

After applying the estimates of 20 per cent countertrade in East-West trade and 6 per cent in North-South trade, using the knowledge of countertrade experiences of Canadian exporters, and studying preliminary results of an internal countertrade study currently underway, it is estimated that approximately \$600 million of 1984 Canadian exports involved some form or degree of countertrade. This was equivalent to 0.5 per cent of total Canadian exports.

While these figures are relatively small, most of the demands have fallen on a core grouping of Canadian industry sectors:

- transportation equipment — air, rail and urban;
- telecommunication, defence and other high technology products;
- resource and energy extraction, processing and generation equipment;
- agricultural and forestry equipment; and
- engineering and consulting services.

Countertrade is expected to grow at a significant rate for companies in these sectors as they increase their efforts to penetrate foreign markets.

DEALING WITH COUNTERTRADE

Developing a Corporate Policy and Organizational Response

While there are numerous alternatives for coping with countertrade demands and the disposal of countertrade goods, such action should be consistent with an overall *prior* evaluation of the anticipated type, level and frequency of countertrade to be encountered.

You should make such an evaluation in the context of your firm's long-term export marketing strategy, and answer the following questions:

- Does your marketing strategy include countries that currently require countertrade? Do the practices or legislation affect your customers or product market? Are there any trends or developments in these countries that may lead to changes in, or to new, countertrade requirements?
- What form of countertrade is required? Counterpurchase? Offsets? Buyback? Barter? Other?

- What is the countertrade strategy of your competitors?
- What will be the effect on your sales to existing markets or to new markets if your policy is not to engage in countertrade?

Ideally such an analysis should be undertaken in every existing or target market, if only in a cursory manner. The findings will provide you with at least a preliminary assessment of the countertrade demands that might be expected and provide a basis for further internal investigation.

Answers relating to the type, level and frequency of countertrade anticipated will guide your firm in determining the type of organizational response required. Frequency and type of countertrade will determine the sophistication and resources needed to cope with it. These may range from an internal "expert" on countertrade (to co-ordinate company activities and develop contacts with various trading houses, government services and other resources) to the structuring of a related trading house to undertake all aspects of counterpurchase, buybacks, offsets, etc.

Additional Information

If you require additional information on current countertrade practices and trading houses which have countertrade experience, we suggest you contact the:

Canadian Export Association
Trading House and Countertrade Division
Suite 250, 99 Bank Street
Ottawa, Ontario
K1P 6B9
Telephone: (613) 238-8888

or the
Department of External Affairs
Export Finance, Capital Projects and
Trading House Division (TPF)
5th Floor, Tower C
Lester B. Pearson Building
125 Sussex Drive
Ottawa, Ontario
K1A 0G2
Telephone: (613) 996-1419