ACCESSION OF BULGARIA

Questions and Replies Concerning the Memorandum on Foreign Trade Régime (L/6364, L/6364/Add.1, L/6512)

In a communication dated 8 September 1986, circulated as document L/6023, the Government of Bulgaria applied for accession to the General Agreement pursuant to Article XXXIII. At its meeting on 5-6 November 1986, the Council set up a Working Party to examine Bulgaria's application for accession (C/M/204). At its meeting on 20 February 1990 the Council approved the terms of reference of the Working Party which are reproduced in document L/6667/Rev.1. In document L/6673 contracting parties were invited to submit in writing questions concerning the Foreign Trade Régime of Bulgaria. The present document sets forth the questions submitted by contracting parties in connection with Bulgaria's foreign trade régime and the replies thereto provided by the Bulgarian authorities.

Delegations wishing to raise additional questions concerning Bulgaria's foreign trade régime might inform the delegation of that country (with a copy to the secretariat) of such questions in advance of the meetings of the Working Party, so that considered replies can be made available by Bulgaria to members at the time of the Working Party meetings.
REPLIES TO THE QUESTIONS SUBMITTED BY CONTRACTING PARTIES CONCERNING THE FOREIGN TRADE REGIME OF BULGARIA (L/6364, L/6364/Add.1, L/6512)

PART I-1. BULGARIAN ECONOMY AND THE ROLE OF FOREIGN TRADE

Paras. 6 and 10

Question 1: Substantiate further the statement about average annual growth of national income of 7.5 per cent from 1948 to 1987, particularly in connection with the statement (p.10) about limits of centralized economic management felt from the beginning of the eighties.

Reply:

The provided data is based on the official publications of the Central Statistical Office for the national income and its average annual growth. Since the beginning of the 80s, the average annual growth has dropped significantly. That is consistent with the statement in para. 10 for the exhausted possibilities of the centralized economic management.

Para. 8

Question 2: Bulgaria identifies itself at having an "intermediary level of development," with a per capita GNP of $2,350 in 1983. What is the current per capita GNP of Bulgaria, e.g. in 1989 or 1990? Please specify the methodology used for calculating Bulgaria's GNP.

Reply:

The methodology used up to now for determining the Gross Domestic Product (GDP) was based on the Net Material Product System, which substantially differs from that of the SNA. The GDP of the country is calculated on the basis of current prices, denominated in national currency, taking into account the methodology difference in the two statistical systems.

Since the beginning of 1991 in Bulgaria organizational work has been started for the introduction of the methodology of the System of National Accounts (SNA). The per capita GDP for 1983 was Lv. 3335, and according to UNDP assessment it was US$ 2350. In 1989, the GDP per capita at market prices was Lv. 4403, and according to World Bank estimates US$ 2320.
Question 3: With the designation of "intermediate" development status, does Bulgaria exclude recourse to Article XVIII or to other GATT Articles or instruments providing for special and differential treatment for contracting parties identified as "developing" or "at a low level of economic development"?

Reply:

Bulgaria does not envisage recourse to Article XVIII or Part IV of the GATT. At the same time, however, it is our view that the intermediate level of economic development of Bulgaria, in the conditions of an aggravated balance of payments situation during its difficult transition to a market economy, should be given due consideration in specific circumstances within the context of GATT, as well as in respect of GSP treatment extended to Bulgarian exports by donor countries.

PART I-2. ECONOMIC REFORM

Para. 19

Question 4: Please indicate more precisely how Government intervention is being limited within, or withdrawn from, the decision-making and management of firms and enterprises in the context of the "radical reform" referred to in this paragraph. Please include in this description, but do not limit it to, how government functionaries are being withdrawn from decision-making positions, and how, specifically, the previous national planning mechanism has been altered to withdraw its influence from economic and trade decision-making.

Please address the rôle of the Bulgarian Socialist Party or other political parties in influencing economic decision-making and managers.

Reply:

In 1991 Parliament enacted a package of economic laws aimed at introducing systemic changes. Since February 1991 the Government has started implementing the first stage of the economic reform through which the basic elements of the market economy were introduced and State intervention in the economic activity of companies was abolished. The companies have become independent economic entities. An extensive process of decentralization and demonopolization of the economy is under way, whereby large scale State-owned entities are being transformed into several independent and competing companies.

As from 1990, no plans for economic development of the country are being elaborated.
Since mid-1990 there exists in the country a multi-party system. There are no organizations of the political parties in the companies. The political parties neither have legal grounds, nor real possibility to control or interfere in the activities of the companies.

Question 5: “Government measures and economic policy instruments are being applied on the basis of rules of general validity in a non-arbitrary and transparent manner and on an equal basis regarding enterprises, irrespective of the particular form of ownership”. Is this statement also true irrespective of the nationality of ownership, i.e. where foreign participation is involved? What law, regulation, directive, or other form of substantive evidence is there to support this statement?

Reply:

According to Decree 56, companies are provided with equal conditions for carrying out economic activity. In compliance with the provisions of Chapter 3 of the Foreign Investments Law, foreign persons, investing in the country, are accorded national treatment, unless otherwise provided for by law or intergovernmental agreement.

Paras. 20, 206, 207

Question 6: Please provide the lists of State trading enterprises and products subject to the State trading in Bulgaria. What is Bulgaria’s view on the consistency of the operation of these State trading enterprises with Article XVII of the General Agreement?

Reply:

Bulgaria has only one State-trading company, Bulgartabac, which, as per the Law on State Monopoly on Tobacco, has exclusive rights on tobacco and tobacco products. Purchases and sales of Bulgartabac are made solely on a non-discriminatory basis and in accordance with commercial considerations, such as price, quality, availability, marketability, transportation and other conditions of purchase or sale.
Para. 21

Question 7: Please update the status of the legislation predicted in this paragraph concerning dominant suppliers and bankruptcy. Please describe the provisions of this legislation.

Reply:

Through the enactment in May 1991 of the Law on Protection of Competition, conditions have been created for preventing abuses of dominant positions of enterprises. Chapter 3 of Decree 56 sets forth the procedures of bankruptcy and liquidation of companies. The company is considered insolvent if for a period exceeding 60 days it fails to effect payment for a specific currency liability due to lack of funds in its accounts at its servicing banks, which subsequently declare its state of insolvency. The insolvent company is declared bankrupt upon initiation of suits by request of the company, by the creditors or the public prosecutor. A company, which is considered insolvent or declared bankrupt, may be aided by the State or by an agreement with the creditors. In case the state of insolvency could not be overcome, proceeds are taken towards liquidation of the company.

Question 8: Does the last sentence of this paragraph intend to convey the idea that there is no product produced or traded in Bulgaria that is monopolized by the State? What about armaments, tobacco products, alcohol, etc.?

Reply:

With respect to the production and trade of tobacco products, the Law on State Monopoly on Tobacco is still in force. (SG No. 96/28.04.1947). With respect to the production and trade of alcohol, the Law on State Monopoly on Spirits and Sweetened Drinks and on Trade with Fruit Brandy and Wines is still valid. At present this law is not applied and steps are undertaken for its abolition. In practice there are several producers and traders of alcoholic beverages.

Question 9: Please elaborate on why, or why not, State established, majority owned or controlled firms should not be considered to be State enterprises within the meaning of Article XVII.

Reply:

Please see answer to Question No. 6 above. In Bulgaria there are still a very large number of State owned companies, but presently the process of privatization has started.
The fact that these companies are State-owned does not per se grant them exclusive or special rights or privileges, including statutory or constitutional powers, in the exercise of which, they could influence through their purchases or sales the level or direction of imports or exports.

Para. 22

Question 10: Expand further on the statement that the fact that enterprises that are founded on public ownership does not limit their autonomy or interdependence of decision-making on current business and investment programme.

Reply:

With a competitive environment in place, the State ownership of enterprises does not per se restrict their autonomy when they operate. (Please see answer to Question No. 6 above). At present, State-owned companies are predominant in the country. The Government has started the so called "small privatization", while the process of large-scale privatization will start as soon as Parliament passes the Privatization Law. It is expected that latter will be passed very soon. In February 1991 an Agency on Privatization was set up.

Question 11: Do the Bulgarian authorities consider that State enterprises (a total of 2,249 has been listed) are to be covered by Article XVII of the GATT? If so, what are the "commercial considerations" deemed to be relevant to their operation?

Reply:

Please see answers to Questions Nos. 6, 9 and 10.

Question 12: What rôle does the Bulgarian Socialist Party or any other political parties have in production and trading enterprises at this time? Do functionaries of any party operate in firms and enterprises, or in the "working collectives"? Please provide information on the control of trade unions and their relationships with political parties or the Government. Is there a rôle for independent organized labour in the "working collectives"?

Reply:

Solely the trade unions may have their organizations and sub-divisions in the companies. At present in the country there are several major trade unions. They participate actively in the national Tripartite Commission for Reconciliation of Interests of the Government, Employers and Syndicates. The support of the Syndicates (trade unions) for the implementation of the radical economic reform was received namely as a result of the work of that Commission.
Redistribution of income between enterprises through the State budgets is "significantly reduced". Does Bulgaria practice a retention scheme for foreign currency earned by enterprises?

Reply:

The question is no longer relevant. State budgetary redistribution of the income between enterprises is not practiced any more. Bulgaria does not apply a retention scheme for the earned foreign exchange by companies. All local and foreign persons may open foreign exchange accounts at the commercial banks.

To what extent does the National Plan remain a tool for economic management in the domestic economy and in foreign trade, particularly with regard to the countries of the CMEA (i.e. those countries that were members of the CMEA on 1 January 1989). Please provide this information on the basis of present circumstances and in terms of projected future developments.

Reply:

As a result of the economic reform, State planning is no longer a tool for management of the economy and the foreign trade of the Republic of Bulgaria. No State Plan has been elaborated or adopted for the years 1990 and 1991.

Is there a separate Plan for trade? Are quantities of goods, supplier countries for imports, or destinations for exports specified in any Bulgarian Plan?

Reply:

The question has lost relevance. At present Bulgaria does not have a State Plan for foreign trade.

Explain further the purpose, functioning and indicative nature of the "National Plan".

Reply:

The question is not relevant any more. Please see answers to Questions Nos. 14 and 15 above.
Question 17: The fact that the "combining and harmonizing" of the interests of enterprises is ensured through "dialogues" seems to indicate a strong guidance from the authorities. Provide further information about the degree to which economic operators or enterprises are bound by such guidelines.

Reply:

The question is no longer relevant. The practice of such "dialogues" for coordination of State and company interests has been discontinued. Under the new circumstances, the State exerts influence on the conduct of companies through market based mechanisms and instruments.

Question 18: What Ministry or Ministries administer the National Plan (or any other economic or trade plans issued by the State) and the "dialogues" that integrate firms with its goals? What enforcement measures are available to the Government if firms do not cooperate within these goals?

Reply:

The question is no longer relevant. Please see answers to Questions Nos. 14, 15 and 17 above.

Question 19: Article III of the GATT stipulates that imported goods must not be disadvantaged in trade vis-à-vis domestic production after they have fully entered the market, i.e. after the completion of import procedures. Given objectives of the National Plan and the ability of the Government to enforce its provisions described in these paragraphs, how can imported products receive the "national treatment" provided for in Article III?

Reply:

In the Republic of Bulgaria, the practice of adopting plans does not exist any more. Upon completion of import procedures, imported goods are not levied with local taxes or other internal charges or fees of any kind, other than those levied on respective goods produced in the country. Imported goods are accorded treatment not less favourable than that of domestic products in respect of regulations and requirements, affecting their internal sale, purchase, transportation or use.
Para. 28:

**Question 20:** Please elaborate on the nature of the "external economic obligations undertaken at the national level" for which the Government of Bulgaria would intervene "in individual cases". How would the Government do this, and by what legal authority? What portion of Bulgaria's exports and imports are effected or affected by such intervention? How are the prices in trade of these goods set, and by whom?

**Reply:**

The question is no longer relevant. In conformity with the principles of the economic reform, no measures for direct state intervention are applied, including in the sphere of foreign economic relations. State bodies (agencies) have no administrative power to bind companies with the implementation of intergovernmental engagements.

**Question 21:** Describe the nature of the market "imperfections and imbalances" that Government intervention is designed to prevent, and the method of Government intervention chosen to effect this prevention.

**Reply:**

The text is no longer relevant.

The system of planning, as well as the measures for direct State intervention in foreign trade relations do not exist in Bulgaria any more.

For overcoming the market disproportions, market mechanisms and instruments, such as liberalization of prices, introduction of relevant tariff, fiscal, monetary, etc., policies, are used.

Para. 29:

**Question 22:** What specific measures does the Government of Bulgaria apply to "influence the market behaviour of enterprises within clearly formulated transparent rules"?

**Reply:**

Please see answers to Questions Nos. 14 and 17 above.

Para. 30

**Question 23:** "The national policy objective is to create and maintain competitive market conditions for economic activities.. (including) between enterprises tendering for state orders"
Are firms and enterprises having foreign participation eligible to receive State orders on a basis equal to that of purely domestic firms and enterprises? If not, what differences exist?

Reply:

The question is no longer relevant. With the elimination of the State Plan since the beginning of 1990, the system of State Orders is no longer applied.

Question 24: Provide information about the degree of competition between Bulgarian and foreign banks in providing foreign exchange credits. Are Bulgarian companies authorized to contract loans with foreign banks - either within Bulgaria itself or abroad?

Reply:

The Managing Board of the Bulgarian National Bank (BNB) has issued licences for the establishment of 6 (six) foreign banks which are organizing presently their activities and still do not extend credits. There are no restrictions for companies to receive credits from foreign banks, both in Bulgaria and abroad.

Question 25: Are restrictions placed on foreign banks in providing credit in competition to Bulgarian banks?

Reply:

There are no restrictions of any kind in place for foreign banks in providing credits.

Question 26: Could details be provided on the guidelines laid down by the National Bank in relation to the operation of the commercial banks?

Reply:

At present, from an organizational point of view the commercial banks are not subordinate to the Bulgarian National Bank. The Bulgarian National Bank (BNB) regulates the activities of the commercial banks through a system of normative acts and regulations: it determines the minimal reserves that the commercial banks are obliged to keep with it up to 20 percent of all their assets; it endorses other terms and requirements, aimed at maintaining the stability of the credit system. The commercial banks in Bulgaria are fully independent.
There are private commercial banks, as well. Except for emissions, which would be solely BNB’s prerogative, they are free to carry out all kinds of bank activities.

Question 27: Do retail firms independent of Government-owned enterprises exist? What legal requirements are to be met to engage in retail trade? Can these firms set sales prices and contract directly with firms overseas to conduct trade?

Reply:

Retail companies, an increasing number of which are private, are fully independent.
The new legislation provides for each company to effect freely business activities after registering at the courts. They are free to choose their subject of activity, their partners, to set prices and other terms and conditions for transactions with partners in the country and abroad.

Para. 31

Question 28: What are the actual plans for the creation of tariff-free zones within Bulgaria?

Reply:

At present, in the country exist 6 free trade zones in the cities of Rousse, Vidin, Bourgas, Plovdiv, Haskovo and Svilengrad respectively. Except for Rousse and Vidin, the free trade zones are at an organizational stage of development.

Please see answers to Questions Nos. 29 and 136 below.

Question 29: Have any targets been set for the special tariff free zones and if so will they be published on a regular basis?

Reply:

There are no targets set for the special tariff free zones.

Please see answer to Question No. 129.

Question 30: When will these zones begin to operate?

Reply:

Please see answer to Question No. 28 above.

Para. 33

Question 31: Enterprises may form economic unions (amalgamations roughly equivalent to market-economy type companies) also operating as self-managing economic systems based on the voluntary
decision by enterprises collectives to enter into such unions" If economic unions are equivalent to market economy-type companies, to what would the enterprises be equivalent? Are firms and enterprises having foreign participation eligible to join such union? Would their status be as full members? Do the economic unions in any way regulate or control import or export trade? Are economic unions allowed to engage in import or export activities on behalf of their members? If so, have they in fact done so? If yes, in what sectors of product areas? If they engage in export or import activities, are they entitled to any special arrangements - for example, exemption for import duties or from any non-tariff restrictions or limitations?

Reply:

The text is no longer relevant. Economic unions have been dissolved.

At present, the firm is the basic form for carrying out economic activity. These are autonomous economic entities operating on their own account. Under the new Commercial Law (Company Act) adopted in May by Parliament, the firms will be transformed into companies, i.e. into joint ventures, limited liability, unlimited liability and stock companies. The existing limited liability and stock firms will also be transformed in conformity with the new law.

Question 32: Do firms, enterprises, or "economic unions" have the independent power to hire and fire labour, set wages, and regulate other conditions of employment for their work forces? What are the normal "specific operational business functions" that enterprises delegate to the "unions"?

Reply:

Please see answer to question No. 31 above. Bulgarian firms have autonomy in taking business decisions. They are free to set wages, to hire and dismiss labour.

Question 33: What rôle do "economic unions" have in setting export prices for categories of goods?

Reply:

The question is no longer relevant.

Paras. 34-35

Question 34: "Associations of economic unions and individual unaffiliated enterprises have been established as large inter-industry groups". Do such associations in any way regulate or
control import or export trade? Are such associations allowed to engage in import or export activities on behalf of their members? If so, have they in fact done so? If yes, in what sectors or product area? If they engage in export or import activities, are they entitled to any special arrangements - for example, exemption from import duties or from any non-tariff restrictions or limitations?

Reply:

The question is no longer relevant. With the shift to a company-based structure of the economy, the associations, unions and intersectoral complexes were dissolved.

Question 35: Approximately what portion of Bulgarian output and trade is currently accounted for by the inter-industry complexes described in these paragraphs, and in what product categories do they concentrate their output?

Reply:

Please see answer to Question No. 34 above.

PART II-1. BASIC LEGISLATION

Para. 40

Question 36: "Work has already begun on the preparation of a legal code of self-managed entities as the basic law of the reform. It is expected that the code will enter into force 1 January 1991. What is the current status of this code? Are copies available?

Reply:

Such a Code has never been adopted. Parliament has just adopted the Commercial Law which would regulate the legal and organizational frames for carrying out economic activity in the country, along the lines of the respective laws (codes) of the developed western countries. With the coming into force of the Commercial Law, the respective sections of Decree No. 56, concerning the different types of companies, would be repealed. After its publication in the State Gazette, a copy of the Commercial Law would be submitted to the GATT Secretariat for consultation by interested contracting parties.

Question 37: Is it foreseeable that the newly elected Bulgarian Parliament might wish to modify substantially the package of economic reform to which reference is made on page 13 (Basic Legislation)?
Reply:

The new legislation is the groundwork of the liberal market economy which is being introduced with the economic reform. The Grand National Assembly (Parliament) has already outlined a package of the fundamental economic laws, underlying the implementation of the economic reform and the transition to a market economy, which are expected to be passed by the end of June 1991. Some of them have already been enacted and are in force, e.g. the Law on Property and Use of Agricultural Lands, the Accounting Law, the Statistics Law, the Law on Turnover Tax and Excises, the Law on Protection of Competition, the Commercial Law, the Foreign Investments Law. The Law on Privatization, the Law on Banks and Banking, the Law on the National Bank, the National Audit Office Law and other laws will be passed in the nearest future.

PART II-2. PRICES AND PRICE POLICIES

Para. 42-45

Question 38: Paragraph 44: "In the context of the comprehensive price reform which is expected to be fully implemented by 1 January 1991 both the wholesale and the retail prices will have undergone adjustments." Paragraph 45: "The price reform will be carried out in stages, until 1990" What is the current status of price reform? Please supply details on a sectoral and/or product basis.

Reply:

As from 1 February 1991, prices of goods were fully liberalized, except for 9 primary commodities, i.e. electricity, heating, gas propane-butane, coal, crude oil, gasoline, diesel oil, gas oil for industrial purposes and fuel oil, accounting for some 10 percent of the total turnover. The prices of these goods are set by the State and temporarily subsidized. The prices of these goods were substantially increased. Prices of all other goods and services are freely set. For essential foodstuffs (in particular, flour, bread, meat and meat products, milk and dairy products, vegetable oil, and sugar), as well as passenger transport fares, the Government has fully liberalized the prices and eliminated all subsidies. For the time being these prices remain under Government monitoring. As a result of the liberalization, the prices of these commodities increased in general more than 6-fold.

With a view to further reducing subsidies and liberalizing
prices, as from 5 June 1991, the Government adopted a decision for an increase in the fixed prices of electricity, heating and coal, while ceiling prices for liquid fuels and gas propane-butane were introduced. The ceiling (maximum) prices are calculated on the basis of the monthly average prices of the respective products on the international market and the exchange rate of the Lev for the period between the 15th and 25th day of the preceding month. It is stipulated that ceiling prices would be determined on a monthly basis, in conformity with changes that occur.

Question 39: To what extent does the Government of Bulgaria still set prices, or price bands or targets, for products produced or traded in Bulgaria? At what level of trade (e.g. wholesale or retail) are these price levels prices set? What portion of domestic output and of import trade remains subject to the various types of prices, e.g. registered prices, government prices, etc.?

Reply:

Please see answer to Question No. 38 above.

Question 40: To what extent do enterprises and firms have the right to set the wholesale and/or retail prices of their output for internal or external trade?

Reply:

Effective 1 February 1991, prices of goods produced and imported in the country are freely determined by the producers and importers, except those set by the Government. See answer to Question No. 38 above. As to exports, producers were free to negotiate their export prices independently before the above mentioned date.

Para. 46

Question 41: The objectives of the price reforms are listed as, inter alia, the enhancement of competition between domestic producers and foreign suppliers through the operation of market forces from the international to the domestic market as well as maintaining retail price stability. How specifically is this to be achieved and what considerations will be taken into account as regards achieving price stability for consumer goods; what goods will be covered; what price criteria will apply for exports of such goods?

Reply:

At present the enhancement of competition among local
producers, as well as between latter and foreign suppliers, is being implemented by the introduction of the comprehensive economic reform programme, aimed at addressing macroeconomic imbalances and at adopting market mechanisms. The anti-inflationary measures of the Government, such as tight credit and income policy, have an important role in curbing the inflation.

Paras. 48-51

Question 42: Describe a price adjustment process based on "prevailing prices" in international markets. To what extent do prices established in this fashion reflect the cost of production? If production costs exceed the "prevailing prices" selected, how and by whom is the enterprise compensated for its economic losses?

Reply:

The question is no longer relevant.
Please see answer to Question No. 38 above.
After the price liberalization, as from 1 February 1991, prices are determined on the basis of supply and demand and reflect the cost of production.

Para. 52

Question 43: List the "goods of price necessity for the national economy" referred to in this paragraph. Are any of these goods exported? Do the subsidies referred to include the provision of inputs (e.g. fertilizer, energy, insecticides) at State-controlled prices?

Reply:

Please see answer to Question No. 42.

Para. 54

Question 44: Price registration: Is this procedure still required? With which government agency must firms be registered? If there is more than one firm producing the same good, how is the controlled price of the good determined?

Reply:

The régime of price registration is not applied any more.

Paras. 56-57

Question 45: These paragraphs appear to indicate that even technically unregulated prices must be registered, and that registered
prices can be enforced as an absolute maximum by "legal requirements" and "guidance from the respective government bodies". This appears to conflict with the statement in paragraph 55 that the registration price is only a procedural requirement. Please elaborate on the nature and scope of registered prices, i.e. what portion of domestic sales activity is conducted with such prices, and more information on how such prices are originally developed.

Reply:

Please see answer to Question No. 44 above.

Para. 60

Question 46: "For a specified range of basic raw materials and essential consumer goods prices are determined at present by government bodies... The share of such prices will gradually diminish in the course of the reform" Please provide a current list of goods whose prices are set by government bodies, and any available details on items for which plans have been made to phase them out of the system. Which agricultural products are subject to fixed domestic prices?

Reply:

Please see answer to Question No. 38 above.

Para. 62

Question 47: This paragraph mentions a Decree passed on February 1988 by the State Council to prevent unlawful increases in prices. Is this decree still in effect? (It was not mentioned in L/6512 as one of the decrees that had been repealed.) If so, how does the decree describe or define an "unlawful increase in prices"? Is it possible to receive a translated copy of the decree?

Reply:

Decree No. 115, adopted under the previous price system is still in force.

After the adoption in May this year of the Law on Protection of Competition by Parliament, it is expected that the Decree would be repealed or replaced by another normative document.

Paras. 63-67

Question 48: Is it conceivable that price differentials between goods sold in the domestic market and the export market will occur...
in a way which is not consistent with the principles of Article XVI?

Reply:

Considering the present conditions of price formation for goods sold on both the domestic and the export markets, there are no grounds for such an assumption.

Question 49: Please explain to what extent and how the Government of Bulgaria participates in setting prices of imported and exported products?

Reply:

The Government exerts indirect influence on the prices of exported and imported goods through market instruments and mechanisms, i.e. duties, taxes, fees, etc.

Please see answer to Question No. 38 above.

PART II-3. TARIFF POLICY

Para. 68:

Question 50: Does Bulgaria have laws or regulations dealing with unfair trade practices as defined by the GATT, e.g. dumped or subsidized imports? If so, please list and describe them, with special attention to their conformity with the provisions of Article VI of the GATT. If not, how does Bulgaria defend its market from such practices?

Reply:

The Bulgarian legislation provides the possibility of imposing anti-dumping and countervailing duties, but for the time being no specific procedures and regulations have been worked out and no such duties have been imposed so far. The question of elaborating such a legislation is under discussion.

Question 51: Describe customs procedures, including classification and clearance, applied to imports. Please list all non-tariff customs charges applied to imports, and indicate specifically how these charges conform with the provisions of Article VIII, i.e. how they are related to the cost of the customs services rendered.

Reply:

Customs procedures are indicated in the provisions of the Rules for Customs Control over Goods Crossing the State Border of the Republic of Bulgaria. According to the Rules, customs control of imported and exported goods is effected
through the inspections of goods and documents. The procedure takes place in Customs houses, located in 28 regions of the country. Customs clearance of imports and exports is carried out on the basis of the customs declarations submitted by the respective importer or exporter, or by their agents. The Republic of Bulgaria has adopted and applies the Single Administrative Document (SAD) which is being used by the EC member countries. Classification of goods for import duty purposes is effected in conformity with the general rules of interpretation of the Harmonized System. Upon customs clearance of goods, the customs administration collects a fee of 1 per cent of the goods value for customs services rendered. For services rendered outside the area of the customs house and after work hours, a flat fee of 100 Leva is collected.

Question 52: Does Bulgaria publish all laws, regulations, decrees, administrative rulings, etc. connected with importation or exportation prior to their entry into force in a manner that makes them accessible to traders?

Reply: All normative acts, including the ones which regulate the foreign trade regime, come into force after their publication in the State Gazette, the official publication of the National Assembly (Parliament).

Paras. 69-72

Question 53: Will Bulgaria provide contracting parties with a copy of its tariff schedule and trade data for a recent representative period indicating imports by tariff line, by supplier country?

Reply:

The new Customs Tariff which has been elaborated on the basis of the Harmonized Commodity Description and Coding System would be submitted to the International Bureau for Publication of Customs Tariffs in Brussels for publication and dissemination. Bulgaria will supply copy of the Customs Tariff to the contracting parties, as well. Presently, in the country is being worked out a system of collecting foreign trade statistics based on customs declarations. In the nearest future, when it becomes possible, the Republic of Bulgaria would provide statistical data by tariff line of the new tariff.

Question 54: "The tariff is based on the CCCN". Does Bulgaria intend to convert its customs tariff to the Harmonized Commodity Description and Coding System? If so, on what date?
what level of tariff item detail does Bulgaria intend to publish import and export data? What time lag is expected? (That is, the time between the actual trade flows and the publication of the resultant data).

Reply:

Notification for the accession of the Republic of Bulgaria to the Convention on the Harmonized Commodity Description and Coding System was submitted to the Customs Cooperation Council on 29 October 1990. Bulgaria has converted its tariff to the HS and its new tariff will apply from 1 June 1991.
The statistical data shall be published on a six-digital level. The trade data shall be published four to six months after the actual trade flows.

Question 55:
The addendum to L/6364 quotes export statistics in the Unified Goods Nomenclature of the CMEA. Are both systems used to classify and record import and export trade depending on its source or destination? Does Bulgaria intend to adopt a single system?

Reply:
The unified goods nomenclature of foreign trade statistics of the former CMEA member countries had been used in Bulgaria for the last 30-40 years. As from June 1991, the data for the foreign trade exchanges of the Republic of Bulgaria will start to be based on the customs declarations, using the tariff headings of the Harmonized System. However, up to the end of 1991 data collection and processing will continue to be effected in parallel under the methodology used up to now.

Question 56:
Provide further details on the application of tariffs as a policy instrument. (a) Is it in the present circumstances foreseen that Bulgaria will adhere to the Customs Valuation Code after accession to the GATT? (b) Does Bulgaria at present consider her customs valuation system to be in conformity with Article VII of the GATT?

Reply:

(i) With the implementation of the comprehensive economic reform since February 1991, tariffs have become the main trade policy instrument in an economy in which over 90 percent of all prices are liberalized. This has become possible also through the removal of the prohibitions and quantitative restrictions on imports. (ii) Please see answer to Question No. 124 below. (iii) The Bulgarian legislation for determining the customs value of goods (adopted in 1982) is based on the Agreement on Application of Article VII of the GATT.
Question 57: In a recent year or period, what percentage of Bulgaria's total import trade is covered by each of the four tariff columns? Is all CMEA trade covered by Column 3 tariff rates? On what portion of CMEA trade in a recent representative year or period were customs duties actually paid, and by whom?

Reply:

(a) At present we are not in a position to provide such information, since we are in the process of building the data processing system of customs statistics.

(b) As from 1 January 1991, trade with the former CMEA countries is conducted in convertible currencies and at world prices. Trade agreements to that effect were signed with Czechoslovakia, Hungary, Mongolia, Poland, Romania and the USSR, while negotiations are under way with other countries. The agreement with the USSR contains indicative lists for which payments are on a clearing basis. The lists do not entail obligations for the companies. With a view to preventing further disruption of the traditional trade relations in the difficult process of transition to a market economy, for the time being imports from these countries are temporarily exempt from import duties.

(c) There is no such case.

Question 58: Concerning applied tariff levels:

- For each of Column 2, 3 and 4 tariff rates, please indicate the percentage of tariff lines and the percentage of import trade subject to various tariff levels, e.g. from zero to ten per cent ad valorem, from 11 to 20 per cent, from 21 to 30 per cent, etc.
- Does Bulgaria apply any "specific" or mixed rates, i.e. non ad valorem, tariffs to imports? If so, what percentage of tariff lines and imports are subject to this type of tariff?
- With the exception of lldc trade and imports from CMEA and other socialist countries covered by bilateral clearing arrangements, are there any other imports that are exempted from tariff duty?
- In a recent year, what are the weighted average rates of duty applied to farm product imports (e.g. grains, animal feeds, meat, other bulk agricultural products) subject to MFN (Column 3) and Column 4 rates of duty? Please include only dutiable trade.

Reply:

(i) Under Column 2 (GSP) of the Customs Tariff the average nominal tariff rate is 6.1 per cent, and 8.7 per cent under Column 3 - MFN treatment.
(ii) Under Column 3 (MFN) of the Customs Tariff: with duties from 0 per cent to 3 per cent are levied 572 tariff lines (9.8 per cent of the total number of tariff lines in the tariff), from 3.1 to 10 per cent - 3475 tariff lines (59.6 per cent), from 10.1 per cent to 20 per cent - 1509 tariff lines (25.9 per cent), from 20.1 per cent to 30 per cent - 118 tariff lines (2 per cent), from 30.1 to 40 per cent - 111 tariff lines and above 40.1 per cent - 46 tariff lines (0.8 per cent of the total number of tariff lines in the Customs Tariff). No data is available with us for the percentage of import trade subject to different tariff levels, because, as already mentioned, the customs statistics system is being established at the moment.

(iii) Bulgaria does not apply any specific rates.

(iv) Yes. Imports from Finland, covered by the Agreement on the Reciprocal Removal of Obstacles to Trade concluded between the Republic of Bulgaria and Finland.

(v) Presently we are not in a position to provide data of the average weighted rates of duty. As per the new Customs Tariff the average nominal rate of duty for agricultural products under Column 3 (MFN) is 7.9 per cent.

(vi) As of February 1990, an import tax of 15 per cent has been introduced in addition to the import duty.

Para. 74-75

Question 59: "The customs duties are not collected on imports from countries with which at present trade is conducted in non-convertible currencies on the basis of fixed prices and quantities... Imports from Finland (with the exception of some agricultural products) are exempt from customs duties..." Are there any other classes of goods which are either exempt from duties, or for which duties are collected but later refunded or rebated in whole or in part of the importer? If so, what goods and/or source countries are eligible? What criteria govern the refund or rebate of duties in these cases? Under what provisions of GATT would imports from the above-mentioned countries be granted duty-free treatment?

Reply:

(1) Duties are not levied on goods (irrespective of their origin) which are in transit, temporarily exported or imported, anew exported or reexported.

As per Decree 56 and the Regulation for its application, when a foreign person imports for the needs of the economic
activity carried out by him raw materials, components and equipment intended for the production of exportable goods, their importation is exempted from duties. Such an import is covered by a guarantee, equal to the sum of the import duty. When the imported raw materials, components and equipment are not invested in whole or in part in production which is to be exported within a period of three years from the date of their importation, the guarantee or the respective uninvested part is transferred to the account of National Budget.

(ii) With respect to duty exemption of imports from the former CMEA member countries and from Finland, please see answers to Questions Nos. 57 and 58.

Question 60: Is the import trade described in paragraph 74 still entered duty-free? What portion of Bulgaria's imports are accounted for at the present time by such trade?

Reply:

(i) With respect to imports of the former CMEA member countries, please see answer to Question No. 57.

(ii) In 1990 imports from the former CMEA member countries accounted for about 86.0 per cent of the total import of the country. According to estimated data, imports from these countries account for about 62 per cent from the total import in the first quarter of 1991 and 40 per cent of the total exports (as compared to 89 per cent in the first quarter of 1990).

Question 61: Does Bulgaria have a free-trade area with Finland? Does it conform to the provisions of Article XXIV? On what basis does Bulgaria intend to conduct its trade with Finland in the future?

Reply:

Bulgaria has signed a bilateral Agreement with Finland on the Reciprocal Removal of Obstacles to Trade. Bulgaria is of the opinion that the Agreement between the Republic of Bulgaria and the Republic of Finland is not inconsistent with the respective provisions of Article XXIV of the GATT concerning the free trade areas.

Bulgaria intends to trade with Finland on the same basis in the future.

Question 62: In the event of GATT accession, does Bulgaria envisage continued duty suspension for the countries mentioned in paras. 74 and 75 (non-convertible countries plus Finland)?
Reply:

In the event of accession to the GATT, the Republic of Bulgaria is ready to discuss an obligation to cease exemption from duties of imports from the former CMEA member countries effected against free convertible currency. Trade with Finland shall continue to be effected on a duty-free basis within the framework of the free-trade area established between the two countries. Please see answer to Question No. 61.

Para. 77-81

Question 63: To what extent are domestic prices applied in setting the customs value of imports? Are domestic price controls a factor in the determination of customs value?

Reply:

Domestic prices are not applied when setting up the customs value of imported goods. The customs value of imported goods shall be the transaction value, i.e. the paid or payable price of the goods imported in Bulgaria, adjusted with the transportation costs, insurance, loading and unloading charges, handling, etc. Where the customs value of the imported goods cannot be determined under this basic method, in compliance with the Agreement on Implementation of Article VII of the GATT, other methods of determining the customs value are used in a consecutive order.

Para. 80:

Question 64: Does Bulgaria apply a uniform exchange rate irrespective of the origin of the goods?

Reply:

As per Ordinance No. 15 of the Council of Ministers of 1991, the Bulgarian National Bank sets up on a daily basis a unified - central exchange rate of the Bulgarian Lev to the foreign currencies which is applied for statistical and accountancy purposes, as well as for determining the customs value, irrespective of goods' origin.

Para. 82

Question 65: Is Bulgaria willing to adopt the results of the Uruguay Round concerning the application of rules of origin to its imports?
Reply:

Bulgaria shall examine the results of the Uruguay Round of negotiations concerning the application of the rules of origin after they are finalized. Presently, the Republic of Bulgaria, despite its interest, is not a participant in the Uruguay Round.

Para. 83 and 87

Question 66: The statement that the tariff system and its application is susceptible to promoting imports from the most economic sources does appear to be subject to some modifications in the light of the statements contained in paras. 74 and 75. A further explanation or qualification of this would be appreciated.

Reply:

With the transition to trade with payments at international prices in convertible currencies, the modifications referred to in the above statement would be phased out.

Question 67: Will it be possible for Bulgaria at this juncture to give any indication of a future degree and/or level of binding of the tariff?

Reply:

At present, it is difficult to predict the degree and level of binding of the Bulgarian Customs Tariff as a result of the negotiations.

Question 68: Could Bulgaria give further details on the application of tariffs as a policy instrument and comment on the compatibility of this system with GATT principles? Does this mean that there will in practice be less recourse to temporary corrective measures under Articles XVIII and XIX?

Reply:

In conformity with the principles of the GATT, tariffs are presently the basic instrument of Bulgaria's trade policy, providing protection to the local industries. See answer Question No. 56.
In view of the adverse economic situation in the country, resort to temporary safeguard measures is not excluded. Please see also answer to Question No. 3.

Para. 85

Question 69: "The price reform may necessitate certain modifications and adjustment in the customs tariff - the raising of import
duties on some items and reducing those on others in connection with changes of price correlations between commodity groups on the domestic market as well as between domestic and international prices. Which tariff items have been identified where increases or reductions in customs duties will be required? Please include tariff item numbers, descriptions, and old and new rates of duty in the list. When would such changes be implemented?

Reply:

The question is being studied presently.

In this connection, a temporary import tax (import surcharge), amounting to 15 per cent of the customs value of imported goods (with some exceptions) was introduced in February 1991, in view of protecting domestic industries in the transition to a market economy and of alleviating serious BOP problems.

PART II-4. LICENSING

Paras. 89, 90 and 93

It can be deducted that licenses for imports and exports not in conformity with received plan tasks were only granted on the basis of payment policy considerations and economic development priorities. This statement does not for all practical purposes coincide with the statement in para. 133 to the effect that Bulgaria has never resorted to quantitative restrictions on imports.

It is equally clear from the statement that issuance of import/export licenses in the past was subject to received plan tasks by currency area.

Logically issuance of import licenses must therefore have been made subject to currency availability in specific cases.

Question 70: Would the Bulgarian authorities not agree that this can be considered a quantitative restriction, at least by analogy?

Reply:

The question has lost relevance.
The system of issuance of export/import licences, indicated in document L/6364, paras. 89-99, is not applied any more. Please see answer to Question No. 72.

Question 71: Are the Bulgarian authorities in a position to confirm that the previous licensing system will no longer apply and that issuance of import/export licenses are only serving
statistical surveillance purposes? (Cf. para. 90 "becomes registrational by nature preserving its non-discriminatory character").

Reply:

The question is no longer relevant. Please see answer to Question No. 72.

Question 72:

(a) Provide further details on the operation and administration of import licenses and their conformity with Article XIII.3(a). Which transactions still require prior approval? Which products are now covered by import/export quotas as stipulated by an ordinance of the Council of Ministers?

(b) Provide further details on the system of import declarations. What penalties are incurred or what consequences follow from the failure to complete a declaration?

Reply:

In the context of the trade régime liberalization measures in February 1991, the Bulgarian Government has drastically changed the system of licensing from the previous comprehensive one (registrational and non-automatic) to a system whereby imports are free from licensing unless specifically stipulated in the legislation. Since all import and export restrictions were eliminated, its scope has greatly diminished. At present it covers tobacco and tobacco products, alcoholic beverages, essential oils, military equipment, radioactive elements, rare flora and fauna, archaeological and historical finds, rare and precious metals, artifacts and products of intellectual property.

For monitoring purposes, licensing is used in respect of goods covered by the indicative list of the trade agreement with the USSR (effected at world prices in US dollars on a clearing basis). Export licensing is also used in respect of quantitative restrictions under bilateral agreements (e.g. textiles).

At present licensing is required also in cases of export of goods subject to export prohibition when these goods are intended for outward processing. Export prohibitions cover 21 goods (foodstuffs and raw materials) of critical shortage on the domestic market.

Licensing is applied in a fair and equitable manner. Licenses are granted in 3 days from the date of application. No penalties are incurred from failure to complete an application form.
Question 73: What foreign trade régime requirements are monitored by the current import and export licensing system? Are all import licenses granted automatically? Are there any products whose import quantity is controlled through the issuance of a license? Do imports from other CMEA countries require an import license? Are these licenses granted in accordance with the quantities specified in the agreements and protocols concluded within the CMEA framework?

Reply:

Please see answer to Question No. 72. Most of the licenses are granted automatically. Licensing requirements apply equally to former CMEA member countries.

Question 74: Does Bulgaria envisage joining the GATT Licensing Code?

Reply:

Please see answer to Question No. 124.

PART II-5. STANDARDS AND HEALTH PROTECTION

Paras. 94-100

Question 75: Does Bulgaria still envisage joining the GATT Code on Technical Barriers to Trade in the event of its accession to GATT?

Reply:

Bulgaria is still interested in acceding to the GATT Code on Technical Barriers to Trade. Final decision will be taken after examination of eventual amendments to the Code, resulting from the Uruguay Round. Please see answer to Question No. 124 below.

Para. 101

Question 76: Are Bulgarian products subject to the same standards and veterinary and phytosanitary regulations and certification requirements applied to imports?

Reply:

In Bulgaria, all vegetables, animals and products thereof, either export oriented or for domestic consumption, are subject to the same control and standards and veterinary, sanitary and phytosanitary requirements as applied to
imports. Therefore, for imported and domestic products are applied equal requirements and regulations.

PART II-6. FISCAL POLICY

Paras. 103-104

Question 77: Could Bulgaria elaborate on the policy reasons for providing tax exemptions and confirm their compatibility with Article III? Despite streamlining and simplification of the system (e.g. the unification of profit tax rates) some differential taxation remains. This would be construed as having the same effect as a subsidy and it is not self-evident that the tax complies with the provisions of Article III. Please explain in more detail how the system of differential taxation is to be applied in practice and indicate how it is compatible with GATT. It is not clear that the system of bonuses and premiums will operate in a non-discriminatory manner consistent with Article III. Please explain further.

Reply:

A large number of tax concessions, which are inconsistent with the principles of the market economy, have been eliminated since the beginning of 1991. The system of bonuses and premiums is not applied any more. The introduction of a unified rate on the profit tax and reducing the turnover tax from 43 to two rates largely curtailed tax differentials and cannot be interpreted as having the same effect as a subsidy. That has drawn the Bulgarian fiscal policy closer to those adopted by the developed countries. The new tax system is consistent with the provisions of Article III of GATT. For more details, please see answer to Question No. 82.

Question 78: Please list any non-tariff taxes, other than those listed in this paragraph, that are applied to imports. Are these taxes also applied to similar domestic products? At what point are the taxes applied to both categories?

Reply:

At present imported goods are levied with turnover tax and excise tax. These taxes are payable on retail sales. The same rates apply both to imported and domestic goods. Turnover tax and excise tax are not levied on exports or when the goods are sold for productive consumption in the country.

Question 79: What are the conditions for repatriation of profits earned by foreign companies or joint ventures operating in Bulgaria?
Reply:

Please see answer to Question No. 148.

Paras. 105-107

**Question 80:** Please list, by tariff line, the imports subject to excise and turnover taxes. Please provide a list of these taxes.

Reply:

Excise taxes are levied on sales turnover of goods and services produced in the country and imported from abroad, mentioned in the Excise Tariff. Above goods are not levied with a turnover tax.

Excise goods are:

1. Goods, taxed at the rate of 70 percent:
   1.1. whiskey, vodka, sweetened trade mark and special spirits
   1.2. jewellery of precious metals
2. Goods and services taxed at the rate of 60 percent:
   2.1. Tobacco products
   2.2. Air transportation means for personal use, yachts, scooters, air, sailing and other sea-going vessels for non-commercial activities
   2.3. Perfumery and cosmetics in aerosols packaging containing freon
3. Goods and services taxed at the rate of 50 percent:
   3.1. Brandy, ordinary brands
   3.2. Leather and leather garments of genuine leathers, except working and special ones
   3.3. Passenger cars, vans and mini-buses for personal use
4. Goods taxed at the rate of 40 percent:
   4.1. Wines, all brands
   4.2. Beers all brands, except non-alcoholic beer
   4.3. Coffee and tea
   4.4. Playing cards, backgammon, monix, bowling and others of the kind
   4.5. Perfumery
   4.6. VTR systems, compact disks, cassettes and other audio-visual equipment
   4.7. Matches and lighters
5. Liquid fuels, percentage to the retail price:
   5.1. Gasoline - 50 %
   5.2. Diesel oil - 30 %
   5.3. Propane-butane gas - 10 %

There are two rates for the turnover tax:
I) Goods and services taxed at the rate of 10 percent:
a) Foodstuffs:
   1. Bread, excluding bread "Dobrudja", brown and dietic bread, bread and macaroni products
   2. Flour, farina, semolina, bread yeast
3. Dairy products
4. Liquid refined vegetable oils
5. Meat with bones, packed and ground meat, meat products, excluding raw dried, fillets, smoked meat and other sub-products of the kind
6. Baby food and diet foodstuffs
7. Eggs
8. Fish, fish products and canned fish
9. Fruits and vegetables - fresh, dried and frozen
b) other non-foodstuff products
1. Baby and children's articles
2. Contact lenses, materials for sight optics, excluding sun glasses
3. Sanitary articles of paper pulp
4. Dressing and sanitary articles, hospital materials and accessories for patient care
5. Chemical and pharmaceutical products for medical care
7. Note-books, text-books, excluding the books for higher education institutions

II. Goods and services taxed at the rate of 22 percent: All goods and services not mentioned in Part 1 of the Tariff.

Paras. 108-110

Question 81: Are any of the taxes listed in these paragraphs applied to imports?

Reply:

No.
The "resource taxes" have been repealed since 1989.

Para. 111

Question 82: This paragraph discusses tax exemptions granted to certain sectors. Do the tax exemptions listed in this paragraph still exist? Precisely which taxes currently can be exempted? Are such exemptions limited to domestic firms? Are any of these exemptions limited to domestic firms? Are any of these exemptions focused on export industries or granted based on export performance? Can firms recover any of the taxes incorporated in their production if the output is exported? If so, which tax expenditures can they recover? Is there currently any provision in Bulgarian customs law for duty-drawback for imported components contained in exported products?

Reply:

The specific branches referred to in para. 111 no longer enjoy tax exemptions.
At present tax exemptions are reduced to a minimum to cases related to social and ecological considerations. There are no specific tax relief measures applied in export oriented industries. Duty-drawback for imported components contained in exported products is applied.

Para. 114

Question 83: "The present tax system will be applied for the coming period until 1990 ... The possibility of introducing as of 1 January 1991 a VAT system of taxation is also being studied" Please provide a report on the current status of the implementation of changes in the tax system. Was a Value Added Tax (VAT) implemented on 1 January 1991, as indicated in this paragraph? If so, what are the tax rates applied?

Reply:

The tax policy is undergoing evolution on the basis of the following principles:
- uniformity and neutrality of taxation and establishment of unified rates;
- reduction of the tax burden of the enterprises;
- fiscal obligations to be provided only by laws passed in Parliament.

As from the beginning of 1991, enterprises pay the following taxes:
- turnover tax;
- excise tax;
- tax on the use of land;
- profit tax;
- municipal tax;
- tax on wage funds growth (for companies with State or municipal participation exceeding 50 percent)

Please, see also answer to Questions Nos. 77, 81, 82. The VAT has not yet been introduced due to considerable problems of different nature: e.g. enactment of a relevant legislation, training of experts, up-grading the tax administration, equipment considerations, etc. The problems are being tackled currently with the help of foreign experts.

Paras. 115-122

Question 84: Will Bulgaria be prepared to notify and enter into consultations in accordance with the provisions of Articles XV and XVI? Will Article XVIII(c) be invoked as a justification for these measures?

Reply:

Since becoming a member of the IMF and the World Bank (25 September 1990), Bulgaria considers that it would not have
difficulties in observing the requirements of Article XV of GATT. With respect to Article XVI of GATT Bulgaria will observe the required conditions for notification and consultations.

Question 85: Could Bulgaria provide further details on the criteria used on deciding to discontinue a subsidy? How are overheads allocated in the context of subsidies given to branches?

Reply:

Please see answer to Question No. 87 below.

Question 86: Does Bulgaria intend to accede to the GATT Subsidies and Anti-Dumping Codes? If not, will Bulgaria apply the principles of these Codes in the interim?

Reply:

Please see answer to Question No. 124.

Question 87: "This makes it necessary to grant subsidies in the early stages of reform in favour of particular goods and product groups as well as for specific enterprises ..." Please supply a list of specific goods and product groups currently receiving, or eligible to receive, such subsidies. If some of them are scheduled to be phased out, please specify. If so, how and when? If any new items are scheduled to be added, please provide.

Reply:

Under the economic reform, the principles of granting subsidies have undergone fundamental changes. From a permanently functioning system, subsidies are becoming a specific instrument of temporary nature for resolving social problems of some sectors. Subsidies have been drastically curtailed - from 16-17 per cent of GDP in 1990 to less than 3 per cent of GDP in 1991. The following types are the subsidies envisaged for 1991:

1. Consumer subsidies (applies only in January, prior to the liberalization of prices);
2. Production subsidies for some agricultural products produced in mountainous and semi-mountainous conditions;
3. Price support for retail prices of coal sold to households;
4. Price support for retail prices of bread in remote small settlements;
5. Price support for retail prices of notebooks and books;
6. Subsidies for governmental programs (reserves,
preservation, natural calamities, land erosion, etc.);
7. Subsidies for public transportation of the capital;
8. Subsidies for the energy sector;
9. Subsidies for the implementation of the Law on Property and Use of Agricultural Lands.

**Question 88:** Paragraphs 117 to 122 discuss subsidies granted for the production of specific products. What percentage of Bulgaria's GNP or NMP does the production of these products represent? Are any of these subsidies granted to exporting firms or industries? If so, approximately what percentage of exports benefit from these subsidies?

**Reply:**

See answer to Question No. 87.
Export subsidies are only possible in relation to exports intended to settle outstanding trade balances from 1990 with some of the former CMEA member countries.

**Question 89:** Does Bulgaria grant any export incentives, such as tax rebates and exemptions, bonuses, or subsidized export credits, to exporting firms? If so, what are they?

**Reply:**

Tax exemption or tax reliefs are not granted, except for exportable goods which are exempted from turnover tax and excise tax.

**Para. 124**

**Question 90:** Are enterprises free to engage in import transactions for currency profits they themselves have earned? If not, what are the conditions for retention of earned currency? What is understood by the expression "considerable autonomy over distribution of income..." (end para. 124)?

**Reply:**

Yes. Enterprises may effect import transactions with hard currency earned by them. The retention system for earned foreign exchange no longer exists. In the present conditions of full independence of the enterprises, the expression "... considerable autonomy over distribution of income..." loses its meaning with respect to formation and distribution of income.

**PART II-7. MONETARY AND FINANCIAL POLICIES**

**Para. 127**

**Question 91:** "To maintain a unified exchange rate for foreign trade transactions in convertible currencies at a level enhancing
the competitive environment in the national economy and effective balance of payment adjustment; to pursue the same goals in exchange rate policies on currencies under bilateral payment agreements. What percentages of exports and of imports, respectively, are covered by "currencies under bilateral payment agreements"?

Reply:

In 1990, the share of clearing agreements (bilateral payment agreements) accounted for 12.7 per cent of the exports to and 11.0 per cent of imports from the convertible currency area.

Paras. 128-131

Question 92: "The Bulgarian lev is not a convertible currency." What is the current objective or estimate with regard to a timetable for introducing the convertibility of the lev?

Reply:

While the new exchange market is already a liberal one, it is our intention to eliminate gradually the remaining restrictions on external payments for current transactions and to eventually reach convertibility consistent with Article VIII of the International Monetary Fund's Articles of Agreement.

Question 93: Provide further details on the formulae used to calculate exchange rates. How is the official rate derived in terms of the weight given to the currencies of Bulgaria's principal trading partners? Which currencies are included in the "basket"? How will the unified exchange rate for transactions in convertible currencies be maintained?

Reply:

The central exchange rate of the Lev against the US Dollar, which is fixed on a daily basis, is an average weighted rate, incorporating the free market quotations of a total of 12 commercial banks, calculated on the basis of the foreign exchange sold and purchased. The other convertible currencies are fixed at cross exchange rates based on Reuters information for the day.

Question 94: How will exchange rates be used as a policy tool for protecting the balance of payments? How is the lev/transferable rouble rate to be set?

Reply:

The attainment of a unified, economically based exchange rate of the Lev will make the latter one of the key instruments for protecting the balance of payments.
The Bulgarian National Bank will pursue a policy oriented towards a stable national currency, utilizing all instruments to this end, including by interventions for maintaining the real level of the exchange rate of the Lev against the basic convertible currencies. Since the Transferable Rouble ceased to exist as of 1 January 1991, with respect to unsettled balances, an exchange rate of Lv 1,05 for Rb. 1,00 was determined and for transactions concluded but not fully executed - Lv 3,50 for Rbl 1, until the complete conversion to hard currency payments.

Question 95: For how long will temporary weights for commercial transactions be applied?

Reply:

Such a practice does not exist any more and such exchange rates are not applied. As of 8 February 1991, conversion towards market determination of the exchange rate was effected, i.e. partial internal convertibility.

Question 96: What portion of Bulgaria's imports and exports are currently made in transferable roubles or on any other clearing account basis and in convertible (hard) currencies?

Reply:

The share of convertible area and non-convertible area foreign trade in 1989 and 1990, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>Convertible currency area</th>
<th>Non-convertible currency area</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exports to</td>
<td>14.5</td>
<td>16.8</td>
</tr>
<tr>
<td>Imports from</td>
<td>25.0</td>
<td>21.9</td>
</tr>
</tbody>
</table>

Question 97: Is the foreign exchange régime described in paragraph 129 still in place? Please specify the exchange rate applied to various categories of imports.
Effective 19 February 1991, the new legislation nullified the currency régime specified in paragraph 129. To effect payments under import transactions, companies buy from the commercial banks the necessary foreign exchange at market rate. Please see answers to Questions Nos. 93 and 94 above.

Question 98: What scope does Bulgaria see for the use of countertrade as an alternative to payment in convertible currencies?

Reply:

In the conditions of a severe economic crisis and sharp decline in output, on the one hand, and the comprehensive economic reform, on the other hand, the Bulgarian companies and enterprises continue in some cases to resort to countertrade, as an alternative for overcoming the difficulties in marketing their products. In many instances such transactions are imposed by their foreign partners. Countertrade should be considered only as a temporary form which, with the further unfolding of the economic reform, i.e. the achievement of convertibility of the Lev and quality up-grading of export-oriented goods, etc., would gradually lose significance.

Question 99: Are differentiated or multiple exchange rates applied? If yes, how can it be ascertained that no subsidy effect is derived from such practice?

Reply:

Such exchange rates are not applied. The market rate is determined exclusively on supply and demand basis. Please see answers to Questions Nos. 93 and 94 above.

Para. 132

Question 100: Could clarification be provided about the statement that "a substantial portion of current receipts is subject to limitation on convertibility"?

Reply:

The previously existing system of payments with the former CMEA member countries was such that about 75 percent of the total Bulgarian export earnings were in Transferable Roubles, against which Bulgaria was able, in turn, to purchase goods solely from these countries. As from 1 January 1991, payments under new contracts with these countries are effected in free convertible currencies.
Par. 133

Question 101: It is stated that Bulgaria has never resorted to quantitative restrictions on imports. Has it in the past occurred that import licenses have not been granted either (a) because imports were not made according to the received plan tasks by currency area (as mentioned in para. 89) or (b) because currency was not available to the importing enterprise? Document L/6512, Part III, paragraph 15 mentions import quotas. Does Bulgaria use import quotas and if so, on which goods? How are these quotas determined and administered? Are they applied in a non-discriminatory manner for all import suppliers?

Reply:

The previous system of import/export licensing is not applied any more. See answer to Question No. 72. Import/export quotas are no longer imposed.

Question 102: The statement (para.137) that amounts of currency sold are established annually does not conform with the statement in para.133 that Bulgaria has never resorted to quantitative restrictions on imports. Does Bulgaria maintain that quantitative restrictions have not been in operation?

Reply:

In conformity with the introduced currency régime, such redistributive functions of the State are not foreseen. Companies have the right to enter under their bank accounts the foreign exchange earned from export of goods and services and to freely dispose with it for financing imports and related expenses thereof or to sell it to the banks at prevailing market rate. The statement in para. 137 for distribution of the foreign exchange prior to 1991 is no longer relevant.

Para.134

Question 103: "Direct limitation on selling foreign currency to nationals (both physical and juridical persons) still prevails" Are the terms of this limitation the same for purely domestic firms and enterprises as for those having foreign participation? If the terms are different, please specify.

Reply:

After the amendment of the currency régime in the country, as of February 1991 such a restrictive practice for sale of
foreign exchange to local juridical persons and to those with foreign participation does not exist. Please see answer to Question No. 104.

Para. 135

Question 104: "The payments regulations are based on surrender requirements by which the banks centralizes the foreign exchange receipts of the enterprises and sells currency to them for their payments" Must all foreign exchange receipts be surrendered? If not, what is the percentage which applies? Are different percentages in effect for different types of firms or in different economic sectors? Are the percentages the same for purely domestic firms and for those having foreign participation?

Reply:
The currently existing regime invalidates the requirement for companies to surrender in whole or in part the foreign exchange derived from export of goods and services. There is full freedom, depending on the overall financial status and interest of the holders of foreign exchange, as to whether the foreign exchange would be kept in foreign exchange accounts /or deposits/ at the banks or sold at market rate. Subsidiaries and joint ventures with foreign participation are not obliged to surrender any foreign exchange to the State.

Local physical and juridical persons may open foreign exchange accounts at the commercial banks. Under these accounts they can enter the currency earned from effected exports abroad, from foreign persons, which have accounts at Bulgarian banks, as well as from purchase of foreign exchange from the respective licensed banks.

Foreign persons may open foreign exchange accounts at the commercial banks without any restrictions whatsoever.

Question 105: The foreign exchange restrictions described in paragraphs 134 and 135 appear to function as a de facto discretionary import licensing system, allowing the Government to control the quantity and direction of trade. What portion of Bulgaria's imports in convertible currencies is accounted for by State-allocated foreign exchange? Please elaborate on the criteria used by the State to allocate foreign exchange.

Reply:
Such a practice does not exist any more.
Para. 137

Question 106: "The National Bank's policy is to sell to the enterprises the maximum reasonable amount of foreign exchange for covering their needs for imports within existing possibilities. The amounts of currency sold are established annually" Is there any provision for adjusting these annually-established amounts during the year? If so, what is the procedure?

Reply:

Such a practice does not exist in the country any more. Please see answer to Question No. 104 above.

Question 107: The statement in this para. clearly underscores the fact that import possibilities are subject to the appreciation of the National Bank as to what constitutes a "reasonable" amount of currency within the limits established annually rather than being dependent upon the needs of enterprises. Para. 138 seems to confirm that central authorities ensure the currency needs of enterprises. To what extent do the Bulgarian authorities envisage greater market oriented autonomy for enterprises as economic reforms are being realised?

Reply:

Such practices no longer exist. Please see answer to Question No. 104 above.

Para. 139

Question 108: What are the modalities for the tendering scheme for non-engaged currency? How are exchange rates fixed? Are "swap centres" in operation in Bulgaria?

Reply:

There have been no currency auctions since mid-1990. Currencies are bought and purchased freely in conformity with the new foreign exchange régime introduced in February 1991. A unified exchange rate of the Lev against foreign currencies has been introduced in Bulgaria and it is fixed freely on the basis of supply and demand. Please see answers to Questions No. 93 and 94. There are no specialized swap centres in the country at present.
Question 109: To what extent are enterprises entitled to dispose autonomously of profit earnings in foreign currency?

Reply:

Please see answer to Question No. 104. Companies and their subdivisions are entitled to dispose autonomously of the profit earnings in hard currency.

Question 110: Does Bulgaria practice a profit retention scheme for foreign currency earnings?

Reply:

The fiscal legislation does not make a distinction between the earned profit in the country and the profit earnings in hard currency. The overall book profit is subject to taxation, irrespective of the source, and the balances are drawn up in Levs only. Such a practice does not exist any more.

Para. 140

Question 111: Non-convertible currencies are usually allocated on a country-by-country basis. Does Bulgaria intend to maintain this practice after eventually having joined the GATT?

Reply:

The question is no longer relevant. As from 1 January 1991, Bulgaria's trade with the former CMEA countries is conducted directly by enterprises, on the basis of world market prices against convertible currencies. As far as the outstanding trade balances in transferable roubles, as well as trade contracts of 1990 are concerned, these may be settled by exports of goods under the CMEA terms. If by the end of a bilaterally agreed period (normally in 1991) the balance is not settled, this will be converted to convertible currencies.

Para. 143

Question 112: "In certain cases currency loans for imports, upon mutual consent between the banks and enterprises, may be related to specific exports" What criteria govern the establishment of such an arrangement?

Reply:

The sole criteria of the banks for the so-called buy-back operations is that counter exports against hard currency should be used as a guarantee for repayment of the loan when there are no other sufficient guarantees (assets, real estate, etc.) which could be realized against foreign exchange.
Para. 144

Question 113: What specific legal provisions and measures does Bulgaria have dealing with the need to apply import measures to protect the balance of payments?

Reply:

Bulgaria has no special legal framework for introducing import measures for balance-of-payments purposes. In general, Bulgaria will avoid, to the extent possible, imposition of import restrictions for balance-of-payments reasons.

Paras. 146-158

Question 114: It would be appreciated if detailed information could be provided about the rights of establishment and scope of operation of foreign banks.

Reply:

Currently, the constitution of commercial banks is approved by the Management Board of the Bulgarian National Bank on the grounds of Acts of Constitution. The commercial banks are joint stock companies of two or more companies, banks and other organizations. By the end of 1991 in Bulgaria there were created 73 commercial banks, including 6 foreign banks. Drafts of the National Bank Law and the Commercial Banks and Crediting Law are being elaborated at present.

Para. 150

Question 115: "Six commercial banks have been set up .. enterprises may choose any one of the banks" Are firms or enterprises with foreign participation likewise allowed to deal with the bank of their choice?

Reply:

Companies and enterprises with foreign participation may also operate fully with commercial banks of their choice.
Question 116: What kind of incentives are used in order to render State orders attractive to the economic operators so that targets otherwise not fulfilled are reached?

Reply:

The practice of "State Orders" has been phased out simultaneously with the centralized planning of the economy of the country since the beginning of 1990. Paragraph 161 has lost relevance.

Question 117: The fact that in value terms State orders amounted to 35% of gross material output in 1988 does not seem to warrant its qualification as only an "ad hoc instrument" (para. 160). Is it envisaged that this proportion will be substantially reduced in the near future?

Reply:

The practice of "State Orders" has been phased out. Please see answer to Question No. 116.

Question 118: Are State orders in any way connected with the production growth priorities specified in the National Plan or with trade under bilateral agreements with CMEA or other countries? Is there a trade component to these State orders, i.e. are imports or exports ever mandated under a State order? If so, are the necessary foreign exchange or export credits granted automatically to firms or enterprises operating under State orders?

Reply:

The practice of "State orders" does not exist any more. Please see answer to Question No. 116.

Question 119: "In value terms the state orders amount to about 35% of the estimated gross material output for 1988 while in 1987 their share in it was about 50%" ... "continuity in the fields of application and volume of state orders cannot be expected ... The role of state orders will diminish". Can Bulgaria now supply actual data for 1989 and a forecast for 1990? Can estimates also be given for later years? Do State orders include goods and services required to fulfil intra-CMEA arrangements, barter and countertrade?
Reply:

The practice of "State Orders" has been phased out. The texts in paras. 160, 161, 162 and 163 are not relevant any more. Please see answer to Question No. 116.

Question 120: Could Bulgaria update the statistical information provided in paragraph 162?

Reply:

The question has lost relevance. The practice of "State Orders" has been phased out. Please see answer to Question No. 116.

Paras. 164-165

Question 121: Concerning the "wholesale trading organizations" described in these paragraphs: Is there any similarity or connection between the "economic unions" described in paragraph 33 of L/6364 and these "wholesale trading organizations"? How are the wholesale trade organizations established? Under what Decrees and laws? How are these entities organized, and how many such organizations currently exist, and what portion of total wholesale supply of raw materials and basic production inputs do they supply? Is there competition among these wholesale trading organizations, or are they differentiated by product group and secure from competition among themselves?

Reply:

The question has lost its relevance. Almost all former wholesale organizations were broken down to a large number of independent small companies operating on a competition basis on the domestic market after the introduction in February 1991 of the comprehensive package of economic reform measures.

Question 122: What mechanisms does the Government use to allocate production inputs through these enterprises? What is the Government's rôle in the organizations?

Reply:

Please see answer to Question No. 121.
Question 123: What is the economic advantage of using a wholesale trading organization if "enterprises may freely trade among themselves or import"? Do the trading organizations have Government help in acquiring raw materials, etc., not freely available to individual firms or enterprises? To what extent do these organizations hold monopsony supply positions in their product areas?

Reply:

The text in paragraph 166 is no longer relevant. See answer to Question No. 121.

PART III-1. TRADE POLICY AND CONDITIONS FOR INTERNATIONAL BUSINESS

Question 124: Does Bulgaria intend to accede to the MTN agreements of the Tokyo Round? If so, in which code is Bulgaria most interested?

Reply:

Bulgaria will study the possibilities for joining the MTN Agreements of the Tokyo Round, bearing in mind the eventual amendments to them, resulting from the negotiations in the Uruguay Round. Bulgaria is now an observer in the Agreements on Technical Barriers to Trade, on Subsidies, on Customs Valuation, on Import Licensing and on Anti-Dumping. Bulgaria is a signatory to the International Dairy Arrangements and the Arrangement Regarding Bovine Meat.

Question 125: Please list the countries which grant GSP tariff preferences to Bulgaria. Are the countries subject to Column 1 and Column 2 tariff treatment the same countries to whom Bulgaria grants GSP tariff preferences? Please describe the scope and level of the preferences granted under GSP and under Column 2 preferences. Approximately what portion of Bulgaria's total imports and imports from developing countries is accounted for by imports receiving GSP treatment? Excluding GSP treatment, does Bulgaria receive or grant any other trade preferences from or to any other countries with which trade is effected in convertible currencies?

Reply:

(i) GSP tariff preferences are being granted to Bulgaria since the 1970s by Australia, Austria, Canada, New Zealand, Norway, Finland, Switzerland, Sweden and Japan. As of 1 January 1991, Bulgaria has been included in the GSP scheme
of the EEC. Under Columns 1 and 2 of its customs tariff Bulgaria grants tariff preferences respectively to least developed and to other developing countries.

(ii) We are not in a position to provide such information, since the system of customs statistics is being set up presently.

(iii) Besides the indicated tariff preferences, Bulgaria does not receive nor grant any other preferential treatment.

Question 126:

"The agreements (with other CMEA countries) contain a MFN clause and establish detailed lists of commodities to be exchanged, specified either in terms of quantity or value. Which commodities, by tariff item, are included in the lists at the present time? What is the wording of the "MFN clause"? Are copies of the complete texts of the intra-CMEA agreements available?"

Reply:

Since 1991, the trade and economic agreements with the remaining former members of the CMEA (except the USSR) have no commodity lists. To the agreement with the USSR for 1991 are enclosed such lists, which, unlike the previously existing practice, have no obligatory but are of an indicative character.

The texts of the trade and economic agreements of the Republic of Bulgaria with the former CMEA member countries - contracting parties to the General Agreement - can be provided.

Question 127:

Will details of trade agreements with CMEA partners that are contracting parties to the General Agreement be published in accordance with Article X? Will Bulgaria list annually the quantity and prices of goods to be traded with countries who retain non-convertible currencies? Please explain how these practices are consistent with the provisions of Articles I and XXIV:4.

Reply:

The concluded trade and payment agreements with the former CMEA member countries which cover the period after 1 January 1991 outline and regulate the principles of the mutual economic relations and contain no commodity lists which set forth mutual engagements. Only the agreement with the USSR contains commodity lists. However, they are of indicative character. In principle, the texts of the trade agreements of the Republic of Bulgaria with partners from the CMEA region which are contracting parties to the General Agreement may be provided prior to their publication.
At present, trade with the CMEA member countries is effected at world prices and in free convertible currencies. The balances under accounts of 1990 in non-convertible currencies are currently being finally settled on a bilateral basis with a view to their closure. Temporarily imports from the former CMEA countries are exempt from import duties in order to avoid further disruption of traditional trade channels in the painful transition to a market economy. Bulgaria will gradually bring this practice into conformity with Article I of the GATT.

**Question 128:** Is it the intention of Bulgaria to invoke Article XXXV in relation to any contracting party?

**Reply:**

Bulgaria will revert to this question.

**Question 129:** "At present the process of elaboration of trade and cooperation agreements with CMEA countries is undergoing substantial change" Please outline in some detail the changes being made.

**Reply:**

Since 1 January 1991, Bulgaria's trade with the former CMEA member countries is effected at world prices in convertible currency, except for the outstanding balances in transferable roubles, which are in the process of being finally settled.

**Question 130:** "Trade agreements with these countries cover the major part of Bulgaria's trade and are to be considered a fact of life" What proportion of Bulgaria's imports and exports, respectively, were covered by these agreements during each of the last five years? Does Bulgaria intend that its intra-CMEA trade be conducted in accordance with GATT provisions?

**Reply:**

According to Central Statistical Office assessments, the share of Bulgaria's import and export to the former CMEA member countries in the overall import and export of the country per years is as follows:
That relative share is calculated on the basis of the absolute data for import and export to these countries and the total import and export of the Republic of Bulgaria, expressed in Levs. Please, see answers to Questions Nos. 126 and 127.

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Question 131: What percentage of Bulgaria's imports and exports have been generated by the agreements and protocols described in this paragraph during the period of 1986-1989? What percent is currently traded? Please indicate how the percentage is calculated? Is any of this trade subject to import tariffs? Please explain how the GATT obligation to grant unconditional MFN treatment to the imports of other GATT contracting parties is consistent with Bulgaria's "obligation" under these agreements and their annual protocols to accept and deliver specific commodities in trade, and that such trade enters without the application of MFN tariffs. What relation do the fixed prices of these goods have with the Price Reform programme described in Part I of L/6364? What is the relationship of these prices to the cost of producing the goods? Are the products traded under these agreements and protocols provided for in Bulgaria's National Plan or other economic Plans issued by the State?

Reply:

Presently the share of imports and exports from the Eastern European countries and the Soviet Union in the overall import and export of Bulgaria (excluding re-exports) is as follows:
Question 132: Through the end of 1992, the former German Democratic Republic, now part of a unified Germany, intends to take certain traditional levels of imports from countries covered by these bilateral agreements on a duty-free basis, in order to minimize the economic disruption occurring when the former GDR adopted the EC trade régime. Will Bulgaria continue to accept similar export trade from the GDR on a duty-free basis during this period even though such exports technically originate in Germany, which is no longer covered by such agreements?

Reply:

As of 1 January 1991, imported goods from Germany (including from the eastern regions) are treated as imports from the Federal Republic of Germany and levied with duties as per the MFN rates of the Bulgarian tariff.

Question 133: Does paragraph 178 indicate that the Government, as necessary, covers the economic losses of enterprises engaged in this trade? Does the Government supply enterprises undertaking contracts for such trade with preferential access to raw materials, other production inputs, or foreign exchange?

Reply:

The last bilateral trade exchange agreements with the former CMEA member countries in non-convertible currencies expired in 1990. See answers to Questions Nos. 111, 126 and 127.

Question 134: Re para.179: To what extent are the bilateral trade agreements described above still functional? What arrangements have been made for trade under these agreements in 1991? Does Bulgaria intend to continue these agreements with any of these countries in the future, if so, with which countries?

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<tr>
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<th>1st Quarter 1990</th>
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<tr>
<td>Imports</td>
<td>72.3</td>
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<tr>
<td>Exports</td>
<td>89.0</td>
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</table>
Reply:

The above questions are no longer relevant, since the practice of the above mentioned bilateral trade agreements with the CMEA member countries was eliminated. Please see answers to Questions Nos. 111, 126 and 127.

Question 135: How do the trade reforms described in paras. 20-22 affect the ability of the Government of Bulgaria to contract for trade through CMEA mechanisms? In responding, please include information on the future role of the National Plan in such agreements and on the proposed manner of payment for such trade in the future.

Reply:

At present the Government of Bulgaria does not effect trade through the use of the CMEA mechanisms. As a result of the implemented economic reform state planning has been completely abolished. Hence, the above mentioned questions have no relation to the present. Please see answers to Questions Nos. 111, 126 and 127.

Para. 185-186

Question 136: Would it be possible to obtain further details about the operation of the tariff-free zones as concerns for example number of establishments, turnover, taxation, currency regulations? What criteria are attached to establishment of firms or enterprises in the tariff free zones? Are the firms that locate in such zones required to meet export performance criteria, e.g. to export a certain portion of their output, in order to remain in the zones? Please list the taxes from which firms are granted relief if they locate in the zones. Are tariffs applied to all exports from the zones into Bulgarian customs territory? Please describe any exceptions.

Reply:

The free trade zones were established on the basis of the provisions of Decree No. 2242 of the State Council of 1987. They have no significant role in the national economy so far. In the country exist 5 (five) free trade zones, namely in the cities of Rousse, Vidin (both on the Danube river), Bourgas, Plovdiv and Svilengrad. Actually, in the country function the free trade zones which are located in the region of Rousse and Vidin. Possibilities are studied for the establishment of free trade zones in the city of Varna (the biggest port of the country on the Black Sea coast) and Petrich (situated near the border with Greece and Yugoslavia).
PART III-2. ORGANIZATION OF THE FOREIGN TRADING SYSTEM

Para. 187

Question 137: "Development of longer term co-operation and joint activities with foreign partners in line with structural adjustment, technological innovation and improving the quality of Bulgarian products" In the context of joint activities with foreign partners, are such arrangements subject to minimum content rules covering Bulgarian inputs? If so, what are these (by sector and/or product if applicable)? In such arrangements, is there any minimum percentage of production which must be exported? Are imported inputs for joint activities eligible for exemption from payment of customs duties? If so, under what terms and conditions?

Reply:

Paragraph 187 does not treat specific agreements with foreign partners but delineates in general the necessity of a long-term cooperation and joint activities with them. Therefore, the sub-sections of the first part of the above question are not relevant. There is no requirement for a minimum percentage of the production which should be exported.

Tax exempted are the raw materials, components and equipment imported by foreign persons and intended for export after processing. Such imports are covered by a guarantee to the extent of the payable duties and subject to duties if not invested in exportable production within a period of three years from the date of their importation.

Para. 191

Question 138: "Fundamental change was introduced in the mid-80s by giving the right to producer organizations to decide by themselves whether they should deal directly on the domestic and foreign markets or through intermediaries". Are firms with foreign participation automatically entitled to take part in import and export? If this right is not automatic, what requirements/procedures must be fulfilled?

Reply:

Foreign persons carry out economic and foreign trade activity in the country independently, through a subsidiary (company) or through a joint venture. The sole procedure to be undergone prior to initiating foreign trade activity is to register at the district court and to make an entry in the Register of the Bulgarian Chamber of Commerce and Industry (BCCI). BCCI keeps the registration of the trade representations of foreign persons only against a fee, amounting to the Leva equivalent of US$1,000. All companies that have duly registered at the court have the right to carry out foreign trade activities, whether or not with Bulgarian or foreign participation.
Para. 192

Question 139: Are there any firms or enterprises that cannot engage directly in foreign trade? If so, to what type of enterprise can they turn for assistance? For each of the five types of trading entities listed in paragraph 192, please indicate the portion of Bulgaria's import and export trade they conduct, for trade with CMEA and other socialist economies under the bilateral agreements, and for other trade.

Reply:

Under the Bulgarian legislation there are no restrictions of any kind for companies to carry out foreign economic activities. The foreign trade organizations as described in paragraph 192 do not exist as such any more.

Para. 194

Question 140: At present about 200 enterprises have registered to carry out foreign trade activities on their own. Can it be presumed that such enterprises may dispose freely of their currency export earnings to finance imports or do they remain subject to supervision of currency allocation by central authorities (cf. para. 124)?

Reply:

Please see answer to Question No. 146. Companies and their sub-divisions dispose freely of their currency export earnings to finance imports needed and are not subjected to direct intervention or supervision by the central authorities.

Para. 208

Question 141: According to this paragraph, the governmental institutions of Bulgaria can control "enterprise activities from the point of view of compliance with existing laws and regulations affecting foreign trade." What measures are actually taken to control enterprise activities? What laws and regulations are grounds for the control by the governmental institutions?

Reply:

Within the meaning of the new legislative framework, enterprises are autonomous and the State institutions are not controlling their activities. Please see answer to Questions Nos. 31 and 32.
ANNEXES

Question 142: Would Bulgaria make available to contracting parties, in translation, copies of its Customs Law and Regulations on the Application of the Customs Law, the Regulations on Economic Activity (REA), and the Rules on Collecting Taxes for Additional Customs Services?

Reply:
All Bulgarian normative acts - laws, ordinances, resolutions, etc., are published in conformity with Article X of GATT in "The State Gazette" which is an official publication of the National Assembly (Parliament). A new customs legislation is under preparation. A copy of the new Customs Law, translated in the English language, may be provided after its enactment by the Grand National Assembly. The texts of virtually all effective normative acts in the economic sphere are at the disposal of the contracting parties at the GATT Secretariat in the Bulgarian language. Translated copies of the more important acts would be supplied on request to the extent possible within our possibilities.

L/6512 - PART III. ORGANIZATION OF THE FOREIGN TRADE SYSTEM

Para. 9

Question 143: "The firms may establish partnerships and unions and choose freely their supply sources and marketing strategies" How are the following requirements factored into the activities of the firms: Bulgaria's five-year plan; intra-CMEA agreements; barter; and countertrade? What percentage of Bulgaria's imports for each of the last five years was covered by barter and countertrade?

Reply:
Since the beginning of 1990, the country has no five-year or one-year plans. The economic activity in the country is controlled through the system of taxes, fees, duties, interest rates, rules for labour remuneration and the free market prices on the domestic market. The trade agreements and annual protocols for trade exchange and payments with the former CMEA member countries, which were in practice a form of bilateral counter trade and covered about 80 percent of the total turnover of the country, do not exist any more. Please see answer to Questions Nos. 126 and 127.
This paragraph indicates that the firm is now the basic unit for economic activity. What is the distinction between an enterprise and a firm in this context? How is an enterprise transformed into a firm? How long does it generally take for an enterprise to register as a firm? Please list Bulgarian foreign trade organizations, enterprises, and firms that dominate imports and/or exports in the major agricultural commodity groups.

Reply:

Please see answer to Questions Nos. 31 and 32.

The companies which are leaders in the agricultural export and import in major commodity groups are as follows: Hranexport, Zarneni Hrani i Furajna Promishlenost (Cereals and Forrage Industry), Agrocommerce - cereals and sugar; Rodopaimpex, Pimex, SC Ribno Stopanstvo - meat and meat products; Bulgaricum - dairy products; Bulgarplodexport Co. and Bulgarkonserv Co. - fruits and vegetables; Bulgarcoop Co., Prodexim - selected seeds and planting material; Vinimpex Co. - wines and other spirits. There are a large number of other companies, including private ones, which export and import agricultural products.

Para. 10

Question 145: Are there any circumstances under which firms or other economic entities are not permitted to engage in foreign agricultural trade?

Reply:

With respect to trade with tobacco and tobacco products, there is a monopoly on tobacco, enacted by law of 1947.

Para. 11

Question 146: This paragraph indicates that firms may freely engage in foreign trade. Approximately how many of the firms currently registered actually do engage in foreign trade? How is this trade distributed between CMEA and non-CMEA countries? Is this trade mostly conducted in convertible currencies? What percentage of overall imports and exports are conducted by the registered firms? Are these firms granted access to State foreign exchange and trade credits on an equal basis with State enterprises?

Reply:

All duly registered companies are provided with equal conditions for effecting foreign trade activities, including with respect to the currency regime applied in the country. In May 1991, out of the 25 000 companies registered to carry
out foreign trade transactions, about 2000 have actually executed foreign trade transactions.

With respect to the data about distribution of trade with CMEA and non-CMEA countries, please see answer to Questions Nos. 96, 130 and 131.

Para. 12

Question 147: This paragraph lists the number and organizational types of firms registered by 15 May 1989. Please indicate how many firms are currently registered, by types of organizational structure. Please indicate what percentage of Bulgaria's GNP or NMP these firms comprise relative to other economic entities and the relative importance of each type of firm in overall economic output. What sectors are these firms concentrated in? How many firms produce goods which are subject to price controls?

Reply:

By 28 March 1991, a total of 125,507 companies have registered (incl. 42,394 - since the beginning of 1991) out of which: State - 1,881 (505), municipal 833 (41), companies of public organizations - 236 (44), partnership companies (stock) - 152 (30), limited liability companies - 567 (147), unlimited liability companies - 20 (4), joint stock companies - 28 (5), limited liability companies with foreign participation - 224 (75), sole-proprietorship companies of citizens - 83,465 (28,709), collective companies of citizens - 1,275 (203), foreign subsidiaries - 137 (37), cooperative organizations - 296 (42), collective farms - 1,075 (96), individual farms - 12 (1).

As at March 1991, at BCCI were registered 14,675 companies, incl. sole-proprietorship - 7,808, collective - 5,296, partnerships - 233, municipal 82, stock - 32, limited liability - 263, unlimited liability - 2, companies with foreign participation - 82, of public organizations - 54, partnerships of citizens - 767, subsidiaries - 56.

By the amendments of Decree No. 56 from December 1990, no permit by the Ministry of the Foreign Economic Relations is required for the establishment of foreign companies and subsidiaries. The registration with the BCCI is no more obligatory but of a declarative nature. No data is available regarding the share of these companies in GNP and NMP and their distribution per industries.

In May 1991, Parliament enacted the Commercial Law (Company Act), which is expected to enter into force in July. Since February 1991 price control has been abolished, except in the cases stated in the answer to Question No. 38.
Question 148: "Foreign firms are able to carry out economic activities in the country independently, through (a) wholly-owned subsidiary or through a partnership." Are any specific sectors/products closed to, and/or encouraged for foreign investment or participation? If so, which are they? Is there any provision for re-patriation of profits in hard currency? If so, under what terms and conditions?

Reply:

Foreign investments in high-tech sectors (not specified so far), in agriculture and in the foodstuff industry, as well as in the free trade zones are exempted from profit taxes for a period of 5 (five) years. After expiry of that period, the profit tax in the free trade zones is about 20 per cent (see answer to Question No. 29)

Foreign persons may freely repatriate the currency earnings, interests, dividends, and other incomes from their investments. Foreign persons can also freely transfer their profits in Leva by buying foreign currency from any commercial bank that sells and buys foreign exchange.

Question 149: This paragraph states "All foreign firms are guaranteed equal treatment under the Decree". Does this mean most-favoured-nation treatment or national treatment?

Reply:

On 16 May 1991, the Grand National Assembly passed the Foreign Investment Law, by virtue of which foreign persons in the country are accorded national treatment, unless otherwise provided for by law or intergovernmental agreement. In some cases foreign persons enjoy preferential treatment (tax reliefs). See answer to Question No. 150.

Question 150: This paragraph indicates that more favourable tax treatment is given to foreign companies, their subsidiaries, mixed joint stock companies and limited liability companies with foreign participation higher than 49 per cent. According to a document distributed by the Bulgarian Commercial Office in New York entitled "Trade and Investment Legislation in the PR of Bulgaria", companies with just over 20 per cent foreign participation are also eligible to have their profits taxed at the 30 per cent rate, rather than the standard 50 per cent rate. Which level of foreign participation is the cut-off point for preferential tax treatment?
Reply:

The profit of foreign persons' independent economic activities are taxed at the rate of 40 per cent, which is the uniform tax rate applied to Bulgarian companies since the end of 1990. Profits of subsidiaries and joint ventures with foreign participation exceeding 49 per cent and US$ 100 000 or its equivalent in other currency are levied with profit tax at the rate of 30 per cent.

Para. 15-19

Question 151: This paragraph states that some types of transactions still require licenses. How are licensing requirements and restrictions publicized so traders can find out if a particular product is subject to licensing requirements? Which types of transactions specifically require a license in order to import or export a good? How long does it take from the time of application until the license is issued?

Reply:

In 1991, imports and export of goods by the Republic of Bulgaria is effected freely on the basis of customs declarations, except in cases stipulated in the legislation which require licensing. The normative acts which regulate the import export regime are published in the State Gazette. The Ministry of Foreign Economic Relations issues certificates (licences) within three working days from the date of application. Please see answer to Question No. 72.

Question 152: Please provide the list of imported products subject to quantitative restrictions including discriminatory quantitative restrictions.

Reply:

At present the Republic of Bulgaria does not apply quantitative restrictions on imports and exports.

Question 153: This (licensing) regime is applied mainly for monitoring transactions related to obligations undertaken at intergovernmental level (barter and clearing agreements), exports under government credits, specific transactions (under provisions for technical assistance, for labour force and engineering services), as well as transactions requiring wide expertise (import and export of complete plants and single deals worth more than 5 million US dollars). What percentage of total imports for each of the last three years were covered by licenses? Of those imports covered by licenses, what was the percentage breakdown under each of the above categories?
Reply:

The previous system of licencing virtually covered 100 percent of the country's trade exchange. Since February 1991, the system was drastically changed. See answer to Question No. 72.

Question 154: Please list, by tariff line item, any current products subject to non-tariff import or export restrictions, including agricultural products. Please indicate any import permit requirements, import prohibitions, export and import quotas, or other non-tariff barriers currently applied by Bulgaria or provided for in law that act, or could act, to restrict the quantity of imports or exports. Please indicate the purposes for these restrictions.

Reply:

Although the list of products subject to export bans has been reduced, at present 21 items are falling into this category. These are as follows:

1. Phosphorous fertilizers (31.03)
2. PVC (39.04)
3. Hides (41.01 to 41.11)
4. Raw pig skins (41.01.29 to 41.04.29)
5. Wool (51.01 to 51.10)
6. Cotton, flax and hemp (52.01 to 52.07; 53.01;53.02)
7. Cocoons and silk crepe (50.01 to 50.03)
8. Fodder grain (10.03.00.30)
9. Beans (10.05.10.10)
10. Rice (10.06)
11. Lentils (07.13.40)
12. Milk powder (04.02)
13. Milk and yoghurt (04.01; 04.02; 04.03)
14. Cream and buttermilk (14.03.90.11; 14.04)
15. Sugar (17.01; 17.02)
16. Vegetable oils (15.07 to 15.14)
17. Ferrous metals Scrap (Chapter 17)
18. Non-ferrous metals scrap (Chapter 18)
19. Imported ferrous and non-ferrous metals (Chapter 19)
20. Wood for mechanical processing (timber) (44.07)
21. Wood for heating purposes (44.01)

Exceptions:

1. Exports of hides may be permitted against import of leather, leather garments and shoes, household articles made of leather, and auxiliary materials, machines and equipment and spare parts for the leather and shoewear industries, as well as artificial intestines.
2. Exports of ferrous and non-ferrous metal scrap may be permitted only upon a justified proof that latter cannot be used or processed in the country or against import of other metals.
3. Exports of imported ferrous and non-ferrous metals may be allowed only upon prior coordination and proof that there is
no demand for these metals in the country. These export bans are temporary measures reflecting a critical shortage of these products on the domestic market. They will be gradually phased out.

**Question 155:** If the Bulgarian economy is now based on the independent operations of firms, how does the Government enforce inter-governmental barter agreements? What Ministries or other Governmental organizations are responsible for issuing licenses and permits for imports?

**Reply:**

Companies alone take decisions with respect to their participation in such transactions. Import licensing has been described in the answer to Question No. 72.

**Paras. 20-21**

**Question 156:** The description of Bulgaria's recent tax changes in these two paragraphs does not make it clear which taxes are still in place. Please list the taxes currently applied, and indicate the relative tax revenue shares provided for each. What portion of Bulgaria's State revenues are accounted for by taxes and tariffs on imports?

**Reply:**

See answer to Question No. 82.

The 1991 Budget Law of the Republic of Bulgaria (enacted by the Grand National Assembly on 8 February 1991) stipulates as follows:

a. Taxes account for 62.1 per cent of the State revenue and import duties for 2.3 per cent;

b. Proceeds from taxes (100 percent): turnover tax = 20.2 percent; excise tax = 14.6 percent; tax on use of land = 0.3 percent; profit tax on enterprises = 58.5 percent; income tax = 6.4.

Presently, a debate on the adjusted 1991 budget is under way in Parliament, which reflects the changes that have occurred under the economic reform.

**Para. 22**

**Question 157:** This paragraph states "a system of more limited reallocation and greater involvement of the firms in increasing foreign exchange receipts centralized by the National Bank should be introduced". What does this system entail? Has it been introduced? If not, when will it be introduced? How is foreign exchange currently allocated by the National Bank?

**Reply:**

The above-mentioned question is no longer relevant. Please see answer to Questions Nos. 103 and 104.
Para. 24

Question 158: This paragraph states that "Bulgarian firms" may acquire foreign currency from a number of sources. Do foreign firms or firms with some degree of foreign participation have the same access to foreign currency as wholly-owned Bulgarian firms?

Reply:

Bulgarian and foreign companies, as well as companies with foreign participation, have the same access to foreign currency. Please see answer to Questions Nos. 103, 104 and 105.

Para. 25

Question 159: Here it is stated that Bulgaria is moving toward a national financial market for foreign exchange. What is the timetable for establishing this market? How has this timetable been affected by the Bulgarian Foreign Trade Bank's suspension of principal payments?

Reply:

The economic reform which is being introduced in the country with the assistance of the IMF and the World Bank requires the establishment of a national financial market which would function in line with the market economy principles. There is no specific timetable for the introduction of such a market. The current grave economic and financial situation of the country, naturally has its adverse effect on the overall economic development, including on the development of the national financial market.

Para. 26

Question 160: "For 1989 it is envisaged that placed State orders as a whole will not be more than 20% of the industrial production, while in agriculture they will cover only several basic products..." What was the actual result for 1989 in the industrial sector? Which products were covered in the agricultural sector in 1989? And which are covered in 1990?

Reply:

The question is no longer relevant. The practice of "State Orders" has been eliminated together with the system of central planning of the economy since the beginning of 1990.
Question 161: This paragraph emphasizes that the regulations governing State orders specify that no company "should be ordered with State orders exceeding two-thirds of its productive capacities". Is this goal being met? Can Bulgaria give a range (e.g. 20-50 per cent) of the portion of firms' output that consisted of State orders in recent years? In what sectors are State orders currently concentrated?

Reply:

Please see answer to Question No. 160.

Paras. 27-28

Question 162: To what extent is price registration still used as a tool to monitor/regulate price fluctuations? If not provided elsewhere, please list the "basic raw materials" and "essential consumer goods prices" that are still under State control and indicate the portion of Bulgaria's GNP or NMP that these items represent. Assuming that such price controls are applied equally to traded goods, approximately what portion of current imports and exports are subject to such controls? Please elaborate on future price reform plans. Is there a timetable?

Reply:

Please see answer to Question No. 38.