

29/05/89

DEPARTMENT OF EXTERNAL AFFAIRS

3

RPT81

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: BELGRADE

Country: YUGOSLAVIA

YUGOSLAVIA'S ECONOMIC PERFORMANCE IN 1988 WAS MIXED AT BEST. INDUSTRIAL PRODUCTION WAS DOWN 0.7% OVER 1987. EXPORTS, HOWEVER, ENJOYED A HEALTHY 10% INCREASE WHILE IMPORTS INCREASED BY 3.6%. INFLATION CONTINUED AT A BREAKNECK PACE, AMOUNTING TO 251% FOR 1988. UNEMPLOYMENT WAS ALSO HIGH AT 15%. THE COUNTRY'S FOREIGN DEBT SHOWED NO SIGNS OF IMPROVEMENT, INCREASING TO \$19 BILLION DURING THE YEAR. AS OF JANUARY 1, 1989, ANY YUGOSLAV COMPANY WHICH EARNES HARD CURRENCY HAS THE FREEDOM TO SPEND IT AS IT SEES FIT WITHOUT THE CUSTOMARY APPROVAL FROM THE NATIONAL BANK. THIS OPENS-UP OPPORTUNITIES FOR CANADIAN EXPORTERS WHO WILL NOW FACE MORE YUGOSLAV BUYERS WITH THE CAPABILITY OF PAYING FOR THEIR OWN CAPITAL INVESTMENT PROJECTS. HOWEVER, AS IN THE RECENT PAST, COUNTER-TRADE, JOINT VENTURES, INDUSTRIAL CO-OPERATION AND TECHNOLOGY TRANSFERS WILL STILL BE THE WATCHWORDS THAT WILL ATTRACT YUGOSLAV ATTENTION. SEVERAL CANADIAN FIRMS WHO HAVE EXHIBITED FLEXIBILITY HAVE SUCCEEDED IN THE LAST TWO YEARS IN PENETRATING THE YUGOSLAV MARKET. SOME KEY EXAMPLES ARE IN THE FIELD OF POWER GENERATING EQUIPMENT (\$100M JOINT VENTURE BETWEEN COMBUSTION ENGINEERING AND MINE), TELECOMMUNICATIONS (\$30M CO-OPERATION AGREEMENT BETWEEN SR TELECOM AND MAKPETROL) AND IN OIL AND GAS EQUIPMENT. ADVANCED DISCUSSIONS ARE CURRENTLY UNDERWAY FOR THE SALE OF FIRE-FIGHTING AIRCRAFT, TELECOMMUNICATION AND SPACE COMMUNICATIONS. OTHER AREAS OF OPPORTUNITY EXIST IN THE CATTLE BREEDING AND GENETIC MATERIAL SECTOR, OIL AND GAS POWER GENERATING EQUIPMENT, TRANSPORTATION, FORESTRY EQUIPMENT, MINING EQUIPMENT, AND COMMODITIES SUCH AS IRON ORE, COKING COAL, ASBESTOS, WOOD PULP, WHEAT AND OIL SEEDS. ONE AREA THAT HAS BEEN OVERLOOKED BY CANADIAN FIRM IN THE ENGINEERING/CONSULTING FIELD IS THIRD COUNTRY PROJECTS. YUGOSLAV TURNKEY SKILLED LABOUR AND ENGINEERING EXPERTISE. THE POST WILL UNDERTAKE A STUDY OF OPPORTUNITIES IN THIS SECTOR IN THE COMING YEAR AND IN INTERIM, ENCOURAGES INTERESTED FIRMS TO CONTACT THE EMBASSY. IN SUMMARY, BUSINESS CONDITIONS WILL CONTINUE TO BE DIFFICULT IN YUGOSLAVIA FOR THE FORESEEABLE FUTURE, BUT THE CONSTRAINTS ARE NOT INSURMOUNTABLE FOR FIRMS WHO ARE WILLING AND ABLE TO BE FLEXIBLE AND TAKE THE LONG VIEW.