

## FINDINGS

1. In the 1980's, it is expected that 10 to 20 per cent of world trade and 38 per cent of East-West trade will be accounted for by countertrade transactions.\*
2. CT arrangements take a wide variety of forms, i.e., barter, counterpurchase, compensation, swap and switch. A list of definitions of CT terms is included as Appendix A.
3. Eastern Bloc and some developing nations rely on CT as a mechanism to reduce trade deficits, enhance exports and conserve scarce hard currency.
4. The percentage of the contract value to be purchased from Eastern European countries in the form of CT varies from country to country. It depends on the type of CT transaction, the priority assigned to Western products imported, and the type of goods exported. Negotiations are conducted with the foreign trade organizations (FTO) in the appropriate ministries. The "linking" of counterpurchases from more than one FTO is usually a difficult task. Financing, technology transfer and training, extension of performance guarantees, and/or the period over which firm prices of spares apply, can often be bargained against initial high CT demands.
5. Only a few Canadian firms have actually engaged in CT transactions with Eastern Bloc countries. None of them used a trading company to assist them.
6. The strategy of the limited number of Canadian firms faced with CT requests is to offer price reductions and other concessions in lieu of fulfilling CT obligations. Some firms will accept counterpurchase obligations and then pay a penalty stipulated in the contract for not purchasing goods from the customer country. In these cases, the penalty is built into the selling price by the Canadian firm.
7. The general attitude of Canadian businessmen to CT is that it is a time consuming and inefficient way to carry on international trade. They enter into these forms of business activity only as a last resort.
8. Firms surveyed by the Canadian Commercial Corporation indicated that they did not intentionally avoid a market area because of known CT demands.
9. These firms indicated that they had never lost contracts because of the unwillingness to take on CT obligations although they may not have been awarded contracts for other reasons, e.g., price, financing.
10. Few Canadian trading companies involve themselves on a continuing basis in CT transactions. This is in part due to lack of demand: Canadian exporters have not approached them concerning CT transactions. It is also due in part to the limited capability of Canadian trading companies to undertake CT transactions: they do not have the extensive international marketing networks operated by many Japanese and European trading companies (a number of them with subsidiaries in Canada).
11. A central information system on CT in either the government or the private sector is not readily available to Canadian exporters, i.e., information on the different forms of CT, the current policies and regulations of different countries and their CT requirements.

\* United States Department of Commerce, Countertrade Practices in Eastern Europe, the Soviet Union and China: An Introductory Guide to Business.