IV. ASSESSMENT OF EXISTING CANADIAN CAPABILITY IN COUNTERTRADE

Overview

The comments in this section are based on the findings of two surveys: a survey carried out by CCC in August 1980, and the other a comprehensive survey conducted by the Institute of Soviet and Eastern European Studies as part of the East-West Project in 1979.

CT demands made to Canadian firms have been few and have been negotiated with minimal CT requirements. As a result, Canadian firms have not developed the capability in terms of the capital and manpower resources to engage in countertrade transactions. Similarly, most Canadian trading houses do not appear to have sufficient resources and expertise to meet countertrade requirements.

CCC Survey

In this survey, nineteen companies known to have faced countertrade proposals were contacted by telephone. A series of six questions related to the firm's countertrade experiences was presented to representatives of the companies (See Table II on page 6 for the questions and their replies). The results of this survey are summarized as follows:

1. Of the nineteen firms which experience CT demands, five supplied electric and electronic equipment, four were engineering firms, three were in the natural resources sector, two sold boilers and turbines, two specialized in transportation equipment, two in chemicals and one in agricultural equipment.

2. The majority of firms were exporting high technology equipment and services and specialty items.

3. Canadian companies signed contracts that had a countertrade provision in only ten cases. Of these, only two firms actually have taken CT goods, i.e., Combustion Engineering in Romania and CIL Chemetics in Yogoslavia. Several of the remaining firms have included "best-effort" clauses in their contracts and are still searching for the appropriate goods.

4. Of the nineteen firms which experienced CT demands, five were involved in EDC-financed projects.

5. Almost all cases involved counterpurchase forms of countertrade; there are no examples of barter, switch or clearing agreements. Simons, on a turnkey pulp mill project in Czechoslovakia, was originally supposed to market 100,000 tons of pulp annually (compensation or buy-back) but in the latter stages of negotiations the FTO Ligna took over the responsibility to market the pulp overseas.

6. No company indicated that it had avoided certain market areas because of CT obligations.

7. No company admitted that it had lost any contracts because of its inability or unwillingness to engage in CT.

8. Three companies, all foreign subsidiaries (GMC, Klockner Stadler Hurter, and Rockwell International) indicated they had specialized CT organizations. In each of these cases the CT organization was located with the parent company. For example, GMC sold terrex trucks to Yugoslavia in 1979, but the CT obligations were handled by the World Trading Corporation, a trading subsidiary of GM in the U.S.A. In all other cases, officials stated that their company's size and volume of CT business were too small to establish any specialized organization.