

A good Canadian example of a compensation deal is H.A. Simon's (Overseas Ltd.) agreement in 1978 in which the firm took turnkey responsibility for the Ruzomberok sulphate pulp mill in Czechoslovakia and in return took on a CT obligation to purchase 100,000 tons of pulp annually. In another example, International Harvester Co. sold technology for the manufacture of crawler tractors to the Polish FTO, Bumar. As payment, International Harvester agreed to buy back at a discount a percentage of the components made at the Polish plant. Lastly, the British toy manufacturer, Dunbee-Combex-Marx Ltd., supplied \$50 million worth of toy machinery and moulds to the People's Republic of China. As payment, the company will receive half the value of the export contract in hard currency and half in finished toys.

4. SWAP

In swap transactions, bulk products such as sugar, chemicals, ore and oil from diverse geographic locations are traded to save transportation costs.

An example is the swap of Soviet oil bound for Cuba and Mexican oil heading for Europe. In the 1978 agreement, the U.S.S.R. supplied oil to Mexico's customers in Greece, Eastern Europe and Turkey. Mexico supplied oil to Cuba. Differences in the quality of the goods being substituted were worked out in the swap contract.

5. SWITCH

This method of countertrade is useful when international currency flow is weak or when a country has accumulated surplus credits in blocked currencies as a result of clearing arrangements. A switch arrangement involves two nations with a bilateral clearing agreement whereby if one country realizes an imbalance of clearing at the end of a period it can transfer its balance of clearing to a third nation or individual party, i.e., a switch trading house specialist.