

8.0 Conclusion

8.1 Concluding Thoughts

This study is aimed at examining the growth of countertrade as a trading tool in the current international trading system. The analysis established three stages of growth in the countertrading process, which entailed that the most intensified era was in the 1980s. Periods beyond the 80s demonstrate the transformation of various new forms of countertrade, bringing about offset as the most prevalent form of countertrade, which will likely to flourish in the near future. Demands for offsets in foreign military procurement have increased in selected countries (refer to Appendix I). Countries that previously pursued offsets are now requesting more in terms of technology transfer and higher local content requirements to offset their foreign military purchases in order to further pursue their industrial and development policies objectives.

It is very likely that the proliferation of countertrade will continue, perhaps in a more intensified manner, despite its inherent inefficiency. This study relates the growth of countertrade to the current international trading system and it reveals that the underlying reasons for the dramatic growth of countertrade is the fundamental weaknesses of the current international trading system. It is the symptoms of the untreatable syndrome of the theories and concepts of capitalism especially the liberalization and globalization of the world financial system. The financial liberalization and globalization that led to enormous international capital mobility had created the interdependence of national economies (World Economic Outlook, 2001). This interdependence, weighted by volatile exchange rate had caused inflated external shocks and financial crises that were acute enough, especially to developing countries, to resort to alternative trade financing channels such as countertrade. This means that, the greater the intensity of countertrade growth shows that the greater the severity of the weakness of the international trading/financial system.

With the current situation, many developing countries are likely to continue to experience trade credit access problems. The existing trade rules and institutions and the overall trading/financing system contributed to the increasing global inequality. In order to improve the situation, the development of a sustainable trading and financial system need to be drawn.

Efforts to rectify the current trade/finance system and the economic context within which the system operates, to strengthen the international trade networks and capital flows without compromising future resources need vital attention and participation of both developed and developing countries as well as non-governmental organizations (NGOs), without the influence of special interest groups/nations. This is to aim at a 'fit-to-all' sustainable trading/financial system. Unless this is achieved, countertrade will continue to grow to be a strategy that is better-than-no-trade or as a means to complement the existing conventional trading system.

8.2 Implications of the study

This study was set out to examine the growth of countertrade as a trading strategy, the extent of advantages, disadvantages and consequences it generated to the developing countries generally and the world economy particularly, as well as the underlying causes of its dramatic growth.

There exist weaknesses of the current international trading practices and countertrade practices were used to balance off those weaknesses. The growing concern on the subject matter especially since 1980s and its acceleration to the current state shows that international traders or authoritative organizations were not bothered by the hic-cups of the trading system but to flow along the stream instead. They overemphasized the advantages of countertrade - establish numerous organizations to facilitate countertrade activities, mandated countertrade activities, writings and researches on countertrade as a strategy etc, without remedying the root cause of countertrade activities.

This study provides a ground for a different thought on the proliferation of countertrade. It shows that the existing money mediated trading system, which contributed to the global inequality, alone, was not sufficient to support the world trade. As such, countertrade may be perceived as a viable short term solution to the various international trade problems such as shortages/inconvertibility of currency, market imperfections and etc, but may be detrimental to the international economy in the long term. Hence, it is essential to pause for a moment to re-contemplate the 'contribution' of the proliferation of countertrade towards the development of a more efficient and

effective trading system to help smoothen flow of goods and services among trading nations.

8.3 Limitations of the study

This study was too generalized in examining the growth of countertrade. This is due to the difficulties in accumulation of specific data on countertrade transaction especially in a consistent manner across nation states (except for offset practice in the US). Most of the sources used were mainly write-ups and pass literature that does not specifically meant for this matter of study. Besides, the use of offset data of US firms in this study may not be a good representation for the overall countertrade activities in the international trade.

8.4 Suggestions for further research

For further research purposes, study could be done to further explore the implication of the growth of countertrade towards the world economic welfare based on a more accurate data on the overall countertrade activities on both corporate and government procurements.

As developing countries requested countertrade mostly, further research could also be done to enhance the knowledge on the degree of use of countertrade before and after these economies are mature enough to sustain themselves. This comparison may further shows whether countertrade could be an efficient strategy in improving ones economy state.

Another aspect that can be tap on is the social-political of countertrade. As there are economic and political reasons for resorting to countertrade, it would be interesting to examine the future possible formal policies that might be implemented to manage and organize this kind of practices in the international level.