

BANK OF CREDIT AND COMMERCE INTERNATIONAL



SPECIAL TRANSACTIONS

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SPECIAL TRANSACTIONS

January 27, 1987

To Whom It May Concern

From: H J Ferenz  
BCCI London  
Trade Assistance Unit (X 4626)

Re: Trade Assistance Unit

Dear Reader

Please find a booklet on special transactions in the enclosure. It is being distributed amongst various BCCI London divisions and some Overseas Branches to make sure that all of us use the same terminology when talking about countertrade and other "special transactions".

The Trade Assistance Unit operates a Trading Contacts Data Bank, containing about 12,000 (counter)trading contacts, the majority of which is located in developing countries, and a Countries Data Bank with countertrade legislation, practices, national contacts and case examples from all the countries where countertrade has emerged. In addition, trade directories from the European Community and some newly industrialized and developing countries are available. The contacts included in these directories are estimated at another 250,000.

The most important features of the Trading Contacts Data Bank are

- (a) the listing of products - and, wherever appropriate, their origin - in which the given contact has specialized, and
- (b) the services performed by the contact.

As to the products, generic terms - such as "raw materials" or "machine tools" without further specifications - have been avoided wherever possible. The data bank inputs should indicate in which type of "raw materials" or "machine tools" the contact is actually and mainly trading.

With regard to the services, the following major functions have been analysed and incorporated in the Trading Contacts Data Bank:

- |                       |                          |
|-----------------------|--------------------------|
| + agency              | + forfaiting             |
| + after-sales service | + importer               |
| + consulting          | + leasing                |
| + countertrade        | + producer               |
| + department store    | + switch                 |
| + export financing    | + tender agent           |
| + export promotion    | + wholesaler/distributor |
| + exporter            |                          |

These data banks can be used for the structuring of business transactions to identify suitable partners for existing or potential BCCI customers, be they importers or exporters. The data bank research can combine several "qualifiers" for enquiries, eg "importer" of "product" of "origin".

The services may be of interest in the following cases:

- a) upon the request of an exporter who is interested in expanding his sales (marketing);
- b) upon the request of an importer who is interested in diversifying his purchases (sourcing);
- c) upon the request of a countertrade-committed company which is looking for end-users of the products it has to take under its commitment;
- d) upon the request of a company intending to enter into countertrade negotiations without yet having any functional or country experience in countertrade;
- e) on a large scale, for governments and state or parastatal trading organizations which lack world-wide marketing experience, resources or contacts, but have sufficient export surpluses or ample import requirements.

There are two operational ways to benefit from the Trading Contacts Data Bank:

a) Contact Service: we would undertake a research into the data bank on the basis of the specifications received from the enquiring party. If this information is too vague we would try to narrow the range of the research to make it as economical as possible. At the end, we would print out the contacts and pass them on to the enquiring party. The approach to the potential contact would be left to the party concerned. For each contact printed out and disclosed to the enquiring party, we would charge US\$ 25.

b) Mediating Service: we would undertake a research into the data bank on the basis of the specifications received from the enquiring party. Again, we would try to get a specification as precise as required for an economical

research. In this version, however, we would be requested and instructed by the enquiring party to ascertain ourselves at the contacts whether they would be willing to enter into the deal suggested by us on behalf of the enquiring party. The enquiring party would get a completely structured business proposal, ready for final negotiations on commercial, technical and financing aspects of the suggested deal. The follow-up would be handled by BCCI's (Overseas) Branches to make sure that our commission - amounting to 1% flat of the export value of the potential deal - can be collected.

The legal and commercial responsibility for the conclusion and settlement of any deal resulting from any of our Trade Assistance Unit services lies with the enquiring party.

Any commercial banking business from our Trade Assistance Unit services should be secured by the relevant BCCI (Overseas) Branch. Commercial banking charges are not included in the Trade Assistance Unit's commission.

In all cases, enquiring parties are entitled to get a cost estimate prior to assigning any request to the Trade Assistance Unit.

Looking forward to your suggestions and a fine cooperation, we remain,

With best regards,



H J Ferenz

Trade Assistance Unit

INTRODUCTION

Countertrade has emerged in countries having insufficient export capacity or marketing skill, or suffering from substantial import dependence. The initial result of this situation is a balance-of-trade deficit, usually coupled with a balance-of-payments deficit, unless the balance-of-trade deficit can be covered from other income sources, such as invisibles. The filling of the financial gap in the balance of payments can be achieved by borrowing - or by restructuring the economic and foreign trade policy.

Borrowing may be a remedy for one or two years' imbalances but cannot and should not be considered as a nostrum to a perennial problem. Nevertheless, some countries have relied heavily on foreign financing of more imports than they could afford with their own export capacity and export proceeds. It is these countries in which countertrade has emerged - if not erupted as a veritable menace to free trade. Eventually, when borrowing abroad was no longer possible, be it because of the turning off of the foreign lenders' finance cornucopia, or the lending rates becoming unattractive, these countries have been obliged to extend their countertrade demands to a higher percentage and to more import sectors.

RANGE OF SPECIAL TRANSACTIONS

In international trade, the following methods are generally defined as special transactions:

- 1 Countertrade, with its variants:
  - a) Barter
  - b) Offset deals
  - c) Counterpurchase (also called parallel or reciprocal trade transactions)
  - d) Compensation
  - e) Product buy-back
  - f) Advance purchases, with or without escrow accounts

In barter and offset deals, there are usually some government initiatives or interests, whereas the other forms of CT are based on individual companies' initiatives or interests.

- 2 Forfaiting
- 3 Switch
- 4 Leasing

In the one or other form of countertrade, almost one quarter of world trade appears to have been contracted both in 1984 and 1985.

Among countertrade, the frequently governmentally supported variants - barter and offset deals - have accounted for 14% (\$ 59 billion) and 15% (\$ 63 billion) respectively.

The predominant countertrade method has been counterpurchase with 51% (\$ 215 billion). In the form of compensation, around 6% (\$ 25 billion) have been concluded. Product buy-back has slightly declined to some 12% (\$ 50 billion). Finally, advance purchases have amounted to around 2% (\$ 8 billion).

The following briefing paper does not refer to forfeiting, switch and leasing. However, there are some figures to quantify the turnover of these other special transactions in comparison with countertrade. Forfeiting was estimated at some 0.25% of world trade, or \$ 5 billion. Switch is on the rise again because the increasing number of imbalances resulting from failing bilateral trade and payment agreements are offered to third parties for settlement. The 1985 switch turnover - not including the properly settled bilateral trade transactions - is estimated at some \$ 7 billion, or 0.35% of world trade.

With regard to leasing, it is not possible to give a one-year turnover figure because the lease periods usually extend beyond one year. According to international leasing statistics, a volume of \$ 50 billion - or some 2.5% of world trade - was outstanding in border-crossing medium- to long-term leasing contracts at the end of 1982.

Altogether, one can say that barter, counterpurchases, offset deals, switch and leasing are on the rise; compensatory transactions and forfeiting are declining; whereas product buy-back and advance purchases are stagnating at best.

WORLD-WIDE SPREAD OF COUNTERTRADE

(Preliminary figures 1985)

<u>Region</u>	<u>Share of</u> <u>World Trade</u>	<u>of which</u> <u>Countertrade</u>	<u>Countertrade in</u> <u>World Trade</u>
OECD	65 %	15 %	9.75 %
OPEC	5 %	30 %	1.50 %
Developing			
Countries	20 %	20 %	4.00 %
COMECON	10 %		
of which:			
intra-COMECON (60 %)		80 %	4.80 %
others (40 %)		40 %	1.60 %
	-----		-----
	100 %		21.65 %
 In figures:	 \$ 1,940 billion		 \$ 420 billion*)

Sources:

"Share of World Trade": UN Monthly Statistics, East European yearbooks on foreign trade

"Of which Countertrade": own records and calculations

"Countertrade in World Trade": percentage of the first two columns

\*) Settlement of this volume is, of course, not in one year but extends from six months (for compensations) to 7-8 years (for offset deals). On the other hand, the 1985 countertrade volume has to be increased by settlements brought forward from previous countertrade commitments. Altogether, the annual volume of countertrade settlements can be estimated at \$ 300-400 billion.

## Barter

Barter turnover is formulated roughly and vaguely in a trade protocol, to be complemented by individual purchase and sales contracts

Mutual payments in hard currency and the transfer of the barter commitment to third parties are not foreseen

External settlement sometimes through escrow accounts with periodical balancing in hard currency or extra supplies of goods by the partner in arrears

Settlement in the barter signatory countries in domestic currency

### Case Example: Barter With Escrow Account

Background: Pemex (México) entered into a contract with the crude oil import agency Petrobrás (Brazil) to supply US\$ 3 billion worth of crude oil in shipments of 80,000 barrels per day. Petrobrás did not pay for several months for these imports. When Pemex stopped further shipments of crude oil in order to force payment from Petrobrás, the Brazilians suggested that the payment arrears should be compensated with Brazilian goods useful to México. Pemex, together with Petrobrás' international trading arm Interbrás, defined oil derivatives and other petrochemicals, oil-drilling equipment, and 160,000 tons of soya beans as suitable to the Mexican requirements. To put some pressure behind the Mexican purchase orders and to reduce the arrears in the shortest possible time, the overdue payments were broken down into quarterly instalments, and settlement in hard currency was agreed upon for any amount unbalanced by Brazilian shipments of selected goods at the end of each quarter.

Settlement

- (a) Banco do Brasil and Banco de México agreed to set up an escrow account in US\$ with a New York bank, providing for hard-currency settlement of the balance at the end of each quarter.
- (b) The first entry into this escrow account was the amount in arrears by Petrobrás to Pemex.
- (c) Interbrás began promptly with the shipment of goods selected by various Mexican import organizations.
- (d) Whenever a shipment departed from Brazil, Interbrás requested the respective Mexican buyer to open an irrevocable letter of credit in US\$ through Banco de México in favour of the escrow account.
- (e) Upon arrival of the Brazilian goods in México, the Mexican buyer authorized Banco de México to effect payment to the escrow account and to debit its own account in domestic currency.
- (f) At the end of the first quarter, the Brazilians were still in arrears on their quarterly instalment and remitted US\$ to Banco de México's account with the New York bank.
- (g) In the second quarter of the life of the agreement, the escrow account was reopened with the quarterly instalment due in this period. Pemex' supplies to Petrobrás were still halted.

- (h) The Brazilians were so eager to reduce their arrears and to avoid further hard-currency disbursements to México that they overfulfilled their quarterly delivery target. In this quarter it was México that had to remit US\$ to Banco do Brasil's US\$ account with the New York bank.
- (i) In the third quarter of the agreement, Pemex resumed its shipments of crude oil to Petrobrás.
- (j) Pemex' supplies were debited in US\$ to Banco do Brasil's escrow account and credited to Pemex' account with Banco de México in domestic currency.
- (k) Petrobrás' imports of crude oil were debited to its account with Banco do Brasil in domestic currency, and credited in US\$ to Banco de México's escrow account.
- (l) Since the third quarter, the mutual supplies have been flowing continuously and the balance in the escrow account has been swinging frequently from one side of the account to the other within the arranged limits.

Offset deals

Typical between multinational companies on the supplying (committing) side, and state trading organizations or government procurement offices on the importing side

Used for imports of weapons, aircraft or other strategic equipment or materials, the construction and installation of military airports, or power stations

Committed company gets payment for its delivery under usual commercial terms, while fulfilment of the offset commitment may extend over 7-15 years and be made in direct offsets (subdeliveries from the offset demanding country to the original contract) or indirect offsets (the committed company invests in industrial or service sectors of the offset demanding country, or assists in the expansion of the offset demanding country's export capacity and marketing)

Typical of barter and offset deals are government interests or even involvement

### Counterpurchase

The underlying sale and the counterpurchase commitment are formulated in two separate, but linked contracts

The counterpurchase commitment is subsequently superseded with the actual counterpurchase contract

Committed company gets payment for its deliveries at once, while the counterpurchase is paid for separately when the countertrade goods are shipped

Financing costs can be easily calculated since the separate settlement implies separate payment for each way of the linked transaction

### Case Example

Background: a Yugoslav company, without own hard-currency reserves, wanted to import coffee but could not get a hard-currency allocation from the National Bank. It teamed up with another Yugoslav company which had surplus stocks of special steel which it could not sell on world markets because of low demand. A trading company lifted the steel in Yugoslavia, sold it to Egypt, and used the sales proceeds for the procurement of coffee which it had shipped to Yugoslavia.

### Settlement

- (a) The trading company bought 30,000 tons of Yugoslav special steel at \$ 220 f.o.b. per ton, less a 6% commission, ie at \$ 206.80 net. (Commissions or discounts are typical for products which cannot be sold directly

but have to be mediated by go-betweens.) The trading company opened a letter of credit for \$ 6,204,000 with the National Bank and in favour of the steel exporter.

- (b) The trading company resold the special steel to Egypt at \$ 220 c & f Alexandria and got an Egyptian import letter of credit for \$ 6.6 million.
- (c) Although other steel manufacturers would have offered the special steel at a lower rate, the Egyptians were willing to pay the going market price of \$ 220 since they would get a special import duty rebate under an existing tripartite trade promotion agreement between Yugoslavia, Egypt and India. Consequently, they got the Yugoslav steel at a net price lower than that of manufacturers not benefiting from the tripartite trade promotion agreement.
- (d) With the Egyptian import letter of credit on hand, the trading company negotiated with the coffee exporter the sales price of coffee to Yugoslavia. A price per ton of \$ 2,495, c & f Yugoslavia, less 3.5% commission has been agreed upon.
- (e) The trading company requested the Yugoslav coffee importer to have a letter of credit for 2,400 tons of coffee, ie for \$ 5,988,000 opened in its favour through the National Bank.
- (f) Upon receipt of this letter of credit, the trading company opened another letter of credit, equivalent to (2,400 tons at \$ 2,407.675 =) \$ 5,778,420, in favour of the coffee exporter.

- (g) The coffee exporter shipped the coffee to the Yugoslav buyer.
- (h) The National Bank used the Dinars received from the Yugoslav coffee importer to pay the Yugoslav exporter of the special steel, and gained hard currency to the amount of \$ 216,000 from the different amounts of the incoming and outgoing letters of credit.
- (i) The trading company had profits of \$ 396,000 from the steel transaction and of \$ 208,440 from the coffee transaction, and had to pay from this income the freight from Yugoslavia to Egypt of \$ 10 per ton = \$ 300,000. From the gross profit of \$ 304,440, the trading company's banking charges have to be deducted to get its net profit in the transaction.

Compensation

The underlying sale and the compensation commitment are usually combined in one contract

Committed company gets payment for the compensated share of its delivery only after a buyer has been found for the compensatory goods it was obliged to take but could not use itself

Financing from the date when production of the export goods begins to the date when the sales proceeds of the compensatory goods become available

### Product Buy-back

Frame agreement on the delivery of, eg, a turnkey plant whose sales price is to be covered by buy-back deliveries of products to be made in the turnkey plant

Committed company gets payment for its turnkey delivery according to the stage of fulfilment of the order

Turnkey plant importer gets back, over a given period of time after start-up of the plant, (the major part of) the purchase price from his buy-back deliveries

Interim financing available from export promotion and export risk insurance institutes in the original supplier's home country

### Case Example

Background: partner A supplies oil-drilling platforms to partner B and commits itself to buy back crude oil to the full value of the platforms.

### Settlement

- (a) A and B's state trading organization competent for the import of oil-drilling platforms agreed to a down-payment in hard currency of 15% of the value of the platforms by B as soon as A's export promotion credit and export risk insurance institutes had approved the financing of the remaining 85% of the value for five years, during which period A was to supply them. B's down-payment will ultimately be refunded by A through buy-back of 100% of the supply value.

- (b) B's payments during the five-year construction period of the platforms were secured by promissory notes issued by B's importer, and guaranteed by the foreign trade bank in B's home country. The notes were made out for maturities on the first five anniversary days of the down-payment, to be in accordance with the construction period suggested by A.
- (c) A handed over B's promissory notes to its home country's export promotion credit institute which put them in its own portfolio.
- (d) With the progress of the construction and commissioning of the platforms, A submitted export documents to his home bank and received staggered payments in hard currency.
- (e) A's home bank refinanced itself in hard currency from the export promotion credit institute.
- (f) A motivated an oil processing company in its home country to take B's shipments of crude oil up to the amount of the promissory notes, with shipments to begin once the oil-drilling platforms became operative.
- (g) The sales proceeds of B's crude oil were transferred in hard currency by the oil processing company in A's home country to the crude oil exporter in B's home country which, in its turn, had to surrender the hard-currency proceeds to the foreign trade bank and got credit entries in domestic currency.

- (h) Upon maturity of the promissory notes, the foreign trade bank debited in domestic currency the account of the state trading organization importing A's platforms and remitted cover of the promissory notes in hard currency to A's export promotion credit institute. The hard-currency cover was taken by the foreign trade bank from the proceeds surrendered by the crude oil exporter.

### Advance Purchases

To secure in-time and reliable payment for supplies to countries of low payment morality or creditworthiness, goods are lifted from these countries, and resold before shipments are made to these countries

Settlement can be in-house, or via escrow (trustee, interim) accounts

### Warehousing and Pledging Collaterals

Another form of advance purchase (options): the producer (identical with depositor of collateral product) needs funds before the collateral product has been generated (eg ores, agricultural crop); or the product is available but should not be sold at the time when its sales proceeds would be needed (sales price speculation)

For the settlement of the product end of the transaction, more than one business partner may be involved

### Case Example: Warehousing Collateral

Background: the Zairean Mining Trust ZAMIT entered into negotiations on imports of vehicle kits and spare parts from the USA. It was clear to the two partners from the very start that no hard currency will be available for the deal. Payment had to be made with minerals. The problem for ZAMIT was that the world market prices for the involved minerals were depressed and it would suffer a loss from immediate sales. Agreement was reached that the minerals should be warehoused in the USA and the right of title be transferred

to the US supplier of the vehicle components. But, since ZAMIT anticipated higher sales prices for its minerals within a few months, the right of disposal of the minerals was to be retained by ZAMIT. In other words, the US company held the goods but was not permitted to sell them without ZAMIT's approval. The risk of speculating for a price increase at the minerals exchange was on ZAMIT's side. The US company was protected against a continuous slumping of prices by a lowest limit exchange quotation clause: if the price would reach a level 3% over the lowest limit, the right of disposal should automatically be transferred to the US company. Thus, the full value of the US company's sale to ZAMIT could have been secured by a last-minute emergency sale. If, on the other hand, prices for the minerals soared, the achieved surplus of the minerals sales proceeds should be compensated for by the US company's additional supplies of vehicle components.

#### Settlement

- (a) ZAMIT shipped the minerals to a US-based warehouse associated with a US bank for special transactions.
- (b) The US bank had the value of the deposited minerals evaluated at the current exchange quotations.
- (c) The US bank established a delivery guarantee to ZAMIT for account of the US supplier of the vehicle components, and a payment guarantee in favour of ZAMIT.
- (d) Whenever a shipment of vehicle components was made, the US bank reduced the value of its delivery guarantee toward ZAMIT and made advance payment to the US supplier upon its submittal of the relevant shipping documents.

- (e) The US bank regularly monitored the price of the deposited minerals at the exchange.
- (f) The prices did not fall further, so no emergency sale was needed. On the contrary, the minerals prices recovered, and the US bank was instructed by ZAMIT to sell the minerals in small lots at the exchange in order not to interfere with the upward development of the prices. Altogether, ZAMIT made a fine profit and could obtain more components from the US supplier than originally planned.
- (g) The US bank deducted its financing cost of the advance payments to the US supplier from the last minerals sales proceeds and issued a letter of credit in favour of the US supplier for the additional shipment of the vehicle components.
- (h) The US supplier shipped another consignment of vehicle kits and spare parts to ZAMIT, presented the shipping documents at his home bank and collected the letter-of-credit funds.

Switch

Can take place only where bilateral trade and payment agreements exist but are not completely fulfilled

They involve at least three countries: the two countries tied in a bilateral agreement and a third country that acts as the outlet for the products not settled under the bilateral agreement

Bilateral trade and payment agreements, existing today mainly between centrally planned economies and developing countries, consist of the following elements:

- + a trade agreement (trade protocol) stipulating (either in quantity or value) the products or services to be exchanged between the two signatories over a given period of time (usually two to five years)
- + an agreement to denominate trade in terms of an internationally reputed currency, usually US-Dollars although Pounds Sterling and Rupees are also used as clearing units (which are not, of course, convertible into their hard-currency equivalent at current exchange rates)
- + an agreement by the two countries' central or foreign trade banks to open mutual clearing accounts into which all exports to the partner country will be debited and all imports from it will be credited, each in the clearing units

Within the clearing account, a certain "swing" or overdraft limit (approximately 15-20% of the expected annual turnover in this account) is allowed in either direction, to take into account the time lags between individual shipments and payments

Once the limit is reached, no further shipments will be made until the debtor nation supplies goods and/or services to reduce the balance in the clearing account below the agreed swing limit

An outside "switcher" has to ascertain which of the products included in the bilateral trade protocol have not yet been settled

Settlement should primarily be achieved in protocol goods and must be channelled through the clearing accounts with the two central banks involved

#### Case Example

Background: Bulgaria and Colombia have a bilateral trade and payment agreement. At one time, Bulgaria had a surplus in the clearing account but could not find Colombian export goods which both were in the trade protocol and suited its import requirements. To reduce its clearing claims, Bulgaria offered part of them to a West German company in payment of this company's sale worth US\$ 100,000 to Bulgaria.

#### Settlement

- (a) The West German supplier assigns to an outside switch specialist the conversion of Bulgarian-Colombian Clearing-Dollars equivalent to US\$ 100,000.

- (b) The switch specialist analyses from the Bulgarian-Colombian trade protocol those Colombian products which have not yet been bought by Bulgaria.
- (c) In this case, it is cotton, and Colombia can actually supply cotton to the required value against payment in Bulgarian-Colombian Clearing-Dollars.
- (d) The switch specialist finds a buyer of the cotton in Italy. Quality considerations influence the buyer's price for the Colombian cotton. Knowing this purchase price, it is an easy exercise for the switcher to request a certain quantity of Colombian cotton to be shipped as equivalent for US\$ 100,000.
- (e) The Colombian cotton exporter is willing to sell the requested quantity for Bulgarian-Colombian Clearing-Dollars 105,263, ie with a 5% surcharge (for accepting payment in Clearing- rather than convertible Dollars).
- (f) The switch specialist informs the West German company that conversion of the Clearing-Dollars into US\$ can be made at the rate of 100 : 95. The West German company passes on this offer to its Bulgarian business partner who accepts it.
- (g) The switch specialist asks the Bulgarian state trading organization Industrialimport (which is in charge of Bulgaria's cotton imports) to have a letter of credit for Clearing-Dollars 105,263 opened by the Bulgarian Foreign Trade Bank at Banco de Bogotá in favour of the Colombian exporter of cotton. In bilateral trade and payment agreements it is mandatory that all purchases and sales as well as their respective payments are

initiated by and made to companies in the signatory countries of the agreement through the two banks which carry the clearing account of the bilateral payment agreement.

- (h) The switch specialist requests an irrevocable letter of credit for US\$ 100,000 from the Italian buyer of the cotton.
- (i) The Colombian cotton exporter issues documents proving (officially) the shipment of cotton to Industrialimport, presents the documents at Banco de Bogotá and gets credit in domestic currency in his account with Banco de Bogotá.
- (j) Banco de Bogotá forwards the documents to the Bulgarian Foreign Trade Bank and debits the clearing account for Clearing-Dollars 105,263.
- (k) The Bulgarian Foreign Trade Bank credits Banco de Bogotá's clearing account for Clearing-Dollars 105,263.
- (l) The Bulgarian Foreign Trade Bank debits Industrialimport's account in domestic currency for the equivalent of Clearing-Dollars 105,263 and forwards the shipping documents to the switch specialist. At the same time, the Bulgarian importer of the West German products transfers full cover in domestic currency to Industrialimport's account with the Bulgarian Foreign Trade Bank.
- (m) Industrialimport thus has got the right of title to the cotton and telegraphically instructs the captain of the cotton-carrying vessel to unload the cotton in Italy rather than in Bulgaria.

- (n) Upon arrival of the cotton in Italy, the Italian buyer gets a note of discharge from the carrier who unloaded the cotton. A copy of the note of discharge is forwarded directly by the discharger to the switch specialist or his home bank so that the letter of credit funds of US\$ 100,000 can be released to the switch specialist.
- (o) The switch specialist transfers US\$ 100,000, less his commission, to the West German company.
- (p) The West German company delivers to Bulgaria the products for which payment has been effected through the switch transaction.

WORLD-WIDE SPREAD OF COUNTERTRADE

The following synopsis shows the countries where countertrade legislation, directives, or individual company's demands have been encountered or will be accepted (as of January 1987).

## Caption:

CTL	Countertrade legislation enacted
CTLE	Countertrade legislation expected shortly
CTD	Countertrade directives
CTIC	Countertrade demand by individual companies
CTA	Countertrade demand by foreign buyers accepted
CTP	Countertrade (officially) prohibited

	<u>CTL</u>	<u>CTLE</u>	<u>CTD</u>	<u>CTIC</u>	<u>CTA</u>	<u>CTP</u>
Afghanistan	no	no	no	yes	no	no
Albania	no	no	yes	yes	yes	no
Algeria	no	yes	yes	yes	yes	no
Andorra	no	no	no	no	no	no
Angola	no	yes	yes	yes	no	no
Anguilla	no	no	no	no	no	no
Antigua and Barbuda	no	no	no	no	no	no
Argentina	yes	no	yes	yes	yes	no
Australia	yes	no	yes	yes	yes	no
Austria	no	no	yes	yes	yes	no

	<u>CTL</u>	<u>CTLE</u>	<u>CTD</u>	<u>CTIC</u>	<u>CTA</u>	<u>CTP</u>
Bahamas	no	no	no	no	no	no
Bahrain	no	no	no	no	no	no
Bangladesh	no	yes	no	yes	no	no
Barbados	no	no	no	yes	no	no
Belgium	no	no	yes	yes	yes	no
Belize	no	no	yes	yes	no	no
Benin	no	no	no	yes	no	no
Bermudas	no	no	no	no	no	no
Bhutan	no	no	no	yes	no	no
Bolivia	yes	no	yes	yes	no	no
Botswana	no	no	no	yes	no	no
Brazil	no	yes	yes	yes	yes	yes
Brunei	no	no	no	no	no	no
Bulgaria	no	no	yes	yes	yes	no
Burkina Faso	no	no	no	yes	no	no
Burma	no	yes	yes	yes	yes	no
Burundi	no	yes	no	no	no	no
Cameroon	no	no	no	yes	no	no
Canada	no	no	yes	yes	yes	no
Cape Verde	no	no	no	no	no	no
Cayman Islands	no	no	no	no	no	no
Central African Republic	no	no	no	no	no	no
Chad	no	no	no	no	no	no
Chile	no	no	yes	yes	no	no
Colombia	yes	no	yes	yes	yes	no
Comores	no	no	no	no	no	no
Congo	no	no	yes	yes	no	no
Costa Rica	yes	no	yes	yes	no	no

	<u>CTL</u>	<u>CTLE</u>	<u>CTD</u>	<u>CTIC</u>	<u>CTA</u>	<u>CTP</u>
Cuba	no	yes	yes	yes	yes	no
Cyprus	yes	no	yes	yes	no	no
Czechoslovakia	no	no	yes	yes	yes	no
Denmark	no	no	yes	no	yes	yes
Djibouti	no	no	no	no	no	no
Dominica	no	no	no	no	no	no
Dominican Republic	yes	no	yes	yes	yes	no
Ecuador	yes	no	yes	yes	no	no
Egypt	no	yes	yes	yes	yes	no
El Salvador	no	no	yes	yes	no	no
Equatorial Guinea	no	no	no	yes	no	no
Ethiopia	no	yes	yes	yes	no	no
Fiji	no	no	no	no	no	no
Finland	no	no	no	yes	yes	no
France	no	no	no	no	yes	no
French Antilles	no	no	no	no	no	no
French Guyana	no	no	no	no	no	no
Gabon	no	no	no	yes	yes	no
Gambia	no	no	no	no	no	no
German Democratic Republic	no	no	yes	yes	yes	no
Ghana	no	no	yes	yes	no	no
Gibraltar	no	no	no	no	no	no
Greece	no	no	yes	yes	yes	no

	<u>CTL</u>	<u>CTLE</u>	<u>CTD</u>	<u>CTIC</u>	<u>CTA</u>	<u>CTP</u>
Grenada	no	no	no	no	no	no
Guadeloupe	no	no	no	no	no	no
Guatemala	no	no	yes	yes	no	no
Guinea (Bissau)	no	no	yes	yes	no	no
Guinea (Conakry)	no	no	yes	yes	no	no
Guyana	no	no	yes	yes	no	no
Haiti	no	no	no	no	no	no
Honduras	no	no	yes	yes	no	no
Hong Kong	no	no	no	yes	yes	no
Hungary	no	no	yes	yes	yes	no
Iceland	no	no	no	yes	yes	no
India	no	no	no	yes	yes	no
Indonesia	yes	no	yes	yes	yes	no
Iran	no	no	yes	yes	no	no
Iraq	no	no	yes	yes	no	no
Irish Republic	no	no	no	no	yes	no
Israel	yes	no	yes	yes	yes	no
Italy	no	no	no	no	yes	no
Ivory Coast	no	yes	yes	yes	no	no
Jamaica	no	no	yes	yes	no	no
Japan	no	no	no	yes	yes	no
Jordan	yes	no	yes	yes	yes	no

	<u>CTL</u>	<u>CTLE</u>	<u>CTD</u>	<u>CTIC</u>	<u>CTA</u>	<u>CTP</u>
Kampuchea	no	no	no	yes	no	no
Kenya	no	no	yes	yes	no	no
Kiribati	no	no	no	no	no	no
Kuwait	no	no	no	no	no	no
Lao Democratic Republic	no	no	no	no	no	no
Lebanon	no	no	no	yes	yes	no
Lesotho	no	no	no	no	no	no
Liberia	no	no	no	yes	no	no
Libya	no	no	yes	yes	no	no
Liechtenstein	no	no	no	no	no	no
Luxembourg	no	no	no	no	yes	no
Macao	no	no	no	no	no	no
Madagascar	no	no	yes	yes	no	no
Malaŵi	no	no	no	yes	no	no
Malaysia	yes	no	yes	yes	yes	no
Maldivé Islands	no	no	no	no	no	no
Mali	no	no	no	yes	no	no
Malta	no	no	yes	yes	yes	no
Martinique	no	no	no	no	no	no
Mauritania	no	no	no	yes	no	no
Mauritius	no	no	no	no	no	no
México	no	no	yes	yes	yes	no
Monaco	no	no	no	no	yes	no
Mongolia	no	no	yes	yes	yes	no
Montserrat	no	no	no	no	no	no
Morocco	no	yes	yes	yes	no	no
Mozambique	no	no	yes	yes	yes	no

	<u>CTL</u>	<u>CTLE</u>	<u>CTD</u>	<u>CTIC</u>	<u>CTA</u>	<u>CTP</u>
Namibia	no	no	no	no	no	no
Nauru	no	no	no	no	no	no
Nepal	no	no	no	yes	no	no
Netherlands	no	no	no	yes	yes	no
Netherlands Antilles	no	no	no	no	no	no
New Zealand	yes	no	yes	yes	yes	no
Nicaragua	yes	no	yes	yes	no	no
Niger	no	no	no	yes	no	no
Nigeria	no	no	yes	yes	yes	no
North Korea	no	no	yes	yes	yes	no
Norway	no	no	no	yes	yes	no
Oman	no	no	no	no	no	no
Pakistan	no	yes	yes	yes	yes	no
Panama	no	no	no	no	no	no
Papua-New Guinea	no	no	no	no	no	no
Paraguay	no	no	no	yes	yes	no
People's Republic of China	no	no	yes	yes	yes	no
Perú	yes	no	yes	yes	no	no
Philippines	no	no	yes	yes	yes	no
Poland	no	no	yes	yes	yes	no
Portugal	no	no	yes	yes	yes	no
Puerto Rico	no	no	no	yes	yes	no
Qatar	no	no	yes	yes	no	no

	<u>CTL</u>	<u>CTLE</u>	<u>CTD</u>	<u>CTIC</u>	<u>CTA</u>	<u>CTP</u>
Réunion	no	no	no	no	no	no
Rumania	yes	no	yes	yes	yes	no
Rwanda	no	no	no	no	no	no
San Marino	no	no	no	no	no	no
São Tomé y Príncipe	no	no	no	no	no	no
Saudi Arabia	yes	no	yes	yes	no	no
Senegal	no	no	no	yes	no	no
Seychelles	no	no	no	no	no	no
Sierra Leone	no	no	no	yes	no	no
Singapore	no	no	no	yes	yes	no
Solomon Islands	no	no	no	no	no	no
Somali Republic	no	no	no	yes	no	no
South Africa	no	no	no	yes	yes	no
South Korea	yes	no	yes	yes	yes	no
Spain	no	no	yes	yes	yes	no
Sri Lanka	no	yes	no	yes	no	no
St Christopher & Nevis	no	no	no	no	no	no
St Lucia	no	no	no	no	no	no
St Pierre & Miquelon	no	no	no	no	no	no
St Vincent	no	no	no	no	no	no
Sudan	no	no	no	yes	no	no
Suriname	no	no	no	yes	no	no
Swaziland	no	no	no	no	no	no
Sweden	no	no	no	yes	yes	no
Switzerland	no	no	yes	yes	yes	no
Syria	no	no	no	yes	no	no

	<u>CTL</u>	<u>CTLE</u>	<u>CTD</u>	<u>CTIC</u>	<u>CTA</u>	<u>CTP</u>
Taiwan	no	no	no	yes	yes	no
Tanger	no	no	no	no	no	no
Tanzania	no	no	yes	yes	no	no
Thailand	yes	no	yes	yes	yes	no
Togo	no	no	no	no	no	no
Tonga	no	no	no	no	no	no
Trinidad & Tobago	no	no	no	yes	yes	no
Tristan da Cunha	no	no	no	no	no	no
Tunisia	no	no	yes	yes	no	no
Turkey	no	no	yes	yes	yes	no
Turks & Caicos Islands	no	no	no	no	no	no
Tuvalu	no	no	no	no	no	no
Uganda	no	no	no	yes	no	no
United Arab Emirates	no	no	no	yes	yes	no
United Kingdom	no	no	no	no	yes	no
Uruguay	yes	no	yes	yes	yes	no
USA	no	no	no	yes	yes	no
USSR	no	no	yes	yes	yes	no
Vanuatu	no	no	no	no	no	no
Venezuela	no	yes	yes	yes	yes	no
Vietnam	no	no	yes	yes	yes	no
Virgin Islands	no	no	no	no	no	no
Wallis and Fortuna Islands	no	no	no	no	no	no
West Germany	no	no	no	yes	yes	no
Western Samoa	no	no	no	no	no	no

	<u>CTL</u>	<u>CTLE</u>	<u>CTD</u>	<u>CTIC</u>	<u>CTA</u>	<u>CTP</u>
Yemen Arab Republic	no	no	no	no	no	no
Yemen Democratic Republic	no	no	no	yes	no	no
Yugoslavia	yes	no	yes	yes	yes	no
Zaire	no	no	no	yes	no	yes
Zambia	no	yes	no	yes	yes	no
Zimbabwe	no	no	yes	yes	yes	no

GOODS OFFERED IN WORLD-WIDE COUNTERTRADE

	<u>in % of total countertrade</u> <u>deals reported to date</u>
Engineered goods except electrical and electronic equipment	17
Crude oil and natural gas	15
Agricultural produce (including coffee, cocoa, tea, sugar, soya beans, rice, cereals, spices, jute, hides)	12
Chemicals (including petrochemicals, pharmaceuticals, agrochemicals)	9
Transport equipment and vehicles	8
Food (including meat, seafood) and beverages (including spirits)	7
Electrical and electronic equipment, appliances and/or components	7
Mining products without energy value	6
Textiles, wool, garments, knitwear, leather	4
Services	4

in % of total countertrade  
deals reported to date

Other consumer goods	3
Wood, excluding finished wooden products	2
Tobacco	2
Rubber	2
Coal	1
Raw cotton	1

Fungible products, ie those quoted at an international product exchange or with internationally respected pricing guidelines, are seldom included in countertrade deals between state or parastatal trading organizations and private companies. There is a trend in centrally planned economies and developing countries to include more and more value-added, particularly engineering and light industry goods, in their countertrade offers.

