

3. Countertrade arrangements may offer Western firms alternate sources of supply of scarce resources (i.e., oil, natural gas, precious metals, etc.), intermediate products and manufactured goods.
4. Countertrade deals in the form of compensation agreements may provide added utilization of a multinational's marketing system.

II. COUNTERTRADE PRACTICES AND POLICIES IN EASTERN EUROPE, THE U.S.S.R. AND PEOPLE'S REPUBLIC OF CHINA (1)

A. Initial Demands

Experienced sellers estimate that most of the initial Eastern European countertrade requests can be lowered by at least one third. Initial requests deviate most dramatically from final CT percentages in the import of top priority high technology products.

Initial requests are thought to be most reasonable in the U.S.S.R., Hungary, Czechoslovakia (for technical products) and the German Democratic Republic (except for turnkey plant imports). The highest initial CT requests will be encountered in Romania, Poland, Bulgaria and Yugoslavia.

The trend is for an increasing proportion of Western sales to Eastern Bloc countries to become subject to countertrade obligations. Furthermore, all these countries are increasing the percentage of the value of the Western sale that is to be paid for by CT arrangements. Generally, for a particular transaction, the percentage of CT demanded will depend on:

- the policies of the country requiring the countertrade transaction and those of the negotiating state enterprise
- the skill and tenacity of the Western negotiators
- the priority assigned to the Western products and their price, i.e. high priority imports

Case studies of international firms involved in CT are illustrated in Appendix A. A checklist of practical tips in negotiating countertrade deals is included as Appendix B.

B. Exports Offered By Countries Requesting Countertrade

The choice of export goods made available for CT vary with each country and depend on the following three factors:

1. the volume and type of goods produced by the country (FTO's prefer to offer finished goods rather than raw materials)
2. the demand for the goods and hard currency export markets (goods saleable for hard currency -- raw materials, semi-processed goods and certain chemicals -- are not usually available for CT)
3. the time of year (the last quarter of the calendar year is the best time to buy since most FTO's are under pressure to fulfil their export targets).

(1) Much of the material in this section is taken from Countertrade Practices in East Europe, the Soviet Union and China: An Introductory Guide to Business, U.S. Department of Commerce (Cuba is also included)