exports and imports should be eliminated because it promotes enterprises unable to sell goods on their own, or promotes uneconomical, obsolete or inferior products. In such cases, countertrade would only work to conserve outdated production. Although Hungary's central bank, the Hungarian National Bank, has never endorsed the use of countertrade, the Hungarian Foreign Trade Bank, which occupies a semi-independent role, maintains a special countertrade committee. However, this is more a reflection of the bank's autonomous position in the increasingly decentralized Hungarian foreign trade structure than an inconsistent countertrade policy practised by the government.

Hungarian enterprises active in foreign trade enjoy a greater independence from central government authority in their activities and goals than do similar organizations in other Eastern bloc states. Increasing importance is being given by the regime to profitability as the main criterion of performance in assessing enterprise effectiveness and usefulness. As a result, many of the state enterprises are self-managing. They have so much individuality that counterpurchases may be workable only if the importing enterprise can supply the counterpurchase goods themselves. Administrative systems are set up to promote buying as well as selling by the Western supplier and a number of companies, notably International Harvester, have had considerable success with countertrade. In International Harvester's case, what originally began as a counterpurchase of truck axles has developed into diesel truck co-production.

Although counterpurchase may be difficult to coordinate between various state organizations, Hungary offers an interesting range of goods and services, including goods from other Eastern bloc nations. Of particular interest are the wide range of services available to Western suppliers in countertrade. The use of these services may be arranged either through the Hungarian Foreign Trade Bank, Trade Promotions Division, or the importing foreign trade organization's Special Operations Department.

Hungary has ample unused transportation capacity as a result of a previous high level of investment in the industry and the current trade depression. Transport services do not have to relate specifically to Hungarian trade to be acceptable as a countertrade fulfillment. Another service highly regarded by Westerners is the use of Hungarian printing of books, magazines, catalogues and other materials. Most Western suppliers would be eligible to use these services with the exception of the production of art books, which are usually only acceptable in countertrade with Western printing houses or printing equipment suppliers. Hungary offers a wide range of film production services which are also acceptable in countertrade.

INDIA

Although many of its manufacturers and trading firms have engaged in linked trade on an extensive scale, India has yet to formulate a comprehensive countertrade policy. It is known that the Indonesian example is being followed with interest by Indian government officials. India does maintain bilateral trade agreements with a number of COMECON nations and has carried out numerous countertrade transactions with them.

In the early 1960's, India and the Soviet Union established buy-back arrangements through which the Soviets built steel mills in India in exchange for a portion of their output. Buy-back has since been arranged with other nations. Fishing vessels, chemical plants and other capital equipment are supplied in exchange for a share of output. A recent policy encourages buy-backs. For example, an Indian company importing capital equipment is required to export 75-90% of its production, depending on the industry, for five years after equipment acquisition in order to avoid paying high import duties. As a result, the Indian company obliges the equipment suppliers to take back a large proportion of the output.

Another form of countertrade which experienced only moderate success was the "Special Trading Arrangement" (STA) by which various categories of Indian goods were placed in international markets through large multinational trading houses. The State Trading Corporation (STC) signed several such agreements with large European houses, but permanent trading relationships failed to materialize as the STC was not prepared to grant exclusive rights to particular markets, and it was also difficult to prove additionality — the introduction of new products to the export mix or of new markets for existing exports — in STA exports. The government has encouraged STC to expand its countertrade activities.

Countertrade deals are also arranged through Export Promotion Councils (EPCs), which are independent bodies serving a wide range of industries and which earn a small commission for initiating and organizing the deal. Examples of EPC deals have included the purchase of rough gemstones from Brazil and Tanzania in exchange for polished ones, cotton exchanged for Zambian copper, and Indonesian chemicals and Iranian crude oil obtained for construction materials, railway equipment and other commodities.

An agreement has been signed with Iraq for the payment of Indian contractors working on projects in Iraq, which will supply crude oil and sulphur valued at $95 million. Another countertrade deal saw India provide technical assistance and fertilizer to Uganda in return for agricultural commodities.

India has a large trade surplus with the Soviet Union and Western suppliers have utilized the bilateral clearing agreement between the nations to sell to the U.S.S.R. via India. India purchases the Western goods and exchanges them for Soviet arms and raw materials, along with some manufacturered goods. Rank-Xerox (U.K.) established a joint venture company in Bombay for the delivery of copiers to the U.S.S.R., receiving components in exchange. The advantage for the supplier is that it receives payment in hard currency without any countertrade requirements from either India or the Soviet Union, although it is crucial that there is some value-adding in India.

The Ministries of Industry, Commerce and Finance must be advised of all private sector countertrade transactions and may approve or process the transaction according to their own policy.

The Indian government exerts stringent control over foreign firms in India and all proposals for foreign investment in the country must be reviewed by the Foreign Investment Board. The Reserve Bank approves any commercial, industrial and trading activity of foreign firms operating in India.

Trade and Foreign Exchange Controls

India has fairly complex import regulations: there are three types of import licenses and four categories of imports. The importation of some capital goods is prohibited and in some cases only a conditional license will be issued. Registered manufacturers, merchants and traders are allowed to use Import Replenishment Scheme (REP) licenses, which are transferable and may be used for credit against exports. Foreign exchange is supplied by authorized banks to holders of valid import licenses. The import and export of numerous commodities such as foodgrains, natural rubber and raw cotton are monopolies of state-owned enterprises.