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# INDUSTRIAL APPROACH OF JAPAN: A POSSIBLE MODEL FOR BALANCED REINDUSTRIALIZATION AND REGIONAL DEVELOPMENT OF BULGARIA IN THE NEXT PROGRAMMING PERIOD: 2028-2035

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**ABSTRACT**

The goal of this study is to suggest a model how to integrate industrial advantages of Japan with Bulgaria's EU Perspectives in the next programming period: 2028-2035. The authors utilized comparative analytics and critical thinking methods to conceptualize how it is possible to enhance financially sustainable reindustrialization and successful regional development of Bulgaria.

The paper sums up the accrued results, based on critical review of industrial relations between Japan and Bulgaria in 70s and 80s and delineates critically important areas of financially balanced and economically sustainable regional development in the forthcoming programming period, streamlined to implement advanced industrial achievements of Japan in Bulgaria.

To support the results, the authors provide academic discussion on R&Ds, smart specialization, international economic relations and cooperation for technology transfers, and building international strategic alliances with warranted international financial provisions for production and trade.

**Keywords:** reindustrialization, regional development, venture capital, startups, Japan, Bulgaria

## INTRODUCTION

In general, mainstream and professional analyses based on international economic relations and realities demonstrate that the Bulgarian economy continues to be poorly developed, compared to the general economic indicators averaged at the EU-27. With a long-term price convergence with the prices in euro, expected to enter into official market circulation on January 1st, 2026 in the national economy, there is a significant lag in industrial modernization and social costs of living.

Furthermore, according to the recent Systematic Analysis of Bulgaria (2021), prepared by the World Bank Group [1] there are significant socio-economic gaps, which are formed between different social groups of the country, which are prepositions for diminished standard of living (GDP per capita in Purchasing Power Parity is computed at 55% out of EU-27 average [1, p. 39]) and for the highest percentage of income inequality within the EU (Gini's coefficient is computed at 41%, and there are significant inter-regional economic and social disparities in the country [ibid., p.38]). Thus, in search for possible models for new social, economic, and industrial development of Bulgaria, it makes much economic sense to double-check the roots of Bulgarian industrial establishment and transformation from centrally planned economy (CPE) to market economy (ME).

In this paper, we advocate the viewpoint that there shall be strong consideration on adopting a model for reindustrialization of Bulgaria, based on the one hand – the long-standing industrial partnership with Japan, which dates back from 60s and 70s, and on the other hand – the country's full membership at the EU, including the perspective to enter the monetary union in near months.

We believe that renewing the economic, social, industrial, and cultural partnership with Japan

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shall contribute to greater dynamics in reindustrialization of Bulgaria during the next programming period of the EU: 2028-2035. To support this thesis, we emphasize on the recent signed and entered into force EU-Japan Economic Partnership Agreement (2023) [2]. This opens a European perspective for Bulgaria to renew its economic and industrial relations with Japan, including bringing into the analysis showcases from the past bilateral relations, but also new factors for systematic analysis of the big picture. Among the new factors, which shall be taken into account are: the startup ecosystem in Japan; the Japanese state's strategy for the development of startups in the country, and the state of the venture financing market in Japan. The latter is of key importance for implementation of innovations in a number of economic sectors of the Bulgarian economy, which have natural opportunities for development, but usually remain without real prospects for financial provision from the so-called conventional forms of financing, based on creditor-debtor bond relationships.

## MATERIALS AND METHODS

### INVESTIGATING SOME ELEMENTS OF THE BULGARIAN-JAPANESE ECONOMIC PARTNERSHP FROM CENTRALLY PLANNED ECONOMY TO MODERN START-UPS

Speaking in terms of economic industrialization, there shall be underlined the importance of the three-sector model of an economy, initially known as Clark-Fisher Model [3, 4] in the late 1930s and early 1940s. In full contrast to the market economy and the nature of industrialization in the US, Japan and Western European countries, the system of centrally planned economy (CPE) was installed in Bulgaria – from December 23, 1947 (when the nationalization was initiated) to 1990 (when the system collapsed). Among the main characteristics of the CPE, which Bulgaria followed under the CMEA rules (Council for Mutual Economic Assistance) were: centralized planning and centralized control, rapid industrialization, and social ownership. Although, it may seem that for almost half a century the country was having strong economic ties with the CMEA countries, and having no significant trade and technology transfer with any of the industrialized countries, it is not exactly the case.

During the socialist era Japan played an important role in Bulgaria's industrial development through economic and technological cooperation. Although Bulgaria was a part of the socialist bloc and its main partner was the USSR, along with the CMEA countries, cooperation with Japan contributed to the modernization of many key sectors. To recall that the programming periods in the period of CPE were called "Five-Year Plans" /FYPs/, which were aimed at forming the industrial establishment of Bulgaria and its modernization throughout the years. There were 9 FYPs during the period 1949–1990, when Bulgaria was a part of the Eastern Bloc and the CMEA [5, p.12]. Analyzing much data and evidences in the recent years, we stand to assume that there were "two waves" of industrialization in Bulgaria – the first one from 1949 to early 70s, and the second one – from early 70s on. The first industrial wave of Bulgaria may be easily recognized from the end of WWII to 1970, when the country focused its national resources into establishment of the heavy industry, the energy sector and electrification, metallurgy, petro-chemical industry, and processing of raw materials. It is noteworthy, that in most cases the Bulgarian national statistics gets as an industrial base the pre-war 1939, when it compares the economic indicators during the CPE-period. The second industrial wave is considered to begin with the FYP-VI /1971-1975/, when the country makes a strong shift towards microelectronics, computers, food and food-processing industry, textile industry, development of modern tourist sector and other science-intensive industries. In our opinion – the milestone to indicate the beginning of the "second industrial wave" during the CPE of Bulgaria is the International Fair in Osaka – Expo-1970. Since then Bulgaria started to partner with Japan more and established stronger economic, industrial, and technological partnership. This partnership between Bulgaria and Japan was mainly aimed at the industrial modernization of the country. Although Bulgaria was a part of the socialist bloc, development of strong economic ties with Japan allowed the country to introduce modern capitalist technologies and increase its competitiveness in many sectors, especially in electronics, mechanical engineering and the chemical industry.

The Osaka Expo in 1970 was focused mainly on future technologies and urban living. There were demonstrated futuristic concepts, such as HDTV, robotics, smart homes, and many other things.

A great part of these innovations were adopted in Bulgaria. In the mid-1960s, the then state and party leadership of the country - contrary to the ideological doctrine of the USSR - made three

risky, but successful moves for the industrialization of Bulgaria and introduction of technological solutions to our country.

1) It established the Bulgarian Foreign Trade Bank /BFTB/ (Bulbank) in 1964 (in that year Japan demonstrated for the first time its Shinkansen train, speeding at 230 km/h);
2) It formed a special technological hub for attracting foreign investors in the country – INTERPRED in 1969; and
3) It organized a state delegation to visit the exhibition in Osaka in 1970.

Bulgaria and Japan entered into direct trade and industrial negotiations and many Japanese corporations were asked to get involved into transfer of technologies and modernization of Bulgaria, according to the highest and most modern Japanese industrial models. Furthermore, the Japanese partners were ready to provide funds by various financial and banking structures. Bulgaria began to import and implement Japanese technologies through the then powerful economic structure INTERPRED, which included about 1'000 of the strongest corporations operating in the so-called "capitalist world". INTERPRED then served as a hub for technology transfers and distributed technological innovations among Bulgarian state enterprises and organizations. INTERPRED was also introducing the new employment and economic standards throughout the country, contrary to what is noticeable today – the concentration of economic and industrial activity in a few cities in the country. Thankfully to the Bulgarian Ambassadors in Japan and their teams, the professionals at BFTB and INTERPRED, as well as the local management staff on site – new technological solutions and direct agreements for industrial and commercial relations with Japanese corporations were systematically and rhythmically entering the country, including (the list is indicative, not exhaustive): *Mitsubishi* – participated in the supply of machinery and industrial equipment to Bulgaria; *Hitachi* supplied Bulgaria with various types of heavy equipment, electronics and industrial equipment; *Sony* imported consumer electronics, including televisions, audio equipment and other electronic devices; *Matsushita/Panasonic* – also imported consumer electronics and household appliances; it was *Matsushita/Panasonic* that helped build up Bulgaria's own capacity for the production of televisions, audio equipment, household appliances and electronic goods in general; *Sharp* – another Japanese electronics giant brought unique technologies to Bulgaria; the company supported the production of electronic components and consumer electronics, especially in areas related to display technologies; *Seiko* – cooperated with Bulgaria in the field of transferring technological solutions for the production of watches and calculators; *Fanuc/Facom*– cooperated with Bulgaria in the transfer of knowledge and equipment in the field of computers and telecommunications; in fact, this partnership seriously supported the development of the Bulgarian electronics industry, including the production of computers and communication systems; *Yamaha* – supplied musical instruments and electronic equipment; *Toshiba* – imported technological solutions for various enterprises in the field of the water sector, pharmacy, etc. *Mitotoyo* – imported equipment and drilling pipes for exploratory drilling for gas and oil deposits in the Black Sea; *Kobe Steel* – supported the technological construction of the heavy machinery plant in the town of Radomir; *Sumitomo* – provided solutions and chemical technologies, especially in the field of synthetic materials; this corporation set the foundation of the Bulgarian chemical industry and helped to improve the production processes for plastics, fibers and other chemical products and many others.

As noteworthy specific cases of industrial technology transfer, the industrial solutions for the construction of the Yambolen Plant in the city of Yambol for artificial fibers and silk opened in 1978. Also, this is valid for the textile plant in the city of Dimitrovgrad, the Memory Devices Factory /ZZU/ in the city of Stara Zagora, the Chaira Hydro-electric Power Plant, the Bearing Factory in Sopot, etc. Thankfully to the strong bilateral economic relations between Japan and Bulgaria, numerous industrial and technological solutions were provided to the country. Thanks to specific agreements in the field of agriculture – contracts were signed with *Meiji Milk* for the use of the Bulgarian lactic-acid bacteria Lactobacillus bulgaricus for the needs of industrial production. It was Japan that was at the heart of technological modernization of Bulgaria in almost all areas and spheres of life through specific technical and technological solutions, practices and standards implemented from the early 70s.

Bulgaria was beginning to build a competitive industrial and social standard of living, because

Japanese companies were transferring key and world-leading technologies to Bulgaria - mainly in sectors, such as electronics, telecommunications, machinery, automotive and chemicals. Numerous scientific conferences were organized in Bulgaria – symposia, seminars and meetings for the exchange of knowledge and transfer of technologies between Japanese and Bulgarian professionals.

The State Committee for Science and Technical Progress /SCSTP/ at that time, which had the rank of a Ministry was directly responsible for the implementation of knowledge and technological lectures in the higher education system, and specifically in the period 1971-1977.

The SCSTP fulfilled the direct coordinating role between science in Universities and the emergence of new industrial enterprises for their time – all with their own scientific and development units - similar to Japanese enterprises. The level of operational and managerial knowledge in Bulgaria was also increasing due to the active invitation of lecturers from Japan, who explained to representatives and managers from the highest levels of the Bulgarian state - administration, industry, banking - the principles of Japanese management and the Japanese economic model. We allow to ourselves to assign significant driving force for speedy modernization of Bulgarian economy, industry, and social standard to the so-called "second wave" of industrialization of the country, thankfully to the Bulgarian-Japanese intensive economic partnership. Also, we allow to ourselves to reason that "Osaka-Expo-1970 Model" was the cornerstone for transforming fast Bulgarian economic, industrial, and social landscape. For example, during the period 1976-1983 Bulgaria marked an average annual growth of its Gross National Income per Capita of 5%, whilst the GDR /East Germany/ marked 4,2%, and the USSR – 3,2%; the rest CMEA-countries scored below the USSR. For comparison, Japan marked for the same period 3,6% average annual growth of GDP, whilst Austria – 2,5%, and FRG /West Germany/ scored 2,3% [ibid., p.13].

In summation, in 1948 there were 818 state industrial enterprises in Bulgaria, while on December 31, 1991 there were 2'954 state and cooperative industrial enterprises [ibid., p. 15]. The overall industrial production for Bulgaria (without electrical energy and heat energy) is calculated at approximately 151 billion BGN then. The same source points out that the national income per person in 1985 is computed at 3'518 BGN, which is quite high in comparison to 1956 – 342 BGN per person. The average salary per year per person is computed at 2'540 BGN in 1985, and at 789 BGN in 1956 [ibid., p.21]. These figures stand to mean that a significant part of the economic added value was contributed to accrue the national wealth and capitalization of national industrial assets, including raising the social standards of living. In addition international sources demonstrate that the GDP per capita in 1980 for Bulgaria was 3'437 USD [6]. Thus, having into consideration that inflation was non-existing in the CPE and the official currency rate of BGN to USD was 1:1 before the political changes in 1990s, it is fair to consider that the Bulgarian industrial output totaled to approximately $ 150 billion USD (without electrical energy and heat energy).

At the end of 2024 the Bulgarian GDP accounts for approximately 203 billion BGN /in nominal terms/, which is approximately € 104 billion, or $ 119 billion USD [7], but the country needs strong industrial economic support for regional revitalization.

In Japan, the term utilized for "regional revitalization/creation" is "chiho sosei" [8]. Also, there are some recent researches [9], which broadly discuss the efforts to achieve not only successful revitalization of industrial relations, comparing the models of EU and Japan, but also the societal norms; they are labeled as "Society 5.0" in Japan, and "Green Deal" and "REPower" in EU.

In the light of the EU-Japan Strategic Partnership Agreement (SPA), the countries of EU shall be able to strengthen the overall partnership with Japan and take joint actions in sector cooperation, including development of industrial relations. Hence, there shall be improved thinking on industrial clusters, information and communications technologies, including "internet of things", smartification of cities and regions, improved quality of life, and most important – fostering innovations, researches and transfer of technologies. However, one of the driving factors, which comes to use in modern times is seeding and

establishment of startup culture and risk sharing among entrepreneurs – both public, and private. In general, a startup ecosystem is a combination of various factors: business environment, startup companies, conditions for launching and developing a given idea, and available financing. The environment in which enterprises operate refers to factors and forces that influence their ability to build and maintain a lasting and successful market presence [10]. In other words – the qualitative features and characteristics of the business environment are of fundamental importance for the development of entrepreneurial initiative. From this point of view, the business environment must provide favorable opportunities for the launch, construction and late development of promising and innovative ideas. Financing opportunities for each of the stages of company development provide the much-needed capital resource, with the help of which opportunities for production and market growth of each business are provided.

According to the Japan External Trade Organization (JETRO) [11] – compared to Silicon Valley, Japan has only one of the four conditions for the startup ecosystem mentioned above – the business environment. For this purpose, the J-Startup Program [12] was created in 2018, which is under the management of the Ministry of Economy, Trade and Industry. The goal defined for achievement is simple – to comprehensively support startups in the country, thus ensuring their international competitiveness. Again, in this regard, one can mention the "*Road to Innovation: Five-Year Plan for the Development of Startups in Japan*" adopted for implementation in 2022. The ultimate goal of the plan is to increase both the number of startups and the amount of invested funds. The amount of investments in startups has more than doubled, reaching 2.3 times from 2017 to 2021 (from 360 billion yen in 2017 to 820 billion yen in 2021). The plan sets a seriously ambitious goal: the goal is to increase the amount of invested funds 10 times (10 trillion yen) by fiscal year 2027 [13]. Other important areas in the Japanese government's efforts to create a favorable environment for the development of start-ups are: investments in R&Ds and directing companies' R&D expenditures to venture capital funds. It is important to clarify here that although the venture capital environment has been developing very dynamically in recent years, the growth rate of investments (private and public) in venture capital funds lags behind when compared with the leading ecosystem for start-ups - Silicon Valley in the USA. For example, in 2022, 3'062 investments were reported in Japan, worth a total of $ 7.28 billion USD. In the USA, 16'464 investments were reported for a total of $ 235 billion USD for the same period. The average venture capital investment in the United States is around $7 million – down from $14 million USD in 2021, while in Japan this amount was $769,000 [14]. The conclusion that can be drawn is that Japan is at a relatively early stage in the development of its domestic venture capital market. However, Japan is well positioned on the world map in terms of science and technology clusters. The areas of Tokyo, Osaka-Kobe-Kyoto and Nagoya are among the top 12 clusters, based on output measured by patents and scientific publications. In combination with the latter, the fact that Japan is still a leading innovator in the field of science and technology should be taken into account, as well.

## DISCUSSION

### RISK SHARING IN BULGARIA AS A TREND FOR BUSINESS PARTNERSHIP ESTABLISHMENT

In contrast, the ecosystem of start-ups in Bulgaria needs qualitative and quantitative improvements in all four areas that make it up: business environment, start-ups, conditions for launching and developing a given idea, and accessible financing. Here, the main focus will be on the available opportunities for providing financing to start-ups and more advanced enterprises in their business activities in the country. It is evident from the presented analysis in Japan how important, key emphasis this element of the ecosystem is, both in the leading start-up market in the world - Silicon Valley, and perhaps the most promising market for start-ups in the world in global terms - that of Japan.

Another crucial thing to make the shift from traditional financial sources (banking) to risk sharing through equity financing - is to comprehend the mechanisms of public-private partnership.

In Bulgaria, the provision of venture financing is a relatively new phenomenon, as it is in Japan – that is gradually finding its natural market niches. For example, in 2014 there were only a few venture capital funds in Bulgaria, operating with capital resources of several million BGN;

however, by the end of 2022 their number amounted to 24 funds with a total amount of realized project investments in Bulgarian enterprises of € 652 million [15]. At the initial stage of the venture investment, venture financing is used mainly to secure patent rights and acquire know-how, which is the basis for the development of improved innovations, which occupy the relatively largest share of the innovation market in the country. At the stage of market expansion, venture investors support the establishment and confirmation of the product resulting from innovation. Here, the risk can be defined as "manageable within reasonable limits", because the prospective opportunities for the overall market implementation of the innovation product are outlined much more clearly. At the late stage, also known as "bridge financing", venture investors practically assume the lowest degree of risk due to the predictable nature of the innovation project, and also because it is assumed that the innovation already provides stable revenues from market sales, and the business is in a phase of stable growth.

One of the positive news towards creating more favorable conditions for financing and developing innovations in Bulgaria is the creation of the state "Fund Manager of Financial Instruments in Bulgaria", also known as the Fund of Funds. Its activities are focused on four main areas: (1) providing opportunities to improve access to financial resources through the effective use of financial instruments, with a view to promoting growth and employment and ensuring a more favorable business environment for achieving the objectives of the operational programs; (2) implementing effective management of the funds forming the Fund's portfolio and utilizing the opportunities of financial instruments to multiply public resources by mobilizing additional private capital and achieving economies of scale; (3) ensuring sustainability of the management of financial instruments, meeting the requirements for good corporate governance and a conservative approach in view of the inherent investment risks; (4) building capacity for managing financial instruments at the national level, thus overcoming the country's dependence on external expertise in this direction. For the period 2021-2027, the Fund manages financial resources of different EU-funded Operational Programs /OPs/, such as "Innovation and Competitiveness", „Regional Economy Development", "Environment", and "Science and Education for Intelligent Growth", with a total resource of BGN 1.26 billion. The Fund has the obligation to conduct an open and transparent selection of financial intermediaries that provide co-financing. Currently, the Fund works in partnership with six business and public organizations, including "Sys Credit", "Microfund", "Regional Fund for Urban Development", "Fund for Sustainable Cities", "Innovation Accelerator Bulgaria" and "Neveq" [ibid.]. Another source for providing risk financing in Bulgaria is the JEREMIE-program. It is a joint initiative initiated by the European Commission (EC) and the European Investment Bank (EIB), aiming to improve the access to financing for micro, small and medium-sized enterprises /SMEs/ in the EU, through capital resources from the structural funds of EU. The investment strategy of the program is based on the application of a balanced combination of debt and equity financial instruments aimed at improving access to finance for small and medium-sized businesses in Bulgaria. In this way, the existing deficits between the demand and supply of financial engineering instruments and the capital resource provision of innovation activities are satisfied. In Bulgaria, the JEREMIE Holding Fund (HFD) is financed by the European Regional Development Fund (ERDF) together with co-financing from the state budget in the amount of 15%, with the funds being provided under on the Operational Programs. In this regard, a budget has been set under Priority Axis 3, including national co-financing, totaling to EUR 199 million for the implementation of the JEREMIE program in Bulgaria. Due to the requirement to raise private capital under the financial instruments and in addition to the public funding under the program (EUR 199 million for the program period), private capital is also being added, bringing the total amount of the initiative to EUR 563 million, aimed at supporting Bulgarian SMEs in the form of equity risk investments. In this way, for every euro of public funding, € 1.83 of additional private funding is secured. A venture capital fund has also been established for the program, with a capital of EUR 30 million, with 70% of the funds, provided by the program. Enterprises that are established on the market and have a certain business history have the opportunity to apply for risk financing from the so-called "Mezzanine Fund". It targets local enterprises from all sectors of the economy that are in a growth phase, i.e. the program has a wide scope

of application and favors the development of larger-scale enterprises. The funds of the fund are invested in a share ratio of 70/30, respectively in SMEs.

## RESULTS

### TOWARDS REVITALIZATION OF INDUSTRIAL RELATIONS BETWEEN BULGARIA AND JAPAN IN THE PROGRAMMING PERIOD 2028-2035

In recent publication (2022) [16, 17] the authors argue that the reindustrialization of Bulgaria is a possible mission, if the best cases and practices from the Region of Plovdiv and the Model of Trakia Economic Zone are taken into consideration as a role model for the country.

Having been transformed to add greater economic value - the industrial legacy of the country needs broader economic reasoning to adopt modern public and private initiatives for successful reindustrialization, yet. The Model of Trakia Economic Zone /TEZ/ in Plovdiv may be cloned to seed the successful industrial networking models in supply chain operators, producers, and trade partners of businesses in the country and the EU. Here is the place to bring additional input to the considerations how reindustrialization on national level may look like.

Based on thorough researches for the last 3 years, the authors believe there are strong evidences to bring forward to discuss about the past successful industrial relations between Bulgaria and Japan and their numerous joint industrial and economic partnerships, scattered throughout the economy of the country, being initiated and developed in 1970s and 1980s, mainly. Henceforth, there shall be considered in further researches the industrial legacy of Bulgaria, as a mix of influence of different countries, including the "Japanese component". Moreover, the Region of Plovdiv was among the most industrialized regions in the country and delivered significant share the industrial output of the country. For example, the share of the Plovdiv Region output in the gross industrial output of Bulgaria in 1991 was 61% for the printing industry, 39% for the pulp-paper industry, 37% for the non-ferrous metallurgy, 24% for the leather, fur, and footwear industry, 16% for the mechanical engineering and metalworking industry, 15% for the food and food-processing industry, 14% for the textile and knitwear industry, and 14% for the electrical and electronic industry [5, p.22].

It is worth mentioning that it was suggested back in 1977 for Plovdiv to build a "Science City" [ibid., p.18], which had to be completed in 2005. A working hypothesis we have here – is that it was popular among the then political leaders of the country the Tsukuba Science City – and most probably the political plans were to clone it as a Science City in Plovdiv. This again – in modern times, is a very appealing idea – to establish a modern Science City in the Region of Plovdiv as the Tsukuba Science City for example, along with adopting the Osaka-Expo-2025 achievements into Bulgarian economy. At present, the Bulgarian economy has significantly increased its economic potential, and diversified its industrial establishment, allowing entrepreneurs to enter and develop different market segments and industries of the national economy.

## CONCLUSION

In the eve of the new programming period 2028-2035, Bulgaria has a total of 394'135 active enterprises in the non-financial sector /as of 2022/ [18]. The greatest share of enterprises goes to the enterprises in the trade, transport, hotels, and restaurants sector: approximately 194 thousand, then comes the sector for professional activities, R&Ds, and administrative support activities – approximately 59 thousand, and the third place goes to enterprises, involved with culture, sports, entertainment, services related to households – approximately 42 thousand [ibid.]. This demonstrates that Bulgaria changed significantly its industrial establishment and shifted to higher value added economic sectors and activities. These trends are particularly visible in the capital of the country – Sofia, and the Region of Plovdiv. In the recent years, the Region of Plovdiv and Trakia Economic Zone (TEZ-Plovdiv) established strong industrial backbone and modernized the regional industry through attracting numerous Foreign Direct Investments (FDIs) in the region, including Japanese investors. For example, the FDIs in the Non-Financial Enterprises /NFEs/ in 2023 in the country were approximately € 16,7 billion, and the generated sales of all NFEs for the same year approximated at € 252 billion. For the Region of Plovdiv the FDIs in NFEs in 2023 were approximately € 1,4 billion, and the sales of all NFEs in the Region of Plovdiv approximated at € 23,2 billion [19]. In general, this is a share of 8% of all FDIs in NFEs in the country, and 9% share of the sales of the NFEs in the economy.

In contrast to the state-owned and state-administered industrial enterprises of the country in the past, today there are numerous SMEs and various NFEs, which are open to negotiate and partner with international businesses and share the relevant business risks fairly, opting for risk capital funding, along with the traditional options for financing. On the one hand, there are numerous financial instruments (FIs) available along with the total budget allocation of EU to modernize the industrial base of Bulgaria, including the national plan for economic development, financed through the Recovery and Resilience Facility (RRF). On the other hand, there are strong elements of the national economy, which may be tuned-up to a renewed industrial partnership between Bulgaria and Japan.

In summation, taking into account that Bulgaria headlines towards the next EU programming period, there shall be considered not only the possible EU mechanisms for risk funding, discussed in the paper, but also following the stepwise industrial approach of Japan, as a possible model for balanced reindustrialization and regional development.

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