

COOPTRADE

ILO/SIDA Project on Strengthening of Inter-Cooperative Trade Relations

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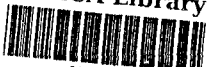
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Second Meeting of the ICA Sub-Committee
for Trade Development for South-East Asia,
Colombo, Sri Lanka 12 November 1980

Comments on
Promotion of International
Co-operative Trade in
Some Developing Countries
in Asia

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Background

It is generally accepted that many members of Co-operatives in developing countries are often among the least privileged and lowest income-bracket groups in the population. By bringing about or expanding the exporting of Co-operatives, it might be possible to render substantial assistance to these people, so that by their own efforts, their standard of living might be raised.

The desirability of promoting trade between Co-operatives in selected developing countries in Asia and their counterparts in developed countries, and also intra-regionally among Co-operatives in some developing nations in Asia, was recognised by the International Labour Organisation and the Swedish International Development Authority.

An ILO/SIDA Regional Project on Strengthening of Inter-Co-operative Trade Relation, COOPTRADE, was set up in Bangkok, Thailand in 1978 with ILO as executing and SIDA as funding agencies. The following developing countries were intended to be included in the activities of the COOPTRADE project: Bangladesh, Burma, India, Indonesia, Republic of Korea, Malaysia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka and Thailand.

Main activities by the COOPTRADE project

The following main activities have taken place so far.

- 1) Survey of Potential Export Products from Co-operatives in Selected Asian Countries (Bangladesh, India, Indonesia, Malaysia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka and Thailand) prepared for COOPTRADE by the International Trade Centre UNCTAD/GATT, January 1979.

- ii) Regional Workshop on Strengthening of Inter-Co-operative Trade Relations with 50 participants representing Co-operatives in 15 developed and developing countries (including Bangladesh, Burma, India, Indonesia, Republic of Korea, Malaysia, Nepal, Philippines, Singapore, Sri Lanka and Thailand) in collaboration with Singapore National Co-operative Union, in Singapore, January 1979.

- iii) Fact Finding Missions to Co-operatives in Bangladesh, Burma, India, Indonesia, Malaysia, Nepal, Philippines, Singapore, Sri Lanka and Thailand by COOPTRADE team members, March 1979 - February 1980.

- iv) Fellowship Programme including a stay in Sweden to study the operations of the Swedish Co-operative Movement with emphasis on its role as buyer on the international market; and trade contact missions to Co-operatives in Denmark, Finland, France, Federal Republic of Germany, Norway, Sweden, Switzerland and United Kingdom for ten Co-operators from Bangladesh, India, Indonesia, Philippines, Singapore, Sri Lanka and Thailand, April - June 1979.

- v) National Workshops on International Co-operative Trade in collaboration with Co-operative National Organisations in the following countries:
 - Sri Lanka, October 1979
 - India, November 1979
 - Philippines, December 1979
 - Bangladesh, February 1980
 - Malaysia, March 1980
 - Thailand, May 1980
 - Indonesia, June 1980

- vi) Background papers on Co-operatively Produced Commodities were prepared in advance by COOPTRADE for the regional workshop and by Co-operatives and other organisations in the respective countries for the national workshops.
- Batik, Cut Flowers, Fish and Fish Products, Fruits and Vegetables, Handicrafts, Rubber, Spices, Tea (for the Regional Workshop)
 - Coconut Products, Cut Flowers, Handicrafts, Marine Products, Ready-made Garments, Rubber, Spices, Textiles (for the Sri Lankan Workshop)
 - Agricultural Products, Handicrafts and Products of Industrial Co-operatives other than Handloom, Handloom Products, Marine products (for the Indian Workshop)
 - Coffee, Ginger, Handicrafts, Marine Products, Tobacco (for the Philippine Workshop)
 - Fish/Shrimps/Frog-legs, Handicrafts, Handloom Products, Spices (for the Bangladesh Workshop)
 - Batik, Cut Flowers, Pepper/Cocoa/Tapioca/Coffee, Palm Oil, Rubber (for the Malaysian Workshop)
 - Bamboo Shoots, Cut Flowers, Handicrafts, Maize, Marine Products, Oranges, Pineapples, Rice, Tapioca, Tobacco (for the Thai Workshop)
 - Batik, Coconut and Coconut By-products, Cut Flowers, Fruits and Vegetables, Leather Products, Rattan and Bamboo, Shrimps, Textiles (for the Indonesian Workshop)

- vii) Establishing Trade Contacts between Co-operatives in developing and developed countries and among Co-operatives in developing countries in the region.

- viii) Compiling a document called "Co-operatives with Export and/or Import Potential in Bangladesh, Burma, India, Indonesia, Malaysia, Nepal, Philippines, Singapore, Sri Lanka, Thailand", November 1980.

Comments

It was soon found that the stage of development regarding international trade operations among Co-operatives in the region was different from country to country, but also within the countries themselves. Only a few Co-operatives had export capacity, while most of the others were to be considered at a pre-export stage. The Survey of Potential Export Products and the Regional Workshop in Singapore indicated this situation. In addition to the project's aim to find Co-operative trading partners in developed and developing countries, it was therefore also necessary to get further information about many potential Co-operative exporters/importers in the region. Such studies would make it possible to assess what assistance the project might render to these Co-operatives. At our fact-finding missions it was found that the organising of national workshops on international Co-operative trade would be regarded as one suitable activity to improve the knowledge of export and import trading to the Co-operatives in the region.

The identification of Co-operatively produced commodities with export potential played an important part of the preparatory work of these meetings. The identification of the products was made jointly by our Co-operative counterparts and COOPTRADE in each country. The background papers were written by suitable persons appointed by the respective Co-operative body responsible for the organising of the workshop in the country. Altogether 51 such background papers have been prepared so far.

The papers were introduced at the meetings and special commodity groups held discussions on each of them. Reports on the group's work was given both orally and in a written form in plenary sessions and many of the recommendations were included in the workshop conclusions, adapted by the participants. A large part of the workshop reports dealt with these commodity studies as being one of the most important subjects of the workshops.

The national workshops created a good platform for further actions to be taken both by the Co-operatives in each country and also by the COOPTRADE project. Usually a Workshop follow-up committee was constituted to be in charge of the implementation of the workshop conclusions at each meeting. Although steps have been taken by the committees in some of the countries, signs of progress have so far been limited in others. It is hoped that all co-ordinating committees will take up the task to follow-up the workshop conclusions, as it is not possible to take care of this from our Bangkok office. The COOPTRADE project might, however, be in a position to send a representative to the apex Co-operatives, when so desired, to assist with the work to implement the workshop conclusions.

Many trade contacts with Co-operatives in European countries were established during the COOPTRADE fellowship programme. The ten Asian fellows, who were asked to represent all Co-operatives in their countries, brought substantial information on Co-operative trading in Western Europe back home. They were recommended to forward this information to all concerned Co-operatives in their respective country. Most of the fellows also presented their findings at the different national workshops. A list of names of trade contacts in European Co-operative societies was handed over to more than 200 participants at the seven national workshops by COOPTRADE. The list contained the names and addresses of 25 Co-operative buyers in nine developed countries. The participants were asked to write to these persons, provided they were in a position to fulfil export requirements on a regular basis. In the course of the project other

Co-operative trade contacts have been added to the list also. So far, to the knowledge of the COOPTRADE project, 16 Co-operatives in ten developing countries in Asia have since the beginning of the project in 1978 established 86 inter-co-operative trade contacts inside as well as outside the region. Although we are happy that these Co-operatives have started trade correspondence with their sister organisations in other countries, the number of Co-operatives taking this action could possibly be increased. COOPTRADE has been active in writing to many Co-operatives in the region to ask them to contact other Co-operatives. When going through our files, however, we have found limited response to many of our efforts.

A document called "Co-operatives with Export and/or Import Potential in Bangladesh, Burma, India, Indonesia, Malaysia, Nepal, Philippines, Singapore, Sri Lanka, Thailand" has been finalised by COOPTRADE. The paper contains a brief introduction on 79 Co-operatives having 131 export products, 157 potential export products, 23 import products and 42 potential import products. Please note that this paper has not been called a Co-operative Trade Directory, as such a name implicates to a potential buyer or seller a register of organisations with whom the person can enter immediate business relations. Although some Co-operatives in the region are already active in international trade, the majority might still be regarded as having limited export and/or import experience. The aim of this document, however, is to give Co-operatives in both developing and developed countries a brief introduction of the export and import potential of their sister organisations in these ten selected Asian countries. As such, the document is hoped to be an important instrument in the further development of inter-co-operative trade relations.

The document will be distributed to Co-operatives in developed and developing countries outside as well as inside the region.

As many Co-operatives in Western Europe are aware of the on-going COOPTRADE project and their response to its activities often is positive, it is understood that offers from Co-operatives in the ten selected Asian countries would receive special attention. Copies of correspondence from Co-operatives in Western Europe to Co-operatives in this region, received by COOPTRADE, confirm this. However, inter-co-operative trade activities can not be based mere Co-operative ideology. Therefore, Co-operatives in developed countries might be prepared to buy from Co-operatives in developing countries only when they can meet their requirements on a similar footing as the non-co-operative sector.

The importance of having trade links with Co-operatives in the Asian region has also been emphasised during the course of the project. However, owing to a similarity of products among many Co-operatives in the region and to governmental restrictions in importing many consumer goods, it might be considered that the present possibilities for increasing intra-regional trade be limited with some exceptions.

The stage of development of Co-operatives in developed and developing countries are different. The needs of a sophisticated Western market might not always be easy to fulfil by Co-operatives in developing countries in Asia. It seems that the knowledge of what products could be sold to Co-operatives in developed countries sometimes is limited. As an example it can be mentioned that products like agarbattis and bidis are probably never heard of at Co-operatives in Europe, much less could these products be sold to Co-operatives at that market. It is very important to have at least some knowledge of what products could be of interest to certain foreign markets when sending letters of introduction. If Co-operatives want to export products which might be regarded as less known, it is crucial to give at least a small explanation what kind of article it is and how to use it. A letter supposed to create a situation of goodwill might therefore instead have the reverse impact because its contents might confuse the potential buyer.

The co-ordinating function to implement the workshops conclusions is usually taken care of by the Co-operative national bodies that acted as co-organisers at the national workshops. When coming to the co-ordination of international Co-operative trade activities in each country there might be, as far as we see it, at least three alternatives to consider.

One would be to establish a national Co-operative trading body to which Co-operatives in the country could forward their products for sale abroad. Such an organisation would probably be of benefit to Co-operatives with little or no experience of international trade. Co-operatives already active on the international scene might prefer, however, to sell their products without the assistance of a Co-operative middleman.

Another alternative could be to use the knowledge and experience of the Co-operatives now dealing with export/import transactions, by taking care also of international trade on behalf of other Co-operatives in the country. This is already done to some extent in Bangladesh (Karika), Burma (Rangoon Division Co-operative Syndicate), India (NAFED and All India Fabrics Marketing Co-operative Society), and Thailand (Agricultural Co-operative Federation of Thailand Ltd.).

The third alternative is to let each Co-operative act on the export markets themselves without any central co-ordinating function.

Although the Co-operatives in each country of course have to determine how they want to proceed regarding the above alternatives, the following aspects might be taken into consideration.

In those countries where there already exists Co-operative bodies active in export/import operations, it could be worth to establish co-operation with other Co-operatives in the country for export/import purposes. However, it must be stressed that there ought to be some kind of similarity of commodities. A Co-operative already exporting agricultural products could certainly also include such articles from other Co-operatives in its export programme, but would not be recommended to start to sell e.g. handicrafts as well.

The establishing of a national trading Co-operative dealing with all kind of export/import goods, on behalf of its member Co-operatives certainly involves many complicated aspects. Taken into consideration the variety of Co-operatively produced articles, food, non-food and industrial, that such a body is supposed to deal with, one realises the broad knowledge the people at such a trading body needs to have. In order to employ the right persons for these operations and to have the appropriate office facilities including telex etc., the fixed costs for the establishing of such a body will probably be high. To be able to determine whether the scope is big enough to make that body profitable, one has to go back to the Co-operatives in the country and see what the prospects are like. When going through the COOPTRADE document containing 79 Co-operatives ~~already active in export and/or import~~ in ten countries in the region, the possibilities to establish a profitable national Co-operative body on international trade might be regarded as limited with exceptions for a few countries. Usually there are only between 5-10 Co-operatives included in the document for each country. Although a few more Co-operatives, unknown to us, might have export and/or import potential, one sees that the scope for a successful national trading body might be limited at present, especially as the costs for establishing such a body probably have to be borne by these Co-operatives alone to a large extent.

Some Co-operatives might prefer to establish direct links with foreign markets. It is probably the most common way that when the home market is saturated further expansion be undertaken abroad. A successful Co-operative at home has probably gained so much experience domestically that entering into the international market might not be regarded as being too complicated. Therefore it is very often regarded that foreign trade is an extension of domestic business. Many Co-operatives now successful on the international scene started doing foreign trade only after building up a good business at home.

Already from the start of the COOPTRADE project, discussions on a regional Co-operative trading body took place at different occasions. One of the reasons why our regional workshop was organised in Singapore was the presence of the International Co-operative Trading Organisation, ICTO, in that country. ICTO had been set up a few years earlier with the financial support of different Co-operative national organisations in the region. The managing director of ICTO was invited to the workshop and was supposed to play an important role at the meeting. His guidance would certainly have been of much use to the COOPTRADE project in its attempts to be of assistance to Co-operatives in the region. The contributions of ICTO at the meeting, however, must be considered as limited and COOPTRADE gained little from ICTO on which course to take.

At an early stage COOPTRADE thought it was important to start its activities by finding out how Co-operatives with export and/or import potential could be identified. Only by starting from the bottom, we thought, could we determine the present situation of trading Co-operatives in the region and after knowing this, to decide what further steps should be taken on higher levels. With only a few Co-operatives in the region active on the international market but with many more having export potential, the emphasis on the co-ordination of export/import trade is suggested to be made first on the national level, before a new attempt to establish a regional body on international Co-operative trade is made.

In order to further strengthen inter-co-operative trade relations, additional major steps are certainly necessary to be taken by the Co-operative movements in each of the developing countries in Asia covered by the COOPTRADE project. Some important factors have been commented by us in this paper. From our side we intend to render short-term consultancy services on international trade to some selected Co-operatives in the region and to assist in the further development of establishing trade contacts between Co-operatives. As mentioned earlier COOPTRADE might also be in a position to be of assistance to the co-organisers of the national workshops in the implementation of the workshop conclusions.

We have now, with the above, attempted to give you an account of the activities of the COOPTRADE project up to date, our honest thoughts and ideas on all we have experienced and our future plans for the forthcoming year. As a logical continuation of the project, once it terminates, is of extreme importance in order not to lose the effect of results already achieved, we of the COOPTRADE project would like to hear what future action you think should be taken by the Co-operatives in the region, by the International Co-operative Alliance and its Sub-Committee for Trade Developments for South-East Asia, by the ILO/SIDA COOPTRADE project in order to achieve our mutual goal, namely the further strengthening of inter-co-operative trade relations. It would therefore be much appreciated if the Sub-Committee gave some serious thoughts to the above and would revert to us with a suggestion for a concrete plan of future action.

RA/pc
November, 1980



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