YUGOSLAVIA

Yugoslavia is unique among Eastern European countries due to its high degree of decentralization. It is composed of six republics and two autonomous provinces which appear to operate in an independent manner, both politically and economically. This lack of centralization, coupled with the peculiar Yugoslavian arrangements for foreign exchange control, tend to make countertrade transactions difficult to negotiate. In fact, many experienced countertrade houses in Vienna have backed away from countertrade projects in the country.

Key organizations in the control of countertrade procedures are the 'Self-Managing Interest Communities for Foreign Economic Relations' (SIZ). Each SIZ carries out monitoring operations of the regional trade in goods under the different import exchange categories. The SIZ grants authorizations for foreign currency which the importing enterprise takes to the Chamber of Economy of Yugoslavia, and obtains a document that will free foreign exchange from a commercial bank. Before an import license and the requisite hard currency will be issued, the importing organization must present an export contract for an amount proportional to the planned import (now thought to be approaching 100%). The Federal Executive Council and Federal Trade Secretariat establish the countertrade ratios within the import exchange categories.

It is sometimes difficult to get a countertrade linkage between local importing and exporting companies. Export companies may not be willing to assist the importer as the exporter will likely lose its 46% hard currency retention quota. The Yugoslavian government does not have the authority to force an exporter to link exports to countertrade in an important project. Most countertrade deals of significant size in Yugoslavia have been buy-back transactions.

Some import and export houses are tied together into a trading group and may not only be involved with the sale of goods, but may also deal with services such as transport or engineering. It is possible that in some instances these services may be offered in countertrade.

While Yugoslavian countertrade goods are considered better than average in quality and there is a good deal of flexibility in what qualifies as countertrade, the lack of linkage between export and import companies is only one problem that potential western suppliers must face. The SIZ structure encourages economic activity only within a single political entity; the countertrade transaction involving two different republics in Yugoslavia may be almost impossible to achieve.

In March 1982, laws were passed in Yugoslavia which made it possible for importers of raw material, who negotiate compensation agreements in excess of 100%, to retain 100% of their foreign exchange earnings, as opposed to the usual 46%. Due to abuses in the law, an amendment has limited total cumulative countertrade deals under this provision to 10% of Yugoslavia's total export volume.

Trade and Foreign Exchange Controls

Yugoslavian exporters are required to repatriate all foreign exchange earned by exports within 60 days. Citizens residing in the country, who were formerly able to maintain hard currency accounts, were required in 1983 to convert those accounts to Yugoslavian currency. However, Yugoslavian residents living abroad are still able to maintain hard currency account and receive interest in hard currency in Yugoslavia.

ZAMBIA

After obtaining independence in 1964, Zambia went through a boom period as a result of high international copper prices, during which significant efforts were made to develop industrial projects. A decline in copper prices, coupled with increases in costs of essential imports, particularly oil after 1973, as well as closure of its southern border in 1973, conspired to turn the terms of trade rapidly against Zambia. The industrialization program has yet to pay for itself, foreign debt stands at over $5 billion (US), and agriculture has been crippled by a long drought. The country is reliant on foreign aid to meet its debt obligations.

In 1984, a freeze was placed on countertrade transactions as a result of poor deals carried out with Bulgaria and Romania. The government is now highly suspicious of countertrade proposals, although it realizes that countertrade may help in overcoming the nation's chronic shortage of foreign exchange.

The Department of Foreign Trade has established guidelines for a cabinet committee examining countertrade. The guidelines include exclusion of copper and cobalt as countertrade goods, preference for counterpurchases instead of barter, and the establishment of a new export promotion agency. Export promotion is presently handled by government ministries, but with little effectiveness.

If copper, which represents 93% of Zambia's exports, is removed from the list of available goods, foreign suppliers would be hard-pressed to find suitable goods for counterpurchase, as Zambia has very little to offer. Cotton fabric has been used in transactions involving Switzerland and Zaire, and minerals such as lead and zinc may be other alternatives.

A countertrade proposal beneficial to both parties would be given serious consideration, but clearance would have to be obtained from the IMF official working in the Bank of Zambia in charge of monitoring all receipts and payments abroad.

Trade and Foreign Exchange Controls

The Ministry of Commerce controls all external trade through the issuance of import and export licenses. All trade above the level of $500 (US) requires Ministry approval.

Once an import license has been granted, an importer must then obtain a foreign exchange allocation from the Bank of Zambia (the Central Bank, similar in function to the Bank of Canada). Those allocations often tend to lag behind the granting of import licenses in spite of the government policy to keep the two in balance. For certain high-priority items, letters of credit can be issued with offshore guarantees. In the past, goods were imported without specific foreign exchange attached to the imports. However, payments are now put in a pipeline that can take up to five years to be converted into hard currency. Therefore, few exporters would now contemplate shipping goods to Zambia before receiving suitable payment.

Imports are rigidly controlled as part of the government's program of austerity. Export incentives exist and an exporter may retain half of its foreign exchange receipts for import requirements. Payment for exports must be guaranteed by irrevocable letter of credit.

ZIMBABWE

Zimbabwe has the most comprehensive arrangements for countertrade of any African nation. The government has no wish to promote countertrade indiscriminately, but prefers to examine each proposal on an individual basis with regard to the benefits it will have for the economy. Countertrade is regarded as a method to be used only in