

purchased. They are normally found in large projects where there is substantial government procurement of military goods. The rationale for such offsets is that there has to be some incremental industrial or economic benefits to be derived from such large expenditures. Offsets normally take the following forms: co-production, licensed production, sub-contractor production, overseas investment and technology transfer.

BUY-BACK - Buy-back is where the seller makes a contractual commitment to purchase or buy-back a certain quantity of products produced from the original sale. Buy-back is most commonly found in the sale or modification of capital plant and equipment. The cumulative value of the buy-back contract can involve either partial or in excess of full payment by means of agreeing to purchase the resulting product. This is a very popular form of countertrade in China since it requires technological transfer and a joint partnership in marketing the products internationally which the Chinese view as being very beneficial to their economy.

BI-LATERAL AGREEMENTS - Bi-lateral arrangements are a systemized form of barter binding all or a certain amount of trade between two countries. This normally arises because of the lack of hard currency. These trade balancing arrangements commonly make use of clearing accounts, which permit trade to take place without the need for foreign exchange and are balanced after a predetermined time. These arrangements are very common among eastern block and lesser developed nations.

SWITCH - From time to time trade under bilateral agreements may become severely imbalanced and difficult to clear. Normally, the bilateral