STATEMENT

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Countertrade is too often depicted as a dangerous phenomenon alien to our economic and social system which is used by Eastern bloc countries to shift to the West some of their inefficiencies and costs. In my opinion, it is useless to be so dogmatic. It is more reasonable to try to understand the realities of countertrade, and the reasons why it has spread worldwide.

Eastern bloc countries are not the only ones committed to countertrade transactions. A growing number of developing countries without centrally planned economies are increasingly asking Western businessmen to enter countertrade deals in various forms. Many Third World countries are resorting to countertrade because of balance of payments difficulties; exports of raw materials and manufactured goods are weak while the need to import Western capital goods and services remains strong. In this connection, European businessmen regard countertrade as a means to overcome structural difficulties which could hinder the interchange of trade and technology with Third World countries.

Member states of the European Community have long engaged in countertrade with Eastern bloc countries. Overall judgment of the pros and cons of this countertrade is difficult due to the lack of reliable statistical documentation.

In the chemical industry, however, the European Economic Community (the "EEC") has made specific studies and investigations in cooperation with the industry. As a result, the phenomenon of countertrade in this sector is now clearly understood.

Although the number of deals involving the construction of chemical plants in the U.S.S.R. and other Eastern bloc countries has been high in recent years, the anticipated flood of exports of chemical products to EEC markets has not materialized yet. The penetration coefficient on total European consumption of intermediate and final chemical products has exceeded 5% only in a few cases. The difficulties and pricing distortions have occurred not so much from the quantities exported as from the nature of the partners and marketing channels used (i.e. brokers utilized by engineering companies).

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The implementation of countertrade deals has not proved troublesome where the Western partner involved is an established, diversified chemical group with a long-term approach to developing reciprocal trade and providing technological assistance. In some cases, the straight countertrade or buyback approach has gradually evolved into complex forms of long-term cooperation and development of fields of common interest.

In some European countries, countertrade agreements have been included in broader long-term cooperation and financial agreements established bilaterally at the government level. In other countries, such agreements have been arranged at market level with the financial support of the private banking system.

Despite the growing economic relationship between Eastern bloc and Western European economies, the EEC institutions have yet to build a clear juridical background and a coordinated trade policy for this area. As a pragmatic matter, the European experience indicates that countertrade can be seen as a specific “interface tool” or mechanism for translating the economic needs and possibilities of one system (nonmarket economies) into another system (free world economies).