

7. Having briefly set some of the major considerations about countertrade, let's turn to the Canadian Government's position on the subject. The Canadian Government generally adheres along with other industrialized countries to the belief that countertrade, from a policy standpoint, is a retrograde trade practice that should be discouraged and, if possible, contained. It is a cumbersome and inefficient way to bring together buyers and sellers; it distorts the working of the international market by putting a bilateral emphasis on trade and by the pricing discounts that are often required to make a transaction possible; it inhibits the development of export business, especially for small and medium sized firms; it is largely an ineffective attempt to bring a solution to problems prevailing in countertrade practicing countries that are usually due to deficiencies in the industrial structure, product quality, productivity and marketing; finally, it is a form of protectionism. The Government has argued this line and pressed those points in its discussions with countertrade practicing countries as well as in multilateral fora where it shares with other western governments the need to come to some agreement on the course of action that should be taken to counteract the negative effects of countertrade (this government position however may be weakened by the fact that its large scale use of "offset" agreements associated with its purchase of foreign defence equipment is seen internationally as a form of countertrade).

8. As to the private sector's involvement in countertrade, the Government has adopted in principle a somewhat non-committal position, neither supporting it nor condemning it, treating it as a strictly private business decision, the risk of which to be fully assumed by the exporter. In practice though, its approach to countertrade has been somewhat ambivalent, denying its support at times (e.g. at the prospect of CCC's involvement in a countertrade arrangement in a bid for a meat processing plant in Hungary in 1978), and lending it at others (e.g. EDC financed bid on a pulp mill project in Czechoslovakia in 1978 which had an associated countertrade obligation). The Government has however been willing to provide interested exporters with advice on countertrade on a continuing basis.