not have to sell. Some deals have since gone ahead: Brazil sold $25 million worth of lathes in exchange for crude and lamb from New Zealand. Italian construction materials and Turkish machinery have been the subjects of successful oil barter.

Iran has now reduced its dependence on straight barter transactions, preferring to go the route of government-to-government bilateral trade agreements. A number of agreements have been signed with East European and less-developed countries and, as a result, Iran's trade has increased to some extent in these areas.

Industrialized nations who supply advanced goods do not do business on a clearing basis, so Iran has resorted to threats and penalties to force its trading partners to take oil and other products as payment. Pressure to balance trade has been effectively applied to Japan, with the result that Iran now has a trade surplus with that country and Japanese trading companies refuse to contract for more Iranian crude unless Iranian orders for Japanese goods increase.

Iran offers little except oil on a countertrade basis: dried fruit, carpets and some low-quality manufactured goods have been offered, but they are not competitive on the world market in price or quality.

Besides the performance guarantees usually required from a supplier, Iran has also decreed that most exports valued in excess of R500,000 must be inspected prior to shipment, at the supplier's expense. The actual negotiations for a contract may be incredibly complex, involving numerous ministries or state organizations and the foreign exchange committee of the Central Bank. Tenders may be only a means of determining world prices and a successful bidder has no assurance of receiving a contract.

IRAQ

Iraq's countertrade policies have shifted in response to changes in the world oil market. Initially, Iraq was enthusiastic about using countertrade to market oil and obtain foreign goods during the development phase of the oil industry. It reversed policies after the price of oil rose in 1973 and began to follow the OPEC line, which was opposed to barter in petroleum. The subsequent levelling of oil prices, combined with the effects of the Iran-Iraq war and its attendant disruption of oil production and exports, has caused the government once again to reconsider its position. Although Iraq has a fairly broad range of products suitable for countertrade, oil, the export of which accounts for 98% of all foreign earnings, has been dominant.

Iraq carries out countertrade in a number of different ways. Inter-government agreements have seen Iraqi crude oil exchanged for armaments and industrial goods have included deals made in 1983 for French military aircraft, Italian warships and armoured cars from Brazil. These agreements may also be used to cover already existing Iraqi debts.

Under a second form of countertrade contract, Iraq offers crude oil or sulphur to foreign contractors to cover outstanding receivables. The Indian Oil Corporation agreed, in 1983, to accept crude oil on behalf of 30 unpaid Indian contractors.

The rarest type of agreement is the counterpurchase which sees foreign consumer or industrial goods paid for by Iraqi industrial goods. State-owned enterprises have offered car and truck tires, inner tubes, rugs and carpets, plastic pipes, car batteries and asbestos sheeting to prospective countertraders. However, Iraqi officials are not familiar with sophisticated countertrade financing techniques, so proposals should be presented on a straightforward basis.

Trade and Foreign Exchange Controls

Almost all imports are arranged on behalf of the public sector or by state-owned enterprises in Iraq. The balance are subject to authorization and the granting of an import license, which is determined in accordance with the annual import plan and foreign exchange budget. Restrictions are placed on some imports to protect domestic industry. Where a license is granted, foreign exchange is automatically allocated for the import. Besides the usual duties, taxes and other fees, a special tax is assessed to finance the Export Subsidy Fund. The Board for the Regulation of Trade is responsible for issuing all licenses.

Exports may be prohibited where the Board feels it is in the national interest to do so. While some exports may be freely licensed, a monopoly on some items has been granted to the state-owned General Organization for Exports. Export proceeds must be surrendered through the Rafidain Bank within six months of shipment.

All trade with Israel and South Africa is prohibited.

ISRAEL

Since 1967, Israel has had a policy that requires foreign suppliers selling to Israeli government agencies and state-owned enterprises to offset their sales through local content or by countertrade. An administrative rather than legislative requirement, 25% of the value of an order is expected to be returned in countertrade. In 1983, the government established the Central Authority for Reciprocal Purchases to monitor countertrade related to government contracts. At that time, military equipment and spare parts, previously exempt from countertrade rules, were included. The Israeli Ministry of Defence is the nation's single largest purchaser, spending over $1.6 billion (US) per year.

The Co-ordinating Committee for Foreign Procurements approves all government procurements valued at more than $100 000 (US) and decides on the general conditions of the purchase, whether local supplies should be included and whether an offset or counterpurchase should be part of the contract. Israel has traditionally preferred local content requirements because it promotes the growth of domestic industries. The ratio of offset arrangements to counterpurchases is two-to-one. The foreign supplier may invest in local industries, make purchases from Israeli subcontractors or become involved in joint marketing programs abroad. The obligation is on a "best efforts" basis, usually running at between 20% and 40% of the value of the imports. Suppliers who cannot obtain competitive offers from Israeli companies are exempt as long as they make a serious effort at finding suitable partners.

Israel is also interested in promoting countertrade with less-developed countries that may lack the hard currency to buy capital goods, on the basis that those countries supply Israel with products of strategic value that other countries may not be willing to supply for political reasons. A number of trading houses have found a lucrative business in acting as intermediaries between Israel and a reluctant trading partner.

Trade and Foreign Exchange Controls

Israel has liberal import and export policies. Imports are generally free of restrictions although there is a state monopoly on the import of wheat, fodder, kosher slaughtered and frozen beef, soybeans, edible oils and fats, hides, skins and leather, sugar and coffee. A Restricted List does exist for items subject to approval, including some textiles, dairy products, explosives and firearms. Foreign exchange is granted automatically by Israel's banks for authorized imports. Specified imports require a one-year deposit of 15% of the value of the goods.