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Bulgaria welcomes outsiders to help modernize economy: [Final Edition]

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Abstract (summary)

The decree seeks to nudge **Bulgaria** toward a market-oriented economy by abolishing the state monopoly over **foreign trade**, encouraging joint ventures, allowing **foreign** companies to set up and manage wholly-owned subsidiaries and permitting, in many cases, repatriation of profits in hard currency.

For companies seeking a foothold in Eastern Europe in the high-tech area, Konstantin Glavanakov, deputy minister of **foreign** economic relations, noted that **Bulgaria** is the largest exporter of electronic goods among the Comecon nations. Comecon, the Council for Mutual Economic Assistance, is the East bloc **trade** group.

Furthermore, he noted, Comecon over the next five years will remove its internal tariffs and become virtually a tariff-free market of 300 million consumers. As that happens, **foreign** companies based in **Bulgaria** will be afforded the same treatment as Bulgarian-owned companies.

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LOS ANGELES _ **Bulgaria** is asking **foreign** investors to assist its efforts to modernize its economy.

Western business leaders have praised legislation enacted in January by the East European nation's State Council that liberalizes rules governing joint ventures, including the acquisition of equity in Bulgarian companies and repatriation of profits.

But they question how quickly a nation that's been under centralized economic control for 40 years can make the transition to a freer marketplace.

This concern was expressed last week at a conference in Los Angeles sponsored by **Dow Chemical** Europe and the **Bulgaria**-U.S. **Trade** and Economic Council.

The legislation "is an attempt to reduce government intervention in the economy," said Jon Nicholas O'Del, who specializes in Eastern European affairs at the School of Management at the **State University of New York** in Buffalo. "It remains to be seen if implementation will take place fast enough for American and Western tastes," he added.

After the Second World War **Bulgaria** sought to move from a backward, agrarian country to an industrial economy by placing control of most production and resources in the hands of the state.

Tzvetan Petkov, chairman of the Economic Bank of **Bulgaria**, said that philosophy brought rapid industrialization, but it later became obvious that the closed economy and antiquated management techniques were restricting further growth.

In the mid-1970s, **Bulgaria** began to decentralize and open its economy to the rest of the world, Petkov said.

It took **Bulgaria** awhile to stimulate economic growth, but the effort paid off. The gross national product last year grew 6.2 per cent, and similar growth is projected for 1989.

Bulgaria in 1986 attempted to spur **foreign** investment through a package of reform measures, but these have had little success thus far.

Todor Tabakov, director of the Ministry of Economy and Planning, said a conflict developed whereby investors wanted a Western-style economy in which they could own and manage their subsidiaries and produce for the domestic market, while **Bulgaria** wanted to attract investment in high-tech companies managed by Bulgarians and producing for export.

The new legislation, known as Decree No. 56, is a sincere effort to change an economic environment that was obviously not attractive to **foreign** investors, he said.

The decree seeks to nudge **Bulgaria** toward a market-oriented economy by abolishing the state monopoly over **foreign trade**, encouraging joint ventures, allowing **foreign** companies to set up and manage wholly-owned subsidiaries and permitting, in many cases, repatriation of profits in hard currency.

Although **Bulgaria** has only nine million people, it offers investors several advantages.

For companies seeking a foothold in Eastern Europe in the high-tech area, Konstantin Glavanakov, deputy minister of **foreign** economic relations, noted that **Bulgaria** is the largest exporter of electronic goods among the Comecon nations. Comecon, the Council for Mutual Economic Assistance, is the East bloc **trade** group.

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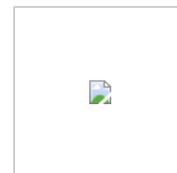
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