STATEMENT

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The Coca-Cola Company is part of the international food industry. Traditionally, food industry entities entering a country provide special opportunities for the establishment of new domestic industries, including not only food production and processing, but also support industries which use local raw materials and resources. This is especially true in developing countries. Whether or not food industry entrants provide opportunities for countertrade transactions is another matter. They may or may not, depending on the various ways in which countertrade develops. This statement considers some of the general patterns of economic organization applicable to the food industry from which countertrade may develop.

If a new food industry is funded entirely by nondomestic capital and relies exclusively on local resources and raw materials, a countertrade element will emerge if: (a) capital and exchange controls restrict repatriation of capital or payment of dividends by linking those payments to performance or export requirements; or (b) goods in excess of domestic consumption requirements are produced and the host country, to build its exports and earnings of foreign currency, makes the original investment conditional upon generating exports and foreign exchange earnings.

If a new food industry is funded by: (a) nondomestic capital but requires additional imports of plant and equipment funded from local capital; (b) local capital, but holds a license from an overseas licensor on which royalties must be paid abroad; or (c) either of the above, but requires supplemental imports for its manufacturing process, a countertrade element may emerge if the host country makes exports a precondition to the use of local currency to finance imports and royalty payments. Sometimes, the linkage will be direct; sometimes indirect, for example requiring participation in or assistance to another domestic industry.

No single pattern of countertrade applies to the food industry. Countertrade is but one element in the range of host country requirements that may be involved in structuring new investments or continuing existing ones. Host

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country requirements may also include conditions under which investments may be made or continued, marketing and technical assistance, and performance requirements.

Long before countertrade or any of the other preconditions are considered, host countries will have taken a wide range of factors into account, including the importance of the new product to domestic industry, price, economic conditions, import requirements, foreign currency requirements, foreign capital to be attracted, dividends or royalties that will be paid abroad, the product and its sales and export potential, local marketing skills, product quality, and delivery deadlines. For the food industry, therefore, like many others, no special rules exist.