# Chapter 11 CHECKLISTS

The following checklists are provided as a guide to the major considerations to be taken into account in the formulation and application of a countertrade policy.

## (i) REASONS FOR COUNTERTRADE

- Additional exports through:
  - new products
  - new destinations
- Conserve foreign exchange
- Protect exports
- Secure imports
- Develop domestic industry/economy.

## (ii) POLICY OUTLINE

IS COUNTERTRADE THE ONLY MECHANISM FOR FULFILLING OBJECTIVES?

- What are the alternatives?
- Are the extra costs of countertrade outweighed by the benefits?

PROACTIVE OR REACTIVE POLICY?

- Depends on objectives set
- How would each fulfil objectives?

WHAT FORM SHOULD COUNTERTRADE TAKE?

- Mandatory or non-mandatory
- Government to government or at other levels
- Type of countertrade best suited to meet objectives; clearing agreements, special trading agreements, barter, counterpurchase, buy-back, etc.

WHAT LEVEL OF COUNTERTRADE IS REALISTIC?

WHAT GOVERNMENT MACHINERY IS NECESSARY?

- Should there be a central organisation? If so, made up from which sectors and/or departments?
- Is legislation needed to control use of countertrade? Including considerations such as:
  - foreign exchange control
  - import control
  - export control - products available.

WHAT ROLE SHOULD VARIOUS DOMESTIC ORGANISATIONS PLAY?

- Role of private sector
- Role of parastatals
- Role of government
- Co-ordination between various bodies.

WHERE WILL RESPONSIBILITY LIE FOR CONSIDERATION AND APPROVAL OF PROPOSALS?

- Ministry of Trade
- Central Bank.
- Special Committee/Department.

WHERE WILL RESPONSIBILITY LIE FOR IMPLEMENTATION OF DEALS?

- Parastatal organisations
- Private sector.

(iii) PRODUCTS

WHICH INDIVIDUAL PRODUCT ITEMS ARE SUITABLE FOR IMPORT AND EXPORT?

EXPORTS

"Acid test" - could products have been exported without the use of countertrade?

- Avoid use of traditional exports (unless "distressed")
- Avoid disruption of cash markets
- Are preferred export products available in sufficient quantities?
- Are export quality standards acceptable?
- What price structure to be used for non-traditional products?
- Should product lists be published?
- When do products cease to be non-traditional?

IMPORTS

"Acid test" - how essential are the import items?

- Ensure import products are of acceptable standards
- Ensure spare and replacement parts are available.

(iv) PARTNERS

GEOGRAPHICAL/POLITICAL LOCATION OF PARTNERS

- Eastern bloc
- OECD
- Other developing countries.

ECONOMIC POSITION OF PARTNERS

- Any special targeting of partners? e.g. countries with shortages of foreign exchange, countries on adverse balance of trade list.

TYPE OF PARTNERS

- Governments
- Parastatals
- Private trading houses
- Private companies.

WILL USE OF THIRD PARTIES BE ACCEPTABLE?

- Under what terms?

CHOOSE THIRD PARTIES DEPENDING ON OBJECTIVES

- Specifically for marketing non-traditional products or for improving domestic industrial base or for provision of advantageous financial terms.

(v) INFORMATION REQUIREMENTS AND MONITORING PROCEDURES

ARE COUNTERTRADE OBJECTIVES BEING ACHIEVED?

- Final destination of export products
- Assess whether additionality is being achieved
- Are import prices offered under countertrade realistic/competitive?

IS RELEVANT INFORMATION BEING COLLECTED?

- Monitor world prices for products exported through countertrade
- Monitor import prices under countertrade and non-countertrade transactions
- Information on export capacity
- Information on import absorption capacity.

(vi) TRANSACTION CHECKLIST FOR COUNTERTRADING ORGANISATIONS

PARTNERS AND PROPOSAL

NEGOTIATION, PLANNING AND PREPARATION

- Import values and products
- Export values and products
- Procedures.

GOVERNMENT LIAISON/APPROVAL/DIRECTION

ESTIMATE INCREMENTAL COSTS AND INVESTIGATE COST LIMITATION POSSIBILITIES

- Disagios (discounts)
- Lower export prices
- Higher import prices
- Miscellaneous costs
- Financing costs.

USE OF INTERMEDIARIES

- Trading houses
- International banks and local banks
- Providers of specialist services.

LIAISON WITH PARTNERS, GOVERNMENT, CENTRAL BANK, LOCAL ORGANISATIONS, INTERMEDIARIES, OTHERS.

CONTRACT TERMS

- Commitment to countertrade by two principals
- Assignment to third parties
- Proportion of countertrade
- Products available for countertrade
- Verification of allowable exports
- Product specifications
- Price of countertrade products
- Resale of countertraded exports
- Payment terms and conditions
- Timing
- Monitoring trade flows
- Penalties
- Arbitration and force majeure.

TRADING

MONITORING