compliance through semi-annual purchase reports and by contacting the domestic suppliers of the countertrade goods. Models of suggested contracts for counterpurchase and monitoring arrangements are provided by government.

Among the transactions completed to date, a Danish firm supplied a ferry for horticultural products and seafood amounting to half of the $50 million (NZ) contract; Hungary has supplied railway rolling stock for pharmaceuticals; and mutton has gone to Poland in exchange for coal mining gear and other heavy engineering equipment. The new government has also stated recently that, despite current difficulties, it sees oil bartering as the main means of payment for the growing market for New Zealand meat and dairy products in Iran.

Since 1982, a requirement has been put in place for the benefit of New Zealand's professional service organizations. These organizations receive 30% of a contract's feasibility and planning studies and project management, or alternatively, 30% of project design and design management. These mandatory requirements for domestic service employment may be relaxed if they would result in excess costs to the project or if they would violate secrecy agreements or technology guarantees given by the bidder or sub-contractors.

Trade and Foreign Exchange Controls

The new government, elected in mid-1984, has moved to introduce wide-ranging economic reforms aimed at moving New Zealand, in the long term, to a more open, more flexible economy, with greater wage and price stability. These reforms have included, inter alia, the adoption of a floating exchange rate; the removal of interest rate controls; the removal of controls on overseas borrowing and foreign exchange purchases; and the granting of unrestricted access to New Zealand's capital markets for foreign-owned companies operating in New Zealand. As well, the Overseas Investment Commission announced in March 1985 that limits on foreign ownership in financial institutions, advertising agencies and fish processing companies had been abolished.

The government has also begun to liberalize the import licensing system. Measures taken include a) an increase of import license allocations to a minimum of 10% of the domestic market for goods not covered by industry development plans; b) removal of restrictions on who can bid for licenses; c) removal of limits on the number of import licenses that can be held by any one firm; and d) year-round availability of licenses not won during the annual tendering round. The government has also begun discussions on what form tariff policy should take once the import licensing system has been removed.

NIGERIA

Nigeria has seen its level of imports fall considerably due to declining availability of foreign exchange, as a result of reduced oil production and revenues. Further, project financing is becoming more difficult to obtain as financial institutions are becoming more cautious and unwilling to increase their exposure in a country where debt service is expected to rise to 55%, or even 60%, of exports in the next two years. Countertrade has been discussed as a method of alleviating the situation but the number of transactions have been few to date.

Nigeria has issued no official regulations on countertrade. Obstacles include both a lack of co-ordination among Nigerian agencies and officials, and a requirement that export revenues be divided equally among the nation's 19 states, a requirement which makes establishment of an approved accounting system very difficult. Nigeria's official view is that countertrade is an acceptable policy only for countries experiencing a sharp economic decline. Nigeria considers itself in this category and is now pursuing a policy of countertrade. Approval for countertrade transactions is made through an inter-ministerial board consisting of the Ministers of National Planning, Petroleum and Energy, Finance, and Commerce and Industry.

As Africa's largest oil producer, with production of 1.24 million barrels per day in 1983, Nigeria's exports of crude petroleum amount to 98% of its total offshore earnings. Allthough Nigeria was interested in oil barter as a result of the 1977-78 oil glut, it officially opposed countertrade or barter for oil in order to preserve its position as a member of OPEC. Nonetheless, in a surprising move, it entered into a one-year agreement with Brazil in 1984, renewable for a further year, to exchange crude oil for oil products, paper, chemicals, auto parts, salt, sugar and steel. The value of this bilateral trade is estimated at $500 million (US) annually.

Nigeria now seems to be interested in negotiating only a single major comprehensive countertrade agreement with a trading partner. A recent Canadian offer of milk for oil was rejected as totally unacceptable, and discussions with Canadian producers willing to exchange grain and military vehicles for oil has yet to bear fruit. Nigeria is much more interested in large deals with a greater product diversity, that would provide sufficient economies of scale to make the deal worthwhile.

An example of this trend is a recently signed agreement between Nigeria and a number of French companies, calling for the purchase of $500 million (US) in oil. Of the total amount, $150 million would be used to settle outstanding debts between Nigeria and the companies; $100 million would be alloted to one of the partners to import raw materials for its plants in Nigeria; $200 million would be allocated for import of spare parts, general merchandise, plastics, and raw materials for another French partner's activities in Nigeria; and the remaining $50 million would go to other French firms. The major benefit accruing to the French partners is that the problem of obtaining import licenses for the Nigerian operations has been overcome through countertrade.

The present arrangement used in oil countertrade is for the foreign buyer of crude oil to sign a one-year purchase contract (usually renewable for an additional year), entitling it to export rights to Nigeria. The rights are transferable and the exporter, whether an original party or an assignee, will automatically receive import permits for its product through a Nigerian importer. In an oil countertrade scheme, it is important to reassure the government and its oil marketing arm, the Nigerian National Petroleum Corporation (NNPC), that the oil will not be dumped on the international market, undercutting Nigerian (and OPEC) price maintenance policies. The government must also be assured that the sale of the oil will not compete with, or replace, the oil sold in traditional markets.

Apart from crude oil and some oil products, countertrade goods are available primarily from the agricultural sector. However, Nigerian produce is generally not price-competitive in world markets and problems in production and transportation would make it difficult to locate and ship any major quantity required for a large-scale countertrade transaction. Supplies are often not even sufficient for domestic requirements.

Nigeria succeeded in reducing imports by 30% between 1981 and 1984, and reduced its current account deficit from 3.4 billion to 126 million Naira between 1983 and 1984. However, its 1985 budget aims to reduce import activities even further, probably through a cutback in import licenses. Any party intending to export to Nigeria