

However, it should be underlined that the techniques of negotiating countertrade contracts, (the initiative resting with the Eastern partner in an estimated 90% of the occasions when countertrade is demanded), and the lack of shared interest in countertrade proposals tends to distinguish countertrade from industrial cooperation.

One other definitional question that should be addressed is whether or not industrial offsets represent countertrade, or industrial cooperation or some other category of trade transaction. The recently published "Analysis of Recent Trends in U.S. Countertrade" (No. 1232, March 1982), by the United States International Trade Commission considers offsets as a type of countertrade. On the other hand, the work of the ECE, OECD and the two studies by the Canadian Commercial Corporation all exclude offsets from their definitions of countertrade.

If offsets are not considered countertrade, there are similarities in application and objectives. There is a Government purchaser that attempts to secure as favourable a benefit package as is negotiable using the leverage of competing suppliers and a large contract. These benefits can include industrial spinoffs, technology transfer or even guaranteed purchase commitments by the foreign-based defence contractor. Under this latter condition, offsets do resemble obligations found in counterpurchase arrangements.

However, by limiting the area of analysis to East-West trade and the significant features of countertrade as applied there, it is still possible to make a distinction between offsets and countertrade. There appear to be three important differences.

- i) Military procurement serves both national security and national economic interest. In terms of overall trade, major military purchases are infrequent and, with taxpayers' money at issue, a comprehensive package of benefits is always demanded.
- ii) In offset deals, the purchasing country presumably pays cash or arranges its own financing. Most East-West countertrade deals involve official credit support, for the original Western exporter.