2/ EXAMINING THE COUNTERTRADE OPTION

o THE NEED TO DO COUNTERTRADE BY WESTERN EXPORTERS IS AT THE PRESENT DICTATED BY THE INCONVERTIBILITY OF THE RUBLE IN RUSSIA (THE RUBLE/COUPONS/HRYVNIAS IN UKRAINE) AND THE LACK OF HARD CURRENCY FACED BY MOST IMPORTERS.

o SOME EXCEPTIONS TO THIS INCLUDE THE OIL AND GAS SECTORS AND PRIORITY SECTORS SUCH AS FOOD AND HEALTH RELATED PRODUCTS.

o IDENTIFYING THOSE ORGANIZATIONS WITH OUTSIDE H/C ACCOUNT IS ALSO A STRATEGY BEING PURSUED BY SOME COMPANIES. THIS REQUIRES GOOD CONTACTS AND PATIENCE.

o IN THE MEDIUM TO LONG TERM, THERE ARE SOME SIGN-POSTS WHICH INDICATE THE EVENTUAL DECLINE FOR COUNTERTRADE IN THE FORMER USSR.

o THESE LARGELY HINGE UPON THE CONVERTIBILITY OF THE RUBLE BOTH INTERNALLY, FOR WHICH THERE IS ALREADY SOME SCOPE THROUGH THE NEW COMMERCIAL BANKS AND THE WEEKLY MOSCOW CURRENCY AUCTION, (THIS DOES INVOLVED A LARGE CURRENCY FLUCTUATION RISK) AND EXTERNALLY, FOR WHICH WE HAVE HEARD PROMISES RANGING FROM THIS AUGUST TO LATE 1993.

o UKRAINE'S POSITION IS AT THE PRESENT MORE UNCERTAIN WITH THE PROPOSED INTRODUCTION OF THE NEW CURRENCY HRYVNIA IN JULY AND THE RECENT ESTABLISHMENT OF THE UKRAINIAN STOCK EXCHANGE WHICH WILL ENCOMPASS A HARD CURRENCY AUCTION AND RESULT IN SOME INTERNAL CONVERTIBILITY.

o THE SECOND DECIDING FACTOR WILL BE FULL MEMBERSHIP IN THE IMF AND ITS RESULTING FINANCIAL SUPPORT.

o IN APRIL RUSSIA WAS ACCEPTED INTO THE IMF AND CAN EXPECT SUPPORT ONCE CERTAIN ECONOMIC POLICY CONDITIONS ARE MET.

o IMF MEMBERSHIP AND SUPPORT WILL HAVE A NEGATIVE IMPACT ON COUNTERTRADE AS IMF SUPPORT IS GEARED TO STABILIZING THE RUBLE AND MAKING IT CONVERTIBLE. THE IMF ALSO HAS A POLICY OPPOSING CERTAIN FORMS OF COUNTERTRADE AND IN MANY CASES MAKES THIS A CONDITION OF MEMBERSHIP.

o NONE OF THIS UNFORTUNATELY IS GOING TO HELP YOU TOMORROW IN STRUCTURING A COUNTERTRADE ARRANGEMENT. THE MOST OPTIMISTIC OUTLOOK PLACES THESE CHANGES AT 2-3 YEARS DOWN THE ROAD.

o HOW MUCH COUNTERTRADE IS OCCURRING IN THE CIS IS ALWAYS SUBJECT TO DISCUSSION MUCH OF IT RELATED TO DEFINITION.