CHECKLIST OF PRACTICAL TIPS ON NEGOTIATING COUNTERTRADE DEALS

1. Be clear about your reasons for considering countertrade (CT). Are you interested in securing long-term supplies of Eastern European finished products or materials? Do you want to develop supplies of components (presumably at advantageous prices) for assembly into finished products in the West? If your company is more interested in selling than buying, what is the maximum CT percentage you will accept, and what type of products do you prefer? Also, will your firm settle the CT commitment or pass it on to a third party, such as a trading house?

2. Businessmen negotiating contracts should be aware of the foreign trade oganization (FTO) official's motivations. In addition to the overriding need to save foreign exchange, it is a matter of personal prestige for him to gain as great a CT commitment as possible -- his year-end bonus and career advancement depend on it. The Eastern European supplier's prestige is also enhanced if his products are marketed in the West. However, if the Western products are priority items, the CT request may simply be a pro forma demand made to satisfy the FTO negotiator's superiors.

3. When entering into preliminary sales discussions with a government negotiator, do not give any price quotations until you ascertain what the CT requirement will be, how payment will be made and whether the Eastern European buyer expects some type of financing assistance. Be sure protocols (minutes) are kept on all payment negotations.

4. CT demands often do not surface at the beginning. The FTO negotiator actually may not know the priority status of the proposed import and what, if any, CT will be required. On the other hand, be aware that he may try to lull you into quoting a sales price based on the assumption of a low CT request or none at all, only to spring a hefty demand on you at the last minute. If the Eastern European negotiator seems vague about the issue, expect a CT requirement to come up later.

5. Try to determine the country's need for your product, because the higher the priority, the lower the CT demand. Eastern European imports fall into four categories:

   - priority (which will permit the country to generate or save foreign exchange)
   - planned
   - extra-plan (goods needed because of poor initial planning)
   - non-planned

   For the first two categories, all or some of the hard currency has already been allocated; thus they are subject to the lowest CT requirements. Extra-plan goods are usually subject to stiff CT demands, but, because of their emergency nature, sellers are offered CT products readily marketable in the West. Non-planned imports, usually consumer goods, are generally subject to 100 per cent CT.

   Do not expect the Eastern European negotiator to let you in on the category. This is one of his best bargaining tools. You will have to rely on educated guesswork. Look at the five-year plan and annual import schedules for clues. You may also determine the priority by ascertaining the use to which your product will be put.

   Unless your goods fall into the non-planned category, you will probably be able to cut the initial CT demand, sometimes in half. Generally, firms entering an Eastern European market are expected to accept a higher CT percentage than those with established relationships.