

The growing importance of CT in East-West trade is reflected in the following statements:

- the hard currency earnings of the U.S.S.R. from compensation deals are estimated to increase from \$1.5 billion in 1978 to nearly \$4 billion in 1985
- in 1977, more than \$18 billion in East Bloc debt to the West was paid off through CT transactions
- Poland expects that in the 1980's CT will account for 40 to 50 per cent of its electrical products and machinery exports to the West
- the U.S. Commerce Department estimates that in 1981 thirty-eight per cent of all East-West trade will be in some form of countertrade.

CT transactions are forecast to account for ten to twenty per cent of world trade in the 1980's. Willingness to engage in CT will increasingly become a necessary condition for exports to those countries, particularly for manufactured products.

China, as compared to other state trading countries, is still in the initial stages of introducing CT policies. Over the past two years, a series of major changes have taken place in its foreign trade apparatus including the pursuit of compensation arrangements. Because of China's ambitious industrialization program, the country will have extensive import requirements, many involving CT.

#### Countertrade Forces - Canada

Canadian exports to the principal countries involved in countertrade transactions include a large portion of agricultural commodities and raw materials which are not generally associated with countertrade demands to the same degree as end products or manufactured exports. Hence the impact on increasing countertrade requirements on future Canadian exports may be less than on exports from those countries which consist primarily of manufactured goods.

As Table I shows, about fifty-eight per cent, or over half of Canadian exports to eight of the principal countertrade countries consist of grains. The share of end-product or manufactured exports amounts to only twelve per cent. In the two largest markets, the Soviet Union and the People's Republic of China, the share of end-product exports is only ten per cent and two per cent respectively. The share is greater in Poland, Czechoslovakia and Romania where pulp and paper equipment accounted for a significant amount of end-product exports in 1979. However, the firms involved were able to avoid participation in countertrade transactions either by persuading the customer to accept the sale without countertrade requirements or by accepting countertrade requirements and then paying a penalty stipulated in the contract if these requirements were not met. The penalty would, of course, be incorporated in the selling price.