

aging capital plants and tight credit, so it is possible that countertrade may be more actively pushed in the future in order to maintain production and guard against increased debt. The economic system is very centralized and it has been found that the contractual fulfillment of bilateral trade agreements proceeds at a fairly rapid pace and is generally unimpeded. In order to avoid a special financing agreement for the import, a foreign supplier should include the possibilities of countertrade in its offer.

It is important to show Czechoslovakian authorities that any new exports are incremental. The government would prefer not to allow the transfer of countertrade obligations to a third party in order to protect its already established markets.

While countertrade deals can be struck with many Czechoslovakian foreign trade organizations, *Transakta* has been established to operate primarily in the area of consumer goods. The transactions have tended to be small. *Transakta* has also been involved in switch arrangements as it acts as the clearing house for bilateral agreements between Czechoslovakia and certain less-developed countries.

## DOMINICAN REPUBLIC

In May 1984, the Dominican Republic officially endorsed the use of countertrade through promulgation of its Presidential Decree No.20005, which set out regulations for the conduct of countertrade activities. It is hoped that the Dominican Republic's serious foreign exchange shortage will be alleviated through the use of countertrade. The nation's foreign debt presently amounts to some \$2.4 billion (US).

Sole responsibility for export administration lies with the Dominican Center for the Promotion of Exports (CEDOPEX). The directors of CEDOPEX review and approve any application for countertrade transactions, and approval results in the issuance of a special barter permit. In reaching its decision, CEDOPEX consults with the Dominican Central Bank and other ministries of the government which may have an interest in the transaction.

CEDOPEX's directors set out the criteria for approval on a case-by-case basis and determine items to be imported and exported. Besides approving agreements, CEDOPEX also monitors the fulfillment of counterpurchase contracts, utilizing assistance from the Ministry of Finance and the Central Bank. Where there is a time lag between imports and exports, it is required that insurance bonds be placed with the Central Bank in order to encourage compliance with the terms of the agreement.

CEDOPEX has the unique power to allow goods whose import is normally forbidden to be brought into the country for a maximum period of 15 days, after which the goods must be re-exported by the transfer of title to a third party.

Dominican experience with countertrade has been in fairly small transactions: Dominican bauxite has been exchanged for buses and cement, and sugar has been bartered for American trucks and equipment.

### Trade And Foreign Exchange Controls

The Dominican Republic restricts imports by the use of variable duties, ranging from 40 - 900%, depending on the nature of the item imported. The Central Bank also controls the use of foreign exchange. The Bank may sell foreign exchange at the official exchange rate for certain commodities such as fuel, while for other goods it may set the quota on foreign exchange allowable. For some items it will be necessary to pay a higher exchange rate at commercial banks instead of going through the Central Bank. There are also a number of items, deemed non-essential, whose import is prohibited.

CEDOPEX regulates all exports from the Dominican Republic. In general, all items produced locally could be exported except some basic food products like milk, meat, etc., which are normally insufficient and highly subsidized. Due to its significant economic importance, sugar (which accounts for 35% of the Dominican Republic's exports) may be exported only with the prior authorization of a committee made up of the Ministry of Finance, the Central Bank and the National Sugar Institute.

In an effort to increase non-traditional exports, the government allows tax credits and some exemptions from foreign exchange regulations. The normal requirement is that export proceeds be surrendered within two days of receipt through a commercial bank. This regulation does not apply to companies operating in industrial free zones in the Dominican Republic.

## ECUADOR

Ecuador was one of the first nations to formally set out countertrade rules. However, the nation's experience since 1978 has not been entirely satisfactory: Ecuador's basic commodities were being exchanged for imported goods with the result that no new foreign earnings were being added to the nation's economy. In 1984, Ecuador revised its outstanding countertrade legislation to reflect a new policy of promoting non-traditional exports to finance imports.

Although countertrade only amounts to a small percentage of Ecuador's commerce, the example may be significant for other less-developed countries working from a commodity base. The Ministry of Industry, Commerce and Integration (MICEI) is responsible for approving all countertrade transactions. Items that have been hard currency earners have been effectively removed from the list of goods available for countertrade. These include petroleum and its by-products, bananas, shrimp, coffee beans and cocoa beans. Bananas can be used either to open new markets or for transactions with countries having bilateral trade agreements with Ecuador. Although the policy seems clear, MICEI has the discretion to vary these regulations.

Ecuadorian countertrade is further complicated by the requirement that the government be advised of the end-user of the countertrade goods. Resale of such goods to countries with which Ecuador has bilateral clearing accords is prohibited. In deals involving third countries, Ecuador does not allow imports to exceed 50% of the value of exports. Further, the CIF value of non-capital goods imported in countertrade transactions may not exceed 100% of the FOB value of Ecuadorian exports. Where capital goods are being imported, the ratio is 70%. This is almost always decided on a case-by-case basis.

The difficulty of complying with Ecuador's policy requirements in countertrade is further reflected in the procedural requirements of any such transactions. The exporter, the importer, or both must file a draft contract with MICEI setting out the product involved on both sides of the transaction, the destination and the place of origin of the goods, and the value involved. MICEI reviews the proposal, based on whether the deal will open new markets for Ecuadorian products, or substantially increase export levels. MICEI then makes a recommendation to the Under-Secretary of Commerce who is responsible for the final decision and for informing the parties involved and the Central Bank of Ecuador.

With the approval at hand, the exporter and importer apply to the Central Bank with further details of the transaction. Once the export shipment is made, the importer has 180 days to present the import permit to MICEI for verification. Once verification has taken place, the Under-Secretary of Commerce notifies the Central Bank,