

described in the appendix of this paper. A countertrade transaction therefore differs from a cash deal in that goods or services are accepted as payment, in part or total. It is understood that of course countertrade is not simply a neutral mode of transaction willingly accepted by both parties; there is indeed an element of coercion associated with it, as the exporter is forced to consider a countertrade arrangement as a precondition for an export sale. In effect, one could say that a countertrade transaction occurs as a result of a trade-off between the importer's desire to pay in kind rather than in cash and the exporter's unwillingness to oblige.

3. The reasons for countertrade are not subsiding and if anything are increasing. For one, traditional practitioners of countertrade such as Eastern European countries are putting added emphasis on this practice as their foreign debt position worsens. As well several developing countries, including oil producing ones, are subject to similar financial constraints due to drastic aggravation of their foreign debt position and are reverting increasingly to countertrade demands in order to fulfill in part their import requirements. Cases in point are Brazil, Iran and Venezuela. Furthermore, in developing countries, countertrade is more and more part of a deliberate strategy of development, whereby the practice is conceived as a means to speed up the economic development process by using foreign technology and capital to build extraction and production facilities, to be paid for at a later date with outputs of these facilities. China among others is counting in a massive way on such compensation deals to accelerate its modernisation process (an order of magnitude of things to come is provided by the recent \$500 million compensation agreement signed by an Italian consortium to expand coal mines and modernize a railroad and port facilities in China). As part of its economic development plan, Indonesia has also joined the ranks of countertrade practitioners with a requirement that bidders on government projects must export Indonesian products equal to what they import.