

Countertrade Terminology

One person's "countertrade" is another person's "barter". For a third person it is "reciprocal trading", for a fourth it is "parallel transactions". For those interested in more exotic nomenclature, the terms "contrapartida", "plata in produse", "otplata u naturi" will convey the meaning of a reasonably common commercial practice in Eastern Europe. As long as there are people doing countertrade and writing about it, the descriptive terms will continue to proliferate. Countertrade discussions often produce a semantic Rubik's cube with the subject being made more complex and confusing than necessary. East European supporters of countertrade tend to exploit the lack of precise definitions in order to subsume countertrade or compensation under the more acceptable category of "industrial cooperation".

The definitions offered below are based on an appreciation of the more common terms used to define this method of trading and should allow for distinctions between countertrade and industrial cooperation.

A. Countertrade

This is the generic term covering all transactions where a potential purchase by an importer is made conditional on a reciprocal purchase by the prospective exporter or a third party acting on his behalf. A straight cash transaction is thus complicated by the introduction of goods or services as partial, or total, payment. Countertrade does not necessarily remove the requirement for financing the original export sale, except in the case of barter. In practice, export financing and countertrade often coexist on the same business transaction. There is an element of coercion associated with the countertrade, as the exporter is obliged to consider a countertrade arrangement as a precondition for the export sale. Countertrade deals are often associated with officially-backed credits for export contracts.

B. Barter

At the commercial level, barter indicates a one-time exchange of goods without the introduction of any cash payment (i.e. jute for melons).

A barter transaction is covered in one contract, and the mutual deliveries of goods and services (specified in the contract) take place over a relatively short term. Barter is no longer a common feature of East-West trade but, with the high cost of money and depressed commodity prices, barter-type arrangements are not unknown.