and all traditional exports must be covered by irrevocable letters of credit. Tax credit certificates (CERTEX) are available to exporters of non-traditional products.

PHILIPPINES

The Philippine Ministry of Trade and Industry is currently examining the use of countertrade on a large scale as a method of retaining scarce foreign exchange. Until a few years ago, countertrade was only allowed with East European bloc nations. Since the late 1970's, the Philippines have faced a shortage of foreign currency and credit restrictions as the global market prices for its major export commodities — sugar, copper and coconuts — fell drastically. Countertrade is being seen as a possible way to ease the country's economic problems. Government policy, however, is designed to encourage the development of non-traditional exports only.

A number of countertrade deals have been worked with COMECON and other nations, including the sale of Philippine coconut oil for Romanian oil production equipment and Chinese petroleum. Other commodities shipped for Chinese oil include copper concentrates, PVC resins and forest products. Countertrade is also being examined as a way of financing new capital projects, but only a few countertrade transactions have actually taken place.

The state trading arm, the Philippine International Trade Corporation (PITC), administered by the Ministry of Trade and Industry, is turning into the favoured tool for countertrade transactions. Its official function is to promote exports and it will work with companies wishing to sell to the Philippines, handling straight barter or more complex counterpurchase arrangements. PITC deals with the government's top import priorities which are raw materials, spare parts and critical supplies and, on occasion, capital equipment of a crucial nature.

PITC has been assigned to administer an offset deal with the American helicopter company Sikorsky Aircraft that requires the export of Philippine goods over a period of five years to a value equivalent to 40% of the Philippine contract. At present, drills and taps are being exported under the program. It has also arranged the sale of bananas to South Korea for polyethylene resin. The KKK Processing Center Authority, which is involved in cottage industry and agricultural development, has signed a PITC-assisted contract with Andre & Cie, S.A., a Swiss-based trading house, to sell $24 million (US) worth of goods for Swiss products, primarily agricultural equipment. PITC has also entered into a deal with the Malaysian International Trading Corporation (MICO) under which each will take goods valued at up to $5 million (US) annually. MICO will import household items, garments, costume jewellery, leather products and foodstuffs while PITC will purchase refined palm oil, rubber products, dental alloys and fertilizer.

Unfortunately, many of the products proposed by PITC for countertrade are unappealing to foreign suppliers. These products include handicrafts, rattan furniture, and bananas. Most of the Philippines' major exports are hard currency earners, including electronic components, sugar, pineapples and copper concentrate. However, production of electronic microchips and pineapples is completely spoken for by the producers' parent corporations, Texas Instruments and Dole. There is presently a shortfall in sugar production, as well as in coconuts. Copper and timber may be available in limited quantities, but it appears that possibilities for countertrade in the Philippines are limited due to the insufficient availability of exportable commodities.

Trade and Foreign Exchange Controls

Some imports are banned for health or security reasons and others, which may compete with domestic industries, require prior government approval. The Central Bank approves capital equipment imports where they are paid under deferred payment schemes extending over a year; for capital equipment valued at over $50 000 (US) paid in cash or within a year; and for some consumer and non-essential goods. PITC must be used in trade with countries with centralized economies, with the exception of Yugoslavia. All trade with South Africa is prohibited.

Banks are authorized to issue export permits upon registration of the exporter's report of foreign sale. The Central Bank and, in some cases, the Ministry of Trade, approves deals involving gold, copra, coconut oil and sugar-based commodities. The Philippine Sugar Commission maintains a monopoly on the export of sugar.

Once the bank has confirmed that payment has been received or arranged, customs officials will allow shipment of the goods. Export proceeds must be surrendered within two months of shipment although, with the approval of the Central Bank, foreign exchange earnings may be used towards the repayment of loans for imports of machinery and raw materials.

POLAND

At the present time, Poland is one Eastern Europe's most difficult countries in which to arrange countertrade transactions. As a nation with severe financial problems, Poland's policy is to reduce imports to an absolutely minimal level and conserve foreign exchange as much as possible. Further, as the government undergoes reorganization, there is considerable bureaucratic confusion as to who is in control of foreign trade transactions.

Countertrade of 100% is thought to be the inflexible standard. The value of Polish export goods is the determinant in setting the value of goods to be imported. The situation is so difficult that long-term countertrade transactions appear to be beyond the acceptable risk level for most trading houses or exporters. As is the case of some other Eastern European countries, countertrade goods may be of unsuitable quality, price or quantity. Possible services which may be used for countertrade include transportation (although shipping seems to offer only 50% offset), film-making and sub-contract work with Polish engineering construction firms, whichi have been undertaken throughout the world.

Until the economic situation in Poland improves, the only imports which will be considered will be high priority items.

ROMANIA

Canadian exporters have had extensive exposure to Romanian countertrade practices through the sale of Candu nuclear reactors in l98l. Financing for this contract was provided by the Export Development Corporation in the amount of $l billion (CAN). Romania purchased two reactors with an option for two others. Countertrade in this sale involved the transfer of Candu-600 technology to Romania and demands for 100% counterpurchase from all sub-suppliers. Negotiations proceeded on a case-by-case basis with counterpurchase agreements signed for a variety of different percentages.

Romania is the only East European nation that has set out formal regulations on countertrade and it requires a regular balancing of the trade accounts of all foreign trade organizations. Official Decree No. 276 (of July 25, 1979), along with an investment law, a foreign trade law and repeated political references, have placed countertrade at the centre of Romania's trade policy. Full countertrade coverage is requested of almost all imports, including items that fall into the category of priority imports. However, despite existing regulations and political support at