BULGARIA

In 1996, the U.S. trade surplus with Bulgaria was $11 million, an shift of $62 million from the U.S. trade deficit of $51 million in 1995. U.S. merchandise exports to Bulgaria were $137 million, an increase of $5 million (3.8 percent) from the level of U.S. exports to Bulgaria in 1995. Bulgaria was the United States' one hundred and second largest export market in 1996. U.S. imports from Bulgaria were $126 million in 1996, a decrease of $57 million (31.2 percent) from the level of imports in 1995.

In 1996, Bulgaria's economy went into severe crisis, after experiencing modest growth in 1995 under conditions of superficial macroeconomic stability. Gross domestic product (GDP) fell by 10 percent, inflation was 311 percent, interest rates soared, public confidence in the banking system collapsed amidst widespread bank failures, and the Bulgarian lev experienced a seven-fold depreciation. The cause of this implosion was failure to undertake the structural reforms required to control losses in state-owned industries and place the banking sector in a solvent condition.

Privatization of state-owned businesses also stagnated, although a voucher privatization program was implemented (with considerable delays in the timetable) during 1996. Only when forced by the prospect of national insolvency has the government taken some modest steps, under pressure from the international financial institutions, to implement reforms.

Bulgaria signed a Standby Agreement with the IMF in July, but received only the first tranche of the funding because of failure to fulfill the reform conditions; a planned structural adjustment loan with the World Bank was delayed for the same reason.

IMPORT POLICIES

The U.S.-Bulgaria Bilateral Trade Agreement, in place since 1991, provides mutual most-favored-nation (MFN) status. However, the extension of MFN to Bulgaria by the United States remained subject to Title IV of the Trade Act of 1974 (also known as Jackson-Vanik) until September 1996, when Bulgaria was removed from the purview of Jackson-Vanik and received unconditional MFN status.

Average Bulgarian import tariffs are relatively high, including in areas of key concern to U.S. exporters, such as agricultural goods and inputs. In June 1996, Bulgaria imposed a temporary import surcharge of five percent for balance of payment purposes, which it is scheduled to phase out by June 2000. Unlike some other countries in the region, Bulgaria applied tariffs to capital goods intended for the operation of investment projects through 1996; legislation passed in December 1996 introduced customs and VAT exemptions for capital contributions in kind but tightened other conditions on foreign investors. Some U.S. investors report that high import tariffs on products needed for the operation of their establishments in Bulgaria serve as a significant barrier to investment.

Bulgaria

Bulgaria's Association Agreement with the European Union (EU) phases out tariffs between Bulgaria and the EU while U.S. exporters still face duties. In some instances, this has created a competitive disadvantage for U.S. exporters. The agreement provides improved reciprocal market access for certain farm products.

Bulgaria became a member of the World Trade Organization in December 1996.

GOVERNMENT PROCUREMENT

There are as yet no standardized government-wide regulations addressing public procurement. Bidders complain that tendering processes are frequently subject to irregularities, fueling speculation that corruption is pervasive. Bulgaria has committed to accede to the Agreement on Government Procurement by December 31, 1997, and is in the process of drafting legislation on government contracts.

LACK OF INTELLECTUAL PROPERTY PROTECTION

The U.S.-Bulgaria Trade and Intellectual Property Agreement requires Bulgaria to implement regulations to protect intellectual property and to accede to major international conventions on intellectual property rights (IPR). Adoption of new patent and copyright laws brought the Bulgarian IPR system generally up to international standards, but enforcement remains seriously deficient.

In April 1995, following a government-to-government exchange of letters with the United States, Bulgaria agreed to strengthen copyright protection and enforcement. As a result, in 1995, Bulgaria acceded to the Rome and Geneva Phonograms Conventions, enacted changes to the penal code to make IPR infringements subject to criminal prosecution and imprisonment, and took action against some producers and distributors of pirated products. Bulgaria also implemented a title verification decree for audio and video recordings in April 1996. Nevertheless, video, compact disc, and computer program piracy remains a serious concern. The problem is compounded by the export of many of these illegal recordings to other countries. Bulgaria was placed on the Special 301 watch list after an out-of-cycle review in September 1996.

Other U.S. industries report that lack of effective IPR enforcement prevents their greater investment in Bulgaria. They also cite the illegal use of trademarks and trade dress (characteristic product appearance) as a barrier to the Bulgarian market. Bulgaria is currently developing a new trademark law.

INVESTMENT BARRIERS

On September 23, 1992, the United States and Bulgaria signed a Bilateral Investment Treaty, which was implemented on May 3, 1994. Overall U.S. investment in Bulgaria remains low compared to other countries in the region. Besides the tariff and IPR problems cited previously, U.S. industries also report that a lack of transparency of regulations, high (and unequally enforced) tax burdens, and government bureaucracy create significant barriers to investment. Other companies cite a lack of coherent government strategy to encourage investment. Some companies have also reported crime as a barrier to investment. A very broad and somewhat cumbersome 1996 concessions law, which has yet to be fully implemented, has complicated investments in sectors such as mining, oil and gas exploration, pipelines, and telecommunications.