

E. Large-Scale and Long-Term Compensation Arrangements

Compensation arrangements are similar to counterpurchase with the following variations:

- (a) the dollar value is much greater, with the Western partner supplying capital equipment or a complete facility;
- (b) the time frame is longer, and compensation deals can commit the Western supplier (or third party) to compensatory purchases over many years (i.e. 10 - 20);
- (c) the goods counterdelivered are usually 'resultant' in that they derive from equipment and/or technology of the original contract;
- (d) the cumulative value of the buyback contract can be much greater than the original sale (i.e. Pepsi-Cola's 200% compensation deal in Bulgaria).

Compensation deals usually involve large-scale multinational corporations or major public utilities with the marketing structure and internal requirements to absorb the compensation obligations.

These basic countertrade definitions are not exhaustive but, they serve as introductory guideposts to the maze of terms applicable to countertrade.

Countertrade along the East-West axis has received increasing attention as a result of the large compensation deals involving Western Governments and firms with energy and resource projects in the Soviet Union. The US \$15 billion Yamburg-Urengoi pipeline negotiations, that have sparked such political controversy and which represent an impressive mega-project, is a more recent example of a compensation deal, or, series of deals. Compensation arrangements have figured largely in the East-West trade of the Soviet Union and Poland during the 1970's and have represented billions of dollars in trade. Various forms of counterpurchase agreements have been more common in trade with the smaller East European countries.

Countertrade is a trading practice that exists in the shadows of industrial cooperation. It is debatable whether the large-scale compensation arrangements, which sometimes appear to reflect a community of interests, can be classed as a form of industrial cooperation. It is equally true that counterpurchase arrangements can lead to a longer term, mutually advantageous, industrial cooperation.