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# AMCHAM MAGAZINE BULGARIA

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North Africa's Revolutions  
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**Bulgarian Economy  
Observes Encouraging  
Developments**

## Oil Market and the Arab Revolts

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*Dear Members and Friends,*



AmCham editors had just received drafts of articles on the Middle East and the oil crisis when the news about the earthquake and tsunami in Japan came. This was followed shortly by a developing story that Japan was about to face a nuclear catastrophe because of the damage to Fukushima Daiichi Nuclear Power Station. Adding to the tragedy of the lost thousands human lives and to the immense property damage, a new threat of wide-ranging radioactive contamination emerged.

Among the many economic consequences arising from the events in the Middle East and Japan, it seems that energy concerns have taken the lead. By all means the above mentioned events have potentially huge implications for Bulgaria. Evidently, the energy issue is also a priority item on the political and business agenda.

The recent rise in fuel prices and the protests of drivers who blocked traffic in several major cities showed how vulnerable the country is when it comes to its dependence on imported oil. The initial general perception was that since Bulgaria buys fossil fuels primarily from Russia, events in North Africa would not matter as much. This was quickly proven wrong. The supplies of gas and oil are globally interrelated, and unless the government has a well prepared strategy for such situations, the rise of prices will hit severely both the economy and the people.

Japan's case is another story that Bulgaria must look at carefully and take a lesson or two. May be our country is not entirely dependent on imported mineral resources as Japan is, but it relies heavily on imports to run the industrial production. The fact that it is dependent on nuclear energy production presents another similarity. If the third largest economy in the world and one of the most technologically advanced nations cannot guarantee the safety of its nuclear reactors, then Bulgaria should be even more careful before expanding its nuclear energy program and the respective nuclear plants. On the one hand, Bulgaria might become more and more dependent on a single energy supplier (i.e., Russia), and on the other, the safety of the population may be put under threat by building new nuclear reactors in an area with an already proven high seismic risk.

Japan's nuclear emergency has already provoked the EU to agree on nuclear "stress tests" to all reactors in the member states. For Bulgaria, the bell should ring even louder. Both the oil crisis and nuclear energy production threats show clearly that the country should focus on diversifying its energy resources and supplies, particularly on developing the renewable energy sector. The American Chamber of Commerce has put some profound expertise and support in shaping a reasonable legislative framework for boosting up the renewable energy. We very much hope the government listens to the voice of the business community and makes the right decisions, which will lead to the creation of many new clean jobs, provide safe production of energy for the population, and serve the common global goal to preserve our home planet Earth.

Best regards,

**Valentin Georgiev**  
Executive Director

American Chamber of Commerce in Bulgaria



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

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# Oil Hysteria

Black gold may play a bad joke on the global economic recovery. Bulgaria is set to suffer badly from the crude price shock

By Marina Tsvetkova



A Libyan man fills up a canister at a petrol station in Berga, Eastern Libya in March 2011. According to reports, the widespread civil unrest that has plunged Libya into chaos has started affecting global oil supplies.

Former Saudi oil minister Zaki Yamany said in the 1970s: The Stone Age in the world did not end because there were no stones any more. Thus, the oil era will also end, but not because oil will be exhausted.

Oil prices continue to rise. Black gold is skyrocketing at the electronic commodity exchanges in Asia, with light crude exceeding \$104 per barrel on March 8. The upward trend of oil prices persists, mainly because of concerns caused by the increasing tension in Libya and by fears that protests may erupt in other oil-rich states in the Middle East, said Victor Shum, an analyst with Purvin and Gertz.

If political turmoil in North Africa results in discontinuing oil exports from Libya and Algeria, oil prices may well rise to \$220 per barrel, according to estimates

by Nomura – the second largest company in the world in terms of assets. The Japanese corporation claims in notes sent to its investors and quoted by Bloomberg that in the worst-case scenario the available capacity of the OPEC member states will be reduced by 2.1 million barrels per day, which is the same level maintained during the Persian Gulf war and in 2008, when prices hit \$147 per barrel. According to the International Energy Agency, OPEC has a free capacity for almost 5 million barrels per day. If this capacity falls to the levels predicted by Nomura, then the 1990 – 1991 was scenario might be repeated, when free capacities shrunk to 1.8 million bpd, which pushed prices up by 130 percent. At that, the 200 dollars per barrel forecast is seen as optimistic, as it does not take into account the speculative factors. According to Bloomberg, Libya produced until last

month about 1.59 million barrels per day, and Algeria - 1.25 million barrels per day.

Libya is the fourth largest oil exporter in Africa after Nigeria, Algeria, and Angola. Most of the Libyan oil is exported to Europe, particularly Italy. The White House Chief of Staff William Daley was quoted by Reuters as saying that the United States does not exclude the possibility to open their strategic reserves as one of the options to calm down rising oil prices. Daley said in an interview for “Meet the Press” on NBC that various options are discussed, including opening the U.S. Strategic Petroleum Reserve to quell the markets.

U.S. Sen. Jay Rockefeller urged President Barak Obama to draw only limited amounts from the 727-million barrel reserve in order to cool down prices,



which had already risen above the \$100 per barrel notch because of the Libyan crisis. U.S. Treasury Secretary Timothy Geithner also urged the other large countries to open their strategic reserves in order to prevent oil prices from disrupting economic recovery.

Indeed, a

## long period of high crude oil prices,

attributed to the political crisis in a number of Arab states, could foil the recovery of the world's economy, warned IMF Managing Director Dominique Strauss-Kahn in early March, quoted by AFP. He added that it all depends on how long the crisis will persist. If the crunch continues for too long, and if there would be

an extended period of high oil prices, it will have a definitive impact, the IMF managing director said.

According to French investment bank Ixis-CIB, crude will cost in 2015 some \$380 per barrel. Currently oil products comprise a total of 43 percent of the fuels used worldwide, and 95 percent of fuel used in transportation. As of the 1980s, humanity started to use up each year more crude than the amount of new deposits. That is why a drastic crude oil prices moves may have a substantial impact on the economy on a global scale. At the same time, it is expected that the countries with the largest volumes of oil exports will benefit from the events on the international market.

Most of the established crude oil depos-

its are in the Middle East, the Mexican Gulf and at several other locations in the world. Besides, according to CNBC, there are only a few states, which have the benefit of holding large crude oil deposits and capacities to extract oil. The U.S. government has established that by 2010 estimates the proven crude oil deposits in the world amount to 1.35 trillion barrels. These account only for oil deposits, which - at this stage - may be exploited for extracting crude oil.

Available data indicate that close to one fifth of crude oil deposits are located in Saudi Arabia. The kingdom is among the largest oil exporters to the United States, which, in its turn, has a token 2 percent of the oil deposits in the world. Nigeria is also among the large exporters to the American market, which explains the

# Global Oil Industry Primes for an Expansion in 2011

Despite the catastrophic oil spill in the Mexican Gulf, oil companies have allocated record budgets for the development of new deposits, including deep-water deposits, The Wall Street Journal wrote recently. Giants such as Saudi Aramco and Exxon Mobil, as well as even the smallest groups of exploration experts, plan to spend close to \$500 billion this year on oil and natural gas exploration and development of deposits, according to data released by the Barclays Capital Investment Bank in a new study.

For the first time in several years large Western oil companies have assumed the leadership in the sector, increasing their budget at a higher rate than their state-owned competitors do. According to Barclays Capital analysts, crude oil appetites are growing, boosted by expectations for economic recovery and amid speculations of a new steep rise of black gold prices.

Barclays estimates the cost of new drills, production of oil platforms and other energy infrastructures at a total of \$490 billion for this year, up by 11 percent on 2010. These figures are based on a survey of 402 companies. The planned increase of expenses reflects the increasing volume of investments in oil exploration and extracting and sites with difficult access.

The largest Western producers, including Exxon, Royal Dutch Shell, Chevron, and BP, are expected to increase expenses by 16% to \$108.6 billion, according to Barclays estimates. These companies lagged behind 10 years ago in terms of investments in new drilling installations because of a fall in crude oil prices. This time they are committed to avoid a similar mistake.

Chevron, which announced late last year an increase in expenses of 29 percent, plans to develop several large projects in Western Australia, South China Sea and even in the Mexican Gulf, despite the delay in the issuance of permits for extraction and exploration by the U.S. government after the explosion on April 20, 2010, of a deep-water drill operated by BP in the region.

Deep-water drilling is expected to consume most of the expenses of oil companies. Two year ago, when crude prices hit through the \$100 per barrel level, the industry contracted a large number of drilling platforms, capable of working in deep waters.

Twenty-five new deep-water drilling platforms left the shipyards last year, and another 35 are expected to be completed this year. The environmental disaster in the Mexican Gulf forced the Washington authorities to impose a five-month moratorium on deep-water drilling and to tighten the procedures for the issuance of licenses for new drilling, but this could hardly stop the oil companies.

According to Barclays, the government-controlled Petroleo Brasileiro has allocated a \$28.2 billion for capital expenses. Most of this amount is targeted for the development of recently discovered deep-water oil deposits along Brasilia's Atlantic shore.

Oil companies feel encouraged by the rising prices of crude. And despite the higher costs in the short term, in the long term the investments will guarantee a sustained extraction growth and will allow the transition to alternative sources without serious economic quakes.

close relationship between oil prices and frequent terrorist acts in the world.

## Bulgaria, as an open economy,

imports all the crude oil it needs. In absolute terms, Bulgaria's oil imports amount to about 10 million barrels per year. The fallout from higher oil prices is obvious – the price of every product or service, offered on the domestic market, includes the price of energy. This means appreciation in all spheres, and not only of transport and foods, reduced competitiveness of locally manufactured products, and restricted markets. Next come the problems for producers and traders, the closure of enterprises, and bankruptcies. At the end, however, higher prices will be paid by the end users of fuels, products, and services. This is an especially serious problem for people in the lower income bracket, who will have to set aside more of their money for covering energy costs.

The effects are already apparent as fuel prices in Bulgaria have increased steeply. The price of most widely used type of gasoline, A-95H, rose to 2.40 Leva per liter, which is an appreciation of 32 percent, year on year. Diesel oil is sold at more than 2.50 Leva per liter. The most unpleasant fact is that Bulgaria is among the EU member states with the highest



*The price for petrol is visible on a display board of a petrol filling station in Munich, Germany in the beginning of March 2011. The price for petrol has increased in Germany, due to conflicts in the Arab World. In the same time in Sofia some analysts say, that fuel prices in Bulgaria reached highest levels in the EU.*

fuel prices, as stated by consulting companies, studying the fuel markets. Because of the violence in Libya, prices went up by 0.1 Leva per liter over the last couple of weeks. In practical terms this means that fuels are cheaper in 11 other EU member states, including much richer countries like Spain, Slovenia, Slovakia, Poland, Luxemburg, Latvia, Estonia, and Cyprus. The reason for this is not in the excise duties or the VAT rate, as we would pay more than the Austrians, Polish, Slovenians, and Britons even after deducting these taxes. Fuel is

cheaper even in neighbouring Romania.

Otherwise, government analyses indicate that there are

## no anomalies in fuel pricing,

at least for the time being, and that high prices should be attributed exclusively to the influence of market factors. Minister of Agriculture Miroslav Naidenov, however, expressed concern that the high fuel prices may be used by unscrupulous

# The Global Oil Market Is Volatile in Price Terms

Even the smallest changes in supply result in steep and substantial changes in prices. There are no clearly manifested seasonal changes on the world oil markets, or at least they are not clearly visible for laics. Seasonal changes in prices are more strongly manifested in some petroleum products like heavy diesel oil and diesel oil, whose prices, as a rule, are higher in winter and lower in summer. States usually stock up on oil in October and November, which results in higher demand and price rises. There are currently 67 crude oil exporting countries, 54 of them have already reached peak oil, and their reserves are on the decline. At the same time, 10 of the 21 largest oil fields are in decline.

Crude oil is a strategic energy raw material. For many developing countries crude oil is the main source of revenue and a major national treasure. Crude oil is exceptionally important as a raw material for industrialized nations. There are constant open or concealed clashes of interests on the oil market between developed and developing countries. OPEC was created with the idea that oil-exporting countries should set the global price of crude oil. Developed nations have

managed to reduce the importance of this cartel by reducing its share in the global supply. New deposits found in the North Sea and their quick commercialization allowed, to a certain extent, to avoid full dependence on OPEC exports.

Asian states have the largest share in the global crude oil production. Europe (including Russia) comes second, with Russia contributing more than the half of Europe-produced oil. Crude oil production in North America has leveled out, although at a relatively low level. The highest growth rate is observed in Africa and South America.

During the first years of this decade Saudi Arabia, which has a superiority over the rest of the OPEC member states, used to claim that the ideal crude oil price would be \$20 to \$25 per barrel. Now, the Kingdom talks about \$70 to \$75 per barrel. The fact that OPEC nations and Russia successfully blocked all options for large Western oil companies to develop oil fields according to their own interests, is of a key importance, as the Western countries were forced to move elsewhere. This is one of the reasons why currently most efforts are dedicated to exploring potential new deposits.



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traders as a pretext for a speculative increase of food prices. The minister said he intends to propose to the cabinet a package of measures to establish control on fuel consumption along the producer-trader chain. The opposition urged the incumbents to look for the existence of monopoly or cartel agreements in order to judge whether the fuel prices match the genuine circumstances. At the same time the Bulgarian Union of Freight Operators insists that the state should intervene, otherwise they threatened with strikes or road blockades. Incumbent political leaders, experts and economists, however, claim that record-high fuel prices in Bulgaria merely mirror the boom on the international markets, where crude prices went up in the aftermath of turmoil in the Middle East and North Africa. Minister of Economy, Tourism, and Energy Traycho Traykov said that all components accounted for in fuel pricing, up to the pumps at the gas stations, are lower than in the EU in terms of production price and distributor margins.

Excise duties on fuels in Bulgaria are the lowest among all EU member states. At the same time fuels are supplied by a private oil refinery, which strictly monitors its production costs. These costs are not high compared to the prices at similar enterprises in Europe. If it turns out that the Bulgarian producer is selling at an excessively high price, then fuels are immediately imported from neigh-



*Installation at Lukoil – Neftochim near city of Burgas – the biggest petrol refinery in Bulgaria. According to Bulgarian National Television News, Lukoil produces around 80% of the fuels for the Bulgarian market.*

boring states. Romania, for instance, has several oil refineries. This is not a regulated market, Minister Traikov said.

From a strategic perspective, Bulgaria should develop alternatives to its exclusive dependence on oil for fuels. Minister Traykov insists that Bulgaria should turn to new technologies. Transportation, for instance, currently depends fully on oil, and this situation should be changed. „Incentives are needed for the introduction of electric vehicles, as they could be driven on energy generated by a

Bulgarian source,” he said. The same applies to renewable energy sources and nuclear energy.

A danger exists otherwise that

### food prices in Bulgaria might explode

because of the appreciation of black gold that is quite realistic, sources from the Sofia Commodity Exchange said. At the same time, wheat prices went down by 35 percent during the last several

## Deposits in the Middle East

**Saudi Arabia** – The kingdom’s oil reserves are estimated at about 265 billion barrels, according to 2009 estimates. These figures put Saudi Arabia on the top of the list of the Organization of Petroleum Exporting Countries (OPEC) in terms of oil reserves. Saudi Arabia produces about 8 million barrels of crude daily, which is by 11 percent less than in 2008. The natural gas deposits of the kingdom are estimated at about 8 billion cubic meters. Besides, Saudi Arabia has substantial deposits of iron, copper and gold.

**Iran** – The Islamic Republic is also rich in crude oil, with reserves set at 137 billion barrels according to 2009 estimates. Iran produces 4 million barrels of crude daily, which is by 12 percent lower than in 2008. The natural gas reserves of the Islamic Republic are set at about 30 billion cubic meters. Iran has also coal, iron, and copper deposits.

**Kuwait** – According to 2009 OPEC estimates, Kuwait’s crude oil reserves are about 102 billion barrels. The emir-

ate produces about 2 million barrels of crude per day, which is by 16 percent less than in 2008. Kuwait’s deposits of natural gas are estimated at about 2 billion cubic meters.

**Libya** – According to OPEC, this desert state has the largest known crude oil reserves in Africa, estimated at 46 billion barrels in 2009. This country produces some 1 million barrels per day, which is by 14 percent less than in 2008. Libya’s natural gas deposits are set at 2 billion cubic meters, according to 2009 estimates. The country has also deposits of sulfur, salt, lime, and gypsum.

**Algeria** – This African state had some 12 billion barrels of crude oil reserves in 2009. It is producing a notch above 1 million barrels of crude per day, which is by 10 percent less than in 2008. Algiers’s reserves of natural gas are estimated at close to 5 billion cubic meters. The country has also iron, zinc and lead deposits.



months on a global scale. Hence, it would be illogical to register higher bread prices. As a consolation, Sofia Commodity Exchange experts said that the record high 2008 oil prices still have not been exceeded. Then a barrel of crude was sold for \$150, but food prices did not register a drastic increase. The crude prices hike will affect fuels, but the impact of this will be diluted when spread over food prices, hence the impact will be moderate, said Sofia Commodity Exchange Director Vassil Simov.

It would be fair to assume that fuel prices should increase on the background of a drastic increase in crude prices, and that we should expect also an increase, albeit to a lesser extent, of the prices of the rest of the products. These increases, however, should be much more moderate compared to crude, as a large number of factors influence any new product along the chain. It is not logical that other products should appreciate at the rate of appreciation of crude, Simov said.

The prices of wheat, sunflower seed, vegetable oil, and sugar have started to decrease over the last several months. Corn prices, however, continue to rise, which may result in an increase of meat prices.

Transport and agriculture are most strongly affected by the expensive crude, as these sectors use fuels as basic raw materials. Some of the bus companies in Bulgaria have already raised ticket prices to offset for more expensive fuels, and the rest plan to do the same. For the time being, truck freight operators have absorbed on their own account the higher fuel prices, as their contracts with clients were signed in late last year for a period of three to six months. The high prices of raw materials will affect also the high growth-rate export-oriented sectors of the economy, which rely on imported raw materials.

Bulgarian macro-economy analysts claim that higher fuel, and respectively – higher food prices – would have a negative

effect on the economy, while it is slowly recuperating from the crisis. Analysts from Industry Watch predict that the growth rate for 2011 will not exceed 3 percent, and inflation will rise to 7-8 percent. The main concern at this time, according to economists, is that high prices may result in shrinking consumption for a third year in a row, which will push GDP down, offsetting exports and investments growth.

Commenting the tensions surrounding fuel prices, Minister Traykov said also: „It is clear that crude oil sooner or later will be exhausted. The issue is how we prepare for this. There will be fluctuations. Oil exporting countries are not interested in extended periods of high crude prices, as such a situation would push people to start thinking about alternatives, which would allow them to avoid dependence on these prices. The oil crisis of the 1970s brought forward the low fuel consumption vehicles. Then, the trend shifted to hydrogen, renewable energy sources, etc.” ■



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# Arab Revolutions and Mysterious Powers

By Boyko Vassilev



*Libyan rebels shoot at an oil company advertisement board with a portrait of Muammar Gaddafi, in Ras Lanuf, Eastern Libya, 05 March 2011. According to media reports, clashes continued on 05 March in different parts of the country, as Libyan leader Muammar Gaddafi's security forces try to regain control of cities held by anti-government forces.*

„What is the mysterious power that drives the mankind?” asks Leo Tolstoy in “War and Peace” – and then goes on to explain at great length and in great detail. Actually, it is the question that is important, and only the best pupils in Russian literature remember the answer. The key word is “mysterious” - it will be widely used in a century from now, when historians start asking themselves the question why the Arab world exploded in the beginning of 2011.

Otherwise, today we could list the current conspiracy theories. Something complex must have been concocted by CIA, MOSAD, or by Al Qaeda – next come the Freemasons, the Bilderbergs and the Trilateral Commission. No one would believe that is happened just so. On Dec. 17, in Tunisia – one of the smallest Arab countries – a young veg-

etables seller and head of family of eight, Tarek el-Tayyib Mohamed Ben Bouazizi, bought a can of gasoline and set himself on fire. He has been enraged by a municipal bureaucrat, who confiscated his goods, abused, and humiliated him.

Tunisians used the incident to stage a revolt. Ben Bouazizi died in a hospital, but a month after he had set himself on fire Tunisia's President Zine El Abidine Ben Ali

## was ousted from power

after 23 years at the helm of the state. Next followed protests in Egypt, Bahrain, Morocco, Jordan, Algiers, and Libya. An “Arab” scenario emerged in Albania, in Serbia and even in China. The “Jasmine revolution” (which the Tunisians call the “revolution of honour” because of the

abused honour of young Bouazizi) enriched the world glossary of rebellion. Schemes were destroyed, plans were ruined – and even maps were redrawn. All this happened after the desperate gesture of a humiliated man.

Do you believe that an insignificant event could reverse history? Marxist orthodoxy taught us to differentiate between “cause” and “motive.” The motive was the insignificant specific event, while the cause lies in the historical processes. Hate towards Necker was the motive for the French Revolution, while the cause was in the ambitions of the Third Estate, the ideas of the Renaissance and the economic crisis. It is not only what Marx wrote. Leo Tolstoy, who was mentioned above, also thought along similar lines.

The epilogue to “War and Peace” con-



tains an example of this line of thought. Günter Grass would call it “peeling the onion” - one peels one explanation after the other, until the core is revealed, that is – when one comes as close to the truth as possible. Tolstoy imagined various personalities who wondered what made the steam engine move. A peas-

ever, clearly indicates that the peelings of a multitude of explanations could be heaped on a single small event. It is possible that most of them could be true, albeit to various degrees.

Yes, Arab revolutions did start because of the injured honor of Bouazizi.

factors. Revolution, though, has a specific face in each individual Arab country.

Tunisia is perhaps the most secular Arab state. The problem in Tunisia stems from the long rule of a single president. Now, the Tunisians continue



Yemeni anti-government protesters shout slogans during a protest in Sanaa, Yemen, 04 March 2011. Yemen has been rocked by weeks of daily anti-government protests, inspired by the uprisings in Egypt and Tunisia.

ant would say that it is the work of the devil. Another, more educated person, would claim that it is the wheels. A third, even more enlightened would claim that it is the steam. The fourth, however, would know the whole sequence: how steam is generated, how the steam drives the wheels, etc. This, Tolstoy claims, applies to the question what is the power that drives people.

As I said, there are only a few people, who remember the answer given by the Russian writer. Besides, the response is of no great consequence. Knut Hamsun, whom Bulgarians know only vaguely from an advertisement, wrote: “When Tolstoy or Dostoevsky start philosophizing, I have the feeling that a

**dog has raised a hind leg – and serves”**

by relieving itself. The example, how-

However, they were linked to other reasons as well. Democracy has not scored any spectacular success in Arab countries. Many Arab states turned into dictatorships, some of them of the military brand, in order to arrest the spread of radical Islam. Some of these dictatorships succumbed to splendor, nepotism, and corruption. The pressure of Islam, on the one hand, and of the “enlightened” West with its temptations, on the other, weakened the dictatorships. A single quake was enough to rock them to the core.

We could add to these the issue of the still unresolved Israeli-Palestinian conflict (the mother of all conflicts, as Arabs like to say, which makes the whole world apprehensive), the modern communication technologies and social networks (Facebook and Twitter), the economic crisis, the demographic boom in the Arab world – and many other

to protest – this time against the interim government – and insist the new order to be legalized. The small size is a chance for the former Carthage to move quickly on the way to democracy.

Unlike Tunisia, Egypt is huge – and at the same time one of the most important states in the Arab world, even the most important of them all. President Hosni Mubarak fell after 30 years in power, and the military took over. No one, however, knows what the real potential of radical Islam is.

## The Muslim Brothers

are the oldest radical Muslim organization in the world and the predecessor of Al Qaeda. The Muslim Brothers have been banned, then allowed, and have a broad popular support and influence. “If there is a free election in Egypt, it will





File photo of Egyptians stand at a check point manned by civilians near an army tank as others sleep on the street leading to the Tahrir square, in Cairo this February. Egypt was the second Arab country after Tunisia to revolt against the years of un-democratic rulers.

be surely won by Muslim brotherhood,” says Alex Alexiev, expert at the Hudson Institute, Washington. “It was not the leading force in the protests, but it is organized, popular, and promising – and it could seize power afterwards.”

According to other analysts, the Sunni (unlike the Shia) are not inclined to convert the state into a theocracy. It is still unclear which of the analyses will emerge to be true. One way or another, developments in Cairo will be an important sign of the direction, in which the Arab world is moving, as Egypt usually sets the trends.

Things are quite different in Bahrain. The Shia majority protests against the governing Sunni minority. In other words – the clash in Bahrain can be described as inter-confessional. The discontent in poorer Morocco and in more affluent Jordan is directed against the royal court, but protests there still lack the energy. Yemen is among the poorest countries in the world. According to experts' forecasts, Sana'a will be the first capital in the world to remain without water by 2017. Yemenites want both rights – and a chance to survive.

Algiers was in a state of civil war for quite a long period. The war took tens of thousands of victims: afraid that political Islam would win, the incumbent military annulled the results from elections and embarked on a strict policy of restrictions in the public sphere. Today's protests have already achieved one of

their goals – the incumbents abolished the 19-year martial law.

Libya turned out to be different from all the rest – because of its Bedouin traditions and tribal culture. „In its essence, Libya is a federation,” said Arab scholar Vladimir Chukov. The 42-year rule of Muammar Qaddafi failed in mending

### the gap

between the East, with Benghazi as its center (the so-called Cyrenaica) and the Southwest with Tripolitania and Fezzan. Former Libyan King Idris was “Eastern”, while Qaddafi and his tribe – “Western”. The tribes, the enmities and the huge distances across the desert made the events in Libya so bloody. Still, Vladimir Chukov believes that Libya will not be split into two or three. We will see.

There are obvious general trends, but the pictures in individual countries are different. Still, the Arab world will never be the same again. Such events happen only once in decades – and we really need a lot of insight and imagination to rationalize it. Some of the lessons from our own, Eastern European 1989, might be useful. For instance, the protesters must be aware, that while some of them “hop” in the squares, others are ripping the fruits of the revolutions; that the square is not representative of future elections, which might push to the front the candidates of the “silent minority”; that the accounts in Swiss banks would hardly be used

fairly for the benefit of them all, not to mention the scenario, in which these accounts may never emerge in the daylight.

Aside from this, the world as a whole will have to make some accounting. Oil prices may continue to rise: this will please Russia and Venezuela but will sadden Europe. America will have to face the question – was Obama really right to do what he actually did – namely to refrain from supporting Mubarak to the hilt. Europe may

### be flooded with immigrants,

entering either via Italy's island of Lampedusa to Sicily, or across the border between Turkey and Greece or between Turkey and Bulgaria (as the inhabitants of many Arab states may travel to Turkey without visas). This is why Europe will have to decide: is it going to offer something to North Africa? Will it interfere, which is quite untypical for it? Will it give in to the immigrants' wave – or will it use reverse inertia and redirect its own citizens of Arab origin towards reforms in their own newly liberated home countries. The hour for difficult decisions is approaching.

For the time being, Bulgaria is just watching – with interest and slight apprehension. It is focused on the evacuation of the Bulgarians from Libya and on the confession made by the Libyan minister of justice that the accusations against the Bulgarian medics were unfounded. This is only a small consolation: neither suffering nor money can be compensated. To avoid surprises in the future, Bulgaria will have to reassess its national security doctrine in order to be capable of forecasting and forestall events.

If you read “War and Peace” carefully, you will see what Tolstoy would recommend. The more passive you are, the better – the logical movements of peoples should not be obstructed. This logic may well have been applicable in early or even mid-19th century. Now, one has to think and act.

Whatever the force that drives peoples, it would be best to try to move by yourself. ■





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# Bulgarian Economy Observes Encouraging Developments

In February, the statistics institute published the flash estimate for the GDP growth in Q4 2010. GDP (in seasonally and working-day adjusted terms) expanded by 2.1% y/y in Q4, accelerating from 0.5% y/y in Q3. The country's economy grew by 1.7% q/q. On the supply side, agriculture and industry contributed positively, driven mainly by rising exports. The services remained weak with declining value added to reflect the still poor domestic demand. Unlike the previous quarters when adjustments had negative contribution, in Q4 they rose by 4.4% showing better indirect tax revenues of the state budget as compared to a year earlier. On the demand side, the decrease in final consumption decelerated to 1.3% y/y in Q4 from 7.3% the previous quarter. The investments kept on contributing negatively, but in Q4 the only reason was the change in inventories, while the expenditures on fixed capital were up by 4.7% y/y. Still, the main impact came from exports, which have been rising by double digits in the last three quarters. Imports of goods and services confirmed the upward trend rising by 6.9% y/y in Q4 as compared to 2% y/y and 0.3% in Q3 and Q2 respectively. The annual GDP growth, obtained as sum of quarterly figures, increased in real terms by 0.3% compared to 2009, below the latest government forecast for a 0.7% GDP growth in 2010.

Last year ended with some encouraging signs in industrial production, which increased by a real 6.7% y/y in December, accelerating from a revised 5.7% y/y in November. In seasonally-adjusted terms, the industrial production fell by 1% m/m while working-

day-adjusted data showed an increase of 5.2% on an annual base. The growth rate of the manufacturing decelerated to 9.7% y/y in December from a revised 11.5% y/y in November, while the extracting industry and the utilities sector turned to growth in annual terms. Investment and consumer durable goods surged by more than 19% y/y. A total of 23 of the 27 branches posted growth rates in December as compared to 19 in November. The industrial turnover index increased by 21% y/y, indicating a further reduction in inventories. Exports surged by 60.3% y/y and domestic turnover went up by 7.6% y/y pushed up by the utilities mainly.

In the external sector, the CA deficit reached EUR 282.7 last year or 0.8% of the full-year GDP estimate, falling from EUR 3.48bn or 9.9% of GDP in 2009. Trade balance almost halved, thus contributing significantly for the improvement. Exports grew faster than imports as domestic demand has not yet recovered. The balances on services and incomes and net transfers also contributed positively. In December alone, the CA posted a EUR 239.8mn deficit, down by 47.9% y/y. The financial account remained at a surplus of EUR 386.6mn in December but outflows in previous months caused a deficit of EUR 403.1mn in the full-year readings. The overall balance of payments was negative at EUR 383.9mn last year but it contracted from EUR 649.8mn in 2009. Net FDI flows reached EUR 255.7mn in December and EUR 1.2bn last year, down by 46.1% y/y and 64.1% y/y, respectively. FDI inflows contracted by 46.5% y/y during the month, mainly

driven by a reduction in the equity capital allocated to local companies with greatest contribution of those firms, which are not part of the real estate business or the banking sector as well as decrease in the intra-companies loans of the same kind of firms. In the full-year readings, the decline of the intra-company loans was the greatest contributor followed by equity capital, including banks and real estates. The net FDI covered CA gap at 427.9% last year, rising from 97% in 2009, as a result of the improved CA balance.

The general consolidated budget posted a deficit of BGN 2.78bn (EUR 1.42bn) on cash basis last year, which accounted for 3.9% of the full-year GDP estimate. We remind that the corresponding target was for a budget deficit of 4.8% of GDP. Consolidated revenues reached BGN 34% of the GDP estimate last year as compared to 36.5% of GDP in 2009 though rising by nominal 4.6%. Consolidated budget expenditures reached BGN 26.7mn (4.1% up from 2009 level) or 37.9% of the GDP estimate last year as compared to 37.4% of GDP in 2009. The upward move resulted from higher social payments and the covering of outstanding liabilities from 2009. Nevertheless, expenditures were about 4% less than planned. The 2011 state budget envisages economic growth of 3.6% and a budget deficit of 2.5% of GDP. Renetly, the EC concluded that Bulgaria has "taken action representing adequate progress towards the correction of the excessive deficit within the time limits set by the Council" and no further steps are needed at present. Bulgaria has



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taken the necessary measures to correct the excessive deficit by 2011 namely by avoiding a deterioration of the 2010 deficit beyond the planned 3.8% of GDP and by legislating adequate fiscal efforts in the 2011 budget, in line with the Council's recommendations.

Meanwhile, finance minister Simeon Dyankov forecast that the budget deficit will run below the set in the budget law target of 2.5% of GDP this year. Dyankov has based his expectations on a forecast for accelerated recovery this and next year with economic growth of 3.6% and 4.1% respectively as a result of higher domestic demand, exports growth and investment in construction as a result of EU-backed infrastructure projects. In addition, the fiscal performance has turned better than expected in Jan-Feb. As a result, the pressure on the country to raise debt would ease. Simeon Dyankov reaffirmed that the country has dropped its plans to place a Eurobond issue this year and plans debt buy-back on the domestic market with possible extension to international markets. The minister also informed that the government may start talks in the autumn with EU officials with respect to entering the ERM II mechanism. We remind that in April last year, the government renounced its plans to apply for entering the ERM II mechanism in 2010 as the country did not meet the Maastricht criteria. The application was to be filed by the end of the Spanish presidency, which expired at end-June 2010, amid intentions to adopt the euro by 2013.

The general government debt, excluding state guarantees, increased by 2% m/m and 11.5% in a year, to EUR 5.39bn as of the end of December. Domestic government debt went up by 30.7% in annual terms and by 2.4% during the month. External government debt rose by 1.8% m/m to 62.6% of the total, down by 0.1pps during the month. The total public debt accounted for 14.7% of the full-year GDP estimate, up by 0.3pps during the month. Additional 1.7% of GDP are booked as state guarantees, the same as the preceding month. The fiscal reserve covered 57.1% of the public debt at the end of December, exclud-

ing state guarantees. The ratio was reported at 81.2% at end-2009 and 88.5% at the end of 2008 and 119.3% at end-November 2008.

On the labour market, the unemployment rate, measured by registrations with the state labour agency, increased by 0.54pps m/m to 9.78% at the end of January. However, in annual terms the indicator dropped 0.1pps, which is the first contraction since February of 2009. The agency comments that the monthly increase is due to seasonal factors, the completion of subsidised employment state programmes, and normative changes. The unemployment rate remained above the average in 18 out of the 28 regions in the country. The new job openings (excluding state programmes) increased both in monthly and annual terms indicating potential improvement in domestic demand in the months to follow. In January, 12 unemployed competed for one job position as compared to 19 in December. The manufacturing, the state administration, and the trade were the branches accounting for most of the newly opened positions.

The average wage reached BGN 669 (EUR 342.1) in Q4, up by 10.4% y/y. The annual growth accelerated for a second quarter in a row, increasing from 9.4% y/y in Q3. The growth of the real wages, adjusted with the corresponding CPI inflation index, however slowed to 5.8% y/y from 6.4% y/y a quarter earlier as a result of the pick-up of consumer prices in the past months. The nominal increase of wages, including annual bonuses, however, was slightly slower at 9.79% in Q4. The growth of the public and private sector wages accelerated to 6% y/y from 4.7% and to 12.7% y/y from 11.8% y/y in Q3 respectively. Public and private sector wages went up by 6.3% and 4% in quarterly terms, respectively. Public sector wages were higher by 23.5% than the ones in the private sector in Q4 and the gap expanded from 20.8% in Q3, but narrowed from 31.4% from Q4 of 2009. Part of the difference is explained by underreporting in small firms. Total wages were higher by 4.9% on quarterly basis after falling by 0.3% q/q in Q3. Wages went up the fastest in education (12.5% q/q) followed by

financial intermediation (9.5% q/q), the healthcare services and culture (6.7% q/q each), and state administration (6.5% q/q). Our estimations show that in annual terms, the wage growth decelerated to nominal 9.7% from 13.3% in 2009. In CPI-adjusted terms, the increase slowed to 7% last year from 10.1% in 2009. The total employment in the sample of enterprises monitored by the wage statistics decreased by 4.7% y/y to 2.15mn as of the end of December. The rate slowed down from 6% y/y as of end-September.

According to the latest available data, the consumer price inflation stayed flat at 4.5% y/y in January, statistics office preliminary data showed. On a monthly basis, prices increased by 0.6% driven by food, healthcare services and transportation. The average inflation for the period February 2010 through January 2011 reached 2.8% as compared to the same period a year earlier, up from the average 2.4% last year. The EU harmonised inflation index (HICP), used as a benchmark for the euro adoption, went up by 4.3% y/y in January, accelerating from 3.2% y/y in August. In monthly terms, it rose by 0.5%.

The producer price index grew by 12% y/y in December. In terms of industrial classification, prices increased in mining and quarrying industry by 14.4%, in manufacturing - by 11.6% and in electricity, gas, steam and air conditioning supply - by 12.6%. Among the manufacturing subsectors, prices climbed in the manufacture of basic metals by 20.9%, manufacture of textiles - by 9.4%, and manufacture of food products - by 8.5%. Deflation was observed in the manufacture of other non-metallic mineral products by 3.2%, and the manufacture of wood and of products of wood and cork, except furniture, - by 0.7%. In monthly terms, PPI rose by 1.7% m/m in December. Specifically, prices increased in mining and quarrying by 1.7%, in manufacturing - by 2.2%, and in electricity, gas, steam and air conditioning supply - by 0.7%. Prices surged the most in manufacture of textiles by 3.6% m/m, manufacture of basic metals - by 1.2%, and in manufacture of paper and paper products - by 1.1%. ■

# Five New Members Join AmCham



Four IT companies and one in both farming and energy sectors presented their profiles during the AmCham Meet New Members party on March 7, 2011, held at the Radisson Blu Grand hotel. The guests were cordially welcomed by Peter Lithgow, AmCham president and executive director of AES Maritsa East-1.

Bulpros is a dynamic Bulgarian IT and outsourcing company focused on: software development, system integration, technical and customer support, and BPO consulting, as Ivalyo Slavov, management consultant, explained. The company is located in Sofia, Plovdiv and Varna. The firm boasts of its capability to build the bridge between European onshore with Asian offshore delivery locations.

Zlatina Chotukova, executive director for wind and energy projects, elaborated on the main activities of GIFTA, which is a Bulgarian company estab-

lished back in the early 1990s and working today as a company group active in various business sectors – farming and grain trading, research, development and implementation of renewable energy projects – utilization

of wind and solar energy, construction and real estate, tourism. GIFTA group now works on several projects such as wind park with up to 75 MW in the area of Valchi dol, solar park in the area of Klimentovo, Varna region with



*George Brashnarov with Nemetschek Bulgaria (second left) meets with HE Sheila Camerer, Ambassador of South Africa to Bulgaria.*







*Ivaylo Slavov, management consultant with Bulpros.*



*The cosy Alexander Hall at the Radisson Blu Grand Hotel hosted the party.*



*Zlatina Chotukova, executive director wind & energy projects, GIFTA.*



*George Brashnarov, general manager with Nemetschek Bulgaria.*



*Plamen Mateev, president of Progress CAD R&D Centre Ltd.*



*George Uzunov, Director, Sitel Sofia.*

power capacity of up to 2 MW, solar park in the Elena Balkans with power capacity of up to 2 MW.

Nemetschek Bulgaria as represented by its general manager George Brashnarov is a leading software development company in Eastern Europe, providing high-end solutions and services in the area of software R&D, marketing and implementation. It was founded in 1998 in Germany. Business domains include B2B and B2C applications, mobile applications, facility management, CRM.

Plamen Mateev, president of Progress CAD R&D Centre Ltd., said the company is an official partner of the companies DELL Inc. and Microsoft Corp. as a system developer and integrator. The company was founded in 1982 as a contractor of modern information system projects of the UN Development Program. It is specialized in the field of design, development, installation and servicing of computer systems, engineering, training, etc.



*From Left: Ivaylo Slavov, Bulpros, Dr. Solomon Passy, Atlantic Club Bulgaria/NATO, and George Randelov, Microsoft Bulgaria.*

Sitel Bulgaria award-winning services provide clients with the strategic insight, scale and diversity of offerings to ensure the best return on their customer investment, said George Uzunov, director. Sitel Sofia was founded in March 2006 as one of the first multi-lingual contact centres in Bulgaria. The

company co-operates with universities and foreign cultural institutes. The track training programs of Sitel are designed to improve the continuity of Sitel's leadership by building a pool of trained learning specialists, coaches, operation managers and site directors ready to promote as opportunities occur. ■



*Around 80 AmCham members joined the March Meet new members party of AmCham.*





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# Companies Present Remuneration Surveys

## Deloitte Bulgaria and Vivacom to chair AmCham HR Committee

At its first gathering in February this year, the AmCham HR Committee elected two co-chairs of the committee: Dobromira Manasieva, senior manager at Vivacom, and Zlatina Kushkueva, manager consulting, Deloitte Bulgaria. During a secret ballot some 60 representatives of AmCham member companies elected the two co-chairs.

The HR meeting focused on remuneration surveys. Four reps of the HR departments with AIMS, ConsulTeam, Concepta Business Partners, representative of Hay Group, and PricewaterhouseCoopers Bulgaria elaborated on remuneration surveys they conveyed.

Georgi Zhurov, project supervisor with AIMS, presented "Compensation and Benefits Survey." An insight of the HR policy trends was given by answers to questions: Have you implemented the changes in main HR policies in your com-



*Albena Atanasova, Concepta Business Partners, representative of Hay Group.*

pany in 2009: 62% answered “yes,” and 38% answered “no.” How the companies plan to implement HP policies and practices? By freezing hiring (89%), reducing training budgets (84%), layoffs (50%), reducing budgets for additional benefits (39%), and by increasing communication on compensation and benefits issues within the organization (39%).

With a 100% turnout, the companies said they provide company sponsored education (in 28.4%), and in 71.6% they do not provide it. With regard to the compensation policies 71% of the companies do not provide additional salaries in the form of 13th or 14th paycheck.

25.6% provide 13th salary, and 3.4% provide 14th salary. The frequency of salary review is made in 81% of the cases, and twice a year in 14.9%. The main factors considered for salary increase are: performance (84%), promotions (62%), labor market trends, inflation, and position in salary range.

Iva Todorova, ConsulTeam Human Capital Bulgaria, said that in 2002 ConsulTeam started the total remuneration survey for 2011 in Bulgaria and will release the results this year. 178 companies participate in the survey from 24 business industries and 415 jobs. The company got 44,000 observations/individual packages. The main stages of the survey were: collecting data, verification and processing, and delivery of results.

The planned increase of salaries for 2011 as an average is for the head of organization (6.2%), the executives 5.6%, the management - 5.6%, and professional sales – 5.3%. The possible areas of application of the survey results: external competitiveness – the company vs. the market, optimization and budgeting of the remuneration costs, internal logic and consistency of the remuneration – basis for strategy and policy, recruitment and retention of key employees, management in the current business economic situation – benchmark for local practices.

Albena Atanasova, Concepta Business Partners, representative of Hay Group presented “Compensation and Benefits” survey.



Georgi Zburov, project supervisor with AIMS.

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*Iva Todorova, ConsulTeam Human Capital Bulgaria.*

Due to the global economic downturn impact, the most affected countries in Central East European part in 2009 are the Baltic countries, Romania and Hungary with a negative GDP growth: -12%, -8% and -6.3%, in West Europe the forecast for the Germany's growth in 2009 is -6.2%. At the opposite side in Central East part is Poland that reported in Q1 and Q2 2009 consequently a positive GDP growth of 0.9% and 1.4%;

In 2009 there are three countries that applied salary raises more than 8%: Russia, Ukraine and Bulgaria, but

according to the forecast inflation for 2009, a positive salary raised with 2% above inflation were applied in Czech Republic, Bulgaria and Romania and with 1% more in Poland.

According to the Hay Group database in 2010 the biggest forecast for salary increases are in Ukraine, Russia and Romania with 11.0%, 8.2% and 8.1%, but if it is compared to the inflation forecast for 2010 Romania is the only country with a real salary raise – with 6% more than inflation. Bulgaria's forecast is 6%.



*Boncho Bonchev, HR Services leader with PricewaterhouseCoopers.*

Boncho Bonchev, HR services leader with PricewaterhouseCoopers Bulgaria, presented "Salary and Benefits" survey of the company. The survey was aimed exclusively at top and middle management positions and was conducted in Bulgaria between 1 October and 1 December 2010. The report for Bulgaria was published on 17 December 2010. Some of Bulgaria's largest employers took part in the survey. The average wage increase in 2010 for top and middle management stands at 8%. The performance bonus is a common incentive for middle (75%) and top (69%) of the management. ■

**Zlatina Kushkiewa** has more than 13 years of professional experience, 11 of them with focus on Human Resources. Before joining Deloitte in 2006, Zlatina has been holding different positions in multinational companies operating in the pharmaceutical, oil & gas and fast-moving consumer goods sectors. Before joining Deloitte Bulgaria, Zlatina was the Regional Human Resources Manager for 7 countries in the Balkan region for an R&D pharmaceutical company, and as such she was based in Austria.

At Deloitte Zlatina has led projects in the area of business strategies identification, KPIs definition, business processes redesign/optimization, organization design, design and implementation of new methodologies in the areas of Human capital



management for financial services, media, telecommunications, energy, FMCG companies.

#### **Examples of recent projects led:**

- Optimization of operational, finance and HR processes
- Organization design, including design of a 3-year business action plan, KPIs, design of business processes, organizational structures
- Design and implementation of an HR strategy supporting the business strategy. Improvement of current HR practices and implementation of new HR processes.
- Cascading of company's strategic goals and KPIs. Implementation of 'Management by Objectives' performance management process
- Competency model design and implementation
- Succession management process design and implementation
- Redesign of the rewards strategy, principles and practices



**Dobromira Manasieva** has been Senior Manager Corporate Programs for Training, Development and Remuneration in the Human Resources Division of VIVACOM since January 2009. She is responsible for elaboration and implementation of performance appraisal policy and related rewards, staff cost budgets and benefits, training, development and retention programs for employees. Dobromira has been working in the HR management field for 10 years and most of her experience is in the telecommunications area.



Dobromira started her career in the international company Danone as a trainee in the HR department. Three years later she moved to Globul during the launch of the mobile operator in

Bulgaria, where she was engaged in structuring and implementing new policies and procedures. She joined BTC at the end of 2004. At that time, just after the privatization of the company, she was responsible for the job grading and performance evaluation pro-

cesses. A year after she became HR Manager of the newest mobile operator in Bulgaria – vivatel, part of the BTC Group. As of March 2006 Dobromira took a professional path in an industry, which was new for Bulgaria – outsourcing of technical support services – where she undertook the challenge of starting new projects for technical support and customer service in Bulgaria for three of the largest IT companies in the world.

In the beginning of 2009, Dobromira joined BTC again with more responsibilities related to key HR projects for the company. She has a master's degree in Economics of Human Resources from the University of National and World Economy in Sofia.



## Business Trip to the National Association of Broadcasters Show in Las Vegas April 7-15, 2011



The U.S. Commercial Service in Bulgaria and the American Chamber of Commerce in Bulgaria have the pleasure of inviting you to join the group for a business trip to the National Association of Broadcasters (NAB) 2011 show in Las Vegas.

The NAB Show, held annually in Las Vegas, is the world's largest electronic media show covering filmed entertainment and the development, management and delivery of content across all mediums. With nearly 90,000 attendees from 151 countries and more than 1,500 exhibitors, the NAB Show is the ultimate marketplace for digital media and entertainment. The Commercial Section of U.S. Embassy will facilitate meetings with U.S. exhibitors at the show. This is a unique opportunity to learn about all the developments in broadcasting and latest technologies, make business contacts and purchases at factory prices.

The exhibition will be held in Las Vegas, Nevada from 9 to 14 April 2011. For more information about the exhibition, please visit <http://www.nabshow.com>.

The trip will take place under the following schedule:

April 7	Sofia-Paris-Salt Lake City – Las Vegas
April 14 - 15	Las Vegas – Detroit – Paris - Sofia

Complex price of € 1516 includes: return ticket Sofia-Las Vegas, 7 nights in Las Vegas Hotel Circus Circus (three stars) in a double room. For accommodation in a single room, the complex price is € 1676. The transfers hotel-airport-hotel and the breakfasts in the hotel in the U.S. are not included.

The group will be accompanied by representatives of both AmCham and the U.S. Embassy.

The deadline for registration is March 21, 2011.

**For participation and additional information please contact us via:**

phone: 02/939 5784, 02/39 5740, 02/ 80 80 100

cell: 0898 955567, 0889 48 60 52 and

e-mail: [stanislava.dimitrova@trade.gov](mailto:stanislava.dimitrova@trade.gov), [irina@amcham.bg](mailto:irina@amcham.bg) or [office@chancetravel.com](mailto:office@chancetravel.com)

# Baba Marta Celebrated With Record

Students from the Anglo-American School of Sofia prepared the largest martenitsa ever made by foreigners in Bulgaria. Together with U.S. Ambassador James Warlick, students of some 46 nationalities welcomed March 1 at a special ceremony.

Among the guests were also the director of the school, James Leahy, the representative of AUBG in Sofia, Dr. Ivan Ivanov, and Julia Martiniak, president of the Parent-Teacher Organization of the school.

A group of fifth-grade students performed a traditional Bulgarian play in both English and Bulgarian about Baba Marta, Malak Sechko and Golyam Sechko. At the end of their performance the young actors awarded Ambassador Warlick and other special guests with a handmade martenitsa. Students from the audience sang the popular Bulgarian song about Baba Marta. Ambassador Warlick greeted the children warmly with the traditional "Happy Baba Marta" and encouraged their enthusiasm in following the ancient Bulgarian tradition. He



*The US Ambassador James Warlick and the Director of the school, Mr. James Leahy unveil the big martenitsa made by foreign students in 6, 7 and 8 grades.*

also invited the bravest ones to submit a photo of the big martenitsa decorating their school entrance to the Guinness Book of World Records.

A week before this event, a number of middle school students from the United

States, United Kingdom, Turkey, Lithuania, Turkey, and Greece worked on the preparation of the biggest martenitsa ever produced by foreigners. They demonstrated that joyous ancient Bulgarian custom of Baba Marta can be proudly shared with the rest of the world. ■



*Mr. James Leahy, Director of AAS and the US Ambassador James Warlick greet the students of AAS.*

# Corporate Responsibility Magazine Ranks Johnson Controls First in 100 Top U.S. Corporate Citizens List

Johnson Controls announced its first-place ranking in Corporate Responsibility Magazine's 12th annual "100 Best Corporate Citizens List" in the beginning of March. The company ranked first based on its performance in seven key areas: Environment, climate change, human rights, philanthropy, employee relations, financial and governance.

"Corporate Responsibility Magazine's first-place ranking of our company recognizes our long-standing commitment to corporate responsibility," said Stephen A. Roell, chairman and chief executive officer of Johnson Controls. "We are honored to be recognized as a leader in this area and congratulate all of the companies named to this list. We are proud of

our employees, who bring the spirit and focus of CR Magazine's criteria for this ranking to their work every day. We applaud our employees' dedication to our values, which govern their interactions with all of our stakeholders and underscore our commitment to the environment, human rights and the communities where our employees live and work."

According to Elliot Clark, CEO of SharedXpertise Media, which publishes CR Magazine and produces the Commit!Forum, "This is the 12th annual CR Magazine '100 Best Corporate Citizens List' and we are gratified to see that once again, the overall average of the 100 Best Corporate Citizens in the Russell 1000 improved year over year

from 2010. This demonstrates the continuing commitment on the part of these companies to better transparency, accountability and citizenship practices."

The "100 Best Corporate Citizens List" was first published in 1999 in Business Ethics Magazine, and has been managed by CRO and Corporate Responsibility Magazine since 2007. In order to compile the list, every company in the Russell 1000, the highest ranked stocks in the Russell 3000 Index of publicly held U.S. companies, is ranked according to over 342 data points of information. The methodology for generating the list is governed by a Methodology Committee of the Corporate Responsibility Officers Association (CROA). ■

## Students Lend Ideas on Improving Education

The first textbook written by high school students – winners in the „High Start with Postbank” program – was presented March 1, 2011, at the official awards ceremony of the program's scholarship holders. Anthony Hassiotis, CEO of Postbank, and the winning students, presented the book, which contains the high schoolers' ideas on the improvement of Bulgarian secondary education, to Milena Damianova, deputy minister of education. The authors of the best essays on the topic "Chase Boredom away from School" received a one-time scholarship worth 1,000 Leva from the program conducted under the auspices of the ministry.

This year's edition of the "High Start with Postbank" program distinguished 51 high school students with a total of 51,000 Leva. Among this year program's partners were also non-governmental organizations, working in the field of education and youths such as Bulgarian Donors Forum, Paideia Foundation, National Network for Children and the Parents Association, as well as the Bulgarian National Television and Darik Radio.

"In its six years of existence, the program has established a successful formula for partnership between private business and the state. This year we relied on the support from non-governmental organizations and media as well, because we all have a common goal – an effective education system, which educates and nurtures Bulgaria's future leaders. The new format provoked dialogue, in which we gave the floor to the high



*The students who got stipends under the program "High Start with Postbank".*

school students. I believe that this dialogue will not stop here, but will continue and deepen further," Hassiotis said.

The sixth edition of the program included students from the eighth to the 12th grade in high schools and specialized schools from 164 cities in Bulgaria. Around 2,000 high school students submitted essays with their ideas for the development of high school education in the country. The jury that selected the winners included representatives of Postbank, partner organizations and the media. Best scores were granted to well-structured ideas with a description and a solution of a problem, applicability and originality of the idea, as well as excellent spelling and punctuation. ■



# Launch of Sofia's Most Expensive Apartment Rentals Project

Cleves, the luxury apartment rentals company, opened in February Sofia's most expensive rentals project: a sumptuous 34-apartment building in Iztok which cost over €10m, of which €2m has been spent on the fit-out, furnishing and equipment. Prior to launch five of the most costly apartments had already been rented – for as much as €3000 + VAT per month.

“Despite the economy, underlying demand from international clients in this niche is strong,” said Vesey Crichton, partner at Cleves: “There is a shortage of high-quality rentals in Sofia. Monthly rentals are from €760 to €3400 + VAT.

Cleves Este is in a very smart secure compound close to the Joliot Curie metro, with shops and restaurants on site, underground parking, landscaped gardens and children's playgrounds. A swimming pool and health club will open soon with massage, steam rooms, fitness and beauty facilities.

The building itself has eight floors, with a ground-floor suite of offices, 34 apartments and 49 parking spaces. The design of each of Cleves Este's apartments is different and distinctive. Influences range from Japanese poetry and square-rigged sailing ships to the



romance of Tuscany and Provence.

At every stage of the project's design close attention has been given to style and comfort. All apartments are light and airy, with spacious rooms and big windows. Each has at least one balcony – most have several. Some apartments have walk-in wardrobes. All have modern handcrafted kitchens, Wi-fi pre-installed, and flat-screen TV with cable access. Every apartment has a full security system, with burglar alarm motion detection, and the front

doors have triple bolts. A concierge is on duty 24 hours a day.

Cleves Este has some special features: A single remote control device gives access to everything – underground parking, the main entrance, the lift, and the gardens. Each apartment's video entry system gives a view of both the front entrance, and the area immediately outside the apartment. The air-conditioning is computer controlled, with chiller units on the roof – 'greener' and more efficient than conventional systems. The underground car park is lavish: wide painted concrete floors, lighting activated by motion sensing devices, and (for winter conditions) under-floor heating on the entry and exit ramps.

This is the company's fifth rental property, bringing the number of apartments it operates in Sofia to 91. Already Cleves has rental projects in Boyana, Oborishte, Izgrev and Manastirski Livadi.

Cleves EOOD ([www.cleves.bg](http://www.cleves.bg)) is in the process of acquiring a €40m portfolio of up-market, residential property in Sofia. The company focuses on the top-end of the rentals market. Its clients are senior international business people and diplomats. The company owns and operates all the apartments in its portfolio. ■



# Empower Award for Young Entrepreneurial Excellence

## Innovation and Social Responsibility Finally Pays Off

The Empower United Foundation announced February 16, 2011 the start of the Empower Award competition for young entrepreneurial excellence for 2011 at an open meeting-discussion titled "What success secrets of proven start-ups – practical advices", held in Hall 6 of the National Palace of Culture. The event attracted more than 500 young Bulgarian entrepreneurs, government officials, and representatives of the leading Bulgarian and international business enterprises. Keynote speakers of the official opening were Minister of Economy, Energy and Tourism, Mr. Traycho Traykov and US Ambassador H.E. James Warlick.

The Empower Award for Young Entrepreneurial Excellence is initiated and organized by Empower United Foundation. It is a national competition established in 2010 for young entrepreneurs up to 35 years old. The Program aims to fill the need for a professionally managed, sustainable, nationwide business plan competition, which encourages the establishment of innovative and socially responsible start-up businesses by young Bulgarians. The business plans are evaluated by a jury compound by prominent assessors from the public and private sectors of the Bulgarian economy. The Program incorporates also an educational part focused on entrepreneurship, organized in the form of monthly meetings, held in large Bulgarian cities with the participation of business leaders, angel investors, funding institutions, and professional organizations.

In 2010, the Empower Award attracted more than 191 applications covering over 10 business sectors. After two stages of evaluation, the seven finalists presented their business plans in the day of the award ceremony to the Grand Jury, consisting of representatives from the Ministry of Economy, Energy and Tourism, Executive Directors of the States' InvestBulgaria Agency and Development Bank, General Managers of banks, international corporations and local companies. The criteria for successful projects were based on the principles of innovation, business vision, social responsibility and sustainability. In its first edition, the Empower Award granted financing for 3 projects and 1 additional Special Green Award, totally amounting to more than 200000 BGN.

In line with its long-term goals to help the Bulgarian economy prosper and potentially help solve some of the world's most challenging problems, Empower Award Program continues and expands its reach in 2011. "This year we shall build on what has already been achieved at last year's competition, while changing several important aspects of the process of assessing and giving feedback to the young entrepreneurs who applied" said Thomas Higgins, Chairman of Empower United Foundation. Additional to the increase of the financial stimuli, the Program envisions enhancing the educational component for young entrepreneurs.

The plan for 2011 encompasses the organization of more



*Thomas Higgins, Chairman, Empower United Foundation. More than 500 young entrepreneurs were present at the Official Opening of the Empower Award for 2011.*

meetings and public discussions with prominent business persons to be held all over the country. Thus, the Empower Award offers the unique opportunity for young success-driven Bulgarians to have a first-hand experience with the contemporary local and international entrepreneurial progress. The Empower Monthly Meetings provide positive environment for learning from best practices, idea sharing, and networking with adherents. Next stops of presenting the Award in front of the public will be Varna on March 21st and Plovdiv on April 4th.

The successful pilot year of the Empower Award would not be possible without the strong support of strategic partners. In addition to companies, which supported the initiative in 2010, such as CMS – a leading European legal and accountancy firm, and AES – one of the world's largest energy companies, in 2011 other extremely successful organizations also joined the initiative as partners. These include Lufthansa Technik Sofia Ltd. - the most successful base for repair and technical aviation servicing in Europe, the Sopharma Plc pharmaceutical company, full software solutions company Telerik, the America for Bulgaria Foundation, the American Chamber of Commerce and Mobiltel EAD. Microsoft Bulgaria EOOD is the educational partner to the initiative.

"Empower is a great example of public-private partnership, and has become a superb platform for young Bulgarian entrepreneurs to present their innovative business ideas" said H.E. US Ambassador to Bulgaria James Warlick. I was truly impressed by the winners from last year's competition, and I look forward to seeing the projects that are presented this year by these truly talented participants, the future of Bulgaria," he added.

For more information on the EMPOWER Award and Empower united Foundation please visit [www.empower.bg](http://www.empower.bg). ■

# UniCredit Bulbank Launches a Series of

During the women's month of March UniCredit Bulbank will make all ladies happy with the specially created for them bank products, which will be offered in the whole branch network of the Bank. Donna, as the new series of products is called, includes a special deposit, consumer loan, investment loan, package program and a credit card.

"The presentation of our new product series Donna coincides with the Women's holiday, but for us the focus on the ladies will be permanent, not only in one day of the year", UCB's Deputy Head of Retail Banking Tsvetanka Mincheva said. "This is a gesture to the ladies and recognition of their loyalty as clients. The product series is only the first step from an overall program, which we will build aiming to service in a better way women clients, who – as such - have specific needs," Mintcheva said.

Surveys show that women-entrepreneurs as a whole have a higher percentage of loan return, as well as a lower percent of failures of start-up businesses. In addition, surveys show that women have better return on loans and in some countries – the companies managed by women increase faster than the other private companies. A survey held by a UniCredit team as part of an international Group project revealed that in USA, for example, in the period between 1997- 2004 the companies managed by women increased with 17% compared to 9% for all companies.

The bank products from the Donna series developed especially for women have a special design and are adjusted to the ladies' requirements as a client group and can be found in every branch of the bank. They include:

Donna deposit – the deposit is for a

period of 180 days, whereby the interest is paid out every 60 days. Special preference for mothers with children of up to 3 years, who choose to open Donna deposit is that for them the interest will be with 25 percentage points higher than that for the other clients.

Unico Donna package program – if they choose this program, the ladies will get a current account in BGN and additional one in FX. Both accounts are opened free of charge and there is no maintenance fee or fee for closing. With this program women also receive a free-of-charge issue of a debit card at preferential conditions, as well as a possibility for use of two additional debit cards attached to it. Visa Classic Donna credit card has a special design and is without annual service fee. In Unico Donna package program ladies receive additionally three free-of-charge utility payments per month, an




**"BEST BANK IN BULGARIA"  
BY EUROMONEY**



**"BANK OF THE YEAR IN BULGARIA"  
BY THE BANKER**



**"BEST BANK IN BULGARIA"  
BY GLOBAL FINANCE**



# Products for Ladies

unlimited number of internal banking transfers via electronic channel, "SMS notification" service, as well as Bulbank Online electronic service.

Donna consumer loan, which can be used for financing of specific personal and family needs, including health services and body care; trips to exotic destinations, post-university education,

etc. With this loan all ladies can use a preferential period with interest discount. The interest discount can also be used for the Donna mortgage loan for private investment initiatives.

Visa Classic Donna credit card – developed especially for women with original design. The card has no service fee for the first year and is with a preferential

monthly interest rate amounting to 1.33%, so that it meets the ladies' desire for shopping.

UniCredit Bulbank is committed to support the campaigns at the site [www.save-darina.org](http://www.save-darina.org) and a percentage from the revenues from the Donna products will be donated for treatment of ill children. ■

## new members



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Sofia Airport, on one of the main city arteries – the Brussels Blvd., the complex offers a business oasis with an array of lifestyle amenities. The Hilton Garden Inn is the only business hotel at the Airport. With its 200 rooms it delivers a refreshing blend of friendly hospitality, refined sophistication, office and business proximity. Adjacent to the hotel are two high rise office buildings – The BLU Offices. With 65 meters in height the buildings are an attractive and contemporary 16-story trophy office tower. The office buildings contain approximately 20,000 sq.m. rentable office space. The property also features a 240-car executive parking garage accessible from Brussels Blvd. Other amenities include full-service conference center, fitness facilities, and exceptional technology features.

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**Deutsche Bank.** The Representative Office in Sofia is the first point of contact for DB's corporate and institutional clients in Bulgaria. Deutsche Bank is a leading global investment bank with a strong and profitable private clients franchise and mutually reinforcing businesses. The bank competes to be the leading global provider of financial solutions, creating lasting value for its clients, its shareholders and the communities in which the bank operates. DB is very well-positioned, with a presence in over 70 countries, significant regional diversification and substantial revenue streams from all the major regions of the world. The bank has established strong bases in all major emerging markets, and therefore has good prospects for business growth in fast-growing economies, including the Asia-Pacific region,

Central and Eastern Europe, and Latin America. In Germany, DB is the undisputed number one, and it has a leading market position in Europe, which is indispensable for the bank's global success.

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# China Breeds a New Type of Hybrid Car

The Chinese carmaker BYD\* starts selling its new dual mode vehicle in the U.S.



*A photo of BYD F3DM - the new dual mode driven car from BYD Automobile Co Ltd - a Chinese automobile manufacturer. This firm was established in 2003, and it is a part of BYD Co Ltd, an innovative rechargeable battery maker. As of 2010 production capacity is estimated at 700,000 units/year, and that year's sales reached 519,800 making the company the sixth largest Chinese car-maker by units sold. 2010 saw continued popularity for its F3 model - that year it was the most-purchased car in China,*

WITH the electrification of the automobile gaining momentum each day, a dizzying variety of hybrid, plug-in hybrid and pure electric drive systems are heading to market in coming years.

With each new model, consumers will grasp for precedents. Is that new electric-drive vehicle most like a battery-powered Nissan Leaf or a Chevy Volt plug-in hybrid? Or is the Toyota Prius gas-electric the right benchmark?

When it comes to the BYD F3DM, a Chinese car expected to go on sale in the United States early next year, the right answer may be, "All of the above."

The F3DM starts with the platform of the front-drive BYD F3, China's proven best seller, and adds a 16-kilowatt-hour battery pack and two alternating current electric motors. Its operation is sometimes closest to a pure electric vehicle; at other times it's closer to a conventional hybrid. BYD calls it a dual mode — the DM part of the F3DM name.

BYD engineered the car to drive mostly on electricity. After an overnight charge of the battery pack, drivers will punch the dashboard E.V. button and drive off using only energy from the lithium-iron-phosphate battery. This chemistry is not as effective at storing energy as the lithium-manganese formulas used in the Leaf and Volt, but BYD says it makes the tradeoff in the interest of safety and durability. For simplicity and cost containment, the F3DM does not have an active thermal management system for the battery — something that the Volt engineers say

is crucial to cell longevity.

The motors are a 50-kilowatt unit that drives the wheels and a 25-kilowatt helper that can send power to the wheels or generate electricity through regenerative braking. As long as the charge level of the F3DM's batteries is above 20 percent, the two motors handle all the work; 30 miles or so down the road, the car automatically switches from E.V. operation to hybrid mode.

At that point, the F3DM's 1-liter 3-cylinder engine is called into service to bring the battery charge as close as possible to 30 percent, effectively extending the range of the vehicle by hundreds of miles, just like the Chevy Volt.

There is a direct connection between the gas engine and the wheels, a Prius-like approach that comes in handy when accelerating onto a highway. In high-load circumstances, the 68-horsepower gas engine combines with the electric motors for a total of 168 horsepower.

The F3DM's 1-liter 3-cylinder engine is a pipsqueak, but perfectly suited for its primary role of recharging the batteries. BYD showed a bit more flair by including a rooftop solar panel as a standard feature. It's more show than substance, but does provide some electric energy to run vehicle accessories like the radio and climate control. In the end, the solar panel probably doesn't add much cost, because BYD is one of the world's largest manufacturers of photovoltaic cells, in addition to being a global leader in lithium-ion batteries. ■





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