THE WORLDPAPER

Seattle startup bringing oldest practice to the Internet

Sally Haxthow ***REPORTING FROM VANCOUVER***

Many developing countries with little or no access to money and banking that have commonly traded raw materials, such as iron for chickens, or grain for coffee, may soon have the opportunity to participate in a global economy that uses a common platform and unit of exchange. The result could lead to a more equitable, universal "currency" that is trade based and backed by commodities such as real goods and services.

So what is this latest development in global commerce called? Something very old and familiar to humankind. Barter.

People have been bartering since the dawn of history. Practiced and perfected long before currency, the exchange of products and/or services without using money is the oldest form of commerce and is arguably one of the most enabling forces of civilization. Barter enables people to undertake tasks best suited to their abilities and to do so in a cooperative and mutually beneficial manner.

Although the creation of money as we know it today has long since displaced it as the central mechanism for economic transactions, barter remains a viable method of trading goods and services. The United States Department of Commerce estimates that 20 percent of the world's $10.9 trillion total trade is conducted through barter, a global transaction value of approximately $2.2 trillion annually. The International Reciprocal Trade Association estimates that in the United States alone more than 450,000 companies currently barter, generating over $16 billion in annual sales. The Association predicts that within a decade, 1.2 million North American businesses will barter, pushing sales upward to more than $30 billion a year.

"We're coming full circle back to barter," says Mohan Sawhney, professor of electronic commerce and technology at Northwestern University's Kellogg Graduate School of Management. "This could be the death of currency."

Despite the magnitude of the market, barter has traditionally been conducted without the benefit of fully integrated technology and without a common currency and liquidity. Until recently, transactions have been highly unsophisticated, often manual and requiring onerous user involvement. The market itself has been hugely fragmented, with literally thousands of separate barter and trade exchanges mostly isolated from one another.

The Internet presents an all-new opportunity to streamline the creation, communication, facilitation and management of nonmonetary transactions on a global platform. The Internet combines low-cost communication with high computing power to enable complicated, high-volume, real-time transactions.

At barter.com, we have long recognized that the Internet as a tool for barter can be used to vastly alter the international economic playing field and result in a fairer system more accessible to all. Incorporated in 1998, barter.com Corporation has been developing and refining a technology-enabled exchange marketplace for worldwide nonmonetary transactions—in short, barter over the Internet.

Businesses in virtually every sector of the economy are beginning to use the Internet to cut the cost of purchasing, manage supplier relationships, streamline logistics and inventory management, plan production and reach new and existing customers more effectively. At barter.com, we have long believed that the migration of barter to the Internet is inevitable, one with far-reaching global economic ramifications.

Barter.com will function as a highly efficient electronic exchange marketplace for buyers and sellers, supplying optimal information for better decision-making and access to relevant services. The barter.com transaction platform will diminish the need for the foreign exchange middleman by shortening the supply-and-demand chain. At the core of the barter.com business is a powerful marketplace using credits as the unit of exchange and enabling all parties to transact with much lower friction. To secure maximum liquidity of currency, barter.com is targeting key industries in major procurement categories. By securing those items and services universally purchased by virtually all corporations, barter.com will provide a relatively liquid currency and a balanced economy in which to trade.

Online barter will not only create efficiencies but bring a geographically uninhibited perspective to the offline world. As the Internet breaks down international barriers, barter.com will allow ever more traders and products into the system than has ever before been possible.

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