

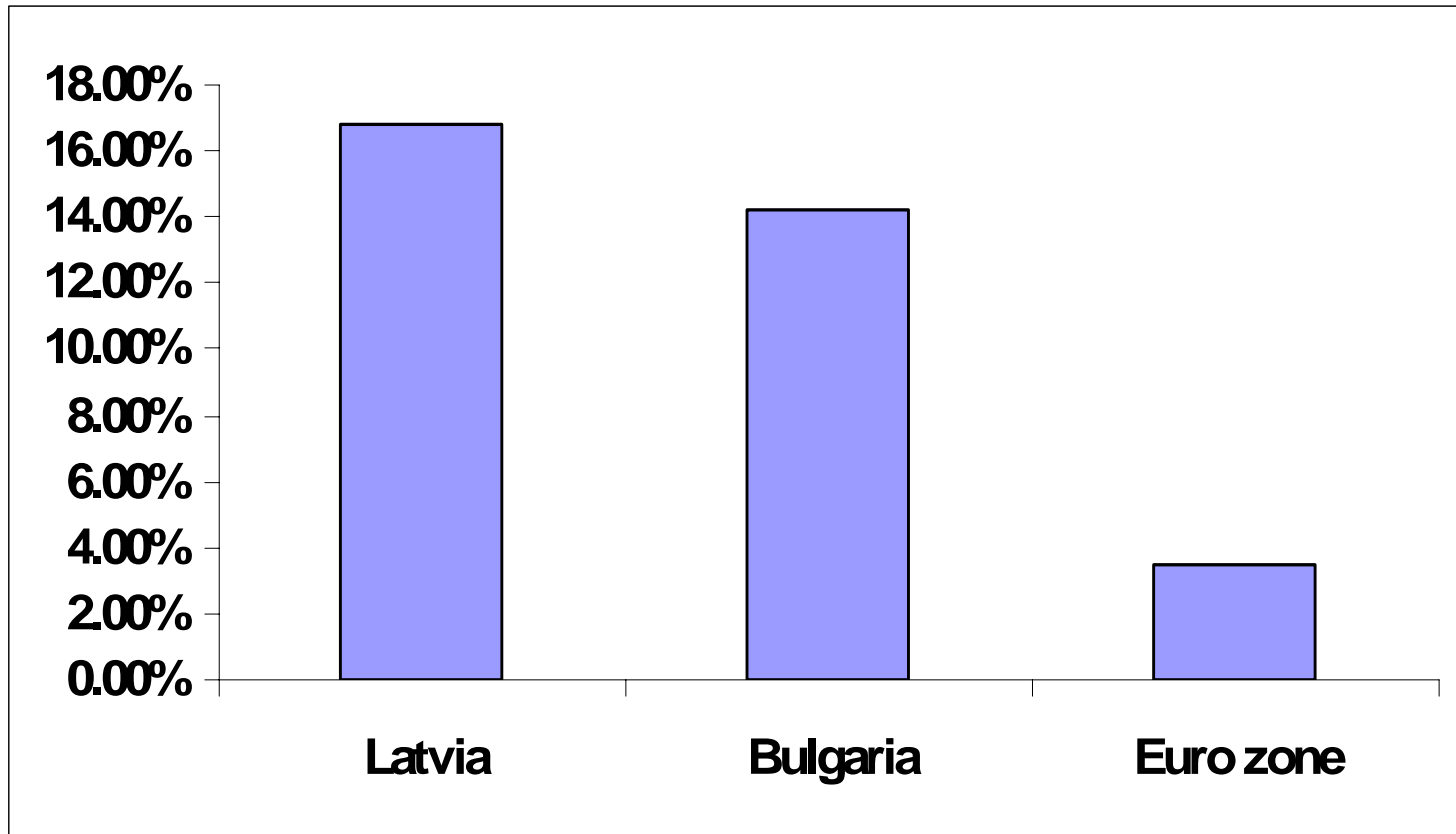
Bulgaria as a business opportunity for Latvia: A short comparison of the two countries

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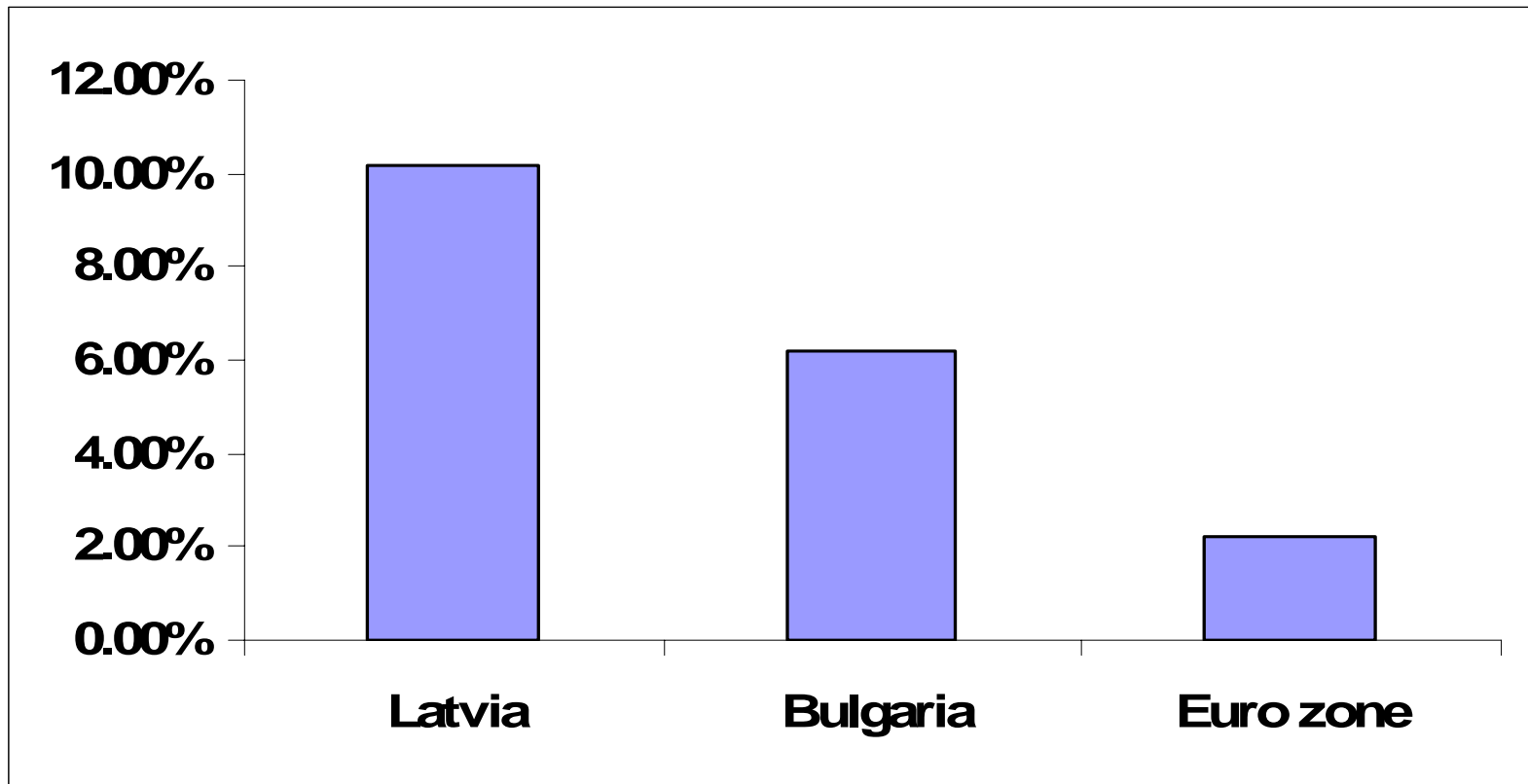
Bulgaria and Latvia – some comparators

- A first superficial glance will show Bulgaria and Latvia having many economic features in common.
- A look beneath the surface, however, reveals differences

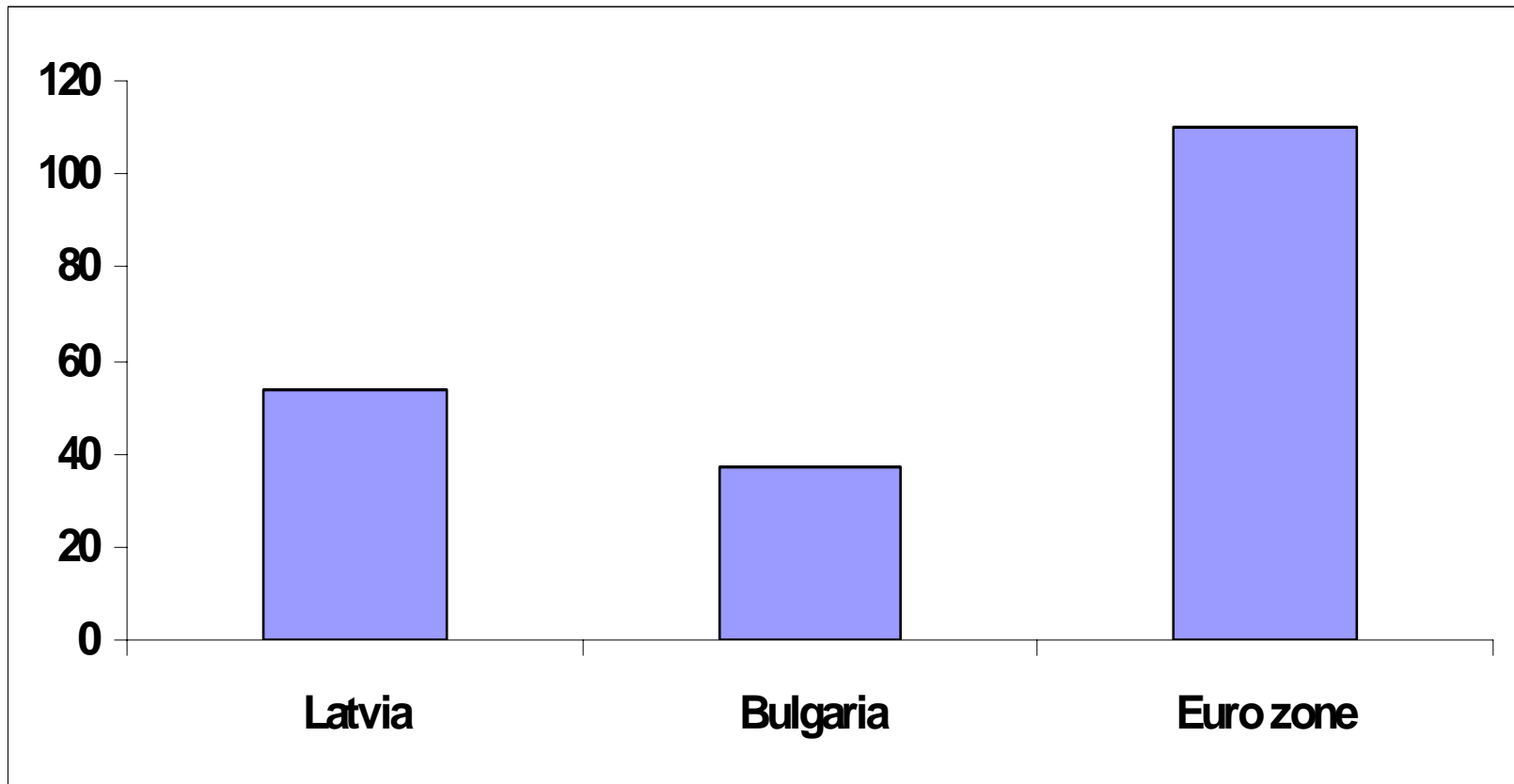
High inflation



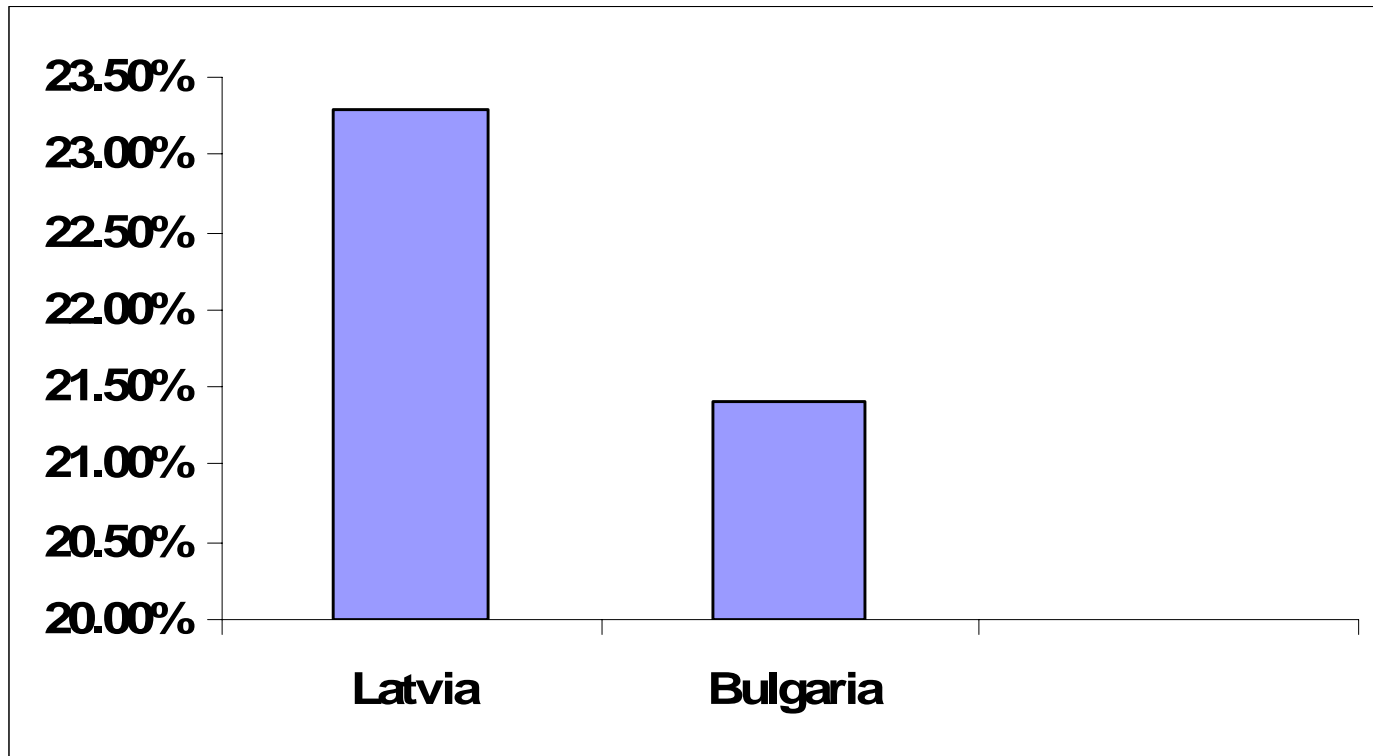
High growth up till now (2007)



But coming from behind/below:
Income per person, EU27 = 100, 2006



And very large current account deficits/trade deficits



Reasons for imbalances

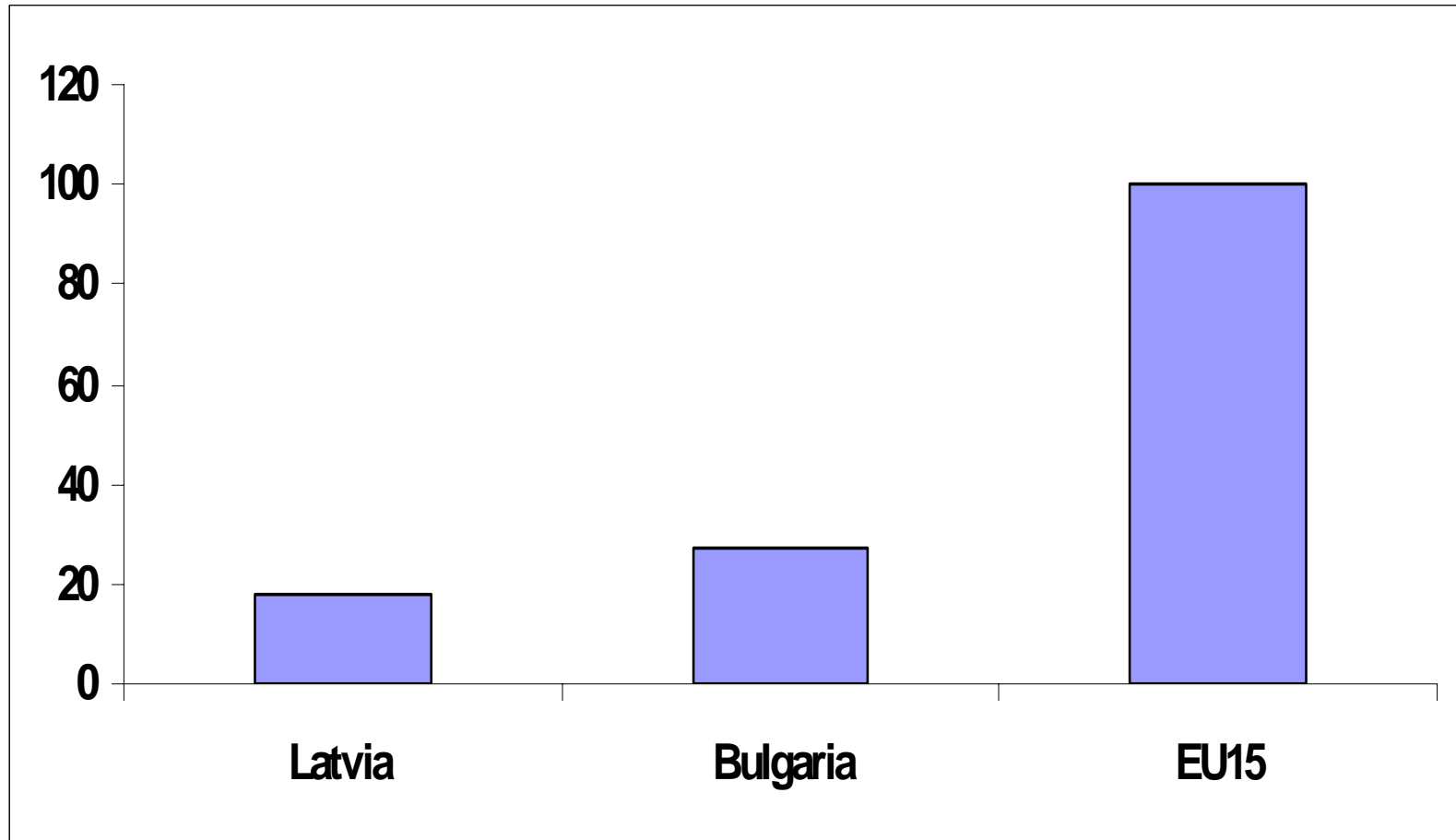
Latvia and Bulgaria:

- *Massive credit boom*
- *Massive real estate boom*

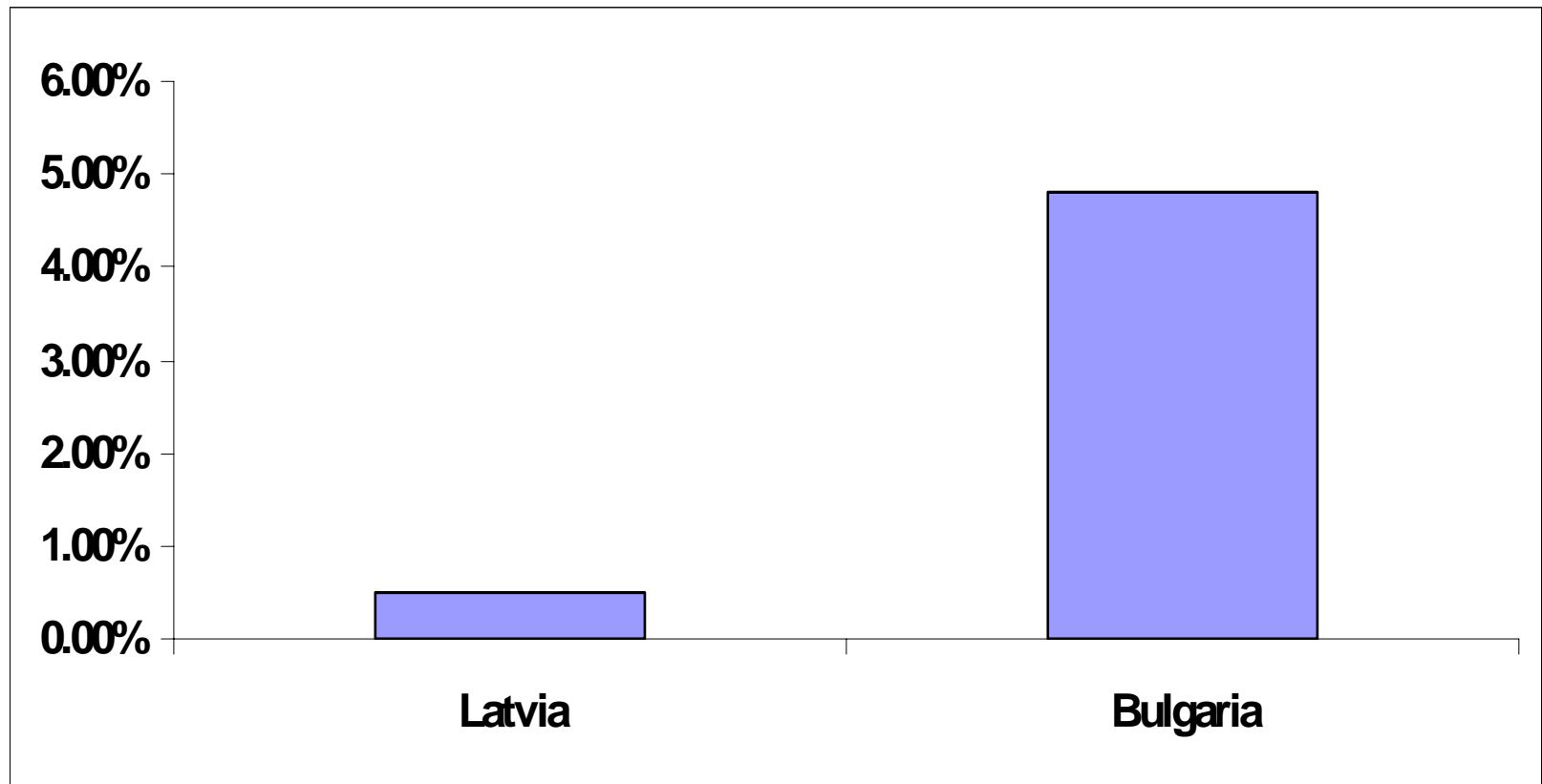
But the differences are important, too

- Past growth performance
- Future growth performance
- Various structural indicators

Income per person, EU15 = 100, 1995



Expected growth, 2009 (IMF)



Preliminary conclusion

- Latvia has performed much better than Bulgaria since transition started (why? – see later)
- The two countries have recently boomed for the same reasons (credit, real estate)
- Which have created similar problems (e.g. inflation)
- But Latvia will now slow down substantially → business opportunities elsewhere, e.g. in Bulgaria, should be more attractive

A short digression

Bulgaria and Latvia are almost unknown to each other in trade terms:

LV exports to BG, 2006: 2.6 mill. LVL

LV imports from BG, 2006: 5.8 mill. LVL

LV exports to BG, 2006: 0.08% of LV exports

LV imports from BG, 2006: 0.09% of LV imports

Some numbers and names

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- Bulgaria's ranking as export partner for Latvia

Moldova, Azerbaijan, Israel, Georgia, Egypt...

- All are bigger export partners for LV than BG

Some reasons for the differences in growth performance, 1995 - 2007

Rankings in the Global Competitiveness Report (2007-2008) from the World Economic Forum

- A comparison of 131 countries on a very large amount of issues of an economic, political, structural, technological etc. character

Efficiency of the legal framework:

LV 73

BG 113

Organized crime:

LV 41

BG 121

Quality of infrastructure:

LV 54

BG 93

Number of procedures required to start a business:

LV 10

BG 52

Availability of latest technologies:

LV 59

BG 92

Capacity for innovation:

LV 55

BG 79

5 biggest obstacles for doing business - Latvia

1. Inflation
2. Inefficient government bureaucracy
3. Tax rates
4. Corruption
5. Tax regulations

5 biggest obstacles for doing business - Bulgaria

1. Inefficient government bureaucracy
2. Corruption
3. Access to financing
4. Inadequate supply of infrastructure
5. Inadequately educated workforce

Am I trying to scare you away from
Bulgaria?

No!

- I am trying to say that Latvian business people are much better prepared than e.g. Danish business people to deal with a country like Bulgaria