Bangladesh Trading Company (BTC) and five Western trading houses. The trading houses have arranged deals worth $50 million (US) annually, which generally involve the purchasing of jute, carpets and leather in exchange for rice, palm oil and some machinery. Western companies intending to sell to Bangladesh should contact the trading houses, which include MG Services, Andre, and Cogis (see Appendix I for details), in order to take advantage of their relationship with BTC.

The government intends to enter into long-term special trading agreements with other Asian nations, including Malaysia, India, Nepal and Pakistan. Jute has been used by BTC to obtain Malaysian palm oil and the company has also exchanged paper for engineering products from India. Most deals, however, are for the importation of rice and other foodstuffs.

As jute and jute products gradually are supplanted by synthetics, Bangladesh will be forced to countertrade to reduce its large inventories. It is expected that the list of goods available for countertrade will expand to include tea, carpets, newsprint, processed foods and some industrial manufactures, such as chemicals and basic machinery. Garments and leather goods may be offered on a subcontract basis, which would still qualify as countertrade. As the government has yet to determine its official countertrade policy, there have been no restrictions on the choice of Bangladesh goods for export.

BRAZIL

Although Cacex, Brazil's trade control office, claims that less than 5% of the nation's external trade is carried out in countertrade transactions, Brazil is still regarded as one of the leading proponents of countertrade outside of Eastern Europe. The country has serious economic problems, including medium and long-term foreign debt amounting to $103 billion (US) coupled to an inflation rate that reached 214% in 1984 and a gross domestic product which continued declining in the 1980-83 period, causing Brazil to experience a slow growth rate in 1984.

Brazil is heavily dependent on oil imports, which make up almost half of all imports. In 1976, the state oil company, Petrobras, set up its trading subsidiary, Interbras, and it is this firm that has been the leader in countertrade activity. Private sector countertrade deals have not been extensive although General Motors do Brazil has recently launched a Latin American barter drive. The company exports cars in kit form from Venezuela, Colombia, Equador and Chile and hopes to increase sales by countertrading the kits for spare parts. Volkswagen do Brazil also exported cars to Iraq and Nigeria in exchange for oil.

Although rumours persist that Brazil will pass legislation requiring compulsory countertrade, the country has no official regulations at the present time. Cacex has never formally sanctioned countertrade, but will apparently give closer consideration to an application for an import license where countertrade is shown to be an element. Imports are severely restricted in Brazil as a result of 1981 government regulations.

Brazil has been heavily involved in government-to-government agreements. In 1980, it signed a co-operation agreement with Iraq to supply nuclear technology for oil, and an arrangement with the Soviet Union to exchange soybeans, soya oil and corn for Russian petroleum. Similar arrangements have been made with Angola, Iran, Mexico, Venezuela and Nigeria.

Interbras has maintained the key position in Brazilian countertrade. The company sold more than 10% of Brazil's total exports in 1983, amounting to $3 billion (US). It exports a very wide range of products, including agricultural commodities, shoes and petrochemicals. Interbras is very interested in countertrade deals involving petroleum.

The IMF, which monitors Brazil's economic recovery, is opposed to any expansion of countertrade activity as it believes that such expansion would be injurious to the Brazilian economy. This belief is based on the loss of hard currency where countertrade goods are substituted, and transaction costs tend to be high. The intent of any countertrade transaction must therefore be trade expansion rather than mere market substitution.

Clearing agreements with Eastern European nations have resulted in debts of some $4 billion (US) in favour of Brazil. Switch arrangements may be made which enable Brazil to import Western goods using clearing dollars. Thirty percent of Brazil's foreign trade is channelled through the clearing agreements with countries such as Mexico, Argentina and Nigeria.

Where clearing dollars are not used and settlement is made in freely convertible currencies, the arrangements must comply with IMF requirements, which do not allow compulsory countertrade. Switch and triangular transactions accounted for $500 million in Brazilian exports in 1984.

Although Brazil has suffered a decrease in exports to clearing countries recently, it cannot afford to lose any markets for its goods. The government is likely to favour imports from those nations willing to accept Brazilian exports in return, or which have a trade deficit with Brazil.

Canadian companies wishing to do business in Brazil could increasingly be faced with offset requirements when bidding. A joint venture between Spar Aerospace and Hughes Aircraft on a $130 million satellite contract required offset, although quantity and composition of the offset was poorly defined. When there is a major import contract, Brazil will increasingly require an offset agreement with the supplying country. This is particularly true for military procurement as, for example, in its helicopter purchases from France.

Trade and Foreign Exchange Controls

As part of its tight-money policy, Brazil requires that all imports be licensed through Cacex and all parties handling foreign trade be registered. Cacex is more inclined to approve high priority imports, such as oil or energy products, health care products and scientific instruments. It is forbidden to import many low-priority items at the present time, including luxury and consumer goods.

Import certificates are valid for between two and six months, depending on the goods. Importers must submit an annual import program to Cacex. Where payments are to be made in clearing dollars, or where the goods are related to establishment of production facilities whose output is to be exported, greater consideration will be given to a request for a certificate.

It is illegal to retain foreign exchange earned from exports in foreign banks or accounts. Payments must be repatriated within three days while imports require deferred credit terms. There could be export controls for certain primary products or raw materials temporarily in short supply in Brazil. A number of export incentives are available to Brazilian exporters.

BULGARIA

Bulgaria is a strong proponent of countertrade. "Industrial co-operation" is a key theme in its economic relations with the West and, since mid-1981, Bulgaria's import enterprises have attempted to finance imports on a buy-back basis. At the very least, major equipment and capital project imports face initial demands of 100% countertrade, although a realistic bargaining position for the exporter would be closer to 40%.