BULGARIAN CERAMICS COMPETITIVENESS

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1. INTRODUCTION

In view of the three stages of economic development – raw materials, investment and innovation [3] Bulgarian industry is at the first stage, not taking into account all sectors. As an exception, ceramic production, with its one hundred years of history, is in the second higher investment oriented stage of development. Today, direct foreign investments ensure high competitiveness and are the main sources for a stable growth of the Bulgarian ceramics [2].

2. AVAILABILITY OF MINERAL RESOURCES

Kaolin sands, together with refractory and fine clays, are the main non-metallic mineral deposits in Bulgaria. Kaolin sand deposits are found on a 3000 km² territory in north-eastern Bulgaria, where 30 industrial fields have been established. Kaolin production per capita is on second place in the world after Great Britain.

Kaolin AD – Senovo [5-7] is the biggest company on the Balkans for extraction and manufacture of kaolin. In Bulgaria the company uses 12 commercial deposits and has 8 manufacturing factories; In Serbia – 5 deposits and 2 manufacturing factories; in Ukraine- concession for two deposits; In Italy the company has established "Kaolin Europe" and in Turkey – "Kaolin–industrial materials." The partnership produces not only kaolin and quartz sand but feldspar sand, feldspar, dolomite, limestone, quartz powder, ceramic forming powders and plastic masses for production of sanitary ware. The company has invested 61,9 mln lev during the last few years in Senovo and in south-eastern Europe. "Kaolin" AD-Senovo is an example of a new phenomenon for trans-border capital investment inside the same region.

3. DIRECT FOREIGN INVESTMENTS

Ceramic tiles are manufactured in "Keramika" AD – Ravno pole, "Izida" - Elin Pelin, "Shamot" AD – Elin Pelin, "Podova keramika" - Montana, "Khan Asparuh" AD - Isperih and "Khan Omurtag" AD - Shumen; sanitary ceramics – in "Ideal standart Bulgaria" AD -Sevlievo and Roka Bulgaria" AD Kaspichan, and bone china - in "Bononia" - Vidin. "KAI Group" unifying factories "Khan Asparuh"AD - Isperih, "Khan Omurtag" AD - Shumen and "Izida" - Elin Pelin with total capacity of 15 mln m² tiles and granitogres per year [8]. Quite recently "Advent international corporation" – a private investment fund (USA) gained individual control over "KAI Group" for investing.

Two factories for sanitary ceramics are built in the town of Sevlievo; a new factory for sanitary ceramics is ready for operation in the town of Kaspichan and a factory for ceramic tiles is being built in the town of Russe as a result of the

direct foreign investments in Bulgaria. "American standard" (USA) is the investor in the town of Sevlievo; in the town of Kaspichan – Spanish family group "Roka", and in the town of Russe – "Keros ceramics" (Spain). "American standard" (USA) invested 125 mln USD in the town of Sevlievo; "Roka" (Spain) – 37 mln € in the town of Kaspichan, and "Keros ceramics" (Spain) – over 21 mln € in the town of Russe. The new owner of the two factories in the town of Sevlievo – "Ideal Standard International" (Belgium) invested about 6 mln € for new technique and technologies. Over 1 mln € foreign investments are used in "Podova Keramika" – Montana. "Mont – Pigment"-Montana is a Bulgarian-Italian venture for inorganic pigments. In "Khan Asparuh" AD - Isperih design and decoration follow Spanish technology.

A decrease of the corporate tax to 10 %, introduction of technical passports for construction sites, introduction of private receiving agents, the low working wages and the access to EU grants make Bulgaria an attractive place for foreign investments.

4. COMPETITIVENESS

Ceramics firms compete on the basis of their industrial products. Ceramic products competitiveness in market economy conditions, i.e. their ability to realize more profit in comparison to others, depends on the business climate and company management quality [3], mainly on the quality and the price of the products [1], which best meet consumer demand. Taking in account the law for contact interaction [4] a graphic dependence is presented on figure 1, geometrically displayed by the vertexes of a tetrahedron, along the chain: raw material (natural, synthetic, recycled) – industrial technology (software, hardware, orgware) – ceramic product (quality, price) – factors of competitiveness (market business climate, company management), giving the possibility to prepare strategies (innovations, implementation, export) for increasing the competitiveness of the ceramic companies.

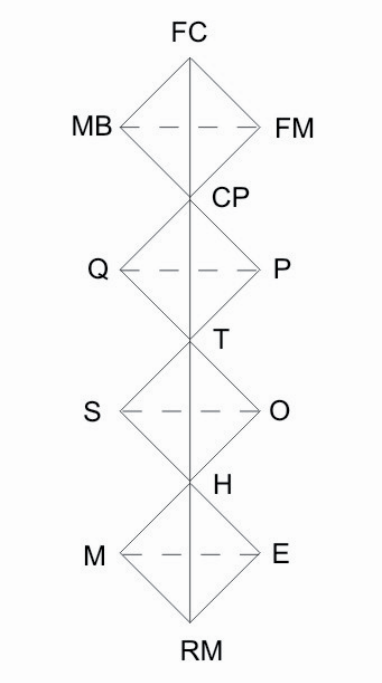

Figure 1. Raw material (RM) – industrial technology (T) – ceramic product (CP) – factors of competitiveness (FC). RM – raw materials; M – machines; E – equipments, materials; H – hardware; S – software; O – orgware; T – industrial technology; Q – quality; P – price; CP – ceramic product; MB – market business climate; FM – firm management; FC – factors of competitiveness

Growth rate slowdown of ceramic tiles production (2,9% growth rate for 2006, at 26,4 % for 2005) and the slight slowdown of sanitary ware production (-0,6 % for 2006) show that Bulgarian ceramic firms have difficulties in the realization of their products on the inside and foreign markets. This leads the management of firm investments and innovations to be directed to overtaking quality improvement of ceramic products, before increasing their prices, to lower energy-, material- and capital-consuming technologies and eco-technologies, to cluster schemes with leading foreign ceramic companies for increasing the investment-innovation potential, market position expansion and the market share of the firms. Quality and the price of raw materials, technical innovations (machines and equipments), information technologies and the quality of the human resources are the basis of the chain: raw material-industrial technology-ceramic product-factors of competitiveness.

5. CONCLUSION

The direct foreign investments in Bulgarian ceramics can be turned to the following directions: reconstruction, modernization and expansion of the existing ceramic enterprises; construction of new and combined factories with foreign participation; starting of innovative enterprises for production of ceramic raw materials (natural, synthetic, recycled) and masses (for tiles, porcelain, sanitary faience); of frits and pigments in cooperation with leading firms (clusters) with

end ceramic product for decreasing the material and energy consumptions and increasing the competitiveness.

The competitiveness of the Bulgarian ceramic firms depends to a large extent on their production, as well as on scientific cooperation with leading foreign ceramic companies; on the entrance of foreign investments and on the increase of their innovation potential.

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