

Stability and Discipline

An Interview with The Honorable Traycho Traykov,
Minister of Economy, Energy and Tourism, Republic of Bulgaria

EDITORS' NOTE In 1994, Traycho Traykov graduated from the University of National and World Economy with a master's degree in International Economic Relations. He started as a merger and acquisition consultant at a U.K. strategic and financial advisory firm. In 2004, he joined the German company Roland Berger. In 2005, Traykov became a part of the EVN Bulgaria management team. In July 2009, Traykov was nominated and elected as the Bulgarian Government's Minister of Economy, Energy and Tourism.



The Hon. Traycho Traykov

What measures does the Bulgarian government intend to implement to protect it from global economic instability?

The Bulgarian government supports financial stability and discipline – this helped curb the negative effects of the crisis. Our economy is sensitive both to European and global climates. Before the crisis, our country had a medium GDP growth of approximately 6 percent, but during 2009, it dropped to 5.5 percent. The anti-crisis measures undertaken by the government helped push the country out of the recession, and during 2010, the GDP increased 0.2 percent. The recovery continued during 2011, and within the second trimester of the year, the GDP growth was 1.9 percent. The entire year is predicted to grow between 3 and 6 percent.

The measures we have taken to support macroeconomic security and the budget acting as an efficient fiscal environment include reduced fees and a simplified fiscal regime. We improved business conditions by limiting administrative procedures and regulation. The production and export of raw materials and low value-added products cannot bring long-term benefits, so we encourage investments in the advance technologies sectors and work to achieve greater competition at all levels. We are also concerned about the efficient management of the means from European funds.

Besides political stability, our country has a low budget deficit and low governmental debts which, with the currency board and soon with the approved financial stability pact, are at the basis of financial discipline. This is proven by the assessments of performed-by-credit agents who have given Bulgaria a positive credit rating for investments that have increased several times over the past few years.

Our country rates very well given the low number of business registration procedures, the export

of commercial services as a percentage of GDP, and the increased income from tourism. We look forward to the future and to furthering government transparency.

Which strategic energy directions has Bulgaria developed?

Bulgaria's energy policy plays a crucial role in the steady evolution taking place within the EU. In February, the energy ministers approved a strategy for energy competitiveness, stability, and security. Among the priorities of this strategy are integrating the energy market, creating energy efficiency and economy,

modernizing infrastructure within the sector, developing technological innovations that produce low carbon emissions, and expanding our own sources of energy. A road map for energy until 2050 has been developed that includes eliminating carbon emissions and creating real energy security, stable development, and competitive capacity.

The main priorities of the energy strategy from Bulgaria include guaranteeing energy deliveries, developing renewable energy, achieving high energy efficiency, creating a competitive market, and protecting the users' interests.

Bulgaria has a direct interest in guaranteeing the security of energy deliveries within the country and region, and will be directly involved in the strategic initiatives of the EU to develop the infrastructure that will diversify the deliveries for the community such as the South Stream of gas, access to natural liquid gases, and the inter-systematic connections from the North-South axis. These projects have special importance for all of Southeast Europe. They can successfully involve areas of Bulgaria and our companies as well as foreign companies in a public/private partnership.

Outside of energy, what other Bulgarian sectors are open to foreign investment?

For the future, the industrial and agricultural sectors will develop and grow. Our reduced cumulative tax puts Bulgaria in first place vis-à-vis the other countries from the EU. The competition related to attracting foreign investors is exacerbated. For certain important projects within the industry, Bulgaria is fighting with 10 to 12 other countries. Regarding auto-searching and informational technologies, the competition is with 30 to 40 states. This competitive environment is beneficial for the Bulgarian economy and offers development possibilities for sectors with high added value like pharmacy, efficient eco and energetic technologies, medical products, and informational technologies.

What does Bulgaria's tourism industry offer for the future?

According to the World Tourism Organization, Bulgaria is a destination with one of the fastest development in the international specialty market. Our country offers a wide range of leisure possibilities for guests. The greatest investment in this sector over the past few years has been oriented toward real estate assets and accommodations and those are now balanced by the increasing number of tourist attractions.

Our unique resources as a country with a rich history and an important geographical location offer us many possibilities to develop traditional tourism destinations such as winter locations and the seaside, but also to develop specialized tourism around culture, civilization, historical heritage, wellness, eco, rural, wines, gourmet, and tourism on the Danube. This will allow Bulgaria to become a tourist destination for all ages with diverse interests and tastes.

We are also taking on the challenge of creating transnational and trans-regional tourist products in collaboration with neighboring countries in order to more fully develop the international market.

Will new industries or traditional sectors lead the way to the future?

Our economy is diverse and we have a high degree of export orientation. The priority for the modernization of production and services is on those industries with high development potential and a high added value. These successful sectors will replace the leading ones now such as real estate assets, finances, and services. We consider high technology products and activities as a priority, which will raise our competitive capacity within the present global economy and the large European market.

According to the recent study by the A.T. Carpin Agency, the Bulgarian sectors that depend on cheap manpower and natural resources are not those yielding high benefits and added value. The Bulgarian economy is specialized in this regard, but there is also a clear emphasis on the innovation areas. We depend on the "intelligent industries": communications, health, and ecological technologies. Updated laws regarding investments provide stimulation mainly to these domains.

We will also pay attention to traditional sectors reflected in our exports – the production of ferrous and non-ferrous materials, confections, footwear, cars, and electronics. But considering the future engines of export, we believe that products with high added value will be more efficient. ●