

Chapter 10 RESEARCH, MONITORING AND EVALUATION

10.1. Introduction

This chapter is concerned with the activities which can be undertaken by developing country governments in relation to supporting, monitoring and evaluating countertrade policies. The activities mostly relate to studies which are designed to put countertrade on the right course and keep it there. These studies may be undertaken by organisations within the developing country concerned or by external consultants, particularly the latter if aid funding or other sources of financial support are available.

10.2. Preliminary Studies

Preliminary studies are those undertaken prior to engaging in a countertrade policy or in preparation for particular deals.

(i) Feasibility of Countertrade and Set-up Studies

Some developing countries have undertaken special exercises to examine the feasibility of embarking on a countertrade policy and/or the actual mechanisms for establishing a working system. On occasions, external advice is sought from specialists in countertrade and there have been a few examples of developing countries receiving assistance from aid agencies in financing such studies.

(ii) Country Studies

Governments, organisations or private companies may, from time to time, want to assess the practicability of countertrading with particular partner countries. The need may be greatest when the proposed partner countries are other developing countries. In these cases it may be necessary to carry out studies to learn about the countertrade policies in force and assess the availability and marketability of the export products which are offered.

Also, a country may carry out special bilateral trade studies to identify those countries with which it has an unfavourable trade balance, with a view to exerting a little pressure to achieve a more equitable balance of trade. This may also take the form of identifying product needs within the other countries which could be supplied from the country concerned. India, for example, had an imbalance of trade with a particular Middle Eastern country; a study revealed that the other country required dump trucks which could be sourced from India and a proposal for a countertrade deal linking Indian imports from that country with Indian exports was put forward.

(iii) Import Absorption Studies

(a) **Own Absorption Capacity.** When bilateral trade negotiations are in progress, it is important for officials to know their own country's import absorption capacity, i.e. requirements for the goods proposed by the other country. There is no point in entering into commitments which imply a higher level of imports than are needed. As an example of such studies,

prior to negotiations on the continuation of the USSR/India clearing agreement, the Indian Institute of Foreign Trade carried out studies of the requirements in India for Russian goods.

(b) Other Country's Import Absorption Capacity. Particularly in cases where a country has some suspicions that its goods may be re-exported by the countertrade partner, it is necessary to check on the country's real requirements. For example, if an East European country is planning to enter a countertrade commitment to import more tobacco than it consumes in a year, it can be assumed that some of that tobacco is likely to be resold on the world market.

(iv) Import Price Research

As noted in Chapter 6, it is common practice for countertrade costs to be loaded on to the import price paid by developing countries. At the contract negotiation stage it is important to check, as far as it is possible, on the extent to which the import price has been increased. For some products, such as oil or basic commodities, this is easy to do but it is far more difficult in the case of many manufactured goods. However, it is possible to carry out some checks, such as comparing prices with those of comparable products entering the country under usual commercial terms.

(v) Export Research

When a government is deciding which markets are acceptable as destinations for its countertraded exports, it may need to carry out some research into the import statistics of potential partner countries to assess the usual level of trade and then decide countertrade policy on the basis of avoiding the replacement of commercial sales. Unit Khas Countertrade of Malaysia, for example, carries out such exercises before agreeing on destinations for its exports under counterpurchase arrangements.

Developing countries may also sponsor, or encourage other parties to undertake, market research on countertraded exports. This is particularly appropriate when new markets are being sought for traditional exports or when non-traditional export items are offered for countertrade.

10.3. Monitoring

During the course of a countertrade transaction it is important that monitoring procedures are in place so that contract terms can be checked. Some monitoring involves the continuation of exercises begun in the preliminary stages, for example, checking on costs and prices.

One of the most important subjects requiring monitoring is the final destination of countertraded exports. In order to protect against disruption of commercial sales it is necessary to try to ensure that the goods arrived and remained in the intended receiving country. This is notoriously difficult to achieve, particularly in the case of bulk commodities of standard specifications which can be easily diverted to other markets, but the attempt to check on arrival and usage should be made. Various means are available.

(i) It is possible to require that copies of shipping documents and an import declaration are despatched after arrival of the goods. It might also be possible to insist on inspection of the goods on arrival in the country. (The fact that goods have arrived in a given country does not guard against re-export but it at least ensures that the goods have not been diverted to another market prior to arrival. Also, re-exporting, because of the costs involved, might not be economically feasible.)

(ii) At a later date, the partner country's export and re-export statistics can be examined to see if any goods of that type left the country during a given period.

(iii) Informal checking can be undertaken by the embassy of the country in question, or by other sources, to verify that the goods remained and were used in the intended country. Such checking is much easier if the goods are shipped directly to an end-user rather than to a trader or other intermediary.

It may be impractical to imagine that the checking procedures outlined above could be carried out in every case, but it might be possible to check, for example, one in every four or five shipments on a sample basis.

A further alternative, of course, is that the services of inspection agencies could be employed to check on the arrival and distribution of goods in particular countries, but this would involve extra costs which would have to be borne by the developing country.

10.4. Evaluation

Fairly few attempts have been made to evaluate countertrade policies in a rigorous manner, partly because the experience of many countries has only been short term. It is important that some attempts at evaluation should be carried out so that background information is available to assist policy-makers in their deliberations concerning the future of countertrade in their countries.

Various attempts at evaluation could be imagined.

(i) "Additionality Studies". A few countries, including Malaysia, carry out research based on studying the import data of foreign countertrade partners over a number of years to check whether or not the level of exports of particular products to those countries has increased to beyond the level that existed before countertrade sales began. (The drawback of this method is that it is very difficult to know whether trade increased or decreased for reasons attributable to countertrade or to other factors.)

(ii) Cost/Benefit Analysis. As far as we are aware, no serious attempts have been made to carry out a thorough analysis of the costs and benefits of countertrade for particular countries. Such exercises would present some difficulties and would have to be tailored to the particular circumstances

of particular countries but it might be possible to develop a methodology, or at least some guidelines, for countertrade evaluation studies. This could be a subject that an aid agency might address on behalf of interested developing countries.

10.5. Development of Skills and Capabilities for Research and Evaluation

We have outlined a number of preliminary studies as well as making suggestions about carrying out monitoring and evaluation exercises. It is implicit within these recommendations that a need exists within developing countries to develop the necessary skills and capabilities required to undertake such studies and exercises. Little attention has been paid to this topic so far but it might be an area of activity in which aid agencies could help with the development of systems, methods and training.