

John Branch
Patrick Ryan

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Note on Countertrade

It is difficult to imagine a world without money. Indeed, most of us make everyday transactions—everything from apples to Zoomba classes—with some type of currency: coins, banknotes, credit cards, debit cards, etc. Most of these transactions do not involve the physical exchange of money, but it remains at the core of the transactions. Money is seemingly a hallmark of modern civilization.

You could be forgiven, therefore, if you assume that barter—the exchange of goods for goods without money as intermediary—might be a relic of the economic past. But barter is still a common occurrence, especially in international trade which can be hindered by monetary challenges. Barter and other transactions that are executed in whole or in part with other goods and services—collectively known as countertrade—account for twenty to thirty percent of international trade.¹ More than 500,000 global members of the corporate trade exchange and sixty-five percent of the Fortune 500 companies report that they are engaged in some type of countertrade.²

The purpose of this note is to explore countertrade. It begins by enumerating the motivations for countertrade. It then defines and describes the six different types of countertrade. Finally, it illustrates countertrade in practice.

Motivations for Countertrade

Barter as a form of trade has existed since the beginning of recorded history, and countertrade contracts have existed since the beginning of modern international trade. Countertrade began in earnest, however, in the early twentieth century. A notable example of early countertrade is its use by Germany in the interwar years to acquire oil, copper, and bauxite from the Balkan States.³ After World War II, countertrade became a crucial aspect of trade with the Eastern Bloc. The countertrade deals which were struck with the command economies of the world during the Cold War, especially the Soviet Union, have given countertrade a lousy reputation—the goods which were received from these deals were notorious for being low quality. For this reason, discussions of countertrade might conjure images of complex industrial equipment from Western

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