forwarding the import permits. At the same time, he advises the importer that final approval may be obtained from the Central Bank. The import license includes a clause indicating that the Central Bank will not forward foreign exchange to the importer to pay for the imports. However, the export license relieves the Ecuadorian exporter from having to turn over foreign exchange received from the sale of his goods to the Central Bank and allows him to pay for the imports directly. The exporter must also present to the Central Bank a guarantee which will cover any delivery failure by foreign suppliers.

Ecuador maintains bilateral clearing agreements with a number of East bloc nations and has concluded countertrade transactions with the U.S.S.R., Czechoslovakia and Romania, offering bananas in exchange for automobiles and other finished goods. Other agreements exist with Cuba, the Dominican Republic, and other members of LAIA. There has also been activity with other nations, such as New Zealand, on an as-needed basis.

Private-sector countertrade transactions have included the exchange of plywood for computers, oil for a U.S. jetliner, and pesticide for Brazilian trucks. Most countertrade arrangements in Ecuador are private-sector ones, although the government may assist in negotiations. MICEI emphasizes that countertrade arrangements are strictly on a voluntary basis and that the government will not offer any incentives or otherwise actively promote or encourage countertrade.

Ecuador is facing many of the problems encountered by other Latin American economies. Its foreign debt stands at approximately $7.6 billion (US), with $2.2 billion of that being public debt. Also, Ecuador's exports to its traditional markets have, in a number of cases, been affected by import restrictions in those countries. In April 1985, the debt was refinanced with the Club de Paris. Ecuador then became the first country in the world to benefit from a multi-year refinancing. Although the economy is expected to recover slowly, indications are that the worst days are behind.

Trade and Foreign Exchange Controls

Import licenses are required for all goods valued at $500 (US) or above. Imports are divided into two groups: List One consists of permitted imports and includes essential goods (Category A) and semi-essential goods (Category B), while List Two consists of luxury and non-essential goods. Items on List Two no longer qualify to receive a portion of foreign exchange for their import. Some goods may be imported only from specified nations. The importer is required to pre-pay 80% of all import duties and must obtain insurance in Ecuador. In addition, the importer also faces a range of import taxes and surcharges. Import licenses issued by the Central Bank generally run for a period of 180 days but may be valid for up to two years, depending on the import.

All exports require licenses and foreign exchange proceeds must be surrendered after shipment of the goods. The time period for the surrender of foreign exchange varies with the nature of the product and must be determined on application. The government has set minimum prices for certain traditional exports including bananas, coffee, cocoa, and petroleum. Tax credits may be available to exporters.

GERMAN DEMOCRATIC REPUBLIC

The German Democratic Republic (GDR) has the highest standard of living in the Eastern bloc. It is notable for its high degree of industrialization and output of high quality goods. In the past, the government of the GDR has welcomed countertrade proposals, particularly with regard to capital projects. At present, the nation carries a relatively high foreign currency debt burden and has suffered from the decreasing availability of Western financing credits, as do most East European nations.

Western exporters can expect that, in order to receive contracts on capital projects or other large investments, it may be necessary to arrange countertrade up to a level of 140%. However, on small or medium-sized contracts, countertrade is handled on an individual basis by the GDR import enterprise. Most of the import enterprises have specialized departments which deal exclusively with countertrade agreements. Due to the wide availability of suitable products for countertrade, GDR countertrade negotiations are regarded as being amongst the most straightforward in Eastern Europe. Technical goods are of a high quality and easily marketable by regional standards, although they are sometimes not competitive in price. Due to a well organized administration, cross-sector transactions may be accomplished at minimal cost and most contracts have been filled without complications.

The state agency *Transinter* and the Ministry of Foreign Trade are important organizations which conduct the negotiations and supervise the fulfillment of countertrade contracts. It is advisable that all reciprocal trade agreements stipulate conditions precisely.

HONDURAS

Honduras has used forms of countertrade (primarily barter) for a number of years. Although the country does not have a set of regulations on countertrade, transactions must be evaluated and approved by the Ministry of Economy in conjunction with the Ministry of Finance and the Central Bank.

Honduran policy is to allow the countertrade of both primary and non-traditional exports. Transactions have covered a wide range of products and nations, including Switzerland, Romania, Israel (with which Honduras may be exchanging coffee for telecommunications equipment), and Czechoslovakia (lumber for pharmaceuticals). Honduras is unusual in that it does not offer a list of exports to prospective countertraders but rather a list of imports that it requires. It is then up to the foreign supplier to locate Honduran goods suitable for the export end of the transaction.

Trade and Foreign Exchange Controls

Import permits are required for all items and approval is granted through the External Financing Department of the Central Bank. The Central Bank offers credit for essential goods but non-essential imports must be paid in cash.

The Department is also responsible for issuing export licenses, which are mandatory for all exports exceeding $1 000 (US). Foreign exchange may be either repatriated to the Central Bank or commercial banks within 90 days after negotiation of export documents, or may be held in dollar deposits with commercial banks. Any withdrawals from the dollar accounts trigger government procedures on the use of foreign exchange.

Most traditional exports are supervised by agencies: coffee by the Honduran Coffee Institute (IHCAFE); bananas by the Honduran Banana Corporation (COHBANA); lumber by the Honduran Forest Development Corporation (COHDEFOR); and agricultural staples such as corn, rice, beans, and potatoes by the Honduran Institute of Agricultural Marketing (IHMA).

HUNGARY

Hungary is unique among Eastern bloc nations in that it has made official pronouncements opposing certain forms of countertrade. In a presentation to GATT in 1979, the Hungarian government stated that the linkage of