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1. Summary

Bulgaria, formally the Republic of Bulgaria, is a nation located in southeast Europe. Construction is the main industrial sector and employs a considerable number of individuals. In Germany, the average yearly wage is €52,556 and the maximum tax rate is 47.5%. This paper will analyze the feasibility of relocating a German construction firm to Bulgaria. Bulgaria is rated 69th out of 179 nations, along with Romania and Hungary for the lowest position among EU Member States.

The European Commission received at the start of September from Bulgaria the first payment request under the Recovery and Resilience Plan for awarding financial assistance in the amount of 1.37 billion euros. Bulgaria's population is estimated to be 6,823,067 based on the latest United Nations statistics, and the mid-year population projection for Bulgaria in 2020 is 6,948,445 people. Modern Bulgarian culture is a vibrant combination of millennia-old folk traditions and a more formal culture that played a crucial role in the creation of national consciousness during Ottoman control. The VAT is 20%, which is the average throughout Europe. However, both the corporate income tax and the personal income tax are just 10%.

These numbers are among the lowest in all of Europe. In general, financial incentives are provided to businesses that recruit individuals in certain regions of Bulgaria with a high

unemployment rate. Bulgaria is the least developed nation in the European Union, and its per capita GDP is only €10,330. The energy and financial crises provide enormous obstacles for the Bulgarian economy. Foreign investors will encounter similar difficulties if they expect things to work as they do at home.

2. Introduction

Due to the worldwide economic and energy crises, a significant number of German construction enterprises relocated. Construction is the main industrial sector and employs a considerable number of individuals. In Germany, the average yearly wage is €52,556 and the maximum tax rate is 47.5%. This paper will analyze the feasibility of relocating a German construction firm to Bulgaria.

3. Main Body

3.1. Globalization

Globalization refers to the cross-border and cross-cultural movement of financial products, goods, technology, information, and jobs. In economic terms, it refers to the global interconnectedness of states produced by free trade. Globalization provides corporations with a competitive advantage on numerous fronts. They can cut operational expenses by producing overseas, purchasing raw materials at lower prices due to the reduction or elimination of tariffs, and gaining access to millions of new consumers. Globalization is a social, cultural, political, and legal phenomenon. Through the cross-border movement of products, capital, and labor, globalization has produced new employment and spurred economic expansion. This development and employment creation, however, are not dispersed fairly among industries or nations. As a result of greater international rivalry, specific industries in some nations, such as textile manufacturing in the United States and maize farming in Mexico, have seen serious disruption or outright failure. Globalization's motivations are both idealistic and opportunistic, but the establishment of a worldwide free market has benefitted Western-based multinational firms. Its effects on labor, cultures, and small enterprises in both industrialized and developing nations remain varied.

3.2. Country

Bulgaria, formally the Republic of Bulgaria, is a nation located in southeast Europe. Area: 42,871 sq mi (111,036 sq km). Population: (2022 est.) 6,855,000. Capital: Sofia. Turks, Roma (Gypsies), and Macedonians are among the lesser ethnic groupings; Bulgarians make

up the vast majority of the population. Languages include Bulgarian (the official language) and regional dialects. Christianity (predominantly Eastern Orthodox; other Christians are present); Islam. The currency used is the lev. The terrain is comprised of three primary areas. The rich Danubian Plain occupies one-third of the country's northern region. South immediately are the Balkan Mountains (Stara Planina). Musala Peak, the country's highest peak, is located in the Rhodope Mountains, which are located in the southwest and south of Bulgaria (2,925 m). Comparatively smaller than the three main areas, Bulgaria's Black Sea coast is a popular tourist location in eastern Europe. The Black and Aegean oceans are important drainage networks.

3.3. Application of theory

PESTLE

➤ *Political factors*

Bulgaria is a European Union member country since 2007 and has seventeen members of the European Parliament. Bulgaria's contributions to the EU budget assist finance programs and initiatives in all EU member states, such as road construction, research funding, and environmental protection. (Bulgaria, n.d.)

The grave political crisis has gripped Bulgaria for the last fifteen months.

(Nikolov, Severe political crisis blocks new Bulgarian parliament, 2022)

Bulgaria is rated 69th out of 179 nations, along with Romania and Hungary for the lowest position among EU Member States.

(CORRUPTION PERCEPTIONS INDEX, 2021)

➤ *Economic factors*

Due to the conflict in Ukraine, the gas crisis, and the high rate of inflation, economic growth in Bulgaria has maintained its downward path. The freshly released revised statistics from the National Statistical Institute demonstrate this (NSI). According to their estimates, the country's gross domestic product (GDP) increased by 4% annually and 0.8% quarterly. This is less than the prior projected data, which predicted annual economic growth of 4.8%. This ranks Bulgaria among the EU's trailing nations. The predicted yearly inflation rate is 12.6%. In light of this, the European Commission received at the start of September from Bulgaria the first payment request under the Recovery and Resilience Plan for awarding financial assistance in the amount of 1.37 billion euros. This initial payment request pertains to 22

milestones, which include reforms and investments in education, research and innovation, smart industry, climate neutrality, digital connectivity, sustainable transport and road safety, justice, anti-money laundering, social inclusion, health, and the audit and control system.

(Kandilarov, Bulgaria economy briefing: Crisis in the Bulgarian Economy Continues, but the Recovery and Resilience..., 2022)

➤ *Social factors*

Worldometer estimates the population to be 6,823,067 based on the latest United Nations statistics. According to UN statistics, the mid-year population projection for Bulgaria in 2020 is 6,948,445 people. In Bulgaria, the median age is 44.6 years old.

(Bulgaria Population (LIVE), 2022)

Modern Bulgarian culture is a vibrant combination of millennia-old folk traditions and a more formal culture that played a crucial role in the creation of national consciousness during Ottoman control and the development of the modern state.

(Dimitrov, 2022)

➤ *Technological factors*

New opportunities exist in the ICT sector as Bulgarian companies work to increase their competitiveness in the EU, and as the Bulgarian Government complies with EU directives and legislation concerning its digital economy. Bulgaria's ICT sector is characterized as stable and constantly growing, making it one of the most profitable sectors in Bulgaria.

There are fixed broadband networks available to 95% of Bulgarian homes.

71% of households subscribe to fixed broadband, restricting Bulgaria's capacity to reap the digital economy's advantages.

52,2% of the population has mobile broadband access.

Although half of the fixed internet subscriptions have high-speed connections (Bulgaria ranks 11th in the EU), the quality of fixed broadband internet remains mediocre overall (31st worldwide).

(Bulgaria - Country Commercial Guide, 2022)

➤ *Legal factors*

There are no international investment or foreign shareholder limitations. Foreign investors are treated equally to domestic investors in all respects, including involvement as a shareholder.

(Vladimir Penkov, 2016)

➤ *Environmental factors*

Bulgaria is one of the nations with several environmental difficulties, which are caused by corporations' disregard for environmental regulations and the dumping of their trash. For the preservation of the ecology in Bulgaria, several nature conservation initiatives are being developed. This led to the enactment of the Environmental Protection Act in 2002, while the Bulgarian agricultural producer was compelled to comply with EU regulations.

3.4. Opportunities

The Commission ratified its Partnership Agreement with Bulgaria, outlining the country's €11 billion Cohesion Policy investment program for 2021-2027. Funds from the Cohesion Policy will foster economic, social, and territorial cohesion in the Bulgarian regions and aid in the implementation of major EU goals such as green and digital transformation. These monies will also assist policy areas in which Bulgaria can enhance and eliminate regional imbalances within the nation.

(EU Cohesion Policy: Commission adopts €11 billion Partnership Agreement with Bulgaria for 2021 – 2027, 2022)

The VAT is 20%, which is the average throughout Europe. However, both the corporate income tax and the personal income tax are just 10%. These numbers are among the lowest in all of Europe. There is much to consider. There are government incentives and the corporate income tax may be decreased from 10% to 0% to encourage international investment. On the official website, you may read the regulations if you are interested. In general, financial incentives are provided to businesses that recruit individuals in certain regions of Bulgaria with a high unemployment rate.

Low labor cost. Bulgaria's labor costs are the lowest in the EU. It is substantially lower than in Central European nations, where manufacturing has been delocalized by a large number of enterprises during the previous several decades (especially German companies).

(Country comparison Bulgaria vs Germany, 2022)

3.5. Challenges

According to Transparency International, Bulgaria is the most corrupt country in the European Union. Unfortunately, the level of corruption has remained rather steady over the years.

The COVID epidemic has expanded its reach throughout the globe. This is a result of growing policy and trade uncertainty. The unpredictability of future trade connections influences the behavior of investors, their appetite for risk, and the reduction in global GDP.

The least developed nation in the European Union. The per capita GDP is only €10,330. Between 2000 and 2008, the annual growth rate of the Bulgarian gross domestic product was approximately 6%. Bulgaria endured the 2008-2009 financial crisis and endured six years of weak growth. It begins to develop rapidly again in 2015, although at a rate of 3% to 3.5 %, it has not yet returned to pre-crisis levels.

Consider the cultural variations. It will be vastly different if you come from Asia, the Americas, or other European countries, but in general, foreigners doing business in Bulgaria will encounter similar difficulties if they expect things to work as they do at home. Take your time, be patient, and familiarise yourself with the Bulgarian mentality and business practices.

Finding any official government documents in English can be a big challenge as well.

3.6. Barriers

Bulgaria is in a huge political crisis. Bulgaria's political climate is so unstable that this election is the fourth in only 18 months. As of Sunday morning, just nine percent of eligible voters had cast votes, a rate comparable to that of the last election in November 2021.

(Kalina Vlaykova, 2022)

Exposure to energy price. Bulgaria imports gasoline and natural gas from abroad. This is typical for almost all European nations. However, now that the price of petrol and gas has increased, Bulgaria has less money for investments and consumption.

The energy and financial crises provide enormous obstacles for the Bulgarian economy. To effectively react to the shocks associated with the quick and hard-to-predict rise in the costs of electricity, energy carriers, and fuels, as well as the disruption of supply chains, the state must take immediate action to address the resulting repercussions. Numerous factors are responsible for all of this, including the ongoing Covid-19 pandemic, the military conflict between Russia and Ukraine and the imposed sanctions, the pressure on coal plants, and higher prices for greenhouse gas emission allowances to expedite the achievement of climate neutrality goals, rising inflation, and other economic factors. Bulgaria must take sensible and responsible measures to provide sufficient amounts of natural gas at affordable costs, and it must maintain the model for paying non-domestic power customers until the end of 2022. Whether all of this will occur rests largely on whether Bulgaria will be able to quickly emerge from its current political turmoil. The effective use and deployment of EU money under the Recovery and Sustainability plan are also crucial for the economy of the nation.

(Kandilarov, Bulgaria economy briefing: Crisis in the Bulgarian Economy Continues, but the Recovery and Resilience, 2022)

Bulgaria is a country with a very high level of bureaucracy, which is a difficulty for business and a prerequisite for corruption.

3.6 Strategy

Bulgaria may import and export to any nation in the European Union duty- and quota-free and under the same laws. However, Bulgaria's membership in the EU provides it with an additional significant benefit. Bulgaria is the poorest member of the European Union, and under European regulations, it receives a significant portion of the structural and investment funding given to needy nations. The EU subsidies are intended to strengthen the country's competitiveness by creating facilities, in particular. EU Commission adopts €11 billion Partnership Agreement with Bulgaria for 2021 – 2027. The money will assist Bulgaria in improving its basic infrastructure, particularly in places where infrastructure expenditures are inadequate or nonexistent. Nearly half of the entire Cohesion Policy investment, or €4.2 billion, will be spent in the Northwest, North Central, and Northeast regions, including co-financing the Shipka Tunnel, the first tunnel across the Balkan Mountains. In addition, EU assistance for the business climate is anticipated to boost the proportion of innovative small and medium-sized enterprises that generate employment and contribute to the growth of the

Bulgarian economy from 27.2% in 2016 to 32% in 2026. This may be a lucrative niche. To obtain funding, you must select an appropriate firm to develop the project and do research on the rival companies that will apply and provide the best offer. You must retain the services of a reliable Bulgarian accountant and attorney to draught the relevant paperwork and acquire all permissions. The accurate and competent selection of employees is crucial and must be addressed with caution. Remember that Bulgarians require consistent motivation. Offer competitive compensation and bonuses, and facilitate team formation. Keep abreast of construction industry news. Regularly monitor the performance of employees. Be meticulous with your paperwork; save all documents, licenses, permits, and receipts. Due to the political and economic crises, flexibility is required.

4. Conclusion

Speaking of exporting in Bulgaria, the market is intriguing since if you are selling in the European Union, you may also attempt to sell in Bulgaria. Same regulations, no internal obligations, etc. When compared to Poland, Hungary, etc., the cost of labor in Bulgaria is incredibly low, making it a highly attractive location for those considering manufacturing. You should consider establishing a production facility in Bulgaria (in which case you may take advantage of the country's 0% corporate tax). However, Bulgaria provides fewer services than other European Union nations. Before investing in Bulgaria, you must carefully weigh the prices vs the services. (Bulgaria Business Report, 2017)

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