**ECONOMIC PEDIGREE**

**Dimensions**

Bulgaria has undergone a significant transformation over the past three decades. It has developed from a highly centralized, planned economy to an open, market-based, upper-middle-income market securely anchored in the EU. It is traversed by the River Danube and lies at coordinates with access to European markets consisting of about 500 million people as well as to countries on the Black Sea rim that number over 200 million.

2. In its initial transition, the country went through a decade of slow economic restructuring and growth, hyperinflation, high indebtedness and a loss of savings. Minimum wage has been enhanced in recent times by almost 40% and stands at Bulgarian leva (BGN) 560 – equivalent to approximately US$ 322 or € 286. The average wage is about € 600, the lowest within the EU. *The financial year in Bulgaria corresponds to the calendar year.*

3. However, the advancement of structural reforms commencing in the late 1990s, the introduction of the currency board in 1997 with the Bulgarian leva pegged to the Euro at 1.95; and, EU accession unleashed a decade of exceptionally high economic growth and improved living standards. This has been led by FDI inflows and rapid credit expansion. Inflation was recorded at 2.1% in 2018. Bulgaria remains among the countries with least government debt at about 24% and hence, was the 3rd smallest in the EU.

4. The global economic crisis of 2008 and the period of political instability in 2013–14 undid some of the gains of trade liberalization, tax reforms and privatization. Other factors were also defined by a high percentage of imports involving equipment and heavy machinery. Agriculture subsidies form a key segment of the government’s expenditure through EU funds and state infusion, while 55% of the agricultural produce is imported. The corporate sector is underscored by the mushrooming of SMEs and startups.

5. Its location in Europe naturally translates into sustained economic & trade relations with other EU countries that account for almost 63% of Bulgaria’s aggregate volume of trade. The country today faces two overlapping challenges of upgrading productivity, finding skilled labour and addressing the country’s rapid demographic changes. This is aggravated with the exodus of workers or the brain drain, computed at roughly 12% of Bulgaria’s population.

6. The country’s economic leaders are seeking to lure investors into Bulgaria’s IT, manufacturing and food sectors. High tension transmission lines may be picked up as a real opportunity for a realizable joint venture together with mechanical components and metallurgy. Bulgaria is projected by the European Commission to embed itself within the top 6 fastest growing economies in the EU by the early 2020. It ranks 1st in the world in the production of lavender and is the 2nd best EU outsourcing destination.

7. Bulgaria is also one of the least tax burdened members of the EU as of 2019, with a flat tax rate of 10% applied on personal as well as corporate incomes. 0% tax is levied on business establishments in impoverished areas, where unemployment levels are high – especially in Bulgaria’s north-west region. This area has been designated the most deprived within the EU. Nevertheless, Bulgaria is designated as the country with second lowest cost of living in the EU after Romania.

8. Despite a favorable investment regime, including a low, flat corporate tax regime at 10%, significant obstacles persist. Corruption in public administration, a weak judiciary, and the presence of organized crime continue to hamper the country's investment climate and economic prospects. Investing per se for non-EU capitalists presents its own set of challenges.

9. Funding allocated to regional programs is managed across 28 states by inexperienced local government officials. Several cases of fraud involving pre-accession funding are being investigated. Another concern is a lack of administrative capacity. Moreover, about 30% disinvestment has occurred since the last couple of years witnessing a flight of capital. Therefore, FDI levels have remained stagnant. The Netherlands, Germany and Austria remain the countries of origin for the largest source of FDI.

10. Higher growth is critical to accelerating convergence, as Bulgaria’s per capita income (PCI) at GDP figures is about US$ 8000, classified as upper middle income and almost four times less than the EU average. For Bulgaria, GDP would need to grow by at least 5% per year over the next 15 years to catch up with overall EU income levels.

11. Nevertheless, unemployment for 2018 fell to 5.2% or about 203,000 people in definite terms, a historic low. It is expected to recede further. Recent annual budgets have been surplus ones. Bulgaria’s global credit ratings have been remarked as optimistic by agencies such as Fitch, Moody’s and Standard & Poor’s who have accorded a positive outlook. The rush by foreigners to acquire property in Bulgaria, from large tracts of agricultural land to prime real estate or holiday retreats – especially by Russian and British pensioners - is one indicator.

12. Households are benefiting from higher wages resulting from the lack of skilled workforce linked to inadequate training and emigration. Private investment is reaping the advantages from positive export trends as well as the recovery in residential property. Real estate prices have surged almost 24% since 2016; but demand and supply have now stabilized. Construction is also buoyed by robust public investment as well as the existence of augmented reserves for public works with the government and municipalities.

13. The banking and ICT spheres are attractive opportunities for expanding business potential. In the period 2000-2006, Bulgaria created a mini-internet revolution through neighborhood LAN networks that provided rapid internet connectivity to the average Bulgarian household at an impressively low price. The latter sector i.e. ICT has the best paid remuneration package and is further anticipated to grow.

**Global Economic Indices**

14. An annual review by the Bulgarian Chamber of Commerce and Industry (BCCI) concluded that in 2018, Bulgaria held stable ground in terms of economic freedom, prosperity and competitiveness. Bulgaria retained 47th place out of 186 countries in the Index of Economic Freedom of The Heritage Foundation and The Wall Street Journal, while moving up two spots to 46th out of 162 countries in the Fraser Institute's Economic Freedom of the World Index.

15. Assessing further, Bulgaria climbed several notches in two UN indexes, E-Government Development, Human Development and Legatum Prosperity Index. Bulgaria also exhibited advancement or retained its enviable rankings in the International Property Rights, the World Bank's Logistics Performance, the Yale Center for Environmental Law & Policy and World Digital Competitiveness indices. Bulgaria had secured 61st position in the World Bank's Doing Business 2020. On the other hand, it on Forbes' annual look at the Best Countries for Business 2019, Bulgaria is at the 46th slot.

**GDP Growth**

16. Despite being labelled as the poorest EU member and citing global financial turbulences in 2016, the Bulgarian economy has been manifesting its resilience. Aggregate GDP in 2018 was US$ 64.96 billion and the growth rate was 3.3%. Eventual GDP growth is expected to hover between 3.1% and 3.2% in 2019.

17. A World Bank report "January 2019 Global Economic Prospects: Darkening Skies," asserted that the growth of the Bulgarian economy will continue to decelerate in that by 2021, it would have lost more than a quarter of the rate at which it grew in 2016. Back then, Bulgaria’s national economy had expanded by 3.9%, a peak of sorts. The World Bank has also estimated that the economic slowdown is perceived to continue to 3% in 2020 and 2.8% in 2021.

18. Among the chief factors for the stalled figures are slowing growth in the Euro Area, which is Bulgaria's dominant trading partner, the weakening of growth-conducive effects in the financial sector and labour shortages. On the other hand, investors have exhibited inhibition in retaining their capital here, with several moving their investments away, only to be replaced by a new lot of investors. The main investors come from Austria, Germany and the Netherlands. Foreign Direct Investment (FDI) into Bulgaria during the course of 2018 was last computed at € 212 million. Several industrial parks/zones are being created in consonance with the National Company Industrial Zones (NCIZ).

**Energy Equation**

19. Its reliance on energy imports and the overseas demand for its exports makes its growth sensitive to external market conditions. Rising international gas prices could dampen Bulgaria’s growth prospects. Bulgaria is heavily reliant on energy imports from Russia and is a participant in EU-backed efforts to diversify regional natural gas supplies through the creation of energy hubs or interconnectors. Bulgaria has concluded several energy accords with its neighbours, primarily Russia, Serbia, Turkey and Greece. This is notwithstanding the fact that 28% of Bulgaria’s energy mix is generated by nuclear power.

**Trade Credentials**

20. The country’s chief agricultural products are vegetables, fruits, tobacco, wine, wheat and sunflowers; whereas its key industries are utilities, food & beverages, tobacco, yoghurt, machinery & equipment, automotive components, metallurgy, chemical products, lavender oil (very popular in China)/sunflower oil and outsourcing. Bulgaria accounts for 70% of vehicle components produced since the largest European automobile giants have transferred shop here, citing low engagement costs.

21. Bulgaria’s aggregate trade was documented in 2018 at US$ 60.51 billion, of which exports comprised US$ 29.08 billion and imports were recorded at US$ 31.43 billion. Bulgaria’s prime trading partners remain Germany, Italy, Russia, China, Turkey, Serbia, Romania and Greece. It is the 3rd largest exporter of sunflower seeds worldwide while in the automotive industry, the components (especially sensors) of 6 out of every 10 vehicles in Europe, is produced in Bulgaria.

22. Major export commodities are apparel, footwear, iron and steel, machinery and equipment such as cash registers, refined fuels, agro-food, tobacco, IT services, household appliances, electric power accessories, metals. On the other hand, imports were documented at US$ 26.09 billion last year. Imports are largely defined by machinery and equipment, metals and ores, chemicals and plastics, fuels, minerals, medicines & cosmetics, and electrical machines.

23. Nonetheless, commodity exports will continue to be underpinned by EU demand. This is manifested through cereals, oilseed crops, tobacco, medicines, machinery, metals and electricity. Up until 2015, demand from EU countries for Bulgarian exports had been complemented by an inflow of EU cohesion funds, thus, boosting growth within the 3% range; low global energy prices even contributed to Bulgaria’s economic advancement and helped curb inflation that is now hardly above 2%.

**Employment Profile**

24. The aggregate level of employment for 2018 was recorded at 3.36 million. The largest labour force demand, according to the analysis of the Employment Agency, has been observed in the following economic activities: processing industry - 30%, government - 14%, trade - 13%, administrative & auxiliary activities - 7%, hotels and restaurants – 5%. Another conclusion drawn is that the most sought-after professions are: care giving personnel; machine operators; store vendors; skilled workers in food production, clothing, woodwork and related products; mining, manufacturing, construction, transport, personnel employed in the field of personal services, etc.

25. The employment rate for the population aged 15-64 is 69%. Breaking down the economic activity of the labour force, 76% are employed by the private sector and 24% in the public sector. The TOP-100 firms in the country employ about 10% of the manpower.

26. Reflecting Eurostat data, a figure surpassing 900,000 Bulgarians reside in the EU, with roughly 30% being university graduates. Almost one-third are based in Germany. It was also verified that part-time employment accounted for a mere 2.2% of all means of work in Bulgaria, one of the lowest within the EU. On the other hand, Bulgaria had one of the highest rates of involuntary part-time work in the EU at almost 60%. Nevertheless, unofficial figures manifest that over 2 million Bulgarians form the overseas diaspora, with a significant chunk in North America.

27. Statistics obtained from the World Bank and the International Labour Organization that was endorsed by the Confederation of Independent Trade Unions in Bulgaria (CITUB), emphasized that every year, the grey economy in generates about € 15 billion, covering approximately 28% of the total economy.

28. Numerous studies conducted among businesses this year have given the appraisal that it will not be programmers, financial analysts, network administrators and computer specialists who will be in the highest demand. Rather, the shortage experienced would be of drivers, construction workers like welders, sales associates and chefs. One in three Bulgarian employers intend on hiring new recruits this year, with firms in Sofia alone ready to swallow the bulk. Plovdiv, Stara Zagora and Varna also have ample employment.

29. Bulgaria possesses a little under 350,000 operating firms with approximately 85% of these enterprises keeping fewer than nine employees. The SMEs domain of operations is rather diverse: air transport, green energy, construction, hotels & restaurants, financial services, information technology, advertising, food production, machinery & equipment, agriculture, forestry and fisheries. The SME division reports about 8,000 enterprises employing more than 120,000 people.

**Poverty Index**

30. Reflecting Eurostat data, the income gap between the richest 20% of the population and the most deprived 20% in 2018 was eightfold, compared with an EU average of 5.2-fold. It has been computed that one-fifth Bulgarians subsist on incomes of € 300 per month while the monthly cost of living per capita depicts a marginal difference. This fact was also corroborated by the Confederation of Independent Trade Unions in Bulgaria (CITUB). About 400,000 Bulgarians are bracketed as middle class.

31. Predictably, Bulgaria is placed at the bottom of the EU in terms of material standard of living. The compiled data reflected that the average coefficient for material living standard in the EU was 46% as compared to 9.9% in Bulgaria. Region-wise, Bulgaria's Southwest Region ranks first in terms of affluence whereas the North-West has been designated as the most impoverished by several analysts within the EU itself. Notwithstanding the reiterated fact that Bulgaria is the second cheapest EU nation, data compiled by Eurostat depicts that between 2000 and 2017, the cost of living in Bulgaria had appreciated by over 80%.

**Outsourcing Industry**

32. The Bulgarian Outsourcing Association (BOA) substantiated that the industry grew by 18.2% in 2017, generating 4.8% of the country's GDP with 8% of the wages in the national economy. By 2021, outsourcing is anticipated to attain 8% of GDP accompanied by a 30% surge in new entrants. The industry also employs about 70,000 people i.e. 2.5% of the labour force across 480 firms. The workforce consists primarily of individuals aged under 30.

33. About 75% of outsourcing ventures are located in Sofia, with the industry being one of the largest taxpayers as well as social security contributors in recent times. A growing number of firms are specializing in financial and accounting outsourcing services or in HR outsourcing. The industry is demarcated into 53% for business processing and services such as call centers; whereas 47% goes to IT services. In excess of 70% of employees in the outsourcing industry are Bulgarians. The recurring issue that has beset the industry is finding skilled workers, which generally applies to the whole economy.

34. On the other hand, the rising credentials of the ICT sector have witnessed an increase in the sector’s turnover by 300% over the last seven years, thus, attaining € 2.5 billion. Reflecting figures compiled by Eurostat, the gross value added by the ICT sector stands at € 1.1 billion and is growing steadily. The sector alone employs some 50,000 people, and this number has grown by 7% since last year. In spite of the positive numbers, economic sectors in Bulgaria are barely digitized or none at all. This inspite of the fact that Bulgaria is among the top 5 within Europe in terms of broadband speed. Moreover, the highest remuneration is received here that begins at € 800 for new comers and may reach a whopping € 2000.

35. According to figures compiled by the parent Ministry of Transportation, Eurostat and the National Statistical Institute, Bulgaria has the enviable share of most female software developers – that is 26%. In comparison, the European share is 17% on average. Bulgaria also holds top position in the EU when it comes to the number of female students enrolled in ICT-related courses at 33%, more than double the bloc’s average.

36. The Global Competitiveness Report 2018 compiled by the World Economic Forum even asserted that Bulgaria is ranked 51st out of 140 countries, which is attributed greatly to its commendable performance in the ICT sector. This is interpreted in terms of fibre and fixed-broadband internet suscriptions, speed as well as emoluments package. It ranks highest in adopting information and communication technologies in business.

37. The significance of the ICT sphere was manifested largely through its adoption as one of the fundamental planks of Bulgaria’s rotating EU Presidency (January-June 2018). On 25th June 2018 at the Digital Assembly in Sofia that was organized as part of the EU Presidency, the European Commission launched the Digital Agenda for the Western Balkans. In addition, *Sofia Tech Park* holds an enviable position in the ICT sphere and is patronized by former President, Rosen Plevneliev. Sofia Tech Park is the site of one of eight European supercomputers envisaged to be completed by 2020.

**Tourist Arrivals**

38. Tourism plays a prominent role in the Bulgarian economy because it offers both luxurious summer and winter resorts. Its natural spring reservoirs are recognized among both local and overseas visitors. In 2018, 9.2 million tourists were documented visiting the country. This forms almost 11% of the annual GDP while generating 50,000 units of seasonal employment. Tourism growth is expected to be modest in 2019 – a fact anticipated by the Ministry of Tourism – citing the stabilization of the security situation in Turkey, Tunisia and Egypt since 2015. The largest tourist contingents arrive from Romania, Turkey, Greece, Russia, Serbia and the UK.

**Bilateral Interaction**

39. Despite over half a century of amenable relations, bilateral commerce remains ordinary. There was a time when during the Socialist era, two-way trade between Pakistan and Bulgaria was recorded at a maximum of US$ 160 million in 1988. The trade in that phase was regulated by intergovernmental barter protocols and governed by the Trade Agreement of 1962. Barter protocols with Bulgaria were not concluded until 1990 and last extended until 1996. Ultimately, both parties waived this mechanism as a consequence of Pakistan (1995) and Bulgaria (1996) joining the World Trade Organization (WTO).

40. The principal factors for less-than-potential trade are Bulgaria’s focus on commerce within the EU, protracted visa procedures and the lack of organic interest evinced by Pakistani entrepreneurs in exploring the “small Bulgarian market”, discernible by a population of 7 million. Added to this is the general reluctance exhibited by the Bulgarian corporate sector in doing business ***due to informed unfamiliarity*** in what we have to offer. The same principle applies to Pakistani trade bodies.

41. Pakistan’s exports are primarily in woven cotton, synthetic staple fibers, bed/table linen, polyesters, polyacetals and surgical instruments. Expanding further, over two-thirds of the export base to Bulgaria is premised only on textiles. On the other hand, imports from Bulgaria are in vehicle components, liquid pumps, legumes, raw tobacco, used clothing, refined copper, carbonates, machinery such as electric accumulators & separators and animal feed. In recent times, trade relations have amplified and this has been witnessed especially since 2010. But there still exists much room for improvement. Figures depicting bilateral trade for recent calendar years are tabulated below:

 **US$ Million**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Exports** | **Imports** | **Aggregate** |
| 2012 | 14.7 | 15.8 | 30.5 |
| 2013 | 14.0 | 25.4 | 39.4 |
| 2014 | 20.5 | 14.7 | 35.2 |
| 2015 | 16.2 | 13.8 | 30.0 |
| 2016 | 15.8 | 13.9 | 29.7 |
| 2017  | 21.1 | 15.9 | 37.0 |
| 2018  | 20.8 | 13.4 | 34.2 |

**Source: Derived from the Bulgarian Ministry of Economy**

42. At the 3rd Bilateral Political Consultations (BPC) session held in December 2017 in Sofia, the necessity for enhancing bilateral trade was emphasized through the exchange of trade delegations and by establishing warehouse facilities/hubs in both countries.

*Inter-Governmental Commission (IGC)*

43. The Inter-Governmental Commission (IGC) on Economic Cooperation was established on 19th January 2011 during the visit of the erstwhile Bulgarian Foreign Minister, Nikolay Mladenov to Pakistan. His counterpart was Minister of State for Finance & Economic Affairs, Hina Rabbani Khar.

44. From June 22-23, 2015, the opening session of the IGC was organized in Sofia that ultimately resulted in the signing of the following instruments:

* Cooperation Agreement between the Bulgarian Chamber of Commerce and Industries (BCCI) and the Federation of Pakistan Chambers of Commerce and Industries (FPCCI).
* MoU between Small and Medium Enterprises Development Authority (SMEDA) of Pakistan and Bulgarian Small and Medium Enterprises Promotion Agency (BSMEPA).
* Memorandum of Cooperation (MoC) between the University of Agriculture, Faisalabad, and the Agriculture University of Plovdiv.

45. The 2nd IGC chapter was organized on May 20 & 21, 2019, in Islamabad. An 11-member Bulgarian entourage was led by Deputy Minister Liliya Ivanova that had one-on-one and plenary talks with Pakistan’s delegation headed by Secretary Economic Affairs Division (EAD) Noor Ahmed. During the course of the IGC, the Agreement on the Avoidance of Double Taxation and Prevention of Fiscal Evasion With Regard to Taxes on Income was signed. It is yet to be ratified.

*Business Forum*

46. On 22nd June 2015, the inaugural meeting of the Bulgaria-Pakistan Business Forum was organized by the Bulgarian Small and Medium Enterprises Promotion Agency (BSEMPA) on the sidelines of the inaugural IGC. A 5-member Pakistani business party visited Sofia for the opening ceremony. They were accompanied by officials belonging to the Ministry of Economy, BSEMPA and BCCI. The 2nd Business Forum is to occur in early 2020 and is meant to serve as a precursor to an eventual Joint Business Council.

*Trade Delegations & Exhibitions*

47. Reciprocal trade delegations are ardently needed in both ways. A TDAP delegation of pharmaceutical manufacturers toured Sofia from May 8–14, 2007. In May 2017, a 4-member business delegation of the Jhang Chamber of Commerce toured Bulgaria.

48. Upon closer scrutiny, a Bulgarian delegation has failed to participate in any edition of EXPO or TEXPO PAKISTAN thus far. On the other hand, Pakistani entrepreneurs have sporadically appeared at major trade fairs in Bulgaria in recent times, including the premier Plovdiv International Fair. Bulgarian entrepreneurs have been visiting Pakistan in their individual capacity after being accorded invites by Pakistani corporate associates.

*GSP+ Status*

49. Inspite of securing GSP+ status since January 2014, the bulk of our current EU trade matrix is managed with hardly half of the 28 EU member states. This is where Bulgaria can assume a positive role. From this perspective, the Embassy met the Deputy Foreign Minister and the Permanent Foreign Secretary. Meetings with the 17-member Bulgarian contingent at the European Parliament were also organized. Bulgarian officials assured of extending support to Pakistan for retaining the GSP+ status.

*Investments*

50. In terms of investment to and from Pakistan, it is emphasized - and reflecting figures secured from state agencies - Bulgarian input of capital in Pakistan is almost non-existent. On the other hand, Pakistani investment in Bulgarian sectors for the last 5 calendar years is reproduced below:

|  |  |
| --- | --- |
| **Year** | **Capital Input (€)** |
| 2014 | 60,200 |
| 2015 | 542,000 |
| 2016 | NIL |
| 2017 | NIL |
| 2018 | NIL |

 **Source: InvestBulgaria Agency**

*Warehousing* *Facility*

51. A warehouse or trade incubator in Bulgaria would be ideal in sampling, marketing and distribution purposes for Pakistani exports to potential new markets within Europe. The incubator would be adequately placed to oversee the growth of Pakistani start-ups or early-stage firms. To intensify penetration and enhance the outreach of our export goods, the warehousing centre (bonded or otherwise) would be conducive in reaching the eastern European region as well as new markets in Western Europe (200-400 million people). Our ambivalence in the quest for emerging markets has resulted in stunted exports.

52. A crucial aspect is that Bulgaria is the closest EU member to Pakistan by land proximity. Therefore, a container truck packed with commodities could exit the Taftan border check post, and traverse Iran & Turkey before entering Bulgaria at the Kapitan Andreevo border point or vice versa in about 6 days.

53. Delineating further, Bulgaria’s National Company Industrial Zone (NCIZ) is operating 7 functional industrial & free zones all over the country. The municipalities have also created their own industrial space. The goods that reach Bulgaria could be stockpiled at any one of these corporate parks for onward reexport to destinations in Western Europe or the Black Sea rim. In this way, we will simultaneously reap greater benefits through GSP+.

54. Summarizing further, a broad outline of the factors that make the establishment of such a commercial hub in Bulgaria feasible are:

1. *Bulgaria is the nearest overland EU member to Pakistan.*
2. *A warehousing facility in Bulgaria would facilitate potential European buyers in making a short journey to Sofia for the inspection of samples, negotiate terms and place orders.*
3. *Bulgaria has established itself within the EU as possessing one of the lowest rates of import tariffs, uniform corporate tax and low dividend tax.*
4. *The country prides itself on an educated, digitalized, youthful pool of manpower available at the most competitive wages in Europe.*
5. *Bulgaria is endowed with low rates of utility payments, especially electricity charges. Power outages are very unusual.*
6. *Warehousing facilities and office space in Bulgaria are available at lower than average costs when compared with other parts of Europe.*
7. *The link for scrutiny is* [*http://nciz.bg/en/industrial-zones/zones-under-development/bozhurishte/bozhurishte-economic-zone*](http://nciz.bg/en/industrial-zones/zones-under-development/bozhurishte/bozhurishte-economic-zone)*. Therefore, this may be accessed as a supplementary resource for an insight into what is on offer here.*

55. Oversight and management of the incubator could be a joint endeavour between the Pakistan Embassy in Sofia, Ministry of Commerce, Trade Development Authority of Pakistan (TDAP), Federation of Pakistan Chambers of Commerce & Industry (FPCCI) and any other major stakeholder. Data in this regard has already been shared with these entities. Everyday functions of the incubator would be conducted with an additional compliment of Pak-based staff and an appropriate number of local employees.

*Agriculture*

56. The Agriculture Academy of Bulgaria (AAB) had concurred to the text of the MoU shared by the Pakistan Agricultural Research Council (PARC). The same was approved by Pakistan’s Cabinet in October 2017. During the 2nd IGC session organized in Islamabad on May 20 & 21, 2019, AAB was not part of the Bulgarian delegation wherein the MoU could have been signed. AAB has now expressed its willingness to tour Pakistan for concluding the MoU with PARC.

57. Much potential exists in terms of agro-food trade. Pakistani mangoes and kinoos have been promoted here in Bulgaria for the last three seasons. For the first time in June 2019, mangoes entered the Bulgarian market in a commercial capacity, a maiden for the Balkans. Kinoos debuted in Bulgaria in 2018, also another first for the entire EU bloc in a decade. Similarly, wheat, chick peas, lentils, vegetables could be traded. Bulgarian yoghurt is prominent the world over. Its technology could be implanted in Pakistan in tandem with Pakistani milk. Another prospect is introducing a tomato-pepper paste called luthenitza.

58. Keeping in perspective the Prime Minister’s Agriculture Emergency Program emphasizing (i) Productivity Enhancement of Wheat, Rice & Sugarcane (ii) Oilseeds Enhancement Program (iii) Conserving Water Through Lining of Watercourses (iv) Enhancing Command Area of Small and Mini Dams in Barani Areas (v) Water Conservation in Barani areas of Khyber Pakhtunkhwa (vi) Shrimp Farming (vii) Cage Fish Culture (viii) Trout Farming in Northern Areas of Pakistan (ix) Save & Fattening of Calf Program (x) Backyard Poultry Program; several of these concepts could be adapted in terms of collaboration with Bulgaria.

59. Of specific interest could be the sharing of technical expertise and importing Bulgarian sunflower seeds/extract, rose oil/fragrance and lavender oil. Notwithstanding the fact that Bulgaria is designated as the world’s foremost producer of lavender and its products.

Miscellaneous

60. Of great bewilderment is the fact that this Mission is handicapped without the services of a Commercial/Trade Officer or Assistant. This experience deprives Mission of a professional who can deal with complexities that every business environment throws up. In a similar vein, countries such as India, China and Turkey are able to land deals and foster trade relations since they possess full-fledged trade/commercial wings.

Scheme Of Tangible Measures

61. Several recommendations come to mind that have emerged from evaluating the foregoing paragraphs:

1. At this current juncture, Bulgaria is undermanned in the IT, construction, education and financial services zones. Therefore, it has the capacity to absorb computer engineers, labourers, teachers and accountants whose human resource element remains aplenty in Pakistan. In the context of IT, healthcare and education, approximately 50,000 combined slots are calculated by official agencies to remain unoccupied in the next decade.
2. There is a fervent need to enhance collaboration in the sectors of Banking, Aviation, Sports, Culture, Education, Research and Tourism. Both countries should consider revalidating the earlier agreements inked in this regard. These spheres of activity will surely enhance people-to-people contacts. Official tour groups would be an adequate mechanism.
3. We exhibit an over-reliance on textiles while SMEs are largely ignored. Overcoming an anti-export bias, addressing the lack of coherence in export enhancing measures, providing legal cover for product innovation and covering the costs of quality certifications can go a long way in rectifying the situation. Into the prevailing adverse circumstances could be added stunted market diversification, low level of technological advancement as well as R & D.

This has all come about because Pakistan’s export structure is geared towards a few commodities, namely wheat, textiles & apparel, rice, leather, chemicals, pharmaceuticals, surgical instruments and sports goods. The first three categories account for almost 60% of aggregate export receipts.

1. The ICT sector in Bulgaria has been creating a niche for itself and has enlarged its turnover by 300% over the last seven years. Reflecting figures compiled by Eurostat, the gross value added by the ICT sector stands at approximately € 2 billion, thus, forming about 3.6% of the GDP.

A growing number of firms are specializing in finance and accounting outsourcing services or in HR outsourcing. In excess of 70% of employees in the outsourcing industry are Bulgarians. Remunerations and privileges are similar for foreigners. Bulgaria invites software developers from Ukraine, Russia, India, Israel, Macedonia and Serbia.

Likewise, the ICT and outsourcing sectors are on the lookout for experienced talent since Bulgaria’s labour force comes up short here. Bulgaria is ranked 48th in terms of export remittances for Pakistan’s ICT sector. Pakistan’s IT Industry remitted just US$ 288,000 (FY 2017-18) according to State Bank of Pakistan (SBP) figures. This is in stark contrast to our global IT receipts of US$ 831 million that encompass call centers, maintenance & repair, consultancy services, exports and miscellaneous services.

The Pakistani IT Industry has achieved a 151% growth rate over the past 5 years @ 20% CAGR. However, at this current juncture, Bulgaria is not a priority market for Pakistan’s IT sector. The premier annual WEBIT event organized in Sofia was unattended by Pakistani IT entrepreneurs and representatives of startups.

We are endowed with the capacity and aptitude to provide cost effective and high-quality solutions to Bulgarian firms. These are inclusive of computer chips and components used in mobile phones and laptop production.

We possess the capacity and capability to provide cost effective and high-quality solutions to Bulgarian firms. These are inclusive of computer chips and components used in mobile phones as well as laptop production. As elucidated, Bulgaria’s economic planners are seeking to lure investors into the information technology, manufacturing and food sectors. Sofia Tech Park could form the lynchpin for augmenting the transfer of expertise in both directions.

1. The Bulgarian economy has experienced exponential growth, particularly since the first decade of the new millennium, and this has yet to be properly tapped by Pakistani entrepreneurs in terms of opportunities for re-export to the EU and the Black Sea region. This brings to the fore the *value-addition perspective*. The city of Stara Zagora in central Bulgaria possesses the highest value-added indicator.

The Pakistan Embassy in Sofia is, thus, convinced that the scheme for warehousing facility must be analyzed as elucidated in the preceding segments above. The incubator would even be suitably placed to oversee the growth of Pakistani start-ups or early-stage firms.

To further penetrate and enhance the outreach of our export goods, the warehousing concept would be ideal in reaching the central & eastern European (CEE) region, the Baltics as well as Western Europe.

1. Mission has facilitated two sessions of the Inter-Governmental Commission (IGC) in June 2015 and May 2019. Simultaneously, the opening meeting of the Bulgaria-Pakistan Business Forum was organized on the sidelines of the IGC. We have also concluded agreements involving FBR, BOI and FPCCI. Substantial measures ought to be ensured for tangible follow ups.
2. Other regional chamber of commerce & industry should be encouraged to cultivate ties with Bulgarian counterparts through viable interaction rather than focusing only on the Gulf, China, Western Europe and North America.
3. SMEs are ignored although Bulgaria’s case study – it being one of the poorest EU members - is illustrative of a resemblance to Pakistan’s own economic environment in terms of cottage industries. An instrument of collaboration between SMEDA and BSEMPA is on the cards.
4. Single country exhibitions / trade caravans on regional basis, including the Balkan region, from the perspective of Bulgaria.
5. We could also explore joint ventures in renewable energy, infrastructure and defence hardware. This would augment our exports of rice and textiles as well as introducing Pakistani onyx, ceramics, leather, tobacco, precious stones and sports goods.
6. Mission has always shared its recommendations with TDAP, FPCCI and other trade agencies to sponsor the participation of our exporters/entrepreneurs at mega international trade exhibitions in Bulgaria. Representatives of the respective chambers of commerce & trade promotion departments may be encouraged to visit trade fairs in either country.