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Business

Consultant Says Eastern Europe May Be the Pacific Rim of 1990s

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PARK CITY — Eastern Europe — where a flurry of popular revolutions has targeted communist and socialist ideologies — has the potential to be "the Pacific Rim of the 1990s" for U.S. trade, an international management consultant said here Friday.

But Erik C. Meyer, addressing a trade conference titled "Utah in the World Economy: A Strategy for the 1990s" chaired by Rep. Howard Nielson, R-Utah, added trading with Eastern Europe requires what some may consider unconventional methods. The one he talked exclusively about was three forms of counter trade, which generally involves an exchange of goods and services rather than money.

Mr. Meyer said using counter-trade methods are the only way around Eastern European currencies, which are nonconvertible. He said that means a U.S. exporter would not be able to exchange East European currency into dollars without the permission of the government of the issuing country.

"East [Europe] currencies are pegged by their government to some very artificial, fictitious value which has no real value," said Mr. Meyer, president of Interconsult, an international management consulting firm with offices in Salt Lake City and Laguna Beach, Calif.

He said the black market will only pay 1/10th or 1/20th of what the issuing government claims its currency is worth.

"In other words, people [Eastern Europeans] simply cannot pay for Western goods as we do it in the West. They have to obtain Western currency somehow."

An organization known as COMECON, which consists of many communist countries in the Eastern block, Cuba and Vietnam uses a "convertible ruble" for transactions among themselves, said Mr. Meyer. But it has no value to Westerners either, he added.

"Just recently COMECON met to set a new course and . . . from now on they will use world market prices for trading goods not official values tied to the so-called convertible ruble," said Mr. Meyer. "And again, it is very likely they will adopt a Western currency as they move to more transactions, either the dollar or the deutsche mark."

Mr. Meyer later told *The Tribune* until Eastern European countries stabilize and get "decent economies," they must trade goods for goods or goods for services with the rest of the world.

The three methods of counter trades included:

— Parallel trade in which two agreements are in effect between the two trading parties. That is there is one agreement between the Western exporter and the Eastern importer and another between the eastern exporter and the Western importer. Keeping the two agreements separate is important so the Western exporter, for example, can obtain export credit insurance if the Eastern European importer defaults.

— Barter trade in which service or goods are traded for anything except currency. This eliminates invoicing.

— Buyback trade in which Western exporters supply their Eastern counterparts facilities, such as factories, or licensed technology. In exchange, the Eastern party provides the goods manufactured with those facilities or technology.

Mr. Meyer said joint ventures between Western and Soviet and Bulgarian companies have received a lot of attention recently because they're perceived as being great opportunities to develop business in the Eastern part of the world. But he said joint ventures are "time consuming . . . and definitely the long road to success.

"It would take a long time before noticeable revenues and profits are reached from joint ventures . . . Joint ventures should only be considered after one [party] has gotten to know the other business partner."

Mr. Meyer told *The Tribune* companies would do well to first consult with trade experts before attempting to do business with East European companies. That's not only because of the complexities of the deal but also to gain the understanding of East European culture required to make and maintain a deal.

Friday's conference, which was held at The Yarrow hotel and convention center, was organized by The Columbia Institute, an independent nonpartisan organization which deals with communications between the public and private sectors on public policy issues.

Corporate sponsors included ALPNET Inc., AT&T, CenTech, Chevron Oil, Delta Air Lines, Envirocare, Eyring Research Institute, Geneva Steel, IBM Corp., Kennecott, McDonnell Douglas Corp., Norbest, Novell, US WEST Communications and Utah Power & Light Co.

There also were 10 cosponsors, including the U.S. Department of Commerce and Utah State Division of Business and Economic Development.