

- iii) Many of the capital projects in Eastern Europe having significant Western content require offsets in addition to countertrade.

Here are some additional terms associated with countertrade:

- A. Transfer Clause - The freedom for the exporter to transfer his countertrade obligation to a third-party intermediary of his own choosing. This clause will allow the exporter to pass his countertrade obligation on to a trading house or other appropriate third party without the interference of the East European partner.
- B. Linkage Clause - This condition facilitates access to a range of countertrade goods selected from various Foreign Trade Organizations under the same industrial Ministry or falling under the jurisdiction of other Ministries. In this way, if an exporter of capital equipment does not want to accept similar equipment from the contract partner, he can seek the appropriate goods from other sources.
- C. Credit Clause - This condition applies to occasions where, despite serious efforts by the Western exporter, the countertrade goods cannot be delivered as agreed by the East European partner or are of less-than-acceptable standard. A credit clause allows the exporter to benefit from having attempted to source countertrade goods, thereby reducing the overall countertrade obligation, according to an agreed formula.
- D. Non-fulfillment Penalty - The penalty in lieu of non-fulfillment of a countertrade obligation being a known contingency, the exporter should attempt to accommodate it in his pricing structure. The penalty clause in any countertrade contract should hold that, on payment of the penalty, the exporter is completely absolved from any further countertrade obligation within the terms of the specific contract.
- E. Cancellation Clause - The linking of the countertrade contract to a specific export contract so that, if for any reason, the export contract is not fulfilled, the countertrade contract is immediately cancelled. The cancellation provision should only have a one-way application and, under no circumstances, should the fulfillment of the export contract be tied to the countertrade arrangement.
- F. Letter of Release - Upon fulfillment of the countertrade commitments or upon payment of the requisite penalty, the East European contract partner should provide a suitable letter releasing the