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The Solutions Offered by Countertrade for Developing Economies

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Annotation

This article provides a description of countertrade operations and advantageous solutions offered by countertrade for developing countries. The article is aimed towards academics and practitioners in Central and Eastern Europe in order to show the particular points of the subject. Countertrade is recently gaining worldwide importance and is effectively applicable to developing economies. In the article there are some new countertrade aspects derived that might be effectively applicable in CEE economies. Developing countries are faced with such problems as state debt, negative balance of payments, unemployment, etc. These issues are difficult to solve in traditional ways: increasing taxes or borrowing from international funds. Countertrade offers to overcome some important economic obstacles by means of available resources.

The existing multiplicity of forms of countertrade illustrates that it could be used in combination with many other sectors of business and trade facilitating the development of rising economies. This fact leads to the demand of academic discussion of countertrade issues. The article provides some new dimensions influencing and having effect on countertrade, such as comparative advantage, marketing and other aspects discussed in the paper.

As we approach the twenty-first century, there are many factors that increase the impact of international business and, in particular, international trade in our lives. Complicated financial problems, the need to expand markets, globalization and other reasons forces firms to look for alternative ways of international business and trading performance, such as countertrade. Many researchers and academics have been examining countertrade forms and aspects in many different ways. For example, David Biederman (1999) says that each type of countertrade agreement involves business relationships between two firms in different countries. In fact, the involvement in a single countertrade contract can be shared by more than two firms and more than two countries (Forker, 1997; Kreuzer, 1997). Reisman et al. (1989) views only three factors influencing the likelihood of countertrade profitability, when nowadays one can see that there are at least four of such factors. Forker (1997) describes forms and benefits of countertrade, though omits the legislative difficulties experienced by governments if developing countries. As a matter of fact there is still no clear legal norms and regulations for countertrade. For

example, in Lithuania during the past two years there were big needs for professional approach to countertrade issues. Again it was the case dealing with lacking financial funds: Bielorrussia was offering paper in exchange for Lithuanian electricity supplied. The debate started in the beginning of 1998, and it is still open question. Most authors discussing countertrade underevaluate the problems of evolving economies and ignore the possibilities of countertrade inside the country. Besides there were no solutions offered to countries that have deficit budget and deficit balance of payments. Business units in these countries usually possess high debt ratio and are producing in stock. Countertrade interaction among domestic companies may produce the chain reaction of market penetration and decrease company's debt as well. One more point to mention is that it has not been estimated why most of CEE (particularly of former Soviet countries) companies that are looking for export markets are not exploring countertrade opportunities or find it difficult to do so. In most cases the reason is marketing insufficiencies and lack of proper image of the country on the international trade level. But nevertheless the subject was not given enough attention by researchers in order to suggest some alternatives.

Following the above mentioned points, the goal of this article is to examine the selection of countertrade opportunities evaluating the likelihood of profitable countertrade with regard to issues of developing economies.

The goal may be divided into the following objectives, which are to show:

- Newly developing forms and variants of countertrade;
- The new dimension of Reisman's methodology to estimate the likelihood of profitability of countertrade;
- The factors predetermining involvement in countertrade;
- The solutions offered by countertrade advantages to developing countries.

The article consists of two parts. The first part provides review of countertrade opportunities, and derivative forms of countertrade. In the second part the methodology of a likelihood of profitable countertrade developed by Reisman et. al. is discussed, as well as the advantages of countertrade for developing economies are highlighted.

Background

Major factors that underline the significance of international business and trade are as follows:

1. *It is the tendency of most countries to strive for free world trade and the removal of trade barriers.* A good indication of this tendency is the expansion of world trade. From 1970 to 1990, world trade expanded more than 10 times. The supporters of free trade believe that free world trade is vital to their economic prosperity. Some, however, would like to take advantage of the open markets of other countries without reciprocating and allowing others free access to their domestic markets. There is an inexorable movement toward the removal of most trade restrictions and barriers. It might, however, take longer than most people anticipate. Meanwhile, certain transitory arrangements are already developing. For example, Europe is preparing for full economic integration. The United States, Canada, and Mexico entered into the North American Free Trade Agreement (NAFTA), which removes most of the trade restrictions among these countries and creates a large free trade bloc. Similar events are to occur in the Australian region.
2. Hoping to duplicate the success achieved by Japan, Korea, and other Asian nations, *many developing countries are adopting an export - oriented strategy of economic growth.*
3. *Regional trade agreements and pacts are reducing trade restrictions among the members and increasing integration trade.* Membership in regional trade agreements is on the rise. The most notable trade agreements are the European Community (EC), the Association of South East Asia Nations (ASEAN), and the Andean Pact. NAFTA creates another bloc rivaling the EC and ASEAN.
4. *Recent technological developments, particularly in manufacturing, have altered the nature of international business and trade.* Today a big challenge for business is dealing with the change created by the information revolution. The information revolution has created: 1. The opportunity for individuals to work and buy at home, 2. The opportunity for firms to implement mass customization and provide customized offerings for small segments of customers, and 3. Tremendous splintering in the channels that people use to exchange information. The information revolution effectively has the ability to reverse characteristics that are prototypical of 20th century society. To deal with these reversals, a successful firm will have to use information technology to understand both itself and its customers better.
5. *Competition for capital will increase as demand rises.* Demand for capital from Eastern European countries, along with those of the Commonwealth of Independent States (CIS) (various republics of the former Soviet Union), will likely intensify competition in capital market. Another factor that has resulted in a

rising demand for capital is the sovereign debt crisis of the 1980s. In the 1980s, heavily indebted developing countries experienced great difficulty in playing their debts. This resulted in a serious financial strain on the American and European banks and financial institutions that had lent the money. Ever since, these institutions have become more cautious, private sources of capital have become scarce and costly.

International trade theorists propose that nations gain from international trade (exports and imports). The gains are the consequences of exploiting relative comparative advantages, which are derived from exporting those goods that a nation holds superior in production cost. This superiority could stem from natural resources endowments such as climate, quality of land, or differences in cost of labor, capital, technology, and entrepreneurship. The opportunity cost plays an important role in comparative advantage. To produce one product a country has to give up production of another product, and this entails an opportunity cost. Nations benefit from international trade when they export products that they specialize in, because they have the greatest comparative advantage, and then import those products in which they have the greatest comparative disadvantage.

Strategy in imports/exports emphasizes reaching organizational objectives by **importing** (buying goods or services from another country) or **exporting** (selling goods or services to another country).

Exported products should offer local customer values above competing local products and those sold by other companies. An exporter incurs transportation costs and other costs associated with operating in a foreign country. Tariffs, exchange rates, and government supports that prolong the existence of inefficient local firms are among the factors that may increase the final price to customers. Exporters with a comparative advantage that offset these costs could succeed in exporting.

Besides the import-export and other earlier in this article mentioned issues of international trade there is one more alternative way of trading: countertrade which recently gains a lot of importance. Countertrade may give a lot of advantages when engaging in international trade operations. Import-export operations in countertrade mode usually involves direct exchange of goods, sometimes money can take part either. In spite all other things it is a subject to a smaller risk than traditional import-export operations, when currencies substitute goods traded. The following sections of the article provide a more detail examination of countertrade.

Forms Of Countertrade

In a **countertrade**, the exporting firm is required to purchase, from a country, all or a portion of the value of goods sold to it. Countertrade is used to conserve hard currencies, help local business, and promote technology transfer. It is estimated that between 25 and 40 percent of the world's exports are through countertrade. "Countertrade" is a blanket term that refers to the main five different types of business transactions (Biederman, 1999) which are discussed below.

The growth in worldwide sourcing has been accompanied by expansion in unconventional trade financing mechanisms, such as countertrade. Countertrade is the exchange of goods and/or services for other goods and/or services as full or partial payment (compensation) for a trade transaction.

It has been estimated that countertrade accompanies anywhere from 15 to 30 percent of all world trade. From the early 1970s to the mid-1980s, the number of countries involved in countertrade rose from 15 to 94.4. Due to the lack of reporting requirements in most countries around the world, these figures are simply estimates; exact volume numbers are not known (Forker, 1997). In fact, some observers believe that one-half or more of all international trade will be conducted as countertrade, or business exchanges, by the year 2000 (Kreuze, 1997).

Each type of countertrade agreement involves business relationships between at least two firms in different countries. The importing firm can use a number of different types of assets to repay exporters depending on the type of project, including goods such as equipment and commodities, services such as transportation and engineering or rights such as technology licenses and leases. Countertrade can involve a number of different contractual arrangements between two firms, including production-sharing agreements or equity arrangements that tie the exporter to specific export obligations. Most countertrades involve the exchange of goods and services for similar assets (Biederman, 1999).

Barter is the oldest method of trade. In barter, countries exchange goods without the use of money. For example, in October 1994 New Zealand based Clendon traded a wool-scouring machine worth \$1.8 million for \$2 million worth of Kazakh wool. The difficulty involved in barter is to agree on the rate of exchange for the products that are the subject of bartering. Sometimes, barter deals can be a complementary activity for partners involved in ownership or joint venture forms, serving as a substitute for money exchange between the partners.

The exchange of output of plants or equipment as the payment for goods or services rendered by an exporter is called a **buyback**. Buyback could be for building a plant, licensing of a trademark or patent, transfer of managerial know-how, or lending of capital. For example, Fiat of Italy built an automobile plant in Russia. The cost of constructing the plant was partially paid with Fiat automobiles manufactured at the plant. Buyback is the fastest growing form of countertrade in dollar value, buybacks involve a seller who exports equipment and technology and agrees to buy back a portion of the resulting products that are manufactured. The buyback value is generally equal to or greater than the original transaction and always involves settlement in products (Kreuze, 1997). For example, Japanese companies are currently working with Russia by providing timber extraction equipment for sawn timber and food processing machinery for seafood.

In buyback, or compensation transactions, the exporter accepts products that are derived from the exported product as full or partial payment. Such transactions often are used by the importer to finance the

construction or modernization of production facilities (Biederman, 1999).

Counterpurchases are agreements in which the exporter accepts products as full or partial payment for the goods that are sold to the importer. Counterpurchase can also be defined as the obligation by the exporter to purchase a certain amount of goods from country when exporting to it is called counterpurchase (Cooper, 1984). This obligation could be for all the export value or a portion of it. Some important conditions to a counterpurchase that are negotiated are the timing, the duration, and the percent of countertrade. Unlike buyback transactions, the products that are accepted as payment are unrelated to the originally exported goods. Counterpurchase transactions often involve common exported goods such as agricultural commodities, bulk chemicals or minerals, and goods that are subject to quotas such as coffee or textiles or low technology components. Occasionally, services related to engineering, transportation, assembly or other fields will be accepted as payment by the exporter (Biederman, 1999).

Umbrella countertrade agreements are counterpurchase agreements that involve multiple trading parties. They often involve contractual arrangements between U.S. exporters and a government entity in a developing country. Payments in such agreements are generally made over a specified period of time rather than for individual transactions (Biederman, 1999).

Offsets, where exporters transfer goods and commit to long-term reciprocal purchase obligations, usually involve military equipment, aeronautical products, and similarly related large-scale, high priced items. Offset transactions can involve domestic content, co-production, and technology transfer requirements with long-term reciprocal purchase obligations (Kreuze, 1997).

The barter between three or more countries in a circular fashion is **switchtrading**. An importer in country X, for example, wants to import machinery from country Y in exchange for grains. Country Y does not need grains and, at the same time, has a trade deficit (debt) with country Z as a result of a previous import of oil from that country. If country Z accepts grains from country Y to settle the oil account with country X, in part or totally, the switchtrading is complete. A switch specialist usually assists consummation of these transactions.

Although relatively unknown a few years ago, countertrade is becoming more common in international business dealings. Countertrade has been practiced over the years in a multitude of formats and variants. At the one extreme, countertrade has been known to involve a multitude of traders networked to exchange goods, services and/or technology for a multiplicity of products or services which are blended together to create as wide a comparative advantage spread as possible. These transactions may be spread over time and include some transfers of cash and/or technology. Originally confined primarily to trading between Eastern and Western Europe, countertrade is now a worldwide phenomenon. The exchange of goods is generally concentrated between Western manufacturing countries and developing countries. Usually the Western company sends highly specialized items (cars, cameras, computers) to a developing country; a company in the

developing country (or a middleman representing that country) sends less specialized goods (shoes, bicycles, tuna) to the Western nation.

Swap agreements entail the trading of homogeneous, high bulk/low value commodities in order to save transportation costs. These arrangements are technically barter in that they involve a one-time exchange and occur on a short-term basis. They are accomplished with the express purpose of saving transportation costs. Under a swap, Soviet oil was shipped to Greece, rather than to Cuba, and Mexican oil was sent to Cuba, instead of to Greece, saving considerable transportation costs for both nations (Kreuze, 1997).

Bilateral Clearing transactions involve two governments with foreign exchange controls and currency shortages. Each agrees to purchase a certain volume of the other's goods over a period of time. Trade balances are maintained using an agreed-upon clearing currency, and exchanges typically must stop when a maximum specified trade imbalance is reached. The trade imbalance is then settled in the agreed-upon currency (Kreuze, 1997).

A variation of buyback, a **cooperative venture** occurs when two or more parties own equity in the production facilities. These long-term arrangements involve capital projects or production-sharing ventures. All parties typically agree to supply a portion of the components to be assembled. Payments are accomplished through products or proceeds (Kreuze, 1997).

Countertrade has traditionally been demanded by countries with limited foreign exchange reserves and/or inconvertible currencies as a means for financing imports. Well-known examples, such as the construction of the gas pipeline between the (former) Soviet Union and Western Europe (where payment for the pipeline was made with the natural gas that later flowed through it) and McDonnell-Douglas's compensation of canned hams for the sale of aircraft to Poland, involved centrally planned economies with insufficient convertible currency funds to pay for the purchases with cash (Forker, 1997).

Likelihood Of Profitable Countertrade

The methodology provided by Reisman et al. for seeking out countertrade opportunities, can be viewed as a good alternative for business expansion that is driven by a desire for vertical and horizontal integration, for diversification, or simply for increasing sales.

The underlying parameter of this methodology is referred to as the Likelihood of Profitable Countertrade (LPC). The LPC can be decomposed into three independent subcomponents. The first of them is the **Marginal Cost Ratio (MCR)**. This ratio is defined as the cost of producing and marketing one more unit of a good or service for the purpose of countertrade, divided by the total cost of producing and marketing the product if countertrade did not create any new demand. Stated alternately, the marginal cost MC is defined as $MC = TC_{n+1} - TC_n$, where TC is the total cost and corresponds to the number of units produced. The marginal cost ratio is therefore:

$$MCR = \frac{MC}{TC_n} = \frac{TC_{n+1} - TC_n}{TC_n}$$

And $MCR \geq 0$

Source: Reisman, A., Aggarwal, R and Fuh, D. C., "Seeking out profitable countertrade opportunities, Industrial Marketing Management, Elsevier Science Publishing Co., Inc., 65-71, 1989

The MCR should also consider factors such as staffing requirements at the margin. Specifically all these being equal, if little or no staffing is necessary to produce the marginal units, the MCR will be lower. Lastly, the MCR will be low if the marginal cost of consumables is low, once again, all else being equal (Reisman, et al, 1989).

It is possible that MCR can accede unity in cases of need for new plant capacity or some other critical resource. However $MCR = 0$ means that the production and marketing of one more unit of product or service costs nothing. For example, for a scheduled airline, flying with empty seats and/or with unfilled space in the cargo bay, this ratio is indeed very small. This is so because the marginal cost of fuel to transport one extra passenger and his or her bags is negligible. However, a warehouse distributor of engine replacement components can at best bank on some quantity discount policy from the supplier. In this latter case, the MCR may well be close to unity. In principle then, the scheduled airline typically flying with 50 % or 60 % occupancy should provide a greater window of opportunity for countertrade than warehouse distributor who must buy his inputs on the open market. If the latter, however, is part of vertically integrated manufacturing company, the situation changes considerably.

Distributors, wholesalers and other intermediaries can and do, at times present excellent trading opportunities. Normally these are odd lot in nature. In general, the closer one comes to the ultimate producer organization, the higher the probability of striking a deal that can be sustained over a reasonable time horizon. Recently in many industries such trends appear for cutting out the middleman. The trend has been dubbed "disintermediation" (Yoffie, 1984).

A second major factor that a company must consider in assessing its LPC is the extent to which the **physical capacity to produce** is underutilized. The greater the underutilization, the lower the MCR will tend to be and greater will be the availability of goods for countertrade, everything else being equal. Certainly, if there is no excess capacity, fixed costs of additional capacity negate the calculation of the MCR and countertrade is unlikely (Reisman, et al, 1989).

The above discussion presumes that what is acquired can be disposed of at, or somewhat below, the going market price. Such disposal can be a natural part of doing business. Namely, the goods or services acquired in countertrade would otherwise have to be purchased or produced in-house by the trader. This, then is a form of vertical integration without the need for investment in capacity to produce (Soberman, 1989). Alternately such

countertrade could serve the needs of horizontal integration or of diversification without the need for major commitments to production capacity expansions.

A company must also consider a third major factor in developing a countertrade strategy. This is a need and ability to insulate existing customers from gaining access to the lower-priced countertraded goods. International or other geographic segmentation of the market is one approach often used to achieve this. Another approach is to bundle countertraded goods with other goods so that their lower price is not easily estimated (Reisman, Fuh and Li, 1987).

If doing so, the company must consider tax and legal aspects of price discrimination in segmented markets.

In addition, the company must consider the nature and availability of countertraded goods when selecting customers for these goods. For example, as discussed above, countertraded goods are likely to be available more frequently when there is spare capacity. Such goods are, thus unlikely to be available when such excess capacity disappears. In addition, countertraded goods may frequently involve quality compromises. A company must select customers for these goods so that its other business does not suffer from these variations in price, quality, delivery schedules, and availability of countertraded goods. If these goods are foreign sourced, additional uncertainty may result from unexpected changes in exchange rates. The cost and ability to segment the market

for countertraded goods can be measured as a proportion of the sales price. The lower this **segmentation cost (SC)**, the higher will be the opportunity for profitable countertrade, all else being equal (Reisman, et al, 1989).

Thus, appropriate countertrade opportunities are most likely to arise where there is excess capacity because of fluctuating demand conditions, low MCRs and the ability to clearly segment customers at a low enough cost. The Likelihood of Profitable Countertrade (LPC) based on these three dimensions is shown in figure 1. This likelihood can be estimated as one minus the distance of a countertrade opportunity from the origin of this figure.

Where all variables range between 0 and 1, and W_1 are the weights reflecting the importance of each of the associated variables (for simplicity in figure 1 they are all equal 1). Industries that are likely to characteristically fall close to the origin of this figure are best candidates for countertrade approaches (see Table 1).

Besides the mentioned arguments of Reisman, there are a few more contributions to the likelihood of involvement in countertrade (Forker, 1997): 1) *larger organizational size* will increase the likelihood that a firm is involved in countertrade; 2) *marketing-related motivations* will be key predictors of countertrade involvement; 3) *greater degrees of internationalization* will increase the likelihood of organizational involvement in countertrade.

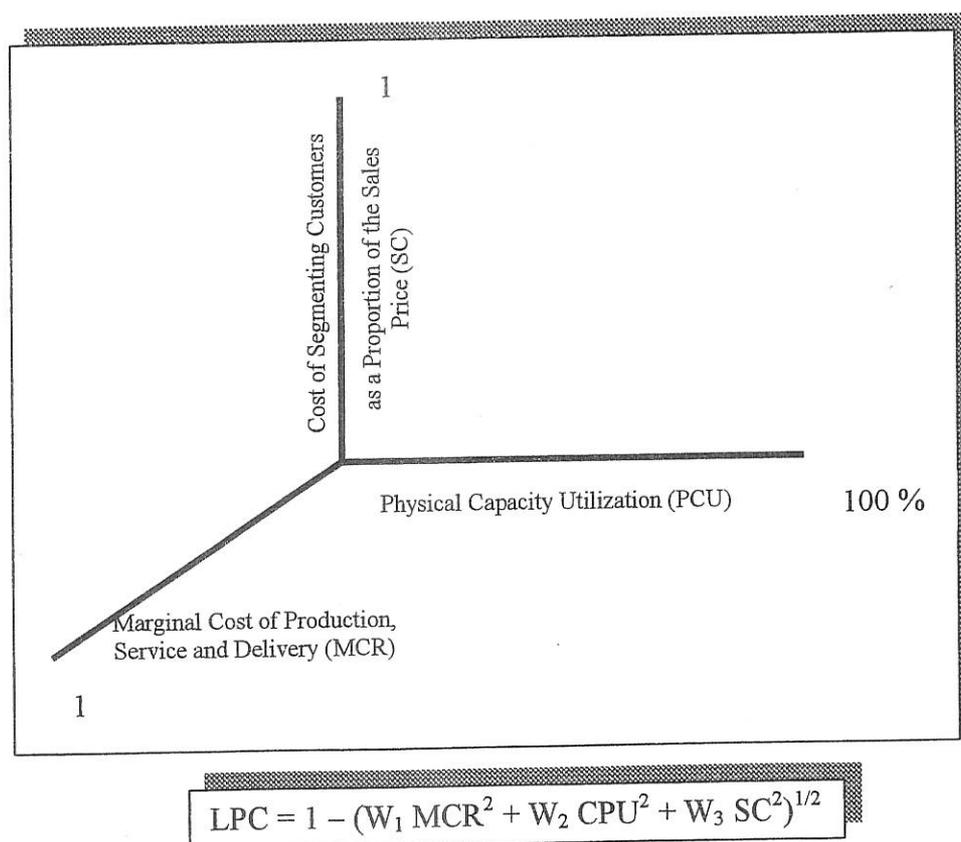


Figure 1. Likelihood of profitable countertrade (Reisman, Aggarwal and Fuh, 1989)

A Listing of industries with high potential for countertrade (Reisman, Aggarwal and Fuh, 1989)

TRANSPORTATION	SERVICES	MANUFACTURING	RETAILING
Airlines Buslines LTL Truck lines Container shipping lines Railroads Package delivery services	Hotels Nursing homes Hospitals Car rentals Equipment maintenance and Repair shops Colleges and universities Medical diagnostic laboratories Engineering testing laboratories Warehousing operators Photo labs Publishing or printing houses Mass advertising Media Computer service bureaus Proprietary schools	Tool and die shops Metal forming and cutting job shops Plastics and rubber molding job shops	Retailers (not counting the cost of goods sold)

Though the essential dimension omitted by the above-discussed methodology is the comparative advantage. Some particular products produced in a country might possess comparative advantage. Free market conditions usually predetermine the specialization of traded goods among countries. Specialization with respect to comparative advantage equally counts for countertrade. Goods with comparative advantage have relatively lower costs and, on the same hand production of these goods has MCR very close to zero. Hence, they can be profitably countertraded on international markets.

The Factors Predetermining Involvement In Countertrade

Thus, countertrade can allow the company to diversify easily into directly or indirectly related markets. It is especially good in opening up new vistas both at the input (e.g. raw materials, components) and output sides of a manufacturing process. It is not intended as a means of avoiding taxes, but it is a way around many governmental obstacles such as repatriation of hard currency in some cases of foreign trade.

As Porter points out that a diversified company has two levels of strategy: a business unit (or competitive) strategy and a corporate (or company wide) strategy. Competitive strategy concerns itself with creating a competitive advantage in each of the corporate business. Cost consideration is the major issue at this level. Corporate strategy, however, is concerned with two different questions: what business the corporation should be in, and how the corporate office should manage the array of business units (Porter, 1987). Besides the cost consideration in corporate strategy, there are two more essential tests that a company should consider in entering a

new business (or engaging in a countertrade transaction): the attractiveness test and the better-off test, according to Porter. The cost consideration corresponds to the LPC index, which by nature is measurable. The other two tests, which are subjective rather than objective, correspond to the SF index.

Recently a number of firms specializing in countertrade have been established. Although a few major corporations have set up subsidiary companies to market goods received through countertrade, most companies find they need to use a specialist (Saaty, 1977). These specialist firms, sometimes called transit houses, are often offshoots of banks or commodity houses. Some have been highly successful, with annual profits in the millions of dollars' others have quickly gone bankrupt. Many critics argue that countertrade is bad for business and commerce. But with the rise of the dollar on foreign exchange markets and increasingly tight credit in many developing countries, it is obvious that countertrade is one method to maintain international trade. Thus the other factor predetermining involvement in countertrade is the possibility to avoid direct contact with currency rate fluctuations.

Countertrade is a popular means of saving on foreign exchange expenditures and balancing trade flows. It promotes exports while restricting imports without requiring the government to spend money on subsidies or to impose internationally unpopular trade barriers such as tariffs or quotas. It also curtails large swings in a nation's current account balance that could occur when purchases worth billions of dollars are made at one time (e.g., for aircraft or military equipment). For this reason in particular, countertrade is practiced by developed countries with plentiful foreign exchange reserves, in addition to its more traditional less-developed and centrally planned economy participants.

Countertrade may also be used as a means of *developing labor-intensive exports*, and in turn, *increasing a country's employment rate*. As with diversifying export earnings, the use of countertrade to increase labor-intensive exports is typically resorted to because of inadequate marketing channels through which the items could be sold for cash. The imposition of countertrade allows a country to take advantage of multinationals' established distribution channels (Forker, 1997).

The Advantages Of Countertrade

There are several advantages of countertrade compared to other forms of trade:

1. It gives a better opportunity to reach multiple markets that would be inaccessible in other cases of trade;
2. The value of typical countertrade contract is usually much higher than the one of the usual trade contract;
3. In cases of counterpurchase, contracts with low wage/pay level have the possibility to provide low cost labor to other manufacturing countries;
4. Countertrade often might offer opportunities to avoid some taxation of goods in some countries.

In addition to the above-mentioned advantages of countertrade there are a few more important points to emphasize for developing countries. On the national level as well as on the enterprise level goods and services could be countertraded for reduced exchange rate. This provides the possibility to use countertrade as a *means of marketing* in order to attract clients. Thus countertrade can be viewed as trade promotion. The marginal cost of in such way countertraded goods should be close to zero. The suggestion is that country has the absolute and/or *comparative advantage* in manufacturing such goods. Such goods have relatively low costs, and there exists a greater possibility for these products to be under higher demand on the international level.

Some cases of countertrade may also be favorable by governments that have problems with *national debt settlement*. This is quite often the case for developing countries that are vulnerable to economical cycle fluctuations and negative variations caused by other economies. Developing countries thus are often forced to take credits from international creditors. Often these countries have weak currencies and negative balance of payment. Such situation is usual in CEE and former Soviet republics. Governments are usually attempting to solve such problems by increasing taxes in order to collect more money to cover the national debt. Thus costs of the debt are passed on working citizens and companies. Countertrade might be a right way to choose in such case. As it was discussed earlier in this article, various forms of countertrade can ease the situation of the country. Buyback is the way of fixing import-export flows between the countries (see the example provided by Kreuze, 1997). Umbrella countertrade as well as separate counterpurchase contracts may be used to fix import-export flows between government and foreign enterprises. Switchtrading patterns can also be practiced among a few countries with bulk

goods and machinery. The latter ones usually involve big volume and long term transactions that may have a reasonable influence on balance of payments and national current account.

Nevertheless, companies engaged in countertrade have to be attentive to make sure of the following:

- The countertrade export contract has been secured;
- There has been a pay negotiated with a maximum amount of cash available;
- The countertraded goods are precisely described and specified in the contract (quantity, quality, expiration, price in local and foreign currencies, etc.);
- Check the world market prices for the negotiated goods;
- Check the legal aspects of selling countertraded goods: taxes, tariffs, dumping limitations, import taxes, etc.;
- To consult the countertrade regulating bodies in the contract related countries;
- Carefully calculate the probable profit.

CEE and post communist countries have a reasonable experience in countertrade as they were practicing it during all Soviet period. During Soviet regime barter was a popular form of trade between Union partner countries. Recently countertrade evolves transforming in various modes and combinations. For example one of the latest countertrade fads involves leasing operations. Anyhow, quite many of former Soviet countries have weak legislative bases, which do not clearly, if at all, describe countertrade.

Conclusions

1. Newly developing forms and variants of countertrade such as umbrella countertrade, offsets, switchtrading, swap, bilateral clearing, may give flexible solutions to the complicating business environment of nowadays. Forms of countertrade could be combined with such business instruments as leasing, capital investments, joint and cooperative ventures.

2. Likelihood of Profitable Countertrade may be estimated by decomposing it into three independent subcomponents: marginal cost ratio; physical capacity to produce; segmentation cost. In addition to the subcomponents described in Reisman's methodology comparative advantage could be treated as one more dimension of Reisman's methodology. The profitability and benefits of countertrade may be increased if dealing with products and services that in spite of their low MCR, give comparative advantage to the country. Besides the mentioned arguments, there are a few more contributions to the likelihood of involvement in countertrade omitted by Reisman: (1) larger organizational size will increase the likelihood that a firm is involved in countertrade; (2) marketing-related motivations will be key predictors of countertrade involvement; (3) greater degrees of

internationalization will increase the likelihood of organizational involvement in countertrade (Forker, 1997).

3. The main factors calling for countertrade are as follows: opportunity of market diversification; possibility to avoid some taxation of goods and to find a way around many governmental obstacles; possibility to avoid direct contact with currency rate fluctuations; need for saving on foreign exchange expenditures and balancing trade flows. Countertrade may also be preconditioned by development of labor-intensive exports (Kreuze, 1997). Most of the discussed factors are the case for developing countries and thus are the preconditions for countertrade.

4. Countertrade provides various alternatives and flexible trading solutions both for state and private sectors. Generalizing the benefits of countertrade, the following points could be stated: (1) countertrade may serve as a tool of marketing for promotion and attraction of clients. This can be achieved by transacting overcapacity products with reduced price rates; (2) countertrade patterns may be effective for developing countries to stabilize or to improve national current accounts (national debt) via balance of payments; (3) the profitability and benefits of countertrade may be increased if dealing with products and services that in addition to their low MCR, give the comparative advantage for the country (Fuh et. al. 1987); (4) in cases of counterpurchase, contracts with low wage/pay level have the possibility to provide low cost labor to other manufacturing countries.

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Pasitiktinės prekybos privalumai besivystančių šalių kontekste

Santrauka

Pasitiktinė prekyba pastaruju metu tampa populiari tarptautiniuose verslo sandoriuose. Dėl paskutiniiais dešimtmečiais susiklosčiusių aplinkybių, barteriniai mainai ir įvairios jų atmainos, susijusios su šiuolaikiniais prekybos ir finansiniais instrumentais, sandoriuose dalyvaujantiems subjektams gali teikti nemaža privalumų: pasiekti sunkiai prieinamas rinkas, pasinaudoti kitų šalių turimais gamybos pranašumais, padeda išspręsti finansines sandorio dalyvių problemas, išvengti kai kurių prekių apmokestinimo ir kt. Pasitiktinių mainų vystymuisi palankias sąlygas lėmė tokie veiksniai ir tendencijos: tarptautinės prekybos barjerų mažinimas, daugelio besivystančių šalių į eksportą orientuotos strategijos pasirinkimas, regioninių prekybą liberalizuojančių susitarimų pasirašymas tarp šalių, spartus technologijų vystymasis, didėjanti konkurencija ir paklausa kapitalui.

Naujos pasitiktinės prekybos formos gali būti efektyviai panaudotos besivystančių šalių problemoms spręsti: pagerinti mokėjimų balansą, einamosios sąskaitos deficitą, padėti likviduoti valstybės skolą. Taipogi palengvintų likviduoti įmonių išsiskolinimus, jei būtų sudarytos atitinkamos sąlygos naudoti pasitiktinius mainus.

Pasitiktinės prekybos pelningumo tikimybę galima nustatyti įvertinant keturis pagrindinius elementus: ribinius kaštus, firmos gamybinius pajėgumus ir vartotojų segmentavimo kaštus bei santykinį pranašumą. Kuo mažiau išnaudojami gamybiniai pajėgumai, kuo žemesni ribiniai produkcijos kaštai ir kuo mažesni segmentavimo kaštai, tuo didesnė tikimybė, kad priešpriešinės prekybos sandoris duos pelno.

Įteikta 1999 m. lapkričio mėn.

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