

STATISTICAL TRENDS IN EAST-WEST TRADE
AND THE ROLE OF COUNTERTRADE

To understand the impact of countertrade on East-West commerce, it is useful to know the recent trade volumes between the major industrialized countries and Eastern Europe. Bilateral trade turnover in 1981 eclipsed U.S. \$100 billion. While the Western countries posted a surplus of some U.S. \$4.5 billion in 1981, the gap was narrowing from the 1978 surplus of approximately U.S. \$9.0 billion. A look at relative dependencies based solely on these statistics would suggest that the West, with 4.8% of all exports destined to Eastern Europe in 1981 was far less dependent than was Eastern Europe, with 14.2% of its exports sent to the West in 1981. However, these statistics do not reflect adequately the industry-specific nature of many of the East-West trade exchanges. For example, Eastern Europe, during the 1970's proved to be an important market for capital turnkey projects. A significant percentage of output from Western Europe's steel industry was dedicated to export to Eastern Europe. Key sectors of the Western economies have looked to Eastern Europe as a steady market for goods and services.

How much of this East-West trade results from countertrade is largely unquantifiable. The larger compensation agreements are more easily catalogued, (i.e. the Vodka/Cola deals of Pepsi Co. in the USSR and Bulgaria and the \$20 billion arrangement between Occidental Petroleum and the Soviet Union), while many counterpurchase and switch transactions will go undetected. The Paris-based O.E.C.D. has listed 290 firm compensation arrangements which, if counter-deliveries were made as planned and a strict bilateralism were enforced, would represent several billion dollars of imports to Western countries over an extended time-frame. However, attempts at putting a percentage figure on countertrade and Western imports from Eastern Europe are highly speculative. It is generally thought that between 10 and 15% of Western European imports from Eastern Europe may result from countertrade arrangements. If the non-European industrialized countries are factored in, the percentage probably drops due to the high proportion of non-manufactured exports, especially agricultural commodities from Canada and the United States for which countertrade is generally not requested. Still, if a bench-mark figure of 5% were used, it would represent approximately U.S. \$4.2 billion in imports in 1981.

Canada's exports to Eastern Europe have increased from \$170 million in 1970 to \$2.3 billion in 1981. The facts of Canada's trade with Eastern Europe detail a trade pattern where agricultural commodities have predominated and manufactured exports have enjoyed a fluctuating position (28% in 1978, 34% in 1979, 19% in 1980, 6% in 1981 and 5% in 1982). Canadian trade with Eastern Europe has been in a surplus position for several years, with a 1981 surplus of \$2.0 billion. This balance in Canada's favour has been largely due to sales of grains.