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Dear Reader,

I am restraining myself from following the recent fad in Bulgarian media and writing an anti-corruption commentary brimming with indignation. I may want to do this, but it has been exactly what most newspapers in Sofia are doing daily. The media are criticizing the government on the grounds that it is not providing the optimal conditions for Bulgaria to receive various EU program funds.

AmCham Bulgaria Magazine has a clear position on this issue. We do not think that the Bulgarian business should suffer by being cut off investments from the EU because of corruption or poor preparation of the authorities.

All the same, we believe that no matter how much noise the media create, it is not going to change the status quo much. I have a 17-year-long practice as a journalist, and cannot recall a single instance when a newspaper publication or television expose on corruption issues has brought down Cabinet members or stimulated a true institutional reorganization.

The reason for this low effectiveness is that the media do not go much further than stating the obvious: a) corruption exists in Bulgaria, and b) it is bad. We all know that - but so what? Media rarely if ever provided solutions to this pervasive problem. I should admit that our own reporting team is not ready to propose much in this respect, either. A serious investigation with pertinent solutions requires some serious investigative work, long time, inside information from government sources, who would agree to speak on the record, too. Some journalists may even need to go "under cover."

All that is an impossibly complex task, which goes well outside the mandate that AmCham Bulgaria Magazine has - to inform the members of the American Chamber of Commerce about the business opportunities and conditions in our country. We have always believed that this magazine should be an honest broker for the business relations in Bulgaria. Even more, AmCham Bulgaria Magazine has usually tried to find the positive aspects of any event we have covered. That way, managers and owners of member companies can take care of their business without the deluge of negative news, which are the domain of most other media. I am certain that our readers know all too well about the problems in the country.

So I think we are doing well in this respect. At least, we have never wasted your time with lengthy stories containing corruption insinuations, which end with a short commentary to the tune, "This is really, really bad."

As usual though, this issue has numerous interesting and valuable materials. Please, enjoy.

Milen Marchev
Editor-in-Chief
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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"If you do not know where you are going to, then you will get somewhere else," a wise man once said. Obviously, the cabinet of the tripartite coalition between the Bulgarian Socialist Party (BSP), the National Movement Simeon II (NMS) and the Movement for Rights and Freedoms (MRF) has taken notice of this proverb, as it has been openly claiming a desire to clinch a second mandate over the last several months.

The ruling parties launched in one voice a heap of promises they put in specific words exactly at the time, when the opposition asked for a fourth no-confidence vote, while the European Commission (EC) froze some of the funds for Bulgaria. From the political point of view such a situation is perfectly normal. The so-called Stanishev Cabinet remained for three years firmly at the helm of the executive, and the time has come to start looking forward to the next elections. At the same time, the opposition is closely watching for any false step in order to claim some dividends - nominally for the society at large, but mostly for its own political ambitions.

BSP, NMS and MRF have the political will, the capability and the self-confidence to mark targets for implementation until 2013, Vice Premier Ivailo Kalfin said about a month ago. The welfare of every single Bulgarian has increased by one third since the start of the mandate of the incumbents, the ruling coalition claimed.

Gross domestic product (GDP) rose by 35 percent. All social incomes have been...
rising steeply, with some of the income items increasing several times over. Bulgaria’s economic growth rate is among the highest in the EU, while direct foreign investment for the last three years stood at 12.5 billion Euro, which accounts for 70 percent of all foreign investments for the last 19 years.

The restructuring of the social security system and the insurance burden are subject to a pending debate. The coalition council has already discussed various options for reducing social insurance instalments and for placing all participants in the social security system on an equal footing. The ultimate objective is to provide further incentives for the social security system in order to force insurance instalments from the grey sector out in the open.

"By updating our government program, we aim to make a clear claim for a second mandate"

in the same format," ministers in the Stanishev Cabinet announced at their meeting held in early February at the Hisarya Spa Resort. The prime objective is to raise income and quality of life, the second objective is related to improving the business climate, followed by the development of education and of a knowledge-based economy, and by improving the healthcare system.

The ministers went as far as explaining exactly how Bulgarians will get richer - by improving the social security system. However, before any specific changes are made, the various options and cabinet proposals will be discussed immediately after a working session of the tripartite coalition cabinet with the employers’ organizations and the syndicates. One of the objectives of the changes in the social security system is related to raising the motivation for participating in it by explaining where the funds come from and how they are being distributed. The incumbents admitted that the state will continue to play a major role in social insurance and that the grey sector in Bulgaria is still very strong. That is why they will seek for a scheme to bring the grey sector into the open by shifting social insurance towards the so called capital pillar.

One of the options provides for the employees and employers paying equal parts of the due social insurance instalments. The incumbents were adamant, however, that no further reductions of social security instalments are possible.

"We have the common feeling that the healthcare system must be overhauled," Kalfin said. He added that all cabinet ministers will participate in implementing the objectives of the undated program of government, thus responding to a ques-
tion whether there will be any changes made in the cabinet. Kalfin announced also that the updated program of government aims to match EU priorities in full by 2013.

For a ninth year in a row, Bulgaria’s GDP growth rate has been among the highest in the EU, while labour efficiency is rising at a double rate.

The choir of discontent among the opposition

The parties outside the cabinet coalition responded by claims that corruption has soaked all spheres - it is at the top tiers of power, the judiciary, local administrations, in education, and healthcare. At the same time, the opposition claims, there are pathetic, harmless and irrelevant efforts to launch measures against corruption. The opposition moved, on Feb. 14 its fourth no-confidence vote against the cabinet of the BSP-NMS-MRF tripartite coalition. The no-confidence vote was motivated by the corruption at the top tiers of power and by the failure of the cabinet in the combat against organized crime. The vote was supported by 79 parliamentary deputies, out of a total of 240.

Initially, the major motive for the vote was the corruption scandal in the Republican Road Infrastructure Fund. The motives read: “The report of the European Commission verifies the opposition claims that there are no results from the combat against high-level corruption and against organized crime. No person was sanctioned, and none were sentenced in court. The cabinet has exposed its own failures. Immediately after the EC sanctions cabinet ministers have tried to convince Brussels that there are no cases of abuse with the funds of European taxpayers but the eloquent response was that is does not actually matter whether

Chronology of survival

The tripartite BSP - NMS - MRF ruling coalition has already survived three no-confidence votes. The first was in April 2006, and was motivated by the inability of the government to cope with the disastrous situation in Bulgaria after the floods in the summer of 2005 and the spring of 2006. The second no-confidence vote was in March 2007 and was motivated by the failure of the healthcare policy of the cabinet. The third vote came in October 2007 - "for the collapse of the state policy in the sphere of education" - and was debated in parliament during the apogee of the largest ever strike of school teachers in Bulgaria. However, it was only the school teachers who went on strike and they were not supported, as they expected, by the broad public. On the contrary, towards the end of the protests the school teachers’ guild became aware of the emerging negative attitude of civil society, while the syndicates were openly accused of waging their own game of interests.
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the funds are European, Bulgarian or even municipal."

In this case, the criticism of the opposition was creative and it would be only natural for the cabinet to embark on a serious study of the problem and come up with an efficient solution. It is an entirely different issue whether the no-confidence vote was the proper format for solving a serious and important problem like corruption.

"The failure of the opposition with this vote should not lure us into complacency, as the citizens of this state expect much more from the ruling coalition. I do hope that the vote will end a trying 6-month period of repeated attempts at destabilization and precipitation of early elections," said Prime Minister Stanishev.

Regarding the claims made by the opposition that Bulgaria is slow in utilizing the allotted EU structural funds, the prime minister said during the parliamentary debates: "Let us take a look from the financial perspective of 2007-2013. How much money and what percentage have"

utilized even the most developed states in the EU? Bulgaria has successfully negotiated the first stage. Bulgaria is at the top in terms of approved applications. And it is now that the opportunities for a comprehensive utilization are opening up. Compare Bulgaria with the rest of the EU member states, try to judge whether we are at the front or at the tail in this strategic framework."

"We have entered the most important stage in terms of utilizing European funds - and not only of the 7 billion Euro allocated to operative programs, but also the funds within the Program for the development of the rural regions - this year some 1 billion Euro will be poured into Bulgaria's agriculture," Stanishev added.

The infrastructure hopes of the government

The cabinet admitted in the third year of its mandate that the major transport, energy and environment projects with budgets amounting to several billion euros have been seriously delayed, along with the utilization of related financing from European funds. "Project procedures must be accelerated, that is why the State Property Act, the Concessions Act and the Black Sea Shore Act must be amended in order to support the introduction of public-private partnerships and create incentives for the investors," Prime Minister Sergei Stanishev said.

He added: "A total of 3.429 billion Euro, or 320 per cent of the planned infrastructure projects, have been allocated, and I am sure that there will be a substantial additional financing in 2008 as well as a result of the work completed within the framework of the EU operative programs." Stanishev also said that a total of 188 infrastructure projects worth 11 billion Euro were in progress in 2007, and that 48 of these projects were completed.

Some 83 percent of the EU and budget funds allocated to infrastructure projects were utilized last year, which, according to the prime minister, is a really good achievement. The major problems, he claimed, are related to insufficient admin-

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The options for such a partnership will be facilitated by the amendments proposed to the State Property Act, the Concessions Act and the Black Sea Shore Act, the major objective being to allow state-owned companies to negotiate with private companies under specific conditions and in response to specific public interest.

For instance, state-owned companies such as Railway Infrastructure, which have attractive real estate like railway stations, shall be able to enter into partnerships with private companies for projects profitable for both parties.

In order to avoid leaving the Black Sea sand beaches without concessionaires in the summer, the concession contracts will be extended until the end of the year while at the same time the procedures for new concessions will be launched.

It is expected that the construction of Danube Bridge Two between Vadin and Calafat will start in April, said Transport Minister Petar Mutafchiev. All existing obstacles to starting actual construction works have been eliminated. Drilling, construction camps location and the placement of building machines and equipment have been coordinated. There are six privately owned land lots, which still have to be acquired, but the actual reason for the delay is the low price that is offered.

Minister of Environment and Waters Cevdet Chakarov said his ministry has no plans to reallocate funds for the Sofia waste treatment facility to other regions, while at the same time it is prepared to provide additional financing for the facility as well as for the water and sewerage project in the capital city, for which 58 million Euro have already been earmarked within the ISPA program.

The report of the inter-agency Council for coordination and implementation of infrastructure projects proposed to be accelerated, on a priority basis, the projects financed by the ISPA program, whose terms expire before 2010. The projects that have been delayed most are the construction of the Lyulin highway, the section Lyubimets - Harmanly of the Maritsa highway, the modernization of the Plovdiv - Silivregrailway line, the construction of the second bridge across the Danube at Vidin, the construction of waste water treatment facilities in Stara Zagora, Dimitrovgrad, Haskovo, Blagoevgrad, Pazardzik, Sozopol and Bourgas, and the household waste disposal depots in Montana, Silistra, Sozopol, Zlatitsa, Smolyan and Harmanly.

According to the government report, the modernization of the Maritsa Iztok 2 thermal power station the construction of sulphur treatment installations there, the rehabilitation of Maritsa Iztok 3 thermal power station and the construction of a new generating facility there have also bee substantially delayed.

Clumsy expropriation procedures, the poor quality of pre-project studies and of tender documentation, as well as poor supervision of all procedures have been highlighted as having caused the delays. The most serious criticism is directed at the projects managed by the Transport and Regional Development ministries. According to Minister Assen Gagauzov, however, the Lyulin highway project is advancing at a very good rate; a supple-

**Bulgarians are getting richer...**

People are buying less bread, butter-dripping burecks and buns, and eat more meat, fruit and vegetables, according to the Ministry of Social Affairs data. This trend was attributed to the rise of household income to an average 845 Leva per month in 2007, which is equivalent to a 24 percent increase compared to 2006. A four-member household expenditure stood at 770 Leva per month in 2007, with 650 Leva spent on food. Bulgarian households have increased their savings by 44 percent. The poverty threshold for 2008 was set at 166 Leva.

The income policy of the Ministry of Social Affairs is aimed at gradually closing the gaps to the salaries level in the EU. Wages in Bulgaria rose by 65 percent in 2007, compared to 2000. The agreed recommended index of salary increase in 2007 stood at 14.7 percent in the real sector. The index will most probably be set at 15 percent in 2008. The average wage for 2008 is set at 500 Leva per month, and the minimum wage - at 220 Leva, with expectations that the introduction of the flat 10-percent income tax rate will bring most of the real income in the open.

The number of the employed female Bulgarians is by 194,000 smaller than the number of the employed men. A token 4.3 percent of the unemployed have quit their jobs because of family reasons, with the women in this group being two time more than the men. Some 17.5 percent of the unemployed women are willing to find a job but are unable to, because of personal or family reasons. The percentage of this group among men is as low as 6.8 percent.
mentary agreement with the contractor is being drafted, with the objective to have the section completed by mid 2009. By the same time, the section between Stara Zagora and Karnobat on the Trakiya highway will also be completed, the regional development minister announced.

The transport minister boasted with the concession contracts for the airports in Varna and Bourgas, and for the Lesport and Svishtov ports, and claimed that the investors in the port of Lom and in the airports in Rousse and Gorna Oryahovitsa are currently being selected.

Environmental Minister Cevdet Chakarov has also announced that his ministry is ready to accept projects worth 500 million Euro for waste water and waste treatment facilities. He promised that waste water treatment plants will be built along the Black Sea coast in order to match the ongoing construction boom. The money for these projects have been allocated, we are waiting for the municipalities to submit their projects, Chakarov said, and did not miss the opportunity to say again that Sofia may miss some 48 million Euro allocated for water and sewerage projects. He added that Bulgaria may lose another 70 million Euro from ISPA earmarked for sulphur treatment installations at the Maritsa Iztok 2 thermal power station, where a second procedure for awarding a construction contract was launched.

The cabinet untied its purse

The cabinet will release 2 billion Leva for pensions and another 90 million Leva for social care establishments, Minister of Social Affairs Emiliya Maslarova announced. In practical terms this means that every pensioner in Bulgaria will receive an additional four average monthly pensions this year. Any family, in which a child with deformities is born, will receive 100 Leva. These families are getting also 100 Leva for child care, as well as a double child allowance, and 165 Leva will be allocated per year for balneological treatment. The retirement age will not be raised before the end of the incumbent cabinet’s term in 2009. Minister Maslarova, however, announced that the state will create incentives for women above the age of 60 and for men above the age of 63 to continue working. A year of employment above the retirement age will be counted for three for pension purposes. Currently, there are 40 pensioners for every 100 employees and workers, experts explained at the Hisarya seminar. As of July, the average pension in Bulgaria will rise to 198 Leva, and the minimum - to 112 Leva.

The National Consultative Council on the Pension Reform will be launched soon. The bill for the so-called Silver Fund will also be ready in the nearest future. Bulgaria has to establish such an institution, which will be similar to the Silver Fund in Belgium and to the Buffer Fund in Portugal. The fund will accumulate all surpluses from social insurance instalments and from the state budget as well as revenues from privatization and concessions. Currently, 211 million Leva from privatization and budget surpluses has been allocated to the Silver Fund. These funds will be placed at the disposal of the pension reform program. A new investment program will be developed for financing the fund, with 25 percent of the revenues coming from privatization, and another 10 percent from budget surpluses, this year.

The Silver Fund bill will be ready by the end of the year, but even if it is enacted as of the beginning of 2009, it will be practically unusable over the next 10 years, as it will have to accumulate sufficient funds. Minister Maslarova said also that the administration of the social affairs ministry will be streamlined. Currently, some 10,000 are employed by the Ministry nationwide. Maslarova added that the number of employees will be reduced by the compulsory 12 percent.

The bulk of the common budget for 2008 will be spent by the Cabinet in social security - 31.7 percent, which is equivalent to 12.3 percent of the GDP, Maslarova stressed. And, like many of her colleagues, reiterated the standing position of the government that the income rise in order to close the income gap compared to other EU states remains a top priority.
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New Wave in Privatization?

Bulgaria’s cabinet announced it will let investors into arms manufacturing enterprises, hospitals and Bulgartabac holding

By Yuliana Boncheva

The ruling coalition in Bulgaria has started giving signals it is about to make a radical shift in the course of privatization. If it fails to do this, the cabinet will remain in history with two things - the revolutionary introduction of a flat 10-percent tax on personal and company income and with an almost totally blocked privatization. While the tax reform is an exceptionally positive step, the lack of privatization deals is emerging as a major negative for the incumbents.

About 20 companies were acquired by private owners during the last two years in Bulgaria. Many of the expected deals - like the sale of the cigarette holding Bulgartabac or the Bobov Dol Thermal Power Station - simply did not materialize. The Privatization Agency (PA) dealt mainly with the sale of minority packages, residual shares and detached parts of enterprises. That is why it was hardly a surprise that the total revenue from privatization in 2007 stood at a token 311 million Leva. This revenue is simply negligible compared to the 5.7 billion Euro in direct foreign investments last year - mainly in real estate, building construction and trade.

Prime Minister Stanishev and his ministers have embarked on a series of initiatives, which indicate they are resolute in their goal to break the privatization deadlock. After discussions and consultations that went on for months at the ministries, at the end of 2007 the cabinet announced that it is proposing amendments to the privatization legislation and that it is even ready to remove the moratorium, imposed years ago, on the privatization of hospitals. The minister of economy and energy went as far as to say that the tasks for the Privatization Agency will be exhausted after a year or two and that the PA shall have to be closed down.

The PA itself is giving some signals of recuperation. Maybe the PA team, headed by Todor Nikolov, has found a new confidence in the perspective for a good deal for the Bulgarian Maritime Shipping (BMS) company. BMS has been on the privatization counter for quite a long time as its sale strategy was delayed and was finally approved last year. The PA moved into a higher gear during the last several months and it now looks like the end game is coming closer. And although the expectations for a rough ride were proven unrealistic - the Agency admitted to the final track only one candidate - it was made known last month that the sole candidate has offered a good price - more than 400 million Leva for 70 percent of the capital. Together with future investments, the financial impact of the sale of the Bourgas-based company will exceed 1 billion Leva. A fair price for a shipping company, whose vessels are

Chairman of the Bulgarian Privatization Agency Todor Nikolov (first from left), the MP in charge Tsveta Kamenova (second from left) and the Bulgarian Minister of Transport Peter Mutafchiev (third from left) presented to the public the idea of privatizing Bulgarian Maritime Shipping.
all more than 26 years old on average.

Only days ago the PA launched the sale of one more attractive enterprise - the NITI research and development company, feeding avant-garde designs to Bulgaria’s former military-industrial complex, and engaged also in producing specialized equipment. NITI will be sold by using a straight-forward and transparent auction procedure. The starting price was set at 6.1 million Euro. Bidding will take place in the summer, with the only condition set for potential contenders being that they must not be companies with an off-shore registration.

The PA internet site contains freely accessible information about the state-owned companies prepared for privatization (see the list “Projects Under Drafting”).

Privatization projects under drafting
AGENCY FOR REAL ESTATE LEASING TO THE
DIPLOMATIC CORPS IN BULGARIA - ADIS EAD
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A worker in one of the tobacco factories of Bulgartabac Holding Plc. The Cabinet is proposing now to remove this company from the list of the companies, which are subject to privatization only with the approval of the Parliament.

Many companies will be added to that list soon, as the Parliament is expected to approve the cabinet proposal for serious amendments to the effective legislation aimed at deregulating the whole process.

The previous shift

in the course of privatization was made way back in 2001. The Parliament, then dominated by the National Movement Simeon II (NMS) and the Movement for Rights and Freedoms (MRF) set a new course and announced that all state-owned companies are free for privatization - with the exception of two groups of specific companies.

The first group included companies temporarily banned for private shareholders. The list of the "banned" companies included more than 100 enterprises. They were closed for private access for as number of reasons - for instance large receivables from abroad (like the Technostryexport company, which was owed hundreds of millions of dollars by Libya for completed but unpaid for projects). The Bulgarian Posts was slated as a "sacred cow" because of the specific services it performs: the water and sewerage companies, where private and foreign investors are welcomed only as concessionaires. The list included also large state-owned monopolies like the natural gas supplier Bulgargas, the Bulgarian State Railways, and the National Electricity Company.

LB Bulgaricum, which - besides producing milk, white and yellow cheese - is considered a guardian of the national treasures. It holds the title on the unique Bacillus Bulgaricum, which gives the priceless qualities of Bulgarian yoghurt, and has in store 900 lacto-bacteria, which are unique and exist only in Bulgaria.

The second group included large state-owned enterprises,
which were considered as being especially important for Bulgaria’s economy and which might be privatized but only by a proposal of the cabinet and with the sale strategy, stating explicitly the terms and the conditions for the eventual change of ownership, approved by Parliament.

This group includes the seven electricity distributing utilities, the Bulgartabac Holding, the Bulgarian River Shipping, the Bulgarian Telecommunications Company (BTC), the national flag carrier Bulgaria Air, and others. Most of these companies have already been privatized, with private entities holding majority or even 100-percent stakes - for instance BTC, the Bulgarian River Shipping, the electricity distribution utilities, and Bulgaria Air etc. The last strategic companies which remained state-owned are the weapons trading companies Kintex and Teraton, for which the Parliament has still not approved strategies for attracting foreign investors. The fate of the Bulgartabac Holding was also left undecided.

It must be noted that the incumbent government is the third successive cabinet failing to privatize the cigarette holding. The strategy approved five years ago stated that private owners of all the daughter companies in the holding must be found first - these are the tobacco processing enterprises, the cigarette making companies, and the filter and packaging manufacturers. Only after that the procedure could move on to selling the holding company, which owns all Bulgarian cigarette trademarks. Most of the daughter companies have already been privatized. However, the four largest cigarette factories - in Blagoevgrad, Sofia, Stara Zagora and Plovdiv - are still state-owned.

The most complex phase of this process is still to come. The Cabinet announced recently it plans to close down the cigarette factories in Plovdiv and Stara Zagora, and concentrate production into the other two companies in Blagoevgrad and Sofia, which will be offered to a single buyer. The ruling coalition partners however are still arguing about this plan. There are contradictions also on how the two cigarette factories will be sold - regardless of whether they will be four, three or two - through the Stock Exchange or by other procedures. The intentions of the incumbents regarding the holding are even less clear.

A short time after the New Year’s, the Cabinet adopted a proposal for major amendments to the Privatization Act, including to the contents of the two lists - the “forbidden” and the “strategic” companies. The idea is to release for privatization as many companies as possible.

The members of Parliament became strongly agitated at the first reading of the bill by the cabinet proposal the privatization of the state and municipal-owned hospitals, which had been jealously guarded until then. The cabinet plan was to remove from the "forbidden" list the free economic zone, sports facilities included in the assets of the National Sports Base, the construction holdings Montazi [Building Structures] and Promishlene Stroitelsctvo [Industrial Construction], and scores of other companies.

The successful sale of the BMS (Bulgarian Maritime Shipping) before the end of the year will, alone, improve the 2007 performance record of the PA. The sole candidate, "KG Maritime Shipping", has offered to pay 400.1 million Leva for a 70-percent share of the state-owned shipping operation.

PA experts have completed a preliminary assessment of the BMS assets, according to which the price tag for 100 percent of the capital was set at 600 million Leva. The official estimate made by the Bulgarian-German consortium KG Maritime Shipping is almost the same - 628 million Leva.

The potential buyer has assumed the commitment to invest 780 million Leva in the company over the next 10 years. If the investment program is running on schedule, the state will sell after five years the remaining 30 percent to KG Maritime Shipping. The consortium has pledged to invest a total of 1.42 billion Leva in the acquisition and upgrading the BMS for 10 years.

PA’s Todor Nikolov claims that the proposed investments could transform BMS into one of the most modern commercial fleets in Europe, by raising the average age of the vessels to less than 10 years. Currently, leading European states have fleets at an average age of 12-13 years. The sailing staff of the company will be reduced by 421 persons, according to the offer deposited by KG Maritime Shipping. Currently, BMS employs a total of 2,851.

The Big Deal

The Big Deal

Chairman of the Transport and Communications Committee Yordan Mchov (right) and captain Hristo Donev - the CEO of Bulgarian Maritime Shipping (left) during an official presentation of the privatization strategy on BMS in the city of Varna. Several thousand citizens of Varna are employed by BMS, and their families depend on future of the company.
Coface unveils its BusinessEnvironment@rating system, founded on its experience in worldwide companies and established for 155 countries

February 2008

On the occasion of its annual country risk conference, Coface forecasts slower world growth in 2008 but still above three per cent. A credit crunch as severe as in 2001 seems unlikely at this juncture. Among the major risks that will bear watching, Coface points to contagion spreading from the American slowdown to the United Kingdom, Spain, and Ireland and warns that the good performance of emerging countries should not obscure speculative bubble risks or business environment weaknesses.

A crisis in 2008 that shall be less severe than in 2001

Drawing on its experience with corporate payments in its countries of presence, Coface underlines the differences between the current situation and the crisis in 2001 where payment defaults jumped 30% just before the bubble burst while world growth was under 2% at the time.

In 2007 and 2008 households rather than companies are the victims of over indebtedness. Companies are not central to the crisis. But an economic shock and more difficult access to financing could nonetheless affect them.

And even with much slower world growth emerging countries should moreover hold up well. They are much stronger today with their growth increasingly driven by domestic demand and with their financial situations generally healthy. Their contribution to world GDP is much larger today increasing from 24% in 2001 to 34% in 2008. The United States, in sharp contrast, saw its contribution decline from 32% of world GDP in 2001 to just 26% today.

A new business environment rating

Have the risks associated with emerging countries nonetheless disappeared? Their excellent financial health cannot be allowed to mask recurring deficiencies in the business framework that stoke credit risk on companies. That is why on the occasion of the 2008 conference, Coface is making public for the first time a specific system for rating the business environment in 155 countries. Complementary to Country@ratings, a new rating is thus available that reflects business environment quality by country.

Coface is thus making available to everyone via the new rating system its longstanding and thorough experience with the reality of the business climate to improve the approach to credit risk on companies. In assessing credit risks it is indeed equally important to know whether a company’s accounts faithfully reflect its actual financial situation and whether the legal system can provide fair and efficient recourse in case of payment default.

Coface drew on the experience with risk underwriting, business information, and receivables management gained through its worldwide network of local operations to develop the BusinessEnvironment@rating system. Like Country@ratings, the new ratings fall on a scale with seven levels in increasing order of risk, A1, A2, A3, A4, B, C, and D, where A1 represents least risk.

The so-called BRIC countries - Brazil, Russia, India, and China - provide a good case in point. The Country@rating for China in particular is A3 reflecting an acceptable level of corporate default probability. The BusinessEnvironment@rating for China is, however, only B, a mediocre rating two levels below its overall country rating.

The business environment is naturally included among the parameters that determine overall country ratings.

About Coface

Coface, rated AA by Fitch, AA by S&P and Aa3 by Moody’s, is a subsidiary of Natixis whose share capital was 11.6 billion euros end June 2007. Coface’s mission is to facilitate global business-to-business trade by offering its 120,000 customers four product lines to fully or partly outsource trade relationship management and to finance and protect their receivables: credit insurance, company information and ratings, receivables management and factoring. Thanks to the worldwide local service delivered by 6,000 staff in 65 countries, over 45% of the world’s 500 largest corporate groups are already customers of Coface.

Coface Bulgaria is established in 1994 and is the market leader of information services in CEE.
privilization only with the approval of Parliament. This is indicative of the intentions of the Cabinet to aim at a quick deal without erecting any barriers and setting conditions for the potential buyers. It is still unclear whether the National Assembly will accept such a liberal approach. It would be no surprise if the MRF decides to block the deal again, as it did 4 years ago, when it compromised the sale of the most profitable cigarette manufacturing companies a couple of hours before the contract was about to be signed.

It is indicative that while waiting for its own privatization strategy, Teraton - a company, which was a well known trader in defence production - lost its markets, its personnel and its fame. That is why the government now proposes to sell this company without any plans and strategies.

It is symptomatic also that the issue of selling the state-owned stake of the Bulgarian Stock Exchange has silently faded away. The Ministry of Finance is holding a notch above 40 percent of the stock trading company, and even the previous government planned to offer this share for sale. Representatives of the Vienna and Athens stock exchanges, of Deutsche Borse and of the Scandinavian OMX have visited Sofia for talks. Sofia Stock Exchange managers have silently imposed the attitude that it would be better to upgrade the company and launch a new trading platform, and then to start looking for partners. The government obviously supports this approach and does not plan to sell its shares in the Bulgarian Stock Exchange at this stage.

The Bulgargas Holding is also the focus of volatile attitudes on the part of the incumbents. The company's CEO, Lyubomir Denchev, announced recently that there is a plan to list between 20 and 30 percent of the shares of Bulgargas on the Bulgarian Stock Exchange in 2008. The holding has even made assessment how much it would be able to collect by such a move - between 4 and 6 billion Euro. According to Deputy Minister of Economy and Energy Galina Tosheva, however, the actual plan is different and stipulates to set up a Bulgarian Energy Holding first - a powerful company with the participation of Bulgargas, NEC, the future Belene nuclear power plant, and others - and then to have the individual companies start preparations for emerging on the stock exchange. According to Tosheva, the incorporation of the new energy holding is scheduled for the middle of 2008. However, having in mind that former economy minister Roumen Ovcharov was also speaking about the holding in the present tense, the schedule for its incorporation may emerge as unrealistic.

It is interesting also to follow the developments around Bulgaria’s No. 1 weapons trader, Kintex. This company has also patiently waited for years for the government to come up with a strategy for attracting investors. The long-postponed privatization of the Military Machine Building Company in Sopot is another challenge for the incumbents. This one of the largest manufacturer of defence related equipment and products, is still considered as a prime "morsel," despite the major tremors that have shattered the former military industrial complex as a whole.

U-turn

The cabinet has embarked on a "more privatization" course, and at the same time it intends to propose some companies to be locked in the freezer. According to cabinet ministers, the ADIS company, which is managing all diplomatic properties, should by no means fall into the hands of foreign investors. The previous cabinet headed by the HMS made an attempt to privatize the attractive company, but the deal failed after a participant in the procedure started throwing corruption accusations.

It is becoming clear also that the privatization on the healthcare front will nor be total and comprehensive. A list has already been compiled of some 70 large state-owned hospitals, which may not be privatized. The list was drafted by the government and includes the largest medical establishments - with national and regional importance and university centres. For the time being the representatives of the ruling majority in Parliament are deeply in disagreement both on the list of hospitals, which are not subject to privatization, and on the scheme for the sale of the rest of the hospitals. It is not clear also whether the medical staff should be granted some preferences, or entrepreneurial medical doctors will be able to compete on an equal footing with other potential candidates. The actual start of the privatization of hospitals will be most probably postponed, as the majority of the members of Parliament are of the opinion that this specific matter may not be regulated by the general privatization legislation and hence it must be specified in details in the Medical Establishments Act.

This means after all that the expected New Wave in privatization may not rise, at least not this year.
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Bulgaria and the United States signed 11 supplementary agreements, which practically launched the construction and the joint use of military facilities in this country. The agreements supplement the intergovernmental agreement on defense cooperation between Bulgaria and the United States, which was signed by Foreign Minister Ivaylo Kalfin and Secretary of State Condoleezza Rice on April 28, 2006. The agreement gave the green light to the joint use of the Novo Selo firing range, Bezmer and Graf Ignatievo air force bases, and a storage facility near the town of Aytos.

The 11 agreements, dealing with the technical aspects of the joint use of the military facilities regulate the issues, related the joint use, security, property ownership, claims, tax relief, contractual procedures, operations, customs issues, labor, criminal liability and environment. A 12th supplementary agreement, dealing with logistics, is still being drafted.

The instruments were signed on Feb. 28 by the Deputy Chairman of the General Staff of the Bulgarian Armed Forces Lt. General Galimir Pehlivanov, and by the Deputy Commander in Chief of the U.S. European Command Navy Vice Admiral Richard Gallagher. The ceremony was attended by the U.S. Ambassador to Sofia John Beyrle and by Bulgaria’s Minister of Defense Vesselin Bliznakov.

"We shall apply these supplementary agreements to the military exercises planned for next September and October in the region of Novo Selo," Ambassador Beyrle said. "The U.S. Congress has allocated more than $60 million for construction in the region of Novo Selo," he added. A tender procedure will be launched soon to appoint the relevant contractors, Beyrle went on to say. The ambassador emphasized that the joint facilities are located at the Bulgarian military bases under the Bulgarian flag and Bulgarian command. He added that all nine contracts, related to the joint military exercises held last year were contracted to Bulgarian companies. Beyrle also said that U.S. military personnel have provided assistance to the local community, and have replaced the woodwork at the senior persons facility in the town of Sliven and have repaired a kindergarten in the village of Mokren. Assistance to the local communities will be extended in the future as well, Ambassador Beyrle said.

The first of the supplementary agreements provides for the establishment of a joint commission, as stipulated by the provisions of the agreement between the Republic of Bulgaria and the U.S. government. The commission will be the venue for consultations and will issue instructions on the application of the framework agreement. It will be co-chaired by representatives of the two governments and decisions will be taken by consensus. The joint commission will develop operational procedures and create auxiliary structures, and will set the schedule of its sessions. It will have the prerogatives to establish sub-committee on various issues related to the implementation of the framework agreement.

The application agreement on operations of planning of military exercises regulates the appointment of the command organs and the functional links, and on training of Army and Air Force units. The application agreement on security regulates the obligations of the parties regarding the security at the joint facilities and installations, and of...
the transit of US military units.

The application agreement regarding state acquisitions, contractual procedures and the status of the contractors provides for the access of Bulgarian entrepreneurs - natural persons and juristic entities - to competitive tenders for the provision of products and services, including building construction engineering, which will be financed by the U.S. government in favor of the armed forces of both states on the territory of Bulgaria.

Regarding real estate transactions and management, the relevant application agreement allows U.S. forces to draft projects and engage in construction in compliance with the effective Bulgarian legislation and standards, and to draft and maintain on their account general development plans for the installations and facilities, subject to the defense cooperation agreement.

The supplementary application agreement regarding claims procedures regulates the relations between the two parties related to liability for damages, caused by the U.S. military units on Bulgarian territory. It was agreed that the settlement of claims will be subject to the effective Bulgarian material and procedural legislation.

The application agreement regarding hiring local labor recognizes the responsibility of the U.S. armed forces as a local employer. The employment terms for local workers will comply with the provisions of the effective Bulgarian legislation. The number, the responsibilities, the required qualification and the capabilities of the persons to be hired shall be specified by the US armed forces.

The application agreement regarding the environment reiterates the importance of environment preservation in the course of the joint use of military installations and facilities. Both parties agree on their common objective to guarantee a high level of safety for the environment and the health of the people, living or working at, or close to, the facilities and installations as specified in the framework agreement, with the U.S. forces obliged to perform periodic assessments of the environment characteristics.

The issues related to the customs control and clearance on the import and the export of products for personal and official use shall be governed by an agreement on the application of customs procedures. The application agreement regarding tax exemptions and relief exempts the deliveries for the purposes of the U.S. forces stationed on the territory of Bulgaria from taxes. The United States will duly authorize an entity, which shall be in charge of reimbursing personnel and families with the amount of VAT paid for the acquisition of products.

The agreement on the procedures applicable to the execution of punitive jurisdiction stipulates that the U.S. party shall be obliged to notify the Ministry of Justice of all and any crimes pursuant to Bulgaria’s Penal Code perpetrated by U.S. military personnel on the territory of Bulgaria. ■
Kosovo's Independence Day and Serbia's Day of Sorrow

By Boyko Vassilev

"Thee do the angels praise. Save us, Virgin!"

Young people standing hand in hand in front of the Cathedral of Saint Sava in Belgrade, singing a sorrowful hymn to the Mother of God. Meanwhile, 350 km to the south, other young people are already chilling champagne and preparing flags: tomorrow Kosovo celebrates its Independence Day.

A snow storm is starting in Belgrade; the weather in Kosovo is cold but clear. Future historians will note these meteorological prophecies. As well as the words, the flood of words: "Today is a day of sorrow in Serbia," the radicals' leader, Tomislav Nikolic, says to me.

At the same time the Albanians are reading the words on the portrait of the founder of the Kosovo Liberation Army, Adem Jashari, who died in a fight with the Serbian police in 1998: "Uncle, it is done."

Serbian premier Vojislav Kostunica is repeating, again and again, "a phony state." While Hashim Thaci, the first premier of the new state, is watching proudly the protocol girl, who is busy with the ceremony. The storm in Belgrade is over and the people in Pristina are already uncorking the champagne and firing weapons.

Kosovo is living its Day One, Serbia is saying farewell to its national myth. Two events in one. Actually, two worlds.

One year after the plan of Marti Ahtisaari, nine years after NATO's bombings, 17 years after the independence referendum, 27 years after the first demonstrations and 96 years after its annexation by Serbia.

(as then by the Kingdom of Serbs, Croats and Slovenes), Kosovo is now a state recognized by the main powers of the West.

As a matter of fact, Serbia has never been lucky with this region. It is true that in 1912 the royal army conquered it easily, since the main Ottoman forces were fighting with the Bulgarians in Thrace. But once conquered, Kosovo was never subjugated. The Albanian paramilitary forces retreated in the mountain of Drenica, then once again in 1916-18, and again in 1941-47, and again in 1998-99. The Serbian monasteries were...
there, but the home of the League of Prizren, the Albanian national revival movement, was also there. And since the Kosovo Albanians did not want to live in one and the same state with the Serbs, some kind of autonomy had to be found for them: narrow in 1948-74, wide in 1974-89, and the narrowest one after 1989, when Milosevic told the few Kosovo Serbs: “No one will dare touch you.”

“Well, the Kosovo Albanians are one of the 26 recognized minorities in Serbia. Why should only they have the right to separate?” asks Branislava Alendar, deputy minister for Kosovo and Metohija in the Serbian government. “Why should they divide a sovereign state, a founder of the UN?”

“Because the Kosovo Albanians have always had an autonomous status, because state pressure was exerted against them, because 90 percent of them want it, because the Balkan domino theory is nonsense,” replies Arben Xhaferi, the most clever Albanian politician in the Balkans. “Because Kosovo is a precedent, sui generis, of its own kind,” adds the West.

It is pointless to argue here. International law experts are already writing heavy volumes on the Kosovo case. So let us just say why a mutually acceptable solution was impossible.

The reasons are two. Firstly, you cannot forbid anything to two million Kosovars, let alone to live in a state they do not want. Secondly, you cannot twist the arms of international law so much as to make it admit: “Serbia has no legal rights on Kosovo.” Therefore, you take the sword and cut the Gordian knot like Alexander the Great. “The Kosovo knot has to be cut,” Ivan Stambolic, a former Serbian president, a patron to Milosevic and later his victim, told me back in 1996. That is what the West did, more particularly the United States.

Was it a mistake? It is early to say. The biggest threat may come in 10 years or so if another Albanian army appears for liberation of something - Presevo, Bujanovac, Medveda, Montenegro (Plav and Gusinje), North Greece (Cameria), West Macedonia. Did you remember these names? I will be happy if you have no reason to remember them. These are not the borders of Great Albania (the Albanian project is rather “Great Kosovo”); nor is it the domino effect. I am simply afraid that the radical Albanians will not listen to the West (which claims it has reached agreement with them), but will look for new opportunities.

Here I get off the point in order to instruct western politicians on how agreements are kept in the Balkans. Vladimir Dedijer, a prominent figure in pre-1992 Yugoslavia, once told the story of how he had sworn solemnly but insincerely to some western official. “He surely knew that even the most solemn oath is invalid if while taking it you are secretly making a fig sign in your pocket.” How many times, dear international representatives, has it seemed to you that the Balkan national in front of you is making a fig sign in his pocket?

More dangers. Kosovo may become an entirely criminal state: a center of prostitution, drugs and human trafficking. It may turn into a multiethnic state, driving away the few remaining Serbs, harassing Roma, Gorani and Turks. It may also become a precedent state - Catalonia, Basque Country, Kurdistan, Transylvania are waiting for their turn to come, while Russia is rubbing its hands at Abkhazia and South Ossetia.

Bad things may happen to Serbia, too.
The depressed Serbian elite may abandon European integration as an useless luxury. Nikolic’s radicals may assume power (despite the strange remark I heard from him, “I am at the end of my career and probably of my life”), Serbia may become what it used to be: evil and suspicious. Its internal cohesion may crack even further: I already mentioned Presevo Valley, but how about the Muslims (the Bosniaks) in Sandjak, the Hungarians in Vojvodina, and why not the Bulgarians in eastern Serbia (the western outlying territories)? The last conjecture was made by Tomislav Nikolic, not by desperate Bulgarian revisionists. But the biggest threat for Serbia is to sink into Kosovo. To believe politicians like premier Kostunica and radicals’ leader Nikolic, who talk of nothing else. Every manager knows that the only way never to solve a problem is to think only of it. On the other hand, every populist politician knows that it is better to talk about painful things in strong words than bury yourself in the “boring” privatization, integration, renationalization and all such unpopular but important "ation" things.

How about the world? Each country reacts in its own way to these dangers and sees in them its own ghosts. The United States and the largest in the EU say: “Independent Kosovo - this is the only response to Albanian radicalism; this is the only way for Serbia to break up with the spirit of the past. We promised it and we are now fulfilling our promise.” To Russia and China it is another chance to question the American leadership and morals. I already mentioned those trembling at the prophesy of their own disintegration. Thus Kosovo is a story through which everybody tells their own stories.

Therefore to a certain extent it was a surprise that Serbia’s initial reaction was rather soft and pragmatic.

In the first days it did not impose an embargo or trade blockage on Kosovo. The ambassadors of the countries that recognized Pristina were recalled "for consultations," which is a much more moderate measure than lowering the level of the diplomatic relations, not to mention their termination. That is in a sharp contrast with the expectations of some observers, who predicted something in between a deadly offense and a military response.

Politicians and commentators are showing understanding to Bulgaria, despite some predictions that Belgrade will lay its hatred on its neighbors. That is probably also supported by the fact that Sofia did not rush to recognize Kosovo. This is the best that can be done with the hope that in a month the passions will subside or escalate into another direction.

The only people that did not show moderation were the extreme guys of Belgrade’s streets. The young nationalists of Obraz and the fan groups of Crvena Zvezda and Partizan scored another own goal, against the Serbian media image. Between the shots of the peaceful rally, with Kusturica and Kostunica on the rostrum, and the shots of the burning embassies, television offices, including of Serbian channels, they chose the latter. That surprises nobody who has ever had anything to do with the media.

I personally continue to be amazed by a scene I have been watching for 10 years already: the Serbs first complain of the media war against them, and then they themselves create the weapons for the war to be waged. Such is now the case, too: no adequate police measures, unguarded embassies, nobody arrested on the first evening of the riots. Rumor has it in Belgrade that this is all a set-up organized by the radical elements in the government and the opposition. But I, having lived for the past 15 years on the Balkans, firmly believe not in set-ups, but in the human folly and lack of organization.

On my leaving, the radical Nikolic says to me: “If not I, if not my children, then the children of my children will restore Kosovo to Serbia.” I go back to the hotel and switch the TV on: Kosovo Albanians are dancing around the flag, girls and boys are hugging each other in the square. Nikolic’s prediction is not just 350 km away from the world of Pristina’s young people: no, the distance is at least 35,000 km.

So, this is how a state is born: some people sing, others cry. I turn the TV off and tell myself that in the next six months nothing reasonable can be said about Kosovo. It will be buried in emotions and drowned in crying and songs.

Only then the time will come for thinking what exactly was born on Feb. 17, 2008.
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Wireless Telecom Market in Bulgaria - Really Impressive Figures

Cell-phone usage in Bulgaria surges to one of highest ratios in Europe

The wireless telecom market grew by roughly 17% in nominal value terms to more than EUR 1.1bn in 2007, according to the financial reports of the three cellphone operators in the sector. In volume terms, the growth rate was even more impressive despite the high-base reached in 2006. The cell-phone penetration rate thus advanced to one of the highest levels in Europe in terms of active SIM cards per capita. The figure is estimated at 132.8% as of end-December compared to 105.9% a year earlier, according to data presented by market leader MobilTel, member of Austria’s mobilkom group. This is the highest cell-phone usage ratio in Central and Eastern Europe and it stands significantly above the average for all EU member states. In fact, the steepest market expansion is reported in minutes of voice traffic last year, as all operators have reduced the average price charges in fight for bigger market shares. There is still a big potential for price cuts given that the profit margins in the sector remain quite high, safe for the latest entrant vivatel, owned by the dominant landline telecom BTC. Vivatel is not able to reach the break-even point yet due to its early phase of development but is the fastest growing competitor in sales terms. The second biggest cell-phone operator Globul, owned by Greek Cosmote, has significantly improved its position over the past several years from a market share of 26% in terms of SIM cards at the end of 2002 to roughly 40% as of end-2007. MobilTel and vivatel serve about 50% and 10% of the SIM cards, respectively. All three competitors have already launched 3G services and are expanding towards various multimedia and internet applications. MobilTel and Globul are also promoting combined fixed-line and wireless packages of voice, internet and TV service that will challenge the business of landline operators. The wireless telecom sector is already generating much bigger revenues than traditional landline business. While the two market segments generated roughly equal sale values in 2003, the wireless business surged to more than EUR 1.1bn in 2007 against some EUR 500mn for BTC, which controls more than 90% of the landline telecom sales in the country.

Cell-phone operators sign number portability rules

The three wireless telecom operators in the country signed on Feb 25, 2008 the long-debated number portability rule-book that will allow customers to keep cell-phone numbers, including the three-digit prefix, after changing their providers. Each operator should publish detailed terms and conditions of the service up to two weeks after the signing of the agreement. The rules should be enforced by mid-April at latest but the real start of number transfers will most likely take place on Jul 1, 2008, when the three cell-phone operators have to activate a centralized database of customers in accordance with the functional specifications approved by the state telecoms regulator. The centralized database has to provide a smooth transition of customers to new operators, regular reports on number transfers, and fair billing terms. The functional specifications impose customer friendly terms for change of operators under conditions of a one-stop service administered by the recipient company only and an optional one-off fee for the customer that is also decided by the recipient company. As far as it is in the interest of the recipient operator to attract a new customer, the fee for transfer of numbers will be either zero or very low. The donor operator may charge a cost-oriented fee to the recipient operator but the latter is not forced to transfer the bill to the customer. All transfers should be completed within a 10-day period and refusals by the donor company are accepted only in exceptional cases of unpaid bills or incorrect declarations on the side of the customer. The new operator is even allowed to cover outstanding claims and costs billed during the transfer window.

This article is based on extracts from ISI Emerging Markets IntelliNews publications: Bulgaria This Week and Bulgaria Country Report. For more detailed information please contact ISI Emerging Markets office in Sofia at +359 2 8160404 or info_bg@securities.com
so that the customer will have full access to telecom services in the transition period and will not have to contact the donor operator.

The start of the number portability service in the wireless telecom sector is expected to step up further the competition among the three operators. The practice in other EU countries shows that the share of number transfers is quite significant when the cost of the service is low and the rules are drafted in favour of the customers. The conditions set by the functional specifications are fully supporting this model and the market players, especially the third cellphone operator vivatel, are likely to start a very aggressive campaign for attracting customers of competitors. Given the high penetration rate on the market, the cellphone operators will certainly have to adjust their market strategies to the new threats and opportunities arising from the number portability agreement. The overall quality and price terms for customers should improve and the role of club benefits aimed at attracting or retaining customers should increase. The importance of the number of portability is also indicated by the long negotiations held before the final agreement. The three cellphone operators were expected to introduce number transfers as of the beginning of 2007 but MobilTel refused to sign the draft common rules claiming that they reflected only the interests of the other two competitors GloBul and vivatel. On the other hand, GloBul and vivatel claimed that the market leader was deliberately slowing the process in fight for its dominant sales position. The European Commission has criticized the country on the issue but sanctions are not imposed by now, as the missed deadline is violating only national regulations.

![Graph: Telecom revenues, EUR mn](image)

Source: Company reports

### PROJECT MANAGEMENT IN CONSTRUCTION

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- Bulgarian Entrepreneurial Chamber
Bulgaria’s textile industry has managed to negotiate the ups and downs of the transition period and to survive. Unlike machine-building enterprises - which were, once, the pride of the Socialist-style industry - the fashion companies preserved their market positions and, today, is among the largest employers in Bulgaria’s economy.

However, this manufacturing branch is already on the edge, experts from the respectable Textiles Intelligence agency claim. The agency’s report on the textile sector in Bulgaria claims that it needs still more investments in order to preserve positive rates of development. Between 2000 and 2006, the textile sector in Bulgaria raised the volume of its production by 152 percent, and the ready-made clothes sector - by 109 percent, while at the same time the textile production in the European Union fell by 21 percent, and of clothes - by 32 percent. That is why it is reasonable to ask whether now the Bulgarian manufacturers, acting on an equal footing with the rest on the European market, will follow their Western counterparts on the way downwards or will manage to gain the upper hand in the race to the top slot in the sector.

The textile and clothes has gained over the last several years a decisive position in Bulgaria’s economy. There are more than 2500 companies in this branch, with a total of close to 160,000 employees. The Bulgarian Association of the Textile and Clothes Manufacturers and Exports (BATCME) claims in an expert assessment that Bulgaria’s textile industry preserves its tendency of positive rates of development and growth.

Bulgarian textile companies are facing not only the strong competition of cheap Chinese and Turkish products, but also of the European fashion trademarks. The Bulgarian companies rely on specialization and targeting of specific market niches by offering higher-quality products in order to maintain their competitiveness and resist the pressure of cheaper imports. Bulgarian companies have followed for several years a strategy to acquire more expensive state-of-the-art technologies and machines. Development is spearheaded by the desire of the companies to upgrade production, raise efficiency, match European requirements and offset the effects of one of the major problems in the sector - the lack of skilled labour.

Besides the deficit of labor (for instances seamstresses, technologists and even traders), Bulgarian companies face the challenge of finding local suppliers of quality and diverse production. Bulgarian textile industry needs, and has the potential to, increase the production of raw materials - textile clothings, fabrics, accessories etc., in order to reduce costs and shorten the terms for finishing order contracts. This would boost the competitiveness of the companies in the branch. Bulgarian companies have the advantage of being close to Western markets, but they shall have to respond extremely quickly to orders and establish more of their trademarks.
Investments

The state helped "E. Miroglio" AD with its investment project in Yambol with 2,093,194 Leva. The funds were used for the construction of a municipal road within the industrial zone of the municipality.

"E. Miroglio" AD is the Bulgarian affiliate company of "Miroglio S. P. A." - one of the largest manufacturers of textiles and clothes in Europe. The Italian company has invested 180 million Euro so far in five manufacturing enterprises and two trading companies in Bulgaria. Close to 93 million Leva were invested in the new spinning and dyeing facility with storages and a water treatment plant near the town of Yambol, which was commissioned in April 2007. The enterprise employs 600 persons, which is by 71 more than the initial; estimates.

The number of employees is expected to rise to 660 by the end of 2008. The enterprise includes a wool and cotton spinning plant, a dyeing plant, a storage facility for raw materials and completed products, and waste water treatment installation.

After all the manufacturing capacities of the Yambol enterprise are commissioned, the spinning plant will produce about 5.5 tons per day of wool and 4 tons of cotton. "Miroglio S. P. A." has opened five enterprises in Bulgaria since 1998 and currently employs more than 1,800 persons.

The manufacturing facilities in the town of Sliven are three - for woollen textile, for viscous and for polyester fabrics, and for spinning of wool yarn. The Italian company has spinning factories also in Nova Zagora, and a stamping factory in Elin Pelin.

"Miroglio S. P. A." employs about 7000 persons, and its annual revenue is estimated at 750 million Euro. Its production capacities are estimated at 36 million kilograms or yarn, 100 million meters of fabrics and 11 million garments.

Several Bulgarian textile companies are listed at the Bulgarian Stock Exchange

including some of the largest companies in the sector - the socks manufacturer Phasan, the Sliven-based carpet maker Decotex, the yarn maker Katex, and others. Their aggregate capitalization is estimated at about 60 million Leva. Textile sector companies are characterized by small scales and low liquidity. Stock exchange statistics indicate that a total of 2,470 transactions worth 6.6 million Leva were made in textile companies' shares last year.

Hazard

Some 160,000 people are employed by clothes and textile companies, but this number is falling as some of the workers emigrate in search of a better pay. The Bulgarian textile companies might solve the qualified personnel issue by employing Vietnamese workers, with the first 60 workers expected to arrive in May.

The number of the employed by clothes manufacturers and textile companies fell by 2.5 percent in the first half of 2007, compared to the same period of the preceding year, according to data released by BATCME. The low efficiency of labour in Bulgaria and the emigration of qualified personnel have already resulted in the deficit of labour. "Skilled workers can make much more in Western Europe and do not hesitate to leave the country", BATCME wrote. According to Association's estimates, the average salary in the sector stood at 450 Leva in 2007. Official statistics set the average salary at 265.50 Leva. The difference in the data is attributed to the high percentage of grey-sector operations, which is not covered by statistics. The top workers in the textile sector make some 800-900 Leva per month. The wages in the branch rose by 16.9 percent in 2007, year-on-year, which is however not attributed to improved efficiency. The gross added value per employee is set at 3,930 Leva for last year, which indicates that the efficiency in Bulgaria is very low.

Textile industry suffers also from the lack of mid-level management personnel - technologists, plant managers and organizers. BATCME hopes that this problem will be overcome as a result of the development of the whole branch.

Statistics reported

a decrease in textile exports in 2007,

however experts claim that this is not true. The difference is attributed to a change in the system used to collect data. Before Bulgaria's accession to the EU, data collection was performed by the customs authorities. With the lifting the economic borders the companies were obliged to submit data to "Interstat", with come of the companies relieved of this obligation, hence the incorrect final snapshot of the industry. BATCME will present the real data on exports in April.

The textiles and clothes branch generate a major portion of foreign currency revenue, as 88.6 percent of their products are exported to the EU, according to BATCME data.

There are some 3,000 companies in the sector, 90 percent of which are small and medium-sized, with personnel between 100 and 300. One of the problems for the local clothes industry is that they do not market their own trademark. "The companies here do not have the courage to launch their own trademarks, which is regrettable", branch experts claim. This country needs a lot of marketing and sales knowledge and experience. The hopes of this branch are to enter into new partnerships for sharing know-how and business solutions.

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The major advantages of the Bulgarian textile industry are related mainly to enterprise size

Small and medium-size companies, with personnel of up to 250, account for 65
to 95 percent of the total number of operations. They are able to quickly respond to market changes, to assure short-term deliveries and are very flexible. Twenty-two textile companies are listed on the Bulgarian Stock Exchange.

The companies working with materials provided by the customer are larger - like Veni Style, which has its own facility with 150 employees. About half of the output is manufactured for the Max Mara fashion trademark. The company’s own trademark Ether accounts for the rest of the output.

Geographical location

Being in Europe, but on the border with Asia, Bulgaria can expand its markets in both continents. Being an outer EU border, Bulgaria has the advantage of transport delivery schedules than India or China. Almost 90 percent of the ready-made clothes exports in 2006 went to EU states, including Romania. The quality is good and the prices are competitive for the region.

Low pay

Weavers and seamstresses are among the lowest-pay workers in Bulgaria. According to National Statistics Institute (NSI) data, the lowest average wages are reported in the production of textiles and clothes (270 Leva) and in hostelry and restaurants (280 Leva) per month.

The average annual salary in the textile sector stood at 2,728 Leva, which was by 11.03 percent more than in 2005 (according to NSI data). Despite this increase, the average salary in Bulgaria remains the lowest among all EU member states.

The elimination of customs duties

The trade between Bulgaria and the EU is relieved from customs duties. The obstacles encountered at the borders have also been removed. All these developments accelerated deliveries to the EU and reduced logistics cost. The removal of customs duties was to the advantage mainly of the small-size companies. Companies like Ether and Markam already have already opened their representative offices abroad.

Despite the good ratings from European textile experts, local manufacturers are facing serious challenges.

One of the major problems is related to the lack of skilled personnel. Bulgarian seamstresses have been for years treated as “working for somebody else”. The industry has failed until now to create a better image for this type of work. BATCME statistics reveal a worrisome trend: the personnel at the clothes factories fell by 2.5 percent in the first half of last year.

Experts expect that it is the number of lower-level employees, usually at the age of above 40, will continue to decrease. At the same time, however, the potential at the medium-level management personnel is growing. The problem with working with materials supplied by clients is that the profit is between seven and 10 times lower than the profit from own trademark products. Besides, this scheme places the manufacturers in a unilateral dependence on foreign investors.

Skilled and highly qualified personnel, speaking foreign languages, prefer to look abroad for a job bringing a higher salary. This has forced some companies to import workers from Macedonia, Moldova or Vietnam. Moving the production facilities to regions with lower wages is an alternative, which was exploited back in the early 1990s by a number of foreign pseudo-investors.

Currently the cost of labor defines a token 3 to 4 percent of the actual price of clothes. Design plays a much more important role and generates 10 percent of the value of the product.

About 10 percent of the total volume of clothes is offered on the domestic market. The largest fabrics manufacturer in Bulgaria, Miroglio, allocates less than 5 percent of its output to the domestic market.

There is a potential in the so called fast fashion - small series of clothes, manufactured within a short period of time and intended to respond to demand on a dynamic market. Bulgaria cannot compete with China in manufacturing T-shirts, youth and sports everyday wear - products that can be stuffed in 100s or 1000s in a box. But Bulgaria does have the potential in ready-made clothes which has to be delivered to Europe “on the hanger” - suits, jackets, formal dresses.

Many facts indicate that Bulgaria’s textile and fashion industry is about to enter a specific phase of its development. A Bulgarian seamstress is being paid as much as her counterpart in Egypt, Mexico and in some parts of China and Ukraine, which much below what her counterparts elsewhere in Europe are paid. European membership may encourage large-scale investments. This will lead to an increase of efficiency, new jobs and the creation of high-value export products.

The EU member states are the major trading partners of Bulgarian textile enterprises

These states accounted for 85 percent of the export and for a notch above 70 percent of the import in 2007. These figures indicate a distinctively territorial pattern of trade concentration. The rest of the regions have a stronger influence on the import structure. Balkan states, excluding Greece and Slovenia, account for about 16 percent, and Asia - for 7 percent, of imports.

More than 70 percent of the production in all commodities groups, with the exception of silk, stamped synthetic fibres and clothes different from knitwear, is sold in EU member states. The largest regional markets are Greece, Italy, Germany and France, which account for about two thirds of the exported products. Bulgaria exports to Greece mainly knitwear (41 percent of total exports) and clothes different from knitwear. We supply the market in Italy with clothes and textile materials. Actually, Bulgarian textile products are exported mainly to Italy - about 70 percent of the wool, more than 60 percent of plant fibbers and cellulose yarn, about 50 percent of the knitwear, 40 percent of the cotton and synthetic fibers. The share of the export of clothes to Italy is estimated at about 13 percent.

The market in Germany demands the
Competitive Advantages

- Excellent Working Environment
- Positioning of Your Company
- Security and Services
- Parking
- Professional Property Management Team
- Reputable Developer – AFI Europe, part of Africa Israel Investments Group
- Communication
- Quality Fitting Out of the Office Space
largest share of clothes different from knitwear un-knitted clothes (more than 25 percent), and some 10 percent of the knitwear. Bulgaria exports to France mainly clothes different from knitwear - some 85 percent of all textile exports to this country.

A major increase in the sales of textile and textile products is recorded in Spain (more than 6 times), Turkey (more than five times) and in Great Britain (more than three times). Romania is also emerging as a stable partner, ranked after Greece and Turkey, among the Balkan states.

**The regional import structure**

is much more dynamic than the export. There is a tendency towards an intensification of the competition on the world textile and clothes markets, which has resulted in the emergence of new states on the import list. China is one of the most impressive examples. Imports from China increased ten times over the last five years, and its share rose from 0.9 to 5.6 percent. China operates mainly on the clothes market, with some raw materials like silk, plant textile fibbers and synthetic and artificial fibbers added to the import mix. The tendency towards a growing influence of Chinese textile products on the international market will most probably accelerate.

This process will inevitably lead to tensions on the market and, respectively, to changes in the market strategies of both the importing and of the exporting countries. Bulgaria should not be an exception and shall be obliged to take into consideration the competitive pressure not only of China, but also of a number of other Asian states.

Regardless of the increased imports of Chinese textile products, major importers on the Bulgarian market are still some of the EU member states - Italy, Greece, Germany and France. They account for 57 to 64 percent of the import demand for textile products in Bulgaria. It must be noted, however, that there is a tendency towards decreasing the presence of these states. This is attributed to the steep rise in the imports from Turkey and China. Imports of Turkish products increased more than four times after 2000, which boosted them to the third place in the territorial structure after Italy and Greece.

The share of Bulgaria’s southern neighbour rose by 5.9 percentage points to a 13.9 percent peak. Turkey left Germany and France behind, as their share of the domestic market is gradually diminishing and equalled the share Turkey had five years ago. The expanding presence of Bulgaria’s southern neighbour on the international textiles market is attributed to the extraordinary investments made in textile production. Turkey is now, together with the leading countries in Asia, in the ten largest exporters in the world of both textile raw materials and of textile products.

These structural shifts are determined by the different dynamics of the imports from the individual states. Imports from Germany rose by 35 percent only during the last five years, compared to a 75 percent increase of the imports from France. If the current trend in the imports of textile products from these four states persists, there may well be even more serious changes in the import structure in terms of country of origin over the next two or three years.

Bulgaria imports from Turkey mainly cotton, staple synthetic or artificial fibbers, knitwear fabrics and knitwear products. Italy is offering wool, cotton, staple synthetic or artificial fibbers, and clothes. Greece dominates the clothes imports. It accounts for more than 60 percent of the knitwear sales and for about 25 percent of the sales of clothes, different from knitwear.

The specific form of trade in textiles and clothes defines not only its dynamics and structure but also the trends in the development of the trade balance. It is generally positive, with a slight domination of exports over imports and is due exclusively to the positive balance with the European states. Bulgaria’s largest positive trade balance is registered in its trade with Germany - $240 million. Trade with the rest of the European states is almost balanced. Turkey and China, with which Bulgaria has registered the largest trade deficits, are on the other extremity, as imports are several times higher than exports. Imports in 2005 stood at $158.3 million, compared to $68.9 million worth of exports.

Minimum differences in the textile export volumes, the competitive pressure exerted by China and Turkey, and in the future - perhaps also by other states, and the comparatively moderate rate of growth of exports to other European states, considered as major markets for Bulgarian products, does not the exclude the chance that the lines of export and import might intersect, and the trade balance to shift from the green to the red. Such a development would remove Bulgarian products from the growingly dynamic and strained world textile market.
PROGRAMME

Main Topic: The Real Estate Market on the Balkans – Bulgaria, Romania, Serbia
Highlights: Montenegro, Macedonia, Albania

Day 1

Keynote speech – Why invest on the Balkans?

Challenges and solutions to growth – structural aspects
City planning, legislation, investment projects.
Best European practices used in PPPs: Public Private Partnerships.

Challenges and solutions to growth – financial aspects
Europe’s financial crisis and how far will it spread?
Will its effects reach the real estate market of the Balkans?
Are the Balkans still “the green spot on the crisis map”?
Yields on the Balkans versus yields in Europe.
Will the volume and rate of international capital flows be affected.

Office Market
Which are the next business parks?

Retail Property Market
Malls, shopping centers and retail chains – never ending story or reaching the “limit”?
Malls, Malls, Malls – does the inflow of retail center projects threaten to drown the small-town markets.
Malls vs. malls – which concept is the right one for the Balkans.
New mall formats – retail parks, outlet malls etc.

Industrial property market
Market entry barriers – problems and best practices
Location, location, location ...
Romania – the Balkans blue chip
Are the first speculative projects in Bulgaria going to set an example for the developers.
International competition – why developers and their clients prefer one location to another.

Day 2

Highlight – Montenegro, Albania and Macedonia Rising

Residential Market Development
Has the train left the market?
Does the market retain more potential to explore? Next bubble or calculated risk?
Has the time for luxurious property come on the Balkans?

The holiday property market – sea, mountain, spa or golf?
Risk outside, profitable inside?
Investors and lifestyle buyers – who will pay for all those apartments?
Development of the secondary real estate market
Has Bulgaria turned into a golf destination already?
Bulgaria, Croatia, Montenegro and Greece – bad examples and good practices.
Record Number of Skiers Vie for AmCham Trophy

A record number of 118 participants registered for the Fourth AmCham Ski Tournament on Feb. 24, with 103 of them actively involved in the race in the vicinity of Aleko on Vitosha. AmCham members, students and journalists competed in two disciplines - giant slalom ski and giant slalom snowboard, and in four categories: men, women, children and team.

All the contestants had to show their best on a downhill course in one run only. Moten Sport provided the technical assistance and running commentary. The ski show was covered by BNT news, featuring the anchor Irina Tsoneva as a keen skier at the chamber’s tournament. Among the other journalists she competed with, were Desislava Kulelieva, 24 Chassa daily, and Vassilena Chonova from Top Sport Newspaper. The best results among the women showed Ralitza Ivanova, 3M, who finished first. Evgenia Stoichkova, Coca Cola Bulgaria, came in second, and Velina Savova, Pain D’or placed third. Except in the BNT news, the highly emotional race was covered in 24 Chassa daily, Top Sport Newspaper, and The Sofia Echo newspaper.

The competition in the men’s category was stiff, where 50 participants run neck-and-neck in the single run. Alexander Savov, Pain D’Or, placed first among men, followed by Deyan Apostolov, Johnson Controls Electronics, and Hristo Babev, Allianz Bulgaria Commercial Bank who placed third. Among the first 10 came also the skiers of Hilton, Ericsson Telecommunications, Motorola, and AT Engineering.

All places in the children category were taken by competitors from the American College: Viktor Keregov placed first, followed by Vesselin Hadjijestanov and Assen Kostadinov. The American College students participated with a large group, almost taking the first 10 places together with Pain D’or.

Verifying once again the popularity of the snowboard, quite a big group of 19 people registered for the AmCham race. Momchil Velev, Renault Nissan Bulgaria won the snowboard race, followed by Evgeni Batinkov, Fox Life International TV, and Alexander Nikolov, ProCredit Bank.

In the team category Pain D’or took the first place, followed by Ericsson Telecommunications, and Coca Cola.

AmCham extends its gratitude to Nissan for the sponsorship, and Moten Sport for the perfect organization. We also thank companies who supported the event and provided prizes: Allied Pickfords, Coca-Cola, Hilton Sofia, Hotel Yastrebets, Wellness and SPA, Kempinski Hotel Grand Arena Bansko, Microsoft Bulgaria, Motorola Bulgaria, Nivea Lip Care, Pain D’or, Radisson SAS Grand Hotel, and Rossignol SLS.

THE WARMING UP

A Halloween mask to scare the competition?  Let’s refuel with Nissan

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AmCham Bulgaria Magazine  March 2008
THE RACE

The ski run

Irina Tzaneva, BNT - Tough competition, high emotions, great tournament

The final countdown

Winter Elegance

And Heavy Breaks
THE RACE

On the glorious way to the final

Some show for our supporters and friends
The Winners

All winners family picture

The American College team - the new ski generation

Viktor Kerezov, ACS - Who else but me can be the winner!

Alexander Savov, Pain d’Or with his brand new 10 months coach

Ralitza Ionova - The jewel of 3 M team

Momchil Velev, Renault Nissan - The undisputable snowboard man
Astral Holidays Teams Up With BCD Travel

BCD Travel enters the Bulgarian tourist market in a partnership with the Bulgarian tourist company Astral Holidays. BCD Travel in Bulgaria will offer to corporate clients a whole servicing package to the company’s employees, said Hristo Galbachev, managing director of Astral Holidays. The new partnership between the two companies was announced during a business-after-hours cocktail of the AmCham Bulgaria on Feb. 26 at the Grand Hotel Sofia.

Some 80 AmCham members and guests attended the event with a special focus on the modern business travel and its philosophy explained. Guest speaker was Paul Tracy, vice president, Growth & Emerging Markets of BCD Travel. He talked on the main differences between the travel management company, on the one hand, and a travel agency, on the other. The travel management company manages booking, ticketing, travel, invoice, and post travel. A travel agency deals only with the first three things: booking, ticketing, and travel. For its corporate clients BCD Travel in Bulgaria will arrange hotel booking, airplane tickets, rent-a-car, and all other details of a business journey.

"The main principle in the company is to think globally and to react globally in providing corporate global travel services," Galbachev said.

He added that BCD Travel shares philosophy of Astral Holidays team for growth and success, not only in Bulgaria, but throughout Central and Eastern Europe. BCD Travel - Bulgaria has 12 offices with key locations such as Sofia, Plovdiv, Varna, Bourgas, Sunny Beach. In addition to strong national coverage, BCD Travel in Bulgaria will develop regional business opportunities working closely with other BCD Travel offices across the region, including Romania, Greece, Turkey and Hungary to expand local customized solutions for clients, supported by BCD Travel’s global technology and infrastructure. Moreover, in Bulgaria there are 50 com-
companies that have concluded global contracts with BCD Travel, and now they would be serviced by BCD Travel office in Bulgaria, said Galbachev.

"We are excited by the decision to further develop our strategic partnership with BCD Travel for corporate travel management solutions in Bulgaria. We will continue to service our existing clients with every attention to detail and will work together to foster new business development growth and enhance our overall service offering," Galbachev added.

Among the corporate clients of Astral Holidays now are Ideal Standard, Vidima, BOSCH, Tishman International TransTelecom, Demax, IDC, Liebherr, Schneider Electric, Mondi Packaging, Devnya Cement, Readers Digest, Dunapack Rodina.

BCD Travel is able to offer an extended suite of solutions customized to each client’s specific requirements. Most notable of these is DecisionSource, BCD Travel’s management information solution suite delivering clients with detailed post-trip information enabling tighter control on travel expenditure and increased leverage with travel suppliers. In addition, DecisionSource Security Manager takes pre and on-trip data and makes this available to clients online to enable traveler location in the event of an emergency.

and offers other traveler risk management tools, contributing significantly to many companies’ Corporate Social Responsibility (CSR) initiatives.

Looking into the future, Paul Tracy said that higher passenger loads and controlled capacity will continue to push airfare higher in 2008. "However, we expect competitive market conditions, the continued penetration of low-cost carriers and the impact of Open Skies in March 2008 to hold airfare increases to a level lower than previous years," he added. The passenger traffic outlook through 2010 shows it would reach 222 million passengers within Asia, and 106 million in Europe, according to IATA industry prognosis.

BCD Travel operates in more than 90 countries on five continents, with $12 billion in total sales. BCD Travel is a BCD Holdings N.V. company, a Dutch family-owned company founded in 1975.

Kaloyan Vangelov, Director Sales & Account Management of BCD Travel speaks on the advantages the partnership will provide.

Some 80 guests came to the business after hours party, the perfect place for making new contacts, or just relaxing after long busy day.
Experts, businessmen and representatives of NGOs discussed practices in the fight against crime and corruption at the second international forum on combating organized crime and corruption held in Sofia on Feb. 29. The forum was organized by Bodyguard-Fire-K Company together with the Bulgarian Business Leaders Forum (BBLF) and supported by the American Chamber of Commerce in Bulgaria. Bulgarian experts and representatives of security firms from the Netherlands and Macedonia shared their experience in providing transport security and coping with drug and human trafficking and prostitution.

The conference focused on the prospects and possibilities of regulating the detective activities in Bulgaria, and cooperation with legal authorities for protecting children under 16. The president of BFK Dimitar Kutzarov said that the lack of a special law on the detective activities in Bulgaria is hampering the work of police and detectives.

There is no doubt the detectives are needed to help police in its investigations, he said. Kutzarov mentioned two cases when BFK supported the police and helped find two missing persons.

"There is a very thin line that we currently rely upon - and this is the cooperation with the state owned guarding firm SOT, but it is not enough," Kutzarov said. At present there are about 100,000 people working in security companies in Bulgaria and the legalization of their businesses is highly recommended.

Stamen Tasev, executive director of Bulgarian Business Leaders Forum again suggested to limit cash payments above 10,000 Leva. At present, large cash payments are the perfect prerequisite for corruption. The origin of the money in such payments is not known and it is necessary that the payments are made via bank transactions. Tasev said there is 140-percent increase of the cash payments of more than 30,000 Leva. BBLF proposed establishment of a fund Journalists Against Corruption, which will stimulate reporters’ investigations on corruption cases.

Kimimpex Ltd. (2be) is an entirely Bulgarian company with an 11 year history. Currently 2be is the leading retail chain for mobile technologies owning 110 stores in 56 locations across Bulgaria. 2be is the only retail chain in Bulgaria cooperating with all Bulgarian telecoms - MTel, GLOBUL and vivatel, as well as BTC and the WiMAX operator Max Telecom.

2be offers the full range of telecommunication services including subscriber’s programs and plans, start packages and vouchers for prepaid communication and various special promotions. In the stores of the chain the bills to GLOBUL, vivatel and BTC can also be paid.

2be is the first company to offer on the market the latest technologies and consumers electronics. In 2be stores consumers can find the latest models of GSM phones of the leading global brands, accessories, hands-free, Bluetooth and charging devices, as well as a great variety of consumer’s electronics - notebooks, digital photo-cameras, cameras, MP3 players. 2be pays special attention to the high quality of services in its stores. The company uses the best practices in the recruitment and the training of its personnel and offers the best after-sale maintenance in authorized services.

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We are the company with three red columns in our logo. Our name is internationally synonymous for surface drainage systems. ACO products are found in countless places around the world - at traffic intersections, airports and shopping centers.

We are also a company with intelligent solutions for civil engineering and construction, building services and environmental technology, landscaping and industrial buildings.

For more information about our products and solutions, please go to www.aco.com / www.aco.bg

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ESCADRA Offers the Latest from Mercedes-Benz

ESCADRA is the name of the recently opened car sales and lease center in Sofia, offering the newest models of Mercedes-Benz. At present, its clients can choose among 10 models of the German manufacturer. Additionally, ESCADRA offers car accessories and original spare parts, accessories and products of the most renowned brands, such as Michelin, Dunlop, Goodyear, OZ Racing, Fondmetal, AMG, Carlsson, Mobil and Thule. The show room has an exclusive and easily accessible location on Tsarigradsko Shausse, just before the crossroad to the Sofia Airport. A team of professionals will assist, advice and satisfy the clients requirements in terms of car model, flexible leasing frames or even VIP limousine service for you or your demanding guests.

The new show room is owned by Car Rental Bulgaria, following the company expansion in the automobile, car rental and lease business. After more than 15 successful years in the car rental and limousine services, Car Rental Bulgaria now owns more than 120 vehicles and is the exclusive logistics partner for numerous Governmental delegations, such as the U.S. President George Bush; the Russian President Vladimir Putin; presidents of Germany, Turkey, Italy; UNDP; UNICEF; U.S. Army and official NATO partner for the last five years in the military trainings such as Cooperative Key, Blue Lightning and many more. Car Rental Bulgaria is proud member of AmCham and AHK.

For the last few years the company tops the car rental market in the country. The main focus now is the operational leasing - Car Rental Bulgaria offers long term rent of vehicles of all types and makes, tailored to your needs and requirements. The companies that sign agreements for operational leasing with us, will be provided with personal Fleet Manager, who will be fully responsible for the management and maintenance of the hired vehicles. The main aim of the operational leasing is to facilitate your main business activities, instead of blocking substantial amount or money in cars, their maintenance and management.

Special volume discounts are available for AmCham members for car accessories, tires and wheels.

Emporiki Bank - Bulgaria is a Universal Bank member of Credit Agricole Group: Retail Banking Corporate, Investment Banking and Project Finance
Cross border business development with CA subsidiaries
The Bank is also acting as an investment intermediary
History: Established in 1994 under the name Bulgarian Investment Bank
1998: Emporiki Bank of Greece acquired 100% of shares
2006: Credit Agricole acquired the majority of shares of Emporiki Bank, Greece
5 years plan: Implementation of worldwide recognized highly specialized Core Banking System
Continued Network development
Products and services development
Establishment of specialized Business Centers
Introduction of VIP customers’ services and products
Participation in specialized transactions

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Fortel Engineering offers solutions for your communication infrastructure, for your offices, buildings, company sites and your network of branch offices. Fortel Engineering designs and builds networks for data, voice and video. Our main goal is to design an integral structure for your communications. Our projects are dedicated to meet your current needs, to assist in realization of your future intentions and to contribute to your development. Our team consists of experts who have over 12 years of experience in management and project realization. It has the resources and skill to design and assemble a complete turnkey telecommunication system, a system component or to collaborate with customer’s internal staff on any part of a system.

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Ten Major Risks for Global Businesses Identified

More Than 70 Analysts from Around the World Were Interviewed

Ernst&Young in collaboration with Oxford Analytica published a study "Strategic Business Risk 2008 - The Top 10 Risks for Business". Ernst &Young has been engaged in significant global activity to clarify stakeholder perspectives, map management activities and identify leading practice from which all can benefit. Likewise, many companies have invested significant resources globally in risk and compliance initiatives.

Financial risk and regulatory risk have been the focus of much of the study effort. In both cases, there are externally determined rules and frameworks with which companies need to comply and emerging best practice guidance on processes and controls that can help. The analysts worked with many companies who have found that the challenge of compliance can lead to opportunities for performance improvement through improved processes and enhanced communication. Some companies are now looking more closely at their operational risks, prioritizing these and thinking about how they can manage and monitor these in a coordinated way, the result of which can again be opportunities for performance improvement. What is clear is that to gain further business advantage, companies must increasingly look at the extended risk universe, from finance and compliance risk - to operational and finally, strategic risk.

The study explores the area of strategic risk from a different perspective. It is focused on the strategic risks facing 12 of the world’s most important sectors: asset management, automotive, banking & capital markets, biotechnology, consumer products, insurance, media & entertainment, oil & gas, pharmaceuticals, real estate, telecommunications and utilities. These sector studies served as the primary source for the overall comparative report findings.

More than 70 analysts from around the world and from over 20 disciplines were interviewed that shape the business environment, including law, finance, the sciences, business strategy, geopolitics, regulation, medicine, economics and demographics.

It rapidly became clear that not all strategic business risks are the same in nature. The radar was divided into three broad sections: (1) macro threats that emerge from the general geopolitical and macroeconomic environment in which we all operate; (2) sector threats that emerge from trends or uncertainties that are re-shaping the specific industry; and (3) operational threats that have become so intense that they may impact the strategic performance of leading firms.

Identifying the Global Top 10

By consolidating and aggregating the findings of 12 sector studies, it is possible to form a view of the 10 most important strategic risks across the sectors - concerns that will be common to leading firms in many industries.

The table below shows the weighting of the top 10 strategic business risks across the 12 sectors that were studied. While many risks were unique to a sector, a few key challenges had a high or critical impact for many, or even all of the sectors. Hence the risks at the top of the chart are those that, according to the analysts we interviewed, will do the most to influence markets and drive corporate performance in 2008 and beyond.

The analysis would suggest that the sectors that broadly have the greatest exposure to the top 10 strategic business risks are automotive and asset management, with four critical strategic business risks each. Insurance and real estate follow with three of the top 10 risks rated critical within their sectors. At the other end of the spectrum, for telecoms, none of the top 10 strategic business risks were marked as critical. This cannot, however, be used to definitively conclude that one sector is more or less risky than another. It may be that the unique sector-specific factors are in themselves more high risk than these 10. However, we can infer that, compared with what we believe are the most common strategic business risks, some sectors are more exposed than others.

As the greatest strategic challenge facing leading global businesses in 2008, the industry analysts polled selected Regulatory and Compliance Risk. This is being driven by an escalating regulatory burden in many markets, as well as numerous compliance challenges as companies extend their value chains well beyond Europe, North America, and the BRICs (Brazil, Russia, India and China).

The analysts acknowledged that few sectors would escape the impact of major Global Financial Shocks. Biotech and utilities firms, for example, would have trouble raising capital; banking, asset management, and insurance companies would be likely to suffer direct losses from market movements; and after making high-cost exploration investments - oil & gas companies might suddenly find themselves facing low prices if the global economy moves into sudden recession.

An increasing strategic risk for the majority of industries is the threat posed by workforce and consumer aging. Sectors such as...
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The findings of the survey Risk Management in Emerging Markets 2007 reveal that, while many companies have been in these markets for some time, emerging markets remain dynamic for developed market (DM) companies. Over 60% of DM companies have been in these countries for less than 10 years, and almost 20% less than two years. In most cases, global firms are competing with other global players for opportunities in these markets, although in several sectors, emerging markets firms are themselves entering the global stage. Often companies are being driven to these markets by the saturation of existing markets. An analyst in consumer products commented, "Over the next few years nearly all of the increase in world population will take place in the developing countries. In the meantime, other established markets will reach maturity." Similarly, in real estate, "Intense competition for a limited pool of desirable assets, combined with yield compression in most global markets, has resulted in real estate funds needing to broaden their geographic search for opportunities. This has created an increased number of competitive variables in real estate markets." Commenting on the ways the insurers capitalize on new opportunities, Chris Raham, Ernst&Young, says that to be successful, insurers must change their approach to the competition and take a broader view of the market. For years, they have been focusing on competition among themselves. In the US, for example, insurance companies have only a small share of the US savings market. Their true competition is represented by other providers of savings products, in particular, mutual fund entities. Insurers must become as aggressive as other institutions competing for the same dollar.

Industry Consolidation/Transition

Part of the consolidation phenomenon has been driven by the global M&A boom, which several analysts believe may slow in years ahead. However the majority of sector analysts we polled believed that industry transition would continue to pose a key strategic challenge in 2008.

This continued transition will be driven, in most sectors, by underlying structural trends. One analyst, commenting on the auto sector noted, "Population growth and GDP growth are highest outside of the US, EU, and Japan, resulting in a global misalignment in the location of industry capacity and the location of demand. The industry, especially in the US market, is in transition including consolidation, restructurings and spin-offs."

Energy Shocks

Fluctuations in energy prices and access to supplies pose a clear challenge to the energy sector, including utilities and oil & gas. In utilities, for example, loss of access to competitively priced long-term fuel supplies is the top strategic risk. One analyst noted, "The impact on the business is the need to acquire short-term supplies to meet demand obligations and can lead to a huge loss of profitability, hence the need for skilled hedging of sources, types and timing of fuel supplies."

Execution of Strategic Transactions

Strategic risks often result from an attempt to take advantage of major opportunities. Nowhere is this more evident than in the area of transactions. Too often a move that seeks to quickly and significantly respond to an opportunity, becomes an expensive and long-term risk in its own right. There is a major risk that transactions undertaken in response to industry consolidation may fail to deliver not because they are poorly conceived, but because of a failure to meet operational challenges. This was perceived as a high risk by analysts in a number of sectors including auto, asset management, media and telecoms. A banking panelist wrote, "Stakeholders expect M&A to very quickly have a positive effect on the bottom line and create synergies between the acquirer and the target. Required integration may challenge the people, process, and technology of the combined entity. Stakeholder expectations may not be met or the deal may ultimately need to be unwound."

Cost Inflation

We have been operating in a low inflation global economy for some time. Our analysts believe that the return of high inflation is a major risk. Cost Inflation, though the result of various drivers, is a significant operational threat for all sectors. In oil & gas, for example, the problem extends from exploration all the way through the value chain, impacting everything from refinery build costs to pipeline construction costs. One sector analyst commented, "The impact on oil & gas companies is increased pressure on operating margins, higher risk investment profile, increased asset portfolio optimization, consolidation, and risk sharing arrangements. Companies with high cost reserves could be at risk of failure."

Radical Greening

Radical greening is a strategic risk, partly driven by the consumer and regulatory responses to climate change, and also by the weather events resulting from climate change. A specialist in science and international affairs wrote, "Current climate predictions are based on models and, naturally, the scenarios communicated to the policy world are the scientifically conservative scenarios (i.e., those which most scientists agree are likely). Yet scientifically conservative scenarios are not necessarily what will happen; it is possible that the hazard is actually more imminent than is commonly understood. In this case, we may see physical climate surprises as well as an increased policy response that is more abrupt than most firms are currently planning for."

Consumer Demand Shifts

The final strategic risk for business in 2008 is the failure to anticipate and respond to Consumer Demand Shifts. There are a number of examples of such shifts, perhaps the most obvious being the demand for "green" products or services. Other trends have already been mentioned, including those driven by demographic shifts, such as growing consumer aging.
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Ideal Standard Recognizes Most Beautiful Baths

The Ideal Standard Bath of the Year competition has been running for four years already. The most beautiful family and hotel baths were awarded at a special ceremony held on 28 February at the Central Army Club in Sofia. In the presence of about 400 guests - leading architects and musicians, the project of architect Tsvetan Gergov, named "Opened," received the prize for the Family Bath category. The award in the other category - Hotel and Business Bath - was given to the Modus Hotel. Traditionally, the winners in both categories receive a holiday to an exotic tourist destination, and this year the destination is the Maldives.

There were awards for the favorites of the audience. The internet voting at the site of www.banianagodinata.com awarded the projects of Bozhana Prodanova in the Family Bath category and once again the Modus Hotel in the Hotel and Business Bath category.

After the ceremony, there was a new challenge for architects, designers and customers of the products bearing the Ideal Standard trade mark in respect of the fifth jubilee edition of the competition.

The 2008 winners will have the chance to visit Singapore and Malaysia. The participants this year will be challenged also by the new product collections bearing the prestigious trade mark and the ambition to introduce the digital era into the bathroom.

Ideal Standard relies on the imagination of designers and consumers alike - professional or amateur - so that the products of the leading trade mark can find their proper place, their proper home. With the intention to encourage the drive to create a place reflecting the internal world of the owners, to create some space where people can feel fabulously, Ideal Standard every awards the most beautiful baths every year.
Microsoft Bets on Interoperability

Microsoft Corp. announced in February a set of broad-reaching changes to its technology and business practices to increase the openness of its products and drive greater interoperability, opportunity and choice for developers, partners, customers and competitors.

Specifically, Microsoft is implementing four new interoperability principles and corresponding actions across its high-volume business products: (1) ensuring open connections; (2) promoting data portability; (3) enhancing support for industry standards; and (4) fostering more open engagement with customers and the industry, including open source communities.

"These steps represent an important step and significant change in how we share information about our products and technologies," said Microsoft’s CEO Steve Ballmer. "For the past 33 years, we have shared a lot of information with hundreds of thousands of partners around the world and helped build the industry, but the latest announcement represents a significant expansion toward even greater transparency. Our goal is to promote greater interoperability, opportunity and choice for customers and developers throughout the industry by making our products more open and by sharing even more information about our technologies."

Microsoft Bets on Interoperability

From left: Brad Smith, senior vice president and general counsel, Steve Ballmer, Chief Executive Officer and Ray Ozzie, Chief Software Architect, announce a set of changes to Microsoft’s technology and business practices to increase the openness of its products and drive greater interoperability, opportunity and choice for developers, partners, customers and competitors. Redmond, Wash., Feb. 21, 2008
The Anglo American School of Sofia (AAS) again invites academically talented Bulgarian students to apply for full three- and four-year scholarships, starting 2008-2009 school year. Last year AAS awarded full high school scholarships to six Bulgarian students. The investment for their full high school education was 680,000 Leva. This initiative is part of the school’s commitment to support Bulgaria. AAS has over 12 years of community service experience supporting needy places throughout the country. The school hopes to become a CSR leader in investing in young Bulgarians. AAS strongly believes that now is the right time for dignified companies to invest in talented young Bulgarians as they will be their future employees, determining the success of their business.

Below are the thoughts of a few of the AAS current scholars. They share how they have benefited academically and what their future plans are.

Mira, Grade 9, coming from the American College of Sofia:

Winning the scholarship was one of the highest achievements in my life

I am glad that I am one of the few that got the chance to be an active member of the diverse AAS community. If you ask me to look back and evaluate the changes in my life after my acceptance, I may say they are mainly positive. To be honest, on the first day of school I was surprised by what I met. The curriculum and the schedule were so much different from what I expected. Having periods from 65 minutes seemed too much for me, but I did not need much time to realize that it actually was just enough. In my previous school, our lessons were scheduled to 40 minutes, but often that time was not enough for my teachers and they took time from our breaks in order to complete their work. We have now the time to ask many questions and discuss topics that are not very clear in class.

I find the way we are taught very efficient. I really like the teachers because they are passionate about their subjects and they try to make us interested in the material we cover. I like the fact that we are often asked to think and bother with different topics. Unlike my old school where memorizing was the major part of being successful, here the individual thoughts and understandings play bigger role. In my opinion, it is great that we start preparing ourselves for the IB program. What I like about the school is not just the curricular. It is also the fact that an English-speaking environment surrounds us. Meeting so many people that inherit so many different cultures enriches your life and teaches you to be open-minded. It is inexplicable how people from so many cultures live together, give each other support, and are friends with each other.

Rayana, Grade 10, coming from the Math and Science School in Sofia

AAS is a lifestyle of success.

It now has been almost six months since I have had my first class at the AAS and I have never been more confident about the fact that I made the right decision.

AAS gives all its students the chance to receive the internationally recognized diploma and here teachers try to help us understand and follow its specific features. I especially like the curriculum as it is organized in a very appropriate way. We have each subject three times a week while in Bulgarian schools we used to have Math more often than sports, for example. At AAS we know that each specific class has important role in our daily life so we pay equal attention to all of them which I like a lot. Moreover, the thing that I have noticed is that all the new Bulgarian children here were supported not only by the teachers, but also by all of the international students.

Nasko, Grade 10, coming from the Math and Science Gymnasium in Stara Zagora. Nasko is a Silver medalist in the International Math Olympiad 2005 in Turkey, strongly interested in astronomy and community service.
For me the AAS Scholarship is an Opportunity of a Lifetime

All the Bulgarian teenagers who now read this - I’m sure that you’ve dreamed of a school with a gorgeous brand-new building, of a school with an 8,000-volume library, of a school with top-notch science and ICT labs with brand new equipment and computers, of a school with gym and equipment for more than 10 sports, of a school providing a worldwide recognized diploma times better than the Bulgarian ones.

Here is the place where staff - teachers, directors, parents - work for the sake of students. A school where teachers are rather your friends than your enemies. Where there is freedom, not only limitations. A school that teaches you the principles of successful life rather than useless facts and formulas.

Now, most of you think that the school will never choose them. Well, just about a year ago I thought the same thing. I am happier than ever - with endless future opportunities, with a lot of friends. So, when applying for a full scholarship at AAS keep in mind that the school does not necessarily look for geniuses. AAS is searching for interesting and well rounded personalities who are going to contribute to the diversity and atmosphere in the school. In other words - we are looking for you!

Devin and Bulgarian Children Campaign for Road Safety

The biggest company on the bottled water market in Bulgaria together with a group of Bulgarian children appealed to more than 1,000,000 Bulgarians for the adoption of responsible behavior on the road. The company distributed children’s pictures with messages on its big family bottles of mineral and spring water throughout food stores in the country.

The campaign aims to draw the attention of the Bulgarian citizens to the war on the road that annually takes more than 1,000 human lives. The message is formulated through a question, which should not be answered negatively, said from the company. Every bottle is necked with a message-picture of children crossing the roads and asking for their lives to be saved.

The initiative of Devin AD is a part of the company’s commitment to the European Road Safety Charter, which Devin signed at an official ceremony in Brussels at the end of 2007. The aim of the Charter is to unite the efforts of business, society, governments and NGOs in each of the 27 EU-member countries for the achievement of a common goal - to decrease the death caused by road accidents by 50 percent until 2010. The fulfillment of this mission equals to saving 25,000 lives. After signing the charter the company has declared its intention to send a message to their consumers for a responsible behavior on the road, to paint pedestrian walks around schools with high traffic concentrations, and also to start classes for the students on the topic of "road safety."

“Our country usually takes the first places of death statistics in the road accidents within the EU. As a social responsible company, we want to change this trend and we are ready to devote time, efforts and resources for the cause. I believe that we have enough power and possibilities to work effective-ly in that direction,” said Valentin Ignatov, executive director of Devin AD.

At the end of 2007 in Bulgaria were registered 18,011 serious road accidents, as a result of which 1,006 people died and 9,809 were injured. Even though the black statistics has slightly decreased compared to the same time period of 2006, our country is still among the EU leaders in road deaths.
The Stratocaster at the Top of the World

U.K. musician Ben McDonnell takes his Fender on a sky-high Himalayan odyssey

U.K. teacher and musician Ben McDonnell left England in August 2007 to embark on a mission to promote jazz in one of the most remote and majestic areas of the world. In faraway Asia, he spent the next several weeks teaching at a music school in the Mongolian capital, Ulan Bator, and travelling to other remote corners of the continent— including the top of the world, Mount Everest—with his Fender Stratocaster® guitar at his side. Here, in his own words, is McDonnell's story:

After a fine send-off party, I found myself standing bleary-eyed in the departures lounge of London Heathrow Airport, bag in one hand and guitar in the other, wondering what to expect on the other side of the world.

If you’re as much of a diehard guitar geek as I am, you might be wondering which guitar I decided to take. I decided that my mission required something versatile and above all indestructible— my Stratocaster guitar. It’s one of the Mexico-built models, and I love it. The neck is great; I've replaced the pickups numerous times; finally settling on Fender SCN Stratocaster pickups because they let me teach, record and practice near the computer and because they give me the tonal versatility I want for the pickup gigs I’m asked to do.

I've had the guitar nine years, in which time I've had endless fret dresses, screwed the bridge down and put five springs in the back, worn the electronics out, replaced them and worn the lacquer from the neck and given it more abuse than I should. In short, it may not be the best guitar in the world, but it is my guitar and it feels like home— just the thing when I’m 7,000 kilometers from my guitar tech!

My time in Mongolia was amazing, Ganbat, Enkhbat, Bujee, Jim and the others from the "Giant Steppes of Jazz" NGO were amazing hosts and among the friendliest and most open people I’ve met in the world. They organized radio spots on "hi-fi radio" and several newspaper interviews that allowed me to promote my concerts and teaching, also turning me into a semi-celebrity in Ulan Bator!

Highlights of my time in Ulan Bator included meeting and playing with local musicians, some of whom joined me for my concert at the city’s Cultural Central Palace, and recording with Mongolian singer Naran for her forthcoming album. Despite my poor grasp of the Mongolian language, it was an amazing experience to communicate with musicians just as one would at home; it goes to show that whether you are doing a gig in London or playing on the steppes, musicians have a similar mindset the world over.

After I’d finished my work in Ulan Bator, I decided to see some more of Asia. My route took me around the Gobi Desert into China; to Beijing and Chengdu. From there, I went to Tibet, the Mount Everest base camp in Nepal, and finally back to the U.K. Needless to say, the Strat came with me. It survived lofty altitudes, huge temperature fluctuations, nosy border control soldiers, busy baggage handlers and torrential rains.

Despite the hassle of travelling with a guitar, it was absolutely worth it. Entertaining travellers in my hostel until 5 a.m. in Beijing; playing "Satisfaction" to Tibetan villagers; and of course being photographed at Mount Everest base camp (5,200 meters altitude) are all priceless experiences!

My advice, if you are planning on taking a trip, is to take your guitar. You never know who you’ll meet, the experiences it will help you in and where it might lead you!