



New British Ambassador has a Flying Start

On 3rd April seventy Members and Friends of the BBCC entertained Ambassador Jonathan Allen, recently appointed United Kingdom Ambassador to Bulgaria, to a Breakfast Meeting at the Radisson Hotel. Introducing Mr Allen, Bill Drysdale, BBCC Chairman, referred to the coverage given to him and British business in Bulgaria by Sofia Echo the week before. After only two months in office the UK's new envoy has visibly earned his wings in this first Ambassador post: he later emphasised that as a licensed private pilot he will travel the country widely and not just be the Ambassador to Sofia. Mr Drysdale warmly welcomed the committed support of His Excellency and Tim Buisseret's UKTI team at the Embassy in encouraging the widest range of UK business in Bulgaria, not least at the level of substantial FDI projects. The BBCC is pleased to have Ambassador Allen as its Honorary President.

Mr Allen opened his presentation with a short biographical sketch, mentioning his recent immersion training in Bulgarian language including a month with a family in Plovdiv – a great opportunity to discover 'what makes people tick'; his role in the FCO as Head of East Africa and the Great Lakes Department, before that as Head of the cross-government Counter Terrorism Communications Unit and as Assistant Director in the Home Office's Directorate for Bulgarian and Romanian EU Accession. Earlier, after graduation in History at Cambridge, Mr Allen served first in Cyprus and then in Brussels where he was Government Spokesman during the UK Presidency in 2005. In his view the role of a diplomat should be to 'approach every problem with an openmouth!', to be at the centre of communications in both directions, explaining, understanding, then co-ordinating activities to mutual advantage as a player, not an observer.

The Ambassador went on to list the three Embassy priorities:

- Consular – looking after UK citizens, including the 300,000 UK tourists who visit Bulgaria every year.
- Security – tackling organised crime. Sofia is built on a Roman road which crosses the Balkans and has been a trade route, licit and illicit, since ancient times. Currently encouraging the Bulgarian government to push through asset forfeiture legislation.
- Prosperity – Europe has to stay competitive with emerging markets. Simeon Djankov recently noted that investors look for three main things:

- Favourable tax regime (good)
- Sound infrastructure (improving)
- Impartial judiciary (long way to go)

Mr Allen cited many advantages of doing business in Bulgaria, including membership of the EU, WTO and NATO; political stability with a government which enjoys popular support in the polls and public consensus on key social and economic priorities; a currency board in place, backed by a stable and predictable macroeconomic environment, national debt well under control and GDP growth forecast for 2012; and a strategic geographic location, the natural gateway to the markets of the Balkans, Turkey and the Middle East as well as the EU. Added advantages are proximity to the UK with daily three-hour flights, English language widely spoken, and attractive infrastructure projects available in transport, telecommunications, water and energy. 12 billion Euros of EU funds are available under current operational programmes (2007 to 2013), and a similar amount is expected for the next programmes (2014 to 2020). Currently 65 double taxation avoidance treaties are in force including one with the UK, and Bulgaria is one of the lowest cost centres in Europe (including 10% corporation tax). It is acknowledged that GDP per capita is still much lower than the EU average, but this translates into strong potential for economic growth: Bulgaria's GDP growth trend is twice the EU average.

The Ambassador emphasised that Bulgaria has manufacturing industries with spare capacity, highly qualified specialists and a skilled workforce. Generally he sees considerable potential for matching the Bulgarian light industrial base with British technology and management practice. The government here gives high priority to attracting foreign investment, including tax incentives and subsidised infrastructure facilities for certain investment projects. These advantages have not been lost on British companies. Bilateral trade between the UK and Bulgaria has trebled over the past ten years, and there are a number of UK companies successfully operating here – including pharmaceuticals giants GlaxoSmithKline and Astra Zeneca, and Melrose Resources, who provide over 10% of Bulgaria's natural gas supply from operations in the Black Sea. Many other smaller British concerns have good stories to tell too.

Ambassador Allen is in no doubt about some of the challenges of doing business in Bulgaria:

- Unpredictable legislative environment, prone to political pressures
- Weak judiciary, susceptible to political influence and corruption
- Bureaucracy and lack of decision-making capacity in central and local government
- Some examples of unfair competition (usually a result of political influence in legal/regulatory framework)
- Lack of capacity and some corruption in EU funds absorption (although improving: 20% absorption rate to date, 40% expected by the end of 2013)

The message to politicians on judicial reform is tricky as strong pressure is needed: the goals are clear to all but no ruling administration has yet had the courage or tenacity to 'get stuck in and really sort out the negative features of appointments, independence and objectivity' which still plague the system. The Ambassador is a positive person but accepts here that more time, and added pressure from the EU, may be needed.

Reverting to the core goals as the Ambassador sees them for the trade and investment promotion role of the embassy (UKTI), on which close liaison is maintained with the British Bulgarian Chamber of Commerce, the priority sectors today which match Bulgarian opportunity with British capability include:

- Energy – gas exploration, nuclear energy, renewables (wind, solar, biomass)
- Environment - water/ wastewater systems, waste management & recycling
- Transport – road and railway renovation/ upgrade, ports and airports concessions
- Consultancy - accessing and absorbing EU structural funds, PPP projects (infrastructure, healthcare and prisons)
- Education – UK higher education, corporate training, English language, specialised professional training

Within this framework of sectors and opportunities, Mr Allen highlighted six specific high-value projects where the Embassy, and particularly the resources of the commercial section, will concentrate effort:

- Upgrade of water infrastructure, including 120 new/ upgraded wastewater treatment plants. Value: £1.5 billion over 3-5 years
- Modernisation of Sofia – Vidin railway, to connect to Danube Bridge (EU transport corridor). Value: £2 billion over 5-6 years
- Nuclear industry services: upgrade to Kosloduy nuclear power plant
- Ports concessions for Varna and Danube ports
- Airport concessions for Sofia and Plovdiv airports
- Sofia plant for waste disposal and power generation

It is accepted that British companies are not always the strongest at building and operating infrastructure. Spanish and Italian companies (for example) have more recent experience in upgrading their own national infrastructure, and a lower cost base. However, there is much relevant UK expertise around value-added services and specialised technologies, so sometimes participation through consortia may be the best approach.

Concluding his presentation, Ambassador Allen drew attention to how the Embassy, in partnership as appropriate with the BBCC, will engage with all of this. First, continued export support will be provided for SMEs (UK and regional trade fairs; outward trade missions to Bulgaria; OMIS services to provide market information, identify local partners, and raise profile/ credibility of UK exporters). Second, there will be a targeted approach to high value projects: understanding the opportunity, decision-making process and timescales; engaging local stakeholders; generating UK interest through UK-based events and outward missions; engaging the Ambassador himself and Ministers at critical moments. These steps will build also on sector-based matchmaking: Bulgarian companies' technical expertise and low-cost production capabilities, with UK companies' investment capacity, technology & management capabilities, and market reach.

Advantage will be taken of the FCO's new Central European Network (CEN) of Embassies and Trade Offices, to create critical mass in attracting UK interest, while also looking to Greece and

Turkey for regional leverage (e.g. Black Sea ports and shipping). It is also recognised that trade and investment go hand in hand - investment pulls trade behind it, creates profits, and often drives exports in both directions. Special efforts will be made to attract high-profile UK investors to create success stories – it being well known that success breeds success. Finally, the Ambassador is committed to engage with business and trade associations throughout Bulgaria to identify opportunities which are not just Sofia based, and not just British.

In his closing words, Mr Allen commended the BBCC on its excellent attendance at today's event, demonstrating that it is now well beyond the re-launch stage and into the growth phase. He welcomed the initiative of a meeting in London later in April, which he is committed to attend, of BBCC Members from the UK and Bulgaria with Members of the London-based Bulgarian City Club and the Bulgarian Ambassador and Commercial Attaché in London.

Following Ambassador Allen's presentation there was a lively and informative Q& A session, covering many subjects including:

- The lack of a professional Civil Service in Bulgaria
- How to solve corruption in the judiciary
- The level of current UK investor interest in Bulgaria
- The objectivity and extent of freedom from bias of the Bulgarian media
- The importance of a big UK investment success story in the year ahead
- The need for education not just for competency but for moral integrity – a forte of the UK
- Focus on EU programmes to be on achievement for the money, not simply on absorption

In summing up the outcome of a successful meeting, the Honorary British Consul for Varna, Mr Nikolai Bozhilov, saw no fundamental obstacles to significant increases in British business coming to Bulgaria. He warmly thanked Ambassador Jonathan Allen for an excellent presentation and for his thoughtful and constructive response to questions.