

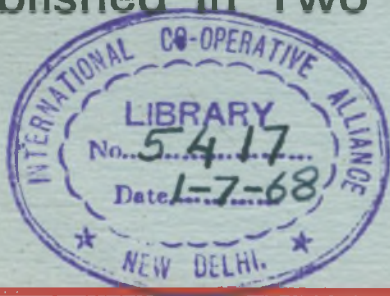
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Volume IIA

# TRADING OF COOPERATIVES

## SOUTH-EAST ASIA

A Survey made by the  
INTERNATIONAL COOPERATIVE ALLIANCE  
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**INTERNATIONAL COOPERATIVE ALLIANCE**

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Name and address of the organisation/department

IRAN

Army Consumers' Cooperative Society Ltd.,  
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Rue Arteché,  
Teheran.

Central Organisation for Rural Cooperatives of Iran,  
357 Pahlavi Avenue,  
Teheran.

Credit and Housing Cooperative Society of Iran,  
20-22, Shahbad Avenue,  
Teheran.



## IRAN

### General Background.

With a population estimated at 25 millions, Iran has been described as the only under-populated country in Asia; almost three-quarters of the population are connected with agriculture which, however, contributes only 20% of the gross national product. The population is increasing at a rate of 2½% per annum. Oil remains the dominant feature of the economy, providing half the total government revenue, and earning enough foreign exchange to pay for nearly 75% of Iran's entire imports. Of these imports, more than two-thirds are accounted for by capital goods and military items.

The most significant development in Iran in recent years has been the implementation of the land reform programme - now carried through in 75% of the country's 54,000 villages. Industrialisation plans have been aided to some degree by the recent rapprochement with the USSR and Eastern Europe; a Soviet steel mill is to be constructed in Iran, and so is a gas pipeline to the borders of the USSR. Other projects aim at overcoming the shortage of fertilizers and of irrigation facilities.

### Role of Cooperatives.

"The Economist" (London, 3rd Sept. 1966) reports that, in the year to March 1966, prices fell and consumer purchasing power rose; steps taken to bring this about are said to have included i.a. the financing of imports of consumer goods and "the very remarkable formation in a short time of distributors' cooperatives in Tehran". The journal adds that, like other institutions in Iran, the various types of cooperatives will continue to suffer from "lack of management" for at least another decade.

### Resources and Development Plans

Iran is self-supporting in essential foodstuffs, except for tea and sugar. The country's main food crops are wheat, barley and rice. Other important farm activities include the cultivation of cotton and fruit-growing.

Mining is also being developed, and so are various industries, e.g. textiles, edible oil, sugar, soap, cement, building materials, etc.

#### Foreign Trade

On the basis of figures for 1962-63, the principal suppliers to Iran were the USA, UK, W.Germany, Italy, Japan and the Netherlands, and Iran's main customers were the UK, W.Germany, Japan, India, South Africa and Australia (in that order).

Again on the basis of 1962-63 value figures, the main categories of imports were: Iron and steel and metal goods; chemicals and pharmaceuticals; electrical apparatus; wool and wool products; tyres and tubes; sugar; with imports of tea and of sugar also being important.

The largest export groups were: Petroleum; raw cotton; fruit; carpets; hides and skins; wool; with fish products also of some importance.

#### Explanatory Note.

Since the inclusion of Iran in this survey was not decided on until a relatively late stage of the work, trade with that country was not dealt with by all the responding countries and organisations, and trade with Iran is therefore necessarily less comprehensively reported.

#### Army Consumers' Cooperative, Tehran, (Member of ICA)

##### The trade of the Society

As a consumers' cooperative, the Society caters for the requirements of its members. Groceries constitute 65% of the Society's trade, foodstuffs and textiles 20%, and imported articles 15%. White cheese and butter from Bulgaria, pencils and umbrellas from Czechoslovakia, domestic electrical appliances from USA, Europe and Japan, haberdashery goods and miscellaneous other items comprise the imported goods bought by the Army Consumers' Cooperative from Iranian importers. At least some of the goods from Czechoslovakia come from UNICOOP there.

### Imports of tea

The Society does not conduct any exports. Its only direct import is tea. In the three years 1963-65, the Society imported 12M/tons of tea (value £stg. 14,650) from England. Foreign tea is also bought by the Society in Iran. (Imports of tea are strictly controlled in Iran); over two recent years, tea imports into Iran averaged £stg. 3½ million per annum. There is a requirement making imports of tea dependent on purchases of Iranian tea for blending.

### Central Organisation for Rural Cooperatives of Iran (CORC), Tehran.

CORC is a Government-created joint stock company, supervised by the Ministry of Agriculture, with a Board of three directors. Farmers' Cooperative Unions are being encouraged to invest funds in CORC and to secure an increasing stake in the organisation during the next few years, until they ultimately control the entire capital. (The initial capital of £stg. 4 3/4 million was provided by the government in 1963).

### Restrictions on foreign trade

Exports of certain goods are prohibited.

Imports of certain goods are prohibited, either for reasons of safety or hygiene, or because the goods are made in Iran as well.

Import of other goods, excepting those set out in an official list of unauthorised or prohibited goods, is permitted. The import of some non-essential goods, such as refrigerators, TV sets, beer, as well as most cotton piece goods, is not authorised at present.

Foreign trade in certain commodities, such as cigarettes, cigars, etc., is under strict control by the Government (see following note on Government Intervention in Foreign Trade).

Certain duties, taxes, etc., have been imposed on foreign goods so as

to give protection to domestic industries.

CORC say such restrictions on certain goods are so serious that imports are practically at a standstill.

#### Foreign Trade of CORC.

The CORC has been active only during the last three years, and hence its foreign trade transactions have been limited so far. It has not conducted any imports, only exports. In 1963, on the basis of a special contract between the two governments, CORC exported 13,000 tons of rice (valued at £stg. 1,397,000) to the USSR, the intermediary being the Ministry of Economy, the Marketing Division of which is responsible for finding foreign markets for Iranian products and for effecting exports. As present, the Cooperative Societies Union of Maraqeh, which is under the supervision of CORC, has the following orders for export to the USSR in hand:

Raisins	1,000 tons
Onions	2,000 "
Hazel nuts	100 "

All these exports go to state trading organisations in USSR. A<sub>1</sub>

CORC is not conducting any other foreign trade negotiations at present, but is desirous to develop its exports of e.g. dates and dried fruits, such as raisins, etc. (My Comment: Contacts with potential cooperative purchasers in India were provided by the Regional Office in September 1966).

#### Government Intervention in Foreign Trade.

Foreign trade monopolies created by the Government, but in some cases operated by authorized private concerns, exist in the case of tobacco, arms and artillery, oil and oil products, grains, tea, gold, and sugar. These strict control arrangements are in force for the importing of all these categories, and for the export of some of them. The Government are empowered to establish other foreign trade monopolies at any time. In the tea trade, importers must also take up some locally grown tea.

### Export Incentives.

The Government awards cash prizes to exporters who are able to export Iranian products which face tough competition in world markets, such as ores, rice, etc. Foreign trade regulations are approved and published by the Government at the beginning of each year, i.e. before 21st March.

### Suggestions and comments by CORC

So long as there are customs barriers, it is very difficult to increase the volume of foreign trade. On the other hand, removal of customs barriers is practically to the disadvantage of the developing countries.

The developed countries should set up a 10-year programme under which they gradually reduce import tariff and duties, etc., on the import of goods and raw materials from developing countries, to give the latter more chance to export their raw materials.

### Commodities of Concern to CORC

The 800,000 cooperative farmers organised in 6,000 rural cooperatives under the umbrella of CORC benefit from various activities in which CORC plays a prominent part; on the marketing side, farm products disposed of through cooperative channels include grain, rice, honey, linseed and lemon squash, some sales being made i.a. to the Army Consumers' Cooperative. CORC also plays a part in procuring for farmers kerosene and oil, tea, sugar, soap, ghee, and textiles for their own consumption, and various seeds, fertilisers and insecticides for their farming activities.

The rural cooperative movement has opened a factory for the production of insecticides, with the aid of foreign participation in the capital investment to the extent of 40%.



Name and address of the organisation/department

JAPAN

Central Union of Agricultural Cooperatives, (ZENCHU)  
5, 1-Chome, Otemachi, Chiyoda-ku,  
Tokyo.

Japanese Consumers' Cooperative Union,  
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National Federation of Fisheries Cooperative Associations,  
Shinchiyoda Building,  
No. 14-19-3 chome, Nishishinbashi,  
Minato-ku,  
Tokyo

Japan Cooperative Trading Co.Ltd.,  
Rokin-kaikan, 12-7, 2-chome, Shinbashi,  
Minato-ku,  
Tokyo.

National Purchase Federation of Agricultural Cooperative  
Associations (ZENKOREN),  
5, 1-chome, Otemachi, Chiyoda-ku,  
Tokyo.

National Marketing Federation of Agricultural Cooperative  
Associations (ZENHANREN).,  
5, 1-chome, Ohtemachi, Chiyoda-ku,  
Tokyo.

UNICOOPJAPAN,  
5, 1-chome, Otemachi, Chiyoda-ku,  
Tokyo.

Institute for the Development of Agricultural Cooperation  
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816 Funabashi-cho, Setagaya-ku,  
Tokyo.

Japanese Joint Committee of Cooperatives,  
C/o Central Union of Agricultural Cooperatives,  
5, 1-chome, Otemachi, Chiyoda-ku,  
Tokyo.



## JAPAN

### General Background

Japan is a densely populated country, with a still growing population (Tokyo alone has a population approaching 11 millions), generally rising wages and a rising standard of living. According to FAO, one-third of the population is connected with agriculture, but the country is a net importer of many foods and feedingstuffs, and likely to remain so - a point of some importance in connection with cooperative foreign trade. The rising wages mean that Japan's industries are no longer as markedly low-cost as they once were; this is partly compensated by distinct improvements in quality and design of many commodities now made in Japan and placed on world markets with the backing of aggressive and determined sales promotion. Whilst Japan thus makes strenuous efforts to gain a greater share of many markets -- and as doing so in a number of instances and areas - there are fields where the Japanese in turn are faced with growing competition from other countries, such as Hong Kong, Taiwan (Formosa) and China. This growing competition affects i.a. certain sectors of the textiles and canned foods trades.

Having taken the lead in many branches of industry in the Far East and Asia, and also requiring large food supplies from abroad, the Japanese - including the cooperatives - tend to favour agricultural, rather than industrial, development and improvements in other countries in South and East Asia, and consequently prefer to channel any aid they give in that direction.

### Foreign Trade

Whilst the trend of Japanese foreign trade has been in favour of progressive liberalisation for many commodities, and in relation to many countries, there are still certain restrictions and controls operative,

some of which affect i.a. cooperatives as foreign traders. The liberalisation percentage for Japanese imports stood at 92.8% in October 1964, and the number of items on the "Negative List" was 162, according to a handbook of international exchange and trade restrictions.\*

The growing food and materials requirements of Japan have led to a great increase in the country's trade with e.g. Australia and New Zealand, thus diverting some of their traditional trade from the UK to Japan.

Japan seems likely soon to expand its trade with China, notwithstanding the lack of direct diplomatic relations between the two countries, earlier policies of opposition to any such trade expansion, and the objections likely to be raised in Taiwan. The London "Economist" (9th July 1966) reckons that any loss of trade with Taiwan would not be as substantial as the additional trade which Japan might gain from trading with China. In 1965, China was Japan's fifth largest customer; one reason for the apparent Japanese determination to enlarge that trade is that certain West European countries have expanded their business relations with China recently.

#### General Restrictions on Foreign Trade

In some important commodity fields, government agencies are directly involved in foreign trade, e.g. the Japan Food Agency to which i.a. offers of foreign grain have to be submitted. There is also a state monopoly for the tobacco trade, and the import of rice is under direct government control (as indeed are aspects of the domestic rice trade); for example, rice purchases from Korea are negotiated on a direct government-to-government basis. Another controlled commodity is salt. (Japan imports 1 million tons of rice a year, from USA, Burma, Spain, Taiwan, Thailand and Korea).

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\* - "British Exports and Exchange Restrictions Abroad", Swiss Bank Corporation, London, 1965.

Imports of non-liberalised commodities are strictly regulated and in some important commodity fields they are virtually barred in order to protect domestic interests; the most notable categories probably being dairy products and (fresh) fruits. For the latter, very strict quarantine regulations inhibit trade, and Japanese dairy farmers are protected by tariffs and import restrictions, and aided by high price levels at home; this is said to cause complaints from Japanese consumer interests on the one hand, and from (foreign) traders wishing to bring these products into Japan on the other. Imports of milk powder, for example, are controlled by a buying organisation which keeps a tight check on the trade. In 1964, Japan imported 75,000 tons of milk powder (nearly all from the USA), 18,000 tons of casein (from New Zealand and Australia), and 8,000 tons of cheese (nearly half of it from W. Europe).

Similarly, there is control over the imports of tea, again to protect local growers; some 2,000 tons per annum are, however, imported into Japan. For commodities which are not liberalised for importing, access to the Japanese market is open only via authorised import quota holders or the appropriate government agency. Other commodities of interest to cooperatives where import restrictions apply include livestock, fish and other marine products.

As far as exports from Japan are concerned, many consumer goods are made by medium or small-size manufacturers who cannot conduct their own export operations and therefore rely on specialised export houses to do this work. In a number of important industries, a rigorous system of allocating export quotas operates - e.g. in canned foods and fruits - where the established associations determine the volume of exporting to be entrusted to a particular company or organisation. Producers have only

a limited say in the matter, with the association determining the conditions on which the producer's goods are channelled via the association to an exporter who then sells abroad. This system of export controls by means of quota allocations was the most often referred to hindrance to the growth of cooperative exports from Japan. Furthermore, with quotas based on past performance, any newcomer to the export field is necessarily in a difficult and disadvantageous position; to begin with, he received a small allocation which may prevent business being done on an adequate scale.

#### Restrictions on Cooperative Foreign Trade

Cooperatives are, of course, affected by the impediments outlined above; in addition, there are special laws relating to cooperatives' freedom to engage in foreign trade.

On the agricultural side, the movement's marketing organisation was prevented by law from conducting any import business, while the purchasing federation was precluded from exporting; on the consumers' cooperative side, the law made no appropriate provisions for foreign trading by societies, quite apart from the fact that the consumers' cooperatives are not allowed to sell to non-members at all, though they can BUY anywhere. (Agricultural and fisheries cooperatives may conduct up to 20% of their trade with non-members).

Both wings of the movement overcame these difficulties by establishing separate special foreign trade organisations which are registered not as cooperative societies, but as companies. These are dealt with later in this section.

## Relationship between Government and Cooperatives

Apart from the need to observe the laws applying to cooperatives, the movement's organisations are free and independent of the Government of Japan; the Federation of Fisheries Cooperatives thought that varying interpretations of what the laws permit cooperatives to do, or not do, in foreign trade were still hampering developments, and that a clarification and possible amendment of the laws may be needed.

As the Government of Japan have announced that an amount equalling 1% of the gross national product is to be made available for aid projects, more money is likely to become available, both from government sources and via cooperatives; the government are expected to consult the Central Union of Agriculture Cooperatives about such aid projects, and the emphasis is likely to be on schemes designed to increase food production/and to improve agricultural productivity in South and East Asia, rather than on any industrialisation projects.

(My own contacts in Japan were confined to the cooperatives; no meetings with any government agencies took place).

## Central Union of Agricultural Cooperatives, Tokyo

In so far as the formation of larger cooperative organisations may increase the efficiency of their operations and thus help to improve their competitive position in foreign trade, the following must be regarded as a restriction to be overcome :

The Union, as the spokesman of the agricultural cooperatives, is seeking, through a Bill put before the Diet, the exemption of cooperatives from the tax imposed on amalgamations, in order to promote the creation of larger cooperative units. Under Japanese Law, one legal body can absorb another, but where both cooperatives are of a fairly similar standing, they

cannot be expected readily to agree to "absorption" by another cooperative. Therefore, it becomes necessary for both parties to the amalgamation to be legally dissolved and a new society has to be created. The law provides for a share (in the form of amalgamation tax) of any profits made through realisation of assets, transfer of ownership, etc., to go to the national exchequer.

The General Secretary of the Central Union thought the following points required attention in the context of cooperative foreign trade :

- (a) Better cooperative trade organisations in each country in the region would facilitate trading with Japanese cooperatives.
- (b) Better utilisation of (governmental or international) aid facilities which are available to cooperatives; a good deal of aid could be secured, but greater awareness of this was essential.
- (c) To ensure that goods for exports are made to suit the tastes, needs, habits of the buying country and organisation.
- (d) Need to watch policy and progress of the new Asian Development Bank, and the direction of any investments to be made. As far as cooperatives in South and East Asia were concerned, the first call on funds should be for improving food and agriculture activities, rather than industrialisation projects.
- (e) Need for consolidation of national cooperative foreign trade organisations before embarking on any regional or international agency. Success for such an ambitious venture could come only after solid national foundations for such a regional superstructure had been laid. (This point of view was expressed by a number of organisations - my comment).

#### Japanese Joint Committee of Cooperatives, Tokyo

(The Committee is composed of representatives of the agricultural, consumers' and fisheries cooperatives).

#### Barriers to foreign trade of Japanese cooperatives

##### Imports

The quota allocations system is the main obstacle to cooperative import trade. Most imports have been liberalised, but the main exceptions



include commodities of interest to cooperatives, such as dairy produce and tea. Imports of fish, other marine products and of livestock are also restricted.

Tariffs and import restrictions are used in Japan to protect the tea growers and the domestic dairy industry. (Similar protection is given to some other industries).

#### Exports

For exports also, there are quota allocations based on past performance, which leave a relatively late entrant into foreign trade (sometimes a cooperative) at a disadvantage. The commodities of immediate concern to cooperatives here are fresh and canned fruits, including canned mandarines (tangerines), and white peaches, the latter being a Japanese speciality product.

#### General Problems and Suggestions

Insufficiently developed cooperative trade organisations in many other countries act as a major hindrance to the foreign trade expansion desired by the Japanese Movement. Strengthening of such organisations is required, and the Japanese Movement would be glad to trade with them.

The ICA should do its utmost to urge governments to grant aid to cooperatives and to support cooperative development. ICA should also organise exchange of regular and systematic information about foreign trade activities of various cooperatives, with details of commodity requirements and offers, or at least facts and figures regarding actual foreign trade done. If it is not possible to do this more frequently, this information to be channelled to members at least once or twice a year, giving the actual contacts for foreign trade in other cooperatives.

As an absolute minimum, ICA should ensure that readily existing trade literature of cooperatives be exchanged as quickly and widely as possible at regular intervals.

National Purchasing Federation of Agricultural Cooperative Associations (ZENKOREN), Tokyo

Restrictions on Foreign Trade

According to the Agricultural Cooperative Associations Law, ZENKOREN can only conduct imports, as far as foreign trade is concerned.

Entry of UNICOOPJAPAN

With the establishment of UNICOOPJAPAN just over five years ago, it is expected that ZENKOREN will transfer its import business gradually to UNICOOPJAPAN; up to now, UNICOOPJAPAN procures only 10% of ZENKOREN's imports. UNICOOPJAPAN has for instance bought honey (i.a. from Western Australia) for ZENKOREN, since the latter also has to deal in consumer goods required by farmers, the consumer cooperatives being active mainly in urban areas.

Manufacturing Interests

ZENKOREN has an investment interest in three factories making agricultural chemicals, insecticides, pesticides, etc., and the import of the necessary raw materials is ZENKOREN's concern.

Past and Current Performance in Foreign Trade

ZENKOREN imports:

(a) Feedingstuffs, Fertilisers, Agricultural Chemicals

Maize from USA, South Africa, Cambodia, Roumania, and from Cooperatives in Thailand and Argentina, also from cooperative sources (via the Chinese State Trading Corporation) in China.

Milo from USA, and from cooperatives in Argentina.

Alfalfa from USA.

Fishmeal from Peru, South Africa, and from cooperative sources (via the Chinese State Trading Corporation) in China.

Molasses from Cuba, Indonesia and the Philippines, and from cooperatives in Thailand.

Potassium Chloride from USSR, W.Germany, France, USA, Canada and Israel (private trade sources).

Copper Sulphate from USA and USSR.

Potassium Sulphate from W. Germany, France and USA (private trade sources).

Triple Phosphate from USA (private trade sources).

Rock Phosphate from USA, Israel, Togo, Senegal (private trade sources).

Following are the figures of Rock Phosphate imports by ZENKOREN during 1961-64:

Year	Quantity (Metric Tons)	Value (£stg.)	% of total national imports of Rock Phosphate handled by ZENKOREN
1961	453,433	2,901,970	21.5
1962	587,450	4,053,400	31.1
1963	676,960	4,400,250	32.9
1964	846,700	5,519,600	36.0

#### Agricultural Implements and Machinery

Farm Machines, mostly tractors and combine harvesters (complete machines), are bought by ZENKOREN through Japanese agents, who also render aftersales services. The machinery is imported by private agents from Czechoslovakia; W. Germany; "Fordson" and "Ferguson" tractors from the USA, and "International Harvester" machinery from the UK.

#### Two-way Trade Agreements with Foreign Cooperatives

##### Argentina

An agreement was signed on March 23, 1964, between ZENKOREN, UNICOOPJAPAN and three Argentine cooperatives for the promotion of cooperative trade between Japan and Argentina. The agreement provided for the import by "ZENKOREN" during the period from May 1964 to May 1965 of the following commodities :

Milo	-	45,000 M/Tons
Maize	-	30,000 M/Tons
Millet	-	15,000 M/Tons

The three Argentine cooperatives were to try and supply the above commodities, but exact quantities, prices and other terms were to be settled later. The function of importing the commodities was assigned to UNICOOPJAPAN. The agreement also provided for the purchase by the Argentine cooperatives of farm machinery, fertilizers, insecticides and other commodities available from "ZENKOREN", as far as possible, and that the exports would be conducted by UNICOOPJAPAN. (In February 1966, UNICOOPJAPAN stated that "so far, actual transactions have been successfully carried out on behalf of farmers in both countries").

(b) Thailand

An agreement dated March 23, 1965, between ZENKOREN and UNICOOPJAPAN on the one hand, and Bangkok Farm Product Cooperative Marketing Society Ltd. (COPRODUCT) of Thailand on the other, provides for the supply of 30,000 M/Tons of Thai Maize during 1965-66 to ZENKOREN through UNICOOPJAPAN. A further agreement between the parties in March 1966 provides for another 50,000 metric tons to be shipped in 1966-67.

(Copies of the agreements between Japan and Thailand will be found in Appendix No.2 of this report).

Barriers to Trade

Due to stiff competition from well-established private traders, the cooperative find it difficult to secure and enlarge their foothold in foreign trade.

Government interference in some developing countries hampers negotiations with cooperatives there regarding prices and conditions of deals, particularly where government finance is involved in cooperative activities.

British cartels control shipping space on Japan to India, and Japan to Pakistan, routes respectively.

ZENKOREN has not experienced any difficulties or obstruction as a cooperative organisation whilst engaged in foreign trade.

Prospects for foreign trade expansion

In addition to the listed imports now taking place, ZENKOREN : interested in the import of :

Maize (additional supplies needed; Burma and Indonesia not accessible at present as possible suppliers).

Rock Phosphate (additional sources of supply sought; great demand in Japan).

Peanut Cake, possibly from India.

Oats from Australia; because of disagreement over prices with the Oats Marketing Federation of Victoria on an earlier occasion, no business could be done by ZENKOREN, but it is still interested in this trade. (My comment : At my suggestion, discussions between ZENKOREN and the Grain Pool of Western Australia are expected to take place in Tokyo in September, 1966 to explore trading possibilities).

Molasses, from India and Philippines (cooperatives possibly), in addition to existing sources of supply.

Fish Meal, from India, Ceylon, etc., in addition to present sources.

Fuel Oil supplies for tractors and other farm machinery, possibly from the ICPA.

My Comment

ZENKOREN virtually controls UNICOOPJAPAN, holding 80% of that company's share capital, and is expected to make increasing use of that organisation as it becomes more firmly established; UNICOOPJAPAN now have offices in Bangkok and New York.

The important role of ZENKOREN in the fertiliser and agricultural chemicals trade is illustrated by the large percentage of total rock phosphate imports into Japan handled by ZENKOREN, which has an interest in three factories producing agricultural chemicals. These factories may constitute a possible source of supply of their end products (insecticides, pesticides, etc.,) for other cooperatives in the region.

The great need for feedingstuffs in Japan, particularly maize, is demonstrated by the activities of ZENKOREN and UNICOOPJAPAN in searching for additional sources of supply all over the world; the agreements with cooperatives abroad are of special interest, all the more so as they envisage two-way trade and/or a combination of trade with certain assistance facilities.

ZENKOREN's important position in the feedingstuffs importing trade is also shown by the fact that the organisation handles 32% of Japan's entire imports of maize.

National Marketing Federation of Agricultural Cooperative Associations  
(ZENHANREN) Tokyo

Restrictions on Foreign Trade

The Agricultural Cooperative Associations Law restricts ZENHANREN's foreign trade activities to exporting only.

All exports are of agricultural produce from members of ZENHANREN.

Importance of ZENHANREN's position

The overwhelming part of ZENHANREN's domestic trade is in rice; although farmers are free to sell rice to private merchants, the agricultural cooperatives claim to handle 99% of the domestic rice crop. Rice is controlled by the government as regards imports, distribution and prices, with the government determining both producer and consumer prices, the latter being subsidized.

The other important field for ZENHANREN is that of Canned Fruits and Vegetables: canned fruits, particularly tangerine oranges and white peaches, are the biggest export items. The agricultural cooperatives own fifty canning factories.

Past and Current Performance in Foreign Trade

ZENHANREN exports mainly fruits and vegetables, both fresh and canned, and also eggs and other farm products, e.g. potatoes. Only exports direct to cooperatives so far went to NAF, Scandinavia, and GEG, Western Germany. Seed potatoes have been supplied to Central Cooperative Exchange, Inc. in the Philippines.

The following table shows the export performance of ZENHANREN :

Commodities	1962 ( value	1963 in	1964 £stg. )	Destinations
Eggs	47,510	14,090	1,000	Hong Kong
Apples	1,100	1,590	-	-do-
Pears	-	1,590	-	-do-
Oranges	-	-	120	-do-
Water Melons	130	150	-	-do-
Onions	10	1,970	4,590	-do-
Potatoes	-	1,900	1,700	Hong Kong and New Zealand
Tomatoes	-	3,770	145	Hong Kong
Cabbage	-	475	-	-do-
Chinese Cabbage	-	360	-	-do-
Carrots	-	240	-	-do-
Dried Mushrooms	-	4,050	105	Hong Kong and New Zealand
Pickled Scallions	-	120	520	Hong Kong
Canned Oranges	160,340	172,520	208,160	UK, W. Germany and other European countries including Scandinavia.
Canned Foods	2,230	1,400	290	Asia, Africa and North America
Fresh Oranges	66,050	74,930	83,500	Canada (Special Christmas trade)
Seed Corn	1,280	-	-	Singapore
Garlic	300	-	-	Singapore
Total :	<u>278,950</u>	<u>279,155</u>	<u>300,130</u>	

The above exports are handled by ZENHANREN direct, whilst exports to Communist countries are handled by UNICOOPJAPAN, those countries having been the initial trading area covered by UNICOOPJAPAN.

The Total Domestic Trade of ZENHANREN

The following table shows sales figures of ZENHANREN for the various commodities handled in 1963 :

<u>Commodities</u>	<u>Value (£stg.)</u>
Fruits	11,192,700
Rice	559,007,200
Wheat and Barley	21,749,500
Rape-seeds and Beans	2,917,000.
Potatoes	4,962,800
Starch	9,868,500
Vegetables	11,398,000
Straw Products	900,300
Charcoal	1,159,500
Canned Foods	970,200
Livestock	7,654,900
Eggs	20,735,000
Chicken Meat	1,094,000
Milk	1,160,700
Miscellaneous	5,732,700
	<hr/>
Total:	<u>660,503,000</u>

Exports of ZENHANREN constitute only a small fraction of total turnover.

Barriers

A barrier to trade with other cooperatives is the similarity of products offered for exports by various South-East Asian cooperatives, some of which also lack the experience, skill and knowledge required for foreign trade.

Control arrangements operate in some commodity trades, e.g. the tie-up between associations of Japanese exporters and importers in another



country (such as operates for canned oranges imported into UK); though ZENHANREN would like to trade on a direct inter-cooperative basis, they have to work through these associations. (My comment : The Scandinavian CWS reports that insufficient supplies of canned oranges are made available to it).

Exports of fresh fruits and vegetables to Hong Kong have suffered greatly through competition from China and Taiwan (two countries with which ZENHANREN do not trade at all). In view of the importance of their Hong Kong trade, a branch office was set up there; fuller details appear in the section dealing with Hong Kong.

After 25 years in the export business, ZENHANREN report no experience of anti-cooperative discrimination or exclusion in their foreign trade dealings.

#### UNICOOPJAPAN, Tokyo

##### History of the Company.

The need to create a separate organisation to handle the foreign trade of agricultural cooperatives arose from the restrictions placed by the Japanese Laws on agricultural cooperatives as to what they may do, and what they may not do, in trading abroad.

To overcome these difficulties, the agricultural forestry and fishery cooperatives set up a company to act as their international trading organ. The UNICOOP JAPAN came into being on April 15, 1961. In addition to conducting import and export business in members' requirements and products, UNICOOPJAPAN also deal in consumer goods for their members, as the consumers' cooperative movement in Japan is mainly active in the cities.

UNICOOPJAPAN has offices in New York and Bangkok. Of the total share capital, ZENKOREN holds about 80%, ZENHANREN something under 20%, and the fisheries and forestry cooperatives the remainder.

## Past and Current Activities

UNICOOPJAPAN's business is 80% feedingstuffs, 10% other agricultural produce, and 10% general merchandise. The main commodities handled are farm requisites for import, and farm and marine products for export. Following are lists of import and export commodities handled by UNICOOPJAPAN :

### Exports

#### Foodstuffs

Canned fish (Tuna, Sardines, Crab, Salmon, Mackerel); Canned fruits (Mandarines, Pears, Peaches, Cherries, Apples); Canned Mushrooms; Canned Asparagus.

Tea; Beans; Eggs; Edible seaweed; Dried, Frozen and Salted Fish; other agricultural and marine products.

#### Textiles

Hoisery, Underwear, Stockings and Socks, Clothing, Damask and Table Cloths, Blankets; Rayon, Silk, Nylon, Cotton, Wool and other mixed spun cloths; Yarn (Cotton, Wool and Synthetic).

#### Fertilizers and Chemicals

Ammonium Sulphate, Urea, Ammonium Chloride.  
Insecticides, Fungicides, Herbicides, Nematocides.  
Petrochemical products.

#### Machinery, Instruments and Plant.

Electrical machinery and equipment; Hydraulic and Pneumatic machinery; Motors; Tools; Wood-working machines; Printing and Book-binding machines.

Agricultural machinery, tractors and parts thereof, Cultivators, Threshers, Grain/Feedstuff/Fertilizer Processing Machines.

#### Road Transport and Shipping Vehicles

Trucks, Motor Cycles, Boats and equipment for Boats.

#### Metals and Metal Goods

Steel Tubing, Wire Netting, Wire ropes, Bolts, Bearing, Nuts and rivets, Plates, Non-ferrous Metals, also Iron and Steel (Products).

#### Miscellaneous

Transistor Radios, Television Receivers, Electrical Wires and Cables, Cement, Tiles, Roofing Materials, Plywood, Watches, and Clocks, Toys, Cameras, Plate Glass and Glassware, China, Leather and Leather Products, Rubber Products, Fishing Nets, Paper and Paper Products, Sanitary ware.

## Imports

### Foodstuffs and Cereals

Cereals, Maize, Beans, Peas, Wheat.

(Raw) Sugar, Coffee Beans, Cocoa beans, Malt, Raisins, Nuts, Dairy Products (Skim Milk Powder), Herrings, other agricultural and Marine products.

Meat, Meat products, Sheep Casings.

### Feedstuffs and Fertilizers.

Oil seeds (Soyabeans, Linseeds, Cotton seeds Copra, Kapok seeds).

Sorghum, Wheat Bran, Soyabean cake, Fish meal, Plant cakes (Vegetable oil cakes).

Potassium Sulphate, Potassium Chloride, Apatite.

### Machinery

Electrical machinery, Motors, Agricultural machines, Tractors, Business machines, Grain/Feedstuff/Fertilizer Processing machines, Wood-working machines, Hydraulic and Pneumatic machinery.

### Lumber

Logs for pulp and for building construction, Soft and Hard woods.

### Minerals and Metals.

Iron and Steel Scrap, Tin, Zinc, Lead, Pig Iron. Coal, Coke, Iron Ore, Other metallic ores.

### Chemicals

Agricultural Chemicals, Insecticides, Fungicides, Herbicides, Nematocides, Copper Sulphate, Pharmaceuticals, Petroleum Products.

### Other Raw Materials

Petroleum, Pulp, Crude Rubber, Hides and Skins, Animal Hair.

### Miscellaneous

Breeding Stock, Horticultural Seeds.

### My Comment

Possibility of trade in raw Sugar has been specifically referred by the Regional Office to the National Federation of Cooperative Sugar Factories Ltd. of India.

### Analysis of Trade

The following table shows the annual turnover of UNICOOPJAPAN for 1961 - 1964 :

(Value in £ stg.)

Year	Imports	% of total turnover	Exports	% of total turnover	Total Turnover (Exports plus Imports)
1961	841,726	61.08	536,398	38.92	1,378,124
1962	1,696,480	89.02	209,222	10.98	1,905,702
1963	3,806,102	92.44	311,237	7.56	4,117,339
1964	6,157,875	89.49	723,158	10.51	6,881,033
1965					10,750,000 §

§ - Estimated.

The following table shows the commodity break-down of the total turnover of UNICOOPJAPAN during 1961 to 1964 :

Commodity	1961	1962	1963	1964
Feedstuffs	203,586	1,309,018	3,149,640	4,982,925
Fertilisers	-	22	-	354,050
Lumber etc.	1,047,068	437,270	748,317	1,009,191
Machinery	37,545	22,600	41,464	36,589
Miscellaneous	89,925	136,792	177,918	498,278

### Inter-Cooperative Trade Agreements

UNICOOPJAPAN is a party to two-way trade agreements entered in recent years with cooperatives in Thailand and Argentina respectively; the agreement with Argentina is summarised in the notes dealing with ZENKOREN, where the agreements with Thailand are also referred to. The full text of the two agreements with Thailand will be found in Appendix No. 2

### Barriers and Restrictions

UNICOOPJAPAN was created as a company; as such it has more trading freedom than a cooperative society, in view of the legal restrictions on the foreign trade activities of agricultural cooperatives.

### Foreign Trade Impediments

Grain supplies from USA are controlled by a few big private merchants; UNICOOPJAPAN is trying to secure supplies from cooperatives in the USA.

UNICOOPJAPAN has been hampered by relatively small import allocations from the Japanese Government, due to its recent entry into foreign trade. (However, the older-established ZENKOREN has its own import quotas which UNICOOPJAPAN utilises).

An attempt by UNICOOPJAPAN to export Diesel Cars to a Spanish cooperative was foiled by the Spanish Government which refused an import licence. The licence was granted to a private trader instead.

Importing of dairy products is confined to approved importers; however, UNICOOPJAPAN is one of the approved importers.

### Exports to Foreign Cooperatives

During 1961-1966, export business by UNICOOPJAPAN included these deals with cooperatives :

Rice seeds to Farmers' Cooperative in North Korea.

Fishing nets to fishery cooperative in Eastern Canada, to the Cooperative Wholesale Society of Iceland (SIS), and recently samples of fishing nets to the Cooperative Wholesale Society of Queensland, Australia.

Fertilisers to the Cooperative Wholesale Society of Thailand.

A small volume of canned tuna to GEG, West Germany.

Textile materials, rubber (car) tyres, wire netting, knitwear, sports shirts, and transistor radios to "Centrosoyus" (USSR).

Frozen fish, transistor radios to UNICOOP of Czechoslovakia.

Nylon bags for packing olives to Greek agricultural cooperatives.

Small tractors and agricultural machinery to Farmers' cooperative in Pakistan.

Transistor radio sets to the Philippines; also wheat bought from Canada was shipped to the Philippines.

#### Imports during 1961-65

Import deals by UNICOOPJAPAN included the following :

Wheat from Canada.

Silk and Honey from North Korea.

Tractors bought through Czechoslovak cooperatives.

Red Beans and Walnuts from Korean Cooperative (NACF).

Fish meal from Peru.

Yellow Maize from China.

Feedingstuffs from India, Pakistan, and China.

Wheat Bran, Maize, Milo and Millet from Argentine cooperatives.

Maize from Thailand cooperatives.

Timber logs and Vodka from "Centrosoyus", USSR.

Cheese from Italian cooperatives.

#### Expectations regarding imports from USA.

UNICOOPJAPAN are trying to import grain, maize, milo etc., from the USA, but due to the grip of big private merchants on the grain trade, no deal has been concluded yet. UNICOOPJAPAN hope to consult with cooperatives in New Orleans (where a cooperative grain silo is being built) and Arkansas, also with Farmers' Bureau, and other organisations in the USA.

Plans and Prospects for Purchases from South-East Asia

During 1966, UNICOOPJAPAN hoped to enter into trade deals with cooperative organisations in other parts of the world, especially in South-East Asia. With a view to importing more products from developing countries, and in order to promote Japanese exports, UNICOOPJAPAN are prepared to give favourable consideration to exportable commodities from any developing country. Following is a list of commodities which UNICOOPJAPAN is interested in importing from the respective countries ( The list was drawn up in readiness for the original date of the Third Asian Agricultural Cooperative Conference).

Burma

Maize

Beans and peas (Kidney beans, butter beans etc).

Raw hides and skins

Seed Extraction meal

Ceylon

Fish meal

Seeds for edible oil

Raw hides and skins

India

Linseed

Seeds for edible oil

Groundnut extraction meal \* \*

Fish meal

Raw hides and skins

Wheat bran

Molasses \*

- In August 1966, it appears that, as a result of the introduction effected through the Regional Office, UNICOOPJAPAN are likely to purchase molasses from Indian Cooperative Sugar Factories. UNICOOPJAPAN have also been put in touch with cooperative organisations in the Philippines with a view to purchasing molasses there.
- Discussions with the National Agricultural Cooperative Marketing Federation are expected to take place in New Delhi in September 1966.

Indonesia

Seeds for edible oil

Maize

Raw hides and skins

Seed extraction meal

Korea

Beans and peas.

Live cattle

Rabbit meat

Malaysia

Spices

Molasses

Thailand

Maize

Milo

Beans and peas

Molasses \*

Iran, Iraq, Turkey and Israel

Dried fruits

Natural honey

Caviar

Nicotine sulphate

Crude Turpentine

Casings

Seeds for edible oil

\* - See footnote on Page 239.

Japanese Consumers' Cooperative Union Tokyo

Background and Set-up of Consumers' Cooperatives

Consumers' cooperatives are active in Japan mainly in urban areas. Consumers' societies may buy anywhere, but can sell only to members. The Union is the central organisation of consumers' cooperatives in Japan.



The All-Japan Consumers' Cooperative (Wholesale) Federation was amalgamated with the Union on April 1st, 1965, and now constitutes the Union's Business Department which does all the home trade, while the Japan Cooperative Trading Co. Ltd., conducts foreign trade. The latter having been set up as a company, rather than as a cooperative society, it has more freedom of action under existing laws. The Japan Cooperative Trading Co. is a wholly owned subsidiary of the Union, both organisations having the same Board of Directors.

Trade is conducted direct between the Business Department and retail societies, with the Business Department doing some wholesaling for, and distributing to, retail societies,; it sells only to them. The Union has no productions of its own, nor any retail shops, but merely six branch offices which, to a limited extent, conduct stockholding and warehousing operations. Retail societies buy most of their requirements from private wholesalers, and only 3-4% via the Union. In 1964, the Union had 1,148 member societies with 6 $\frac{3}{4}$  million members. In the Tokyo area alone, there are 155 consumers' societies with 960,000 members. The consumers' cooperatives handle 1.04% of the national retail trade of Japan.

#### Foreign Consumer Goods in Japanese Stores

Whilst I had little opportunity to examine the range of consumer goods in Tokyo shops, Mr. I.G. Daniel, Manager of the CWS Depot in Hong Kong, surveyed the position in 1965 and reported that private and cooperative stores revealed a growing trend towards canned and packed foods. He noted that a new supermarket of the larger consumers' cooperative (Nadakobe\*) featured "fairly expensive imported provisions". Among

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\* - Nadakobe Society has 90.000 members, 19 supermarkets, 5 other self-service stores, and annual sales of over £ Stg. 1 million.

the imported goods he saw in various stores were : Danish Canned meats, Swiss packet soups, Dutch Cocoa; from the UK biscuits, jams and marmalade, tea, coffee, confectionery and chocolate, canned soups, canned baby foods, sauces, and detergents; from the USA jams, biscuits, coffee, cereals, cocoa, peanut butter, tinned milk, canned fruits and fruit juices.

Japan Cooperative Trading Co. Ltd. (COOPTRADE). Tokyo.

#### Origins of the Company

The Japan Cooperative Trading Co. Ltd. was established in 1956 as a limited company and as the international trade organ of the consumers' cooperatives. The "COOPTRADE" came into being following successful trade talks between "Centrosoyus" and a Japanese delegation to the USSR in 1955. Barter trading has steadily increased under a long-term agreement between "Centrosoyus" and the Japanese Consumers' Cooperative Movement signed in 1958, and renewed in 1964, providing for exports from Japan of textiles, knitwear, tyres, ropes, fishing nets, etc., and for imports into Japan of logs, coal, honey etc. This trade is proceeding satisfactorily and is now in its eleventh year.

#### Past and Current Performance in Foreign Trade

As the Japanese consumers' movement has no own productions, all exports are of products under the labels and names of private firms, but transacted by "COOPTRADE". The fabrics exported are mainly synthetics, or blended with cotton, and sometimes with wool. Readymade clothing, underwear, hoisery, and raincoats form part of the company's export business, all of which faces competition from Hong Kong and China.

#### Trade with Cooperatives Abroad

"COOPTRADE" has conducted occasional trade with Western Germany and the GEG.- exporting porcelain and binoculars, and importing razor blades, soap, and strawberry jam. The last-named commodity was also bought from the CWS in England; and may be bought again from there. The Company also imported seeds from Danish Cooperatives, cheese from Swiss cooperatives (an import which was not repeated, because the product did not prove popular in Japan), and razor blades and oil heaters from KF in Sweden. Currently, the company imports raw herrings from NKL, Norway. Textile dyestuffs were bought from Eastern Germany (Government Trade Agency).

#### Trade with China

"COOPTRADE" imports more from China than it exports to that country. It has tried to trade with cooperatives in China, but can deal with government agencies only. "COOPTRADE" exports textiles, industrial sewing machines and other machinery for installation in factories. Imports into Japan from China comprise fish, jams, fruits, salmon, soyabeans, pig iron.

#### Trade with the USA

"COOPTRADE" has friendly relations with some Californian cooperatives, which have recommended trade contacts in the USA, but no direct trade has been conducted with the American cooperatives, although an attempt was made. "COOPTRADE" has bought instant coffee from American Manufacturers recommended by their cooperative contacts, and lemons from a recommended shipper.

The total annual volume of "COOPTRADE" foreign trade:

Exports - More than US \$ 1.5 million.

Imports - Less than US \$ 2.5 million.

### Restrictions

Apart from the restrictions listed elsewhere, "COOPTRADE" referred to the Japanese state monopoly in the tobacco trade; restrictive conditions imposed by the Italian Government on trade between the co-operatives of the two countries; and the lack of direct access to the cooperatives from China.

### Barriers

The Company faces keen competition in foreign trade, especially from the many established Japanese firms specialising in such trade, with all the bigger Japanese firms having agents abroad and long-established credit facilities there. Markets have already been largely shared out among private traders, and the cooperatives - being new entrants - face difficulties in the conduct of foreign trade. "COOPTRADE" faces competition from China and Hong Kong in the export of clothing, hoisery etc. No discrimination has been encountered in foreign trade on account of the cooperative character of the Company.

As regards the tea trade, there is not only government protection for domestic growers to shield them against competition from inports, but also a requirement to blend some imported teas with Japanese-grown varieties. The tea trade is said to be monopolised by some large firms, and the same applies to the coffee business, but there are some imports; those of tea are believed to total 2,000 tons per annum, much of it coming in bulk from Ceylon.

### Prospects and Plans for Future Trading

In addition to the continuation of established foreign trade, the "COOPTRADE" is interested in the import of raw sugar and plans to buy it from China. The Company is also interested in trading with cooperatives in Italy. No trade has resulted so far, although Italian cooperatives

are said to be willing to buy from Japan, but insistance (by the Italian Government) on two-way trade stands in the way, as "COOPTRADE" has so far found no goods to interest it in turn.

The Company also attempted to trade with cooperatives in South and East Asia, but failed to do so in Ceylon or Burma. No prospects are seen for trading with Indonesia, Vietnam, Burma and the Philippines at present, and no sales have so far been possible in the USA or Western Europe (except for the items listed under Western Germany above), or the UK, although a vague reference to possible sales to the CWS was made.

Products of interest to the company also include meat and meat products, honey and salt (for importing).

#### My Comment and Summary

Trading possibilities in sugar and salt have been referred to potential cooperative suppliers, e.g. in India. The Japan Cooperative Trading Co. Ltd. is engaged in foreign trade which is not necessarily concerned only with commodities of immediate interest to Japanese cooperatives; their exports all come from private producers, and most of their imports are sold to private firms in Japan, e.g. the timber bought from the USSR. The imports which do find their way into cooperative stores are mostly foodstuffs, canned foods, jam, instant coffee, razor blades, etc.

Most food imports come from China, a cheap source and close at hand; edible seaweed also comes from there and is packed for the cooperatives by private Japanese firms.

All the profits made by "COOPTRADE" go to the Japanese Consumers' Cooperative Union.

There seem to be some prospects for importing into Japan such consumer goods as tea, (instant) coffee, canned foods including certain fruits and juices, also preserves and confectionery, but it remains to be established whether the (consumers') cooperatives would take up sufficiently large quantities to make direct importing worth while.

National Federation of Fisheries Cooperative Associations. Tokyo

Past and Current Foreign Trade Performance

The Federation is engaged in importing and exporting on behalf of its members.

Imports

The Federation imports, from the USSR only, fuel oil for fishery purposes. The import arrangement is satisfactory, except for freight cost problems which are soon to be overcome by a change of route. The type of oil imported by the Federation is normally subject to import duty, but is exempt from that duty when used for fishery purposes. Eight years ago, the Federation negotiated about oil supplies with the International Cooperative Petroleum Association, but no agreement was reached about either prices or the quality of oils required. More recent information from Tokyo suggests that the Federation may be interested in resuming contact with ICPA in order to review the possibilities of trading. Recent imports from the USSR of fuel oil for fishing boats were as follows :

Year	Quantity (Kilolitres)	(Value) (£stg.)
1962	680,000	5,104,000
1963	740,000	5,647,000
1964	910,000	6,805,000
1965	Not known	6,163,000

## Exports

The Federation exported tuna stakes to two trading companies in the USA in 1963, 1964 and 1965 valued at £stg. 23,000, 37,260 and 46,380, respectively.

Other exports of the Federation are as under :

( in tons )

Commodity	1963	1964	1965	Destination
Swordfish (frozen fillets and steaks)	60	100	80	USA
Dolphin Fish Frozen fillets)	-	10	25	Hawaii & USA
Frozen Saury	-	20	100	Ryukyu Islands
Frozen Mackerel	-	-	20	Ryukyu Islands

Ryukyu Islands might be regarded as part of Japan, although presently under a separate administration. Exports to Ryukyu are the only ones to cooperatives.

## My Comment

Although the Federation is a shareholder in UNICOOPJAPAN, its foreign trade is done through private firms, and not through UNICOOPJAPAN. The reason is said to be that foreign trade contacts were created before UNICOOPJAPAN was established in 1961.

Two members of the Federation own fish-canning facilities; these are not located in Tokyo.

## Barriers and Problems

The Federation has not encountered any trading barriers abroad, but at home the varying interpretations of Japanese law (as to what it does and does not permit cooperatives to do in import and export business) are hampering developments. It may become necessary to seek clarification of the legal position by negotiation with the government and/or partial amendment of the law.

The Japanese authorities impose limitations on the import of fish and marine products, including edible seaweed, that are of interest to the Federation.

The Federation also faces the problem of securing adequate quotas for exporting those items which are controlled by the quota system, i.e. all types of canned fish, and tuna, both frozen and in oil.

#### Plans and Prospects for Future Foreign Trade

The Federation is interested in the export of eels, sardines, tuna and salmon, mackerel, swordfish and sea bream, and in the import of fresh or frozen prawns, lobster, octopus, frog meat and smoked crayfish. It is also interested in importing fresh fish and edible seaweed from Korea, because of the proximity of that country. The Federation had no contacts in Korea, but contact was to be established during the ICA/NACF Seminar in Seoul in April-May 1966. (The Japanese import restrictions are referred to in the report on Korea). With regard to oil imports, the Federation may be interested in resuming contact with the ICPA to discuss trading possibilities.



Name and address of the organisation/department

KOREA

National Agricultural Cooperative Federation,  
75, 1-ka, Choongjong-Ro, Sudaemoon-ku,  
Seoul.

Bureau of Agricultural Administration,  
Ministry of Agriculture and Forestry,  
Seoul.

Export Promotion Section,  
Ministry of Commerce and Industry  
Seoul.

Central Federation of Fisheries Cooperatives,  
Sales and Marketing Department,  
104, 2-ka, Myung-Dong, Chung-ku,  
Seoul.

Korean Traders Association,  
123, 2-ka, Namaimunro, Chung-ku, International P.O. Box 1117,  
Seoul.

Mr. Wallace J. Maddock,  
Agriculture Credit and Cooperative Advisor to the National  
Agricultural Cooperative Federation,  
U.S. Agency for International Development,  
United States Overseas Mission,  
Seoul.



## KOREA

### General Background

In consequence of the partition of the country, Korea is understood to maintain very sizeable armed forces, with assistance from the United States; consequently there is a substantial inflow of American funds. In fact US aid funds now form part of Korea's consolidated national budget accounts; this means Korea can import from the USA more lavishly than some other countries, and this applies also to the co-operative organisation NACF (National Agricultural Cooperative Federation). In 1964, the population of the Republic of Korea totalled over 27 millions.

Total Korean exports in 1965 were worth US dollars 170 million, of which primary products accounted for 68 million dollars. Though the actual volume of primary products exported has increased, the percentage share accounted for by these products is going down, in consequence of the progress in industrialisation and export of manufactured goods; the latter now represents 60% of total exports. The trend has been illustrated by European cooperatives' recent examination of the possibilities of buying certain commodities from Korea, e.g. knitwear (details at the end of this section of the report; see also Appendix No. 4.)

Relations with Japan are of great importance; whilst there has been a recent "normalisation" of these relations at the political level (though not without some dissenting and critical voices being heard), there still persist some differences at the trading level. The Korean view seems to be that Japan is being unnecessarily careful regarding the degree to which e.g. imports of Korean fish and marine products, minerals and livestock into Japan are restricted, though there is appreciation of the Japanese motive of trying to protect domestic interest. A fresh

round of negotiations on trade issues between the two countries took place in April, 1966, but apparently without leading to any major policy changes. Although the position has improved, Korea still suffers from an adverse trade balance with Japan, buying about  $2\frac{1}{2}$  times as much from there as is sold by Korea to Japan.

#### Cooperative Background

There are so far no consumers' cooperatives in Korea. The National Agricultural Cooperative Federation plays an important part in the country's economy, it is estimated that its total sales equal 10% of the Country's Gross National Product, and that NACF do 25% of the entire commercial banking business in Korea. In the domestic field, NACF looms very large in some important trades, including rice, raw silk, fertilisers, etc., in fact so large that private traders seem to fear being swamped by NACF in foreign trade, if the latter should become established in that field.

NACF is, however, under close government supervision and the government agencies most directly concerned with foreign trade policy seem to favour a point of view also upheld by leading spokesmen of the private trade, to the effect that NACF should concentrate on the domestic things it can do best, such as organising improved agricultural production and marketing, raising productivity and yields, etc. and at the same time procure exportable and competitive supplies which the established export firms can then dispose of in world markets, a sort of division of domestic and foreign activities, with the apparent consequence that NACF is instrumental in procuring the supplies (of raw silk, rice, and cattle) for export trading without participating directly in the (financial) rewards from exporting (holders of export licences also enjoy a certain freedom with regard to importing).

### General Restrictions on Foreign Trade in Korea

There is a complete ban on trade with Communist countries.

Imports of luxury goods are not allowed, and goods competing with domestic production are also not eligible for importing.

The government has the monopoly of fertilizer imports.

Export policy is governed by the availability of surpluses after domestic requirements are met; these are flexible controls, applicable e.g. in the light of harvest results and of other similar factors.

Though most foreign trade is now liberalised, quotas still operate for certain imports and exports. These quota allocations have to be secured by traders who wish to participate in the business.

The foreign traders of Korea require licences which are renewable and dependant on certain minimum performance in exports, and on a certain minimum of available letters of credit for imports.

### Restrictions imposed Abroad

Japan restricts the import of primary products from Korea, e.g. fish and marine products, edible seaweed, livestock and minerals, to protect its own domestic interests.

Some restrictions have been imposed by the UK and USA on imports of cotton yarn, grey cloth and cotton textiles from certain countries, including Korea, yet Korean exports to these two markets are nevertheless said to be growing.

Korea's foreign trade is also handicapped by the country not being a member of GATT, and therefore having to face higher tariffs than competitors who are GATT members have to face in member countries. Korea could raise its own tariffs as a non-member of GATT but this would not only be contrary to the trade liberalisation policy to which the government

are committed, but would only increase the problems to be faced once GATT membership is obtained; "in principle" the Korean Government have decided to seek such as membership . (These considerations do not apply with equal force Korea has a bilateral trade agreement with another country).

Ministry of Commerce and Industry, Export Promotion Section Seoul.

(This is the government department with principle influence on foreign trade policy and conduct).

The registration of organisations for foreign trade authorisation depends upon evidence of business probability, or rather certainty, in the shape of an available fixed minimum sum (by way of letters of credit) for importing; the renewal and maintenance of export licences depends upon the submission of documentary proof of actual exports performed, worth not less than US\$ 100,000 per annum (this figure is adjustable, from year to year, by government decision).

The National Agricultural Cooperative Federation (NACF) is nominally eligible for foreign trade and can take the necessary steps, but the government reserves the right to "regulate" the foreign trade of NACF. (It is understood that NACF was stopped from submitting a tender for selling apples valued at US\$ 300,000 to Taiwan, even though its tender was lower than that of other bidders. Another attempt, to sell eggs to Taiwan, was in a similar way unsuccessful).

The Ministry is of the opinion that NACF has more than enough to do at home and should concentrate on production of large volume of goods of right quality, also for export markets, making use of the market intelligence channelled by the Ministry of Commerce and Industry to the NACF through the Ministry of Agriculture and Forestry. The Ministry feels that NACF should leave the foreign trade to export merchants in the

field, and do domestic marketing only.

Fertilizers are imported only by the government agency ("OSROK") but are all handed over to NACF for domestic distribution. Their agricultural requirements are imported by private traders.

Ministry of Agriculture & Forestry. Bureau of Agricultural Administration Seoul.

(This is the government department with jurisdiction over NACF).

NACF is the only official domestic rice trader, and also collects the total raw silk production, which is passed on to spinners, who then export the finished products. (Exports of silk products accounted for US\$ 8 million during 1965, and are expected to total US\$ 12 million in 1966).

NACF is also the only supplier of livestock to the livestock exporters' association, yet in none of these trades is NACF permitted to export direct.

Consequently, NACF has been operating in the field of exports only on a limited scale up to now. Its attempts to secure business in apples and eggs to Taiwan were not successful. The government sees the role of NACF as that of the procurer of exportable crops, and not as an exporter, the latter function to be entrusted to established export traders. Private traders are said to fear that once NACF got into the export business, it would undersell the private trade abroad (my comment : the latter thus by implication selling at inflated prices), and then the country might export a greater volume without earning a greater amount of foreign exchange. It was suggested that NACF should do "pioneering" in exports which individual traders do not or cannot do.

(My comment : -I was given to understand that there is in existence an official prices checking system in respect of export deals; the private trade fear of being undercut by cooperative competition on foreign markets

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seems to imply that private traders are presently enjoying substantial profit margins there).

#### Cooperative Foreign Trade Problems

The lack of experience in the conduct of foreign trade is a handicap to cooperatives in the field of foreign trade. If NACF (and its members) expand in foreign trade, concessions now enjoyed, e.g. tax exemption and investment of government money in cooperatives, might have to be revised, according to the Director of the Ministry's Bureau of Agriculture Administration.

National Agricultural Cooperative Federation NACF) Seoul.

#### Restrictions on foreign trade of NACF

NACF has been restricted to importing goods which are meant for the actual use of its members - affiliated membership of NACF is 2 $\frac{1}{4}$  millions.

Rice exports have been conducted on a government-to-government basis in most cases. Export of rice on a basis other than the government-to-government basis, i.e. through the Rice Exporters' Association, is very restricted, and this requires a government permit in accordance with the Food Management Act. If such a permit is obtained the Rice Exporters' Association is formed by various members on a temporary basis and remains in operation only for a single transaction. (The Government of Korea has a contract with the Government of Japan for the supply of 30,000 metric tons of rice to Japan.)

Silk products are exportable only by private traders' export association, although NACF is the monopoly collector of cocoons in the country.

However NACF imports also other goods acting as agent at the request of the Government or any other organisation connected with agriculture.

Fertilizer importing is handled exclusively by the special government agency "OSROK", but NACF does the subsequent distribution in Korea.



Past and current performance in foreign trade

Since 1961, NACF has been conducting foreign trade on behalf of its members. It imports farmers' requisites, and exports some agricultural products and rural handicrafts. NACF has an agreement with the Korean Livestock Exporters' Association that it should be the sole supplier of cattle to the Association for export purposes.

The following table shows the import and export achievements of NACF during the years 1963, 1964, and 1965, plus some figures covering the first quarter of 1966

Commodities	Direct Imports by NACF		(figures in US Dollars)			
	1963		1964		1965	
	Value	Origin	Value	Origin	Value	Origin
<u>Agricultural</u>						
<u>Chemicals</u>						
Copper Sulphate	110,679	USA				
Sulphate	21,300	"				
Malathion	209,999	"	100,304	USA	52,571	USA
D.D.T.	49,923	"	24,000	"	9,097	"
Aker-338	10,910	Japan	41,140	"	60,759	Japan
MH-30	441	"	608	Japan		
Parathion	71,760	Denmark	47,064	Denmark		
Tomatoton			2,519	Japan		
Fussol			53,482	"	128,064	Japan
Fermate			26,208	USA		
Parzate			22,513	"		
Sevin			18,825	"		
Diazinon					233,506	Japan
Orthotran					13,059	"
Phenkapton					46,440	"
<u>Feed Grains</u>						
Yellow corn grain sorghum			321,500	USA		

contd.....

Direct Imports of NACF (contd) (figures in US Dollars)

Commodities	1963		1964		1965	
	Value	Origin	Value	Origin	Value	Origin
<u>Foodstuffs</u>						
Rice *	6,375,167	Taiwan				
Soyabeans			840,000	USA		
<u>Farm Machinery</u>						
Duster sprayer	20,826	Japan				
Compressors for Refrigeration					5,472	Japan
<u>Cattle</u>						
Milck cows	377,567	USA			317,852	USA
<u>Vegetable Seeds</u>	1,531	Japan	954	Japan	605	Japan
Acacia Seeds	75,546	Japan				

\* - NACF acted as agents of the government.

Imports in first quarter of 1966 were as follows :

(figures in US Dollars)

Commodities	Value	Origin
Agricultural Chemicals and Fungicides	14,500	USA
Agricultural Chemicals	55,600	Japan
Emulsifiers	5,700	Japan
Surface-active Agent "XYLOL"	3,400	Japan
Vegetable Seeds	2,900	Japan

Direct Exports from NACF

(figures in US Dollars)

Commodities	1965		1st quarter of 1966	
	Value	Buyer	Value	Buyer
Red Beans	9,170	INICOOPJAPAN**		
Walnuts			12,500	UNICOOPJAPAN
Rural Handicrafts			5,820	Private Trade in Japan
Dried Mushrooms			400	Private Trade in USA

\*\* - Further Red Beans exports to Japan are expected.

### Attempted Exports

In addition to export business actually done, the NACF has been attempting to export direct farm produce and rural handicrafts, as detailed below :

<u>Commodity</u>	<u>Intended Destination</u>
Apples, Pears and Peaches fresh and canned	Taiwan, Philippines and Singapore
Rabbit meat, frozen	Japan
Livestock (pigs and cows)	Japan, Taiwan
Peanuts, Red Beans	Japan, USA
Dried Mushrooms	USA
Rural Handicrafts	USA, West Germany
Buckwheat	Japan
Dent Corn seeds	Japan
CARE food packages	CARE in Korea
Rush	Japan
Salted vegetables	Japan
Dried Radish	Japan

It was found, however, that the higher domestic price level is one of the factors restricting these export efforts in some instances.

### Foreign Trade Barriers and Problems

In line with government practice, NACF invites tenders for projected purchases through the Press. These are made known virtually only in the country, so that foreign firms and organisations do not get to know of such trade opportunities, unless they have a representative in Korea or examine Korean papers.

Administrative restrictions have been imposed by the Ministry of Commerce and Industry on the foreign trade of NACF, although NACF can nominally conduct foreign trade without the registration and licence requirements imposed on other foreign traders of Korea. The Ministry is opposed to cooperatives branching out into foreign trade; it fears that NACF may come to monopolise foreign trade in farm produce. (The annual turnover of NACF equals 10% of the GNP of Korea; the Ministry appear to be taking into account private trade interests - my comment).

Regarding possible imports of agricultural chemicals from Japanese cooperatives, NACF is, due to patent ownership rights, tied to established sources of supplies, some of which do originate in Japan and others in the USA (for details see table of imports). Though NACF together with its nationwide network is the largest rice dealer in Korea, the export of rice is actually conducted on a government-to-government basis which means that the Korean Government itself has contracts and exports through its nominated agents or the Rice Exporters' Association. Therefore, the NACF could also be appointed as a rice export agent.

As the NACF has forty different divisions under twelve departments, one of which is the Foreign Trade Division under the Marketing Department, the complexities of the structure in NACF can at times make direct and rapid decision-making and prompt action which are essential in the conduct of foreign trade, more difficult.

The lack of adequate long-range farm production planning creates some problems when NACF try to collect suitable produce at the right time for the best exporting seasons and occasions.

#### Prospects and Plans for foreign Trade

Livestock : In 1966, NACF plan to import another 500 head of dairy cattle, as they have done in the past; they hope to buy in the USA or Canada, availability of dollars being no problem. NACF also still hope to undertake the export of live cattle direct, and believe there would be an opening for supplying to UNICOOPJAPAN.

Other Commodities : NACF hope to expand those foreign trade activities in which they are engaged, and to watch for opportunities where at present they are not yet able to engage in business abroad.

#### Trading Company

NACF is considering a plan to form a separate foreign trading subsidiary in the shape of a company which, it is thought, would have the commercial freedom enjoyed by other Korean (private) foreign traders.

Though the Ministry of Agriculture and Forestry is said to favour the proposal for setting up such a company, NACF will face competition from the private trade. With the setting up of such a company, NACF could perhaps widen the range of goods handled in the foreign trade beyond the presently imposed limitations to the directly needed farm requisites of its members.

The present cooperative law prevents any investment in business ventures with a view to profit-making; the problem to be overcome is that profits do of course go back to members, and there are objections to NACF making profits, and passing these on to its members in respect of any business not of immediate concern to those members.

#### NACF representation abroad

Although no details were made available, it was stated that NACF plan to establish several representatives or agencies in foreign countries in 1966 for the promotion of foreign trade.

#### Trade with foreign cooperatives

In addition to the aforementioned trade possibilities with Japanese cooperatives (livestock, and perhaps agricultural chemicals), NACF have undertaken to supply, as an experiment, 18 tons of yellow corn to the HOKKAIDO agricultural cooperative in Northern Japan; if this should prove satisfactory, it is hoped to arrange further long-term supply contracts, a trend which would enable NACF to encourage farm production planning in Korea, which in turn might put them in a more competitive position as regards assured continuing supplies of good quality farm produce for exporting.

#### Suggestions for action by ICA

The ICA could play an important role in the exchange of business information between cooperative organisations engaged in foreign trade; the

ICA should establish in its present organisation an information centre for the benefit of member cooperatives in South-East Asia.

Mr. Wallace J. Maddock, US Advisor Attached to NACF, Seoul.

According to the Ministry of Commerce and Industry, NACF should concern itself with farming and improving agricultural yields and productivity. It should not conduct foreign trade, but leave that field to specialised traders engaged in such trade. Thus NACF is excluded from any financial benefits from foreign trade, while it is active in procuring those supplies, e.g. livestock, rice and silk, where exports are conducted by associations of firms which depend upon supplies procured by NACF. These firms do a profitable export business. Indeed, by virtue of the responsibility for procuring supplies, NACF, is in a way, partly financing an export business from which it does not draw any direct profits.

NACF has improved its position during the last three years, both in organisation and management.

#### Fertilizer Imports

The Government of Korea has the monopoly in the field of fertilizer imports which are procured through its agency OSROK with finances from NACF. At present, 80% of the total domestic consumption are met from imports, but this figure will decrease as home production increases. NACF is the sole fertilizer distributor for imported and domestic products. (Principal fertilizer imports into Korea are nitrogen, phosphate and potash. For nitrogen, domestic supplies may prove adequate by 1968; the biggest part of imports come from Japan and USA).

#### Handicrafts and cottage industry products.

NACF has been promoting handicrafts and cottage industry products and some exports have been effected to Japan and Taiwan.

### Agricultural Products

NACF acts as the sole supplier of some Korean agricultural products, e.g. eggs, to US and UN staff in the country though it has to face competition from other supplying countries.

### Raw Silk

Raw silk supplies are gathered only by NACF and are passed on to private spinners who, after processing, export (mainly to Japan) through their exporters' association.

### Foreign trade possibilities of NACF

Mr. MADDOACK thought NACF would be competent to handle fertilizer and pesticide imports, and a promising handicrafts exporter. In the field of silk exports, however, NACF might be lacking in experience.

### Barriers to foreign trade development

Based on his experience in Korea, Taiwan, Japan and Thailand, Mr. Maddock said no basic objections, restrictions or impediments due to anti-cooperative beliefs or attitudes were getting in the way of international cooperative trade development, as far as the governments of the region were concerned. (Mr. Maddock attended the Tokyo conference in 1964, and was concerned with the preliminary discussions which paved the way for the agreement now operating between the agricultural cooperatives of Thailand and Japan - see appendix No. 2.).

### Central Federation of Fisheries Cooperatives. (CFFC). Seoul.

The Federation was established in 1962 and has not yet been engaged in any foreign trade. Fresh fish exports from Korea are not handled by the Federation, but some of its members sell direct for exports. It is estimated that half of the fresh fish exports are done direct by producers, and the other half by traders in the fish business.

The Federation collects and markets by auction to private merchants no fish at all, but laver and agar-agar (Edible seaweeds) only, and some of these supplies are then exported (mostly to Japan) by private firms.

In the import field, all business in fishery requirements is done by private traders, mainly boats and nylon yarn for net-making. The Federation negotiates and buys boats and nets on behalf of its members, and then distributes these to them.

The Federation is considering to get itself registered as a foreign trader, for which a licence is required. The Federation sees no problems in demonstrating that a sufficient volume of exports would materialise. Contact with the Fisheries cooperatives in Japan was to be established in Seoul in April, 1966, during the ICA/NACF seminar there, the Japanese cooperatives having expressed an interest in such contacts for an exploration of trading possibilities.

#### Small and Medium Industries Cooperatives' Federation Seoul

The existence of this body was ascertained at the end of the Korean visit and no contact was established. It is understood that it is a recently created organisation and not doing any foreign trade yet, though there were thought to be import possibilities regarding raw materials now bought from established suppliers in Korea, e.g. footwear components, bristles for brushes, etc.

#### Korea Traders' Association, Seoul

All foreign traders need a government licence (renewable every year) to conduct foreign trade, and they must also join the Korea Traders' Association. For the initial registration as an exporter and the grant of a licence, evidence regarding substantial export prospects has to be submitted. Renewal of the licence depends on a minimum export business.



having been done in the previous year. The minimum figure for 1965 was US\$ 50,000, but for 1966 it was doubled to US\$ 100,000. Holders of export licences are entitled to import without restriction, other than those restrictions which are generally applicable to foreign trade (listed elsewhere in this section of the report).

Normal import licences (i.e. other than those earned by exporters) depend on the availability of a certain minimum value of letters of credit.

Most of Korea's foreign trade (80-85%) is liberalised, and the trend is towards greater liberalisation, but quotas still apply to imports and exports of certain goods. 60% of Korean exports are now accounted for by manufacturers. Though the actual volume of exports of primary products has been increasing, their percentage share of the total export volume has declined.

#### My Comment

The view of the Association is that cooperatives should leave foreign trade in farm commodities to established traders, and do the job of growing and collecting farm produce required for those exports. The Association seem to fear that any large-scale entry of NACF into foreign trade might result in that organisation securing a dominating position - in a way a tribute to the vigorous growth of NACF in recent years on the internal market. NACF's successes have been achieved with considerable government assistance, e.g. investment of public funds, tax exemption concessions, and some internal monopoly trading rights. As far as NACF's foreign trade hopes and prospects are concerned, they face the difficulty of strong opposing interests to overcome. While the Ministry of Agriculture and Forestry seems to lend a more sympathetic ear to the plans and proposals of NACF, the Ministry of Commerce and Industry appears to be very much swayed by private trade opposition to NACF.

## Joint European Cooperative Purchasing Mission

Four knitwear articles had been decided on at the European Cooperative Exports' Meeting (in Stockholm in January, 1966) which considered these articles likely to be of interest for prospective purchases :

- Classic long sleeved, round neck, 12 gge, 100% acrylic
- Classic short sleeved, round neck, 12 gge, 100% acrylic
- Classic Lumbar jacket, 12 gge, 100% acrylic
- Classic long sleeved Polo jumper, 12 gge, 100% acrylic.

The first joint buying mission visited Korea between February 24 and March 5 1966. Orders were placed for VSK, GEG, and KF. The contracts were placed with two manufactures : Hankuk Wool Textile Co. Ltd. and Samsung Moolsan Co. Ltd., Seoul.

The quantities bought were : for VSK 95,860 pieces, for GEG 48,000 pieces, and for KF 315,000 pieces.

Value of total purchases : US\$ 570,000.

The wholesale societies participating were :

- VSK, Switzerland
- GEG, West Germany
- KF, Sweden

KF, Sweden, had made some purchases of knitwear in Korea in the preceding two years as well.

The contract for the supply of 48,000 pieces of knitwear orders placed with the two manufacturers on behalf of GEG, West Germany, could not be fulfilled, because the latter had difficulties in obtaining import licences on account of the German Government's policy of protection for its domestic textile industry.

Another buying delegation interested in ladies' knitwear travelled to Hong Kong and Korea in July, 1966 on behalf of several European cooperative wholesale societies



Name and address of the organisation/department

MALAYSIA

Cooperative Union of Malaya Ltd.,  
8, Holland Road, P.O. Box 685,  
Kuala Lumpur.

Division of Cooperative Development,  
Ministry of Agriculture & Cooperatives,  
Swettenham Road,  
Kuala Lumpur.

Malayan Cooperative Wholesale Society Ltd.,  
27-A Pudu Road,  
Kuala Lumpur.

Federation of Cooperative Housing Societies,  
No. 8 Jalan Belanda, P.O. Box 499,  
Kuala Lumpur.

Malayan Cooperative Insurance Society Ltd., \*\*  
36, Ampang Road, P.O. Box 817,  
Kuala Lumpur.



## MALAYSIA

### General Background

The Federation of Malaysia has been subject to some stresses and strains during its recent history. Apart from the political tension caused by the long drawn out "confrontation" by Indonesia, the lack of normal relations with that country, its vast markets and huge resources of some raw materials, also had its inevitable effects on the economic front. Then there was the shock of the sudden severance of ties with Singapore. the economic consequences of which are not yet fully felt, travel and customs controls and tariffs being raised between Malaysia and Singapore, and the changed situation has brought about a closer alignment of the trade and transit regulations between the various states of the Federation, which had previously not been uniform, e.g. the manner of import (licensing) control.

The economy of the Federation thus had to come to terms with recent external changes, and these changes are not yet at an end, since the now expected normalisation of relations with Indonesia will require another readjustment.

According to FAO, agriculture is the main source of livelihood for about 60% of the population of Malaysia which totals 10 million and is growing at a rate of 3.9% per annum.

The general internal economic situation with particular implications for the cooperatives is characterised by the strength of well-entrenched private traders, both at the wholesale and retail level, who cannot easily be ignored or by-passed. They tend to dominate key positions in the larger centres of commerce and business. some of which are of paramount importance for all the surrounding areas, since communications (and particularly goods transport over long distances) are something of a

problem and a factor effecting costs.

A newly created Federal Agricultural Marketing Authority (FAMA) is to play an important, but not yet quite clearly defined, role in the economy of the Federation. This authority is a statutory body.

Recent industrial developments include the opening , by a Dutch dairy cooperative, of a milk reconstitution plant ( milk from a milk powder), and a feasibility study by FAO as to the potential of manufacturing jams and other fruit preserves in Malaysia.

#### Restrictions on Foreign Trade

There is a ban on imports of medicines, and also a complete ban on trade with all Communist countries in either direction. Import licensing controls are in operation for a number of items, otherwise goods may be imported under Open General Licence. Tariffs are now being substituted for import quotas, and import controls have been introduced between Singapore and Malaysia; both have full and preferential tariffs rates and they grant each other the latter rate.

#### Main Imports into Malaysia

The principal goods imported into Malaysia are : Textiles, consumer goods, e.g. salt, tea, tobacco, onions, fish, coffee, a few semi-luxury goods (e.g. chocolate), mainly from UK, Scandinavia, Holland, India, Japan and the USA; agricultural machinery, fisheries equipment and fertilizers, mainly from Europe, UK and Japan.

Malaysia imports rice from Burma and Thailand.

Division of Cooperative Development, Marketing Department, Ministry of Agriculture and Cooperatives, Kuala Lumpur

#### Cooperative Performance in Foreign Trade

Foreign trade by the cooperatives is practically nil up to now. Imported goods needed by any cooperatives are bought through established commercial houses in Malaysia, which have the advantage of long-standing



contacts with foreign firms. No direct exporting is done at present by Malaysian cooperatives.

#### Cooperative Production Activities in main (Export) Commodities

Some years ago, cooperatives tried to sell coconut to the UK for the manufacture of chocolate, but incurred some losses (due to shipments not being made in a suitable form) and the business came to an end.

Rubber : Cooperatives produce rubber only in latex form but cooperative processing is to be developed in the future.

Tin : No cooperatives are engaged in this field.

Copra : Cooperatives act as driers and then sell to oil mills within Malaysia. There are plans for cooperative marketing (see also Malaysian Cooperative Insurance Society venture described below).

Paddy (Rice) : Sold to private dealers as well as cooperatives for processing; in any case there is not enough for exports, and Malaysia has to import rice. There are plans for developing cooperative rice milling activities.

Pineapple : A cooperative cannery has been in production for the last few years, with all the supplies going to Malaysian wholesalers. The export of pineapples is handled by the Pineapple Marketing Board, which buys, handles and sells, both at home and abroad.

Fish : Cooperatives are engaged in internal trade only, as there is a ready home market, and the total catch is not large enough for exports to be considered.

Bananas : Research has been conducted by the Ministry into types wanted in Japan, but no positive results have been achieved so far. (It is understood that the Philippines export bananas to Japan). Another problem is the lack of suitable refrigerated shipping space for transportation. There is no cooperative involvement in this trade, however.

Fertilizers : A cooperative plan for the production of urea was not supported by the Federal Government, which instead granted facilities to ICI Ltd., who now have a virtual monopoly in this field and supply to cooperatives as well.

Tea : There is no cooperative tea production.

Tobacco : There is no cooperative tobacco production, and no tobacco is available for export, Malaysia being a tobacco importing country.

#### Barriers to Foreign Trade Development by Cooperatives

The cooperatives lack the required business expertise, and capital for imports, particularly for the rice trade. Cooperatives have not been allocated as much funds as would have been desirable. The Ministry's Cooperative Development Division is also hesitant about any risky expenditure, where it is clear that efficient management is not available to undertake the enterprise. In this respect the Ministry is taking steps to improve the quality of the management in existing cooperatives in order that they could undertake the management of the more complex cooperative enterprises in the future.

#### Prospects and Plans for Foreign Trade

As the Government-created Federation of Malaysia Agricultural Marketing Authority (FAMA) is just beginning to operate, and the Authority's exact role is not yet certain, cooperatives are awaiting developments before considering whether they could venture into foreign trading, either direct or via FAMA.

The Malaysian Cooperatives are said to be very interested in the import of jute bags, and also in the export of pepper from SARAWAK. (an enquiry from UNICOOPJAPAN asking about pepper supplies had not resulted in an business by April, 1966)

The Division's Marketing Officer thought that any cooperative foreign trade should be conducted at least direct with these private firms which have their own links and contacts abroad, and not (as is the case at present) through additional intermediaries in Malaysia, whose primary aim is to make a profit for themselves.

Malaysian Cooperative Insurance Society Ltd., (MCIS), Kuala Lumpur

In view of the large-scale changeover in Malaysia from rubber plantations to more profitable palm oil production, the Malaysian Cooperative Insurance Society has acquired access to some land (15,000 acres) for palm oil production development; palm oil is used in the manufacture of soap and margarine, and for processing tinplate.

This may become a matter of long-term interest to other (foreign) cooperatives, possibly with regard to the processing development project, once it gets under way, or as industrial buyers of the palm oil output, but this matter will not be topical for some time yet, I was told. The first 5,000 acres of the estate have been cleared, and planting of seedlings will begin in October, 1966.

Senior Assistant Commissioner For Cooperative Development, Division of Cooperative Development, Ministry of Agriculture & Cooperatives, Kuala Lumpur

The Senior Assistant Commissioner referred to the import needs of Malaysia in respect of certain consumer goods and said these may be met through consumer cooperatives if they become strong and big enough to conduct foreign trade. He also emphasised the need for the import of agricultural and rice-milling machinery and fertilizers.

Export possibilities for the Movement could be in the field of pineapples, as the cooperative cannery could possibly market the product itself, if it had a market. (My comment : The Cooperative Wholesale Society Ltd., have, in the past, imported canned fruit from Malaysia into the UK. Facts and figures relating to (malaysian) pineapple supplies to the

cooperatives in W. Europe appear in Appendix No 4.)

There is no foreign cooperative trade likely in the field of rubber. Desiccated coconut is another commodity available for export.

#### My Comment

As regards the cooperative pineapple cannery, it was stated elsewhere that this is a venture financed a few years ago by a Federal Government investment of some £stg. 5000,000 to take up the crops from 15,000 growers, all the canned pineapple being marketed through the Government-controlled Pineapple Marketing Board. In relation to rubber, it should be mentioned that KF, Sweden, are substantial importers from Malaysia for their rubber footwear and tyre factory.

#### Malayan Cooperative Wholesale Society Ltd., (MCWS), Kuala Lumpur

The MCWS has a history of several crises, and complete reorganisation, behind it, there are some Government funds invested in the MCWS.

#### Limited Trading Scope

The Society deals only in a limited range of consumer goods and buys virtually only for its own 33 retail outlets, of which 13 are maintained from Government funds, the other being financed by the Society. The MCWS has been engaged in retailing only since 1963. Its retail outlets are given a monopoly position on the new settlements developed by the Government under the Federal Land Development Schemes (FLD). In theory, it retains this responsibility for the shops only until such time as, in various areas, local cooperatives are formed to run the shops, but this has not happened anywhere so far. The monopoly position is ensured by the government not allowing other private retailers to operate in the FLD settlements, though there is freedom to establish shops outside these areas. The MCWS retail trade is confined to such consumer goods as rice, sugar, salt, chillies, dried fish, tinned milk,

soap, cigarettes, the MCWS being restricted by agreement with the Government to trading in these essential items only.

Largely on account of unpaid debts of certain local consumer societies (totalling about £stg. 50,000), the MCWS is not only not dealing with such societies, but in fact competing with them. It does deal with only such societies as have proved their ability and willingness to pay promptly for supplies. The Government is exercising controls to prevent any repetition of past errors and also excessive indebtedness of consumers. (People in the FLD settlements are employed by the Government and thus assured of a regular income which enables them to pay for purchases made). The Society's monopoly in retailing in the FLD settlements is said to help relax the grip of (Chinese) merchants on retail trading.

The MCWS is theoretically free to buy or import from anywhere, but its shortage of funds makes its present policy necessarily one of procuring all supplies from local wholesalers. The Society buys local supplies of rice, toothpaste, soap, tea and coffee; supplies of salt come from imports, and sugar partly from imports. (My comment: Some of the inherent foreign trade possibilities have been referred by the Regional Office to potential cooperative suppliers).

Total Value of MCWS Trade.

Following is the record of net sales of the MCWS (Figures in £stg.):

1962	174,000
1963	200,000
1964	415,000

Barriers to Expansion of Trade and to Importing

The MCWS faces a shortage of credit for financing direct imports, though such imports would be desirable, they might become possible, if the

Society's position were to improve.

The MCWS investigated buying canned sardines direct from Japan, but found it cheaper to buy them from Malaysian wholesalers. (A question of the volume of trade involved - my comment).

The Society has only one depot in Kuala Lumpur, which is too far distant from many other towns where supplies are needed by local societies. These societies therefore buy from private wholesalers, as indeed does the MCWS itself.

The MCWS is limited, by agreement with the Government, to trading in certain basic commodities only. This restriction is apparently unlikely to be modified in the foreseeable future, but the MCWS was not complaining about this restriction.

#### Other Problems

The Shareholders of the MCWS are the local societies with whom the Society hardly conducts any business at present. The capital investments by societies in the MCWS are not large enough to give them a real interest in its affairs, though the Directors of the MCWS are elected by the member societies.

#### Prospects for Foreign Trade

There are no export possibilities as, far as the Society is concerned. If the situation were to improve sufficiently to enable the MCWS to think of importing direct, goods of possible interest would include : Canned fish, potatoes, coriander, onions, chillies, sugar and salt. Imports would, in any case, be confined to consumer goods, to the exclusion of agricultural requisites. If the society's monopoly position in its areas of retailing operations were to be assured of continuation, it might consider the import of goods to meet the requirements of its own shops. Prospects of supplying to local societies

are dim, unless the MCWS can be assured of prompt payment for the goods, which has not been the case in the past.

#### My Comment

The observation that the Government had not made money available for cooperative development as liberally as for other projects which it finances was repeated by a number of contacts; as to the MCWS, it is affected by a shortage of funds and by the limitation on its activities which has clearly been imposed because of its fluctuating history. The MCWS is, in fact, not acting as a wholesaler for the majority of consumer's societies; in view of the shortage of funds, the physical problem of supplying goods from Kuala Lumpur to far distant towns and villages, and the strong position of private wholesalers in the major centres, the situation is not likely to change substantially. There is, therefore, little prospect of any early entry into foreign trade by the MCWS, unless very tempting offers can be put before them. This in turn seems improbable in view of their limited scope of operation and of the volume of goods they could absorb.

Consideration has been given to bidding for the trade in cooperative products from Western Australia which are now on sale in Malaysia, but - in the words of a recent report by the Regional Officer - "there is no strong cooperative organisation in Malaysia which could undertake the task efficiently".

#### Comments by the 1965 President of the Cooperative Union of Malaya

The Malayan CWS is not yet well developed, and it has no productions of its own at all. It cannot even buy direct from producers, but has to go through well-entrenched middlemen, which makes things more expensive and complicated. Cooperative retailing in Malaysia has not so far

employed modern methods of salesmanship and is lagging behind private traders who make much use of advertising, gifts, etc. One major problem is the strong foothold of the Chinese merchants in the field of retailing.

He wondered whether, in the case of a few selected and important foodstuffs, the cooperatives could break the hold of established private importers on these commodities by importing direct e.g. from India, and preferably from cooperative sources. He thought the Malaysian Government might permit such imports, provided it could be demonstrated that they were designed merely to satisfy cooperative needs, and not to encroach upon private trade interests.



Name and Address of the organisation/department

NEPAL

The Registrar of Cooperative Societies,  
His Majesty's Government,  
Ministry of Land Reform, Agriculture & Food,  
Cooperative Department,  
Singa Durbar,  
Kathmandu.

The Secretary,  
Cooperative Department,  
His Majesty's Government,  
Ministry of Land Reform, Agriculture & Food,  
Singha Durbar,  
Kathmandu.

National Trading Ltd.,  
Lal Durbar,  
Kathmandu,

Sajha Ltd.,  
Shree Durbar, Patan,  
Kathmandu.

Sajha Cooperative Store,  
Dill Bazar,  
Kathmandu.

Cooperative Bank of Nepal,  
Nepal Bank Building,  
Juddha Road,  
Kathmandu.

Messrs. Ralph B. Johnson and Russell B. Gregg,  
American Advisors to the Cooperative Department,  
U.S.A.I.D.,  
Rabi Bhavan Kalimati,  
Kathmandu.



## NEPAL

### General Background

As a country which is not only completely land-locked, but to an overwhelming extent consists of high mountain areas and lacks adequate internal means of communication, Nepal faces great difficulties as regard the physical movement of goods into and out of the country; even within its own borders, goods transport is a major problem, and consequently an item which adds substantially to the cost of goods. I was informed that, in respect of imports reaching Nepal via the free port facilities enjoyed at Calcutta, at least 60% has to be added to prices CIF Calcutta to arrive at a price basis within Nepal.

Air freighting of goods involved in foreign trade is clearly expensive and, in any case, severely limits the range of goods which can be handled in that fashion. In view of Nepal's geographical position and its close ties with, and easier accessibility to and from India, the overwhelming part of its foreign trade - something like 95% - has hitherto been with India, or at least through India. For a number of reasons, the Government of Nepal is now attempting to diversify the country's foreign trade; a limited-volume of trade with Pakistan has been initiated, but the main shift appears to be towards trade with the USSR and China. Consumer goods from these two sources are said to be displacing dearer commodities which used to come from India. It was also stated that formalities to be observed in respect of foreign trade with those two countries were not now any more complicated than in the case of Indo-Nepalese trade, which has also been affected by some shortages in India.

According to the FAO, 93% of the population of Nepal depend on agriculture for their livelihood. In 1964, the population figure was 10 millions, with an annual growth of 1.7%.

#### Restrictions on Foreign Trade

Basically, licences are needed for both imports and exports, though there is some relaxation of this rule in the case of India, which still accounts for the largest part of Nepal's total foreign trade.

National Trading Ltd., which is the state trading corporation of Nepal, holds the monopoly rights for all foreign trade deals with state trading countries, and also regarding imports of iron, steel and cement from ANY source.

#### Barriers to Growth of (Cooperative Foreign Trade

Nepal lacks experienced foreign trade organisations, particularly in the export field.

There is a shortage of foreign exchange.

There is some reluctance on the part of the Government to entrust risky foreign trade ventures to cooperative organisations, which are not sufficiently experienced to deal with such trade.

#### Organisations, etc., visited in Kathmandu.

Registrar of Cooperative Societies;

Sajha Limited, (Cooperative consumer trading organisation);

Cooperative Bank of Nepal Limited;

National Trading Limited, (state trading organisation);

Messrs. Russell B. Gregg and Ralph B. Johnson, American Advisors to the Cooperative Department.

## Cooperative Foreign Trade Performance to-date

Agricultural Cooperatives (Information largely from the office of the Registrar of Cooperative Societies).

Some of the 14 district cooperatives unions are importing, under licences issued by the Government, direct from India · Salt, sugar, fertilizers, spices, kerosene, tea, coffee. Some of these imports are very small; all come from private or state trade sources. In the case of sugar, imports are decreasing, as home production is growing. Also imported direct by some district unions are insecticides and small agricultural implements.

A cooperative society in Eastern Nepal has been exporting raw jute to India for about the last two years; otherwise no cooperative exports have taken place so far.

### Artisans' Cooperative

Imports of brass and copper from India for manufacture of domestic utensils, mainly for the home market, but which may develop into an exportable commodity, primarily for the Indian market. (Information from the Cooperative Bank.)

### Urban and Consumers' Cooperatives

See information regarding SAJHA (immediately following below).

#### SAJHA Limited, Kathmandu

Sajha is a holding organisation which applies some cooperative principles; it has separate subsidiaries for each of its following activities:

Public transport;

Health Services, and Shops selling drugs and pharmaceuticals:

Consumer Stores

recent ventures.

Printing and publishing

SAJHA has so far not engaged in exports, but only in imports.

SAJHA imports "Mercedes" buses, spare parts for vehicles, diesel oil, motor workshop equipment, medicines, surgical instruments, medical appliances, etc., from India. There have been also some small imports of drugs and medicines from USSR and Pakistan, but no continuous supplies from these two countries.

SAJHA gets its imports of consumer goods, such as textiles (woolen and cotton), cosmetics, toothpaste, soap, shoe polish, through National Trading Limited on advantageous terms and also buys similar goods direct from India and also from USSR and China. It is also importing some printing machinery from India, U.K. as well as Germany. Paper supplies for its newly entered printing and publishing ventures are most likely to come from friendly neighbouring countries, being the cheapest source. SAJHA's only foreign trade with cooperatives were supplies of baby food powder from the "Amul" Dairy in India, but now supplies are not forthcoming, because of Amul's commitments to produce for Indian defence contracts.

SAJHA is interested in securing medical supplies from cooperative sources, possibly from Western Europe. SAJHA is also interested in consumer goods imports from Japan. Previous attempts to trade with Japan were said to have been stopped because of political considerations on the part of Nepal. SAJHA thinks that renewed proposals involving Japanese cooperatives may find more favour with the Nepalese authorities now, in view of the government policy to diversify the country's foreign trade.

#### The Cooperative Bank of Nepal, Kathmandu

The General Manager of the Cooperative Bank outlined the history of the Cooperative Movement and stressed that the primary need of the landless and capital-lacking people had to be met by credit procurement

by the cooperative department; the government took the view that cooperatives were the only proper agency for this rehabilitation. Whilst the Bank has helped to overcome finance problems, the Department of cooperatives organises and runs societies until local leaders become competent to look after the affairs of the societies, and then the department withdraws its resources and re-employs them elsewhere.

After earlier financial policies of the government (vis-a-vis the Cooperative Bank) had been superseded in the light of experience, a coordinated agricultural programme and compulsory savings scheme were introduced and are now showing results, with savings in kind and cash bringing back money to the Bank to the extent of 98% of loans granted, e.g. for purchase of imported seeds and fertilizers, and other imports vital to agriculture being implements and insecticides.

The Cooperative Bank has also financed the import of Indian sugar by a district cooperative union, but this business has not continued, whereas loans to artisans' cooperative which manufactures utensils have been, and continue to be, available for the import of copper and brass. The artisans' cooperative society is said to flourish, and to produce utensils which may be suitable for export (to India); the main problem appears to be to secure sufficient numbers of good artisans to work for the society.

Storage facilities for agricultural produce are said to be still lacking, yet badly needed to develop trade with (North-East) India in agricultural produce and certain fruits.

Credit for consumption purposes is discouraged, but loans are granted for a variety of cooperative enterprises/purposes. 98% of loans are used for production purposes, and only 2% for consumption.

With supervision and technical assistance from the cooperative Department, loans are said to be put to good use, and the repayment rate is approximately 95% to 98%. The priority emphasis for loans is now on (1) storage projects, (2) consumer developments, and (3) agricultural production, in that order.

The General Manager of the Cooperative Bank confirmed that the government were somewhat reluctant, in view of the tight foreign exchange position, to let inexperienced cooperative organisations operate on foreign markets, and he himself counselled caution in such ventures by the movement, suggesting that its first attempts should be in the direction of established fields and areas of foreign trade, i.e. primarily with India, which would also mean that no hard currencies would be risked in the process. Based on any success and experience gained in that way, cooperatives could, at a later stage, look farther afield in their foreign trade endeavours.

National Trading Limited, (NT) Kathmandu

National Trading Limited has been acting, for the last three years, as the central foreign trade and purchasing agency for the Government of Nepal, buying especially from state-trading countries, e.g. USSR and China, and concentrating on goods and materials for development and construction purposes. National Trading Ltd. is not intended to interfere with existing and well-established foreign trade, such as that with India which still accounts, in both directions, for 95% of Nepal's total foreign trade is freely carried on by private traders except in certain quota items which are distributed in Nepal by government and semi-government corporations like NTL.

National Trading Limited has to obtain licences for its foreign trade deals. During the years 1963-65, it imported iron, steel, cement, from the USSR and China; previously, some of these supplies used to come exclusively from India. Imports by National Trading Ltd. doubled from



Rs. 20 million to Rs.40 million within one year. National Trading Ltd. holds monopoly rights for the import of the above-mentioned three commodities. It also imports consumer goods, e g. cotton and wollen textiles, cosmetics, toothpaste, soap, shoe polish from state-trading countries.

The governmental climate of opinion is said to favour cooperatives, and National Trading Ltd. would welcome cooperative foreign trade activity and would help to eliminate some profit-making middlemen. National Trading has been able to help cooperatives; the SAJHA Bhandar, one of the subsidiaries of the SAJHA cooperative organisation is one of the stockist dealers of National Trading and imported goods can be obtained by cooperatives from NT for internal distribution on concessionary terms which are more favourable than those available to private traders from whom National Trading Ltd. requires deposits, to enable NT to enforce a financial penalty in case of any abuses or misdemeanours, etc.; these requirements are waived (partly or wholly) for cooperatives.

#### Cooperatives Foreign Trade Prospects

##### Import Poential

Seeds and chemical fertilizers.

Agricultural implements

Insecticides.

Tea and Coffee

Brass and copper for production of utensils

Consumer goods, e.g. clothing, soap, spices, salt toothpaste, toiletries, shoe polish.

Raw materials for small scale industries.

Drugs and medicines.

Fertilizer imports may well decrease, however, once plans to build a fertilizer factory in Nepal materialise. A similar downward trend has already been observed in the import of sugar.

The Ministry of Land Reform, food and Agriculture was recently instrumental in setting up a new body, Nepal Supply Corporation, which is interested in the import of seeds and fertilizers, perhaps spices, etc., whilst the Cooperative Department (attached to the same Ministry) would consider the import of tea and coffee. The Nepal Supply Corporation can be contacted c/o the Cooperative Department in the Ministry.

#### Export Potential

Jute and jute manufactures.

Brass and copper utensils.

Handicrafts.

Cottage industry products.

Rice.

Linseed, mustard seed, potato seeds.

Virginia tobacco.

Medicinal herbs.

Matches.

Fresh fruit, including citrus and pineapples.

#### An Assessment of the Prospects

The American Advisors to the Department for Cooperatives put forward two main prerequisites for any really well-organised foreign cooperative trade of Nepal. First the creation of a National Cooperative Federation, big and strong enough to deal with the intricacies of such foreign trade (the Registrar's Office stated that it was hoped to create such a body by 1968), and secondly, the creation of adequate (cold) storage facilities which would enable to Movement to store agricultural produce and sell it at the most favourable time at good prices, instead of having to sell it off hurriedly as soon as it was recieved. This would improve cooperative trading practices and also end the present situation where cooperatives have to sell at unfavourable times and prices to private traders, or even across the border into India, sometimes with the definite knowledge that the produce will merely be stored (or processed)

there, and will later be reimported for consumption or use in Nepal.

Any such plans are dependent on the progress of the land reform movement and of the compulsory savings programme. The rate of progress there would determine the chances of realising the above requirements for any cooperative foreign trade to be developed on a substantial scale.

It was added that rice milling equipment needed to be modernised to make Nepalese rice more competitive on Foreign markets. For these purposes, contacts with cooperative rice millers and/or milling machinery suppliers would be desirable.

#### My Comment

In view of the physical handicaps facing Nepalese Foreign trade, and bearing in mind the so far relatively limited development of some cooperative resources, no spectacularly rapid growth of foreign cooperative trade can be expected at an early date. Likeliest contacts would seem to be with India, China and the USSR.

It might also prove helpful in the long run if relations between, and the respective positions vis-a-vis the government departments of, the older established agricultural cooperatives and the more recent and more urban-oriented SAJHA organisation were to be clarified reasonably soon particularly when looking ahead to a period of development of foreign trade by the entire cooperative movement and to the envisaged establishment of a National Cooperative Federation.

It would seem that it is timely to draw attention to this matter; in a letter to the Regional Office dated 31st August, 1966, Mr. M.S. PERERA, the UN Commissioner of Lands in Nepal, says " The question of the role the government here should play in the promotion of cooperatives is now under serious consideration."



Name and address of the organisation/department

New Zealand

Hutt Valley Consumers' Cooperative Society Ltd.,  
Hillary Court,  
Naenae,  
Lower Hutt (Near Wellington).

Farmers' Cooperative Wholesale Federation (N.Z.) Ltd.  
Cnr. Harris Street & Jervois Quay,  
Wellington.

New Zealand Dairy Production and Marketing Board,  
Massey House, Lambton Quay,  
Wellington, C.I.

New Zealand Apple and Pear Marketing Board,  
Cnr. Cambridge Terrace and Barker Street,  
Wellington.

New Zealand Fruit Growers' Federation Ltd.,  
Huddart Parker Building,  
P.O. Box 882,  
Wellington.

Department of Industries and Commerce,  
Government of New Zealand,  
Bowen Street,  
Wellington.

Cooperative Wholesale Society Ltd., Sun Alliance Building, Brandon Street, Wellington.	<u>Also</u> Meat Freezing Works, P.O.Box No. 3, Longburn (Palmerston North).
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Consumers' Cooperative Society (Manawatu) Ltd.,  
P.D.C. Building, P.O. Box 1185,  
Palmerston North.

New Zealand Cooperative Dairy Co. Ltd.,  
Victoria Street, Post Box 459.  
Hamilton.

New Zealand Cooperative Pig Marketing Association Ltd.,  
319, New North Road,  
Auckland.

New Zealand Honey Marketing Authority,  
Cnr. Churton and Farnham Street, P.O. Box 2615,  
Auckland, C.4.

Mr. R.H. Boyan, (Former Cooperative Specialist, South Pacific  
Commission)  
195, Gillies Avenue, Epsom,  
Auckland, S.E.3.



## NEW ZEALAND

### General Background

New Zealand is a country of some 100,000 square miles, one half of the land being used for sheep farming; there are 52 million sheep in New Zealand. Wool, mutton and lamb are the leading export products, and to a very substantial extent New Zealand remains UK-orientated as regards marketing these products, although the possibility of the UK becoming a member of EEC, coupled with the post-war recovery and progress of Japan, prompted New Zealand to examine various alternative markets for the main export products. Japan figures prominently on the list of such alternative markets, even though agreements with the UK have been reconfirmed for another period of years, giving New Zealand a substantial degree of preferential access to the British Market. 80% of all NZ lamb exports still go to the UK.

Although NZ is commonly looked upon as Australia's neighbour, it must be realised that the shortest distance between the two is about 1,250 miles. As from the beginning of 1966, the two countries are implementing a free trade pact which covers 60% of the trade between them, but this is not likely to have any particular effect on foreign trade activities of cooperatives, although the eight-year tariff removal programme is scheduled to bring relief to certain primary products exported from New Zealand to Australia.

With a population of just over 2½ million, New Zealand has no unemployment problem, indeed rather a labour shortage, and (organised) labour commands a high price in the country's economy. In addition, there is a well-established social security system, and purchasing power and living standards are very high. In spite of progressing industrialisation, New Zealand's exports come predominantly from primary industries.

which require certain imported supplies; these factors combine to have an adverse impact on the national balance of payments, which was expected to show a deficit of £stg. 65 million for the year to March 1966. In the first half of that year, imports had risen by 13% over the corresponding period of 1964-65, and in March, 1966 (at the time of my visit to NZ) it was estimated that overseas assets of the country totalled £stg. 57 million, when the figure ought to have been around £stg. 125 million. At that time, there was a serious decline in prices of NZ butter in the UK, and the New Zealand Government effected drastic curtailments of imports; for 1966-67, imports are being cut by 15% on average, the percentage figure is higher in respect of consumer goods. One third of all imports, including, e.g. dried fruits and cheese, remain free from controls, but these are commodities where New Zealand's own position as a producer is strong. Import restrictions are designed not only to conserve foreign exchange, but also to provide protection for domestic industries.

The New Zealand economy is characterised by the activities of marketing boards - with strong producer representation - for the major primary export industries, some of which are organised on the basis of producers' cooperatives, particularly dairy products. On the other hand, cooperative activities - certainly as far as foreign trade is concerned - are almost insignificant in the wool, egg and meat trades. In view of the vital importance of the primary industries, very strict controls are in operation to prevent the importation of diseases which might affect agricultural, forestry and fishery products.

Consumers' cooperatives operate only on a modest scale in New Zealand, but nevertheless two retail societies were contacted during the survey in order to assess their interest and involvement in foreign trade.



As in Australia, some primary products achieve higher domestic prices than on export markets, e.g. honey and pig products.

Government of New Zealand, Department of Industries and Commerce, Wellington.

#### General points about the economy of New Zealand

While New Zealand still relies on the export of agricultural commodities for the major portion of her overseas earnings, industrial development has continued to play an increasing role in the economy. For the last two decades industrial employment has represented a larger percentage of the total labour force than primary employment. Many of these industries are, however, allied with, or dependent upon, a viable agricultural sector.

#### Producer Boards

The New Zealand Government has established a number of statutory boards to assist with the production, marketing and export promotion of primary commodities. The more significant of these Boards in the export field are discussed below.

#### New Zealand Dairy Board.

The New Zealand Dairy Board was formed in 1961, but its functions had been performed by similar agencies for some years before that date.

The main function of the Board is to acquire and market all butter, cheese and other dairy produce intended for export and to administer the marketing of dairy produce generally.

#### New Zealand Wool Board

The New Zealand Wool Board was established in 1944. The Board is concerned with all the aspects of the wool industry, particularly scientific research, and the promotion of wool in New Zealand and overseas. Specific matters on which the Board may be called upon to exercise its functions are the production, handling, pooling, appraising, storage distribution, marketing and disposal of wool.

The Wool Board is represented on the Wool Commission which operates a floor price scheme on all wool sold at auction in New Zealand or in London.

The Board does not have any responsibility for the selling of wool. Each grower markets his lip at auction in New Zealand or the United Kingdom or he sells privately.

#### New Zealand Meat Producers' Board

The New Zealand Meat Producer' Board was formed in 1922. Some of its main functions are: the regulation of shipments to maintain a steady flow of meat throughout the year to the United Kingdom and other world markets; the negotiation of freight rates with shipping companies; the promotion of meat exports generally.

The actual sale of meat for export is in private hands except for the export of lamb to the United States of America and Canada. The export of lamb to these markets can be made only by or through the Meat Export Development Co. (New Zealand) Ltd.

#### New Zealand Apple and Pear Marketing Board.

The New Zealand Apple and Pear Marketing Board which was established in 1948 has the power to buy all apples and pears produced. The Board decides what proportion of the fruit is to be exported, and arranges for the marketing of the fruit in both New Zealand and overseas.

#### New Zealand Honey Marketing Authority

The New Zealand Honey Marketing Authority, which was established in 1953, has as its functions the promotion and organisation and the orderly development of the honey producing industry.

The power to approve the export of honey is vested in the Authority. In practice, virtually all exports are channelled through them.

#### The New Zealand Egg Marketing Authority

The New Zealand Egg Marketing Authority was established in 1953, its functions in principal being to regulate and control the marketing and distribution of eggs and egg products intended for use in New Zealand or for export.

#### Cooperative Enterprises in New Zealand Agriculture

There has been limited support for cooperative ventures in New Zealand. There are two cooperative meat freezing works which between them handle less than 7½% of New Zealand's meat exports.

The dairy industry has a number of cooperative dairy factories, established by producers who found the idea acceptable and beneficial for their aims and activities.

#### Foreign trade in Tea, Coffee, Tobacco Goods.

Tea and Coffee are imported on the basis of free competition. Tobacco grown in New Zealand, though at a price higher than overseas, meets 53% of the requirement of the NZ tobacco industry. Three cigarette manufacturers in New Zealand have contracts with the growers of tobacco, and the manufacturers themselves import the balance of requirements. There is a stipulation as to the minimum percentage of home-grown tobacco they have to use, but in fact they use more than that minimum.

#### Government's General Attitude Towards Cooperatives

The present government's attitude was described as neutral; there was no opposition to cooperatives in principle, though the government were at all times conscious of the need to raise revenue, and therefore had to bear in mind that cooperatives are entitled to taxation concessions, as far as foreign trade is concerned. "Cooperative-oriented industry with government support" was the summary description of NZ primary industries.

#### Consumer Cooperatives' Foreign Trade Prospects.

As to any foreign trade, i.e. imports, by consumers' cooperatives, the prospects are "dim or even nil", as import licences are dependent on past performance in that field (see report on consumers' cooperatives). (At about the same time, a government statement said the authorities "would like to encourage new importers, but this would be unfair to some long-established importers until adequate licences are available").

#### Other Points

The foreign trade of New Zealand is not confined to one side of the political dividing line in the world, except for reservations regarding strategic goods.

The new free trade pact between Australia and New Zealand, covering 60% of trade between the two countries, will have no special bearing on cooperative trade.

There are no specific barriers to cooperative activities in foreign trade, but no expansion of imports is to be expected, by cooperatives or by any other traders.

New Zealand's experience suggests that the cooperative system is useful for small-scale producers who have to concentrate on production and have limited or no knowledge of marketing, and are also individually engrossed in localised problems; a cooperative system to develop marketing could prove helpful for such commodities as dairy produce, rice or fishery products in other countries.

#### AGRICULTURE AND FARMERS' REQUISITES

The Farmers' Cooperative Wholesale Federation (N.Z.) Ltd., Wellington

##### Restrictions on Foreign Trade

Exports of dairy produce, fruit etc., are controlled by the marketing boards set up by the Government.

Imports into New Zealand are strictly controlled by the Government, and are being cut to protect home industry, but mainly because of balance of payments problems. Licences for imports are being granted strictly on a basis of past performance, so newcomers to importing are in effect barred.

Overseas market development of wool is controlled by the NZ Wool Board. Some wool has to be sold in London, a stipulation not welcomed by the Federation.

The Australian Government has imposed restrictions on the export of livestock from Australia. There is also no livestock export to Australia from New Zealand. Livestock exports from New Zealand encounter certain restrictions in the USA.

## The Federation Set-Up, and the Wool Trade

The Federation is owned by ten large farmers' organisations, which are mainly - but not entirely - cooperatives. All of them are primarily concerned with domestic trade, except in the field of wool, where the Federation is the second largest trader and accounts for 22½% to 25% of total New Zealand output. Each member company of the Federation acts as a wool broker, and stores and auctions wool on behalf of farmers. The great bulk of wool is bought in NZ by overseas buyers at auctions, and then shipped abroad on their account.

### Foreign Trade of the Federation

#### Exports

The Federation is engaged in some exporting and importing. It exports seeds and grain to Australia, but very little is exported to other countries in South-East Asia; it also sells livestock to the USA, South America and Japan.

#### Imports

The principal imports of the Federation are jute goods. During 1965, the total value of jute goods imports amounted to £stg. 263,862. The Federation also imports cattle from the UK, and sheep from cooperatives in S. Australia. All imports have been conducted through established importers in New Zealand.

#### Trade with Cooperatives

The only cooperative organisations with which the Federation deals are cooperated Dried Fruit Sales Pty. Ltd. in Melbourne, and those members of the Australian Producers' Wholesale Cooperative Federation Pty. Ltd. who are engaged in the livestock business.

## Foreign Trade of the Federation's Members

### Exports

Three member companies of the Federation export pasture seeds, barley and dried peas, mostly to the UK through the Overseas Farmers Cooperative Federation Ltd., in London (who also handle lamb exports from the Federation's members), and also through private brokers, and some to a cooperative in Western Australia. Another member company buys these items from other members for exporting.

### Imports

Members of the Federation have imported the following commodities :

Dried fruits, canned fruits, rice, peanuts, veterinary instruments from Australia.

Tea, peanuts and desiccated coconut from Ceylon and India;

Jute woolpacks and cornsacks, cooking oils, and some textiles from India.

Textiles, motor cars, cutlery, crockery, etc., from Japan.

Pineapples and nuts from Malaysia and Singapore.

Jute goods from Pakistan.

All imports have been from private organisations in the respective countries, and were brought in via established private importers in New Zealand. The wide range of goods is accounted for by the fact that member companies of the Federation supply farmers with all requirements, including consumer goods; The grocery trade of the ten member companies amounts to £stg. 750,000 per annum.

### Problems Regarding Imports

With imports severely restricted, and import licences being granted only on the basis of past performance, it is virtually impossible to switch orders for goods of foreign origin from established import traders to any other potential supplier, such as a cooperative organisation, which has

not previously participated in the business. Although an established buyer of imported commodities, the Federation cannot always get all the licences it requires and has had difficulties, e.g. in importing veterinary instruments.

A particular problem are the requirements relating to jute goods to be brought into New Zealand; sizes and standards are not the same as in Australia, and have to be studied carefully by any bidder for the business before making any offers. Domestic prices of jute goods in New Zealand are controlled by the Government. In the past, very great variations of quality have been a feature of jute goods offered to New Zealand traders from abroad. These variations constitute a major problem for organisations interested in importing jute goods.

#### Prospects for Foreign Trade in Future

In addition to the commodities which have been imported in the past (as listed above), members of the Federation would be interested in the import of certain items of hardware (from Europe, Australia and UK) and in some selected grocery lines not manufactured in New Zealand (from UK and Australia), provided the necessary import licences could in fact be secured.

### DAIRY PRODUCTS

New Zealand Dairy Board, Wellington.

#### Functions of the Board, and Role of Cooperatives

The New Zealand Dairy Board was created in 1961 by the amalgamation of the New Zealand Dairy Board and the New Zealand Dairy Products Marketing Commission. The Board has complete powers over all overseas marketing

The entire dairy industry in New Zealand, especially on the manufacturing side, is organised on a cooperative basis. Dairy co-operatives enjoy substantial tax benefits, i.e. they can make allocations to reserves and for depreciation, free of tax.

Relations with Australian Dairy Industry

The recent Free Trade Pact between Australia and New Zealand is expected to bring the two dairy industries closer together, even though they are in competition with each other on world markets. In the past there was a fairly clear cut trend to share world markets, with New Zealand taking care of markets along the Panama Canal routes, and Australia supplying those along the Suez Canal route.

Past and Current Performance in Foreign Trade

Following are the figures in respect of exports of dairy products by the Board during the years 1962-65 :

(Figures in '000 tons)

Year	Butter	Cheese	Casin	Other Dairy Products
1962-63	168.8	89.8	36.8	68.5
1963-64	182.0	86.4	43.0	79.2
1964-65*	194.7	96.4	41.1	100.7

\* - Figures are provisional.



### UK The Main Market

The United Kingdom is the main overseas market for New Zealand dairy produce. In the UK, where a considerable amount of business is done with two cooperative organisations, the CWS and the Scottish CWS, the Board has 17 agents, including i.e. one wholly-owned subsidiary (Empire Dairies) and the New Zealand Produce Association Ltd. (see separate report on the latter).

When an agent effects a sale, ownership of the produce passes from the Board to the customer, without the agent taking possession of the produce. In other markets than the UK, direct deals are conducted with large-scale buyers. The Board exports dairy products to some 80 countries. Usual credit is for 90 days, but it can be granted up to 180 days.

Apart from the UK the Board is not aware of any other supplies going to cooperatives in foreign countries, nor does it see any prospects of this happening in future.

### Other Markets for NZ Dairy Products

The Board trades with most parts of the world, including the USA (where the number of cows is decreasing ), and with a growing market in Japan; in the region, a varying volume of business is done with India (defence contracts only); Hong Kong, Singapore, Malaysia, Ceylon, Thailand and the Philippines. The principal trade with the last six countries is in milk powder supplies for local reconstitution under supply contracts which state that the buying country can turn elsewhere for supplies if New Zealand should be unable to supply at world market prices. These bulk supply agreements assure NZ of definite sales, even though they can be terminated by either side at six months notice.

### The Cooperative Aspect

In New Zealand, dairy cooperatives enjoy the aforementioned tax concessions; as far as foreign trade is concerned, there are no problems which effect cooperatives in particular, and no discrimination against, or in favour of, cooperatives has been practised or encountered by the Board. As to supplying cooperatives abroad, they are examined from the same basic commercial considerations as other trade contracts.

### Barriers to Trade Expansion.

Most of the industrial countries protect their dairy producers in one way or another.

Most of the non-industrial countries have foreign exchange difficulties and are limited as to the amount of dairy products imports, however badly they may need them.

### Problems in South East Asia.

In South East Asia, the problem of handling, storing and transporting dairy products in hot climates is very acute. Also, lack of refrigerated shipping and storage space means that exports of fresh frozen milk are not likely to be an ideal solution. (Some such exports are reported from Western Australia cooperatives - my comment). From the New Zealand point of view retail cans of milk also present a problem, because of the steel and tin supply position. More competitive and practical than exports of canned milk is the bulk trade in milk powder and anhydrous milk fat for reconstitution locally in South East Asia, in factories frequently built and run with participation by the NZ Dairy Board.

### Prospects for Future Trade Development

It appears to the Board that, in the foreseeable future, New Zealand will continue to depend on the UK a major portion of her butter and

cheese. The Board's policy is to develop new outlets for New Zealand dairy produce wherever possible, but with widespread import restrictions (for the protection of domestic agriculture) prevailing in many countries, it is difficult to see New Zealand's dependence on the UK lessening, while her total export production is expanding.

In the established markets, the Board has secure contacts and is not in need of additional ones, e.g. through cooperatives, many of which are, in any case likely to operate on too small a scale to deal with NZ.

Recently the Japanese Parliament approved a scheme through which exports of some dairy products are controlled by a quasi-government corporation, the Livestock Industry Promotion Corporation. The functions of this organisation will include the authorising of imports of most products (other than cheese, casein or lactose) when supplies in Japan are considered to be insufficient; the NZ dairy industry is already the major supplier of dairy products to this market and anticipates continued expansion.

The main problem for the New Zealand Dairy Board and industry is to secure entry to new markets in the face of restrictive national policies of many countries.

New Zealand Cooperative Dairy Co. Ltd., Hamilton.

The important position of the company in the industry

All the manufacturing units of the NZ dairy industries are cooperatives. As the New Zealand Dairy Board controls overseas marketing of dairy products and also exercises some control over butter marketing in New Zealand, the actual trading companies' main concern is the manufacture and supply of various dairy products. Among these companies, the New Zealand Cooperative Dairy Co. Ltd., is the largest dairy cooperative in New Zealand. It has some 7,500 shareholder-suppliers and operates 15 butter factories, 27 factories for the production of

cheese and casin, five spray-drying plants for milk powder, etc.  
 The following table shows the quantity of various dairy products manufactured by the company during the years 1962-65 :

(Figures in Tons)

Dairy Products	1962-63	1963-64	1964-1965	1965-66
Butter	75,769	83,897	88,232	90,828
Cheese	15,521	12,871	16,332	18,598
Casein	7,714	8,374	7,159	10,692
Milk Powder	52,157	63,256	74,089	75,348
Condensed Milk	1,689	1,800	3,161	5,394
TOTAL :	152,850	170,198	188,973	200,860

Overall, the Company is responsible for one-third of national dairy production, and consequently it is well represented on the Dairy Board. The Company accounts for 80% of New Zealand milk powder production and 20% of the total casein output. The Company is a sufficiently flexible organisation to switch, within limits, to the most opportune products at any time and they see no problems in selling their output, the only question being the price which can be obtained.

#### Past and Current Performance in Foreign Trade

##### Imports

The Company imports parchment (from UK), tinsplate, soda, ash, caustic soda, dairy plant and processing equipment, machinery, etc., from long established sources of supply.

##### Exports

The export of dairy produce is handled by the Dairy Production and Marketing Board, except that the Company could still control any exporting it might be able to do in evaporated milk and baby foods. At

present, however, Dutch competition prevents any such exports.

#### Barriers to Foreign Trade Development

Most of the dairying countries of Europe are self-sufficient in dairy produce and have surplusses available for export, e.g. Denmark and the Netherlands; the latter are exporting evaporated milk at lower prices than NZ can offer. Any imports into EEC are regulated by governments.

In Asia, shortage of foreign exchange for importing dairy products acts as an impediment to any trade expansion hopes. (The Company are understood to have taken some interest in Cooperative dairying developments in India).

Imports of cheese and milk powder into Japan are restricted by the Japanese Government in order to protect the domestic dairy industry there. (My comment : Limited imports of cheese from Europe have been reported by Japanese Cooperatives).

#### Prospects for Foreign Trade Expansion

None of the above listed import commodities are likely to come from cooperatives.

The Company is interested in the export through the New Zealand Dairy Board of cheese and milk powder to Japan. For evaporated milk, one of the two commodity groups where the company itself could control export direct, prospects are poor, in view of the cheaper subsidised competition from other countries. For baby foods, or infant milk foods, the other commodity which the Company could export direct, the prospects are much more favourable.

The international market for milk powder has been increasing at a rapid rate and prices doubled during the 1 $\frac{1}{2}$ -2 years prior to the first quarter of 1966, partly as a result of reduced output in the USA. The New Zealand Cooperative Dairy Co. plans to increase its milk output with the aid of a new factory which is expected to manufacture 40,000 tons per annum. For its total manufacturing of dairy products, the Company plans a rise in output of 4.0% per annum.

## FRUITS

### New Zealand Apple and Pear Marketing Board, Wellington

#### Functions of the Board

The New Zealand Apple and Pear Marketing Board, set up in 1948, controls all domestic and overseas marketing and grading arrangements, except for a concession to farmers which permits them to sell not more than two cases of their produce direct to any consumer at any time. These farm gate sales plus licences to canneries total 1 million cases per annum, as against sales of 5 million cases by the Board. The Board's sales may reach 7 million cases by 1970.

#### Exports

Sales are approximately 50% on the domestic market, and 50% abroad. Apples and pears are exported to 38 different market areas. The Board does not handle any other fruits. Main export markets are UK and Western Europe, accounting for 80% of total exports. Of the 3 million cases now exported annually, 1.8 million are shipped in transport cartons and cases and not in the traditional wood boxes but a complete changeover to tray packs will be effected by 1968. All exports have health certificates with them. It is overseas where the Board has made its profits; on the home market, the Board endeavours to make a small margin of profit. (In New Zealand, the Board sells on the basis of nominated wholesale prices which depend on the state of the markets. These prices are uniform throughout the country, irrespective of the distance/location of the fruit-growing areas). The Board gives technical advice on export packaging and other matters and pays growers a premium for suitable export packing.

#### Fruit Canning

The Board has its own cannery at Nelson, on the North Coast of South Island, which turns 500,000 cases per year into canned fruit and fruit juices. It was established in 1961 to process fruit not saleable otherwise. Main foreign markets for canned products are the United Kingdom, Singapore, Malaysia and Hong Kong.

It was stressed that the cannery was economical only by being linked closely to the fresh fruit organisation of the Board

Export Figures.

Following are figures in respect of exports of apples and pears conducted by the Board during the years ended November 30th, 1962 to 1964 :

Export of Apples and Pears during 1962 to 1964

Destinations	1962		1963		1964	
	Qty. Cases	Value £stg.	Qty. Cases	Value £stg.	Qty. Cases	Value £stg.
United Kingdom	1,734,708	3,167,201	813,494	1,498,578	1,740,666	3,101,892
Europe	738,004	1,420,265	465,573	848,353	553,475	1,085,671
North America	103,938	193,608	120,439	227,776	141,187	280,323
South America	63,198	110,088	29,607	52,031	30,423	58,889
West Indies	19,031	39,291	14,757	30,743	20,379	42,963
South-East Asia	59,785	108,212	80,739	139,001	93,460	171,830
Pacific Islands	14,007	23,421	17,829	30,046	26,161	45,227
<b>TOTAL*</b>	<b>2,732,671</b>	<b>5,062,086</b>	<b>1,542,438</b>	<b>2,826,528</b>	<b>2,605,751</b>	<b>4,786,795</b>

\* - The total includes 60,654 cases exported as processed goods in 1962  
 " " " 32,059 " " " " " " 1963  
 " " " 278,155 " " " " " " 1964

Barriers and Problems

Australia and New Zealand compete in apple and pear exports in various markets, but together with South Africa, they can have a consultative body to discuss apple trade problems. The industry's foreign trade problems and joint publicity include quarantine regulations yet to be overcome in Japan; restrictions on imports imposed by the EEC; obstacles to entering such markets as USSR and China; danger of fruit bruising by too frequent handling; and shortage of shipping space, e.g. for sales to Hong Kong (35,000 cases in 1965) and Singapore (50,000 cases). It was said that

trade with these two markets could be increased by 60% if sufficient suitable shipping space were available.

New Zealand Fruitgrowers' Federation Ltd., Wellington.

#### The Functions of the Federation

The New Zealand Fruitgrowers' Federation Ltd., is the national organisation which was created to represent, and to safeguard the interests of, the fruit growers of New Zealand. It is registered under the Industrial and Provident Societies Act. It was the Federation which first requested the setting up of the New Zealand Apple and Pear Marketing Board.

The objects of the Federation are very wide; it is permitted to engage in any trade or business dealing with fruit or other products of the soil; to carry on business as general merchants; to buy, sell, and distribute anything which may be of use to fruit growers; to promote, foster and protect the fruit industry throughout New Zealand, etc.

Though the Federation's main purpose is not trading, it has built up a trading organisation to supply growers with sprays, fertilizers, machinery, packing materials and most orchard requisites; its annual trade exceeds £stg. 2.5 million. The profits made by the Federation are allocated to growers at the end of each year in proportion to their purchases from the Federation. In effect the Federation concentrates its trading activities on those items which are the special needs of fruitgrowers, to the exclusion of more general agricultural goods. Apart from its trading activities, the Federation looks after growers' interests, and negotiates with the government on matters of importance.



## Foreign Trade Performance Hitherto

### Exports

Though the Federation is not primarily concerned with selling, it has conducted some special yet limited export trade, as follows : Chinese gooseberries to Australia, North America, UK, Singapore and Japan; tree tomatoes to Australia, North America and UK; luxury apricots to Italy (by air-freight). The Federation has no direct cooperative trade abroad, except with PDS\* of Australia, in which the Federation is the sole distributor in New Zealand, is now also being exported to Australia.

### Imports

The Federation has imported chemical fertilizers from Germany through agents in New Zealand, and special spraying machinery from USA and Australia, for which the Federation has the sole agency in New Zealand.

### Fruit Marketing Arrangements in New Zealand

- |                  |   |   |
|------------------|---|---|
| Apples and Pears | - | Domestic and overseas marketing controlled by the New Zealand Apple and Pear Marketing Board. |
| Stone Fruits     | - | No organised marketing; only very limited exports.  |
| Citrus Fruits    | - | Domestic marketing through the Citrus Marketing Authority; no exports at all.                 |
| Berry Fruits     | - | Domestic marketing by the Berry Fruit Growers' Association; some exports.                     |

### Imports of Fruit into New Zealand

The sole agency for importing citrus fruits, bananas and pineapples into New Zealand is Fruit Distributors Ltd., Wellington, formed in 1951, whose shareholders are the principal producers and fruit merchants in New Zealand.

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- Producers' Cooperative Distributing Society Ltd., (see report on Australia.)

### Foreign Trade Expansion Prospects

The Federation not being primarily a trading body, it confines itself to the limited export trade in certain speciality and luxury fruits listed above, and is not involved in the mass exporting of other New Zealand fruits. As in the case of fruit wrapping paper, other products required by fruitgrowers may be produced on an increasing scale in NZ, thus eventually making exports a possibility. An export incentive bonus from the government takes the form of a tax allowance in respect of expenses incurred by missions sent abroad to develop new markets for NZ fruit; amounts equalling 150% of such expenditure are allowed to be set against tax payments due, and this concession is not dependent on any actual sales having been clinched.

As to imports, the above listed marketing arrangements and the control of imports by an organisation of fruit merchants suggest that the scope for importing fruit into NZ is rather limited, quite apart from the import restrictions imposed by the government. As to fruit-growers' requirements, these are increasingly being produced in New Zealand, and imports are likely to decrease and be confined to special items not manufactured in New Zealand.

### MEAT AND MEAT PRODUCTS

#### New Zealand Meat Producers' Board Wellington.

The New Zealand Meat Producers' Board was established to supervise the marketing of meat. The Board's activities are designed to result in reductions of cost, or in other ways to increase the net return to the farmer for his product. The Board is not active in marketing, which is almost entirely in private hands.

The Board lays down standards of grading for export work and supervises the grading to ensure that these standards are adhered to in all meat freezing works. It allocates shipping space to exporters generally regulates shipping, and negotiates shipping freight rates and services. The Board administers the minimum prices scheme for export meat, and also engages in extensive advertising and publicity to foster and develop the goodwill of retailers and consumers in the UK, Canada, Japan, and elsewhere. It also maintains a market information service for meat producers. The Board has powers to impose a levy on the trade in meat and meat products. Members of the Board are elected by the producers.

Attention to the Japanese Market

The NZ meat industry expects to develop trade with Japan; the following meat consumption figures (per head of population per annum) demonstrates the scope for increasing trade in Japan :

New Zealand	226lbs.
Australia	219lbs.
UK	142lbs.
Japan	15lbs.

New Zealand Cooperative Pig Marketing Association Ltd., Auckland

The Association deals only in dairy farmers' meat i.e. pigs, very young veal, and the meat of cows and bulls whose useful life is over. Its subsidiary "Kiwi Bacon Companies" has a bacon factory at Longburn (on the CWS estate). The Association is owned by 14,000 dairy farmers, of whom 10,000 are regular suppliers. By sharing out its trading profits in proportion to trade done, and not to capital, the Association secures far-reaching tax concessions.

### Past and Current Performance in Foreign Trade

The Association exports meat products only, 80% go to the UK and 20% to the USA. The Association has not managed to trade with foreign cooperatives direct, as it has not been able to by-pass the established wholesale distribution systems in the UK and the USA. (Some insignificant exports of merely two shipments per year of pig offals go to the British Cooperative Movement). The Association finds it has to deal with established traders in the countries of importation. Approaches from American consumers' interests had to be turned down, because of the importance of the well-established meat brokers in the USA who ensure continuous business and have plenty of competing offers to choose from. These brokers are experts in buying and selling, and pay highest prices to brokers.

The Association is only slightly dependent on imports for such ingredients as salt, but cannot import direct, in view of the prevailing government policy of encouraging reliance on established importers. Now the Association largely uses New Zealand salt; the government has a 50% interest in a New Zealand salt venture which is expanding at the expense of imports. (It was acknowledged that import controls were designed not only to keep expenditure on imports in check, but also to protect New Zealand industries).

### Barriers to Foreign Trade Expansion

The American meat traders are not keen on doing business with cooperatives, but no discrimination has been experienced so far. The principal barriers are, regarding exports, the need to go through established (private) trade channels, and for imports the same requirement, and the system of licences being based on past performance.

### Prospects for Foreign Trade Expansion

The Association is at present not looking for foreign markets, because it is rather short of supplies. Exportable surplus fluctuates with production; furthermore, the home market is its primary concern and represents the most profitable trading. 90% of the trade is domestic. Dependence on imports is lessening.

### Cooperative Wholesale Society Ltd., (CWS) (Registered in Great Britain), Wellington

The CWS of England has offices in Wellington which administer and coordinate the Society's trade with NZ and the production activities of its meat freezing works in that country.

The meat producing and processing industry in NZ is virtually completely under private trade control. The CWS is the only cooperative meat trade venture in NZ, apart from the NZ Cooperative Pig Marketing Association Ltd.; these two cooperatives have established an amicable relationship. CWS also has a few retail butchery shops in NZ.

### Foreign Trade Activities

By far the major part of the output of meat products and by-products from various CWS meat freezing works in NZ goes to the British cooperative market via the CWS. In 1964, the following supplies were channelled to the UK by the NZ establishments of the CWS :

Mutton, lamb and offal	£stg. 5½ million
Raw wool	£stg. 1-1/4 million
Beef steak and offal	£stg. 300,000
Sausage casings	£stg. 150,000

Supplies of products from the CWS meat works are also exported to other markets, mainly the USA, Canada, Japan and France. Certain by-products are sold on a substantial scale to USA and France especially.

The entire supply of casings is currently taken up by the CWS in the UK.

The CWS offices in Wellington also assists, as and when required, any efforts made by the Society to sell its own products in New Zealand, but in view of the current restrictions there, this is an activity of limited scope at the present time.

#### Barriers to Foreign Trade Expansion

The CWS face no special problems as a cooperative organisation, nor any restrictions or impediments which have particular impact on cooperatives in NZ; they are faced with keen competition from other meat producers, including some large international companies which are represented in NZ, with an economic situation where labour is in short supply and therefore a high cost factor, with quarantine and hygiene regulations imposed by the countries to which exports are shipped, and with a constant need to watch price levels.

#### Prospects for Foreign Trade Expansion

The principal pre-occupation of the CWS establishments continue to be the supplying of meat, and meat products and by-products, to the parent organisation in the UK; supplies available for other markets are allocated in accordance with the overriding consideration of obtaining optimum prices for these products. With due regard for these factors, trade with foreign cooperatives can form part of the business conducted by the NZ establishments of the CWS.

#### HONEY

##### New Zealand Honey Marketing Authority, Auckland

The New Zealand Honey Marketing Authority, set up in 1953, has a monopoly of exporting, but in the home market producers are free to sell to the authority or elsewhere; in the latter case, they have to pay a levy of 1d per lb. to the Authority in respect of all sales to other buyers.

Even taking the levy into account, producers get a better return from sales to other buyers, rather than from the Authority.

The Authority does not make any guaranteed price payments to producers. It makes first an advance payment, and later a final payment which, after allocations to reserves, etc., constitutes a complete disbursement of net surplus to producers in proportion to honey supplied.

#### Performance in Foreign Trade

The Authority concentrates on exports of speciality types of honey, rather than on bulk trade. Since the establishment of the Authority, its overseas sales of bulk and retail packs of honey have been almost entirely through a sole agent, Messrs Kimpton Bros. (Red Carnation) Ltd. of London, but under a recent new agreement, the Authority is now free to market retail packs in other ways. Development of UK mail order trade in 28 lb. or 20 lb. containers is contemplated. Other large exporters of honey are : Argentina, Canada, Mexico, USA and Australia. Production and exporting of cheaper, low-grade honey takes place, i.e. in China. (A recent news item from NZ says that USA is now the worlds largest honey producer, followed by the USSR).

Following are the overseas sales of honey by the Authority for the year ended August 31st, 1964 :

#### (a) Sales through London Agents

<u>Destinations</u>	<u>Tons</u>
United Kingdom	528
Eire	230
Japan	79
Germany	61
Sweden	60
Norway	24
Denmark	3
Italy	1
France	1
Total :	<u>987</u>

(b) Sales direct from NZ

<u>Destinations</u>	<u>Tons</u>
Hong Kong	9
Kenya	8
Malaysia	5
Australia	5
USA	6
Canada	1
Fiji	1
Total :	<u>35</u>

The total value of all these overseas sales amounted to £stg.180,961.

The Authority is not concerned with any imports into NZ. Although the greatest honey consumption per head takes place in Germany (5 lb. per annum), the main market for New Zealand honey is the UK, where established brokers dominate trading, and it has not been proved possible to by-pass them. The Authority has considered having its own packing plant in the UK, but the trade is not large enough for that purpose. The Authority gets higher prices than other exporting countries, but in spite of the high return to New Zealand from honey exports, they get even better prices at home, and their export drive for greater home trade reduces the surplus available for export. There is no real national need for honey exports, as the entire business is not large enough to affect the national balance of payments.

Foreign Trade Prospects

The Authority are not in a situation where they have to strive desperately for additional foreign markets; indeed, the relatively short honey producing season in NZ, the growing home demand, and the speciality angle which they are promoting, combine to give New Zealand honey a scarcity value which enables NZ to get a high price for honey abroad (it was said that e.g. Argentina honey sells at half the price of the NZ product). There is only limited scope for expanding honey output in New Zealand any further, and the growth of population is expected to lead to greater home sales.



## CONSUMERS' COOPERATIVES

Hutt Valley Consumers' Cooperative Society Ltd. Lower Hutt, Nr. Wellington.

Apart from public service employees' cooperatives (which are primarily credit unions, but also run some retail stores), five consumers' cooperatives, two on South Island and three on North Island, operate in New Zealand. To increase their bargaining power in the face of growing competition from the private trade, a recent proposal to combine the buying strength of the three consumers' cooperatives on North Island is to be examined (My comment : In view of Hutt Valley's and Manawatu's own commitments to different buying groups, and to judge from other comments, prospects for joint action are doubtful).

Hutt Valley has 23 shops, including 9 supermarkets, 7 butchery shops, 1 pharmacy, 1 men's wear, and the others for drapery and appliances. These shops serve an area with a circumference of 45 miles in the valley. Turn-over of Hutt Valley Society amount to over £stg. 700000 per annum, and its membership exceeds 2,500.

Buying arrangements entered into by Hutt Valley three years ago involved closing their own wholesaling activities, and coming to terms with an organisation which is buying groups of private grocers, known as Foodstuffs (Wellington) Cooperative Society Ltd. This organisation has a trading subsidiary called "Foodstuffs Ltd.", which has a turnover of £stg. 4 million. On North Island, they serve 1,500 grocery shops.

My Comment : It appears that the consumers' cooperatives in New Zealand are too small for any direct interest in foreign trade, and would not get any import licences, except where they have held these previously; a reference to this recorded under the other retail society visited (Manawatu). The consumers' cooperatives are facing private trade competition, the recent rapid growth of which is worrying them a good deal.

Consumers' Cooperative Society (Manawatu) Ltd., Palmerston North

The largest of the three consumers' cooperatives on North Island, Manawatu has 10,000 members, a department store, and 27 grocery shops. Of annual trade of £stg. 2.1 million, grocery trade is just over 50%.

Past and Current Performance in Foreign Trade

The Society does not conduct any exports and has no own productions. Imports effected direct by the Society are limited. The Society secured some import licences three years ago when buying up a (bankrupt) business. The government conceded they could utilise the import licences granted to the firm in question; and even permitted some changes in the commodity groups authorised for importation, within the limits of the value of the licences. As import licences are always granted on the basis of past performance, the Society has been making claims for licences every year, to maintain its entitlement, even though it did not always require all the goods covered by them. In that event, collaboration with other interested parties takes place, that is to say the society imports goods to meet the requirements of others (or vice versa), particularly of other member firms of a buying group called "United Stores" which comprises 12-14 firms including department stores; they pool licences and exchange purchases to meet their respective needs.

The import licences of the Society for 1965 amounted to £stg. 6,000 for food, and £stg. 14,000 for non-food items. Food imports included some dried fruits from Australia, but the bulk was evenly divided between canned pineapples (Golden Circle from Australia, and from Malaysia), and canned fish, including salmon, sardines and oysters from Japan and the USSR.

The non-food imports were : Drapery and tools, worth about £stg. 2,000 each, holloware, under £stg. 1,000; and other items, including bicycles, glassware, tableware, woolen yarn, gloves etc.

#### Prospects of Foreign Trade Expansion

In view of government restrictions and balance of payments problems, there is no prospect of increase in imports. Besides, the secured licences are very small in proportion to the total trade of the Society, and hence it often pays to give the licence entitlement to established importers and to benefit from supplies brought in bulk by and from them. If imports on a large enough scale were permitted, the Society believes that there would be a market for a number of (non-food) items from various countries.



Name and address of the organisation/department

PAKISTAN

East Pakistan Cooperative Union Ltd.,  
9/D Motijheel Commercial Area,  
Dacca-2, E. Pakistan.

The Registrar of Cooperative Societies,  
Government of East Pakistan,  
Dacca-2, E. Pakistan.

Jute Board, Ministry of Commerce, Government of Pakistan, Dacca, E. Pakistan.  
E. Pakistan Coop. Insurance Society Ltd.,  
4, Jinnah Avenue, Ramna,  
Dacca, E. Pakistan.

East Pakistan Provincial Cooperative Marketing Society Ltd.,  
9/D Motijheel Commercial Area,  
Dacca-2, E. Pakistan.

East Pakistan Provincial Cooperative Industrial Development  
Society Ltd.,  
9/D Motijheel Commercial Area,  
Dacca-2, E. Pakistan.

The Deputy Controller of Imports & Exports,  
Government of E. Pakistan,  
Chittagong, E. Pakistan.

Provincial Fishermen's Cooperative Society Ltd.,  
Manoharkali Building, Iqbal Road,  
Patherghata,  
Chittagong, E. Pakistan.

Pakistan Cooperative Book Society Ltd.,  
Chittagong, E. Pakistan.

West Cooperative Union,  
26, Edward Road,  
Lahore-1, W. Pakistan.

West Pakistan Cooperative Board,  
4, Lytton Road,  
Lahore-1, West Pakistan.

Lahore Central Cooperative Stores Ltd.,  
The Mall,  
Lahore-1, W. Pakistan.

Rahwali Cooperative Sugar Mills Ltd.,  
Rahwali (Gujranwala), W. Pakistan.

Makran Cooperative Date Growers' Mill Society Ltd.,  
Turbat (Mekran), W. Pakistan.

Name and address of the organisation/department

Pakistan Cycle Industrial Cooperative Society Ltd.,  
National House,  
47, The Mall,  
Lahore-1, W. Pakistan.

Cooperative Marketing Federation Ltd., \*\*  
Saddar Road,  
Peshawar Cantt., W. Pakistan.

Colony Cooperative Farming Union Ltd., \*\*  
Khanewal.

Karachi Cooperative Union,  
4, Bandukwala Building,  
McLeod Road,  
Karachi-2, W. Pakistan.

Karachi Central Cooperative Consumers' Union Ltd.,  
Iqbal Market and Cold Storage, Soldier Bazar,  
Karachi, W. Pakistan.

The Registrar of Cooperative Societies,  
5th Floor, Ghafoor Chambers,  
Victoria Road,  
Karachi-2, W. Pakistan.

Fishermen's Cooperative Society Ltd.,  
Fish Harbour, West Wharf,  
Karachi-2, W. Pakistan.

Punjab Provincial Cooperative Cotton Corporation Ltd.,  
120, Cotton Exchange Building,  
McLeod Road,  
Karachi-2, W. Pakistan.

Small Scale and Cottage Industries Cooperative Society Ltd.,  
Daruz Zuhra, Shahrah-E-Iraq,  
Karachi, W. Pakistan.

Mr. Paul F. Smead,  
Technical Officer,  
Date Processing Plant,  
FAO,  
C/o UNOP Box, 3921,  
Karachi-4.

Cooperative Import and Export Society Ltd.,\*\*  
Bahadur Shah Market,  
Bunder Road,  
Karachi, W. Pakistan.

Name and address of the organisation/department

Karachi Cooperative Housing Societies Union Ltd.,  
Shaheed-E-Millat Road,  
Karachi-5, W. Pakistan.

Pakistan Cooperative Petroleum Association Ltd.,  
283, Victoria Road, Opp. Ilaco House,  
Saddar,  
Karachi-3, W. Pakistan.





## PAKISTAN

### General Background

The principal feature to be recalled in relation to the economy of Pakistan is the division of the country into two provinces which are 1,000 miles apart. East Pakistan is the smaller territory, but more densely populated, although the West contains the two largest cities. The total population of Pakistan amounted to 101 millions in 1964 and is now growing at the rate of 2.4% per year. Jute, one of the country's most important products and industries, is grown and processed almost entirely in East Pakistan only; due to insufficient processing facilities, Pakistan is the world's number one exporter of raw jute, but not of jute manufactures. One third is processed in Pakistan, and two thirds of the crop exported as raw jute. The industry wants to reverse that ratio by increasing processing activities; there is said to be ample scope for cooperative activities at all stages, from jute growing to the export of finished goods (for which there is a demand among other cooperatives in the region).

The economy of West Pakistan is more diversified and embraces a variety of agricultural, industrial and commercial activities, with farming playing an important role in providing various food products and helping to keep down the need for imports.

In August 1966, the government announced its intention to set up a state trading corporation to conduct trade abroad primarily with state-trading countries.

### Foreign Trade Controls

Foreign trade in both directions is controlled by the government, and organisations taking any part in it require appropriate authorisations. On the export side, controls ensure that surpluses are in fact available

for sale abroad, whilst import controls keep foreign exchange expenditure in check. As a rule, only firms which conducted approved imports in a base period (1950-52) are authorised to import; admissions to the list of importers were closed in 1965 and are unlikely to be resumed at an early date, although some specified items can be imported fairly freely. Early in 1966, import duty was increased for certain consumer goods, and the import of some categories was halted altogether.

The most interesting feature of the Pakistan import arrangements is the fact that the "import bonus vouchers" earned by exports and related to the value of export achievements - except for those tied to the import of requirements for the particular industry only - can be legally and openly sold to other interested parties; current market values of these vouchers are quoted in newspapers like prices of stocks and shares. As a rough guide, it appeared that in May 1966, the price of such negotiable vouchers equalled 150% of the value of the imports authorised by the vouchers (cost of imports then to be paid as well).

The Deputy Controller of Imports and Exports, Chittagong, East Pakistan

Main Restrictions on Foreign Trade

Export licences are required for conducting any export business.

Export of certain items is restricted, e.g. ban on jute seeds exports.

Trade with Israel, South Africa and Rhodesia is banned.

Some items may be imported only from certain countries, under bilateral trade agreements or conditional foreign credits negotiated (e.g. aluminium from Canada).

Registration of traders is necessary for conducting exports and imports.

Imports must be authorised by open general or specific import licences.

### Exports

For conducting exports, registration as an exporter is required, for which an annual fee is payable; once the registration is granted, it remains intact, irrespective of whether any exports are conducted by the registered exporter or not. Food and agricultural export are reviewed annually in the light of conditions, harvests, stocks, etc., to ensure that an export surplus is in fact available, e.g. of potatoes.

### Bonus Voucher Scheme

As an incentive bonus to exporters, they can import, in return for export achievements, any of 201 free items on a special list. However, this concession is not applicable to staple exports like raw jute, cotton, etc. This bonus entitlement ranges from 10% to 30% of the FOB value of exports, depending on the nature of the goods exported. The percentage figures can be varied by government decision.

### Imports

Basically, importers are only those who are registered as such by virtue of their import performance in a base period of 2½ years during 1950-52. Quota allocations are based on performance then and some cooperatives, e.g. the Pakistan Cooperative Book Society, were and are registered for import business. Some consumers' societies also got allocations for certain items, e.g. coconut oil and corrugated iron sheeting. The actual value of licences granted for each period depends on the availability of foreign exchange. Admissions to the list took place between 1961 and mid-1965, but there is no scope for new, additional importers to be added to the register in the foreseeable future.

### Free List Imports

There is also a "free" list of 31 items which can be imported much more freely. The free list items include iron and steel, metals

(both ferrous and non-ferrous), tools and implements, science books and journals, dyes and chemicals, linseed oil, marine engines (from certain countries only), etc. Certain raw materials for industry are on the free list, but can be bought in only by actual users. A limit is generally placed on the volume of imports in any six-monthly trading period, but a repeat volume, or additional volume for additional organisations, is possible and permissible to arrange, thus easing the limitation. Registration is required for importing free list goods, but is said to be granted without difficulty.

As regards gaining access to the list of approved importers in due course, the Deputy Controller said any enterprising organisations should look at the possibilities of importing the items on the free list; acquiring knowledge regarding foreign trade by importing any of the items listed could create a basis for possible subsequent recognition as an importer, if new admissions to the list of importers should become possible in future.

#### Cooperatives in Foreign Trade

Cooperatives are engaged in both import and export trade. Any registered cooperative remains on the register and is entitled to continue its approved functions in foreign trade. Any new export applications from cooperatives would be dealt with in the same way as those from other traders. There is no discrimination against cooperatives in the field of licensing, and there is no knowledge of any discrimination against cooperatives having been encountered abroad.

#### Jute Board, Ministry of Commerce, Dacca, EP.

The Jute Board is a three-man, government appointed, full-time body concerned with all aspects of the jute trade, from growing to exporting finished products. Foreign trade in jute is conducted on a

highly individualistic basis; some of the main problems in the trade are the unethical practices of some traders; and the need for price stabilisation. The growers are in a weak position and suffer from every price fall, but never benefit from price rises, which are swallowed up by intermediaries in the trade.

The Board would welcome growers' and other cooperatives in the jute industry; though there is plenty of scope and opportunity for them, none are operating so far. There are no cooperatives in jute cultivation, marketing or procurement of supplies. The Board has no machinery for organising cooperatives, but can offer some incentives to encourage the formation of groups; two such groups have been established so far among small shippers, but the resulting degree of collaboration was disappointingly small. The main concern of the groups was to secure government aid, otherwise they followed their individual ways. (The industry had not even got any agreed quality standards yet.) The Board is thinking of forming a third grouping with Board, Government and trade participation, in order to assist growers and to stabilise prices, but this would not be registered as a cooperative.

The Board has to grant licences for all jute trade activities except growing, once the licence is granted, the licensee is free to trade in the sphere for which the licence has been granted. Any one party or firm can hold licences for different trade operations. Guidance regarding export prices if given, and there is supervision to prevent "under-invoicing;" traders registered and licenced for export trade are free to export to any country (with the exception of three "banned" countries).

Almost unlimited scope exists in all spheres of the jute trade, as only one third of Pakistan jute is processed in the country, the other two-thirds being exported in raw form. There is scope for cooperatives,

and the Board thinks cooperatives could help to carry out the government policies and attempt to stabilise prices, etc. Cooperative applications for licences would get preferential treatment from the Board, also regarding finances, according to the Board's Chairman, who added that there was a need to build up exports by firms and cooperatives themselves, though the Board was willing to help the cooperatives. Growers should form cooperatives to strengthen their weak position. The only machinery imports are baling presses from UK and USA, and looms from UK and Eire.

#### Cooperative Comment on Jute Trade Opportunities for Cooperatives

The General Secretary of the East Pakistan Cooperative Union said it was hoped the new cooperative jute mill in Dacca, which was to come into operation in June 1966, would be sufficiently successful to attract support for the creation of jute growers' cooperatives. Formation of such cooperatives was essential if the lot of the growers was to be improved, but it required provision of initial finance - primarily from government sources - to enable growers to hold on to their crops until the most favourable selling season, instead of having to sell at once, because of their needs for cash. Schemes for growers' cooperatives had been submitted by the Registrar, who is primarily responsible for the required initiatives, but so far no agreement had been reached with the government authorities. Private jute trade interest would not welcome the establishment of cooperatives, particularly if this were to mean that growers would improve their bargaining position as sellers of raw jute to the processing industry. There was clearly scope for cooperative activities at all stages up to and including the export of jute goods.

The Registrar of Cooperative Societies, Dacca, EP

Interest in Imports

The interest of cooperatives in importing goods is due to the relatively higher profits to be made, in contrast to, for instance, retailing, where margins are very low and the private trade is well entrenched. (The consumers' cooperative movement was said to be the weakest part of the Movement in East Pakistan). Thus participation in the import business could improve the financial position of the Cooperative movement. The Registrar said the list of goods free for importing should be examined carefully to assess any opportunities there, for trade to be done now for claims by cooperatives to be registered as established importers to be made subsequently.

Export Prospects

The export items from cooperatives are : onions, ginger, tumeric, garlic, and jute manufactures coming from a new cooperative mill. Co-operative fish exports to India have come to a stand-still for the time being. Frozen shrimps have been exported to the USA. As to jute, more cooperative mills were required to increase the export of jute goods, instead of exporting raw jute.

The Registrar of Cooperative Societies, Karachi, WP

Foreign Trade Potential

In reviewing the foreign trade potential of cooperatives, the Registrar stated i.e. : An organisation known as United Cooperative Store is interested in Foreign Trade; it can be contacted c/o the Registrar in Karachi (no details were provided).

One Assistant Registrar is concerned with handicrafts trade developments, including exports. (I drew attention to some recent developments e.g. the Australian import relaxations).

As regards agricultural produce from cooperatives, domestic self-sufficiency was the first target, but marketing societies in West Pakistan, which number more than 100, could (in due course) have an export volume of wheat, cotton, sugar, rice and dates. (Comments by the Registrar about specific enterprises are embodied in reports on these societies.)

West Pakistan Cooperative Board (formerly the Development Board) Lahore, WP

The supervision of cooperative activities by the government-crested Board concerns itself predominately with home trade in agricultural commodities and food; as adequate supplies for Pakistan are the primary need to be met. No federal or national cooperative organisation exists for the whole of Pakistan, and the Cooperative Movement in West Pakistan is not really ready and geared to conduct exports of agricultural produce on any scale yet. Though the Board is empowered to conduct foreign trade, it is not doing so at present. Fertilizer imports are handled by the government, and are likely to decrease as home production increases. The Board have imported farm machinery for cooperatives.

Farm Service Centres.

During the third five-year plan, the Board hope to establish 40 cooperative farm service centres in West Pakistan, and any necessary foreign trade will be conducted by the Board. The centres will provide on a cooperative basis, services for farmers which will include seeds, diesel oil, improved agricultural implements, fertilisers, repair facilities for farm machinery, and technical advice on crop patterns and farming techniques. The centres may also provide marketing facilities and, where feasible, operate processing units.



### Foreign Trade Prospects

The Board acknowledge that there is no likelihood of any early expansion of imports, and that large scale exports of agricultural produce are also some way off; export prospects are seen by the Board for the following commodities : Cotton yarn, handloom textiles, dates and sugar.

### My Comment

The farm service centre project is at an early stage; the first such centre - which I visited - had only been opened 3 months earlier. Tractors and machinery seen there included some of German origin. Among the developments planned is the provision of fuel/oil supplies for cars, tractors, and other farm machinery.

Karachi Fishermen's Cooperative Society Ltd., Karachi, WP.

### History and Role of the Society

Though the Fishermen's Society was established in 1947, it was closed down after the partition of the sub-continent; it was revived in 1957. The Central Agriculture Ministry and the Central Marine Fisheries Department encouraged the Society by entrusting the procurement and distribution of fishing materials to it and giving it sole importing rights. Its 3,000 members have i.e. 2,000 mechanised boats, and fish processing and freezing factories. The Society supplies such requisites as ice, oil, and Canadian nylon yarn for nets to its members.

### Foreign Trade Performance

The Society conducts exports and imports. It exports fish, and imports fishing materials, e.g. nylon twine, nylon ropes, teak wood, marine engines and spare parts etc. Nylon yarn from Canada is paid for from aid funds and credits negotiated by the government.

### Exports

Following are the fish export figures of the Society for 1963 and 1964 :

<u>Year</u>	<u>Tons</u>	<u>£stg.</u>
1963	50,000	813,500
1964	49,600	822,300

The main exports are prawns (frozen) to the USA.

### Imports

The following figures represent the value of fishing materials imported by the Society :

<u>Year</u>	<u>£stg.</u>		
1959	85,125	)	
1960	185,925	)	
1961	266,700	)	No information
1964	493,425	)	furnished for 1962-63
1965	491,700	)	

The Society enjoys concessions, or even exemption, with regard to import duty normally payable on these commodities.

### Future Prospects

Trade conducted or facilitated by the Society may expand, as the Society claims to have substantial funds and is supplying requisites to fishermen's organisations all along the West Pakistan coast. The Society is also involved in developing social services for its members, and is scheduled to become the sole owner of new harbour installations at Karachi.

Provincial Fishermen's Cooperative Society Ltd., Chittagong EP

Past and Current Performance in Foreign Trade

Exports

The Fishermen's Society is engaged both in exports and imports. Following are the export figures of fish maws, shark fins and tails and frozen shrimps sold to the USA, UK, and Malaysia direct by the Society during the years 1961-62 to 1964-65 :

<u>Year</u>	<u>Metric tons</u>	<u>£stg.</u>
1961-62	4.20	3,950
1962-63	4.10	5,200
1963-64	6.80	8,600
1964-65	4.80	6,650

The main export items are now shrimps, shark fins and tails, shark fillets, and fish maws.

The need to earn foreign exchange and to dispose of items not consumed in Pakistan led the Society to export fishery products, but export prices are often less attractive than those on the home market. Shrimps are consumed in Pakistan, but an export surplus is available. Foreign trade has suffered from abnormal relations with Burma and India.

Export Incentives and Import Concessions

Export incentives in the form of bonus vouchers are given to the extent of 30% of the value of exports done, in the case of fish and fish products. These licences are of a "free" kind, i.e. the fishery cooperatives can sell them to anyone, if they wish to. In the case of other industries, this bonus in the form of import authority is partly restricted to buying only the requirements relevant to the industry in question, while the remainder is freely usable for any imports, and only that "free" bonus entitlement is openly transferable for money to other interested people.

Fishery cooperatives enjoy an additional concession, namely complete relief from import duty on approved requirements obtained from abroad, but not on their free "bonus" imports, outside the listed items.

### Imports

Details of the imports conducted direct by the Fishermen's Society during the years 1961, 1963, and 1964 are given below; the main supplier has been Japan. (No import was effected in 1962).

Year	Commodities	Value (£stg.)	Countries of Origin	
<u>1961</u>	Nylon Twine	84,000	Japan	
	Coaltar	15,000	UK	
	Engines and Spares	11,600	UK	
	Wood Screws	1,500	UK	
	Manila Rope	200	UK	
	Nylon Rope	1,850	Japan	
<u>1963</u>	Nylon Twine	41,500	Japan & USA	
	Outboard Motors	10,800	USA	
	Engine Spares	400	UK	
	Steel Wire Rope	1,100	Japan	
	Coaltar	5,200	UK	
	Floats	1,700	Japan & Germany	
	Life Buoys & Life Jackets etc., Binoculars & Navigation Lamps etc.	400 150	Japan	
	Teak wood	3,800	Burma	
	Fishing equipment	400	USA	
	Fish Refrigeration Plant	1,800	UK	
	<u>1964</u>	Nylon Twine	109,400	Japan
		Coaltar	3,450	UK
Steel Wire Rope		1,150	Japan	
Nylon Rope		1,500	Japan	
Galvanised Plain Sheeting		350	Japan	
Life Belts		100	Germany	
Refrigeration Plant Spares		450	UK	
Business and Spares		1,850	England & Denmark	
Fishing Equipment		700	USA	
Outboard Motor Spares		550	USA	

### Barriers to Expansion of Foreign Trade

The Society says exporting at some of the prices offered to them would entail losses. Prices offered for fish and fishery products by certain countries, e.g. Ceylon and Malaysia, are less attractive than home market prices. Besides, private trade prices are lower than the prices at which cooperatives can hope to offer their fishery products for export.

During three recent six-monthly trading periods, the Society supplied for import licences for various fishery requisites, but was unsuccessful.

### Negotiations in Progress

The following export negotiations are currently in progress :

Commodities	Countries	Cooperative Organisations
Frozen fish and marine products :		
Shrimps		
Flounder	USA, Australia,	Fremantle Fishermen's
Shark fillets	Denmark, Singapore	Cooperative Society Ltd. (Australia)
Fish Maws	UK	
Shark fins and tails	Singapore	
Shark fillet (Shark meat salted)	Ceylon	Cooperative Wholesale Establishment (Ceylon)
Sea-shells and Sea-crab	USA, Australia UK and Singapore	

The Society is also at present negotiating for the import of nylon twine which is being made available on the basis of government-negotiated credits from Canada. (My Comment : This matter, and the import of marine engines from Japan, were taken up with the Controller

of Imports and Exports during my visit to Chittagong).

#### Prospects for Future Foreign Trade

The Society operates a fish freezing plant, and a Japanese-made plant for making nylon nets. The Society feels they have completed the first five years of elementary development, and are ready for entry into more advanced fields, such as canning, etc. The Society is interested in the processing of fish maws in order to sell the processed products, e.g. isinglass, for brewery and other purposes, which would be more profitable.

#### My Comment and Summing-up.

The Society appears interested in development of fish processing activities and in expanding foreign trade, and undertaking joint ventures with other cooperatives if possible. With regard to the former, they admit the limitations to their existing knowledge and need for technical guidance and assistance, and with regard to trade, they noted various cooperative contacts quoted to them by Regional Office in order to examine export possibilities in Ceylon, Singapore, and Australia purchasing opportunities in Japan and New Zealand (trawlers), and technical guidance obtainable from European cooperatives.

#### Mekran Cooperative Date Growers' Mill Society Ltd. Turbat (Mekran) WP

The date processing factory established at Mekran in West Pakistan with the assistance of FAO faces some marketing difficulties, partly due to its great distance from the Karachi port. No exports have been conducted so far; Pakistan is still importing a large volume (from Iran) for home consumption. However, date output is increasing and two more cooperative processing plants are to be set up soon, again with FAO assistance, for the washing, drying, grading and packing of dates. It is hoped to develop exports in due course.

Rahwali Cooperative Sugar Mills Rahwali Dist. Gujranwala, WP

The Rahwali Cooperative Sugar Mill, established in 1933, was taken over by the West Pakistan Cooperative Board in 1962, and since then has doubled its production as a result of modernisation and expansion. The Board plan to hand it over by mid-1968 to a cooperative of growers. This is the only sugar mill in the cooperative sector in Pakistan, but the Board have plans for additional cooperative sugar mills.

Foreign Trade Performance

The Mill does not produce enough sugar for domestic requirements and hence cannot export sugar. The by-product bagasse is used as fuel but is not exportable, as it is too bulky. No real problem exists about the disposal of molasses; half the quantity is used locally and the balance is sold to traders who export at least some of the molasses, mainly to the USA and Germany.

The mill imports machinery and parts, and raw materials from UK, USA and W. Germany.

Following are the import figures for the years 1963 to 1965 :

(Value in £stg.)

Commodities	1963	1964	1965	Countries of Origin
Machinery	2,900	10,700	900	UK, USA, W. Germany
Raw Materials	750	2,400	500	
Total :	<u>3,650</u>	<u>13,100</u>	<u>1,400</u>	

Problems relating to Foreign Trade

The main problem is the small foreign exchange quota allowed by the government for imports. The other problem is the occasional delay in receiving various supplies from abroad. Imports of sulphur are also needed.

### Foreign Trade Development Prospects

Increase in sugar output may make exports possible in the future. A limited volume of molasses might be exportable, if better prices could be secured than are received now from local traders. Imports of machinery and parts are likely to come from the most favourable credit source, i.e. Germany, which also has lower prices than the USA and UK.

### The Colony Cooperative Farming Union Ltd. Khanewal. WP

The Farming Union does not conduct any exports, but is engaged in importing agricultural machinery. Following are the import figures of the Union for the years 1961-62 and 1963-64 (no imports in 1962-63):

Commodities	1961 - 62		1963 - 64		Countries of Origin
	Qty.	Value	Qty.	Value	
Tractors	30	24,500	-	-	USA
-do-	30	27,700	40	40,050	UK
Cultivators	18	1,500	40	7,150	USA & W.Germany
Disc Harrows	53	6,700	5	700	USA and Australia
Disc Ploughs	20	24,100	5	650	W. Germany and Australia
Ridging Sets	5	250	-	-	W. Germany
Spare Parts	-	14,950	-	6,150	UK and Australia
Total :		<u>99,700</u>		<u>54,700</u>	

The following were imported in the years 1964-65 and 1965-66 :

45 Tractors from UK

45 Cultivators from Denmark

22 Disc Harrows from Australia, and

Spare parts (valued at £stg. 6,750) from UK and Australia

The imports were conducted through West Pakistan Cooperative Board, Lahore, the Punjab Provincial Cooperative Cotton Corporation Ltd., Karchi, and two agents of manufacturers of tractors.



### Barriers to Foreign Trade Expansion

The Farming Union cannot import its requirements direct but has to buy through agents of foreign manufacturers. These sole agents of foreign firms enjoy a monopoly position in respect of imports from their principals.

### Prospects for Foreign Trade

The Farming Union has notified the following requirements to the West Pakistan Cooperative Board and negotiations for importing are in progress :

125 Tractors from UK.

125 Cultivators from Denmark

125 Disc Harrows from Australia

Spare parts from UK, Australia and W. Germany,

Spare parts for cotton ginning and pressing factory from USA.

Cooperative Marketing Federation Ltd., Peshawar, WP

### Foreign Trade Performance

The Federation is registered as an importer and exporter. In the three-year period ending 1965 the Federation exported fresh fruits to the value of £stg. 350 to India. The Federation imported during these three years tyres and tubes worth £stg. 3,000 from the UK and Japan. No trade has been done with any foreign cooperatives.

### Barriers to Foreign Trade Expansion

The Federation is not aware of the addresses and activities of cooperative organisations in other countries which conduct foreign trade.

The Federation has attempted to secure import licences for pumping sets, general merchandise, etc., every year, but did not succeed.

### Prospects for Foreign Trade Development

The Federation ~~is~~ interested in the export of : Fresh Fruits, canned fruits, jams, chillies, tobacco, and decorative wooden articles, and in the import of : Cloth art silk fabrics, art silk yarn, pumping sets, crockery, etc., from UK and Japan.

### Suggestions to ICA

Mutual business arrangements in respect of commodities produced by cooperatives (or others) should be made with cooperatives of foreign countries on a commission basis.

Introductions between cooperative societies in Pakistan and those of other countries are essential to promote cooperative foreign trade.

East Pakistan Provincial Cooperative Marketing Society Ltd., Dacca, EP

The Society, which was set up in 1961, acts as the provincial apex society of cooperatives and undertakes the grade in agricultural produce, farm requisites, and consumer goods required for use or consumption by their members.

### Foreign trade of the Society

The Society does not conduct any exports. The imports of the Society are very limited. It imported 1,236 units of sanitary ware valued at £stg. 3 323 from the UK during 1963-64 under a "Bonus Voucher" via a private trader.

During 1963-64, the Society proposed to import the following items, but could not do so, as it was not granted an import licence.

Milk Foods

Condensed and Preserved Milk

Coconut Oil

Spices

Iron and Steel ( Pipes and Sheets)

Soda Ash.

### Barriers to Foreign Trade Expansion

The Society is not aware of any cooperatives in other countries conducting exports of the commodities which it wants to import. Prices of commodities of US origin are higher than those from other countries.

### Prospects for Foreign Trade Development

Subject to the availability of import licences, the Society is interested in importing coconut oil, G.I. sheets, milk foods, and certain seeds.

### Suggestions to ICA

The ICA could help by arranging better coordination and dissemination of knowledge about the activities of cooperatives dealing with imports / exports of commodities in various countries.

Regular exchange of delegations between the cooperatives of South-East Asia may be helpful for consultations with agencies dealing with import and export of commodities, in order to devise ways of developing market facilities.

### My Comment

The officers of the Society were not hopeful of being able to develop foreign trade, due to lack of import licences and bleak prospects in that respect; as to lack of suitable cooperative contacts, some of these were provided immediately, e.g. with ICA members in Ceylon and the Philippines as regards coconut products, and also details regarding cooperatives in the region interested in jute goods. As import licences are lacking, and bonus voucher system to qualify for imports does not apply to exports of jute. likeliest prospects would seem to be for some sort of barter deal, particularly with cooperatives in countries short of foreign exchange.

History and Functions of the Union

The Union is a multipurpose organisation with a membership of handloom weavers' societies and consumers' stores (the latter are all separate cooperative societies, numbering more than 60 in Karachi). The Union is registered as an exporter and importer. Originally the Union was designed to meet raw material requirements (e.g. yarn buying or importing) of the weavers' societies, but this function has ceased, as mechanisation has dealt severe blows to the cooperative cottage industry societies. Now the Union runs a wholesale and retail fruit market and would like to export fruits.

The Union has not conducted any exports so far at all. For importing whenever necessary, the Union avails itself of the bonus voucher imports scheme, but that method means that imports generally cost 150% more, taking into account the current market value of bonus vouchers. The Union has imported, on an irregular basis, silk and cotton yarn and pure silk from China and Japan. Other occasional imports included fertilizers, tools, machine tools and raw materials for the textile trades.

Barriers to Foreign Trade Development

Lack of finance and of reliable trade contacts abroad have been the main stumbling blocks in the field of exports. On the other hand, the Union never encountered any anti-cooperative discrimination in its foreign trade dealings up to now.

Prospects for Foreign Trade

Some reference was made to importing textile machinery from cooperative sources but no details were furnished.

The Society thinks they may have exportable products in oranges, other citrus fruits and dried fruits for the Middle East and Hong Kong, and handloom cloth and fabrics including towels, cheap prints, etc., for the USA and the Persian Gulf countries.

Reference was also made to a desire to export processed fruits and fruit products, but the Union has no processing plant at its disposal.

Lahore Central Cooperatives Stores, Lahore, WP

Lahore Central Cooperative Stores have one department store, with a small pre-packed grocery section, and one branch shop in Lahore. In the Lahore area, about 30 of the 60 consumer cooperatives are active. Virtually each cooperative store is a legal entity and separate society.

Foreign Trade Performance

Central-Cooperative Stores has no own productions, and does not conduct any exporting. Following are the import figures of the "Stores" for the years 1963 to 1965 (20% of the goods imported are for re-sale to other cooperatives in Lahore.) :

Year	Commodities	Value (£stg.)	Countries of Origin	Name of the Cooperative, if any, from whom imported
1963	Radio Parts	375	Holland, France	Nil
	China	500	Czechoslovakia	UNICOOP
1964	Radio Parts	1,200	UK, Japan, Holland	Nil
	China	750	UK, Yugoslavia	(CWS) England)
1965	Radio Parts	1,500	UK	Nil
	China	250	Czechoslovakia	UNICOOP

The "Stores" are at present importing china, razor blades, razors, etc., with bonus vouchers purchased from other traders.

### Curtailment of Imports

As from January, 1966, the Government of Pakistan stopped issuing regular licences for the kind of items the Society used to import. The "Stores" no longer hold any current import licences. As the "Stores" has no own productions or exports, it cannot earn any import entitlements, and is compelled to secure imports by the only other means open to it, i.e. the acquisition of import bonus entitlements from others. Such import entitlements may cost about 160% of the face value of the authorised import, and customs duty is also payable on goods to be imported. With customs tariffs on some items of interest to the Society recently raised from 80% to 110%, retail prices of imported goods may be  $2\frac{1}{2}$  times, or more, above earlier price levels.

### Prospects for Future Foreign Trade

The "Stores" hope to start own productions of textiles, carpets, towels and hoisery goods, for export and for local consumption, but no indication was given as to how soon these developments may materialise. In due course, they could enable the cooperative to export and to earn import entitlements thereby. In the meantime, the "Stores" will need to rely on purchasing import bonus vouchers on the open market, unless current restrictions are relaxed.

With recent import duty increases and restrictions on imports of consumer goods, prices of some import commodities are expected to rise substantially, unless domestic supplies are made available to an ever increasing extent. The "Stores" maintain that cooperatives are already handicapped by a policy of fixed prices which do not commend themselves to a public keen to secure price reductions, and the import restrictions will lead to fresh price increases which create, for all retailers, a new situation, the consequences of which cannot yet be assessed.

Cooperative Import and Export Society Ltd., Karchi, WP.

The Society is said to have as its shareholders individual traders who hold import licences which they pool for handing over to the Society to do the importing of hardware, spices, milk powder, medicines, etc.

East Pakistan Provincial Cooperative Industrial Development Society Ltd.,  
Dacca, EP

The East Pakistan Provincial Cooperative Industrial Development Society Ltd., is the apex organisation of the small-scale industries sector of the Cooperative Movement in East Pakistan. The Society arranges to supply raw materials to artisans through their cooperatives, and the disposal and marketing of the finished products from the artisan-members.

Past and Current Performance in Foreign Trade

The Society is registered as an importer on behalf of the weavers in its members cooperatives, for which it imports such requirements as dyes, yarn, etc. 75% of East Pakistan weavers are organised in cooperatives, and the society's imports cater for 176,000 looms. Following are the import figures of the Society for the years 1962 - 65 :

Year	Yarn (cotton and silk)	Dyes & Chemicals	Total
1962 - 63	45,900	11,000	56,900
1963 - 64	86,000	27,200	113,200
1964 - 65	46,700	-	46,700

The above commodities were imported from Japan, Hong Kong, UK, Italy, USA, Lebanon, West Germany, France, and Egypt through local agents.

### Limitation of Imports

In recent years, the Society has not been able to import sufficiently to meet the full requirements of its member-societies, due to shortage of foreign exchange. Imports have been limited to about 80% of requirements; the limitation of import licences has been the main problem with regard to importing. The Society said its status as an importer had not been interpreted uniformly by all the government departments concerned, and this fact also caused some problems in relation to import licences; they were hopeful however, that this problem would be overcome soon. The Society has not conducted any export so far.

### Prospects for developing foreign trade

The Society is interested in the export of dyed grey cloth, check shirting, towels, bedsheets and bedspreads, lungi, silk and Banarasi sarees, to USA, Australia, Thailand, Philippines, Morocco, E. Africa, Sudan and Ethiopia. Other goods sold through the society include bamboo products brass and metal goods, and conch shells.

On the import side, the society were hopeful that recent difficulties may soon be overcome to enable them to expand imports.

### Suggestions to ICA

Establishment of a Trade Information Bureau under the control and management of the ICA might contribute satisfactorily to foreign trade developments between cooperatives in different countries.

### Punjab Provincial Cooperative Cotton Corporation Ltd., Karachi, WP

#### History and Functions

The Corporation was established to export cotton handled by cooperatives when private cotton traders left for India at the time of partition (1947). The Corporation prospered for three to four years, but when the mills largely reverted to private ownership - 35 factories



had been members of the Corporation which had handled all their cotton- the cooperatives lost its continuous trading links and had to look for other cooperative contacts. Thus a variety of cooperatives came into its membership, including e.g. farmers' societies, the Cooperative Textile Mill Khanwal Ltd., (producers of cotton yarn), a sports goods cooperative at Sialkot, the Pakistan Cycle Industrial Cooperative Society Ltd., at Lahore etc.

The Corporation now acts as a customs clearing house for various cooperative foreign trade deals, e.g. the foreign trade of the petroleum and Fisheries cooperatives, in that way, the experience gathered during the last 18 years in relation to foreign trade conduct and formalities is being utilised for the benefit of cooperatives. Until recently, the Corporation also handled fertilizer imports business, but this has now been taken over by private traders.

#### Foreign Trade Activities

The Corporation is a registered exporter and importer authorised to export and import in accordance with the needs of its members, which include consumers' stores, productive societies and other cooperatives. The Corporation has no had any direct trade dealings with cooperatives abroad, nor has it encountered any anti-cooperative barriers or discrimination in its foreign trade.

Except for some exports of cotton yarn in the years 1951 - 1954 the Corporation has not conducted any other export.

During 1953-54, the Corporation imported raw materials for cooperative sports goods societies of Sialkot (valued at £stg. 22,500) from Hong Kong and UK, against regular import licences granted in the name of the Registrar of Cooperative Societies, West Pakistan, Lahore. It has also been importing, under O.G.L. and bonus vouchers (secured on exports of

cotton yarn), textile machinery, agricultural machinery, tractors and spare parts, tools and workshop equipment, from UK, USA and Germany.

During the last three years, it has imported one grinding machine from Germany and one boring machine from the UK (total value £stg.3,000). This import was conducted direct by the Corporation. The Corporation is not a regular importer, but when it gets licences, it imports goods required by its members.

#### Prospects for Future Foreign Trade.

The Corporation sees export possibilities for fruit, fruit products, pulses, sports goods, cycles and textiles. To utilise the foreign trade experience amassed by the Corporation, and in view of the wide diversity of trading interest among its members, it aims at the greatest possible concentration of West Pakistan's cooperative foreign trade to be channelled through the Corporation, both exports and imports.

#### Small Scale Cottage Industries Cooperative Society Ltd., Karachi, WP

##### Functions of the Society

The Society's functions include procuring, purchasing and importing raw materials, small tools and machinery, and distributing these to members, and to develop exports of the products manufactured by its member-industrialists.

##### Range of Products

The Small Industries Division of the government-sponsored West Pakistan Industrial Development Corporation publishes a catalogue of handicrafts etc., complete with the price list, and the products featured include those coming in through the Society from its member-makers, 391 of whom form its membership in the Karachi area, covering 22 sections of industry, e.g. silk fabrics, jewellery (genuine and imitation), handloom fabrics, ready made garments for women and children, T-shirts, brassieres,

leather footwear, hard soap, drugs and pharmaceuticals, chutney, vinegar, jellies, sauces, essences, and juices etc.

#### Foreign Trade Performance

Pakistan dolls were sold four years ago to the USA and Ghana, but due to lack of necessary finance, exports were not continued. Goods are sold by the Society to the Small Industries Division and also to local merchants, who then in turn export, as they are able to finance the risks involved.

Irregular imports include raw material requirements secured via the Small Industries Division, but the Society want to do their own importing direct.

#### Foreign Trade Problems and Prospects

The main problem about developing exports being the lack of the necessary finance, foreign sales of members' products are likely to continue via private traders and/or the Small Scale Industries Division; no further details were given with regard to the desire to undertake direct importing (presumably it is thought this may be more advantageous - by comment).

#### Suggestion to ICA

The Society think it would be very helpful for the promotion of foreign trade if ICA could investigate the chances of Asian cooperatives securing display space facilities for their export products on cooperative premises in other countries

The Cooperative Book Society of Pakistan Ltd., Chittagong EP

#### Restrictions on Foreign Trade

Quota restrictions apply to the import of printing trade and stationery items and to publications, but the Society is a registered and licensed importer and as such able to conduct its import business.

### Activities of the Society

As the owners of book stores and stationery shops, as well as of a printing works, the Society deals mainly in books and publishing, and caters for the needs of students, teachers, educational and cultural institutions, and private and public libraries, as well as selling to the general public who benefit from very competitive prices (members enjoy a special discount).

### Foreign Trade

The Society does not conduct exports, only imports, The Society has imported the following items :

Books, Maps, Charts.  
Stationery supplies.  
Scientific Instruments for schools.  
Printing materials, including types.  
Paper and Board, and binding material  
Painting material  
Dry spray powder and chemicals  
Photographic films  
Machinery etc.

Printing machinery was imported by the Asia Foundation from USA, with some machines coming also from the UK. Imports were conducted direct by the Society from the following countries :

Japan  
UK  
USA  
European countries  
China

### Imported Goods seen on Display

An inspection of the Society's main store in Chittagong revealed the following imported items on display there : Textbooks from various countries including English language books, science display models from China (said to

be very cheap); drawing utensils from the UK ink from Germany ("Pelikan" brand).

Suggestions to ICA

The Society suggested some form of ICA-sponsored publicity for its own activities and-(foreign trade) interest, and that the ICA should prepare a complete directory of international cooperative activities and interests in the printing, publishing-and stationery trades.

Pakistan Cycle Industrial Cooperative Society Ltd., Lahore, WP

The Society is the biggest exporter and components producer of cycles in Pakistan with an output of 250 cycles per 8-hour working day, six days per week. Its officially licensed annually capacity (in respect of which they are authorised importers and exporters) is 60,000 cycles. The Society claims to have 70% of the total market for bicycles in Pakistan.

Past and Current performance in foreign trade

The society conducts exports and imports. It exports cycles and spare parts to three firms in Nigeria, but none of them is a cooperative. The Society is the only exporter of cycles from Pakistan.

Following are figures for imports conducted by the Society during the years 1963 - 1965

Items	1963	1964	1965	Countries of Origin
Steel tubing	41,100	33,850	13,500	USA
Iron & Steel	77,100	56,600	51,100	USA, Austria
Chemicals	58,100	8,750	2,000	UK, W.Germany, Japan, China and France
Finished parts	105,400	182,800	29,950	UK, Japan, East Germany, Czechoslovakia
Semi-finished parts	6,200	15,500	3,800	UK and Japan
Non-Ferrous metals	6,350	8,250	6,300	UK and W. Germany
Machinery & tools	3,750	27,300	14,200	UK, Japan and West Germany
Total :	<u>298,000</u>	<u>333,050</u>	<u>120,850</u>	

### Curtailment of Imports

Except for three specialised parts, which the Society is also going to manufacture, the import of cycle parts and of complete cycles is also prohibited, in order to protect the domestic industry. Machinery is largely made in Pakistan nowadays; any still necessary imports are designed to enable the industry to go into manufacturing these specialised parts. Imports are made under approved licence sometimes have to be supplemented by imports under the bonus voucher scheme.

### Barriers to Expansion of exports and imports

Certain countries impose restrictions on the import of cycles. Imports into Pakistan under the bonus voucher scheme tend to be rather expensive.

### Prospects for Foreign Trade Expansion

The Society is negotiating with SUZUKI of Japan regarding the manufacture of their motor-cycles under licence in Pakistan. It is also negotiating with the cycle trade interests in the UK, and collaborating with some UK firms in establishing a bicycle factory in Iraq.

The Society is interested in the addresses of (i) cooperative organisations which can supply raw materials and machinery for use in the manufacture of cycles, and (ii) cooperatives which could sell the products of the Society.

The Society hope to develop exports of cycles and parts in Africa and the Middle East; they also think there may be a market for their products in Malaysia, Singapore and Thailand. (My Comment Cooperative addresses in those three countries were provided and attention was drawn to the existence of a cooperative cycle factory run by the CWS in England; the possibility of establishing contact with these cooperative organisations was referred to, and ICA assistance was offered).

Karachi Cooperative Housing Societies' Union, Karachi, WP

There are 220 housing societies in the Karachi area; the membership of the Union comprises 24 such societies. Two-thirds of the people in Karachi live in cooperatively built houses. The housing societies also look after roads, sewerage, and other services normally provided by local authorities. The housing societies are potential importers of some bathroom equipment, sanitary fittings, electric appliances, etc. At present, the two commodities of immediate interest for importing are soda ash and cast-iron pipes for house building and other construction work.

My comment : Steps were taken to put the Union in touch with UNICOOPJAPAN as a possible source of supplies, and negotiations were begun, the result of which was not known by August 1966. Latest UN figures estimate the annual population growth rate in Karachi at an almost fantastic 7.9%.

Pakistan Cooperative Petroleum Association Ltd., Karachi, WP (PCPA)

History of PCPA

After discussions with PCPA, the Pakistan Cooperative Petroleum Association was formed and registered in May 1961, to enter the petroleum products, lubricants and greases trade. Six licences for oil blending plants were granted by the Government of Pakistan, three to foreign companies and three to private traders, one of whom lacked finances and negotiated with the PCPA, eventually linking up with them; thus the Association acquired the licence for a blending plant. The Association secured collaboration regarding technical know-how and foreign exchange from the British firm which makes "CASTROL" products. That company has an investment of £stg. 18,750 in the PCPA, the PCPA itself holding the largest part of the total capital. (The private company's holding amounts to £stg. 11,250%).

Though "CASTROL" provided the know-how and foreign exchange, they would not let PCPA use their trade mark; PCPA are keen to use some other well-known trade mark which they have yet to secure, however.

#### PCPA Blending Plant

The PCPA acquired 3 acres of land from the Karachi Port Trust and built a blending plant which became operational in 1966 and now blends lubricants, its capacity being 7,500 tons per year. The Association has yet to establish its own marketing organisation.

#### Foreign trade prospects

Imports of base oils for refining are being ended as base oils are due to become available by the end of 1966 from the national refinery in Pakistan. Blending will be done primarily for domestic requirements which are yet unfulfilled, but after that exports will be considered too. The domestic cooperative market is expected to absorb up to 1,000 tons per annum. Afghanistan is thought to be the likeliest foreign market for the products of the Association. PCPA expect to assess the position more accurately in a year's time or so (My comment : In view of the potential trade with fishery cooperatives, details about these in the various countries of the region were supplied to PCPA, as well as other addresses of cooperatives abroad).



Name and address of the organisation/department

PHILIPPINES

Central Cooperative Exchange, Inc.,  
Feati Bank & Trust Co. Building,  
E.de los Santos Avenue,  
Mandaluyong,  
Rizal. (Near Manila)

Agricultural Credit Administration,  
2544 Taft Avenue,  
Manila.

Cooperatives Administration Office,  
Isabel Building,  
España St.,  
Manila.

Foreign Trade Coordinator,  
Department of Commerce and Industry,  
Manila.

Central Bank of the Philippines,  
Export Department,  
Manila.

Philippine Federation of Consumers Cooperatives,  
Rm-227-229, Isabel Building, Inc.,  
España Street,  
Manila.

Sugar Producers' Cooperative Marketing Association,  
Gonzaga Building, Inc.,  
Rizal Avenue,  
Corner Carriedo,  
Manila.

Philippine Producers' Cooperative Marketing  
Rm-208, Singson Building, (Association, Inc.,  
Plaza Moraga,  
Manila.

Philippine National Cooperative Bank,  
España, Corner Adelina and Cataluna Streets,  
Manila.

International Rice Research Institute,  
Los Banos (Laguna).

Agricultural Credit and Cooperatives Institute,  
Los Banos (Laguna). University of  
the Philippines,

Los Banos Livestock and Poultry Raisers' Cooperative  
Los Banos (Laguna). Association, Inc.,



## THE PHILIPPINES

### General Background.

The Philippines comprise 7,000 islands. Between 65 and 80% of a population of 32 millions are connected with agricultural work. In the last year or two, there appears to have been a great deal of critical comment in the Philippines about economic malaises and unsatisfactory administrative practices. The economy is also strained by the demands imposed upon it by one of the highest birth rates in Southern Asia (3.3% per annum). More recently, a great deal of faith has been expressed in the new administration of President Marcos, and it is widely hoped that a programme of betterment of social and economic conditions will be implemented. In the cooperative sector, new appointments include i.a. that of a new administrator for the ACA (see below). One important characteristic of the economy is the heavy involvement of the Government in the subsidizing and marketing of i.a. rice and tobacco. The principal exports from the Philippines include sugar, copra, tobacco and lumber. More than 50% of all exports go to the USA, but trade with Japan and Europe is on the increase. Sugar exports go exclusively to the USA.

### The Cooperative Movement.

The Philippine Cooperative Movement is divided into agricultural and non-agricultural sectors, and the two sectors have separate legal requirements and limitations as to the activities the different types of cooperative societies may carry on. Each sector comes under a different Government Department; the agricultural cooperatives come directly under the office of the President of the Republic, while the non-agricultural cooperatives come under the Department of Commerce and Industry, which in turn is under Presidential jurisdiction. Thus the latter are one step further removed from the policy-making level of Government than the agricultural cooperatives.

### Agricultural Cooperatives.

On the agricultural side, the Agricultural Credit Administration (ACA), Commission of Agricultural Productivity (CAP) and the relatively new Philippine Coconut Administration (PCA), set up under a separate Bill in response to pleas from special interests, promote the development and activities of cooperatives. The CAP is not yet fully operative and its scope overlaps with that of ACA, which in fact still does some of the work intended for the CAP; the ICA member in the Philippines, Central Cooperative Exchange Inc. (CCE), collaborates closely with both ACA and CAP.

### Non-Agricultural Cooperatives.

On the non-agricultural side, the chief Governmental agency is the Cooperatives Administration Office (CAO), which is aided by the Central Cooperative Education Board (CCEB). The Agricultural Credit and Cooperatives Institute (ACCI) acts as a link between the two sectors by serving the needs of both agricultural and non-agricultural cooperatives.

The non-agricultural cooperatives are mostly in urban areas, while in the rural areas even the consumer cooperative stores are linked to the farmers' cooperatives. (My Comment: It was learned in September 1966 that the CCEB intends to apply for membership of the ICA).

### Possible Rivalry Between Two Sectors.

Though the farmers' cooperatives are nominally prohibited by law from selling consumer goods, this law has not been too strictly enforced so far. However, a time may come when agricultural and consumers' cooperatives actually compete with each other, and a stricter interpretation of the law may follow, with implications (re non-member trade) that cannot be accurately assessed at the moment. Some cooperative leaders advocate a change in the system whereby all cooperatives would come under the jurisdiction of one and the same Government Department.

### Policy Re Foreign Trade.

Import policy is generally governed by the availability, or otherwise, of equally suitable domestic products, plus the need to conserve foreign exchange reserves, and to protect domestic industries.

With the lifting of certain import control restrictions around 1962, tariffs were increased to protect domestic industries. Although import licences are no longer required, the importer has, in effect, to obtain official approval by virtue of the need to secure the necessary foreign exchange for payment.

Export policy is governed by the need to prevent shortages at home.

An outline of the operation of existing export controls follows:

#### Central Bank of the Philippines, Manila

The Export Department of the Central Bank of the Philippines supervises export transactions with the end in view of ascertaining that the foreign exchange proceeds derived therefrom are surrendered to the Central Bank through the banking system. For this purpose, all commercial banks are agent banks of the Central Bank.

The Export Department does not control either by prohibition or restriction, Philippine exports of commodities or articles. Its main objective in overseeing export transactions is just in keeping with its function of the vigilance over the foreign exchange earnings of the Philippines.

Banning and/or restriction of exports is exercised by other governmental agencies, pursuant to law authorising such agencies to regulate exports in order to achieve avowed objectives such as raw material shortages, protection of certain industries, quality standardisation, etc. which issues their own rules and regulations relating to specific export products.

Commodities for exports which, by law, are restricted or regulated are extended export permits by the agent banks, upon prior submission of authorisation granted by the pertinent government agency (not the Central Bank).

With respect to export transactions under Central Bank supervision, the Bureau of Customs grants clearances on the basis of export permits issued by agent banks of the Central Bank. The issuance of an export permit is based on the Report of Foreign Sale - indicating particulars of the transaction - which every exporter must submit on a standard form, received and registered by agent banks without prior reference to the Central Bank export department. The department reviews the export papers (copies of which are furnished to the C.B. export department by the agent bank within 24-48 hours after receipt and registration). The review is to determine if the agent banks have been issuing export permits to their clients in accordance with existing rules and regulations of the Central Bank covering foreign exchange earnings derived from export transactions.

Every export shipment must be covered by an export permit issued by the agent banks on the basis of the Report of Foreign Sale for such commodity. However, where the articles for export are voluminous, frequent and of recurring character, a general permit for one month is issued to cover exports for one month without the necessity of accomplishing a Report of Foreign Sale for every shipment, especially if the consignee and terms of sale do not vary. A summary report of the total number of shipments showing details such as quantity and price, is submitted to the Central Bank export department, through the agent banks, at the end of the month.

Cooperatives are treated on the same basis as others regarding foreign trade, except that they have tax and import duty exemption privileges, but these have caused some problems with regard to the interpretation of the legal provisions. Cooperatives are exempt from all taxes, including sales and income tax and customs duty.<sup>§</sup> These concessions are regarded as temporary aids to help establish cooperatives on a sound footing.

§ but see report on CCE (page 10).

ACA has two types of loans available for financing cooperative exports; these could be used for such purposes without further legislation. They are short-term marketing loans for buying members' produce, and commodity loans against the security of produce stored in cooperative warehouses. These would meet the needs for copra and native tobacco (for cigars) exports. No foreign cooperatives are known to trade with the Philippines direct (Swedish Cooperative copra buying is not done direct).

The agricultural cooperatives trade only with members; they cannot do part of their business with members and part with non-members; as soon as they trade with non-members, they lose all tax exemption privileges.

#### Restrictions and Barriers to foreign trade.

These problem issues include the following:

Instability of financial position of cooperatives; unfamiliarity with foreign trade procedures and requirements; all export market goods, under the present Philippine law, have to come entirely from members of the exporting agricultural cooperative, and this would severely restrict the availability of at least some produce for exporting.

#### Export Potential and Prospects.

Native (Cigar) and Virginia tobacco;  
Coffee;  
Copra;  
Manila Hemp (for ropes, twine, marine use especially).  
(Tobacco and Copra are the main items of interest to CCE).

Comments on Export Prospects: ACA's view is to try and develop CCE's foreign trade, irrespective of the present impasse in the tax situation which regard to certain CCE imports (see report on CCE).

Coconut growers are being encouraged to form cooperatives. There is said to be no problem about securing adequate copra supplies for export, as production can allegedly be expanded to meet all needs. The next move regarding the desired export by cooperatives of copra to KF, Sweden, now rests with CCE, and the new Philippine Coconut Administration.

### Suggestions.

The head of ACA thought there was need for an international agreement among cooperatives to enable them to act as each other's agents without infringing any privileges or legal rights they possess in their respective countries (but it was not made clear how any agreement between cooperatives of different countries could expect to secure recognition from the national governments which are the arbiters over any concessions they grant to the Movement in their own respective territories - My comment).

### Government Management of Rice Trade.

RCA, the Rice and Corn Administration, a Government-controlled body, handles the rice trade and imports. It imports rice and arranges for its distribution. Subsidies are paid both to rice farmers for their product and to retailers for keeping the resale price down to a controlled level. Rice goes direct to retailers from the RCA, without passing through wholesalers. Some other organisations are permitted to import rice, too.

### Central Cooperative Exchange, Inc., Rizal, near Manila (Member of the ICA)

The CCE is the national marketing and supply federation of agricultural cooperatives, which are known as FaCoMas (Farmers' Agricultural Cooperative Marketing Associations). The CCE promotes and facilitates the marketing of excess produce of member-FaCoMas, after the FaCoMas have met local requirements. Marketing activities cover mainly rice and corn. Unscrupulous competition in the domestic rice trade had led to a temporary loss of rice trade from CCE to the private trade, which is said to offer inducements to potential rice buyers that CCE cannot offer; hence CCE was in a disadvantageous position. The position has been restored, however, and CCE sales of rice are: 10% to retailers, 20% to large users (e.g. firms which pay workers part of their remuneration in the form of rice), and 70% for Government contracts, e.g. for hospitals, prisons, etc.



Recently, the Government's Rice and Corn Administration awarded to CCE a contract for storing imported rice in the CCE warehouse.

CCE procures commodities and equipment to be used in farm production and distributes these to FaCoMas. These supply items consist mainly of fertilizers, jute sacks, sprayers and seeds.

CCE operates warehouses in different parts of the country, and also operates a tobacco redrying plant. In certain areas, where the FaCoMas are not sufficiently strong, CCE deals direct with individual farmers.

Past and Current Performance in Foreign Trade.  
(see tables for details of imports).

CCE used to export IPIL IPIL LEAF MEAL (a special local product and substitute for Alfalfa meal) to Japan, but do not do so any more, as supplies are needed in the Philippines.

Sorghum grain livestock feeds brought in from the USA under the PL 480 aid programme have been channelled only through CCE, by decision of the Philippine Government, while other feedgrains brought in under PL 480 come via other agencies. Profits from this PL 480 trade are expected to improve the finances of CCE. Seed potato imports have been bought from the "ZENHANREN" Cooperative Marketing Federation in Japan.

Restrictions on Foreign Trade.

An export licence is required for any commodity which CCE wish to export. No import licences are now needed, but the necessary foreign exchange has to be secured. There is a ban on foreign trade with Communist countries.

The law in effect prevents cooperative imports other than those for their own members' use, which are free from customs duty; all other imports have to bear the full rate of duty. The import of rice into the Philippines is generally handled by the Government-controlled Rice and Corn Administration, though other organisations could participate in the importing - but not an agricultural cooperative like CCE, which would have to pay the full rates of import duty on anything not imported exclusively to meet the needs of its own members.

Therefore, CCE can handle domestic rice from its own members, but is practically prevented from handling foreign rice. On the other hand, consumer cooperatives could interest themselves in the import of rice as a bona fide requirement of their membership.

#### Barriers to Foreign Trade Development.

##### (i) Exports

In addition to the instability of the financial position of many cooperatives, and their unfamiliarity with foreign trade procedures and requirements, there are specific problems regarding the main export products, namely unsatisfactory grading and high prices of tobacco (Virginia tobacco is heavily subsidized by the Government of the Philippines), and the strong international cartel grip on the copra trade.

Another handicap is the lack of direct contact with potential (cooperative) buyers abroad, but CCE are taking steps to remedy this latter defect.

##### (ii) Imports

There is severe pressure from hostile private trade interests who fear that cooperatives may seize part of the jute bags and fertilizer trade, if CCE is allowed to strengthen its position, and to cut private trade profits, by importing goods which are cheaper than those produced within the country.

CCE FERTILIZER IMPORTS

(ALL FROM JAPAN)

<u>Year</u>	<u>Commodity</u>	<u>Quantity</u> (Metric Tons)	<u>Value</u> (U.S. Dollars)
1963	Ammonium Sulphate (21-0-0)	750	33,187
	Ammonium Phosphate (16-20-0)	1,250	88,162
	Urea (45-0-0)	500	42,125
1964	Urea (45-0-0)	2,500	211,035
	Ammonium Phosphate (16-20-0)	3,000	275,400
1965	Ammonium Phosphate (16-20-0)	5,500	475,115
	Ammonium Sulphate (21-0-0)	7,000	412,015
	Urea (45-0-0)	1,000	106,200
	Potassium Sulphate (0-0-50)	976	87,200
	Potassium Chloride (0-0-60)	965	69,824

CCE CONTAINER IMPORTS

<u>Year</u>	<u>Commodity</u>	<u>Quantity</u> (Pieces)	<u>Value</u> (U.S. Dollars)	<u>Country of</u> <u>Origin</u>
1963	Hessian Jute Sacks 22" x 40", 10 Oz., P&S 11 x 12	1,250,000	220,540	India
1963	Onion Paper bags, 50 cap. (once used)	200,000	18,240	USA
1964	Onion Paper bags, 50 cap. (once used)	50,000	4,610	USA
1965	Hessian Jute Sacks, 22" x 40", 10 Oz., P&S 11 x 12	2,500,000	425,000	India

OTHER CCE IMPORTS

1963	Sprayers, Hand-operated	600 units	10,494	Japan
1964	Potato Seeds	1,000 crates	6,675	Japan & USA
	Garlic Seedlings	50 M.Tons	10,000	Taiwan
1965	Sprayers, Hand-operated	150 units	1,723	Japan
	Hand Tractors	2 units	2,113	Japan

The Dispute about Import Duty Liability of CCE.

The fertilizers imported by the CCE were held temporarily by the Customs authorities because of a dispute regarding customs duty liability; they have been released to the CCE, though the delay has cost the organisation some money. The domestic fertilizer manufacturers are opposing any import tax exemption for fertilizers brought in by CCE; they argue that domestic production can exceed all requirements, the domestic production capacity being 520,000 tons, as against 320,000 tons needed. According to CCE, this assertion conveniently ignores the fact that the imports are cheaper than the domestic product.

In July 1966 jute bags imported by CCE were still being held under a similar dispute, even though there is a severe shortage of such bags in the country. Even the eventual release of the bags will not eliminate some hardship to CCE, due to at least some bags being no longer fit for use, or not required at that time. Again, Philippine jute bags are understood to be dearer than imported ones.

On the instigation of private interests in the fertilizer and jute sacks trades, the Finance Department of the Philippine Government has reversed an earlier ruling that had declared that the goods imported by the CCE were not liable to import duty; payment of the duty would make the transactions not worthwhile for CCE. In view of these contradictory rulings, which are due to the fact that one law has expired whilst another law remains in force, CCE hope to promote an amending Bill in the 1967 session of Congress to clarify the position with regard to customs duty liability (whilst not touching upon the other tax exemption privileges which exist). What is in fact required is a legislative ruling that customs duty should be specifically regarded as one of the taxes from which agricultural cooperatives are exempt.

My Comment: It was stated that the law is much more clearly defined on the non-agricultural cooperative side. As to the chances of the proposed amendment to the agricultural cooperative law being passed by Congress, opinion expressed in Manila at the time of my visit there (April 1966) were by no means unanimous. In any event, CCE faced a period of uncertainty and an interruption of their main importing activities; sales of jute bags and of fertilizers were (in July 1966) at a standstill. However, in September 1966 CCE invited "NAFED"<sup>§</sup> of India to submit a tender for supplying jute bags, and this may mean that the problem about import duty payment is now being solved.

#### Foreign Trade Prospects.

##### (i) Exports.

An approach from UNICOOPJAPAN concerning possible purchases of Philippine molasses from cooperative organisations is at present (August 1966) under consideration by CCE, after a visit from UNICOOPJAPAN in June.

CCE has been exploring prospects of exporting native and virginia tobacco, and copra. The General Manager of CCE visited W. Germany in 1965 and contact was established with GEG, Hamburg, regarding possible virginia tobacco exports. He also contacted private trade brokers in Bremen about the export of "native" tobacco (for cigar-making). Following these initial enquiries, samples are being despatched to Germany by CCE.

Contacts have also been established with KF in Sweden regarding possible exports of copra, but the matter is not yet finalised.

My Comment: As the proposed copra and tobacco exports would be new ventures of CCE, they wish to concentrate their initial efforts exclusively on Sweden and Germany respectively. Tobacco samples are expected to go forward later in 1966, but copra trade progress is likely to be slower.

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§ National Agricultural Cooperative Marketing Federation

(ii) Imports.

Fertilizer imports may well decline, due to rising domestic production and the industry's clamour for protection against competing imports. Whatever the outcome of the dispute about CCE's liability to pay duty on jute bags, such bags can be imported duty-free direct by the Government organisation ACA and offers can be addressed either to CCE or direct to ACA in Manila.

CCE continue to import limited quantities of planting materials, such as onion seeds, seed potatoes and other vegetable seeds.

Suggested for Action by ICA.

There is a need for two-way information about trade opportunities/requirements to be channelled through the ICA, which should act as a clearing house for such trade information. Also, the ICA should encourage various cooperatives to send trade literature and information to each other.

Sugar Producers' Cooperative Marketing Association, Inc., (SPCMA), Manila.

The SPCMA is a non-stock, non-profit cooperative association of sugarcane planters in the Philippines, their main business being the export marketing of sugar. SPCMA is not directly involved in sugar milling up to now.

Past and current performance in foreign trade.

Imports.

Include fertilizers and agricultural chemicals; farm machinery; raw materials and machinery for fertilizer plant; machinery for sugar industry; livestock. These goods come from Germany, Japan, France, USA, Israel, and other European countries.

The Association imports goods to an annual value of US \$ 5 to 6 million, the bulk of which are fertilizers.

Exports.

The Association exports about 200,000 tons of sugar per year to the USA, or about 1/16th of the total Philippine exports. Sugar is the main produce of its members, and the value of exports of sugar amounts to some US \$ 15 to 20 million per annum.

Both imports and exports have been conducted direct by the SPCMA organisation. Sugar exports to the USA are governed by a trade relationship based on the US Sugar Act and its quota system, which allocates definite supply quotas to various sugar-producing countries. (The Philippines now hold the largest single quota among suppliers to the USA, in the absence of Cuba from the list of suppliers to the USA).

Competition from Imports on the Home Market.

SPCMA comments as follows: "Locally produced commodities do not enjoy any subsidy or price support to prevent foreign goods from competing. The only protection they get is the increased tariff imposed on foreign goods. However, this imposition of high tariffs does not affect the competition from foreign goods too much, due to the fact that most of the domestic products require importation of raw materials".

Barriers.

The SPCMA has not encountered any impediments regarding its foreign trade with other countries, and conducts all foreign trade openly under its "Cooperative" name.

(The SPCMA is estimated to account for 75% of all Philippine sugarcane planters and their trade).

Plans, prospects, and negotiations in progress.

As regards sugar exports, the SPCMA has no need for any foreign trade negotiations, as all the exports are covered by the bilateral agreement with the USA. The Association has also no need to enter into any trade negotiations for its imports, since every year foreign suppliers make their offers to the SPCMA, and their factors in the USA also send them the fullest information about these matters.

The Association is studying an offer of import of livestock from the New Zealand Farmers' Cooperative Wholesale Federation. At present, the Association imports livestock from Australia in an effort to diversify its members' activities and to improve the degree of utilization of their assets. They are also interested in importing livestock semen.

Other points.

SPCMA are now organising two sugar mills, to be owned by their planter-members. Agricultural machinery is imported through agents who provide good spare parts and service facilities.

My Comment: The interest of the Japanese agricultural cooperatives in purchasing molasses was made known to SPCMA. From talks which Japanese representatives had in Manila in June 1966, it appeared that molasses exports were currently going to private traders in Japan, and no agreement for direct trade between cooperatives of the two countries was finalised by September 1966.

Philippine Producers' Cooperative Marketing Association, Inc.,  
(PHILPROCOM), Manila.

"Philprocom" was organised as a non-stock corporation in July 1952, and was converted into a stock corporation in July 1953. At the end of June, 1965, the organisation had 1,015 members. The "Philprocom" is a member of CCE and is affiliated to ACA. The main business of the Association relates to sugar, rice, and cocoa. It is not involved in sugar milling activities.

Past and current performance in foreign trade.

Imports.

The Association imports:

Fertilizers from Japan, Europe, Canada, USA and Israel. During the year 1965-65, it imported 21,500 metric tons of fertilizers, valued at US \$ 1,747,000.

Machinery, agricultural implements and tractors from Europe. Power tillers and irrigation units from Japan and Germany.



### Exports.

It only exports sugar, all of which goes to the USA, that country having first claim on all sugar exports from the Philippines. The Association is interested in the possibilities of exporting molasses. (My Comment: Japanese cooperative interest in molasses has been made known to "PHILPROCOM").

### Financing and Taxation of Imports.

All imports are obtained from private sources abroad. For its foreign trade, the Association gets, in the form of letters of credit, financial assistance from American buyers and from the Philippine National Cooperative Bank. Though as an agricultural cooperative the Association is supposedly exempt from all taxes, it has been paying full customs duty on its imports.

### Barriers.

No barriers have been encountered in foreign trade on account of the cooperative character of the organisation.

### Plans and prospects for possible imports.

The Association hopes to develop members' livestock interests by a pilot scheme on a limited scale, for the purpose of diversifying members' activities. Livestock imports may then become a possibility.

The Association is also interested in the import of rice, canned fish, and meat, and in offers of farmers' requisites for its merchandising section. ("PHILPROCOM" is estimated to account for 20% of all Philippine sugarcane planters and their trade).

### Department of Commerce and Industry, Government of the Republic of Philippines, Manila.

The Foreign Trade Coordinator said the government were promoting co-operatives in the field of foreign trade. Following are the comments offered by the Foreign Trade Coordinator in the Department of Commerce and Industry regarding certain important commodities:

Sugar: There is no export problem; the Philippine sugar producers cannot even fulfil the quota of imports into the USA allotted to the Philippines.

Copra: Users invariably prefer to buy direct from the established cartel to ensure continuous supplies and consistent quality. Foreign buyers have tried to set up joint ventures with some Philippine producers in the past, but have failed because local producers are hesitant about such new enterprises; they prefer to deal with the established traders. Some German buyers were said to be interested in direct deals with producers, but it was thought that this would be trade on a very limited scale.

Tobacco: The Government organisations in the Philippines have a virtual monopoly of tobacco buying in the country, on account of the subsidies they offer and these organisations also effect sales abroad, where there is the problem of State monopolies in many user countries in Western Europe to be faced. The Foreign Trade Coordinator saw little chance of any other Philippine trader competing against the Government in the tobacco business (CCE obviously do not agree entirely with such an assessment; under the Government contract for re-drying of tobacco, CCE have to buy from the Government 41% of the tobacco they handle, and they are free to sell this anywhere. It was also thought that the Government will not be able to continue buying tobacco at subsidized prices from farmers, since excessive stocks are likely to become an embarrassment to the authorities).

Cottage Industry: The Government-created National Cottage Industry Authority helps in the organisation of cottage industry enterprises, a field in which new cooperatives might make headway, particularly since a special bank has been formed to lend money for development purposes in this industry.

Referring to the CAO, the Foreign Trade Coordinator said it was almost certain to be expanded soon into a larger bureau, though it would still make no impact on agricultural cooperatives.

Cooperatives Administration Office (CAO), Manila

The Cooperative Administration Office is the Government agency responsible for promotion, organisation and supervision of non-agricultural cooperatives. Most of these societies are made up of employees in one particular firm, organisation or Government department so that the Philippine Consumers' Co-operative Movement is now concentrated in urban areas and it has been growing slowly but steadily.

Because of the tax exemption privileges enjoyed by non-agricultural cooperatives, the CAO has to approve imports of goods by them, to prevent abuse of these privileges, e.g. any import of duty-free luxury goods for profitable resale.

However, cooperative societies affiliated with the Philippine Federation of Consumers Cooperatives, a secondary cooperative registered with the CAO, can import only through the Federation. The Federation has imported certain goods but its import potential is not yet fully developed, as it has been in existence only for about five years. The Director of CAO believes that the Federation can be converted at the appropriate time into what will be called the Philippine Cooperative Wholesale Society.

There are no direct imports by industrial cooperatives, but some of their requirements are met from the imports of the Federation of Consumers' Cooperatives. One cooperative did export special cotton blankets to Hawaii for the use of Filipinos there, but is not doing so any more; it was only occasional business.

Barriers to foreign trade.

There are no special barriers to the foreign trade of non-agricultural cooperatives, except for competition from well entrenched private interests which act as sole agents/distributors of many goods which are of interest to the Cooperative Movement.

Philippine National Cooperative Bank (PNCB), Manila.

The Bank is prevented by law from making any loans available to agricultural cooperatives; its operations are confined to the non-agricultural cooperatives, including industrial cooperatives which make home (cottage) industry products and consumer goods/appliances. Apart from the restrictions on dealing with agricultural cooperatives, the Bank would be short of funds for such long-term capital investments as e.g. copra oil extract plant installations; it can only provide short-term loans to non-agricultural cooperatives.

Imports of jute bags, fertilizers, etc., by the CCE could be financed by the Bank only under the special interpretation that these are designed to meet not trading but consumption requirements of the farmers affiliated to the member FaCoMas of the CCE.

Loans for imports are financed by letters of credit with contacts abroad. Such loans are made for imports from the USA, Japan, Europe, etc., covering the full amount against proper documents, but the importer has to put down a deposit of 25% of the total value of the imports. The Bank finances the imports of consumer goods by the Philippine Consumers' Cooperative Federation. The Bank examines the credit-worthiness of cooperatives applying for loans, sets an upper limit on borrowing, and then leaves cooperatives to select import goods up to that limit. About 150 Cooperatives borrow from the Bank.

Barriers to foreign trade expansion and prospects.

About 2/3rds of the 588 Cooperative Credit Unions affiliated to the Bank are inactive. The cooperatives lack financial resources; investments come largely from individuals, rather than from cooperative societies. Foreign investments would be welcomed by the Bank.

Fishery Marketing Cooperatives are not well developed. They did have four canneries, but only two are in operation now and even these are not on full scale production. There are no real prospects of foreign trade at an early date.

The foregoing information was furnished in April 1966 by the then President of the Bank who thought that only government resources would be adequate to finance large developments like copra processing plants, but was pressing for Government authority to enable the PNCB to deal with agricultural cooperatives, too. Indeed, he favoured a rearrangement of the existing set-up so that both agricultural and other cooperatives should come under the jurisdiction of one and the same government department. (It was learned in July 1966, that the President of the PNCB had been replaced).

Philippine Federation of Consumers' Cooperatives (PFCC), Manila.

Operations of PFCC.

Of the 274 consumers' and industrial cooperatives registered in the Philippines, 123 were members of the PFCC at the end of 1965. The Federation deals only with member-cooperatives and pays a rebate on purchases made by them. The consumers' societies in turn pay a patronage rebate/dividend on their sales to both members and non-members, but many non-members do not claim the rebate entitlement. (just in case they do, societies hold reserve funds for that purpose).

PFCC collects a service fee of 2% on the landed cost of all imported items over and above a certain value figure.

Commodities imported by the Federation.

According to its President, the Federation has imported the following items for consumers' and industrial cooperatives respectively:

Raw silk from Japan,

Baby milk, evaporated milk, cheese, butter from Denmark and Holland,

Leather and synthetic materials (for upholstery and footwear) from USA,  
 Dairy products from Australia and New Zealand,  
 Materials, components and spare parts from USA and Japan, for industrial cooperatives which make pianos, radio and T.V. receivers and sewing machines,  
 Paper and textbooks, magazines, from USA, Japan, Germany and Scandinavia,  
 Sardines from Spain and Portugal,  
 Canned meat from Argentina and Denmark,  
 Canned fish (tuna, sardines, salmon) and canned fruits, from USA,  
 School and office requisites and equipment, typewriters and calculating machines from USA,  
 Machinery for match and brush making; knitting threads; nylon threads, for brushes; kitchenware; household goods, from Japan.

The cans (for retail sale) containing "Dutch Baby" evaporated milk from Cooperative Condensfabriek Friesland, Leeuwarden (Holland), come with the imprint on the label "Manufactured for Philippine Federation of Consumers' Cooperatives".

Goods imported by the Federation are free from customs duty if they are for the exclusive use of their member societies. During the last three years; direct imports by the PFCC have included a cross section of many of the items listed above, and the extent of this trade was as follows:

In 1963, 1964 and 1965, goods were imported from New Zealand, Australia, USA and Japan. In addition, some imports came from Holland and Sweden both in 1964 and 1965, from Portugal in 1964 and from the UK in 1965. The total value of the entire imports was as follows:

1963	-	US Dollars	31,500
1964	-	"	304,000
1965	-	"	237,000

The Question of barriers to foreign trade.

As far as imports are concerned, no discrimination or barriers have ever been encountered (abroad) which appeared to be designed or operating against Cooperatives; inspected invoices from suppliers abroad showed that the Federation are trading openly under the Cooperative name, and the comments came from a source associated with a Cooperative<sup>s</sup> which has been handling imports since 1947. In his general comments, the President of the Federation described the Philippine import marketing arrangements as not satisfactory.

Foreign trade prospects and plans.

The Federation is thinking about fruit exports, but is not ready for any action yet.

The Federation is interested in the import of rice. Though the Government appointed Rice and Corn Administration (RCA) imports rice and also controls domestic trade, PFCC would be able to import rice intended to meet the requirements of its member societies.

Suggestions for action by the ICA.

It was suggested by the PFCC President that the ICA could help by compiling details of all foreign exchange controls and trade regulations of various countries (for reference purposes), including credit requirements, and also list available trading facilities in respect of cooperatives abroad.

(My Comment: A publication from the Swiss Bank Corporation, London listing general foreign exchange and trade restrictions is being supplied to PFCC to meet some of these requirements). The written submission received

§ the University of Santo Tomas Press Cooperative Society

from the Federation also suggests that ICA discussions with national government might be a useful step to help improve unsatisfactory foreign trade conditions affecting cooperatives.



Name and address of the organisation/department

SINGAPORE

Singapore Cooperative Union Ltd.,  
Clifford House, P.O. Box 366,  
Singapore-1.

Registrar of Cooperative Societies,  
Ministry of National Development,  
Upper Pickering Street,  
Singapore-1.

Ministry of Finance,  
Trade Division,  
Fullerton Building,  
Singapore-1.

Mr. E. Le Peltier,  
H. Cramant (Malaya) & Co.,  
16, Bonham Building,  
Raffles Place,  
Singapore.

Singapore Government Officers' Cooperative Housing Society Ltd.,  
12, D'Souza Street,  
Singapore-1.

Singapore Public Services Cooperative Stores Society Ltd.,  
Clifford House,  
Singapore-1.

Economic Development Board,  
Ministry of Finance,  
Jurong Industrial Estate,  
Singapore.



## SINGAPORE

### General Background

The New state of Singapore comprises a population of over 1-3/4 million people and a total area of only 225 square miles. The population increase is 3.1% per year.

The separation of Singapore from Malaysia in August 1965 not only necessitated further curbs of Singapore's trading freedom (controls being subsequently introduced on commerce and travel between the city state and the Federation), but also made more urgent the speeding up of the planned industrialisation of Singapore; the protective measures in favour of these new industries are making importing into Singapore more difficult.

With virtually no agriculture, and hitherto relying almost entirely on commercial activities for its income, the newly independent state needs to develop its manufacturing activities to balance its economy and to create employment opportunities for the increasing number of school leavers coming on to the labour market. Singapore has 60,000 unemployed, and many no longer economic rubber estates have given way to housing estates.

It seems that one of the economic issues which divided Singapore and the Federation was the latter's resolute determination not to consider any trade at all with Communist countries, a viewpoint which, if adhered to by Singapore, must needs cut the latter off from a substantial volume of business. In April 1966, Singapore and the USSR signed an agreement providing for cooperation in trade and economic matters.

The breakaway from Malaysia, added to the still unresolved relationship with Indonesia (potentially a very sizable trading partner, and relatively close at hand geographically, the nearest islands being but a few miles from Singapore), prompted the authorities in Singapore to take some drastic measures more rapidly to try and balance the economy by speeding up the industrialisation programme.

In consequence, protective measures to shield new industries against competition from imports, and to assure them of raw material supplies, are being taken, some times at very short notice.

Importers thus face the prospect of a shrinking range of goods they can handle, and also the problem of having to overcome import tariffs. These are gradually being applied more and more, in place of the earlier quotas; the quotas are usually decreased by stages (prior to their replacement by a tariff), generally within a year or so of the initial quota imposition. This is a protective system which brings in revenue, and has the advantage of simplicity; once a tariff is imposed, merchants can bring in any volume they desire to handle, provided the duty is paid. It may be fairly said that Singapore is, in the process of becoming an independent state, also becoming less of a centre of free trade than it was.

Ministry of Finance, Trade Division, Government of Singapore.

Restrictions on foreign trade and protection of local industries.

(i) Exports:

- (a) Export controls apply to strategic goods.
- (b) Export controls are also imposed (temporarily) on such items as scrap iron, copra and bamboo cane, primarily in order to ensure adequate supplies for Singapore's own use and factories.

(ii) Imports:

Import restrictions apply to 160 commodity groups for which specific import licences are required, in order to protect domestic industries and to encourage further industrialisation. These commodities include e.g. bicycle tyres, wheat flour, T.V. sets and components, etc.

Of the 160 commodities which are controlled for import purposes, 70 are under quota restrictions, but these are said to affect only some 3% of

Singapore's total import trade. The Ministry of Finance regard such quantitative restrictions as temporary devices, to be replaced by duties if the need for protecting new industries in Singapore should continue; the promotion of the growth of local industries is the chief aim of these measures.

On the whole, the import licensing system, and Open General Licences for importing, are not primarily designed to apply any volume restrictions. Import licensing applies e.g. to frozen meat, which is duty-free for import, but an authorisation is needed by the dealer to engage in the trade. (There are said to be no difficulties about getting such licences). Once a tariff has been imposed on a controlled commodity, the dealer is free to import, but has to pay the duty.

Once one company enters the manufacturing field, it may perhaps get in effect a monopoly, since the limited Singapore market may discourage others from following suit. Import restrictions may even be introduced as soon as one company decides to produce a commodity locally.

#### Industrialisation and the Cooperative Movement.

The Ministry of Finance, through its Economic Development Board, has sponsored and developed the Jurong Industrial Estate. Some progress has been made there to industrialise, and to attract firms to open industrial establishments, aided by concessions, such as a tax "holiday" for up to five years for pioneering companies, and protection against competing imports and to ensure raw material supplies. Cooperatives would be treated exactly on the same basis as private firms, if interested in any development there. Similarly, foreign trade restrictions would apply equally to cooperatives as to other traders, but that issue has not in fact arisen at all in recent years, I was informed.

#### The Registrar of Cooperative Societies, Singapore.

##### Past Performance in Foreign Trade.

In 1958-59, agricultural cooperatives bought some fertilizers abroad, and

also animal feedstuffs from Thailand, but prices then slumped greatly and the farmers would not buy (presumably at such prices as were needed to recover costs, and the business is no longer being done by the cooperatives.

The Cooperative Farmers' Marketing Society used to export eggs to Malaysia, but do not do so any longer, the main reason being the lack of any proper organisation and machinery for collection, which made the operations difficult and finally impossible. The Society which has never been a member of the Singapore Cooperative Union Limited, is now dormant.

Prospects for future foreign trade.

Possible exports are thought to be pigs, poultry and eggs. Possibly import of rice from Thailand and Burma might be considered by the Singapore Cooperative Union or the Registrar, who is closely connected with the Primary Production Department of the Ministry of National Development.

Problems facing cooperatives.

(1) No agricultural cooperatives are members of the Union at present; only 30 of the 108 societies in Singapore are in fact members of the Union.

(2) Generally very keen, but not always fair, competition from private traders, some of whom for instance mix inferior grades into the rice they sell.

Singapore Cooperative Union Ltd., Singapore.

Cooperatives in foreign trade.

Though there is no discrimination against cooperatives in foreign trade, the only such trade by cooperatives were the few agricultural deals (some years ago) referred to by the Registrar. It was hinted, however, that the Government might take a somewhat greater and more sympathetic interest than hitherto in the potential development of foreign trade by cooperatives.

#### Limited cooperative trade in Singapore.

Only very few cooperatives in Singapore are engaged in trade. One is the Singapore Public Services Cooperative Stores Society Ltd., Clifford House, Singapore-1. Registered in 1957, it has 1,800 members, all of whom have to be permanent Government employees (former municipal employees are now members of the new State's civil service). It used to deal in general provisions and consumer goods, but suffered some losses and is now dealing only in the procurement of electrical appliances for its members in response to firm orders, holding no stocks, indeed having no shops as such. Members get the benefit of low prices and dividends. The present limitation of trade to appliances only minimizes the chances of doing continuous business with the members, and the society is now reconsidering the foods and provisions trade possibilities.

The Police Cooperative Society also dealt in consumer goods supplies for its members, but handles only watches at present.

There are altogether only 7 consumers' cooperatives in Singapore.

#### Background note on Singapore Cooperatives.

Most cooperatives in Singapore are based on the common place of employment of their members, generally a Government service department; the societies sell the goods on credit and recover the money due to them direct from the member's employers, i.e. the appropriate Government Department which deducts the money from the member's wages or salary. This ensures that the societies get paid for the goods supplied, but members in effect live largely on credit terms.

Indeed, the main cooperative activities in Singapore are thrift, loan and credit for individual members and other societies. Thus there is really no worthwhile cooperative trade at all up to the requirements of consumer goods in the city. Some co-operatives have long-standing connections with foreign agents for certain lines of (branded) consumer goods required by the cooperatives may be

In short, the main barrier to foreign trading organisations in Singapore.

Prospects.

The volume of trade done by the cooperatives up to now is not sufficient to warrant even thinking in terms of direct trade with other countries or their cooperatives.

Imports of the right kind of rice from Thailand and Burma may become a possible line of business for cooperatives.

The Chairman of the Singapore Cooperative Union thought that, in due course, it may become possible to consider the importing of sheep and of meat from Australia.

My Comment: It was freely conceded that the Cooperative Movement in Singapore simply does not possess the trading structure, or potential size of business, to hold out much prospect of foreign trade at an early date. There seems little prospect of resuming the very limited agricultural foreign trade some cooperatives did years ago, but this doubt may be partly due to both the Cooperative Department of the Government and the Cooperative Union of Singapore having no effective links with farmers' cooperatives. The Registrar and the Union seem agreed that cooperatives could perform a useful service by importing rice, in which trade there is obviously need to counteract certain private trade malpractices.



Although no fishery cooperatives are organised so far, there seems to be some potential for foreign trade development here, in due course; assistance from the ICA Regional Office has been offered in relation to any problems concerning the organisation of fishery cooperatives, etc.

Manufactured commodities mentioned as possible exports are all products from private trade and generally well covered by the arrangements already in existence without cooperative participation, e.g. soap, tyres, batteries, clothing, etc.

#### Housing Cooperatives' Foreign Trading Interests.

The Singapore Government Officers' Cooperative Housing Society Ltd., the more important of the two housing cooperatives in Singapore, has not conducted any foreign trade so far, but it might be interested in import of building materials and/or fittings for bathrooms, etc.

The Society is a builder of property, having the advantage of direct access to the professional services of architects, designers, etc., within the Government services (almost free of cost). It also makes loans available to individual members wanting to buy property outside the Society's own estates. Applications for new houses are decided by lots drawn, after a minimum membership of six months.

On the estates, shops are included in the plans and these shops are made available separately from the residential accommodation on the same premises, having separate access facilities. On one estate (in Singapore 19) a small private shop showed every sign of enterprise, stocking many types of goods and indicative of successful activities, yet the same shop was originally operated as a cooperative enterprise and failed, allegedly due to lack of support from members, though alternative shopping facilities were few.

The other Cooperative Housing Society is said to concentrate primarily on making money available, and not on building.

Mr. E. Le Peltier, H. Cramant (Malaya) Co., Singapore.

The company acts as agents in Singapore for the Cooperative Wholesale Society Ltd., in respect of CWS goods from England and CWS meat supplies from New Zealand. Main imports from CWS England are various grocery products, including soaps and liquid detergents.

Foreign trade of Singapore.

Imports of certain goods are affected by quotas and tariffs, but these affect all traders, while some essential foodstuffs, e.g. meat, livestock, fishery products, etc., can be brought in freely at present. Frozen fish is imported from New Zealand, UK and China.

Exports of palm oil, hard soap, batteries, tyres, readymade clothing, etc., are in the hands of well-established private firms.

Other Consumer Goods Trades in Singapore.

Dairy produce processing is being developed locally jointly with Australian and New Zealand interests. Nuts, spices, handloom cloths and garments are handled by Indian traders, and rice by specialised Chinese merchants. The coffee processing business has been disturbed by the "confrontation", as coffee was imported largely from Indonesia. Due to the growth of Malayan tea plantations and trade, a market exists for imports from other sources of low quality tea "dust" only, unless the new restrictions on trade between Singapore and Malaysia should make tea from Malaysia less readily available. (Malaysia also imports tea). Tobacco is brought in by established cigarette makers from their own contacts and sources.

Prospects re foreign trade.

Mr. Le Peltier thought there was definitely a market for sea slugs and shells and (frozen) fish products, as there is no tariff barrier against these goods.

Export prospects are dim for cooperatives, unless they set up an organisation which operates not on a part-time basis only. Fisheries may become a fruitful field, but fishery cooperatives have not yet been organised.

Initially, any (foreign) trade attempts by cooperatives would meet severe competition from entrenched interests; fullest support from members, good organisation and business expertise would be absolutely vital, and the right commodities would need to be selected for such initial trade attempts. Nothing would be more certain to prove fatal than too ambitious a programme to begin with.

On the whole, the market in Singapore is not awaiting any initiative from the cooperatives; in fact, any development of cooperative (foreign) trade would require the maximum support from member-customers, and also the necessary retail outlets.

My Comments: With regard to the possibilities of certain imports into Singapore from Australia, exploratory discussions between the Cramant company and the Grain Pool of Western Australia have been suggested by me and are expected to take place in September 1966.



Name and address of the organisation/department

THAILAND

Ministry of National Development,  
Rajdamnern Avenue,  
Bangkok.

Cooperative Wholesale Society of Thailand Ltd.,  
97, Rajdamri Road,  
Bangkok.

Bangkok Cooperative Farm Product Marketing Society  
3, Tanee Road, Banglampoo, Ltd.,  
Bangkok.

UNICOOPJAPAN,  
3, Tanee Road, Banglampoo,  
Bangkok.

Indo-Pacific Fisheries Council,  
Maliwan Mansions,  
Phra Atit Road,  
Bangkok.

ECAFE/FAO Agriculture Division,  
E.C.A.F.E.,  
Sala Santitham,  
Bangkok.

Mr. R. Staermose,  
Regional Expert on Cooperative Management,  
International Labour Office,  
300, Silom Road,  
Bangkok.



## THAILAND

### General Background.

The population of Thailand totals about 32-1/2 million and is estimated to be growing at a rate of 3% per year. According to the FAO, 82% of the population of Thailand depend on agriculture for their livelihood.

### Imports.

Total imports in 1966 are expected to amount to U.S. \$ 790 million. The Government of Thailand licenses unrestricted imports of commercial goods, except for locally available agricultural produce and commodities made by newly developing native industries. (For example, the CWS of England reports that its former exports of soap and detergents to Thailand have been replaced by domestic production there). The principal imports include: Petroleum products and crude petroleum; iron and steel; motor vehicles; mining; construction and industrial machinery; electrical machinery; milk and cream; medical and pharmaceutical products; ready-made garments; power-generating machinery; textile fabrics; tyres and tubes; paper, paper boards and paper products, textile yarn and thread; cosmetics; tobacco leaves; tractors; raw cotton.

Practically all the import trade is conducted by private enterprises in Thailand. Imported goods are handled by firms ranging from a small number of large merchant houses to a great number of small and medium-sized importers who specialise in certain types of goods. Most large merchant houses are owned by Europeans, and a few by Americans. The Government's own commercial imports are confined to a few items such as tobacco, certain types of paper, and gunny bags; this is done to protect domestic industries.

### Exports.

Total exports in 1966 are expected to amount to U.S. \$ 630 million. The export of certain items requires special licences. The purpose of maintaining the general export control is to ensure adequate supplies for domestic consumption and to control quality, prices and destinations of exports. The main export items are: Rice, rubber, tin, maize, teak, tapioca products, jute and kenaf, castor seeds, cattle, groundnuts, sugar, fish and lobsters, cement, hides and skins, tobacco leaves, seedlac.

The export trade is handled mostly by specialised private exporters, who sell direct to firms abroad.

In 1964, Thailand had become the world's No.1 rice exporter (on the basis of export value figures), even outstripping the value of foreign sales from the USA and Burma.

### RESTRICTIONS ON FOREIGN TRADE.

#### Imports

Commercial imports are not restricted, except for products which are available locally in sufficient quantities, or products covered by the Government's promotional programmes which include sugar, matches, liquid glue, mats, iron cooking pans, rubber bands and paper umbrellas.

All imports must be covered by a Certificate of Payment by the Bank of Thailand for exchange control purposes. Imports of all goods produced in China are prohibited.

#### Exports

Special export licences are required for: gold, platinum, precious stones, fertilizers, rice and rice products, maize, rubber, tin, eggs, chickens and live animals. Although 25 to 35 per cent of the rice exports are based on Government-to-Government contracts, the actual handling of such exports is left in private hands.



DEPUTY DIRECTOR-GENERAL, COOPERATIVE CREDIT AND MARKETING DEPT.,  
MINISTRY OF NATIONAL DEVELOPMENT, BANGKOK.

The Deputy Director-General said Cooperatives were represented in Government consultation arrangements for foreign trade; no problems had been encountered. Cooperatives also required the collaboration of the Ministry of Economic Affairs in order to handle any foreign trade.

Foreign Trade of Cooperatives So Far.

The main commodities handled in cooperative foreign trade are: Maize, Sorghum and Peanuts.

He referred to the build-up of the maize trade from "COPRODUCT", the Bangkok Cooperative Farm Product Marketing Society, to "UNICOOPJAPAN" and said the expansion of such foreign trade required strong organisation and ample funds in the shape of working capital. Two years ago, the Bangkok Farm Product Marketing Society was the sole cooperative marketing agency and the Department asked it to expand its activities, because of the experience it had gained in selling salt to Japan. The Society is still on a trial basis for selling other cooperative products to Japan, but the maize trade with UNICOOPJAPAN was now on a satisfactory basis.

Plans and Prospects.

As regards possible rice exports, the immediate need was for processing on a substantial scale. Regional federations were needed for processing paddy secured from local farmers. Until a sufficiently large volume of properly processed rice is available, there was not much prospect of exporting. It could take as long as 5/6 years to organise such regional federations.

The Director-General of the Department had advocated the formation of a National Federation of Cooperatives, possibly by early 1967. This step would necessitate the following measures to be taken:

1. Organisation of a National Federation of Marketing Cooperatives to expand purchasing and exporting activities into other commodity fields, such as sorghum, peanuts, etc.

2. Strengthening of existing, and creation of additional, local farmers' cooperatives to handle more of the collection activities of farm produce, which would then be channelled through the National Federation, which should also handle imports of fertilizers and other farm requisites from Japan and other countries.

COPRODUCT, with its accumulated experience in foreign trade, is expected to play a major role in the organisation of the Federation, and also to supply a major portion of the trained staff without which there would be no prospect of success.

To begin with, trade will be conducted mainly with Japan, where a proper channel already exists, and the main emphasis will be on agricultural trade. The National Federation would handle only limited range of major items; dairy products, other foodstuffs and canned goods could become a secondary import business in due course.

Suggestion for International or Regional Action.

The Deputy Director-General thought there was a need for regional or international organisations to supply management training and cooperative leadership education, and also short-term working capital, though local membership investments must attract the major portion of the capital. A Regional Cooperative Agricultural Bank was also needed to provide the necessary finances

THE COOPERATIVE WHOLESALE SOCIETY OF THAILAND LTD. (CWST), Bangkok.

The CWST has been engaged in the import of agricultural requisites and consumer goods. The Society used to export maize to Japanese private firms, but this export trade has been handled by COPRODUCT since 1964. When the CWST did the exporting, 60% of the maize was obtained from cooperative sources of supply.

Past and Current Performance in Foreign Trade. (£ stg.)

Year	Total wholesale trade of CWST:	Maize Exports:	Fertilizer Imports:	Condensed Milk Imports:	
	£'000	£'000	Metric Tons:	£'000	Cartons £'000
1962	100	371	800	26	2,000 5
1963	98	198	600	18	3,500 9
1964	85	-	800	26	1,500 4
1965	102	-	800	26	500 1

Fertilizer (Ammonium Phosphate N.16-P.20) was imported from the Japanese MITSUI company; the Society hoped that fertilizer imports would become cheaper in 1966. "Little Mary" full cream sweetened condensed milk (8% butter fat) is imported from Holland from a private firm.

Some time ago, the Society exported 1,000 heads of cattle to Hong Kong private traders, but this is not a continuous trade and the Society is not very interested in this line, taking the view that their business is to import rather than export. (Export of live cattle is also subject to special export licensing arrangements).

Problems and Prospects.

The CWST said lack of management skill was not helped by the fact that the Society had not an entirely free hand in the matter of selecting staff and making the necessary appointments. Both the CWST and the consumer societies were quite free to buy and sell anywhere they liked and faced no barriers in these respects. (Of the 116 consumers' societies which have a total membership of 96,000 and own one store each, 86 are members of the CWST).

The Thai-Japanese Cooperative Trade Agreement, signed in March 1965 and renewed in March 1966, provides for Japanese goods to be imported by the CWST and by COPRODUCT for the use of Thai farmers (agricultural requisites and consumer goods), but no such imports had been effected so far.

Imports of condensed milk are likely to decline as domestic production increases. According to the CWST Chairman, the CWST plan to import 1,000 tons of fertilizers from UNICOOPJAPAN soon, and even larger quantities in the future, but the matter had not been finalised early in March 1966. (Towards the end of April, 1966, I was advised in Tokyo that such a deal had been concluded with the CWST - My Comment).

(My Comment: It appeared that the CWST were not entirely clear as to the type of goods they might import for ready sale to local consumer societies, and apparently there was no coordination or attempt yet to find out what goods could usefully be bought or imported).

It was thought that any supplies which might be suitable and competitive would most likely come from Japan, but consultation with consumers' societies would have to take place before consideration could be given to any extension of the CWST import business which, in any case, faced keen competition from well-established Chinese importers, who frequently control sole agency rights for the import of many Japanese articles.

In July 1966, Thailand delegates to an ICA Seminar reported that fertilizers were to be the ONLY commodity to be handled by the CWST. My Comment: This indicates the rather limited scale of operations of the CWST, and of any potential foreign trade it might conduct; in July 1966, the Ministry of National Development suggested that any international advisory services which might be made available to the Thai Cooperatives should analyse ways and means of improving cooperative stores and the CWST.

BANGKOK COOPERATIVE FARM PRODUCT MARKETING SOCIETY LTD., (COPRODUCT),  
Bangkok.

Restrictions on Foreign Trade.

Export licences and quotas are required for most agricultural products (see my comment below).

Quality standard requirements for exports are laid down by the Thailand Government. (Products not reaching those standards are marketable only within Thailand).

No political or external barriers have been encountered by "COPRODUCT".

#### Barriers.

Very keen competition from private traders has to be faced. There is also the fixing of minimum export prices by the Thai Government, which has powers to do so. There were said to be no other barriers impeding the foreign trade of, and no discrimination against, cooperatives in the field of foreign trade with regard to the issue of licences, foreign exchange, etc.

#### Principal Problem.

The biggest problem for the Society is its lack of adequate funds to buy from the Thai farmers all the maize needed for export to UNICOOPJAPAN. Government of Thailand loans so far were insufficient to meet the total cost of about 40,000 tons of maize needed for export to UNICOOPJAPAN, who may consider opening letters of credit in favour of COPRODUCT.

#### Exports.

COPRODUCT is concerned only with exports, and not with marketing in Thailand. The Society earns a 2% commission on all export deals. All its foreign trade has been conducted with Japan up to now, as follows:

- (1) Maize to UNICOOPJAPAN.
- (2) Salt to private Japanese firms.
- (3) Matpe black beans to private Japanese firms.

COPRODUCT itself is not a maize cultivator, but merely buys from farmers for foreign marketing purposes. Members and non-members get the same price for the maize, but members get the benefit of the surplus being returned to them in the form of a dividend in proportion to the volume of trade done, and not in proportion to their capital investments.

### The Agreement with the Japanese Movement.

The original Thai-Japanese cooperative trade agreement dated March 23, 1965 provided, inter alia, for Thai maize to be exported to UNICOOPJAPAN and for Thai Cooperative officials to be trained in Tokyo. The target for the collection of maize by COPRODUCT was fixed at 30,000 tons for the year 1965-66.

The agreement was renewed on March 15, 1966, and the target of maize collection for 1966-67 was set at 50,000 tons. Whilst anticipating the early establishment of a National Federation of Thai Marketing Cooperatives, the agreement provided for the creation of additional farm product marketing cooperatives in Thailand during 1966, the establishment of a buying depot of COPRODUCT in Denchai, and the training of Thai cooperative leaders in Japan. (This last item began to be implemented in April 1966, where the first group came to Tokyo from Thailand).

### Imports.

Both the original Thai-Japanese Cooperative Agreement (March 1965) and the further agreement (March 1966) provide for the import by the cooperatives of Thailand from Japan of agricultural requisites, such as farm machinery, insecticides, fertilizers, and consumer goods required by Thai farmers. The original agreement provided for the supply of these goods only to the CWST, Cooperative Wholesale Society of Thailand (see report on CWST). In the new agreement it is laid down that, pending the establishment of the National Federation of Thai Marketing Cooperatives, the "COPRODUCT" should be "positively prepared" for the importing and distribution of such commodities as are required by the Thai farmers. Any possibilities of import from Japan by COPRODUCT and the CWST were to be explored. Both ZENKOREN (National Purchasing Federation of Agricultural Cooperatives of Japan) and UNICOOPJAPAN were to collaborate with COPRODUCT, through shipment of samples for demonstration, and thus expect development of cooperative trade in that field.

My Comment: With regard to the first restriction listed by "COPRODUCT", i.e. need for export licences and quotas, a foreign agricultural economist knowledgeable of the position in Thailand said the cooperatives were pressing for increased export quotas from the 1966 harvest, but faced fierce competition from sometimes unscrupulous merchants who even attempt to secure export licences and quotas in an underhand manner.

UNICOOPJAPAN, Bangkok.

The Bangkok branch of UNICOOPJAPAN (the international trading organ of the agricultural cooperatives of Japan) has been operating for three years, but is still in its early stages of development. As the Japanese consumer movement operates predominantly in urban areas, the agricultural cooperatives have to cater for the agricultural community's requirements of consumer goods as well. Therefore, UNICOOPJAPAN is interested in, and handling a wide range of, consumer goods, including electric appliances, hardware, etc. The Bangkok office of UNICOOPJAPAN so far has business dealings only with Thailand. Contacts with Burma and Indonesia have been attempted without success.

Development of Thai Maize Exports to Japan.

Thailand is the second biggest maize supplier, after USA, to Japan. The USA supply 2 million tons, and Thailand about 700,000 to 750,000 tons of maize to Japan per annum.

Requirements of maize in Japan are going up and there is scope for still greater imports. ZENKOREN handles 32% of Japan's national maize imports; there appears to be scope for a greater contribution from cooperative sources abroad. Other suppliers to Japan include S. Africa, China and Argentina.

The original Thai-Japanese cooperative trade agreement signed in March 1965 provided for the collection of 30,000 tons of maize to be exported to UNICOOPJAPAN in the year 1965-66.

The new agreement signed in March 1966 provided for the collection of 50,000 tons of maize for export to Japan in 1966-67. These exports are to be conducted via COPRODUCT and UNICOOPJAPAN's Bangkok branch.

This UNICOOPJAPAN-COPRODUCT trade grew gradually. UNICOOPJAPAN incurred some losses in the first season, but now it is a profitable trade and COPRODUCT also benefits financially from this trade. The following table shows figures of total Thai maize exports to Japan and those handled by UNICOOPJAPAN:

<u>Year</u>	<u>Total Maize exports to Japan from Thailand</u> M/Tons	<u>Volume handled by UNICOOPJAPAN</u> M/Tons	<u>UNICOOPJAPAN Per- centage of total exports</u> %
1962-63	418,875	8,000	1.9
1963-64	586,089	18,500	3.2
1964-65	700,000 ( <u>Estimated</u> )	34,334	?

#### Rice Trade between the two countries.

There are also some rice exports from Thailand to Japan. Japan imports annually about 1 million tons of rice from Taiwan, California, Korea, Spain, Thailand and Burma. Thailand exports about 100,000 tons of rice to Japan per annum, but not from cooperative sources so far (see earlier comments by the Deputy Director-General in the Ministry of National Development).

#### Barriers to foreign trade of Cooperatives.

##### (i) Maize Trade:

The balance of trade between Thailand and Japan is lopsided; whilst welcoming the growth of maize imports from Thailand, the Japanese Government would like to see more exports to Thailand. UNICOOPJAPAN are interested, but in March 1966 direct contacts with the CWST about possible purchases from Japan were only just beginning (See notes on CWST about a recent deal in fertilizers).



Another problem to be faced is the fixing of minimum export prices by the Thai Government, which has powers to do so.

The agreement among importers of Thai maize to follow international price levels was also accepted in the arrangements between COPRODUCT and UNICOOPJAPAN, but difficulties were encountered in implementing this, due to two distinct and separate price movements taking place, and complicated still further by the fact that the maize peak seasons differ between the two areas, i.e. Chicago (futures international prices) and Thailand (local price fluctuations). The two trends conflict on occasion, causing losses and difficulties, and Chicago price movements fluctuate very violently at times. There is also reluctance on the part of farmers to supply to the Cooperatives.

(ii) Rice Trade:

Foreign trade in rice is Government-controlled both in Japan and Thailand, and negotiations are conducted on a Government-to-Government basis.

UNICOOPJAPAN, being a newly established organisation, finds it difficult to prove to the Japanese Government its case for becoming a licensed importer of rice. It hopes for a Thai Government recommendation in support of UNICOOPJAPAN's case, and that this may lead to the grant of a licence from the Japanese Government for importing rice into Japan. (All Japanese rice importers are licensed by the Government on the basis of past performance).

Different types of rice are grown in Japan and Thailand, due to climatic differences, and the traditional type of Thai rice is, on the whole, not readily acceptable to Japanese tastes.

(iii) Fertilizer Trade:

Imports of chemical fertilizers from UNICOOPJAPAN might be handled by COPRODUCT. UNICOOPJAPAN expects its Thailand fertilizer sales to be mainly to Cooperatives - to CWST for paddy cultivation, and to COPRODUCT for other crops. (See also notes re CWST).

Assistance Aspects of Japan-Thailand Agreements.

In addition to the envisaged training of Thai Cooperators in Japan, as per the cooperative trade agreement, UNICOOPJAPAN hope to develop two model cooperatives in Thailand and will also help to demonstrate and popularise agricultural machinery, implements, fertilizers, etc., which might then be imported into Thailand from Japan.

Suggestions from UNICOOPJAPAN.

(a) The need for prompt action by the cooperatives is vital in the interests of international cooperative commodity trading, if inter-trading between cooperatives is really to succeed. Business was said to be occasionally lost, as a vital few days pass by before a decision about clinching a trade deal is made and passed through a number of channels in a cooperative organisation.

(b) There is a need to grow the types of rice acceptable to Japanese taste, if any trade between the Thai and Japanese Cooperatives is to materialise.

(c) Then there is the need for establishing a national link-up of Thai Cooperatives, for greater business convenience in dealing with the cooperative trade organisations of other countries, including those of Japan.

My Comment: From discussions with Thailand and Japanese officials it appeared that their trade agreement was generally satisfactory to both parties, in so far as it has been implemented, that is to say in respect of the maize trade and the training of Thai cooperative officials in Japan. As far as UNICOOPJAPAN were concerned, the main problem was whether enough maize could be procured to meet their needs.

Any extension into the field of rice trading is still academic on two counts, the inability of the Japanese to become licensed as a rice importer, and the general unsuitability of Thai rice for consumption in Japan; the consequent need to change over to cultivation of a different kind of rice would presumably be a major long-term operation.

With regard to the imports from Japan by the Thailand cooperatives, not very much progress seemed to have been made; the CWST appeared not only doubtful as to the consumer goods they might profitably import, but also hesitant to enter into any commitment without reasonable assurance that consumers' societies would take up the imported goods, and this appears not to have been forthcoming, or perhaps even sought, so far. (I was subsequently advised in Tokyo that some arrangement with the CWST had been arrived at regarding the sale of fertilizer to the CWST).

There is perhaps some divergence of opinion as to the immediate feasibility of creating a National Federation in the Thailand Cooperative Movement. The Japanese would welcome this as a suitably convenient central contact for their trade with all types of (agricultural) cooperatives in Thailand, but a view was expressed by a leading official in the Government Department concerned with cooperative development and planning that the build-up of local and regional bodies would have to precede the creation of any national organisation; nevertheless, any trading activity with UNICOOPJAPAN which might have the effect of speeding up concentration towards a national Thailand cooperative set-up would be supported, and the streamlining and unification of the Thailand cooperatives would be welcomed by the Government.



PART III (B)

INFORMATION FROM, OR CONCERNING, OTHER ORGANI-  
SATIONS (International, Regional, or located  
outside the Region).



PART III (B)

INFORMATION FROM, OR CONCERNING, OTHER ORGANI-  
SATIONS (International, Regional, or located  
outside the Region).





Name and address of the organisation/department

LONDON

Cooperative Wholesale Society Ltd.,  
Meat Department,  
91-93, Charterhouse St.,  
London, E.C.1.

Scandinavian Cooperative Wholesale Society Ltd.,  
116, Fenchurch St.,  
London, E.C.3.

English & Scottish Joint C.W.S. Ltd.,  
100, Leaman St.,  
London, E.1.

Overseas Farmers' Cooperative Federations Ltd.,  
Plantation House,  
Fenchurch St.,  
London, E.C.3.

New Zealand Dairy Production and Marketing Board,  
St. Olaf House,  
Tooley St.,  
London, S.E.1.

New Zealand Apple and Pear Marketing Board,  
125-130, Strand,  
London, W.C.2.

New Zealand Produce Association Ltd.,  
Battle Bridge House,  
87-95, Tooley St.,  
London, S.E.1.

Mr. E.C.F. Grubb, (Former I.L.O. expert in Ceylon)  
2, Runnymede Road,  
Canvey Island,  
Essex.

Name and address of the organisation/department

OTHER CONTACTS

International Cooperative Petroleum Association,  
11, West, 42nd Street, Inc.,\*\*\*  
New York, 10036 (U.S.A.)

Cooperative Wholesale Committee Secretariat,\*\*\*  
3, Axeltorv,  
Copenhagen V. (Denmark)

Cooperative Wholesale Society Ltd.,  
1, Balloon St.,  
Manchester-4.

Kooperativa Forbundet,\*\*\*  
Fack,  
Stockholm-15 (Sweden).

International Cooperative Bank Co. Ltd.,\*\*\*  
4002 Basel,  
Aeschenplatz 3 (Switzerland).

Nordisk Andelsforbund, \*\*\*  
3, Axeltorv,  
Copenhagen V. (Denmark)

Note

\*\*\* Contact through correspondence only.

PART III (B)

INFORMATION FROM, OR CONCERNING, OTHER ORGANISATIONS  
(International, Regional, or located outside the Region)

...

1. ECAFE/FAO Agriculture Division, Sala Santitham, Bangkok, Thailand

Chief of the Agriculture Division : Mr. M. Yamashita  
Deputy Chief of the Agriculture Division : Dr. Mohinder Singh

It was said that perhaps insufficient practical thinking was being devoted to foreign trade by cooperatives, and that some of the current trade was probably not as successful as might appear to be the case. Progress in foreign trade by cooperatives was likely to be slow, partly due to lack of appropriate experience. A good deal of specialisation was required, which at least the smaller cooperatives could not afford. Even in Europe very large whole-sale cooperatives were needed for developing the foreign trade of the movement.

Attention was drawn to the high degree of concentration of foreign trade in Asia in relatively few hands; a limited number of large private firms were doing the bulk of the foreign trade of the region. There was need for a cautious approach on the part of the cooperatives, and probably for ONE cooperative organisation to handle the foreign trade in each country; otherwise there would be a danger of competing not only with private business, but with other co-operatives. Lack of managerial competence was also a vital factor and another reason for setting up a single apex organisation to give attention to foreign trade on behalf of the whole national cooperative movement (where a suitable organisation had not yet been established).

Adequate resources were needed to secure competent staff for an organisation of that kind, with the emphasis on knowledge and experience of foreign trade, even if such persons were less expert with regard to the internal working of cooperative enterprises.

Also stressed was the imperative need to supply continuously goods which adhered to agreed standards of quality.

2. Indo-Pacific Fisheries Council, Bangkok, Thailand

Mr. J.A. Tubb

Reference was made to the paucity of information available, due to the relative weakness of statistical services in (some) countries of the region. As far as was known, no separate cooperative system was functioning in the region for foreign marketing of fish and fish products; the Council had no separate cooperative figures or statistical information.

In some instances, it was said, cooperative trading arrangements had proved unpopular with fishermen, especially where they had been imposed by the authorities without adequate preparation of basic units, and lacking in skilled management, with the frequent result that the cooperative marketing arrangements collapsed, to the detriment of the cooperative idea and principles.

It was believed that, on a limited scale, trading arrangements operated in the region on a reciprocal basis, whereby fish was sold in other countries in exchange for fishery requisites.

It was said that profiteering charges against traders were sometimes exaggerated; one had to take into account the substantial risks of trading in highly perishable commodities under difficult and primitive conditions in a tropical climate. These risks were transferred from the fishermen to the traders.

Principal sources of supplies of fishery requisites were Japan, U.S.A., West Germany and Scandinavia.

Markets for tropical fish, and barriers to trade

Main Products for large-scale foreign trade : Tuna, crayfish, prawns.

Main Markets : USA, Japan, and Western Europe.

As far as other types of tropical fish were concerned - there are 3,000 in the region - market opportunities outside the region were very limited, most varieties being unfamiliar or even unknown there; it might take ten years to popularise any given variety, a well-nigh impossible task for cooperatives with limited resources; the fish trade in general was lacking in sales promotion organisations. Furthermore, many types of tropical fish were simply not available in sufficiently large volume to hold out any prospects of the continuous bulk supplies necessary for foreign trade purposes.

There is also often either a lack of quality control arrangements, in which case supplies do not maintain the quality standards of samples, or else nominally applicable regulations are not adequately enforced, with similar results.

No formal restrictions were impeding international trade in fish and fish products on the whole, but the practical difficulties were many and formidable, especially with regard to fresh fish. Tariffs and similar barriers were not, in the Council's view, so formidable that they could not be overcome by first-class presentation of quality products.

In the case of tuna, productivity was declining in traditional tuna areas, which may have difficult times ahead, in the face of progress by new techniques and new tuna-producing regions.

By-products are, as a rule, not available in quantities large enough for foreign trade on a commercially worthwhile scale, though there is a trading potential in Singapore and Hong Kong for isinglass (used by breweries, and for making jellies and glue).

Sea shells : Very limited trade, mainly for decorative purposes and fancy usage. Pearls : Markets said to have slumped badly. All these by-products lack properly established regular trade channels and require special promotion and marketing efforts on the part of prospective sellers.

3. International Cooperative Petroleum Association (ICPA), 11 West, 42nd Street, New York, 10036, USA

No direct contact was planned or made with the ICPA, but it was found to be involved in the region as follows :

Australia

The link-up with the ICPA effected by the Poultry Farmers' Cooperative Society Ltd., Brisbane, had the effect of cooperatives in Queensland being granted previously refused trading agencies from private oil companies. No ICPA supplies are consequently required there now, but the link with ICPA is being maintained by the Poultry Farmers' Cooperative Society Ltd.

Ceylon

Supplying lubricants and greases to Ceylon Petroleum Corporation (for further details, see report on Ceylon).

India

The government-created Indian Oil Corporation is a member of ICPA, but its recent major dealings have been with private oil companies; they have joined with MOBIL in constructing two lubricating oil blending plants in Calcutta and Bombay, and are also said to be undertaking a joint venture with "ESSO" for lubricants. In 1964-65, the Indian Oil Corporation imported finished lubricating oils from ICPA, but with its own blending plants coming into operation, this trade has been superseded by imports of base stocks from other sources.

Japan

The National Federation of Fisheries Cooperative Associations, as importers of fuel oil, negotiated with ICPA eight years ago, but failed to come to any agreement with regard to either prices or quality requirements. It is understood that ICPA had a representative in Tokyo with whom the Japanese Fisheries' Association had been in touch. The Japanese purchase all their requirements from the USSR at present, but more recent information suggests that the Federation and ZENKORENS<sup>§</sup> may contact ICPA soon with a view to reviewing trading possibilities.

§ - National Purchasing Federation of Agricultural Cooperative Associations of Japan.

## Pakistan

ICPA assisted the formation of the Pakistan Cooperative Petroleum Association, whose blending plant in Karachi became operational a short time ago (Information dated May, 1966; see report on Pakistan).

Wherever, in other countries of the region, it proved possible to contact cooperative shareholders in ICPA, it was found that no trade had taken place in recent years between ICPA and these cooperative shareholders.

4. International Labour Office, Bangkok Bank Building, 300, Silom Road, Bangkok, Thailand.

Brief meeting held with Mr. R. Staermose, Regional Consultant on Co-operative Management, summarising ILO projects in the region which could have some relevance to survey work, with a view to possible on-the-spot contacts in the countries concerned (Any information secured in that way is included in the report on the country in question).

5. New Zealand Produce Association Ltd., Battle Bridge House, 87-95, Tooley Street, London, S.E.1. United Kingdom (NZPA)  
(Dairy Produce Importers; Mr. R.M. Hutchinson, Managing Director)

The company was registered in the UK in 1921. Its share capital amounts to £stg. 26,000. Originally, half the share capital was held by the CWS and the other half by the New Zealand Producers' Cooperative Marketing Association Ltd., the latter representing cooperative dairy produce factories in New Zealand, owned by farmers there. The NZPCMA, registered in New Zealand, became a nominal financial and non-operational company after the New Zealand Government took control of the New Zealand dairy produce industry and its marketing arrangements in 1936.

In 1938, the CWS shareholding was reduced from 50% to 35%, to accommodate the Scottish CWS as a 15% shareholder in NZPA.

Profits are distributed in proportion to the size of the respective shareholdings, but the rebates granted to the two British wholesale societies in respect of their purchases of produce result in 65-70% of total profits remaining in the UK.

This reflects the weakened bargaining position of the New Zealanders, compared with earlier days. The Board of Directors of NZPA comprises 3 New Zealand representatives, 2 from CWS and 1 from Scottish CWS.

The economic difficulties of the early 1930s prevented the CWS from taking up all the produce offered by the NZPA, and other customers were sought, with whom contact has been maintained. Nowadays, 5% of total supplies go to these other customers, whilst the two wholesale societies buy the other 95%, which the Scottish CWS accounts for one-sixth and the English CWS for five-sixths.

NZPA claims to be the original cooperative produce marketing organisation which cut out middlemen and their profits by establishing - for the benefit of both sides - direct contacts and trading relations between cooperative producers in one country and cooperative consumers in another. During 1921-1936, NZPA operated successfully by bringing produce under its own control from NZ to the UK, where the CWS provided the capital safeguards required for transacting the business, and had the first option to purchase the produce.

Since 1936, the NZ dairy produce industry has been under government control; the producers themselves constitute the main element on the NZ Dairy Production and Marketing Board, on whose behalf sixteen agents operate in the UK, one of them being the NZPA which continues to do business with the two wholesale societies of the British Movement.

The NZ Dairy Production and Marketing Board is said to take a sympathetic attitude towards the NZPA, not only because it was a successful business in the UK before the Board took over, but also because the NZPA channels part of its profits back to NZ producers.



Much greater stability of production and prices has been maintained since the NZ Government began to intervene in dairy produce marketing.

The success of the relationship between the NZ producers and the British consumers' cooperatives is ascribed to the freedom of action retained by both; though a gentlemen's agreement implies that the two wholesale societies get the first opportunity to buy, or to refuse, produce offered by the NZPA, there is in fact no obligation on either side to offer, or to buy, respectively.

6. Nordisk Andelsforbund (NAF), Scandinavian Cooperative Wholesale Society, Axeltorv 3, Copenhagen V, and 116, Fenchurch Street, London, E.C.3. (Mr. L. Lundin, Managing Director, Mr. T. Teian, Manager of London Office)

NAF is a substantial importer of many commodities which are obtainable in the region, such as fresh, dried and canned fruits, coffee, tea, cocoa, grain, rice, spices, salt, oil seeds, sisal, rubber, hamp, copra, etc. The society also purchases some manufactures which are available in South and East Asia.

Many of the commodities which either come from sources in the British Commonwealth, or for which London is the world's principal trading centre, are bought through the London Office of NAF.

Having been established as a joint buying and importing agency since the end of World War One - long before the creation of many cooperative trading organisations which now function in the region - NAF had to establish contacts with, and obtain supplies from, private firms in those parts of the world, and satisfactory relations of this nature have continued since that time. Where possible, business was developed with cooperatives, e.g. fruitgrowers' associations in Australia.

As to the likely future trend of NAF imports from the region, an information furnished assessment provides the following points relevant to South and East Asia :

Expanding Trade

- (i) Some industrial products, including certain textiles;
- (ii) Fresh and canned fruits.

Declining Trade

- (i) Copra, oil, soya beans, materials for edible oil and margarine industry : Copra, and oil, still represent about two-thirds of total NAF purchases from the region, and originate mainly from the Philippines (where consultations with the Central Cooperative Exchange, Inc. - a member of ICA - have taken place regarding potential supplies from cooperative sources; these conversations were not conclusive, the principal problem being that of financing the operation on an adequate scale). Reasons for the expected decline of trade include i.a. absorption of supplies there by local industries and processing facilities to a growing extent.
- (ii) Rubber, hemp, sisal : Reasons for expected decline include the fact that these products are losing ground to synthetic materials in Western markets; natural rubber is said to have now no more than a 25% share of the entire market in USA, and 60% in the UK.

At the end of July, 1966, the general position regarding NAF purchases from the region was as follows :

Non-food items, e.g. textiles and knitwear, were being handled by individual member societies direct, with goods coming mainly from Hong Kong and Korea, as far as the region is concerned. Purchases made by NAF for its members were the following :

<u>Australia</u>	:	Fresh, dried and canned fruit, from private and cooperative shippers.
<u>Ceylon</u>	:	Desiccated coconut. (Tea bought in London).
<u>India</u>	:	Cardamoms; canned shrimps; some tea. (Bulk of tea bought in London).
<u>Iran</u>	:	Dates; raisins; dried apricots. (Bought through European firms).
<u>Japan</u>	:	Canned mandarine oranges (mainly from "ZENHANREN" <sup>§</sup> ; <u>insufficient volume available</u> ); Canned mushrooms; salmon and crabmeat.

§ - National Marketing Federation of Agricultural Cooperative Associations of Japan.

Malaysia and Singapore : Crude rubber; spices; canned pineapples; palm and palmkernel oil. (Purchases direct and through European firms).

Philippines : Copra (through brokers in UK - Negotiations with CCE still in progress); manila hemp and desiccated coconut (through firms in London); canned pineapples (from American owned companies).

Thailand : Rice (bought from European mills).

No purchases are made at present from the other countries in the region.

7. The Overseas Farmers' Cooperative Federations Ltd., Plantation House, Fenchurch Street, London, E.C.3.

The company was founded in London in 1920 under control of primary producers from British Commonwealth countries, with the following objects to be achieved on behalf of the affiliated cooperative primary producers :

- (i) Marketing and distributing all kinds of produce sent to the UK and to the Continent (of Europe);
- (ii) Combined purchasing of all requirements for export to the shareholding federations and their associates from the UK or elsewhere.

The shareholders in "Overseas Farmers" are :

- (a) The Australian Producers' Wholesale Cooperative Federation (Pty.) Ltd., Melbourne;
- (b) The Farmers' Cooperative Wholesale Federation (N.Z.)Ltd., Wellington;
- (c) Federated Central Cooperative Company of Southern Rhodesia Ltd., Salisbury;
- (d) Die Federale Landbouko-operasie van Suid-Afrika Beperk, Cape Town.

These four constituent federations are in turn made up of various bodies representing primary producers' interests in the respective countries; in the course of the survey work, information was secured from the Australian and New Zealand Federations, and in Australia also from several of the affiliated producers' organisations; this information is recorded in the appropriate national sections.

"Overseas Farmers" charge a commission for services rendered and from their income their expenses are defrayed; the residue, after deductions for tax payments and for allocations to reserves, is returned to member federations in proportion to their turnover.

The principal commodity groups handled by the organisation include :  
Fresh, dried and canned fruits, fruit juices, nuts, vegetables, honey, wheat, barley, oats, seeds, dairy produce, bacon, wool, fresh and canned meat (products wine).

Total turnover of "Overseas Farmers" amounted to £stg. 113 million in the three years ended March 1965. From its inception to that date, the entire trade over a period of 45 years totalled £stg. 808 million. In addition to the London Office, there are branches in Liverpool and Bristol, the UK being the most important market for the produce brought in from the Commonwealth countries.

In November 1965, "Overseas Farmers" entered into an agreement with the British firm of Adams Butter Ltd., who are large importers, packers and distributors of butter and claim to own the world's largest butter packing unit. Under the terms of this agreement, a joint subsidiary is being established and registered in the UK, to be known as Australian Dairies Ltd., with the object of improving the sales organisation for, and the efficiency of, the distribution of Australian butter in the UK.

8. The English and Scottish Joint Cooperative Wholesale Society Ltd.,  
100, Leaman Street, London, E.1.

Created and controlled by the CWS and the Scottish CWS, the Society specializes in trading and processing of tea, coffee and cocoa. It owns tea plantations in India, Ceylon and Tanzania, a cocoa and chocolate works at Luton (England) and tea factories in the UK (see also reports on Ceylon and India).