

U.S. - Bulgaria Tax Treaty Signed After Years of Negotiations, The Growth of Bank Credits, Waste Management, Foreign Minister Meets the Members, AmCham Ski Tournament 2007

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Finding Truth in Bulgarian Wine

A m e r i c a n C h a m b e r o f C o m m e r c e i n B u l g a r i a

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*Dear Members
and Friends,*



It is my special privilege and pleasure to report that the long years of effort is on AmCham's part have brought to fruition the best possible result. My word is about the Treaty for the Avoidance of Double Taxation between the United States and Bulgaria, which the Chamber has lobbied for since 2003 in Washington and Sofia.

You have to read the article in this issue to know all about the story, but I must admit that the success would not have been possible without the involvement of a number of people and companies who paved the road to a document which provides better business environment for U.S.-Bulgarian economic partnerships.

In my view, the key to success is to put the energy of U.S. ambassadors John Beyrle and James Pardew with that of the Bulgarian Ambassador Elena Poptodorova; add the hard work done by Jim Rigassio, Mark Johnson and Reginald Miller from the U.S. Embassy; add the commitment of the

Bulgarian deputy ministers of finance Stamen Tasev and Georgi Kadiev; finally, bring in the efforts of Patricia Brown from the Treasury, Marc Nordberg from the State Department and Sylvia Savich from the Commerce Department, as well as the two negotiating teams led respectively by Iskra Slavcheva for the Bulgarian Ministry of Finance and Benedetta Kissel for the U.S. Treasury.

The political talks were, however, of most critical importance. The discussions between Bulgarian and U.S. sides involving the ministers of finance Milen Velchev and Plamen Oresharski and U.S. treasury secretaries John Snow and Samuel Bodman led to the high-level talks between President Parvanov and President Bush, who in the end gave the green light to the treaty.

Long is the list of AmCham members who have contributed to this success as well: American Standard, News Corp., Ernst & Young, Deloitte, KPMG, among others. They were the ones who put a massive amount of toil in the form of analytical paperwork as well as old-fashioned persuasion through personal conversations.

Last but not least, the thanks should go to AmCham presidents Ken Lefkowitz and Borislav Boyanov, along with the Chamber's treasurers Dennis Fiehler and Anthony Hassiotis.

Ahead of us is the next step now - the ratification procedure of the treaty in both the Bulgarian Parliament and the U.S. Senate. We know that Bulgarian and U.S. legislators realize the importance of that agreement for both our countries and that the strong political ties should turn into productive economic relationship bringing positive results and benefits for the local constituencies and the business communities. And we are looking forward to adding even more Bulgarian MPs and U.S. senators to the above mentioned long list of friends.

Best regards,

Valentin Georgiev
Executive Director



AmCham Bulgaria Magazine is a primary forum for political and economic analyses, news, viewpoints as well as for the presentation of new business opportunities. The articles in the AmCham Bulgaria Magazine express the opinions of the authors and do not necessarily reflect the position of the American Chamber of Commerce in Bulgaria.

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U.S. - Bulgaria Tax Treaty Signed After Years of Negotiations

AmCham played critical role in lobbying for the agreement, which becomes effective in January 2008

By Irina Bacheva

AmCham's role

AmCham Bulgaria has lobbied for conclusion of the Treaty for Avoidance of Double Taxation with Bulgarian and U.S. authorities. The Chamber presented its position paper in 2003 to the U.S. Treasury. Several rounds of negotiations between the U.S. Treasury and Bulgarian Ministry of Finance took place during 2005 and 2006.

On Jan. 15, 2004, the Bulgarian Government approved a draft treaty between Bulgaria and the United States as a base for negotiations with the U.S. Treasury. The government authorized the minister of finance to handle the negotiations and sign the treaty on behalf of Bulgaria.

On Jan. 28, 2004, Minister of Finance Milen Velchev, Deputy Minister Stamen Tasev and Chief Tax Director Nikolai Popov met with AmCham Board of Directors and members of the AmCham Finance Committee to discuss the assistance of the Chamber in the negotiation process. As a first step the Chamber prepared for the Ministry of Finance an in-depth analysis of tax legislation in Bulgaria which was sent to US Treasury. The document was developed with the assistance of Ernst & Young, KPMG, Deloitte & Touche and Borislav Boyanov & Co.

At the annual meeting of the European Bank for Reconstruction and Development in London on April 18, 2004, Minister of Finance Milen Velchev met with Samuel Bodman, deputy secretary of the U.S. Department of Treasury, to the progress of the negotiations.

On July 7, 2004, Kenneth Lefkowitz, AmCham president, met with representatives of the U.S. Treasury in Washington D.C. Representatives of American Standard, the largest U.S. investor in Bulgaria, also participated.

In response to continued lobbying by AmCham member companies throughout 2004, the U.S. Treasury decided to proceed with treaty negotiations in early 2005. Ken Lefkowitz, AmCham Executive Director Valentin Georgiev and key member companies discussed with the U.S. Treasury in May 2005 the next steps regarding the negotiations.

First round of treaty negotiations took place in February 2006 in Washington. Both sides viewed this round as a success. The Bulgarian Finance Ministry had drafted the necessary legislative amendments concerning information requests under the treaty. These amendments affect the Law on Banks, the Law on Public Offering of Securities, and the Tax and Social Security Code. AmCham submitted a position paper to both sides concerning some specific provisions of the treaty.

Second round of negotiations on the tax treaty between the Ministry of Finance and the U.S. Treasury took place in Sofia on Dec. 4-8, 2006.

Fifteen years after the first initiating talks started in 1991 on an income tax treaty, U.S. Treasury Deputy Secretary Robert M. Kimmitt and Bulgaria's Finance Minister Plamen Oresharski signed the Treaty on Avoidance of Double Taxation, on Feb. 23, 2007 in Washington. The treaty should go for ratification by the U.S. Senate and the Bulgarian Parliament later this year and will come into force as of January 2008.

"This treaty is the first of its kind between the United States and Bulgaria," said Deputy Secretary Kimmitt. "It is designed to provide for a better exchange of information, to foster the continued growth of American businesses, and to encourage investment in the emerging Bulgarian marketplace."

The Treaty deals with three key fields: taxation of investment income, services and intellectual property; taxation of personal income; setting rules for cooperation between the competent Bulgarian and U.S. authorities.

Until now, due to the lack of a treaty, the worldwide income of individuals often has been subject to double taxation both in Bulgaria and the United States. Bulgaria taxes all residents (those present more than 180 days per year) on their worldwide personal income. Similarly, the United States taxes its citizens on their worldwide personal income. Although the foreign earned income exclusion applies in some cases, U.S. nationals on assignment in Bulgaria or residents of Bulgaria for more than 6 months per year are subject to personal income tax by both countries. Furthermore, U.S. taxpayers cannot claim a foreign tax credit for any U.S.-source earned



income, so their U.S.-source earned income is subject to double taxation.

To avoid double taxation, most large U.S. investors have entered the Bulgarian market either through off-shore companies or subsidiaries in jurisdictions with double tax treaties. Such structures however add significant costs to investing in Bulgaria.

With the tax treaty, the profits of U.S. enterprises will not be taxed in Bulgaria, unless they are attributable to permanent establishments of these enterprises situated in Bulgaria. If the profit is derived through a permanent establishment, expenses incurred for the purposes of the permanent establishment, including executive and general administrative expenses incurred in Bulgaria or elsewhere shall be deductible. U.S. companies engaged in international transport will not be taxed in Bulgaria - usually the taxing rights over profits from the operation of ships or aircraft are left to the state of residence.

The bilateral treaty already is a fact and it is consistent with the U.S. model income tax treaty and with treaties that the United States has with other countries. The treaty generally reduces, but does not eliminate, the rates of taxation on cross-border dividend, interest and royalty payments. However, the treaty generally eliminates withholding when cross-border dividends are paid to pension funds, and when cross-border interest is paid to the government of the other country or a financial institution resi-

Withholding Rate (%) For:				
Treaty Partner	Dividends	Interest	Royalties	Capital Gains
United Kingdom	10	0	0	0
Netherlands	5/15	0	0/5	0/15
Austria	0	0	0	0
Italy	10	0	5	0

dent in the other country.

The list of tax breaks available to residents of either state now includes a reduction from 10 percent to 5 percent of tax on copyright and licensing royalties and a tax exemption for cases when the beneficial owner of the dividends is a pension fund that is a resident of either state; a 5 percent tax on the gross amount of the dividends if the beneficial owner is a company that owns directly at least 10 percent of the voting stock of the company paying the dividends; 10 percent of the gross amount of the dividends in all other cases.

In most U.S. tax treaties with U.S. counterparts, the withholding rates on these types of income ranges from 0 percent to 10 percent Bulgaria's treaties with other key investors provide for similar withholding rates. The following Bulgarian treaties are suitable examples of withholding tax rates:

Austria and Italy are particularly interesting examples as they are among the largest sources of foreign direct investment in Bulgaria. The United

Kingdom, Netherlands, and Austria are the main countries, through which U.S. investment is channelled to Bulgaria.

According to the treaty with the United States, a student or business trainee is exempt from tax by the contracting state in which he is temporarily present with an annual income of up to \$9,000. Every five years the competent authorities have to adjust this amount.

In addition, the treaty contains provisions preventing the so-called treaty shopping, which is the inappropriate use of a tax treaty by third-country residents. The treaty also contains provisions for the exchange of information between the two countries, including bank information.

AmCham Bulgaria has lobbied successfully for the re-launch of negotiations on a U.S. - Bulgaria DTT since 2003. On Oct. 7, 2003, AmCham presented its position paper on the issue at a meeting with the U.S. Treasury in Washington, D.C. The document was a result of extensive discussion in the Chamber. It was prepared with the assistance of the Ernst & Young office in Bulgaria and supported by individual

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letters to the Treasury Secretary of from American Standard, AbC.R.O., BAEF, Bristol-Myers Squibb, Citibank, Coca-Cola HBC Bulgaria, Curtis/Balkan EBRD, the Ernst&Young Bulgaria, Entergy, Hilton Sofia, and Michigan Magnetics. In the position paper, the Chamber suggested that having a treaty will overcome the obstacles that double taxation presents to investors and to the development of economic relations between the two countries.

At present, AmCham has 94 U.S.

member companies with registered businesses in Bulgaria. U.S. companies shipped goods worth \$490.5 mln to Bulgaria last year while Bulgarian exports to the United States topped \$438.9 mln.

"The Treaty will substantially facilitate bilateral investments and trade," said Borislav Boyanov, AmCham president and managing partner of Borislav Boyanov&Co. "All of the taxpayers from Bulgaria and the United States, namely corporations, associations and persons, will work in a transparent, pre-

dictable and stable tax environment".

"AmCham members took the lead in a four-year lobbying effort to push the U.S. and Bulgarian governments for this treaty. We're very gratified to see a positive outcome from our efforts," said Ken Lefkowitz, chairman of AmCham's Public Affairs Committee. "The treaty lowers the cost for U.S. investors to do business in Bulgaria and vice versa by reducing withholding rates and reducing the complexity of working and investing in either country," he added. ■

Chronology of the negotiations on the Convention between the United States and Bulgaria for the Avoidance of Double Taxation

- 1991-1992 - Two rounds of talks were held on the signing of an agreement on avoiding double taxation; no agreement was reached on all issues and no draft agreement was signed between the two states.
- 1993-1996 - Some debatable issues were solved through correspondence, but substantial differences remained between the stands of the two parties and Bulgaria insisted on a third round of negotiations. The proposals was not backed up by the United States due to the ongoing tax reform in Bulgaria.
- January-February 1997 - The Bulgarian side sent a tentative invitation to the U.S. Department of the Treasury to hold a third round of talks. In a letter to the Bulgarian Embassy in Washington, the United States said it was not interested in an agreement on avoiding double taxation and it was not imperative to close such an agreement.
- After 1998 and the entry into force of the new taxation laws, Bulgaria repeatedly sent translations of the Bulgarian taxation laws and raised the question of signing an agreement on avoiding double taxation during official visits.
- 2000-2003 - The U.S. side resumed its interest in closing an agreement on avoiding double taxation; the two states entered into correspondence through their embassies.
- 2003-2004 - Meetings were held with representatives of the U.S. Embassy in Sofia and the U.S. Chamber of Commerce; the U.S. side demonstrated its strong interest in holding negotiations.
- Jan. 15, 2004 - A draft convention for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income was approved by the Council of Ministers by virtue of Protocol No. 2 of Jan. 15, 2004. The draft was sent to the U.S. side and the Bulgarian side proposed the conducting of negotiations.
- April 18-20, 2005 - Tentative talks were held in Washington concerning the start of negotiations on the signing of a convention between Bulgaria and the United States for the avoidance of double taxation. The meeting was held at an expert level. The two sides confirmed their desire to start talks in essence on the agreement. The meeting ended with the official announcement of the start of negotiations on the signing of a convention between Bulgaria and the United States for avoidance of double taxation.
- Feb. 27-March 3, 2006 - The first round of talks on the closing of a convention between Bulgaria and the United States was held in Washington. Some issues remained opened for a second round.
- April 12-Aug. 12, 2006 - The second and final round of negotiations on the closing of a convention on the avoidance of double taxation was held in Sofia. All provisions were agreed and the draft was initiated by the leaders of the two delegations: Iskra Slavcheva, head of directorate at the National Revenue Agency, and Benedetta Kissel, deputy director of the international tax counsel (strategic programs) at the U.S. Department of the Treasury.
- Feb. 23, 2007 - The Convention for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed in Washington.

Finding Truth in

Local production of the valued spirits changes with the country's EU membership - for better and worse

By Marina Georgieva



Girls dancing and mashing grapes during an old Bulgarian ritual at the beginning of the grape harvest in Plovdiv.

Life is too short to drink lousy wine

Goethe

"Bulgarian wine has made for Bulgaria's image more than 45 years of diplomacy," British diplomat Geoffrey Howe told Bulgarian politicians about a year ago. And he was right: Bulgarian Cabernet was the in-house wine for the British Parliament during the 1980s.

Currently, some 80 per cent of the wine produced in Bulgaria is dedicated to export, according to data released by the Vineyards and Wines Agency. After it lost a major portion of its European wine market in the early years of the transition to market economy, Bulgaria has been witnessing a slow increase in the export of table wines to European states over the last three years. Local production is however sold in the lowest-price niche. The highest prices for Bulgarian wine ever were paid for the "Traminer" variety, and the lowest - for the "Gamza," although this is a unique sort, which was met with substantial demand in Europe, the Agency claims.

Available data indicate that the annual wine consumption in Bulgaria (6 liters per capita) is way below the levels in traditional European wine producing states. The largest share of consumption is accounted for by red wine, followed by white wines, and the rose wines a distant third as it reveals a seasonal consumption trend. The gradual increase of the wine segment is supported by the interest displayed by commercial-outlet chains as well as by the more active marketing efforts of wine producers.

The "economic" products are still dominating

the market by quantity.

These are the low-price category wines priced up to 2.49 Leva, and the cheapest wines, which are sold for 2 Leva for a two-liter PET bottle. The supply of wines in various price categories has increased over the last several years due to the emergence of several new wine cellars and importers. The opportunities to sell premium and super-premium segment wines were also improved - respectively at price levels between 8 Leva and 11.99 Leva, and above 12 Leva. Consumers have an obvious taste for local wines. Imported wines amount to less than 1 per cent in quantitative terms. Due to their higher prices however they have a significant impact on the consolidated market value.

The tendency, which emerged over the last several years, towards an increase of the wine exports will persist, sources from the National Vineyards and Wines Chamber claim. According to customs data, a total of 48 million liters were exported for the first eight months of 2006, but the forecasts are that overall sales for last year will be triple that figure, as the last months of the year are traditionally very strong for wine traders. Bulgarian companies sold a total of 114 million liters of wine in 2005. The quantity of high-quality bottled wines was estimated at 90 million liters, and tank wines accounted for another 24 million liters.

Bulgarian Wine

The Russian market accounts for 75 per cent of the export, and experts predict that this share will continue to increase. Vinprom Rousse, which is producing wines mainly for Russia, has almost doubled the quantity of its export produce. Wine makers exported in 2005 a total of 4 million liters of high-quality wine, compared to 7 million liters by the end of November 2006.

The volume of high-quality wines rose by more than 50 per cent in a year and will continue to grow. Winemaking companies produced a total of 9 million liters of registered origin in 2005, compared to 12 million liters in 2006.

The data for 2006 indicate that the quantity of wine was by 20 million liters more than in 2005. Winemaking companies reported a total output of 173 million liters, up from 155 million in 2005. A total of 112 million liters were exported by Bulgarian producers in 2006. Again the largest share, or 72 million liters, went to Russia, with orders for table wine exceeding by far the capacity of local wineries and respectively were not met 100 per cent.

Total exports in 2006 were slightly lower than in 2005, when they stood at 114 million liters. However, a positive tendency was observed towards a reduction of the volume of tank wines against an increase of bottled wines, which rose to a total of 91 million liters.

Poland, with 19 million liters, is the second largest buyer of Bulgarian wines after Russia, followed by Germany with 4 million liters, and Great Britain with 3 million liters. Sweden is also among the large clients of Bulgarian wineries and winemakers, with 2.3 million liters, followed by the Czech Republic with 2.2 million liters.

Branch experts estimate the 2006 harvest as very good. A total of 218,000 tons of wine grape were collected in 2005, compared to 255,000 tons in 2006. Besides, grape quality was very high in 2006, experts claim. The Chamber attributes the substantial rise to the fact that large areas of young vineyards started giving fruit last year.

According to the Executive Agency on Vineyards and Wines, the number of wine grape producers is estimated at 27,000; of them, 26,000 are natural persons. The total area of vineyards in Bulgaria stood at 153,497 hectares last year.

The number of high-quality vineyards is estimated at 47, according to the registered-origin names approved by the Ministry of Agriculture. There is a major potential for increasing this number, as companies have invested in high-quality sorts over the last several years. The area planted with new vineyards is estimated by the Executive Agency on Vineyards and Wines at 40,000 decares; the Agency has issued re-planting rights for another 135,000 decares.

Bulgarian wineries have always found a

results

A total of 280 million hectoliters of wine were produced in the world in 2006, up by 3 percent compared to last year, according to data from the Paris-based Organisation Internationale de la Vigne et Vin (OIV). This volume will keep wine prices relatively low. Production in Europe increases, while the volume of Australian and U.S. wines is diminishing.

In view of the huge reserves accumulated in 2004, when the world wine production exceeded 300 million hectoliters, world markets will remain well supplied for a long period of time. Consumers will have the chance to relish a rich choice of wines at very attractive prices.

The volume of wine production in the European Union is expected to rise by 5 million hectoliters to 170 million hectoliters. France remains at the top with a total quantity of 53.45 million hectoliters (which amounts to a 3 per cent increase compared to 2005). Next follow Italy with 49.05 million hectoliters (3 per cent less than in 2005) and Spain with 38.5 million hectoliters (an 11 per cent increase). After a major jump to 22.9 million hectoliters in 2005, wine production in the United States declined by 13 percent in 2006 to about 20 million hectoliters. A similar trend was observed in Australia as well, where wine production fell by 5 per cent to 13.3 million hectoliters.

Production in South Africa and Chile rose by 6 and 7 percent, respectively, to 8.9 million and 8.4 million hectoliters. The highest growth rate was registered by New Zealand, where wine production rose by a hefty 24 per cent to a total of 1.3 million hectoliters.

good market in the European Union.

In 2005 alone, Poland increased the consumption of Bulgarian wines by 10 percent, according to statistics. Local producers have managed to introduce the effective European criteria due to the fact that the relevant legislation was adjusted as early as 2002 with the enactment of the Wine Act. However, after the accession to the EU, this branch will inevitably face the tough competition of winemakers in South America, Australia and New Zealand, whose produce is in the low-price class.

Domestic wine consumption is also rising slightly, and experts claim that the demand for lighter drinks will persist. Winemakers sold a total of 24 million liters in 2006. However, actual consumption is much higher, as these figures do not account for home-made wines. The high excise duties on hard alcohol, which became effective as of the beginning of 2006, have also boosted wine consumption.

At the same time, before the accession to the EU, a total of

5,000 hectares of vineyards were eradicated, as some 35 per cent of the vineyards are more than 20 years old, and a token 3 percent are younger than five years. Eradication of old vineyards is a component of the National Strategy for the development of the vineyards and winemaking branch. This strategy provides for the renewal of the vineyard fund with new plants each year.

The Ministry of Agriculture estimates the total area under grape in Bulgaria at 155,000 hectares. However, this figure includes dessert grape, the vineyards, which are not cultivated, and the small private vineyards, which are sufficient for household use only. The actual area of cultivated vineyards is not more than 85,000 hectares. Some 30 percent of these vineyards are more than 30 years old, another 41 per cent are more than 21 years old; the vineyards planted during the last four years amount to 6 per cent. All in all, in order to protect grape farming, some

2.5 to 3 billion Leva must be invested

in the renewal of the vineyards over the next five years. The European Union is allocating subsidies for this purpose, but the money may be spent only for changing the sort with more efficient varieties (which will deal a blow to specific Bulgarian varieties such as Mavrud, Shiroka Melnishka Loza and Gamza). Besides, the vineyards, for which subsidies may be obtained, must be cultivated and not abandoned or above the age limit.

All other European subsidies are dedicated to reducing outputs. No limits are set on paying premiums for the irreversible eradication of vineyards (provided that the eradicated vineyards were cultivated before that and were not abandoned). The amounts, depending on the average yield, vary between 1,450 Euro and 4,200 Euro per hectare, but only farmlands of more than 25 ares (1 are = 100 sq. m.) are eligible. As a result of land restitution, the average area of farms in Bulgaria varies between 10 and 20 ares; in some regions the average is even below 5 ares.

The application of European directives forbids also mixing local and imported wines, which will make life difficult for producers, who rely on imports from Macedonia. Limits have been imposed also on the highest yield per hectare as a measure against the use of synthetic fertilizers and excessive irrigation.

In the future to winemakers will be obliged to submit for distillation all byproducts of wine production - as a guarantee that marc will not be used for making synthetic wines through secondary fermentation. Premiums will be provided also for the voluntary distillation of vine into ethyl alcohol (which is one more measure against excessive production), and for the storage of table wines for successive years. All these rules however will be applicable in states, where a full inventory of the vineyards has been made.

Bulgarian

tour operators spared no efforts too

during the last several years to diversify their offers for holidays in Bulgaria. Besides the seemingly inexhaustible proposals for cultural, environmental, rural and hobby tourism, tour operators

offer wine tours to the best known wineries. Most of these wineries have their own vineyards and wine tasting halls, where wines are served with selected side dishes. Some of the better known wineries have even built their own hotels with all extras, typical for modern tourist services. Many foreign wine connoisseurs prefer these hotels in order to spend more time in exploring the unique opportunities for tasting various wines "from the source."

Tasting sessions are often supplemented with folklore shows. The goal is to improve the wine culture as an offer and respond to the demands of foreigners, who visit Bulgaria as tourists, said representatives of the Association of Bulgarian Sommeliers.

There are regions with very good sorts like the village of Brestovitsa near Plovdiv (Southern Bulgaria). The Bourgas region (on the Southern Black Sea) also has excellent traditions in this aspect. It is worth mentioning also the region of Veliko Tirnovo (Northern Bulgaria) which has two or three famous wineries; these are interesting for connoisseurs, as they were built in the last decade of the 20th century and have a serious experience in working with tourists, visiting on wine tours. Meanwhile, new wineries are being built with special premises allocated exclusively to wine tasting.

Usually the guest visiting wineries are accompanied by a sommelier guide, whose task is to acquaint the guest with the technology for making the various wines, their aroma and taste characteristics and specific features. Tourists may buy on-site the wines they have just tasted.

Currently, Bulgarian wine is catching up with modern concepts in winemaking and in wine consumption trends. That is why many Bulgarian wineries

produce "new world" wines,

similar to those from America, Australia and New Zealand. Naturally, Bulgarian winemakers produce also "old world" wines, which are typical for Europe. The difference among these is most often concentrated in the aroma characteristics. For instance, "old world" Bulgarian wines contain more distinct scents after maturing in oak barrels, while the "new style" wines feature a more fruity mix.

Foreign connoisseurs are advised to taste the red Mavrud, Melnik and also Gamza, although it is better known in Central Europe under the name of "Kadarka." These wines are to some extent similar to the popular Cabernet and Merlo and are consumed mostly with dark meats and heavier side dishes.

The white Dimyat and Tamyanka, as well as the Miskets from Karlovo and Sungurlare are also a very pleasant choice. They could be taken as an aperitif with smoked yellow cheeses or with lighter entrees.

The foreigners, interested in Bulgarian wines, are mostly from European countries - most of them from Norway, Denmark, the Netherlands, Germany, and the United Kingdom. These countries are also targeted as markets for a major portion of Bulgaria's wine export. Wine routes bring to Bulgaria also guests from Asia, including Japan and China. ■

New Faces of Bulgarian Wine

By Yulia Kostadinova, *Bacchus Magazine*



Serious changes in the Bulgarian wine industry occurred after 1989 when land was restored to its former owners. Until then the entire arable land was national property and was cultivated with variable success by different forms of cooperatives.

Initially, that made many of the heirs to the one-time land owners enthusiastic, because the viticulture practices during socialism were highly centralized. But a few years later it turned out that dozens of hectares of vineyards were neglected, others were included in hastily set up and badly managed cooperatives. Only a very small part of the vineyards improved and became profitable investments for owners.

On the one hand, there were people willing to buy vineyards and build new wineries; on the other, there were owners who either refused to sell their land (although they did not work it), or asked exorbitant prices. In the end, the market itself regulated these processes in a natural way. Investors gradually found their own formula: some of them acquired vineyards, oth-

ers closed long-term contracts for buy-out of grapes from vine-growers.

This re-arrangement went on for nearly 10 years, which affected negatively the image of Bulgarian wine.

The first signs of the new face of Bulgarian wine appeared four or five years ago. It was shaped up by a new generation of Bulgarian winemakers who were firmly resolved to restore Bulgaria on the map of high-quality wines.

The first sensible change they introduced was the renewal and development of vineyards: a crucial point for Bulgarian wine. The second change followed naturally: the dramatic difference in quality. Most of them are smaller or boutique winemakers who are filled with enthusiasm, though.

One such winemaker is Val Markov, a Bulgarian who more than 20 years ago emigrated to the United States and who has a robot manufacturing business in California. He took it to heart to have his own winery and vineyards

in his native country.

"I have had more than enough stainless steel in my core business, so I want my wine to be as natural as possible," Markov says.

His winery, Chateau de Val, is situated in the village of Gradets near Vidin. His white Cuvee and red Claret line (named in a typically Californian style) are a blend of varieties he found in the hundred-year-old family vineyard.

Markov does not say which varieties exactly he puts in Claret but mentions Separavi, Pamid, Cabernet and Merlot. "Gorgeous" is a word Val uses often, but it is the right word to describe his best wines that really deserve attention.

The winemakers who have accepted the terroir concept are still very few but there are some who are determined to specialize in this direction.

First among them were Adriana Srebrinova and Ognian Tzvetanov. Srebrinova uses her knowledge to look





Two men investing in Bulgarian wine - Mark Dworkin and Stephan von Neipperg



Chateau de Val, winery owned by Val Markov, is situated in the village of Gradets near Vidin



Val Markov testing his wine.



The Todoroff winery near Plovdiv



Vineyards of Bessa Valley near the City of Pazardjik.

for old and low-yield vineyards for the Maxxima line, which made a strong impression with its market debut seven years ago.

"My chief aim is the three 'bests': the best result from the best variety at the best place," she says.

Maxxima Private Reserve 2001 elevates Bulgarian wines to a rare height of density and concentration.

Ognian Tzvetanov of Valley Vintners focuses on wines with a sense of belonging. Sensus 2003 is made with grapes from North Bulgaria and features elegance and exquisiteness, while Le Cubiste is rich in lavishly ripe forest fruits.

The French Mark Dworkin (of Chateau Bellefont-Belcier in Bordeaux) heads the Bessa Valley project in Ognyanovo near Pazardjik, which is financed by Stephan von Neipperg of Chateau Canon-La-Gaffeliere and his German partner, Karl Haupmann.

Dworkin says: "Bulgaria is the new Eldorado in winemaking. Such a project cannot be carried out in Western Europe."

Ognyanovo is the embodiment of the terroir concept - it spans 105 hectares of vineyards that were once uprooted and abandoned (victim to Gorbachev's anti-alcohol campaign in the 1980s). The vineyards are planted mainly with Merlot, Syrah, Cabernet and Petit Verdot, as well as with two indigenous varieties, Mavrud and Rubin. The wine, Enira, was first presented to the public in 2004 and was followed by the reserve version that had an even more brilliant success.

A traveling French oenologist, Michel Rolland, announced a year ago that he would be chief consultant to Telish and would work on a project for a new vineyard and a new winery.

One of the first modern Bulgarian wines is ReDark of Damianitza. It is made from a selection of the best grapes from the crop, the share of Cabernet and Merlot in it varies, the winery says.

Damianitza is situated in the valley of

the Struma River in Southwest Bulgaria, which features the warmest climate in the country, "like Sicily or Spain," says the owner, Philip Harmandjiev.

He pays special attention to the unique local varieties, Rubin and Melnik, with the Uniqato line. Rubin, a Bulgarian cross between Nebiollo and Syrah, is one of the best wines in this country and - as Harmandjiev puts it, "probably the variety with the biggest potential to be a symbol of winemaking in Bulgaria."

Santa Sarah in turn is located in a warehouse in Stara Zagora. The owner, Ivaylo Genowski, lives in Germany and is strongly influenced by his friend and leading winemaker, Erni Loosen. His aim is to "make the best possible wines and accept no compromise with quality." He uses small wooden fermentation vessels in production and his wines are a real work of art.

Cabernet Sauvignon Privat is intensive and full-bodied and the addition of a little wonderful Mavrud in the latest blends contributes to its Bulgarian identity. The winery offers the exquisite and luxury BIN 41 Merlot; its elegant Chardonnay is in the style of Chablis; and the piquant Cabernet BIN 40 and Rubin BIN 42 are also premium wines.

Villa Lyubimets is another new project for 450 ha. The owner is a Bulgarian lawyer who thinks that "wine is a much more pleasant occupation."

Todoroff winery, which is situated near Plovdiv, enjoys a good name in this country. The winery is known mainly for its full-bodied red wines, with Mavrud Teres being the best in the group.

Says wine expert Caroline Gilby: "Undoubtedly, Bulgaria and its wine industry have gone through quite a difficult time. There is a lot more to be done and suffered and a lot of money to be put into Bulgarian wine. But I believe that at the right moment Bulgaria will be more than able to revive as an exceptional source of wines, offering quality and price far beyond its borders." ■

Domaine Boyar - Epitome of Bulgaria's New Wine Industry



The main winery of the company is "Blueridge" winery situated near the town of Sliven.

Domaine Boyar is the first private wine company in Bulgaria established after 1947. It was registered in 1991 in Sofia and London. During the period of economic transition, Domaine Boyar made its way as one of the largest and most prestigious producers and exporters of Bulgarian wines in Europe, Canada and Japan.

In the United Kingdom, two of three bottles of Bulgarian wine sold bear the mark of Domaine Boyar. The company is a leading exporter to Canada, too, with a 60-percent market share among Bulgarian wines. The company has a significant presence in Switzerland and the Low Countries, where the wines of Domaine Boyar account for 90 percent of the sales of all Bulgarian wines.

Domaine Boyar and Blueridge are the only Bulgarian wines of the British Top 50 of AC Nielsen. The main winery of the company is Blueridge, near the town of Sliven. This is the

most modern and technologically advanced winery

in Eastern Europe. It is situated at the foot of the Balkan Mountains. The region is known as producing high-quality red wines. The winery was completed in 1999.

Blueridge was planned and built by the Australian company A&G Engineering, which specializes in the construction of wineries. The winery is not only a wonderful example of modern wine

production, but also a model for doing business in Bulgaria. It was made possible by an investment of \$15 million. The winery operates most advanced wine-making technologies, which include exclusively high standards of hygiene, cooling, and temperature control. All process facilities are made of stainless steel.

Domaine Boyar offers distinguished wines, highly regarded by the consumers. Quite important is also the fact that the product range of the company maintains an enviable quality-to-price ratio. Keeping constant quality of the products is one of the major advantages of Domaine Boyar, where almost 100-percent steadfast quality of all bottles is attained, while the indus-

**Solitaire range- attractive wines with identity, revealing the potential of the vines and the touch of the winemaker.*

***A terroir is a group of vineyards (or even vines) from the same region, belonging to a specific appellation, and sharing the same type of soil, weather conditions, grapes and wine making savoir-faire, which contribute to give its specific individuality to the wine.*

Margarit Todorov, CEO, Domaine Boyar

In 1991, Margarit Todorov launched Domaine Boyar Sofia - the first private Bulgarian wine company since the fall of the Berlin Wall. In a few years, the company became the biggest exporter of Bulgarian wine to the west. By 2000 it became the biggest producer of wine in Bulgaria and one of the biggest in Eastern Europe. Before starting Domaine Boyar, Todorov was the director general of Vinimpex, CEO of Bulgarian Vintners Group of companies and managing director of Bulgarian Vintners Co, London. He defined the marketing concept and launched Bulgarian wine in the United Kingdom in the 1980s. Bulgaria became the fifth largest supplier of wine in Britain by 1989. Todorov specialized in the management development program in Wilkes University, in the United States. He is member of American Chamber of Commerce in Bulgaria, board member of the National Wine and Vine Chamber, member of the Bulgarian - Russian Chamber of Commerce and member of the British - Bulgarian Chamber of Commerce.

try norm is about 85 percent to 90 percent. The company was the first to launch an alternative wine closure as screw cap "Stelvin," that prevents the wine from cork taint defect.

Domaine Boyar has won recognition

as a synonym of the contemporary Bulgarian wines in Europe, and its name is known in every household in Bulgaria. The future will be for sure full of great dynamics and new projects. The company already has established positions in all market

segments in Bulgaria with various styles of wines. Favorite wine series are Domaine Boyar, XR and Oravinifera. The company will introduce at the International Exhibition of Vine-Growing and Wine-Producing Vinaria 2007 a new range named Boyar.

Since 2003, Domaine Boyar made a distinguished footprint in the upper premium segment with the single vineyard Solitaire* range, recognized as one of the most remarkable contemporary Bulgarian wines. Solitaire present different terroirs such as Elenovo, Orlovo, Polyanovo and other identified vineyards.

Key factors in the composition of great wines are the terroir** approach,

the personal touch of the winemaker

and careful control during production. Winemakers Kapka Georgieva and Dimitar Panov believe that attention to every detail is essential for exclusive small - lot winemaking. ■

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American Wines Debuting on Bulgarian Market



By Vesselina Marinova, Bacchus Magazine

The market of imported wines in Bulgaria has developed quite dynamically as a whole, but it is only in the past couple of years that a richer variety has been seen. Not surprisingly, Bulgaria imports mainly European wines, especially Italian. Wines from the United States are still few, but judging by the dynamics of development, most probably in the next years we will witness active import and good sales. For the time being, there are wines from California only and the truth is that we can easily name them all.

Good wines from the United States are expensive and the difficulties arising from the great distance, transportation and customs duties imposed are a problem for both U.S. wines and the wines from the other New World countries.

The first decent Californian wines, Fetzer, were imported in Bulgaria in 1999. There was no orderly sales system in place and the prices were somewhat inflated, which left many bottles unsold and affected the image of Californian wines.

For a few years now Wine Focus has been offering Vendange Chardonnay and some wines of Clos du Bois from Sonoma County - Zinfandel, Pinot Noir and Merlot - which are in the low category and sell badly, according to the importers.

Wine Focus representatives say that Californian wines have individuality and style and definitely have potential on the Bulgarian market - but mainly in the medium and high price category.

Just a few months ago five wines of Marimar Estate of the Don Miguel Vineyard line were also introduced in Bulgaria. The importer, MMTrade, had already made popular the Spanish and Chilean wines of Miguel Torres.

California's Don Miguel Vineyard wines also sell slowly but

steadily - they are bought mainly by connoisseurs and high-category restaurants. Since recently the same importer has been official representative of Baron Philippe de Rothschild; besides other icon wines, the company sells the legendary Opus One from Napa Valley, a joint venture between Mondavi and Rothschild. The wine has been ordered twice so far in quite limited quantities and has sold very quickly.

Good sellers are the biological wines Bonterra, which are imported by Bibendum (Chardonnay 2004, Vionie 2005, Cabernet Sauvignon 2003 and Zinfandel 2004 at prices ranging between 21 Leva and 29 Leva). They are offered at some of the big supermarkets and the specialized shops, as well as in restaurants. Bio-wines as a whole are not yet popular in Bulgaria; since they were imported in August 2006, nearly 1,400 bottles have been sold, which is quite a promising result.

In the beginning of 2007, Cartel imported several wines of Merryvale: three vintages of the super premium wine Profile (2001, 2002 and 2003), the high-class Silhouette Chardonnay 2003, and three in the medium price category (Starmont Cabernet Sauvignon 2003, Merlot 2003 and Chardonnay 2005). The first two are world-class wines and were imported in a very limited quantity; they are offered as boutique wines and are bought mainly by collectors and connoisseurs. They are sold at Elemag and Piccadilly and in a few high-class restaurants.

The number of wine connoisseurs and lovers in Bulgaria is constantly increasing and the interest of many of them is directed predominantly to the New World. There are also connoisseurs of U.S. wines among foreign tourists and businessmen. This leads to the conclusion that the potential of the Bulgarian market for American wines is not small at all and as the diversity of producers and wine categories increases, so will the interest in them. ■

Rainy Day Dough

Bulgaria's banking system remains steady - even though lending hits all-time high

By Mina Georgieva

Is Bulgaria close to that credit level where it should start worrying about the stability of the banking system? Most financiers say the question is absurd. On the one hand, banks in Bulgaria are private (there is only one state-owned bank remaining), and most of them have foreign owners. That is a guarantee that banks will not experience the difficulties they went through in 1996-1997. On the other hand, the pace of credit growth is quite quick and taking measures to slow it down (not to reduce it but to slow it down) will be good from a macroeconomic point of view, experts say.

The Bulgarian banking system has grown by some 10 billion Leva for a year, and despite the drop in interest rates, the sector's profitability has jumped by more than 20 percent, the banking system reported. Bank assets increased by nearly 30 percent in 2006, mainly due to the rise in deposits with financial institutions. They are good evidence of the great trust companies and individuals have in banks, financiers explain.

In December 2006 alone, bank deposits made in Bulgaria surged by nearly 1.8 billion Leva, exceeding 33 billion Leva, up by more than 8 billion Leva year on year. Companies and individuals held 30 billion Leva with banks in December, data show. At the same time loans reached some 23 billion Leva. The annual growth was about 24 percent, that is, within the limits set by the BNB. It should be noted that the result was strongly influenced by more than 3 billion Leva loans taken abroad.

Mortgage loans again became a hit

on the credit market and registered an annual rise of some 75 percent. In the past 12 months banks' portfolio of housing loans went up by 1.5 billion Leva.

It should be noted that the big increase

can no longer be explained with the low starting base, because the volume of mortgage loans is close to that of consumer credits. The latter at the same time registered an increase by some 10 percent in 2006.

Of course, the reason for the minimum rise in consumer loans is not to be sought in customers. According to bankers, consumer credits remain at an enviably high level and will continue to grow at a good rate in the coming years. The reason for the statistical rise lies in the loans taken abroad, where the main role was played by one

of the leading institutions in the retail banking segment. Currently households owe 4.6 billion Leva for current consumption, and their debts for purchase of real estate amount to 3.5 billion Leva.

Banks' strong activity is reflected in the sector's profit, which last year reached 800 million Leva. The main profitability indicators also rose. Return on equity (ROE) topped 20 percent, up by more than one percentage point compared with 2005.

The other indicator, return on assets



competition

The concentration of the banking sector in Bulgaria continues, which is evident from both the increasing market share of the leading banks and the profits reported for 2006. In 2007 five large banks are expected to manage assets amounting to 23.64 billion Leva, or 61 percent of the banking system's total assets; the concentration is even stronger in the profits for last year.

Three financial institutions generated 50 percent of the total profit of the Bulgarian banking sector for 2006.

According to BNB data, the biggest profit was posted by DSK Bank: 186.7 million Leva, or 23.11 percent of the sector's total profit. United Bulgarian Bank was second, with a profit amounting to 142.6 million, or 17.59 percent of the total profit of the banking sector in Bulgaria. Bulbank was third, with a net profit totaling 77.39 million Leva, or 9.58 percent of banks' profit.

The three best performing banks accounted for half of the total profit accumulated by the banking sector in Bulgaria. The total profit of the three banks stood at 406.68 million Leva, compared with 807.59 million Leva reported by the BNB for the whole banking sector.

banking trends 2006

- Banks lent more than 3 billion Leva for a year
- The assets of the Bulgarian banking system exceeded 40 billion Leva
- The deposits of companies and individuals reached 30 billion Leva
- Mortgage loans were a hit in 2006 and increased by nearly 75 percent
- More than 1.5 billion Leva worth of apartments and houses were bought on the installment plan
- Nearly 900 million Leva was lent in December 2006, 25 percent was for real estate
- The average price of credits dropped by half a percentage point to 9.5 percent
- The average interest rate on deposits jumped to 2.4 percent



(ROA), reached 2.1 percent, a little higher than for the previous year. The main conclusion that can be drawn is that banks preserve good return rates, despite the drop in interest rates on loans and the relative increase in the price paid on deposits due to higher interest rates in a global aspect.

On the other hand, the decline in interest rates should not be exaggerated, since BNB statistics shows that the price of loans declined by an average of just half a percentage point. Of course, there were market players that really reduced their credit interest rates, which customers understood and which helped those institutions post excellent results.

Bank experts also point out that in Bulgaria

corporate financing is ceding place

to consumer and mortgage credits. At

the end of 2005 financing to companies made up 63 percent of all credits, while a year later the share was 60 percent. At the same time the share of financing to individuals rose from 33.7 to 35.9 percent.

The process is very likely to continue in 2007 until corporate credits and loans for individuals become equal in volume. The reason for that is that the resource given to individuals carries lower risk and provides higher return than corporate loans. It should be noted, though, that the rapid increase in credits to natural persons hides some risks that can jeopardize the stability of the banking sector. People's incomes are not sufficiently transparent and their investigation is labor-intensive. Therefore banks require bigger security and bulky documentation to be filled in by candidate borrowers in order to consider their applications.

The desire of most Bulgarians to buy all those goods that until recently they

could only dream of is quite understandable. The risks ensue from the fact that

people's desires and banks' generosity

may lead to a situation where many households may suddenly fall deep in debt, unable to service their credits. The same threat exists with mortgage loans, which are provided for longer periods and in larger amounts. The more the financing for individuals increases, the higher the risk of a possible market collapse for banks. Experts say that the way to avoid this is to maintain a balanced credit portfolio, make conservative assessments of credits and customers' solvency, and keep a sufficient amount in deposits and government securities to guarantee the high liquidity of financial institutions.

Bulgarians are

saving more and more money.

Household deposits increased by some 25 percent in 2006, according to statistical data of the Bulgarian National Bank. Most of the deposits held with Bulgarian banks do not exceed 1,000 Leva, but there are households with three or more deposits.

There are 9 million deposits worth up to 1,000 Leva, but many of them are payment accounts, children's deposits, bank cards for payment of pensions, wages, child benefits. Since these amounts are small, the average size of mass deposits in Bulgaria is just 113 Leva.

The number of deposits worth between 1,000 and 2,500 Leva is 860,000. The central bank reports nearly 180,000 accounts worth 10,000 to 20,000 Leva. At the top of the scale there are 25,000 deposits exceeding 50,000 Leva. That means that a middle class is being formed in Bulgaria, financial experts comment.

Most people split their savings, however, because the special insurance fund only guarantees deposits worth up to 40,000. A total of 35 people have taken out loans exceeding 1 million Leva, BNB's data show. But the information does not make it clear whether the bor-

rowers are individuals or non-profit organizations.

A quarter of all Bulgarians have relations with banks

That emerges from a survey conducted by Bank Austria Creditanstalt (BA-CA). The data show that only some 12 percent of Bulgarians have savings in savings accounts, term deposits, or securities. The average size of deposits per capita in Bulgaria is still small: Bulgaria is 10th out of 13 countries in Central and Eastern Europe (CEE) in this indicator. Deposits per capita in CEE average 1,331 Euro, the amount in the Eurozone is 13,800 Euro. Bank Austria forecasts a two-fold increase in the average size of deposits in Bulgaria in 2008 to 1,061 Euro.

Slovenia and the Czech Republic feature the biggest average size of deposits in CEE for 2004: 4,908 Euro and 3,262 Euro respectively. Deposits are the smallest in Bosnia (351 Euro) and Serbia (221 Euro). According to BA-CA's analysis, there is a clear trend in Romania, Bulgaria and Serbia towards stronger growth in deposits, as compared with other CEE countries. Nevertheless, the rise in deposits will remain smaller than the credit growth.

At the end of 2004 deposits in Bulgaria made up 39 percent of GDP, compared with an average of 43 percent in CEE. The indicator in Bulgaria is expected to reach 48 percent in 2008, exceeding the average for CEE, which is forecast at 44 percent of GDP.

Traditionally, middle-aged people in Bulgaria are most inclined to make savings, the survey shows. Currently there is a substantial savings resource kept in foreign currency outside banks and it can be attracted with quality savings products.

Investing in land, buying an apartment or a house, and holding a savings account are the three most popular ways for saving in Bulgaria, the survey shows. Bank Austria Creditanstalt is owner of HVB Bank Biochim and Hebrosbank. The two banks held some 12 percent of the deposit market in Bulgaria in April 2005. In absolute terms, deposits and savings increased by more than 80 million Leva year on year. ■

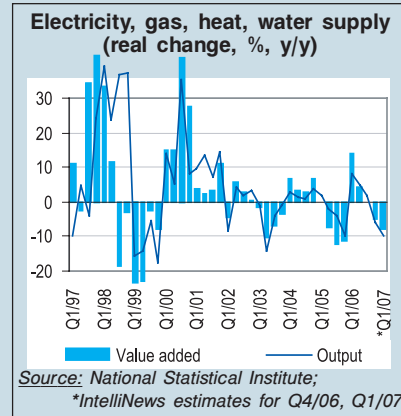
Energy Supply

Energy output declines in H2 2006; outlook for 2007 remains weak due to closure of 2 nuclear power units

The energy sector faced significant difficulties at the end of 2006 as preparations for the closure of two nuclear power units in Kozloduy as well as blocked supplies of imported black coal for the thermo-power plant in Varna led to a steep deterioration in the energy output statistics. The breakdown of GDP by major business sectors shows that the energy growth rate, measured by the value added index for energy, heat, gas and water supplies, has slowed to real 0.1% y/y in Q3 2006 after a strong increase by 14.2% y/y in Q1 and 4.1% y/y in Q2. The GDP breakdown for Q4 is not unveiled yet, but industrial sale and output reports indicate that the energy sector suffered a decline by at least 5% y/y in Q4. The outlook for 2007 is even more unfavourable in volume terms, as the nuclear plant in Kozloduy shut down two units with power production capacities of 440MW each at the end of 2006. Their closure radically reduces the country's power exports valued at some EUR 270mn in 2006. The two units account for 30.6% of the operational power capacity in Kozloduy in 2006 and for some 12% of the total power production in the country. Higher utilisation of reserve capacities and ongoing investments in reducing power losses in the distribution grid could offset a large share of the lost production potential although at a higher average cost for primary energy sources. The country's power export potential is estimated to drop by at least 80% in 2007 in volume terms but the National Electricity Company warns that the ratio is strongly dependent on weather conditions affecting the work of hydropower plants and local power demand. The estimates do not take into account all options for improving the rate of capacity utilisation.

Direct power exports encounter regulatory restraints despite formal liberalisation

In value terms, higher prices of electricity at neighbouring markets could slightly offset the lost export position in



volume terms, but the National Electricity Company looks unprepared to optimise production and sales volumes through short-term deals. Moreover, the electricity export market is not fully liberalised yet. The country's energy law formally allows local power producers to sign export deals with companies in other EU member states but article 2 of the law says that "production, exports, imports, transmission, transit, distribution and trade of electricity, heat, natural gas, oil and oil derivatives are carried out under conditions of guaranteeing human life and health, properties, environment, consumer and national interests". The clause practically gives the right of the state-owned system operator to block all efforts for signing direct import and exports deals. The most indicative example of existing inefficiencies refers to the refusal of the National Electricity Company to allow the thermo-power plant in Varna to sign power export deals in a period when government bodies have been calculating lost opportunities from the closure of the two nuclear reactors. In addition, cross-border energy deals with non-EU states remain in control of the state that raises another barrier to local power producers to seek high value-added opportunities in neighbouring Serbia and Macedonia. In this way, local power generators that maintain large reserve capacities are not able to increase production in periods when high prices could justify higher utilisation rates at units with higher cost of production.

and Restructuring

The lack of open-market deals with daily price quotes is another weakness of the local electricity market forcing many local producers to work at very low rates of capacity utilisation.

Warm weather lowers energy output in early 2007 but eases pressure on foreign trade balance

Energy output volumes were also affected by the warm weather in the first two months of 2007. The negative impact on the energy output statistics is however quite beneficial for other sectors of the economy, as heat supplies are directly linked to imports of natural gas while lower demand for electricity used for heating purposes has left some export options or allowed utilisation of power capacities with lower production costs. The warm weather is thus expected to narrow the country's net import of primary energy resources, which is rather important economic development in view of the country's large foreign trade deficit estimated at some 22% of GDP in 2006. The net import of energy resources (fob/fob) reached EUR 1.38bn in 2006 or 36% of the CA deficit and 26% of the merchandise foreign trade deficit.

Natural gas utility Bulgargaz restructured into holding company

As of the beginning of 2007, the energy ministry made some changes to the legal registration of the state natural gas and electricity utilities aimed at meeting the EU requirements for accounting and organisational separation of network industries into different entities. The natural gas utility Bulgargaz is transformed into a holding company with full ownership of three entities - Bulgartransgaz (system operator), Bulgargaz EAD (public supplier), and Bulgartel (telecom arm). Bulgargaz Holding will also control a 20% stake in Nabucco International

Company, which will carry out the project for building a 3,300 km pipeline for transit of natural gas from Middle East to Central Europe through the territories of Turkey, Bulgaria, Romania, Hungary, and Austria. Bulgargaz Holding will employ 15 to 20 persons that will take over activities related to strategic planning in the sector, marketing, research, and administering big projects. Bulgartransgaz will act as a system operator in control of pipeline, compression, and storage infrastructure. It will be the largest entity in the group with some 950 employees. Bulgargaz EAD will manage gas contracts referring to supply, transit, sale, storage orders, and administrative issues. It will have 15 to 20 employees. Bulgartel was set up in 2005 to administer the optic fibre network built along the pipeline infrastructure of Bulgargaz. The telecom arm of the natural utility is projected to have 15 to 20 employees. The local branch of Nabucco is also projected to have between 15 and 20 employees on permanent contracts.

National Electricity Company sets up transmission unit

The scope of restructuring in the electricity sector was limited to the setup of a new entity named Electric Energy System Operator (Elektroenergien Sistemen Operator) that will carry out transmission works and related activities. The incumbent National Electricity Company (NEC) will act as public supplier and will manage its own power generation units. The energy ministry also founded a new legal entity named Nuclear Plant Belene in February 2007 to replace the relevant branch of the National Electricity Company. The act is linked to the expected imminent launch of field works for building a 2,000 MW nuclear power plant in the Danube town of Belene. Engineering and construction works valued at EUR 4bn are provisionally assigned to Russia's

AtomStroyExport in a partnership with France's Areva and Germany's Siemens. The state will retain a majority stake of at least 51% in Belene Nuclear Plant and will most likely call a tender for selling out the remaining stake to a strategic investor.

Energy ministry mulls plan for consolidating natural gas, electricity structures

Minister Rumen Ovcharov has commented on a plan for consolidation of the natural gas and electricity businesses into another state holding but no real steps are taken in this direction so far. According to Ovcharov, the first phase of consolidation should commence in the beginning of 2007 with the setup of an energy holding led by the state electricity company. The holding will comprise all major power production assets, including the coal-fired plants in Maritsa East, coal deposits in the region, the nuclear plant in Kozloduy, and the planned nuclear capacities in Belene. All power production units will operate as separate entities within the holding. The second phase of consolidation will include the telecom grids of NEC and Bulgargaz. The third and final phase will integrate electricity and natural gas transmission services into the holding. The ministry will consider floating of minority shares in the new holding on local or foreign stock markets. The draft plans envisage initial offering 5% to 15% of the holding on the local bourse followed by 10% to 15% floatation in London and New York or slightly higher stakes on the foreign markets that will bring the total free-float to 40-45%. The other scenario envisages public offerings in the range of 10% to 30% targeted only at strategic investors. The Austrian EVN, the majority owner of the south-eastern retail electricity companies, has already revealed its interest in acquiring a stake in the new state holding that will succeed NEC. ■

Packaging Waste Recovery Organizations: The Responsible Solution



Environmental protection is, without a doubt, one of the areas of regulation that is subject to most dynamic changes. Driven by its desire to tailor the efforts of both business and consumers to the global challenges in this area, the EU adopted a number of directives that regulate chemical and heavy metal industries, carbon emissions, electrical and electronic equipment, packaging waste, etc. In some cases it is really the businesses that need to take actions and incur costs to address the new requirements. In others consumers play the active role.

A very good example of a complex environmental initiative with clear and visible results, once achieved, is the separate collection of packaging waste. In this area the efforts of the government, in the face of the Ministry of Environment and Waters (MOEW), the municipalities, all producers and importers of packaging waste, and, of course, all consumers go in one direction.

Facts and principles

Currently, more than 400,000 tons of packaging waste is generated annually in Bulgaria. Due to commitments Bulgaria has made to the EU, a fraction of that quantity has to be recovered and recycled. This quantity gradually increases, the percentage for years 2006, 2007 and 2008 being respectively 35

percent, 39 percent and 42 percent. Part of this quantity, such as transport and commercial packaging is generated within the industry and is, therefore, easy to collect and sufficiently clean to recycle. Yet, an estimated level of about 65 percent of the packaging is generated by households - glass and plastic bottles, paper packs, beverage cartons, etc.

It does not take much calculations to figure out that sufficient long-term achievement of the targets requires that packaging generated by end consumers, i.e. households, is also added to the account. It also does not take much analysis to understand that this part of the equation is the expensive one.

Win-win-win situation

Facing the facts, the government and businesses adopted an approach that had proved to be working in other EU countries. The solution is called "recovery organizations" and it actually implements the "responsible producer" principle in a practical manner. Five organizations of this type operate in Bulgaria, the two big ones being Ecopack Bulgaria AD and Ecobulpack AD.

Most of the big Bulgarian municipalities are already supplied with sets of colored containers in which we can dispose of our packaging waste separately. Imagine the organization that stays behind that: the trucks that pick up the containers and

the following recycling process, the awareness and educational campaign, the joint programs with municipalities. This is a process that is neither cheap nor easy to organize.

Also, as it normally happens, we all pay for that. Anytime you purchase a bottle of Coke or beer, a bar of chocolate or a pack of chewing-gum, a tiny fraction of the price goes for funding the recovery organizations. Companies, importers or producers of packaged goods pay this as a fee to the recovery organizations. So a process is created that involves four major stakeholders:

- MOEW regulates the whole process. It sets the targets and monitors their implementation;
- Businesses pay the bill (and pass the cost down to consumers). The higher the weight of packaging placed on the

market, the higher the fee to the recovery organization;

- Recovery organizations do the actual job. They buy and place the containers, they (normally through contractors) collect the separated waste and ensure it is recycled;
- Municipalities decide on the places where the containers are set and figure out how separate collection schemes are added to the domestic waste disposal.

Ultimately, to ensure it all works, the customers need to make a commitment and change some of their habits.

Development of separate collection

More and more cities and Bulgaria use sets of either two or three containers enabling customers to dispose of their pack-

Joachim Quoden: Consumers Are the Key

The managing director of ProEurope has advice for businesses and municipalities as well as on how to get the separate waste collection going

Q: What do you consider to be the major challenge in developing the systems for separate collection of packaging waste?

A: It is to achieve an agreement between all stakeholders (retailers, fillers, importers, waste management companies, recyclers, government, local authorities and the consumer) that a household collection system has to be built up. It is also to convince the consumer to change his daily habits and to start separate collection.

Q: How long does it normally take to educate a society in the principles and mechanisms of separate collection of packaging waste?

A: Unfortunately this education will never stop! Even if the people have understood in principle the mechanism of separate collection you have to continue motivating them all the time.

Q: What measures of control have proved to be efficient when ensuring that domestic customers really separately collect their packaging waste?

A: For a curbside collection, it is of course useful if the waste management company which is collecting the bags and bins reject such bags and bins which are filled in a wrong way; of course then these people should be contacted later



immediately. For container collection this is of course very difficult. The best is to motivate the people. In many European countries the fee for the municipal waste collection is related to the amount of waste produced by the people. If they separate their waste they can save money. This is unfortunately the best motivation for people.

Q: In countries with low levels of income scavengers "operate" together with the containers set placed by the recovery organizations. This makes it really difficult to ensure efficient and sustainable separate collection. Any idea how these two contradicting systems can "live together?"

A: Of course, it has to be avoided that the

containers are emptied by these people; on the other side we have to accept that they need work to live. So, as far as I know, for instance, in Turkey and Brazil they are trying to organize their way of working because in general there are still enough places without a structured collection system where these people can work. Contracted waste management companies offer then to these people to take over material for a certain price.

I think that all over Europe you can find successful recovery schemes. One of the most advanced and efficient systems can be found in Belgium as they are reaching very high collection quotas but are on the other side not very expensive. As I mentioned for the first question, the most important thing is the common agreement of all stakeholders. If the system has to fight with the stakeholders or if you have an unstructured way of competition you will not be able to build up a household collection system. If you take the Polish example with about 50 competing systems you can find that every one is trying to collect the cheapest material from transport packaging and retailers but one likes to invest in the expensive collection from household as household collection is about 10 times more expensive than the collection from retailers and transport packaging.

Q: One argument for convincing both citizens and municipalities in the use-

aging waste in an environmentally-friendly manner.

Ecopack Bulgaria, Ecobulpack, Bulecopack, Repack and Recopack are the five recovery organizations committed to covering more than 6 million people by the end of 2008 and they are well on track. Preliminary calculations show that municipalities with total population of some 2.5 million are already covered.

In order to communicate clearly how it all works, a nationwide awareness campaign was jointly put in place by the five participants on this market. At this stage, however, it is difficult to say how successful the campaign was. "Consistency" is the key word here and that is why all the media will keep educating us on the benefits of separate collection.

Nikola Doychinov, the procurator of Ecopack Bulgaria AD, summarizes the logic in the following way:

"Placement of containers and making people aware of how to use them goes hand in hand. We, Ecopack, covered with containers cities of around 850,000 people by the end of

2006. By the end of the current year the figure will reach 2,000,000. Once there is a three-container-set on the street, people need to be clearly informed what it is there for. At the same time, when a message reaches a town that still has no system for separate collection, people have the right to ask when they will be given the opportunity as well. To ensure this happens soon, we, all five organizations, are currently signing contracts with municipalities."

EU learnings and opportunities

Similar to many other areas of business regulation, packaging waste management closely follows EU tendencies. This is the case in both the successful elements of the process and its difficulties. That is, more or less, inevitable.

It may be evident that we have a long way to go, yet tailoring some established models to our environment may shorten it. That is why we addressed Joachim Quoden, the executive director of ProEurope (the umbrella organization of all recovery organizations under the "green dot"), with a list of questions hoping that their answers will help us understand the issue. ■

fulness of "colored containers" is the efficiency it adds to the domestic waste disposal. Are there examples for countries or municipalities where due to effective collection of packaging waste the waste disposal fees for domestic customers have been reduced?

A: Unfortunately I am only aware of the German situation in detail; without the separate collection of household packaging the fees for the consumer would have been much higher than today; based on the landfill ban for all kinds of waste the fees had to be increased (as incineration is more expensive than land filling), but without the separate collection the fees would have been much higher.

Q: In order to ensure efficient "treatment" of the packaging waste consumers undoubtedly need to be aware of what to do with the package. In this sense, do consumers really understand the meaning of the green dot?

A: The meaning of the Green Dot is a quite difficult one as it says that for the labeled packaging a contribution has been paid to a qualified recovery organization. Nevertheless the consumer all over Europe know their local systems for the collection and because of events like the "open sorting and recycling facilities" where the people could visit sorting plants and recycling plants in their neighborhood and so they understand the system.

Q: EU regulations in the area of environment are the ones that most seriously affect both businesses and consumers. Packaging waste regulations is a good example. Businesses need to somehow accommodate the extra costs of the new fees, while end consumers are expected to change their consumption habits. A lot was done in the last years in the area but undoubtedly this area of the legislation is quite dynamic. Where do you see the next major regulations in this area?

A: I think that in the coming years we have to think in a much more complex way, "life cycle thinking." If we do not take into account the product when we optimize the packaging, the environmental damage might be bigger because of more broken products. Moreover, we have to take into account our changing society with smaller families and people becoming older as before. Legislation cannot be done against consumer trends. So, we have to make much more use out of our waste to save resources, adapt our products and packaging to the new developments to reduce the loss during transport and consumption to zero if possible.

Q: If you are addressing a highly skeptical consumer who denies the benefits of separate collection of packaging waste what would you tell him?

A: I would ask him whether he likes to

have a landfill and/or an incinerator in his neighborhood and whether he more-over likes to pay much more for his waste disposal. Then I would explain him that with little effort he can reduce his ecological footprint by sorting his waste and that this saves him a lot of money as well.

Q: Any other advice you would like to give to a country that is just gaining speed in this area? Please address with one sentence each key stakeholder in the chain: business, municipalities, consumers.

A: To businesses: Stop discussion, agree all together on one target, and just do it! Please make use of the international experience of your sister companies or your associations all over the world.

To municipalities: Use the chance to analyze your waste collection and disposal system as a whole and accept the offer to collaborate with industry. Also, please make use of all the experience of your sister municipalities all over Europe; I certainly know that they are also willing to share their experience, join respective associations which take care of this problem such as ISWA.

To consumers: You are the key player; please help us make things a little bit better, please start and keep sorting your packaging. ■



Japanese movie star Shido Nakamura as Lieutenant Ito in Letters from Iwo Jima

The Tolerant Cowboys and Other Miracles

Screening "Letters from Iwo Jima" in Bulgaria

By Boyko Vassilev

Just imagine: a Bulgarian telling about the blinding of King Samuil's warriors from a Byzantine point of view. Or a Serbian making a film about the Turks at Kosovo Pole. Entering the cinema, Bulgarians strained their imagination by those fictional stories. They were about to see "Letters from Iwo Jima" - an American movie about the Second World War as seen through the eyes of the Japanese.

There was a small cocktail party before the screening. Bulgarians, Japanese and Americans were joyously chattering and toasting each other. They would exit the hall silent and lost in thought.

"Letters from Iwo Jima" is not the best idea for spending a couple of hours of leisure. The director, Clint Eastwood, is telling a story about the bloody and absurd battle for a small Pacific island by using the words and the tears of the defeated enemies. A job well done, as although the film could not stir any feelings at the Oscar Awards Academy, it

managed to make the Bulgarian audience in the fully packed hall at the Arena start thinking.

First, who said it was about World War Two? In the Pacific? For Bulgarians born before 1980, the Second World War is identical with the Great Fatherland War, or in the best case - with the liberation of Paris. The opposite, of course, could also be true - there are only a few Americans, who know anything about the Battle at Kursk. One way or another, a lot of Bulgarians will learn from Eastwood for the first time about the island, which took more than 20,000 Japanese and 7,000 American lives only days before the end of the world massacre.

Unless the same Bulgarians have already learned about the story from American combat action movies, in which blue-eyed braves scatter the Japanese hordes of carbon-copy-faced suicidal fanatics. This, however, is an entirely different case. The story is dri-

ven by the Japanese. And among them, beside the fanatics,

**there are dare-devils,
rebels, people in love,**

and aristocrats of the spirit. Clever and capable General Kuribayashi (played by the superstar Ken Watanabe) and the tolerant aristocrat Baron Nishi are heroes, who may not be easily forgotten. Urged by those two enlightened leaders, the Japanese soldiers in the movie help a captured American soldier, and after they read his letters they understand that he, too, is a human being. And there is more: American soldiers in an American movie mercilessly and cowardly slaughter Japanese captives.

After he told us the story about Iwo Jima through the eyes of the Americans in the "Flags of Our Fathers," Clint Eastwood reversed the camera to record the point of view of the former enemy. "It is not important who won and who lost the bat-

tle," said Eastwood in an interview. "It is the victims on each side who are important."

A Balkan audience can easily accept that the Japanese have the right to tell their side of the story, but it is far from being easy to assimilate this story. Would a person from the Balkans dare step into Eastwood's boots? Picture this - a Bulgarian making this film, or a Serbian, or an Albanian... You can imagine what the response of the on-call critics and of the patriots-for-hire would be.

But do not understand me wrongly, the Balkans are not inferior to - or less tolerant - than America. The difference lies in the behaviour of the elites and in the tendency demonstrated by these elites to follow the wake of public opinion. America can afford to be its own harshest critic. From "Hair" to Michael Moore, it has demonstrated a bitter passion to depose its own myths. Elites in small countries, however, cannot indulge in such a passion - if they venture to criticize themselves, there will be simply no one left to pay tribute to them.

This, according to me, is one of the reasons

for tolerance to persist as an alien notion on the Balkans

- to remain alien to those, who aggressively try to impose it from without, and for those who equally aggressively resist it from within. Both groups so fiercely cling to terminology that they have lost the ability to understand the signs; and to understand life in general.

But the air during the screening at the Arena was different. The organizers resorted to demonstrative nods dedicated to the Bulgarian audience: both U.S. Ambassador John Beyerle, and the Japanese Charge d'Affairs Yokoyama were not only delivering speeches together - they did so in perfect Bulgarian. These gestures were worth more than 10 academic lectures on the merits of tolerance. "We have a long way to go", a Bulgarian told in self-reproach to a Western European.

In an attempt to make the scores equal, we could say that it is Hollywood that



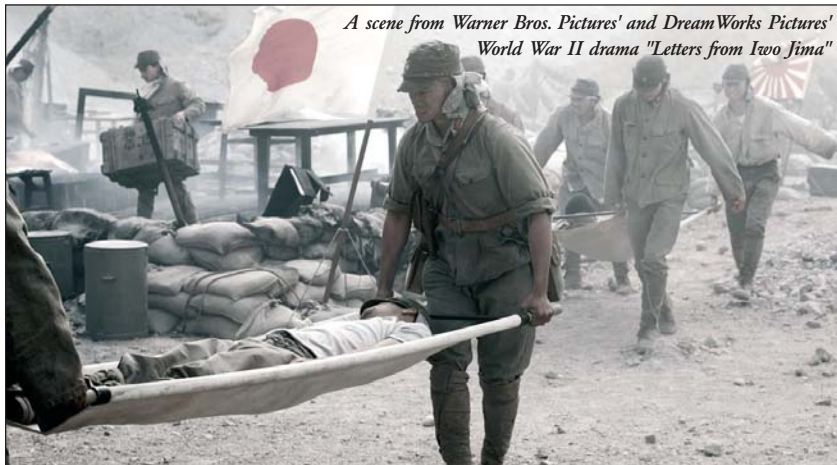
U.S. Ambassador to Bulgaria John R. Beyerle

sets now the law in two distinctive worldwide cultural trends. Let us call them provisionally, the Mel Gibson trend and Clint Eastwood trend. The provocative tolerance of Clint Eastwood is challenged by provocative intolerance. The adamant, often scandalous personal position expressed by Fiery Mel is a real

cavalry attack against political correctness

("Brave Heart", "Patriot", "The Passion of the Christ"). We feel sympathy for the Japanese in the Eastwood film, while we exit the cinema after a Gibson film with (to put it mildly) mixed feeling towards the English and with a lot of questions for the first-century Jews.

Today's world does need to see both sides of the coin. For instance, consider the style of two greats in journalism: the shocking Oriana Fallaci and the objectively balanced Walter Cronkite. The rules match the scale set by the personality, while the clichés fail to survive - even the most noble among them.



A scene from Warner Bros. Pictures' and DreamWorks Pictures' World War II drama "Letters from Iwo Jima"



Archive photo of the Ambassador of Japan to Bulgaria H.E. Koichiro Fukui, who helped organizing the screening of *Letters from Iwo Jima* together with the US Embassy. H.E. Koichiro Fukui was in Japan during the event in Sofia, but a special letter from him was read to the audience

The major virtue of "Letters from Iwo Jima" is that the film cannot be labeled a cliché. Tolerance is an officially sanctioned topic, but does it really need an official sanction to be able to see the beauty and the virtues of a former enemy? One should be surprised by what Eastwood, the silent spaghetti-Westerns cowboy, did.

I would like to see such tolerant cowboys on the Balkans as well, but it seems that it is too early for that. By the way, the first night of "Iwo Jima" coincided with a new reminder about the massacre in Srebrenica - the ruling of the International Court on the guilt (or the lack of it) of the Serbian state.

The ruling was met with a storm of reactions, which demonstrated that the Balkan wounds are still open. The Balkan Eastwood is now perhaps barely ten years old. ■

AmCham Committee Clarifies Commercial Opportunities for U.S. Companies



55 members, among them Gergana Maneva /fist left/, Ellief Center; Tsvetana Donova, Optoelectron Group /on the right/, attended the committee meeting.

What new opportunities will U.S. businesses enjoy in the areas of EU funding after the Bulgaria's accession to the EU, was the key issue discussed at the AmCham EU Affairs Committee meeting Feb. 7, 2007, at the Hilton. In her presentation Olga Borissova, direc-

tor of the Center for EU Programs, Ellief Center and chair of the committee, elaborated on the EU public procurement, structural funds and cohesion fund 2007-2103, new generation of community programs, issues of concern and tools for successful project

writing. The presentation was titled "EU Post Accession Instruments - Commercial Opportunities for U.S. companies."

EU public procurement has four levels: WTO International Treaty Government



Olga Borissova, Chair of the EU Affairs Committee and Director EU Programmes, Ellief Center, elaborates on the opportunities for the companies operating in Bulgaria, as a member of the EU.

Procurement Agreement; primary EC laws, free movement of goods and capital, freedom to provide services, freedom of establishment; EU Public procurement directives and national laws in each EU member state.

As EU member, Bulgaria enters a completely new market of opportunities. Total public procurement in the EU, the purchase or exchanging goods, services and public works by government and public utilities is estimated at about 16 percent of the Union's GDP or 1,500 billion Euro in 2002. In Bulgaria, after 2007 all public procurement will be done in accordance with the Law on Public Procurement. The law is fully harmonized with the EU directives in the area.

The objective of public procurement is to develop intra-EU bidding. In this regard Olga Borissova mentioned two EU Directives: Directive 2004/18 for supplies/works/services and Directive 2004/17 for procurement in utilities.

The scope of the Supplies Directive is purchase, lease, rental, hire and the threshold is 137,000 Euro (excluding VAT). The scope of the Works Directive

is execution and design, and the threshold is 5,278,000 Euro. The scope of Utilities Directive is water, energy, transport, postal services, ports and airports with thresholds for Works - 5,278,000 Euro, Supplies and Services - 422,000 Euro.

When looking for tenders there are several opportunities. The purchases within EU are published in TED (Supplement to the EU Official Journal) at <http://ted.europa.eu>. For all the external aid you should go to the Europe Aid database - <http://europa.eu.int/comm/europeaid/cgi/frame12.pl>, where the company could be a bidder or a subcontractor. The TED database for U.S. firms with European presence is available at: <http://ted.europa.eu>.

Europe Aid is for all EC external assistance programs; Phare, Ispa, Sapard, Tacis, Meda - <http://europa.eu.int/comm/europeaid/cgi/frame12.pl>.

More information on the EU Post Accession Instruments is presented in the Business Guide available through AmCham. ■



The present Guide provides an overview of the EU financing instruments available to Bulgaria for the period 2007-2013.

The Guide:

- Presents the characteristics of the financial package and the expected trends;
- Gives explanation of specifics in contracting and implementation procedures;
- Explains the eligibility criteria for participation, i.e. the conditions, which U.S. companies must meet in order to qualify for the above programs;
- Describes the rules of origin governing provision of services and purchase of goods;
- Provides a summary of key EU programs available to the businesses after the EU accession of Bulgaria;
- Contains an invaluable database of key contacts in Bulgaria and in the EU regarding access to the EU financing facilities.

This publication has been prepared with the kind financial support of the Commercial Service of the U. S. Embassy in Bulgaria.

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Foreign Minister Partnership

Twenty Five American Banks Apply to Work on Bulgarian Market



The Minister of Foreign Affairs Ivailo Kalfin had to answer media questions regarding the case of Bulgarian medics in Libya and the statements of Slovakia's Prime Minister Robert Fico.

Finding ways to attract more US investments based on excellent political relations between Bulgaria and US, further facilitating the exchange of goods and services, should be among our priorities, said Foreign Minister Ivailo Kalfin to AmCham members, representatives of Bulgarian-American Trade and Economic Council and media on February 23. The address, entitled "Bulgaria's EU Membership: More Opportunities for Partnership between Bulgaria and USA", focused on excellent cooperation on a political level between Bulgaria and the US which is an ideal foundation for developments of the bilateral economic relations.

The minister highlighted the most important missions that the two countries are in together: Iraq, Afghanistan, and Kosovo.

The Bulgarian Government is willing to further develop bilateral relations with the US in all possible fields, using as an additional opportunity the membership of Bulgaria into the European Union.

Minister Kalfin was very delighted to

announce the signing of the Convention for the avoidance of double taxation between the two countries, which took place in Washington on February 23.

"It would not be clever to delay incentives for investments and exchange of goods and services in a closer economic cooperation between the two countries, provided we have these excellent political foundations", Kalfin said. Both American and Bulgarian governments will allow the expansion of these businesses, he added. He mentioned the visit in Washington last December, where he met the Secretary of State, US Secretary of Commerce and top government officials.

"In all of the meetings very important aspects of bilateral relations were discussed", Kalfin said.

In 2006, 16.6% of the Bulgaria's GDP came from foreign direct investments, which is more than double in comparison to the data of other East European countries. One third of the FDI are in the real estate sector. Greenfield investments account for most FDI, and privatization remains a distant second,

Elaborates on US-Bulgaria

Kalvin said.

The minister pointed out that since Bulgaria has become an EU member this year, several American banks are interested in developing their businesses in Bulgaria, thus entering the EU market. About 25 US banks have applied for licenses in Bulgaria, 11 of them as financial intermediary, and several insurance companies.

"In order to use the money coming from EU structural funds, Bulgaria has to mark its priorities, among them national budget co-financing", Kalvin said. He elaborated on the investment potential of some sectors of the Bulgarian economy as power engineering and infrastructure. The Government goal is to position Bulgaria well in terms of energy sector developments. He mentioned the approaching signing of Burgas-Alexandroupolis Pipeline Agreement. According to Kalvin, in terms of transit and production of energy, the country can have a very stable position on the energy market.

"It is of crucial importance now that Bulgarian economy is competitive, and the developments in the IT sector and the university exchange are very important", the Minister pointed out. The USA is a model in this respect, much more than the EU. The Bulgarian Government should create incentives for both the companies and the students.

In a Q&A session, Teodor Milev, Microsoft, and Kenneth Lefkowitz, NECA, thanked the minister for the ideas concerning education and promotion of high school incentives and students exchange.

Olga Borissova, AUBG, inquired about quality of enforcement of EC legislation and the internal efforts of the Government. Minister Kalvin said that the EU monitoring continues and if the regulation is not done, it would cost a lot of money for Bulgaria. "If there are missing parts in the legislation, the fines are per day. The mechanism will follow very strictly how Bulgaria performs", Kalvin went on to say. ■



Ivailo Kalvin is a Deputy Prime Minister, Council of Ministers, and Minister of Foreign Affairs since August 2005. In 2002-2005 he was a Secretary for Economic Affairs to the President of Bulgaria. He was elected to the 36-th, 38-th, and 40-th National Assemblies.

He is a founding member of the Bulgarian Macroeconomics Association; Member of the Advisory Board of Bulgaria Beyond the Facts Early Warning System implemented by UNDP and USAID; Member of the Association of British Alumni in Bulgaria; Member of the Board of Directors, Institute for Economics and International Relations; Member of the Fellows Network of the German Marshall Fund of the USA; Member of the Association of Scholarship Fellows of the Chevening programme, UK.



AmCham President Borislav Boyanov (left) introducing Vesselin Valchev, Chair of BATEC

AmCham Ski Tournament



The third AmCham Ski Tournament attracted 87 participants on Feb. 24 in the vicinity of Aleko on Vitosha. AmCham members, students and journalists competed in two disciplines and four categories: men, women, children and team.

Moten Sport supported the event technically and provided running commentary. The ski show was covered by the bTV news, Bulgarian National Radio, Standart and 24 Chassa dailies.

Svetlin Savov, Pain D'Or, placed first among men. He was awarded with an AmCham cup and a GSM phone Motorola SLVR. Alexander Savov, Pain D'Or, came in second and got a cup and a complimentary weekend for two at Medite Resort Spa Hotel in Sandanski. The award was provided by Allied Pickfords. Orlin Mladenov, Balkan Star, took the third place and won a cup and a weekend test-drive of SAAB 9-5, provided by Scandinavia Motors.

Velina Savova, Pain D'Or, finished first among the women. Denitza Stoyanova, Orkikem Ltd., came in second, and Theodora Sinilkova, Coca Cola, placed third. Savova received one night of complimentary stay for two at Kempinski, Bansko. A one-night weekend stay for two at the Radisson Hotel Sofia was the prize for Stoyanova.

Pain D'Or won the team cup as well, followed by Balkan Star and Hilton Sofia. A complimentary Sunday brunch for all team members at Seasons Restaurant was provided by Hilton Sofia Hotel. In addition, thermo-cups SAAB were dispensed by representatives of Scandinavia Motors.

All places in the children category were taken by competitors from the American College: Vesselin Hadjistefanov placed first, followed by Neda Tsvetkova and Elena Atanasova. The winners were given cups and backpacks from SLS Sports Shops. American College skiers received a special overall prize for high sporting achievements.

Evgeni Batinkov, Balkan News Corporation, won the snowboard race followed by Eric Anderson, Anglo-American School, and Kaloyan Marinov, Balkan News Corporation. They received awards from Sport Shops Chain SLS as well.

AmCham extends its gratitude to Scandinavia Motors, Moten Sport and Nivea Lip Care for sponsorship and organization. We also thank companies who provided prizes: Allied Pickfords, Coca-Cola, Hilton Sofia, Kempinski Hotel Grand Arena Bansko, Motorola Bulgaria, Nivea Lip Care, Radisson SAS Grand Hotel, Scandinavia Motors, Sport Shops Chain SLS. ■



Does it again



A special award for high sports achievements was given to the team of the American college skiers.



In the women category Velina Savova, Pain D'Or placed first, Denitza Stoyanova, Orkikem Ltd. came in second, and Teodora Sinilkova, Coca Cola placed third.



Cups for the winners in four categories: men, women, children and team.



Except for the skiing, there was a snowboard race where Evgenii Batinkov, Balkan News Corporation placed first followed by Eric Anderson, Anglo-American School, who placed second, and Kaloyan Marinov, Balkan News Corporation, on the third place.



Borislav Boyanov congratulates the winners in the men category: Svetlin Savov, Pain D'Or placed first, Alexander Savov, Pain D'Or came in second.



Pain D'Or won several cups in the men, women, and team categories. In addition, the youngest skiers were twinborn girls - children of Pain D'Or skiers in the adult's categories.



87 participants competed in four categories: men, women, children and team.

American College Launches Innovative Service Program

By Natalia Manolova and Derek Tellis

The American College of Sofia started implementing the Creativity, Action and Service (CAS) Program during the second semester of the 2005-2006 school year. This program was introduced in order to enhance the educational experience of each student and to effectively fulfill the mission of the school. It organizes the wide range of extracurricular activities at school in a meaningful and well-documented manner, while at the same time it goes through changes in order to best fit the specific ACS atmosphere.

College's CAS guide describes the main purpose of CAS as "the development of well rounded, dynamic individuals who are fully prepared for success in their adult life." The benefits for the students are numerous. Universities have clearly expressed the desire for students to demonstrate initiative, to create, plan and execute meaningful community based projects - and CAS provides that. Completion of activities in a non-academic environment gives the students invaluable experience in utilizing the knowledge gained at school and develops their communication skills.

Throughout grades 9-12 during the CAS program, students are expected to complete activities and projects incorporating one, two, or, ideally, all three components of the program.

The first component, Creativity, covers not only a wide range of arts (dance, theater, music, art) but also the creative thinking that takes place in the design and carrying out of Service projects. The ACS Academic Calendar is rich in arts events, such as a Christmas Concert, Bulgarian Language Drama Production, Talent Show, English Language Drama Production, and Arts Fest. Students present their numerous talents to their peers, teachers, parents, and guests, but they also actively participate in the organization of the events.

In addition to the official school arts events, students initiate and organize a number of others. Some good examples on which students are currently working are the national competition for creating a logo representing Bulgaria in the European Union organized by the Art Club, and the individual folk concert of the Balkan Dance Club.

The Action component includes participation in individual and team sports outside the regular curriculum of ACS, as well as the physical activity involved in carrying out Creative and Service projects. Our students, coached by teachers, practice different sports - we have volleyball, basketball, football, tennis, table tennis, badminton, softball, and ski girls and boys teams, participating in intramural, city, national, and ACS OPEN tournaments.

Service, the third component, is the essence of CAS. It involves human interaction, such as the building of links with individuals or groups in the community. Service projects are various - related to charity, working with orphanages, ecology, animal protection, etc. All of them, though, have one thing in



"We Care" club member with kids from the orphanage in Krasno Selo.



The "English Teaching for Kids" club organized an unforgettable Christmas celebration in the "Petko Slaveykov" Orphanage.



A scene from the Bulgarian language drama production "Carnival" after Kamen Donev that took place on February 23, 2007.

common - they develop our students as socially responsible persons. Listed below are only a few examples of the many service projects involving ACS students.

The "We Care" club is well known among the ACS community for its traditional charity activities with orphanages. Its members could be seen organizing bake sales during all official school events with the goal of raising money for charity. One of their latest activities was the memorable Christmas celebration they organized for the kids in the Krasno Selo Orphanage. Our students prepared many gifts - fruits and vegetables for the orphans' Christmas feast, chocolate, and books. As always, the club members spent unforgettable moments playing with the kids and telling them stories.

Another good example of a relationship with an orphanage is the project of the "English Teaching for Kids" club with the "Petko Slaveykov" Orphanage. The club has been working with this orphanage for three years now.

Maria Kinkina, president of the club, said: "The role of the club members has changed over the years and from people who just visited the orphanage and did charity, gradually we started teaching kids English and playing with them and finally we became close friends with the orphans."

The club raises money from bake sales and collects donations

with the help of all ACS staff and students. Thus, every visit brings happiness to the orphans' lives not only because they enjoy the company of their friends from the college, but because they receive many presents - toys, books, clothes, textbooks, and sweet treats.

ACS students also work with the orphanages of Dragalevtzi and Banishora in Sofia, as well as with others in the towns of Gurkovo and Roman.

This year's St. Valentine's Day gave our students a new opportunity for a noble activity. Initiated by two international students, a group of 15 students collected orders and organized delivery of chocolate and roses on Feb. 14 with a final goal of raising money for charity. The collected sum - more than 250 Leva, will be donated to "Charity Hospice" - a foundation that takes care of less fortunate elderly people.

Currently, 42 out of the existing 120 CAS projects and activities contain a prevailing Service component. Apart from the charity activities, students are working on many projects that benefit the school and its community, for example paper recycling, cleaning desks, library internship, peer tutoring, and assisting the organization of all school events. Students join these projects with a great enthusiasm experiencing the enriching feeling of doing something for the benefit of others and learning lifetime lessons. ■

Kempinski Bansko Recognized as Leading Hotel Worldwide

Kempinski Hotel Grand Arena Bansko, Bulgaria was named as one of the Leading Hotels of the World on Feb. 13, 2007. The luxury property succeeded in achieving the respectable title after going through an intensive three days of blind peer-review process. The Leading Hotels of the World, Ltd., was established in 1928 and is the prestigious luxury hospitality organization representing more than 430 of the world's finest hotels, resorts and spas in 80 countries.

The requirements for becoming a member of The Leading Hotels of the World stipulate that a hotel must meet exacting standards of excellence in all areas affecting guest comfort, convenience and well being. Situated in one of the most symbolic Bulgarian towns, the Alpine-style hotel blends gracefully into the surrounding area. The ensemble consists of five buildings located at the foot of the ski slopes in Bansko, offering direct access to the avant-garde gondola station and a spectacular view to the majestic Pirin mountain.

The Kempinski Hotel Grand Arena in Bansko offers luxury accommodation in 159 rooms and suites, superb cuisine and unrivalled facilities - complemented by impeccable service. Guests have the pleasure to spend time for their favorite sports in all seasons and to relax in a comfortable yet distinctive atmosphere close to the mountain. Besides skiing from December to April, the hotel offers numerous summer outdoor and recreation opportunities.



Situated at the foot of the beautiful Pirin Mountain, the upscale Zalez Spa & Wellness Center represents an exclusive space for anybody who revels in luxury and harmony. Every detail was designed to give complete relaxation.

Unique in its size and variety of services, the Zalez Spa & Wellness Center in the Kempinski Hotel Grand Arena is situated on 1,200 square meters and comprises a fitness center, two saunas, 13 rooms for treatments, steam aroma bath, solarium, 'hammam' Turkish bath, massage rooms, beauty area, Jacuzzi, four indoor and outdoor pools, and night bar. Teams of professionals suggest different treatments for individual needs, offer body, beauty and health care with the best cosmetic lines for complete satisfaction and revitalizing. ■

Telelink Awarded with NATO Certificate

On February 9, in Triaditsa Hall at Grand Hotel Sofia, Telelink officially received Allied Quality Assurance Publication (AQAP) certificate 2110 in compliance with the NATO requirements. The certificate was personally presented to Telelink executive director Mr. Lyubomir Minchev by Mr. Spas Panchev, the deputy minister of defense. The event was attended by representatives from the Ministry of Defense, "Military Information" service, AFCEA and SCIS (State Commission of Information Security), as well as Telelink management. The certificate is a continuation of the quality system ISO 9001:2000, for which Telelink has been certified since 2004. AQAP 2110 represents a system for quality management in accordance to ISO 9001, extended with the additional NATO requirements, whose objective is to win the trust of the consumers of military products. ■



From left: Mr. Lyubomir Minchev, Telelink Executive Director and Mr. Spas Panchev, Deputy Minister of Defence during the award ceremony.

Ripplewood Holdings buys Reader's Digest

Ripplewood Holdings L.L.C. announced in March the successful completion of the acquisition of The Reader's Digest Association, Inc., the publisher and global marketer of books, magazines, music and video founded 85 years ago by DeWitt and Lila Acheson Wallace.

Harvey Golub, executive chairman of Ripplewood and chairman of Reader's Digest, announced the appointment of Mary Berner as president and CEO, succeeding Eric W. Schrier, who will become an industrial partner with Ripplewood and a consultant to Reader's Digest. Berner also will assume responsibility for WRC Media and Direct Holdings U.S. Corp., two of Ripplewood's portfolio compa-

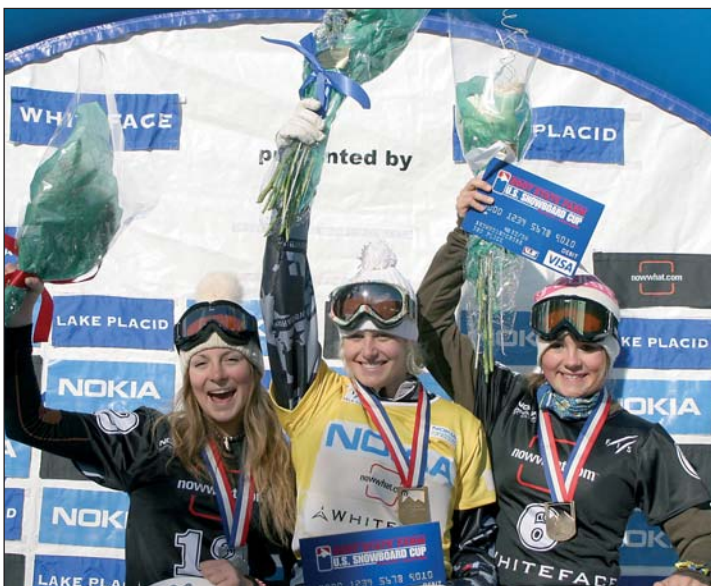
nies that are being integrated into the new Reader's Digest.

"We are delighted to complete this agreement and to take Reader's Digest forward in the next chapter of building its brands and businesses," Golub said. "I am especially pleased that Mary Berner is becoming the CEO. She is the ideal chief executive to unlock the inherent value of this organization. Mary is a proven leader and motivator of people, and she possesses strategic scope and outstanding business judgment. Mary will have Reader's Digest running at top speed, and employees and business partners alike can expect an exciting future." ■

Sani Wins Silver Medal in Lake Placid Snowboard Race

Alexandra Zhekova, 19, Moten Sport member, won a silver medal in the snowboard cross competition for women held March 11 at the Lake Placid, USA. This is the best performance of the Bulgarian racer during the season and the best accomplishment in the discipline in her carrier so far.

The winner in the contest is the American Lindsey Jakobelis, and on the third place is Helene Olafsen from Norway. ■



Stefan Ivanov to Head Citigroup in Bulgaria



Citigroup appointed Stefan Ivanov as the bank's country officer for Bulgaria on March 1, 2007. Ivanov, 34, was formerly a director of strategic planning and chief of staff for the CEO of

Citigroup in Brazil. He succeeds Amin Manekia, 42, who will manage the relationships with corporate clients for the sub-Saharan region based in South Africa.

Sajjad Razvi, division executive for Citigroup for Central Europe, said: "I am proud of the fact that we are appointing one of the Senior Bulgarian bankers within Citigroup to the leadership function in our franchise in Bulgaria. It demonstrates our commitment to developing and empowering local talent in the markets we operate. I am confident that Stefan Ivanov and the stellar team we have in Bulgaria will take the platform we have in the country to the next level."

Commenting on his role and responsibility, Stefan Ivanov said: "I am extremely happy to be back in Bulgaria at a time of transformational changes and accelerating growth, prompted by the

entry of our country in the European Union. Citigroup has been in Bulgaria for over eight years. We plan to continue growing our business in the country, servicing our clients from the private and public sector in Bulgaria through transactional and structured products as well as introducing new products, especially those for which Citigroup has been recognized as a leader in other markets. This is one of the major benefits of operating in over 100 countries from which we can source ideas, solutions and infrastructure."

Ivanov joined Citigroup in 1998 and has served in Brazil, the United Kingdom, South Korea, Tunisia and the United States. He has a bachelor's degree from the American University in Bulgaria and an MBA from Cornell University. He is also a graduate of the Executive Development Program for Leadership Development of Harvard Business School. ■

Microsoft Leads Discussion on IT, Innovation

Microsoft Innovation Days were held in Bulgaria for the first time in February, with Microsoft Bulgaria and the State Agency of ICT billed as the co-organizers of the event.

The conference was officially opened by Jan Muehlfeit, vice-president for corporate and government strategy, Microsoft Europe, Middle East and Africa, who was a special guest of the event. Innovation Days started with a round table titled "Innovation and IT - Policies and Practices."

Microsoft representatives discussed with representatives from the business, public administration and academia the role of the IT industry in developing innovations and encouraging the growth of the local economy. Afterwards, the SAICT presented its National Program for Accelerated Development of the Information Society.

"There are many innovative organizations in Bulgaria with which we would like to share our experience. Innovations are key factor for growth in today's global world and knowledge economy. It is of crucial importance business and government to work together, as it happens in Bulgaria, for creating a favorable climate fostering innovation in the country and the region," said Teodor Milev, Microsoft Bulgaria's managing director.



Bulgarian and foreign companies shared their knowhow in developing Microsoft infrastructure solutions, ERPs and local developers' innovative solutions based on Microsoft technologies.

The First National Innovation Center under SAICT was opened earlier as part of the Innovation Days initiative. The main purpose of the center is to improve the interoperability of the information systems within the government infrastructure while protecting the privacy and security of the data. Bulgaria joining EUGA (European Union Grant Adviser) - a program supporting SMEs to apply for EU funding was also among the news of the day. ■

Vacancy Rates Remain Low Despite Significant Increase in Supply

Offices and Business Parks: The office real estate market in Sofia continued its rapid development trend from previous years. According to recently published research from Colliers International, the inventory of office space is increasing steadily and the total stock of multi-tenant/speculative Class A and B offices is currently estimated at 546,500 square meters. The 116,000 square meters of new office space that was completed in 2006 represents a 27-percent increase from 2005. The increase is most significant in the suburbs, where the inventory now amounts to 251,000 square meters - up 50 percent when compared with the previous year.

While supply has been increasing steadily, vacancy rates have remained low. After a slight increase in the first half of 2006, the suburban vacancy rate has decreased in the second half of the year. A similar trend was observed in the Broad Center during the first half of 2006. Currently, CBD accounts for a vacancy rate of 6 percent, followed by suburban locations with 5.3 percent and the Broad Center with 4.3 percent, shows Colliers office market overview.

In general, average asking rental rates recorded a slight increase during the second half of 2006. The increase was most significant for Class A properties in the CBD and Class B properties in the Broad Center, shows the report. Currently, premium properties in the CBD command the highest asking monthly rents on the market ranging between 15 Euro and 22 Euro per square meter.

Retail: The retail real estate sector saw considerable activity in 2006. Altogether five new major shopping centers opened doors in 2006 bringing the total number of existing malls in Bulgaria to six or 105,500 square meters of gross leasable

area. Except for one of them, the vacancy rates in all shopping centers and malls currently stands at zero, shows Colliers' overview.

The successful performance of this retail segment has attracted many developers and investors, resulting in numerous announcements for the construction of shopping malls all over the country. In the last six months only, four of them have broken ground in Sofia, Varna and Plovdiv.

Central street locations continue to command the highest asking rental rates. The speculation that shopping malls will have a negative impact on the central-street rental rates did not materialize. They are still considerably higher ranging between 40 Euro and 180 Euro per square meter per month in Sofia, compared to 30 - 55 Euro for shopping malls.

Logistics and Industrial: The supply of contemporary logistics and industrial facilities in Bulgaria continues to grow and is currently estimated at more than 1,000,000 square meters in total, shows Colliers H1 2007 Retail Market Overview. Almost 100 percent of these areas are owner-occupied, and half of the inventory in Sofia is located in close proximity to the International Airport namely in Druzhba, Slatina, Vrazhdebna, and Sofia Airport submarkets.

Supply continues to grow steadily and outpaces demand. Various EU regulations as well as standards such as ISO and HACCP in the food industry are expected to boost the demand for prime warehouse space.

Prime monthly rents for contemporary industrial space range between 3.8 Euro and 5.5 Euro per square meter depending on location, accessibility to transportation, infrastructure, etc. These numbers are expected to remain stable in 2007. ■

new members



Denimar was established with the Client Centered Objective of providing Restructuring, Acquisition, Disposal, Interim Sales Management and Sales Training Services to foreign and domestic companies. The company, organized into Corporate and Sales Activities Divisions is positioned to leverage the Principals Bulgarian market and business knowledge and insight with prior successful experiences in CEE, Western Europe, North America and Asia.

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"Bulgaria Platinum Group" EAD has its headquarters in Sofia, 26-30 Bacho Kiro Str., Platinum Business Center. The company was established in 1999 as Limited Company, but from 2007 is transferred to EAD. "Bulgaria Platinum Group" EAD is a company in the real estate and investment business. The first big project of the company is the business complex "Platinum Business Center", which consist 3 related parts at 26-28-30 Bacho Kiro Str. With build up area of 10 000 sq. m.

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