, tobacco and tobacco manufactures, dairy products and birds eggs.

Another sector with important share in the Bulgarian economy is the textiles and apparel industry – the customs tariffs are presented in section five. On average it bears a higher customs tariff compared to industrial products as a whole. However, the free trade agreements (except the one with Croatia) grant zero tariff rate on this commodity group. The conditions for commercial presence in the services sector in general and in particularly in telecommunications are presented in the last section. Bulgaria has achieved a reasonable degree of alignment with the regulatory framework in the area of telecommunications.

1 General notes

Bulgaria is a small country with an open economy heavily dependent on imports of fuels and raw materials. Traditional trade relations established during the socialist regime suddenly broke down after the disintegration of the socialist countries' common market and since 1991 together with the transformation of the centrally planned economy into a market economy initiated violent institutional and structural changes in Bulgaria's external trade.

In the period 1991 to 1995 institutional changes, related to the abolition of the state monopoly on foreign trade resulted in the creation of a cumbersome system of rules including a stepwise Customs Tariff and an array of highly volatile discretionary non-tariff Foreign Trade Regulations. This policy built up a barrier to the penetration of import competition into the domestic market and supported the conservation of the monopsony and monopoly market structure established under the socialist regime.

The accession of Bulgaria to the World Trade Organization in December 1996 and later the continued efforts to harmonize with the EU requirements initiated a squeeze out of all non-tariff regulations and stabilized to a very high degree the foreign trade regime. The average customs tariff is gradually reduced and is much lower than the negotiated with WTO. The core principle of foreign trade policy is the establishment of free trade agreements (see section 2.2.).

Bulgaria applies all multilateral trade agreements, annexed to the Marrakesh Agreement from the date of accession without recourse to any transitional period. Bulgaria became a Party to the International Dairy Agreement and the International Bovine Meat Agreement. Bulgaria became a Party to the Agreement on Trade in Civil Aircraft at the time of accession to the WTO, and subsequently – from 1 January 2002, to the Information Technology Agreement.

The Customs Law that entered into force on 1 January 1999 is based on the EU Customs Code. The same procedure and regimes as those of the EU are applied: release for import; transit; customs warehousing; inward processing; processing under customs control; temporary admission; outward processing; export; temporary export, etc.

The Customs Tariff of Republic of Bulgaria, applied in 2002, consists of the Combined Nomenclature of the Republic of Bulgaria and the appropriate rates of customs duties. The Combined Nomenclature of the Republic of Bulgaria is based on the international Harmonized Commodity Description and Coding System and on the EU Combined Nomenclature. The adoption of both the 1999 Customs Law and the Customs Tariff is a part of the National Strategy for joining the European Union as well as comes from the commitment to the WTO/GATT.

Since 1 January 2002 Bulgaria has begun introducing the Integrated Customs Tariff, which is based on Combined Nomenclature of the Republic of Bulgaria and includes subdivisions of codes on national level, tariff suspensions, preferences, etc.

Customs valuation is based on the transaction value – the price actually paid or payable for the goods when sold for export to Bulgaria, defined in Bulgarian leva. The dutiable value is CIF, consisting of the purchase price, transportation costs, insurance charges, commissions, royalties, licence fees and all other expenditures associated with the transport (e.g., loading and unloading) for delivery to the Bulgarian border.

Goods may be declared by a customs declaration, by designated simplified procedures such as a simplified customs declaration, a commercial or other document, or by entry in the records of the declarer, or by data-processing entry or other approved method. The customs authorities may carry out post-clearance examination of relevant documents or data.

The Regulations for the Application of the 1999 Law on Customs require a certificate of origin, commercial invoice, insurance invoice, bill of lading, and packing list for all imported and exported products. In some cases additional information may be required such as receipt of payment of customs processing fees, bill of health (depending upon products), and certificate of import/export (authorization or licence). Agricultural products require a certificate of quality and origin, a veterinary or phyto-sanitary certificate, and other applicable health and safety certificates.

If imports are sourced from the European Union, a movement certificate (Form EUR 1) is necessary if the products are to qualify for reduced duties (pursuant to the terms of the Association Agreement). Form EUR 2 should also be included if the shipment is valued below EUR 5,110.

Upon arrival, products for human consumption should be analyzed in approved local laboratories in cooperation with local authorities. The State Agency for Standards and Metrology strictly enforces Bulgarian quality standards, which do not always coincide with generally accepted international standards. Foreign certificates may or may not be considered adequate. After approval is issued, the commodities may be sold on the local market.

Bulgaria applies a 20% value-added tax on most goods and services, including imports. Exports and supplies of goods in custom warehouses and free zones do not attract VAT. Excise duties are levied on a limited number of products for mainly health and environmental reasons. Exports are again exempt from such duties.

2 The customs tariff

2.1 Overview and trends

Bulgaria applies *ad valorem* duties for all the industrial products[1] and for 83.9% of the agricultural products. The remaining 16.1% of duties on agricultural goods are specific, mixed, compound or seasonal duties (see Appendix 1 Positions with specific, mixed, compound or seasonal duties). The positions listed in Appendix 1 represent part of the most protected commodities in the Bulgaria's customs tariff – agricultural products and few processed foods, bearing either a specific duty in euro per unit of measurement or both *ad valorem* and euro per unit of measurement. As stated in section 3.1 since 1996 non-tariff import regulations have been inserted in the customs tariff in compliance with the WTO requirements. The share of mixed tariffs is 10.22% in the data base of HS 6-digit aggregation of positions in chapters 1 to 24 (of 715 positions 73 are with mixed tariffs).

In the Customs Tariff of 2002 duties on significant number of goods have been reduced compared to 2001; the average rate for industrial goods is 8.6% with respect to imports treated according to the Most Favoured Nation clause.

The structure of the *ad valorem* duties is a stepwise one – raw materials and intermediate products bear the lowest rates of 0% (a large number of industrial intermediate products are treated with zero rates: energy sources, raw materials, medicines and others) to 10% (there are some exceptions with highest than 10% rate). Manufactured goods bear higher levels of 10 to 25% on average (Table 1).

1 An exception is one tariff line for which a specific rate is applied - 330210100 Preparations containing all flavouring agents characterizing a beverage of an actual alcoholic strength by volume exceeding 0,5 %.

Table 1

Arithmetic Mean Average Customs Tariff *

(In per cent)

	General Customs Tariff (most favoured nation) Arithmetic Mean (1995)	Arithmetic Mean (2002)
Nominal Customs Tariff	18.1	11.9
On inputs and intermediate products	15.7	9.4
- Agricultural (from chapters 1-24)	25.0	15.0
- Manufacture (from chapters 25-97)	12.5	7.1
On final goods	19.8	14.3
- Agricultural (from chapters 1-24)	32.2	30.0
- Manufacture (from chapters 25-97)	18.5	9.3

* *Note:* Approximate estimation, based on four-digit headings of the Customs Tariff.

Table 1 compares the arithmetic average of customs tariffs in 1995 and 2002. The process of custom duties reduction has been quite prominent for industrial inputs and intermediate products (by 40%) and especially of final manufactured goods (by 50%). Less progress has been made in the agricultural goods and processed food – a reduction of input and intermediate products tariff by 40% and a reduction of final goods duties only by 7%.

2.2 Customs tariffs by countries in the region and EU

The Customs Tariff and its annexes provides for the following basic types of rates:

1. Conventional, applied to commodities coming from countries to which Bulgaria granted the Most Favoured Nation clause (WTO as well as other countries);
2. Reduced, applied to commodities originated from the EU, EFTA and CEFTA countries, Turkey, Macedonia, Estonia, Croatia and Israel;
3. Preferential, applied under the General System of Preferences for commodities listed in separate annex, coming from the developing countries (70% of the conventional rates) and from the least developed countries (suspension of rates).

A core principle of foreign trade policy of Bulgaria is the conclusion of free trade agreements.

The Europe Agreement establishing an Association between the European Communities and the Members States (EAA), on the one part, and the Republic of Bulgaria, on the other part, was signed in March 1993 and entered into force on 1 February 1995. The Interim Agreement on Trade and Trade Related Matters covering trade components came into force on 31 December 1993. The EAA was notified to and examined by the WTO Committee on Regional Trade Agreements.

In accordance with the trade provisions of the EAA, the imports into the EU of industrial products originating in Bulgaria (since 1 January 1998) and the imports into Bulgaria of industrial products originating in the EU (since 1 January 2002) is completely liberalized. The measures having equivalent effect to customs duties and non-tariff restrictions regarding trade in industrial goods are also completely abolished. The EAA is more comprehensive than other agreements including also provisions concerning payments, capital movement, trade in services, competition, approximation of legislation, cooperation in different fields, etc.

The Republic of Bulgaria has also a free trade agreement with the member states of EFTA and has also acceded to CEFTA as of 1 January 1999. Bilateral free trade agreements have been concluded with Turkey, Macedonia, Israel, Lithuania, Latvia and Estonia.

In 2001 Bulgaria signed a Memorandum of Understanding on Trade Liberalization and Facilitation between countries in South-Eastern Europe within the framework of the Stability Pact. Hence in accordance with its obligations, Bulgaria finalized the negotiations on conclusion of free trade agreements with Serbia and Montenegro, and Bosnia and Herzegovina. The FTA with Albania was signed on 26 March 2003 and its entry into force is pending.

Table 2

Customs tariff by countries in 2002

Country	**Type of Customs Tariff**	**Nominal Average Rate**		
		Average	Ch 1-24 (agriculture and processed food and beverages)	Ch 24-97 (industrial products)
Serbia and Montenegro	MFN	15.1	21.5	8.6
Bosnia and Herzegovina	MFN	15.1	21.5	8.6
Albania	Preferential of 70% of MFN	10.2	14.9	5.4
Macedonia	Free trade agreement	10.8	21.5	0.0
Croatia	Free trade agreement	6.75	11.5	2.0
Romania	CEFTA (since January 1999)	5.2	10.5	0.0
Slovenia	CEFTA (since January 1999)	5.2	10.5	0.0
European Union	Association Agreement with EU (signed in 1993)	8.75	17.5	0.0

Note: For chapters 1 to 24 positions not included in the respective free trade agreement are taxed at the MFN rate.

Table 2 exhibits that as far as agricultural products and processed food are concerned Bulgaria has granted the best concessions to Romania, Slovenia and Croatia. The most protected products in the free trade agreements are as follows: *meat of poultry, cheese and curd (in particular feta cheese), fresh grapes, milk and cream, butter, unmanufactured* *tobacco, beer of malt, vinegar, cigarettes, yogurt, natural honey, vegetables and preparations, fruits and preparations, sausages, sugar confectionaries, wines of fresh grapes, spirits.* A special concession of 25% rate is granted to EU on *chocolates* import in Bulgaria, while for imports of chocolates from the other countries the rate is 74%.

3 Import and export regulations (NTB)

The existing licensing requirements stem mostly from Bulgaria's obligations under certain international treaties and conventions. The competent authorities issue permits for transactions concerning a limited number of products exclusively for protecting public morals, public order and national security, for safeguarding national artistic, historical and architectural masterpieces.

Foreign trade regulations, however, underwent considerable changes since 1991 on the way to establishing the current streamlined, stable and simple system of rules.

3.1 Import and export regulations (NTB) in 1991-1995

In the period 1991 – 1995 specific regulations and licensing procedures in compliance with international agreements and standards applied to trade with weapons and military equipment, drugs, precious metals, precious stones and jewellery, radioactive materials, explosive substances, Freon gases and articles using ferns, refrigerators and air conditioning systems operating with ferns[2]. But in addition a considerable number of stringent non-tariff regulations introduced a high rate of discrimination across commodity groups.

Table 3

Share of commodities under regulatory regime *

(In per cent)

	1993	1994	1995
In exports	35.0	42.1	36.8
In imports	29.7	37.7	32.4

Note: * Approximate estimation, based on four-digit headings of the Customs Tariff.

The regulations, along with the Customs Tariff, attempted to shelter from import competition certain sectors of the economy like *agriculture* and *food industry* and to preserve low input prices for the most important net export sectors like *wine production,*

[2] These are the only items subjected to non-tariff regulations in the ex-socialist Central European countries. See ‘How the Market Transition Affected Export Performance in the Central European Economies’ by Bartlomiej Kaminski, The World Bank, September 1993, WPS 1179.

tobacco manufacturing, footwear and textiles, ferrous and non-ferrous metals and articles, petroleum fuels and oils.

Export bans and charges had been imposed on *cereals, cereal products, sunflower seeds and sunflower oil* in an inconceivable and unpredictable way. The tight domestic price control[3] imposed on these commodities supported the existence of large differentials with the corresponding international prices. The price of wheat in Bulgaria in 1994 represented 40% of the price of wheat in the European Community and 57% of the world price[4]. Producers either accumulated excess reserves or exported all possible quantities, depending on their expectations about future changes in the export regulations. For example, the 1995 cancellation of the ban on wheat exports (the ban was effective in 1993 and 1994) not supported by domestic price liberalization initiated exports of both all stored quantities of 1994 wheat harvest and a quarter of 1995 harvest creating shortages in the domestic market.

Specific import restrictions like import charges, import quotas or minimum price of imported goods for a number of agricultural products including tobacco applied till the end of 1995. In 1996 these non-tariff import regulations were inserted in the Customs Tariff as a minimum absolute US dollar duty on quantities in compliance with the procedures of Bulgarian accession to the WTO, which require the extinction of non-tariff import regulations. In fact, the level of the duties was so high that it effectively prohibited imports due to price non-competitiveness of imported goods at the domestic market.

The *main consequences* of the applied in 1991 – 1995 foreign trade regimes can be summarized as follows:

First, the non-tariff export and import regulations together with the Customs Tariff's structure impeded the penetration of foreign firms and of import competition at the domestic market. This outcome of the foreign trade policy has been supplemented by an extremely slow speed of privatizing the state property[5]. As a result, the monopsony and monopoly market structures established under the socialist regime have been preserved.

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[3] The price control concerns basic foodstuffs, fuels and electricity, central district heating, public passenger transport, public communications, water supply, medicines. According to the regulation the profit margin is fixed to 12% to the full costs and the trade margin is fixed at 14% to the full costs of the trader. Any price increase should pass the approval of the Price Commission by presenting strong arguments for full costs changes.

[4] In comparison, in 1994 the price of wheat in Lithuania represented 45% of the wheat price in the European Community and 64% of the world price, in Hungary respectively 56% and 80%, in Rumania -- 60% and 86%. See newspaper 'PARI', November 14th 1996, Borjana Semkova.

[5] As of end 1995 the share of employees in privatized state enterprises to total employment in the state sector is 1.2% and the share of the fixed assets of the privatized enterprises to the total value of fixed assets in the state sector is 1.8% . See 'The Bulgarian Economy in 1995 and Forecasts for 1996-1998', Annual Report of the Agency for Economic Co-ordination and Development, 1995.

Second, the alleviation of or exemption from import duties of important raw inputs and fuels supported by subsidized energy supply and the tolerance of soft budget constraints, lowered the cost of production for the major exporting industries. The price control mechanism[6] which since 1991 covered an ever enlarging list of consumption goods targeted at moderating inflation and easing the pressure of wage claims. Wage increase has been depressed by direct control through the mechanism of the wage bill ceilings and the relatively high rate of unemployment. Overall the economy labour costs in real terms stayed constant in 1992 and 1993 and started declining in 1994 and 1995. As a result, costs of production remained rather low creating an imaginary competitiveness of Bulgarian exports.

Third, this type of economic policy, preserving monopoly domestic market structures and keeping under control costs of production, widened the margin between international and domestic prices as well as the wedge between domestic prices of raw products and domestic prices of the related processed goods. It initiated a persistent and very strong incentive to export especially of raw and processed agricultural goods. However, export incentives became so strong that they threatened the domestic market equilibrium and hence, the overall economic stability of Bulgaria. Administrative measures, erroneous in essence, are not the proper instrument to solve the fundamental economic process of spontaneous price equilibration and they have had an adverse effect on domestic production and domestic market equilibrium.

3.2 Import and export regulations (NTB) since 1998

In 1997 a new economic policy programme was launched targeted at liberalization of markets and the establishment of a functioning market economy, a prerequisite for a successful completion of EU membership negotiations. In its 2002 Regular Report on the Bulgaria's Progress towards Accession the European Commission stated that Bulgaria has become a functioning market economy.

An important step made in 1997 was the liberalization of domestic prices. As of today the share of goods and services with administrative prices in the consumption basket is about 20% and they include prices of: electricity for households, water supply, central heating, postal services, tobacco products, medicines. Similar steps have been undertaken in the field of foreign trade regime and regulations.

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6 The price control concerns basic foodstuffs, fuels and electricity, thermal heating, public transport and communications, water supply, medicines. According to the regulation the profit margin is fixed to 12% to the full costs and the trade margin is fixed at 14% to the full costs of the trader. Any price increase should pass the approval of the Price Commission by presenting strong arguments for full costs changes.

Since 1998 the range of goods requiring automatic licensing has been substantially reduced. Since the beginning of 2001, the procedure for registration of foreign trade transactions has been simplified as the ‘one-stop shop’ system was introduced.

Transactions of only few goods are subject to registration in 2002 and they include:

- polycarbonates; stampers (matrixes) for compact disk production in case of entry; responsible for registration is the Ministry of Economy;
- hard alcohol drinks in bulk and alcohols, used in beverages production; registration is performed by the Ministry of Economy;
- some kinds of timber in case of export; registration is performed by the Ministry of Agriculture and Forestry.

During 2002, permits (licensing) are required for transactions with several commodity groups. Some of these more significant groups include:

- entry, export and re-export of nuclear material, radioactive substances and other sources of radiation, always in compliance with the requirements of the Peaceful Use of Atomic Energy Act. Authority responsible for registration is the Committee for Peaceful Use of Nuclear Energy.
- entry, export and re-export of gunpowder, explosives and pyrotechnic material and products made from them for civil uses; trinitrotoluene (TNT); hunting and sporting arms, gas- and signal- guns and revolvers and ammunitions for these, and in case of entry: of sights, laser beam sights and gas sprays, always in compliance with the requirements of the Law on the Control of Foreign Trade Activity in Arms and in Dual-Use Goods and Technologies. Responsible authority: Ministry of Economy;
- imports of pharmaceuticals for human medicine, always in compliance with the Human Medicine Pharmaceuticals and Pharmacies Act; Responsible authority: Ministry of Health;
- in case of entry, direct transit, export and re-export of military products or special-purpose products, and of goods and technologies with possible dual use (civil and military) – always in compliance with the Law on the Control of Foreign Trade Activity in Arms and in Dual-Use Goods and Technologies, the Decree for Adoption of Regulation on Implementation of the Law on Control of the Foreign Trade Activity in Arms and Dual-Use Goods and Technologies and the List of Arms and Goods with Possible Dual Use, determined in Decree of the Council of Ministers No. 205/1998;

Bulgaria applies export quotas only for those goods, which are subject to international agreements. Quotas are applied for the export of textile and clothes to the USA and Canada. No customs duties are charged for exported goods. There is also a zero rate VAT applicable to exports. The import of some commodities is prohibited; among them are substances with ozone-destructive potential (Freon gases), waste and other dangerous for environment materials.

Bulgaria applies tariff quotas on MFN basis in accordance with the Schedule of Concessions and Commitments, autonomous tariff quotas and tariff quotas under the free-trade arrangements. All tariff quotas are allocated on a first come, first served basis. The sizes of the quotas are determined by calendar year. Quota allocations are distributed by the Ministry of Economy through a tendering process or auction. No single applicant may receive a quota allocation larger than 35% of the total. Quota recipients may be required to place a deposit or a performance bond issued by a bank.

4 Specific support to agriculture

Agriculture produces 20.2% of gross value added in 2002 and hires about 25% of all employees. Although it is not a dynamically developing sector it is highly protected by a range of policy measures – state subsidies, tax exemptions, and customs tariff.

Agricultural output is split almost equally between crops output and livestock output. Crops produced in Bulgaria include: cereals, principally wheat, barley, maize; industrial and oleaginous-bearing crops, of which sunflower, sugar beet, cotton, and tobacco dominate; grapes and wine; and vegetables and fruit, mainly tomatoes, green and red peppers, cucumbers, apples, plums, cherries, peaches, apricots, and berries.

Table 4

Main agricultural sectors

	2002	2003
Shares in Crops Output		
Cereal crops	33.56%	30.50%
Vegetables	30.26%	34.62%
Fruits	14.07%	11.72%
Industrial crops	11.76%	13.67%
Shares in Utilized Agricultural Land		
Wheat	25.97%	16.96%
Sunflower	8.96%	12.67%
Maize	6.76%	9.17%
Barley	7.38%	5.36%
Vegetables and flowers	1.03%	3.22%
Vineyards	2.30%	2.29%
Orchards	1.52%	1.68%

Source: National Statistical Institute

The main livestock production involves the breeding of cattle and water buffalo, sheep and goats, pigs, poultry, rabbits, horses, bees, and silkworms.

Food and agriculture have historically been major components of Bulgaria's foreign trade, contributing up to a quarter of total exports. The value of agricultural exports fell between 1990 and 1997 by two thirds and continued to decline up to 2000. In 2003, Bulgaria's agricultural and food exports were estimated at EUR 444 million, an increase of 40% over 2000. Generally the balance of agro-food trade is positive but fluctuates considerably across the years depending on the crops performance. In 2001 the balance was just EUR 9 million, in 2002 EUR 122 million and in 2003 EUR 25 million. The main agricultural export products are cereals; vegetables and fruit; non-alcoholic and alcoholic beverages (mainly wine) and vinegar; tobacco and tobacco manufactures; meat and offal for consumption; dairy products and bird eggs.

Table 5

Share of food and live animals in total exports

	2001	**2002**	**2003**
Food and live animals	6.26%	8.29%	6.67%
Cereals and cereal preparations	1.83%	3.51%	na
Vegetable and fruit	1.42%	1.50%	na
Beverages	1.35%	1.23%	na
Tobacco and tobacco manufactures	1.15%	1.09%	na
Meat and meat preparations	1.04%	0.88%	na
Dairy products and bird eggs	0.45%	0.47%	na
Sugar, sugar preparations and honey	0.27%	0.46%	na
Live animals	0.20%	0.30%	na

Source: National Statistical Institute

Data about the structure of farms by legal status exhibits that in 2001 50% of utilized land is held by cooperatives, 23.8% by legal entities and one-man traders and 25.6% by natural persons. The number of firms dealing with foreign trade activity is substantial – about 5% of all firms are engaged in exports and about 10% in imports activities.

Since acceding to the WTO in 1996, Bulgaria has made considerable progress in liberalizing its agricultural trading regime. Since 1997, licensing requirements for import and export of agricultural products have been removed; currently, there are no automatic or non-automatic licensing provisions or export taxes on agricultural products and livestock. The only import protection on agricultural goods is now through tariffs. As far as subsidies to agriculture are concerned Bulgaria is much underneath the negotiated with WTO level.

4.1 State subsidies

State support to agriculture is transmitted to the beneficiaries by two state funds –the State Fund for Agriculture (SFA) and the Tobacco Fund. The SFA provides resources for financial support to market-oriented producers of primary agricultural products.

The State Fund for Agriculture

The financial resources of the State Fund for Agriculture (SFA) are provided wither through loans or through subsidies. The SFA's Management Board adopted in 2002 a short-term lending and subsidy schemes and at the end of the year reported amount of subsidies at BGN 24.6 million for the following sectors:

- cereals and oleaginous crops for purchases of: mineral fertilizers, crop protection preparations (for wheat, barley, sunflower, grain maize and sorghum); seed for black oil sunflower, grain maize and sorghum; diesel fuel for the 2002 harvest; storage (2002 harvest wheat). In order to support 2003 harvest, SFA was lending and subsidizing the purchase of mineral fertilizer for wheat and barley and subsidized the purchase of seed (wheat and barley) and diesel for the sowing campaign;
- potato production – seed for consumption potatoes;
- rapeseed production – a subsidy for seeds;
- cotton production – seeds, crop protection chemicals and the subsidy for output buy-ins;
- vegetable production – seeds, fertilizers and crop protection chemicals for red peppers , tomatoes and gherkins for the canning industry and a subsidy for output purchases;
- sugar beat production;
- milk production – a subsidy for high quality milk purchases;
- animal-breeding – a subsidy for mammals and birds from the National gene pool in 2002;

In accordance with the integrated model for financial backing within the Strategy for the Development of Agriculture and Rural Areas (2003-2006), and in an attempt to meet the commitments of the Bulgarian government under ASAL 2 (World Bank project), direct targeted subsidies were expanded in 2003 and the share of short-term loans was reduced.
In 2002, BGN 26.5 million were paid out under the SAPARD programme as subsidies over 97 contracts for funding investment projects.

The Tobacco Fund

Pursuant to The Tobacco Act, registered tobacco producers are eligible to receive seed free of charge funded by the Tobacco Fund. The Tobacco Fund's Management Board approves an annual production plan providing the stages in keeping up the variety pool and seed production by contracting activities out to legal entities /typically tobacco-related academic institutions/ and individuals. Based on the production plan, contracts are signed with provisions for implementation and funding. The Tobacco fund expenses under this item in 2002 are BGN 1 million.

Aimed at regulating tobacco production buying-in and sales, based on a proposal put forward by the Tobacco Fund Management Board, the Council of Ministers decides each year on the terms and conditions in granting premiums to tobacco producers based on raw tobacco output and buy-ins. The 2002 harvest tobacco was premiered to the tune of BGN 91.0 million. This amount was allocated among 51 540 tobacco producers.

Based on a Decision ? 324 from 29.04.2003, the Council of Ministers decided the 2002 harvest of Oriental and Burley tobaccos to be supported by an overall BGN 24.5 million. The support was targeted at actually bought-in output.

The support provided by the Tobacco fund in 2002 was of BGN 117 million.

Other government support to agriculture

In 2002 development and reform support through the MAF budget amounted to BGN 44.8 million, the most important covering the following types of action: Forestry reform; maintenance and protection of irrigation facilities of national importance; Immunization and prevention programme; Targeted support to tobacco producers; Destruction of expired pesticides stocks, fighting the Moroccan and Italian locust; hailstorm prevention (missile testing); the National Agrarian Science Centre (improving highland crop growing and animal-breeding models); The National Forestry Department (hunting, fishing and biodiversity action).

4.2 Tax exemptions

Tax exemptions to farmers are governed by the Corporation Income Taxation Act /CITA/, the Physical Persons Taxation Act /PPTA/, the VAT Act /VATA/ and the Local Taxes and Charges Act /LTCA/.

Corporation Income Taxation Act (CITA)

In accordance with the Corporation Income Taxation Act (CITA), 60% of corporate tax is exempted to legal entities which are agricultural producers, for unprocessed crop and animal production, e.g. bee-keeping, silk worm breeding, fresh water fisheries from artificial reservoirs and greenhouse produce without the ornamental products. ('Unprocessed crop and animal production' is every primary product obtained from plants or animals and used in its natural circumstance, without any industrial or other kind of processing leading to changes in its physical or chemical characteristics or composition). The exempted tax should be reported as reserves. It may only be valid if the exemptions transformed into reserves are then reinvested into the above mentioned activities.

Other types of exemptions provided by CITA are arranged by the specific rules for the taxable profit of cooperatives. The production and member dividend paid out to members up until the 25 March of the following year ought to be deducted from the coops' taxable profit. Production and member dividends currently paid to workers or members do not participate in pre-tax profit formation but are reported as receivables according to the accountancy statutory regulations. Pre-tax profit is deductible by the amount of paid out production and member dividends set off at profit distribution. If a cooperative has reported losses or insufficient profit to cover production or member dividends paid out throughout the year on current basis, the latter amount is reported as costs and is deductible from pre-tax profit. The production dividend received by coop members is taxable as physical person in-come under the Physical Persons Taxation Act (PPTA). The so called consumer dividend to coop members is not liable to income taxation.

Local legal entities involved in processing tobacco or any other agricultural products do not pay corporate tax in advance over the period from April to September.

Physical Persons Taxation Act (PPTA)

Physical Persons Taxation Act (PPTA) provides for preferences to farmers. Agricultural producers who are physical persons are not liable to income tax including sole traders if they are involved in the production of unprocessed crop or animal commodities in bee-keeping, silk worm breeding, fresh water fisheries from artificial reservoirs and greenhouse produce without the ornamental products.

Revenues from agricultural or forestry property sales or exchanges are also non-taxable regardless of the number of transactions, if more than 5 years have elapsed between the time of acquisition and the time of sale.

Physical person's income is not taxable if coming from rent, lease or other kind of profitable farm land operation.

Free-lancing individuals in agricultural production form their income tax basis with taxable income reduced by production costs of up to 70% for animal or poultry breeding, for bee-keeping and silk worm breeding, for the unprocessed commodities from these activities as well as for mushroom cultivation, and 60% for forest and water farming /including fisheries/ and for crop growing.

The VAT Act

The VAT Act (VATA) also holds provisions for tax preferences in agriculture or farm commodity transactions. The following operations are rendered exempt by VATA:

- farm land title conveyance, the institution or conveyance of restricted material rights on farm land and leasing out farm land,
- sales of bread or feed grain, acquired as a whole or partial rent payment in kind,
- farm machinery services on farm land owned by coop members where the machinery is property of the same coop; growing and acquiring produce from the same land for the purposes of the same coop;

Another preference has been introduced for exempting VAT on tobacco producer premiums extended by the Tobacco Fund after 1.01.1999.

Local Taxes and Charges Act (LTCA)

The Local Taxes and Charges Act (LTCA) also has provisions for agricultural tax exemptions. Farm land and forestry are not liable to immovable property taxation except developed land, within the actually developed area and the adjacent land strips. However, profitable property acquisitions, including farm land are taxable by 2% from the property value, and in the event of exchanges, from the value of the more expensive product.

Charges and taxes, collected from the agricultural sector

The overall 2002 amount of state fees and revenues from services supplied across the Ministry of Agriculture and Forestry system is BGN 163,5 million, with state fees of BGN 58,3 million, and services revenues at BGN 105,2 million. These revenues are collected by: National Veterinary Service; The Executive Agency for Selection and Reproduction in Animal-Breeding; The Executive Agency for Fisheries and Aquacultures; The National Grain Service; The National Service for Crop Protection, Quarantine and Agro-chemistry; The Executive Agency for Variety Testing, Approbation and Seed Control; The National Forestry Department; Testing and control of agricultural and forestry machinery and spare parts; MAF state fees including grain trader registration fees.

In 2002 the following amounts have been transferred to MAF (including the Tobacco Fund): Excise duty on tobacco products – BGN 120 million; Customs duties and fees – BGN 0,2 million.

4.3 Customs tariff on food and live animals

As stated above (section 2.1) 16.1% of duties on agricultural goods are specific, mixed, compound or seasonal duties (see Appendix 1 Positions with specific, mixed, compound or seasonal duties). The tariff rates are higher in the season of ripening of vegetables and fruits, typical for Bulgaria. Customs tariff imposes a barrier to agricultural and foods entry, explaining the low share of food and live animals imports in total.

Table 6

Share of food and live animals in total imports (%)

	2001	**2002**	**Average tariff rate in 2002 (%)**	**Min Tariff rate (%)**	**Max Tariff Rate (%)**
Food and live animals	4.29	4.53	25.2	3.0	74.0
Vegetable and fruit	0.70	0.85	28.5	10.0	57.0
Meat and meat preparations	0.54	0.69	27.4	3.0	50.0
Sugar, sugar preparations and honey	0.78	0.69	31.1	0.0	55.0
Cereals and cereal preparations	0.51	0.45	28.6	5.0	60.0
Tobacco and tobacco manufactures	0.40	0.40	36.3	12.0	55.0
Beverages	0.19	0.21	33.1	5.0	74.0
Dairy products and bird eggs	0.17	0.20	4.5	0.0	10.0
Live animals	0.05	0.05	25.2	3.0	74.0

Source: National Statistical Institute

In terms of *ad valorem* duties the highest average rate bears tobacco and tobacco manufactures and beverages feature the widest band. The average tariff rate by the countries in the region and EU is presented in Appendix 2. The products with least concessions are beverages, tobacco and tobacco manufactures, dairy products and birds eggs.

5 Customs tariffs on textiles and apparel

Historically food processing, beverages and tobacco industry has dominated the industrial structure of Bulgaria. In the last ten year the textiles and apparel industry, driven by exports and foreign direct investments, developed very fast and already represents the most important sector in manufacturing.

Table 7

Bulgaria: Manufacturing in 2002

	Share in Employees	Share in Production
Manufacturing	100.0	100.0
Manufacture of textiles, apparel	27.4	10.6
Manufacture of food products, beverages and tobacco	18.3	21.6
Manufacture of machinery and equipment n.e.c.	11.9	7.6
Manufacture of basic metals, fabricated metal products, except machinery and equipment	8.2	13.3

Source: National Statistical Institute

Table 8

Share of textile and apparel in foreign trade

	2001	2002	2001	2002
	Share in Total Exports		Share in total imports	
Textile fibres (excl. wool)	0.28%	0.26%	0.84%	0.84%
Textile yarn, fabrics, made-up articles	2.67%	3.12%	8.55%	9.04%
Articles of apparel and clothing	17.39%	18.99%	3.35%	4.10%
Sum	20.35%	22.37%	12.74%	13.97%

Exports of textiles and apparel in 2002 is of the amount of EUR 1356 million. The sector is a net exporter with a balance of EUR 181 million in 2002. On average it bears a higher customs tariff compared to industrial products as a whole. However, the free trade agreements (except the one with Croatia) grant zero tariff rate (Table 9).

Table 9

Customs tariffs on textiles and apparel

	MFN	Macedonia	Romania and Slovenia	Croatia	EU
	average				
Textile fibres (ch. 53, 54, 55)	12.6	0.0	0.0	3.3	0.0
Textiles and yarns (ch. 50, 52, 56, 58, 59, 60)	12.3	0.0	0.0	3.5	0.0
Apparel (ch. 61, 62)	22.7	0.0	0.0	10.7	0.0
	min				
Textile fibres (ch. 53, 54, 55)	0.0	0.0	0.0	0.0	0.0
Textiles and yarns (ch. 50, 52, 56, 58, 59, 60)	4.4	0.0	0.0	0.0	0.0
Apparel (ch. 61, 62)	18.2	0.0	0.0	0.0	0.0
	max				
Textile fibres (ch. 53, 54, 55)	20.0	0.0	0.0	10.0	0.0
Textiles and yarns (ch. 50, 52, 56, 58, 59, 60)	17.3	0.0	0.0	8.7	0.0
Apparel (ch. 61, 62)	25.5	0.0	0.0	12.8	0.0

The major investors in the apparel sub-sector are from Greece, Turkey, Italy, and Germany; the major export markets are Germany, Greece, Italy, and France; the United States is the main non-EU export market.

6 Services

6.1 Commitments under the General Agreement on Trade in Services

In 2002, services accounted for 58.8% of gross value added (GVA) in Bulgaria. The most important service sub sectors (in value terms) were transport and communication, real estate, trade, and construction.

In general the establishment of foreign service suppliers, joint ventures included may only take the form of limited liability company or joint stock company with at least two shareholders. The establishment of branches is subject to authorization. In enterprises where the public (state or municipal) share in the equity capital exceeds 30%, the transfer of these shares to third parties needs authorization.

Bulgaria has made horizontal commitments, as well as commitments across all broad service sectors with the exception of: audiovisual services; passenger and freight transportation on internal waterways; road passenger and freight transportation; maritime transport; sales and marketing services for air transport; cargo-handling services, and storage and warehouse services in sea and river harbours; and legal services. Horizontal commitments mention limitations on market access relating to capital payments, services relating to the use of nuclear energy for peaceful purposes, real estate, privatization, commercial presence and entry and temporary stay of foreign natural persons; horizontal limitations on national treatment relate to eligibility for subsidies, ownership of land, privatization, and commercial presence. MFN exceptions relate to certain areas of audiovisual services, internal waterway, rail, road and maritime transportation, sales and marketing services for air transport, legal services, and medical and dental insurance programmes. As in virtually all other WTO Members, the level and coverage of specific commitments varies considerably across service activities within each sector. Broadly speaking, market access and national treatment are bound without limitation in Modes 1, 2 and 3 (cross-border supply, consumption abroad and commercial presence) for advisory services on international law and home country law, computer and related services, most ‘other business services’, telecommunications equipment rental, sales and consulting services, and air transport sales and marketing; in other sectors, varying levels of limitation exist (see sectoral discussion below). Generally, Mode 4 (presence of natural persons) is subject to the horizontal limitation mentioned above.

Since its accession in 1996, Bulgaria has made additional commitments to its GATS Schedule in the context of the extended negotiations on basic telecommunications (Fourth Protocol to GATS) and financial services (Fifth Protocol). Commitments in the former involved the extension to voice telephone, packet and circuit-switched data transmission, telex, telegraph, facsimile, leased circuit, mobile, satellite, and VSAT services. Under the Fifth Protocol, Bulgaria undertook commitments on insurance intermediation and services auxiliary to insurance, as well as further commitments in financial leasing. These commitments were scheduled in accordance with the Understanding on Commitments in Financial Services.[7]

6.2 Telecommunications

Communications comprise 6.4% of GVA in 2002 and are the fastest growing sector in the last four years with an average annual real growth rate of 44%. Growth was spurred largely by the developing of mobile phones network.

Recognizing the vital role of the development of the telecommunications sector as a basic driver in improving the competitiveness of the Bulgarian economy, the Government has set out in its Telecommunications Sector Policy, the strategic goal of providing 'opportunities for access … to a wide spectrum of modern, quality and effective telecommunications services, provided at reasonable prices, under conditions of fair competition, … taking into account the requirements for Bulgaria's accession to the EU and NATO'.[8]

Measures to achieve the strategic goal include improvements to the regulatory framework, telecommunications infrastructure, and privatization of Bulgarian Telecommunication Company (BTC).

The adoption of a new Telecommunications Act enforced as of October 2003 allows for establishment of a legal framework that ensures predictability of the behaviour of the executive bodies and independent regulatory body; the abolition of the Bulgarian telecommunication Company (BTC) monopoly, for full market liberalization and introduction of regulatory instruments forcing operators with significant market power to stick to the requirements of a competitive environment; separation of regulatory functions from ownership[9]; and the relaxation of licensing regimes and procedures, ensuring

[7] The Understanding provides a formula approach to scheduling commitments under Part III of the GATS (Articles XVI, XVII, and XVIII) with regard to financial services for the Members that choose to adopt it. Despite being a formula approach, it remains possible for Members scheduling on the basis of the Understanding to make market access and national treatment limitations. Specific commitments undertaken pursuant to the Understanding apply on a most-favoured-nation basis (WTO document S/CSC/W/34).

[8] MOTC (2002).

[9] Including the institutional strengthening of the Communications Regulation Commission.

predictability and transparency of the licensing policy.[10] Licences are expected to be awarded to a third GSM operator, third-generation mobile cellular networks operator, and a telecommunications operator for satellite radio and television broadcasting. Improvements to telecommunications infrastructure are expected to occur via modernization of the fixed network by further digitalization, in accordance with Bulgaria's commitments under Chapter 19 of the EU *acquis*.

The new Act provides for a regulatory framework harmonized with the EU *acquis* of 1998. The State regulates the public relations regarding carrying out telecommunications for civil purposes through an independent specialized state body by the order of the telecommunications Act (see Appendix 5 Excerpts from the Telecommunication Act). The management of the telecommunications activities is carried out by the Council of Ministers, by the National Radio Frequency Spectrum Council and by the Minister of Transport and Communications.

The setting up of public or private telecommunications networks is subject to licensing. All services have to be provided over licensed networks or over leased lines as part of licensed networks. Licences are issued by a Bulgarian authorized body to the applicant personally and cannot be transferred to a third party. Simple resale of telecommunication services is not permitted. The connection to a public network is permitted according to the licence conditions for the public network and depending on technical possibilities. Terminal equipment intended for direct or indirect connection to a public or private telecommunications network can be connected to a network termination point if it is type-approved by a Bulgarian authorized body. Natural and juridical persons exercising statistical activity and setting up information systems are to use concepts, nomenclatures and classifications, which are compatible to those established by the National Statistical Institute.

The Communications Regulations Commission (CRC), established under the Telecommunications Act as of December 2001 is an independent specialized state authority with regulatory functions in the fields of both post and telecommunications. The CRC can grant, amend, suspend, terminate, and revoke licences for telecommunication activities. It should exert regulation and control over the provision of postal services, registration and control over the activities on the provision of certification of services related to electronic signatures.

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[10] Phased relaxation of the licensing regimes and easing of the terms of issuance of licenses so that full compatibility with the EU regimes is expected to be achieved by the end of 2004. Other measures are introducing mechanisms for compensating the operator for the universal service provision under economically unprofitable conditions and in economically poor regions.

Regarding pricing policy, in 1998, the Council of Ministers adopted a methodology for regulation of the prices of ordinary telephone services provided via the fixed telephone network of BTC, and for the provision of leased lines. According to the authorities, in 2001, the fees were further adapted by the Council of Ministers to the dynamics of the telecommunications market.

BTC remains the only fixed-line telephone operator in the field of telecommunications.[11] In 2002, the fixed-line telephone density was 36.5%. This has risen from an initial density of 25% since 1991; however, telephone density has remained static over the past five years. Regarding infrastructural development, BTC plans to reach 46% digitalization by 2005; hence projects for the extension of digital switching have been included in its investment plans.[12]

Under Bulgaria's GATS commitments, the state-owned Bulgarian Telecommunications Company (BTC) retained exclusive rights until 31 December 2002 for public voice telephony, telegraph and telex services, mobile services, and public VSAT services, and until 31 December 2004 for facilities-based services and connection of non-public services to the public network. Fax services could only be provided through BTC's international network. The legal framework for telecommunications in Bulgaria is the Telecommunications Act 1998, as amended. Under the Act, telecommunications services and activities other than fixed-line voice services, provision of leased lines, and real-time trans-border voice transmission was liberalized. The State monopoly over the latter activities was liberalized as from 1 January 2003. BTC is also undergoing a process of privatization, to be concluded in mid 2004 – 65% of the company's capital has been offered for sale, while another 20% of its shares will be publicly offered on the Bulgarian Stock Exchange after completion of BTC’s privatization.

There are three mobile phone operators: one analogue, NMT-450i (Mobikom), and two GSM operators (Mobiltel and Globul). As of May 2002, Mobiltel had 79.3% of the market share, and Mobikom and Globul (commenced operations in September 2001) had 9.5% and 11.3%, respectively. The level of mobile penetration in 2002 was 16%. Until 31 December 2002, mobile phone services (both analogue and digital cellular voice services) were to be provided only through the use of the international network of BTC.[13] According to CRC data, mobile penetration in 2002 was 33%. In mobile telecommunications, a schedule for a phased release of frequency bands for the Universal Mobile Telecommunication System (UMTS) is under implementation. The issuing of licences for 3G operators is expected to take place in mid 2004.

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11 Until 31 December 2002, it had exclusive rights for the provision of voice telephony services.

12 The digital transmission network is expected to be completed before the ending of BTC's monopoly.

13 Except when BTC was unable to provide the necessary infrastructure in the limited period of time specified in the license.

Much of the equipment in the sector is of an obsolete electro-mechanical design needing replacement. At present, it takes about one month to obtain a telephone line. Investment in digitalization of the telecommunications infrastructure is progressing slowly. The digitalization rate by December 2002 was 20.5%. Under its commitments on accession to the European Union, Bulgaria is obliged to achieve a digitalization rate of 75-81% by 2008.

As a conclusion, in the field of telecommunications the political, legal and institutional frameworks are developing in accordance with the EU acquis. The achievements in this field and the commitments taken in the process of negotiations for accession to the EU (under Chapter 19 ‘Telecommunications and Information Technologies’) guarantee that by 1 January 2007 Bulgaria will fully harmonize its legislation with that of the EU and ensure its implementation.

Appendix 1: Positions with specific, mixed, compound or seasonal duties

010290 – Other Live horses, asses, mules and hinnies	*Ad valorem* + euro/t	*Ad valorem* rate (%)
0103 Live swine	Euro/t	
0104 Live sheep and goats	Euro/t	
0201 Meat of bovine animals, fresh or chilled	*Ad valorem* + euro/t	5
0202 Meat of bovine animals, frozen	*Ad valorem* + euro/t	5
0203 Meat of swine, fresh, chilled or frozen	*Ad valorem*, min euro/t	25
0207 Meat and edible offal, of the poultry of heading No 0105, fresh, chilled or frozen. Of fowls of the species Gallus domesticus	*Ad valorem*, min euro/t	68
021099 Other Meat and edible meat offal, salted, in brine, dried or smoked; edible flours and meals of meat or meat offal	Euro/t	
040510 Butter	*Ad valorem* + euro/t	51
040700 Birds' eggs, in shell, fresh, preserved or cooked	*Ad valorem*, min euro/t	25.5
0408 Birds' eggs, not in shell, and egg yolks, fresh, dried, cooked by steaming or by boiling in water, moulded, frozen or otherwise preserved, whether or not containing added sugar or other sweetening matter	*Ad valorem*, min euro/t	25
0702 Tomatoes, fresh or chilled	*Ad valorem* + euro/t, seasonal	26
070490 Other Cabbages, cauliflowers, kohlrabi, kale and similar edible brassicas, fresh or chilled	*Ad valorem*, min euro/t	40
0707 Cucumbers and gherkins, fresh or chilled	*Ad valorem* + euro/t, seasonal	6.7
080510 Oranges	*Ad valorem* + euro/t	5
080520 Mandarins (including tangerines and satsumas); clementines, wilkings and similar citrus hybrids	*Ad valorem* + euro/t	5
0808 Apples, pears and quinces, fresh	*Ad valorem* + euro/t	10
0809 Apricots, cherries, peaches (including nectarines), plums and sloes, fresh	*Ad valorem* + euro/t	5
160100 Sausages and similar products, of meat, meat offal or blood; food preparations based on these products	*Ad valorem*, min euro/t	40
1701 or beet sugar and chemically pure sucrose, in solid form	Euro/t	
1901 90 Other Malt extract; food preparations of flour, groats, meal, starch or malt extract, not containing cocoa or containing less than 40 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included; food preparations of goods of headings 0401 to 0404, not containing cocoa or containing less than 5 % by weight of cocoa calculated on a totally defatted basis, not elsewhere specified or included	*Ad valorem* + euro/t	10
2006 00 Vegetables, fruit, nuts, fruit-peel and other parts of plants, preserved by sugar (drained, glacé or crystallized)	*Ad valorem* + euro/t	20
2105 00 Ice cream and other edible ice, whether or not containing cocoa	*Ad valorem* + euro/t	22.5
2204 Wine of fresh grapes, including fortified wines; grape must other than that of heading No 2009	*Ad valorem* + euro/hl	12
2205 Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances	eur/%vol/hl + eur/hl	
2206 Other fermented beverages (for example, cider, perry, mead); mixtures of fermented beverages and mixtures of fermented beverages and non-alcoholic beverages, not elsewhere specified or included	eur/hl	
2207 Undenatured ethyl alcohol of an alcoholic strength by volume of 80 % vol or higher; ethyl alcohol and other spirits, denatured, of any strength	eur/hl	
2208 Undenatured ethyl alcohol of an alcoholic strength by volume of less than 80 % vol; spirits, liqueurs and other spirituous beverages	*Ad valorem*, min eur/%vol/hl + eur/hl	40

Appendix 2: Customs tariffs on food and live animals by countries in 2002

	MFN	Romania and Slovenia	Croatia	EU
Vegetable and fruit	25.2	11.6	13.0	13.9
Meat and meat preparations	28.5	12.4	13.7	25.5
Sugar, sugar preparations and honey	27.4	18.3	19.8	24.4
Cereals and cereal preparations	31.1	12.7	18.3	24.0
Tobacco and tobacco manufactures	**28.6**	**28.6**	**28.6**	**28.6**
Beverages	36.3	29.3	30.1	27.8
Dairy products and bird eggs	33.1	32.5	32.9	32.1
Live animals	4.5	2.8	3.9	3.2
	Min			
Vegetable and fruit	3.0	0.0	0.0	0.0
Meat and meat preparations	10.0	0.0	0.0	1.1
Sugar, sugar preparations and honey	3.0	0.0	0.0	3.0
Cereals and cereal preparations	0.0	0.0	0.0	0.0
Tobacco and tobacco manufactures	5.0	5.0	5.0	5.0
Beverages	12.0	0.0	0.0	5.0
Dairy products and bird eggs	5.0	5.0	5.0	0.0
Live animals	0.0	0.0	0.0	0.0
	Max			
Vegetable and fruit	74.0	68.0	74.0	74.0
Meat and meat preparations	57.0	54.0	54.0	57.0
Sugar, sugar preparations and honey	50.0	50.0	50.0	50.0
Cereals and cereal preparations	55.0	32.5	40.5	45.0
Tobacco and tobacco manufactures	60.0	60.0	60.0	60.0
Beverages	55.0	55.0	55.0	55.0
Dairy products and bird eggs	74.0	74.0	74.0	74.0
Live animals	10.0	15.0	15.0	10.0

Note: Bosnia&Herzegovina, Serbia and Montenegro, and Macedonia pay MFN. Albania pays 70% of MFN tariff.

Appendix 3: Highest *ad valorem* tariffs for MFN in 2002

	Average *ad valorem* tariff	Min *ad valorem* tariff	Max *ad valorem* tariff	Standard deviation of *ad valorem* tariffs
COCOA AND COCOA PREPARATIONS (ch. 18)	47.8	5.0	74.0	25.9
PREPARATIONS OF CEREALS, FLOUR, STARCH OR MILK; PASTRYCOOKS' PRODUCTS (ch. 19)	42.3	0.0	60.0	15.2
BEVERAGES, SPIRITS AND VINEGAR (ch. 22)	36.7	12.0	55.0	13.4
DAIRY PRODUCE; BIRDS' EGGS; NATURAL HONEY; EDIBLE PRODUCTS OF ANIMAL ORIGIN, NOT ELSEWHERE SPECIFIED OR INCLUDED (ch. 4)	32.9	0.0	74.0	18.6
PREPARATIONS OF MEAT, OF FISH OR OF CRUSTACEANS, MOLLUSCS OR OTHER AQUATIC INVERTEBRATES (ch. 16)	31.7	15.0	40.0	7.9
MISCELLANEOUS EDIBLE PREPARATIONS (ch. 21)	29.9	15.0	74.0	11.4
EDIBLE VEGETABLES AND CERTAIN ROOTS AND TUBERS (ch. 7)	29.0	5.0	68.0	13.3
TOBACCO AND MANUFACTURED TOBACCO SUBSTITUTES (ch. 24)	28.8	5.0	60.0	17.5
PREPARATIONS OF VEGETABLES, FRUIT, NUTS OR OTHER PARTS OF PLANTS (ch. 20)	28.6	0.0	40.0	10.0
SUGARS AND SUGAR CONFECTIONERY (ch. 17)	27.4	3.0	50.0	12.5
MEAT AND EDIBLE MEAT OFFAL (ch. 2)	25.4	5.0	74.0	15.1
CARPETS AND OTHER TEXTILE FLOOR COVERINGS (ch. 57)	24.2	20.8	25.0	*1.6*
ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED (ch. 61)	23.2	20.8	25.5	*1.3*
ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED (ch. 62)	*22.0*	*18.2*	*24.2*	*1.1*

Appendix 4: Excerpts from the Telecommunications Act

Telecommunications Act
(Published in the State Gazette, issue 88/7 October 2003)

Art. 11

(1) The National Radio Frequency Spectrum Council, upon coordination with the interested state bodies, permits the use of concrete radio frequencies and radio frequency bands by radio equipment with its technical parameters, the term and the place of its use on the territory of the Republic of Bulgaria by foreign countries, on the grounds of mutuality, as well as by international organizations, when it ensues from international obligations undertaken by the Republic of Bulgaria.

Art. 48

(1) Telecommunication activities shall be carried out freely – without individual licence and registration under a general licence when:

1. telecommunications are carried out through telecommunication networks for own needs without using radio frequency spectrum;
2. telecommunications are carried out through radio facilities and networks by radio facilities for own needs by using radio frequency spectrum for common use.
3. telecommunications are carried out by providing services using public telecommunication networks of operators licensed or registered under a general licence, and under the conditions of real competition, whereas the life and health of people are not threatened by their provision, and preconditions are not created for the disruption of the integrity of the networks through which they are provided, and the interests of the users, the national security and defence of national security and defence of the country are not threatened;
4. ‘Internet access’ shall be provided.

Art. 49

(1) Telecommunication activities shall be carried out on the grounds of a registration under a general licence when telecommunications are carried out through:

1. a telecommunication network or radio facilities by using radio frequency spectrum for common use, determined by the Commission;
2. providing a telecommunication service – access to satellite systems;
3. public telecommunication network without using a scarce resource.

(2) Telecommunication activities shall be carried out on the grounds of individual licences when telecommunications are carried out through:

1. a telecommunication network with provided individually assigned scarce resource;
2. providing a fixed voice telephone service and/or universal telecommunication service;

3. Aeronautical mobile service, radiolocation and radio navigation services for aeronautical traffic control and providing the aeronautical navigation servicing of the flights in the civil air space;
4. Telecommunication network for providing the service ‘leased lines’, including international leased lines;
5. Telecommunication networks for maritime search and rescue and broadcasting current safety information for the maritime navigation;
6. Providing telecommunication services through a telecommunication network under item 5;
7. Telecommunication network for search and rescue and broadcasting current safety information for the aeronautical navigation.

(3) The Minister of Transport and Communications shall determine by an ordinance the types of telecommunication activities subject to individual licensing and registration under a general licence.

Art. 50
(1) the requirements for issuance of individual licences shall be equal for all applicants for one and the same type of telecommunication activity.

(2) The issuance of individual licences shall be carried out under conditions of objectivity, non-discrimination and transparency.

Art. 51
(1) the number of operators shall not be restricted in issuing individual licences, unless the resource is scarce.

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Useful internet sites

Ministry of Agriculture and Forestry, http://www.mzgar.government.bg/agroweb/

Ministry of Transport and Communications, http://www.mtc.government.bg/en/

National Customs Agency, http://www.customs.bg/

Ministry of Economy, http://www.mi.government.bg/eng/index.html