

MANNESMANN - U.S.S.R

A consortium of West German steel pipe manufacturers, energy companies and financial institutions is negotiating a compensation deal with the U.S.S.R. involving a 3,000-mile gas pipeline project estimated at US\$9-13 billion. The gas pipeline is expected to supply Western Europe with an additional 40 billion cubic meters of gas by the mid-1980's. Mannesmann heads the pipe manufacturers, Ruhrgas the gas companies, and Deutsche Bank of Frankfurt will lead the banking group. The U.S.S.R. would pay for its part of the project with resultant gas deliveries.

BORG-WARNER - POLAND

Borg-Warner became involved with the Polish organization, Bumar, as a component supplier (power shift transmissions) for the equipment manufactured under a compensation deal signed by International Harvester with Bumar. Countertrade requests, though not part of the initial contracts, began to emerge during the last two years. Borg-Warner agreed to an annual purchase of components from Poland for its road-building machinery. The company generally delivers on open-account terms, with the bilateral warranty arrangements being such that the supplier covers the cost of any rejected shipments.

PEPSICO INC. - HUNGARY

Pepsico Inc. signed a compensation agreement with Hungary to provide syrup. Due to currency restrictions, the company could not negotiate funds and, as a consequence, paid the production costs of the movie "The Ninth Configuration" made in Hungary. The government accepted the spending of these funds in lieu of its countertrade obligations. Pepsico owns half of the movie rights and will receive royalties from box office receipts. \*

3M COMPANY - BRAZIL

Brazil and Hungary had a bilateral trade agreement, so 3M shipped industrial adhesives to Hungary where they were repacked and sent to Brazil as Hungarian exports. 3M benefited in that it was able to work within Brazil's import restrictions, and Hungary benefited by a commission on the sale. Both countries, Brazil and Hungary, could claim the bilateral agreement was adhered to.

SIEMENS

Siemens has a centre with 100 employees near Nuremberg to handle countertrade on a world-wide basis, and, with 320,000 employees in 129 countries, it has the marketing network to discharge most of its CT obligations. The company is reluctant to become involved in compensation arrangements where electrical equipment would be built into Siemens product lines. This policy is the result of a bad experience with Medicar, an Hungarian FTO which manufactured X-ray equipment. Siemens sold this equipment under its own label to Brazil but had to wait on one occasion for ten months to get spare parts.

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\* This is becoming a very popular method for dealing with the problem of blocked currencies.