

NEWS: EUROPE

Investment in Bulgaria is a bit of a lottery, say Greeks

The travails of Intracom, a Greek electronics manufacturer hired by a state sports organisation five years ago to modernise Bulgaria's football pools, highlight the obstacles to investing in one of eastern Europe's most difficult markets.

Mr Socrates Kokkalis, Intracom chairman, yesterday asked Bulgaria's new pro-market prime minister Mr George Kostov to help unblock a contract for the Greek company to set up a \$40m electronic lottery system for Bulgarian Sports Totalizator (BST), which is run by the politically influential state sports authority.

Bulgaria's supreme court has refused to recognise a decision by the Paris-based International Court of Arbitration to award Intracom \$10m in damages because BST failed to keep the terms of an earlier contract. The Bulgarian court ruled in March that the decision violated Bulgarian law and public order.

The initiative, announced by Russia's deputy foreign minister, Mr Nikolay Afanassievsky, and the Greek foreign minister, Mr Theodoros Pangalos, would give Russia a formal role in Balkan affairs for the first time.

But officials said the test of Russia's commitment to the region would be its willingness to guarantee oil supplies for the planned trans-Balkan pipeline. Greece and Bulgaria have reached an accord on building a \$700m pipeline to carry Caspian oil from Bulgaria's Black Sea port of Burgas to Alexandroupolis on the Aegean, but the project is being held up by uncertainty over Russian participation.

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to be installed in the next few months.

"We have equipment ready to be shipped; we have a joint venture with a Sofia electronics manufacturer to start assembling terminals locally; we waived the damages payment and signed a new contract because we want a long-term business relationship in Bulgaria. It's incredibly frustrating," says Mr Costas Antonopoulos, managing director of Intralot, the group's electronic lottery operation.

The International Monetary Fund, at Intracom's request, raised the contract issue with Bulgarian government officials during a visit to Sofia last month.

The supreme court decision raises broader concerns about foreign investment in Bulgaria because the international arbitration courts are cited as regulators of possible disputes in contracts signed with international agencies, such as the World Bank and the European Bank for Reconstruction and Development.

In April, the Sofia prosecutor added to Intracom's troubles by ordering BST to withhold payment for electronic lottery terminals due

to be installed in the next few months. Mr Antonopoulos says the Bulgarian investment would follow the same pattern as Romania, where the group manufactures terminals and other equipment locally for a popular on-line football pool and other games.

Intralot received more than 2,000 applications from unemployed Bulgarian computer and software experts for 250 jobs at TTT, the bankrupt Sofia electronics manufacturer which became the Greek group's joint venture partner last year, says Mr Antonis Dimos, general manager for Bulgaria.

Since the demise of communism, Bulgaria has become the main market for Greek companies seeking to expand in eastern Europe. Intracom, in which Ericsson of Sweden has a 13 per cent stake, is among a group of Greek companies listed on the Athens stock exchange that have invested an estimated \$150m in Bulgaria, mainly in joint ventures in

consumer goods and food processing.

Greek interest in Bulgaria's much-delayed privatisation programme has picked up since the election in April of a conservative government committed to speeding economic transition.

An OECD report on the Bulgarian economy published just before the election notes: "Foreign investors continue to rank the business environment in Bulgaria as one of the least hospitable in transition countries."

A Greek consultant based in Sofia says disputes over contract obligations are frequent between Greek companies and business partners in the southern Balkans, "but the difference in Bulgaria is that the judiciary is very unpredictable and individuals can have a disproportionate influence on decision making."

Intracom has weathered political and legal battles over its activities in the past, both in Greece and Bulgaria.

Mr Kokkalis, a prominent personality in Greece who controls a popular Athens radio station and also funds Olympiakos, Greece's most



Selling lottery tickets the old way in Sofia

Kester Eddy

successful basketball team was accused of causing the collapse of a conservative Greek government in 1993 in a dispute over a \$300m equipment contract for OTE, the state telecommunications operator.

Another joint venture in Bulgaria, this time with the state telecommunications operator BTC, has come under attack because Intracom's equity stake of 70

per cent was seen as excessive.

Intracom says that the size of its holding reflects an undertaking to provide most of the financing for Bulfon, the joint venture which installs and operates card phones manufactured in Greece.

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