

29/05/89

DEPARTMENT OF EXTERNAL AFFAIRS

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RPT81

TRADE AND INVESTMENT PROMOTION PLANNING SYSTEM

89/90 TRADE AND ECONOMIC OVERVIEW

Mission: BELGRADE

Country: BULGARIA

THE BULGARIAN ECONOMY HAS CONTINUED TO GROW AT ABOUT 5% ANNUALLY IN 1986 AND 1987. PLANNED GROWTH FOR 1988 IS AN AMBITIOUS 6.1%. MANY INDUSTRIES REMAIN INEFFICIENT AND OUTDATED (METALLURGY, AGRICULTURE, EVEN TOURISM), BUT THE ECONOMIC 1987 LAWS, WHICH REORGANIZED THE MANAGEMENT STRUCTURE OF ENTERPRISES--GIVING MORE CONTROL OF DECISION-MAKING TO COMPANY MANAGERS--ARE SLOWLY BEGINNING TO SHOW VISIBLE SIGNS OF ECONOMIC IMPROVEMENT. COMPANIES NOW HAVE ACCESS TO PORTIONS OF THEIR OWN EARNINGS OR TO FINANCING FROM NEW "COMMERCIAL" BANKS FOR THEIR INVESTMENT/MODERNIZATION PLANS. THE SOVIET MODEL OF "PERESTROIKA" IS SLOWLY BEING APPLIED, PERHAPS WITH MORE RELUCTANCE THAN IN THE USSR, BUT WITH SOME MODEST REFORMS NONETHELESS. SUBSTANTIAL INVESTMENT HAS BEEN MADE IN THE HIGH TECHNOLOGY SECTORS, ESPECIALLY ELECTRONICS AND SUBCOMPONENTS. (THIS IS ONE OF BULGARIA'S PRINCIPAL AREAS OF SPECIALIZATION WITH THE COMECON.) ABOUT 75-80% OF BULGARIA'S TRADE IS CONDUCTED WITH OTHER SOCIALIST COUNTRIES, PRIMARILY THE USSR. WEST GERMANY MAKES UP ABOUT HALF OF BULGARIA'S TRADE WITH THE WEST. IN 1987 BULGARIA'S TRADE DEFICIT WITH NON-SOCIALIST COUNTRIES AMOUNTED TO ABOUT \$1.6 BILLION; DESPITE THIS DEFICIT, BULGARIA'S DEMAND FOR IMPORTED WESTERN INDUSTRIAL GOODS REMAINS STRONG. THUS, THE COUNTRY'S HARD CURRENCY DEFICIT HAS MUSHROOMED FROM A RELATIVELY MODEST \$2.3 BILLION IN 1987 TO NOW OVER \$6 BILLION BY THE END OF 1987. TO DATE, BULGARIA HAS GENERALLY BEEN CONSIDERED A CREDIT-WORTHY COUNTRY, BUT THIS SITUATION IS GRADUALLY WORSENING AND WILL REQUIRE FUTURE MONITORING. CANADIAN TRADE WITH BULGARIA HAS BEEN RATHER MODEST: IN 1987 WE EXPORTED SOME \$35.8 MILLION AND IMPORTED \$9.6 MILLION. 80% OF CANADA'S EXPORTS TO BULGARIA IN 1987 CONSISTED OF WHEAT AND OTHER FEED GRAINS, DUE TO AN UNFAVOURABLE LOCAL HARVEST IN THAT YEAR. BESIDES GRAIN, CANADIAN EXPORTS HAVE TENDED TO BE RAW MATERIALS AND SEMI-PROCESSED GOODS: IN 1988, 85% OF OUR TOTAL EXPORTS OF \$25.7 MILLION CONSISTED OF ZINC ORES AND CONCENTRATES. IN 1988, THERE WERE NO GRAINS SALES, BUT THERE IS REASON TO BELIEVE THAT THE AUTUMN HARVESTS HAVE BEEN MUCH BELOW THE PREDICTED BUMPER CROP AND THAT THE BULGARIANS MAY ONCE AGAIN GO TO THE INTERNATIONAL MARKET FOR GRAINS IN EARLY 1989. IN THE COMING YEAR, CANADIAN COMPANIES CAN REASONABLY EXPECT SALES OF (A) MEAT PROCESSING EQUIPMENT--ONE DEAL WORTH MORE THAN \$30 MILLION HAS BEEN SIGNED IN LATE 1988, MAKING IT THE LARGEST CANADIAN EXPORT CONTRACT WITH BULGARIA; (B) PULP MILL/PULP PROCESSING EQUIPMENT--ONE COMPANY IS PURSUING A \$200 MILLION TURNKEY PROJECT; (C) RECYCLING EQUIPMENT--BETWEEN \$1 AND \$3 MILLION; (D) OIL AND GAS EQUIPMENT--OVER \$10 MILLION. TO A BULGARIAN FIRM CONTRACTED TO WORK IN THE MIDDLE EAST. IF THESE AND/OR OTHER SMALLER CONTRACTS ARE WON BY CANADIAN COMPANIES IN 1989-90, IT WILL MEAN THAT CANADIAN PROMOTIONAL ACTIVITIES ARE BEGINNING TO PAY OFF, AND THAT CANADA IS BECOMING ACCEPTED AS A SUPPLIER OF HIGHER TECHNOLOGY INDUSTRIAL GOODS AND SERVICES.