

In general, CT demands are more often associated with the supply of equipment and/or technology from Western sources. Examples of Canadian firms which have faced countertrade proposals are included in Appendix B. It illustrates that, relative to American and Western European firms, Canadian companies have not participated to the same extent in countertrade. Reasons for the relatively small role CT plays in Canada's trade with Eastern Bloc countries include:

1. Canadian firms engaged in East-West trade are generally smaller than Japanese, American, and European multinationals whose large size allows them to more readily accept CT transactions
2. agricultural products and raw materials account for more than half of Canadian exports to these countries and these exports do not generally involve CT transactions to the same extent as manufactured products
3. many Canadian manufacturers, particularly those supplying high technology products, are able to circumvent CT requests since these items have a high priority on the list of import requirements. They avoid CT by:
 - a. reducing price in lieu of CT obligations
 - b. paying a penalty rather than discharging CT obligations
 - c. substituting third-country cooperation prospects
 - d. negotiating on a "best-efforts" basis rather than accepting a commitment
 - e. persuading FTO to forgive CT obligation
 - f. asking foreign parent/partner of Canadian company to handle CT obligations either for its own use or resale

In summary, only two Canadian cases of CT obligations actually involved the movement of goods: importing Yugoslav wines as agent (CIL Chemetics Ltd.) and the purchase of \$50,000 of machine tools (Combustion Engineering). It appears that most Canadian contracts can be handled without accepting a significant obligation to purchase unwanted goods.

It is difficult to forecast the long-run potential demands of Canadian firms for CT. A number of factors suggest that the impact may not be as great as one might initially consider:

1. after firms in state trading nations develop their manufacturing capability under CT, they often extend their expertise to include the marketing function -- a trend which eventually leads to a reduced requirement for CT
2. CT demands are more important in export of manufactured goods and capital projects; Canadian exports of raw materials and commodities may continue to be relatively unaffected by CT demands

The reasons why state trading companies and developing nations have promoted CT continue to exist -- most particularly the scarcity of hard currency and trade deficits of the East Bloc countries and China. Hence, in the foreseeable future, Canadian exports of high technology products and capital projects will certainly face CT demands of significant magnitude. A Canadian capability in CT would likely enhance Canadian participation in world trade. By the same token, an inability to deal with countertrade could possibly inhibit exports to these countries.