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ANNEX TO THE  
**WORLDWIDE FISHERIES  
MARKETING STUDY:**  
PROSPECTS TO 1985



**BULGARIA**



Government  
of Canada

Gouvernement  
du Canada

Fisheries  
and Oceans

Pêches  
et Océans

(This report is one of a series of country and species annexes to the main study entitled the Overview)

D R A F T

Annex to the  
Worldwide Fisheries Marketing Study:  
Prospects to 1985

BULGARIA

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## ACKNOWLEDGEMENT

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Specifically, this Report would not have been possible without the cooperation and assistance of fishermen, processors, brokers, wholesalers, distributors, retailers, consumers and their organizations as well as government officials with whom we visited and interviewed. Though too numerous to mention separately, we would like to extend our sincere gratitude and appreciation.

The views expressed in this Study, however, are ours alone and reflect the Canadian perception of worldwide markets.

With regard to the overall Study, we would like to acknowledge:

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To all of the above, we extend our thanks.

E. Wong  
December, 1981.

## FOREWORD

As a consequence of global extension of fisheries jurisdictions, a radical shift has taken place in the pattern of worldwide fish supply and demand. This change is still going on and will continue for many years before a new dynamic equilibrium situation is reached. However, in the midst of this re-adjustment, a new trade pattern is emerging -- some net exporting countries are now importing and vice versa. In the longer term, some countries will experience shortages of supply and others will have a surplus. Fortunately, Canada is amongst the latter group.

The implications for the marketing of Canadian fisheries products arising from the worldwide introduction of the 200-mile limit are extensive. With our vastly improved supply position relative to world demand, government and industry are understandably concerned about ensuring that the bright promise of increased market opportunities are real and can be fulfilled. One of the steps in this process is the publication of the Worldwide Fisheries Marketing Study which assesses the global potential on a country and species basis.

Specifically, the purpose of the Study is to identify the longer term market opportunities for selected traditional and non-traditional species in existing and prospective markets and to identify factors which may hinder or help Canadian fisheries trade in world markets. To date, over 40 country markets and 8 species groups have been analyzed. It should be noted that while the information contained in the Reports was up-to-date when collected, some information may now be dated given the speed with which changes are occurring in the marketplace. In this same vein, the market projections should be viewed with caution given the present and still evolving re-alignment in the pattern of international fisheries trade, keeping in mind the variability of key factors such as foreign exchange rates, energy costs, bilateral fisheries arrangements and GATT agreements which have a direct effect on trade flows.

Notwithstanding, the findings contained in these Reports represent an important consolidation of knowledge regarding market potential and implications for improvements in our existing marketing and production practices. The results of the Study should, therefore, usefully serve as a basis for planning fisheries development and marketing activities by both government and industry in order to capitalize on the identified market opportunities.

This draft report is published for discussion purposes and as such we invite your critical comments.

Ed Wong

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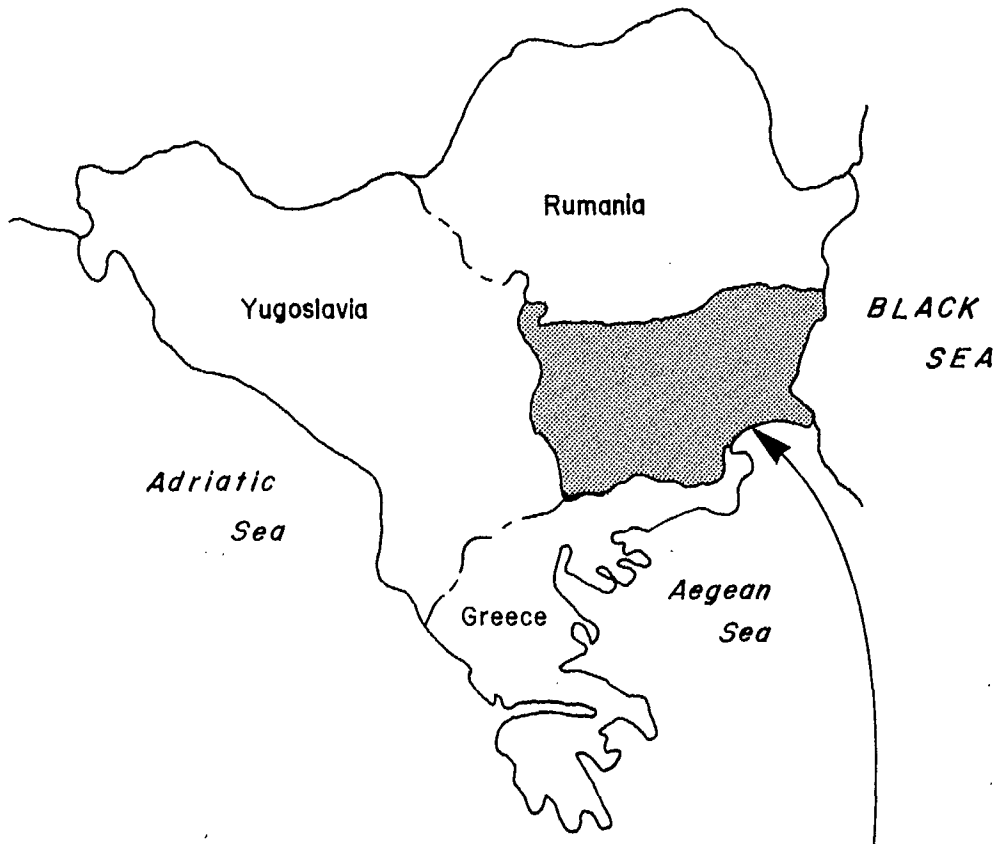
WORLDWIDE FISHERIES MARKETING STUDY

BULGARIA

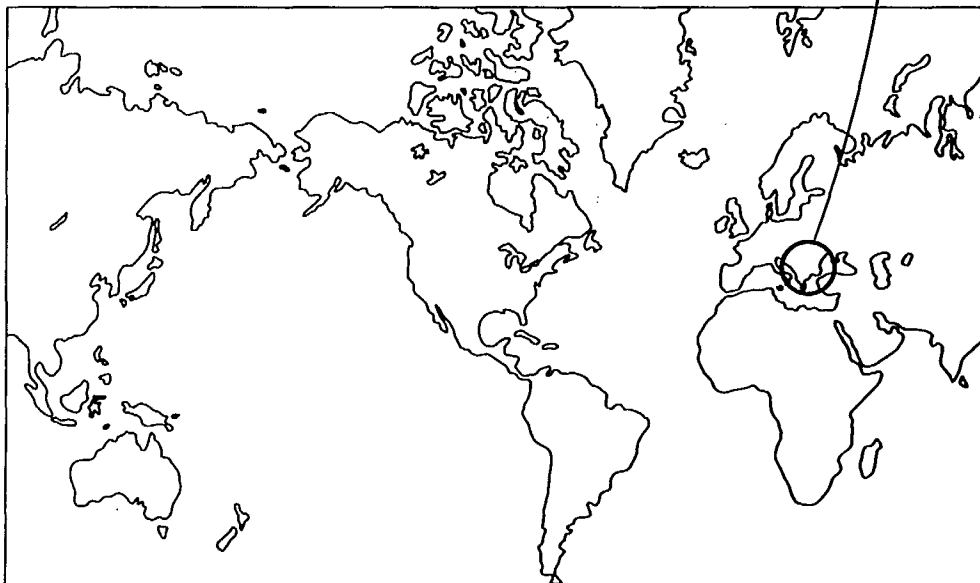
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# BULGARIA



INDEX MAP



## A. DEMAND FOR FISH

### 1. The market in general

Bulgaria is a relatively small country in Eastern Europe, with a surface area of only 110.9 million square kilometres. Its population was nearly 9 million in 1978, and in the same year the gross national product per capita was US\$2 800.

In recent years, the country's government has attempted to diversify the traditional farming economy by encouraging industrial, mining activity and tourism. Nonetheless, most of the working population is still engaged in agriculture, which accounts for half of the GNP. Bulgaria's natural resources include coal, iron ore, copper, lead, zinc and some petroleum.

For its size, Bulgaria is also a significant fishing nation, with a large distant-water fleet, and in international trading it is a net exporter of fish and fish products.

### 2. Domestic consumption

Per capita consumption of fish in Bulgaria is estimated at between six and eight kilograms per year, and in 1979 the total consumption was around 112 000 tonnes live weight.

In the hope of releasing pressure on meat production and making up a shortage of protein in the national diet, the government is encouraging greater consumption of fish, with a target of 11 to 12 kilograms per capita within the next few years.

Possibilities for increased fish sales to Bulgaria may be generated by the country's expanding tourist industry and the demand among visitors for shellfish and salmon. In 1979, more than 5 million tourists entered the country, most of them headed for the Black Sea coast.



B. SUPPLY

1. The domestic industry

Bulgaria's relatively large fishing fleet is made up of 28 factory-freezer trawlers and six transport vessels.

The philosophy behind developing this extensive fleet was twofold - to meet part of the population's need for protein foodstuffs, and to earn foreign currency through export sales.

Over the past 20 years, Bulgarian vessels took fish off the coasts of a number of countries, but now the fleet has been denied access or seriously restricted in many of its traditional fishing grounds with the establishment of 200-mile economic zones by various coastal states. The escalating cost of fuel has of course placed an additional financial burden on what operates essentially as a distant-water fleet.

In order to address these problems and continue to run an economically viable fishing operation, the Bulgarians have entered into bilateral agreements with a number of coastal nations (including Canada, in 1977). Under these agreements, Bulgarian fishermen are given catch allocations for which the coastal state receives compensation either directly or indirectly.

Another approach to these difficulties has been the aggressive pursuit of joint venture arrangements between the Bulgarian state fishing company and companies in coastal states.

This approach could be of particular significance to Canada. According to the Bulgarians, a joint venture between the two countries would enable Canada to find new markets in countries where Bulgaria is already selling fish products, and will also provide a share of the Bulgarian market to Canadian suppliers.

However, joint venture agreements and bilateral arrangements notwithstanding, the Bulgarian government is reviewing the state of its fishing industry to determine whether the large investments of hard currency

required could not be more profitably spent on another industrial sector with prospects for becoming self-sufficient. The fishing fleet still turns a profit on overall operations, but there is concern about the future, given the uncertainty of being able to establish joint-venture agreements with a greater number of coastal states.

## 2. Domestic resources

Although Bulgaria is a coastal state, only a small proportion of its domestic harvest is taken from its own waters in the Black Sea. The coastal fishery is mainly artisanal, except for some stern trawler operations that take horse mackerel and anchovies.

With the USSR and Romania, Bulgaria is a partner in a convention to protect the resources of the Black Sea. There are no quota allocations per country as such, but a total allowable catch per species is established and when the catch reaches the TAC level, the fishery is closed.

The country also has a relatively small inland fishery that produces around 8 500 tonnes per year. This sector is developing, however, and a number of fish farms will soon be in operation, although the scope may be limited by the absence of any large inland water reservoir. Fish farming at sea with trout in cages is a recent development for Bulgaria.

## 3. Distant-water catch

Operations of the Bulgarian distant-water fleet are concentrated mainly in the northeast Atlantic and in the southeast Atlantic, where the country has bilateral agreements with some African coastal states.

The country's total catch from all sources declined steadily from 158 113 tonnes in 1975 to 102 468 tonnes in 1978. Although official data are not available, it is probable that in 1980 the catch recovered to between 140 000 and 160 000 tonnes, due mainly to new bilateral agreements with some African countries.

Bulgarian vessels continue to operate in Canadian waters, having established an "historical presence" before the establishment of the 200 mile zone, but allocations and catches have been dropping steadily. For example, the Bulgarian catch of mackerel in the northwest Atlantic was 28 054 tonnes in 1975, and only 1 718 tonnes in 1978.

In 1978, Bulgaria's main catches were 25 851 tonnes of cape horse mackerel from the southeast Atlantic off the Namibian coast, 22 124 tonnes of European pilchard or sardine from the east-central Atlantic near Mauritania, and 10 596 tonnes of sprat from the Mediterranean and the Black Sea. The table that follows details nominal catches by main species and fishing areas.

TABLE 1

Bulgaria: nominal catches by species and fishing area

Fishing Area	Main Species	1975	1976	1977	1978
		(tonnes)			
Inland waters	Common Carp	7 827	7 921	9 057	8 588
Northwest Atlantic (Canada)	Mackerel	28 054	20 118	12 237	1 718
Northeast Atlantic	Atlantic Mackerel	36 383	34 613	3 207	8 279
Eastern Central Atlantic	European Pilchard	45 614	25 405	48 454	31 153
Mediterranean and Black Sea	Sprat	8 623	9 941	10 172	12 017
Southeast Atlantic (Namibia)	Cape Horse Mackerel	31 612	45 744	53 479	37 001
Antarctic		--	--	--	3 440
Western Indian Ocean		--	--	--	272
Northeast Pacific (Alaska)	Hake	--	23 355	--	--
Total		158 113	167 097	136 606	102 468

Source: FAO, Yearbook of Fishery Statistics, Catches and Landings, Vol. 46, 1978, Rome, Italy.

Between 70% and 80% of the live-weight catch is utilized for domestic consumption; the rest is exported to various countries in Africa, the Middle East, Italy, Spain, Yugoslavia and West Germany (mackerel with high fat content).

#### 4. Imports and exports

Bulgaria's imports of fish products declined from 25 600 tonnes in 1970 to 20 810 in 1977, but then increased dramatically to 29 561 in 1978. By far the largest single category of imports was fish meals, solubles and animal foods, accounting for 24 412 tonnes of the 1978 total. Unofficial data indicate imports of fish meal soared to 35 000 tonnes in 1979, most of it supplied by Peru.

TABLE 2

Bulgaria: imports of fish and fish products  
(tonnes)

	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Fish, fresh chilled or frozen	2 100	500	2 600	2 001	4 650
Fish, dried, salted or smoked	1 700	300	300	409	--
Fish products and preparations	300	400	500	576	469
Crustaceans and molluscs	300	--	--	--	--
Oil, fat, crude or refined	200	200	--	50	30F
Meals, solubles and animal feed	21 000	--	10 000	17 774	24 412
Total (tonnes)	25 600	1 400	13 400	20 810	29 561
Value (\$US)	42 701	2 200	7 020F	10 330F	12 840F

F: Estimated

Source: FAO, Yearbook of Fishing Statistics - Fishery Commodities, Vol. 46, 1978, Rome, Italy.

In spite of the problems encountered by its domestic industry, Bulgaria's export sales have shown steady and significant growth, from 29 000 tonnes in 1970 to 56 618 tonnes in 1978. Fresh, chilled or frozen fish was the leading product category, accounting for 52 339 tonnes.

TABLE 3

Bulgaria: exports of fish and fish products  
(tonnes)

	<u>1970</u>	<u>1975</u>	<u>1976</u>	<u>1977</u>	<u>1978</u>
Fish, fresh, chilled or frozen	25 800	27 300	42 400	45 681	52 339
Fish products and preparation	<u>2 300</u>	<u>3 600</u>	<u>6 800</u>	<u>3 700</u>	<u>4 729</u>
Total (tonnes)	28 100	30 900	49 200	49 381	57 068
Value (US\$)	7 000F	8 900F	15 460F	12 100F	13 800F

F: Estimated

Source: IBID.

C. POTENTIAL FOR TRADE WITH CANADA

1. Bilateral arrangements

Having established its "historical presence" in Canadian waters not long before establishment of the 200-mile zone, Bulgaria received annual catch allocations both from Canada and from the North Atlantic Fisheries Organization (NAFO).

In addition to having these allocations, mainly for catches of silver hake and squid, Bulgaria was among the first of the fishing countries to make over-the-side purchases from vessels based on Newfoundland, New Brunswick and Nova Scotia.

At less than 2 000 tonnes for 1980, the Bulgarians believe that their allocations in Canadian waters are low enough to raise doubts about the economic viability of committing a vessel. Even with the addition of an allocation of 5 000 tonnes of silver hake from US waters, it is doubtful that Bulgaria would send more than one or two vessels, or any at all.

Bulgarian authorities have indicated that they need an allocation of 8 000 to 10 000 tonnes to make their northwestern Atlantic operations worthwhile. They may continue to fish in order to maintain their good relations with Canada, but are unlikely to make any significant purchases of Canadian fish products.

It would appear also that the Bulgarians are having doubts about continued over-the-side sales or direct purchases. They note that prices paid to Canadian fishermen were at least 15% to 20% higher than prices for English and Scottish mackerel, and added to that is the cost of transporting the product across the Atlantic.

The Bulgarians indicated they did not plan to increase their participation in this program in 1981, or might not participate at all unless some return was guaranteed.

## 2. Joint ventures

From the standpoint of the Bulgarian authorities, the key to continuing fisheries trade with Canada is through a joint venture partnership. Without such an arrangement, they said, it would be impossible to buy fish at the Canadian price for domestic consumption or resale at a profit to other countries.

A joint venture, they argue, would not only make it possible for them to purchase Canadian products, but would also open up markets for Canadian fish in other countries to which Bulgaria exports. As they see it, their large fishing capability and Canada's vast marine resources should be brought together to the mutual advantage of both countries.

Bulgarian authorities have indicated they are open to any type of joint venture in which their vessels and crews could be employed. They would be prepared to enter into contracts for catching, processing and freezing on board their own vessels, or only for freezing on board immediately after the fish is caught by Bulgarian or Canadian fishermen.

## 3. Direct sales

As indicated by the foregoing, the potential for direct Canadian sales to Bulgaria is extremely limited, in the absence of a joint venture partnership or some other arrangement that guarantees a profitable return to the Bulgarians, such as increased catch allocations in Canadian waters.

As shown by Bulgarian import statistics, there is a heavy demand for fish meal, and Canadian companies could have some opportunity in this area if they can meet the price competition for other suppliers.

There is potential also for sales of some specialized products such as lobster, salmon, squid and shrimp to meet the demand generated by the growing number of summer tourists. This potential could be pursued through normal commercial relations or on a reciprocal basis, with Canadian companies buying specialized products (e.g. trout, cod liver pate) and in turn selling their specialized items to Bulgaria.

D. SUMMARY

1. For a country of its relatively small size, Bulgaria has built up an extensive distant-water fishing fleet. But with the establishment of 200 mile economic zones, Bulgarian fishermen are denied access or are seriously restricted in many of their traditional fishing grounds.
2. In order to keep its fleet economically viable, Bulgaria has gained access to the waters of a number of states, notably in Africa, through bilateral agreements. It has also aggressively pursued the establishment of joint-venture partnerships with foreign companies.
3. Bulgaria was one of the first countries to make over-the-side purchases from Canadian fishing vessels, but lately Bulgarian authorities have expressed doubts about continuing this type of trade because Canadian prices leave little or no profit. As a "traditional" fishing nation in the northwest Atlantic, Bulgaria receives a small catch allocation in Canadian waters.
4. Bulgarian imports of fish and products increased from 21 000 tonnes in 1970 to 29 561 tonnes in 1978, with meals, solubles and animal feeds accounting for 24 412 tonnes. Unofficial data indicate meal imports soared to 35 000 tonnes in 1979. Bulgaria's exports of fish increased from 29 000 tonnes in 1970 to 56 618 tonnes in 1978.
5. The country's total catch declined steadily from 158 113 tonnes in 1975 to 102 468 tonnes in 1978, but has probably increased to between 140 000 and 160 000 tonnes for 1980, due to new bilateral agreements with some African nations.
6. Bulgarian authorities have expressed interest in joint ventures with the Canadian fishing industry. They think that this would open up the Bulgarian market for Canadian products, as well as other markets with which Bulgaria already exports has trade contacts.



7. In the absence of any joint venture or other arrangement such as increased catch allocations off the Atlantic coast, the Bulgarians say it will be impossible for them to purchase any appreciable quantities of Canadian fish.
  
8. Market opportunities for Canadian fish products in Bulgaria are very limited. There could be possibilities for exporting fish meal, but Canadian companies would have to meet price competition from other sources. There might be a market also for some specialty products such as lobster, salmon and squid to meet the demand generated by the growing number of summer tourists visiting Bulgaria.

APPENDICES

APPENDIX I

BULGARIA: DECREE NO. 535 FOR ECONOMIC  
COOPERATION BETWEEN BULGARIAN JURIDICAL PERSONS  
AND FOREIGN JURIDICAL AND PHYSICAL PERSONS, 1980.

STATE COUNCIL OF THE PEOPLE'S  
REPUBLIC OF BULGARIA

The State Council of the People's Republic of Bulgaria  
on the basis of Art.94, point 2, par.2 of the Constitution  
of the People's Republic of Bulgaria issues the following

Chapter One

General Provisions

Art.1. This Decree has the purpose of encouraging economic cooperation between Bulgarian juridical persons and foreign juridical and physical persons through the creation of favourable legal, financial, credit, customs, tariff and other conditions for organizing mutually advantageous business activity.

Art.2 (1) Economic cooperation between Bulgarian juridical persons and foreign juridical and physical persons is carried out in production, scientific-technical, engineering, development, marketing and other kinds of activity in the area of industry, agriculture, construction, commerce, transport, services and tourism.

(2) Economic cooperation activity may be carried out in the People's Republic of Bulgaria as well as in other countries.

Art.3. Economic cooperation is carried out by means of contracts for industrial cooperation and for the creation of partnerships\*. These contracts

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\*The term "partnership" within the context of this Decree should be interpreted in the sense of Chapters Two and Three further on.

are concluded on the condition that scientific-technical level of production, its efficiency and the quality of the output are raised, the export possibilities are broadened and the positive foreign currency balance is increased, the needs of the national economy are more fully satisfied.

Art.4. (1) By means of a contract for industrial cooperation long term scientific-technical, production and commercial mutually advantageous cooperation is agreed upon.

(2) By means of a partnership contract joint business activity is agreed upon on the basis of contributions by the parties, joint management and the distribution of the profits and losses from it. It is determined by the contract whether the partnership is or is not a juridical person.

Art.5. The contracts for economic cooperation are concluded with permission of the Council of Ministers.

Art.6. (1) The relations between the Bulgarian and the foreign participants in economic cooperation are settled by this Decree and by the contract.

(2) If in the course of cooperation questions arise which are not settled by this Decree or by the contract they are settled by mutual agreement of the parties and when agreement is not reached - by arbitration agreed upon by them. The arbitration decision becomes part of the contract.

(3) Disputes in connection with the interpretation, implementation or termination of the contract are likewise settled in accordance with the procedure of the preceding paragraph.

## Chapter Two

### Partnership Which is not a Juridical Person

Art.7. In the contract for the creation of a partnership which is not a juridical person the parties are obliged to stipulate:

1. the name and the domicile of the partnership;
2. the object of activity of the partnership;
3. the period of time for which the partnership is formed;
4. the contributions of the partners and the manner of evaluating them;
5. the management of the affairs of the partnership and the decision making procedures;
6. the authority to representation;
7. the procedures for carrying out material and technical supply, marketing, pricing and foreign currency - financial terms, import-export activity;
8. the procedures for drawing-up the balance sheet and the distribution of the profits and the losses;
9. the procedures for termination of the partnership.

Art.8. The partnership contract cannot be concluded for a period of time exceeding fifteen years. Upon request of the parties this period of time may be prolonged with permission of the Council of Ministers.

Art.9. (1) For achieving the purpose of the partnership the parties may contribute monies, goods, know-how, services and rights.

- (2) The contributions are valued at international prices.
- (3) The share of foreign participation may exceed 50 percent. The share agreed upon may be altered with permission of the Minister of Finance and the Minister of Foreign Trade.
- (4) Lands\* as well as non-fungibles\*\* (machines, equipment,

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\*Lands - includes all kinds of immovable goods, land, buildings, etc.

\*\*Non-fungibles - denote irreplaceable goods.

installations, etc.) are contributed for common use. The partners retain their right of ownership over them.

(5) The monies, fungibles\* and goods which are destroyed in use, contributed to or acquired for the partnership, belong to the partners. Chattel\*\* produced by the joint activity is common property.

Art.10. (1) The parties may agree that the partnership be run by a management board and a board of directors.

(2) The powers of the management board and of the board of directors as well as the number and distribution of the seats on them are stipulated in the contract.

(3) The chairman of the management board and the chairman of the board of directors are Bulgarian citizens.

Art.11. (1) The management board meets at least once a year. It determines the basic directions of activity of the partnership, appoints the directors, confirms the balance sheet of its activity and the distribution of the profits and losses, in so far as not otherwise provided in the contract.

(2) The board of directors runs the current activity of the partnership, in so far as not otherwise provided in the contract.

Art.12. (1) The decisions on the activity of the partnership are taken with the consent of all partners, respectively of all members of the management board and of the board of directors.

(2) As to the current activity the partners may empower individual members of the management board and the board of directors.

Art.13. The coordination of the activity of the partnership with the planning, foreign currency - financial, trade and other state and public authorities and organizations in the People's Republic of Bulgaria is carried out by the Bulgarian partner.

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\*Fungibles - denote replaceable goods.

\*\*Chattel - denotes movable goods.

Art.14. The partners may receive credits for the activity of the partnership from Bulgarian and from foreign banks. The conditions under which the Bulgarian partner receives credits from foreign banks are set by the Bulgarian National Bank.

Art.15. The monetary sums in connection with the activity of the partnership are recalculated from leva into foreign currency and from foreign currency into leva at the official exchange rate quoted by the Bulgarian National Bank.

Art.16. The Bulgarian Foreign Trade Bank or a foreign correspondent of it opens special bank accounts of the partners in leva and in foreign currency. The Bulgarian partner may open special bank accounts abroad with permission of the Bulgarian Foreign Trade Bank.

Art.17. The Bulgarian Foreign Trade Bank may guarantee the claim for compensation of the foreign partner for pecuniary damages from acts of Bulgarian state authorities.

Art.18. (1) The profits and losses are distributed between the partners in proportion to their shares in so far as not otherwise provided.

(2) A stipulation for excluding some of the partners from participation in the losses or the profits is void.

Art.19. The share of the profit accruing to each partner is at his own disposal. The foreign partner may utilize his share of the profit in the People's Republic of Bulgaria or transfer it out of the country.

Art.20. (1) The partnership is terminated with the elapsing of the period of time, upon agreement of the partners and, if not otherwise provided, in the following cases:

1. upon impossibility of achieving the purpose of the partnership;
2. upon adjudication of one of the partners bankrupt;
3. upon grave failure by one of the partners to execute his obligations;
4. upon death or declaration of a partner who is an individual as incompetent.

(2) The foreign partner after the termination of the contract may transfer his share after liquidation out of the People's Republic of Bulgaria or he may transfer it to the Bulgarian partner or to another Bulgarian juridical person.

### Chapter Three

#### Partnership Which is a Juridical Person

Art.21. (1) In the contract for the constitution of the partnership which is a juridical person the parties are obliged to stipulate:

1. the name and domicile of the partnership;
2. the object of its activity;
3. the period of time for which it is formed;
4. the capital and the size of the contributions share;
5. the rights and obligations of the members;
6. the management bodies and the procedures for making decisions;
7. the authority to representation;
8. the procedures for carrying out material and technical supply, marketing, pricing and foreign currency - financial terms, import-export activity;
9. the procedures for drawing up the balance sheet and the distribution of the profits and losses;
10. the procedures for the settlement of disputes between the partnership and its members;
11. the grounds and procedures for termination as well as liquidation.

(2) The contract for constitution is also the partnership statute.

(3) The partnership has its domicile in the People's Republic of Bulgaria and is a Bulgarian juridical person.

(4) The partnership is inscribed in the register kept with the Bulgarian Chamber of Commerce and Industry. The name and the domicile of the partnership, the object of its activities and the authority to representation are inscribed in the register. The termination of the partnership is also inscribed.

(5) The partnership arises, respectively is terminated from the moment of its inscription.



Art.22. (1) The contributions of the members to the partnership may consist of monies, commodities and materials, industrial property rights, know-how, as well as of the use of land, buildings, machines and equipment.

(2) The machines, equipment and installations contributed for use remain the property of the member who has contributed them even when they are installed.

(3) The partnership cannot be the owner of real estate on the territory of the People's Republic of Bulgaria.

Art.23. (1) A member of the partnership may transfer his membership rights and obligations to a third person with the consent of the other members.

(2) The preceding paragraph does not apply to succession arising from an act of state for reconstituting the Bulgarian member of the partnership.

Art.24. The partnership forms a reserve fund. It may also form other funds.

Art.25. The decisions of the partnership bodies are taken unanimously.

Art.26. (1) The civil law relationships between the partnership and Bulgarian individuals or juridical persons are settled under general Bulgarian civil law.

(2) It may be agreed in the contracts between the partnership and Bulgarian juridical persons that monetary obligations be fulfilled in foreign currency as well.

Art.27. The disputes between the partnership and Bulgarian individuals or juridical persons are within the jurisdiction of the Bulgarian courts. They may be brought to arbitration agreed upon by the parties when a Bulgarian juridical person is a party to the dispute.

Art.28. After termination of the liquidation the unsold property rights of the partnership belong to the members in common. Their shares correspond to their participation in the capital of the partnership. In case of partition the Bulgarian partner has the right to purchase the share of the foreign participant on conditions envisaged in the contract. If this right is not exercised, the foreign member has the rights under art. 10, par.2.

Art.29. For matters not settled in this chapter the stipulations of Chapter Two are applied as appropriate.

#### Chapter Four

##### Labour Relations and Fiscal Regime

Art.30. The labour relations and social security of the Bulgarian citizens - workers and employees in the partnership under Chapter Three are determined by the Bulgarian law.

Art.31. The labour relations between the foreign citizens and the partners under Chapter Two or the partnership under Chapter Three are determined in the partnership contract and the labour contract.

Art.32. The workers and employees - foreign citizens must be insured against temporary disability under Bulgarian law.

Art.33. (1) The partners, respectively the partnership make insurance payments for the social security of the workers and employees.

(2) The amount of the insurance payments for the workers and employees - foreign citizens is 20 per cent of the work remuneration paid.

Art.34. The workers and employees who are foreign citizens may transfer abroad up to 50 per cent of their salaries and other remuneration received in connection with an activity covered by this Decree.

Art.35. The labour disputes to which a worker or staff member who is a foreign citizen is a party are under the jurisdiction of the Bulgarian courts except if the employer is a foreign partner.

Art.36. The profit of the foreign partners under Chapter Two is taxed at:

1. 30 per cent for the portion transferred abroad;
2. 20 per cent for the portion invested in business activity covered by this Decree.

Art.37. (1) The annual profit of the partnership for distribution determined in the balance sheet under Chapter Three is taxed at the rate of 20 per cent

(2) The portion of the profit received by the foreign partner under Chapter Three is taxed at the rate of 10 per cent if it is transferred abroad.

Art.38. The Minister of Finance and the Minister of Foreign Trade may exempt from tax under art. 36 and 37 or may reduce the size of the tax for a period of one year but not for more than three years from the beginning of business activity depending on the results of that activity.

Art.39. (1) When the foreign partner or member of the partnership imports commodities, materials and equipment meant for production for export he is exempt from customs duty for such imports. Nor is customs duty paid in cases when on the basis of the contract for industrial cooperation machinery, equipment and apparatus are imported into the country for temporary use.

(2) The import of commodities and materials for production for the internal market is subject to the customs duty established.

(3) As an exception, depending on the nature of the business activity, the Minister of Finance and the Minister of Foreign Trade may reduce or exempt from duty imports under the preceding paragraph.

Art.40. The goods belonging to the foreign partner which he imports into the People's Republic of Bulgaria for carrying out business activity under this Decree are not subject to mandatory insurance.

Art.41. The partners, respectively the partnership pay municipal taxes and charges for public services according to the Law on local taxes and charges.

Art.42. (1) The profit subject to taxation under art. 36 and 37 is declared within a period of three months from the day of confirmation of the annual balance sheet. The declaration is submitted to the finance department of the District People's Council, respectively the City People's Council of the Capital, on the territory of which is the domicile of the partnership.

(2) The act determining the amount of the tax is issued by the head of the finance department of the District People's Council, respectively the City People's Council of the Capital.

(3) The act may be appealed within a period of two weeks after its publication before a special jurisdiction at the Ministry of Finance composed of: chairman - a member of the Supreme Court of the People's Republic of Bulgaria and members - a representative of the Minister of Finance and a representative of the Minister of Foreign Trade. The decision of the commission is final.

(4) The tax is paid within a period of ten days of the entry into force of the act by which it has been determined.

Art.43. Interest is levied on taxes, charges, duties, etc. not paid on time under the Law on Interest on Taxes, Charges and other such State Claims.

#### Final Stipulations

1. This Decree cancels Decree No. 1196 for Economic Production and Technical Cooperation with Foreign Juridical and Physical Persons published in State Gazette No. 46 of 14th June, 1974.

2. The implementation of the Decree is entrusted to the Council of Ministers.

Issued in Sofia on 25th March 1980 and  
affixed with the State Seal.

Chairman of the State Council of  
the People's Republic of Bulgaria

/sign./T.Zhivkov

Secretary of the State Council of  
the People's Republic of Bulgaria

/sign./N. Manolov

