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**MINUTES OF THE
THIRD MEETING OF THE
ICA REGIONAL ASSEMBLY
FOR ASIA AND THE PACIFIC**

Seoul, Korea : October 28-29, 1998



International Cooperative Alliance
Regional Office for Asia and the Pacific
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REGIONAL ASSEMBLY FOR ASIA & THE PACIFIC
Seoul (Republic of Korea) : 28-29 October 1998**

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Agenda Item No. 1 : Official Opening

The Third Meeting of the ICA Regional Assembly for Asia and the Pacific was held in Seoul, Republic of Korea, on 28th & 29th October, 1998. 166 delegates/observers from 21 countries viz. Bangladesh, China, India, Indonesia, Iran, Israel, Japan, Republic of Korea, Kuwait, Kyrgystan, Malaysia, Mongolia, Nepal, Philippines, Singapore, Sri Lanka, Thailand, Vietnam, Canada, Finland and Namibia attended the meeting. In addition, special invitees from ADB, ESCAP, FAO, AARRO, APRACA, ILO, CCA, CICOPA, ACCU, AWCF also attended the meeting. The list of participants of the meeting is annexed (Annex-1).

The inaugural session was chaired by Royal Prof. Ungku Aziz (Malaysia) and addressed by Mr. Won Churl-Hee, Chairman and President, NACF; The Regional Director for Asia and the Pacific; Mr. Bruce Thordarson, Director-General, ICA; Hon'ble Kim Young-Jin, Chairman of Agriculture, Forestry, and Marine Affairs and Fisheries Committee, National Assembly of Korea. The Congratulatory Message of the Hon'ble Sung-Hoon Kim, Minister of Agriculture and Forestry, Republic of Korea, was read by his Deputy Minister, Mr. Park, Chang-Jung. Mr. Roberto Rodrigues, President of ICA, delivered the Keynote Speech.

Agenda Item No. 2 : Approval of the Agenda

The Agenda, which was updated and circulated at the meeting, was approved and accepted.

Agenda Item No. 3 : Amendments to the rules of the ICA Regional Assembly for Asia and the Pacific

Mr. Yang Deshou (China) presented the proposed amendment to Article 7 re "**Elections**", of the rules of the ICA Regional Assembly for Asia and the Pacific. He informed that these amendments have been reviewed and discussed in great detail by the Standing Committee in its meeting on 25th & 27th October 1998 in Seoul. The proposed amendments were, inter-alia :

Article 7 : Elections

- a) In addition to the Vice President of the ICA for Asia and the Pacific the Regional Assembly shall elect a Chairperson, who shall preside over the Meeting.

- b) The Regional Assembly shall elect four Vice Chairpersons, giving fair representation to the sub-regions in Asia and the Pacific, and at least one of the four shall be a woman.
- c) The Chairperson and Vice Chairpersons will continue until their successors are elected in the next meeting of the Assembly. They may stand for re-election.
- d) The Regional Assembly shall also nominate one candidate for election as ICA Vice President by the General Assembly. Each member organization, and international member, in the region is entitled to submit nominations. Candidates must have served on one or more governing bodies for at least two years. The Governing Body shall be composed of the ICA Standing Committee, the Regional Assembly, and the Executive Council. If there is no unanimity, voting is to be conducted by secret ballot. The Regional Director shall be responsible for communicating the name or the regional nominee of the ICA Secretariat no less than three months prior to the next General Assembly.

The Standing Committee shall be composed of the ICA Vice President from Asia and the Pacific, the Chairperson and four Vice Chairpersons of the Regional Assembly, and the Chairperson of the Executive Council.

- e) The Vice President shall serve a four-year term and is eligible for re-election if nominated again by the Regional Assembly. He/she may stand for re-election.

The Regional Assembly unanimously adopted the above amendments by acclamation.

With the adoption of the above amendments, Article 5 of the Rules of the Executive Council, which reads:

“The Chairperson and Vice Chairperson of the Executive Council shall be elected by the members at the meeting of the Executive Council for a period of two years or till the next meeting of the Council whichever is later”

is thereby abolished.

Agenda Item No. 4 : Approval of Minutes of the 1996 Regional Assembly

The minutes of the Second Meeting of the RA held in Petaling Jaya, Malaysia, in June 1996, which had been circulated in advance, were confirmed by the Meeting without any corrections.

Agenda Item No. 5 : Election of Officers

Mr. Yang Deshou, Chairperson, Standing Committee, said that the Standing Committee at its meeting on 25th & 27th October discussed and proposed the names of following officers for election after very prudent discussion and full consultation. He believed that these leaders, if elected, will work befitting towards the expectations of members and play an active role in strengthening the cooperative movement of Asia-Pacific Region:

Chairperson : Mr. Won Churll-Hee, Korea

Vice Chairpersons :

- i. Prof. Ungku A. Aziz, Malaysia
- ii. Ms. Teresita M. de Leon, Philippines
- iii. Mr. H. Kohno, Japan
- iv. Mr. Yehuda Paz, Israel

Mr. B.S. Vishwanathan, India, will continue to be the Chairperson of the Executive Council until the next Regional Assembly in the year 2000.

The Chairperson invited nominations from the floor, if any. The President of NCC from Sri Lanka was nominated by the delegate from Bangladesh, and another nominee from Kuwait was nominated by the delegates from Kuwait. The Chairperson explained that in the spirit of democracy he would like to seek the approval from the Assembly to add these nominations to the list prepared by the Standing Committee. There being no support from the floor to approve the additional nominations, the RA gave standing support to the above list, as proposed by the Standing Committee, and the list was unanimously approved by acclamation.

On being elected Chairperson, Mr. Won Churll-Hee, said that he was honoured to be the Chairperson and that he will try to do his best to conduct the meeting successfully. He also thanked the outgoing Chairperson, Royal Prof. Ungku Aziz for his excellent Chairmanship at the Assembly.

Agenda Item No. 6 : Report from the Executive Council

Mr. B.S. Vishwanathan, Chairperson, Executive Council, said that he took over the Chairpersonship from Mr. Yang Deshou in Chiangmai, Thailand, in 1997. He further mentioned that "it has been our endeavour to build up integral relationship between Executive Council and ICA ROAP so as to enhance its effectiveness to serve the member organizations in the Asia-Pacific Region so that they can meet the emerging challenges of market economics. It was its role to operationalise the Co-operative Identity Statement and to have an objective assessment of positioning of cooperatives through workshops and cooperative Think Tank Consortium. The ICA ROAP has made remarkable initiatives to serve members in this region, and thereby strengthen the cooperative movements."

He informed the RA that the next meeting of the Executive Council will take place in Beijing at the time of the Ministerial Conference in October 1999.

Agenda Item No. 7 : Report from the Regional Director

The Regional Director, Mr. Robby Tulus, circulated his report in the form of a printed booklet. To make it more effective, his report to RA was made by way of a Power Point presentation. He said that the two years covered by this report saw a number of absorbing realities in this region, and also notable shifts within the ICA ROAP.

In short, he mentioned that a paradigm shift has taken place within ICA ROAP. "Focus on focusing" will continue in earnest to bring more business results through the provision of tangible and practical services to members, while at the same time strengthening our co-operative identity.

Before proceeding with the item on "development chronology", ICA ROAP's RD mentioned the invaluable support received from member organisations in this region, ICA Board members from Asia-Pacific, President Roberto Rodrigues, Vice President Yang Deshou, Director General Bruce Thordarson and all HO staff in Geneva. The support received constitutes a tremendous boost that has made the shift in paradigm possible. He then proceeded to describe the results achieved in the Policy front, the Development front, and the Management front.

Agenda Item No. 8 : Reports from the Specialized Committees

The Chairpersons/Vice Chairpersons/Secretaries of the Specialized Committees on Agriculture, Consumer, University Coops, APHCO, Fishery, HRD, ICBA, Women, CICOPA, and Research reported on the recent meetings of the various specialized committees held in Seoul, Korea in October 1998. A summary of their reports are attached (Annex-2).

At this point the Chairperson, Mr. Won Churll-Hee, handed the Chair to Dr. Yehudah Paz.

Agenda Item No. 9 : Adoption of new Constitutions

Dr. Paz chaired the Assembly meeting, and proceeded with Agenda Item 9. Upon clarifications of some more amendments made in the Constitution by the respective Committees, the RA duly adopted and approved the constitutions of the following Specialized Committees :

- i. Women's Committee
- ii. Housing Committee
- iii. Regional Cooperative Banking Association
- iv. Fisheries Committee

The RA also agreed to change the words "Chairman/Vice Chairman" in all constitutions of various Specialized Committees with "**Chairperson/Vice Chairperson**".

Agenda Item No. 10 : Report from the Special Workshop

Mr. Guo Yong Kang, Deputy Regional Director, ICA ROAP, presented the report of the Special Workshop on "**Agriculture/Consumers/Fisheries Strategic Alliance**" held on 27th October in Seoul, Korea. He said that the Workshop was attended by 50 participants which also included two international organizations. It was considered an important workshop because it was for the first time in the ICA's history in this region that three committees joined together to discuss important issues. The workshop recommended, *inter alia*, to organize more activities to exchange information between consumer, agriculture and fishery; exchange information among members in these three sectors; identify, formulate strategies and directions for this type of alliances in the future; ROAP to select and promote successful experiences in this region from the producer sector, agriculture sector and fishery sector; to make more joint ventures for international trade and technology transfer.

Agenda Item No.11 : Report from the Regional Women Forum

H. Rahaiah bt. Baهران, Chairperson, presented the report to the Regional Assembly on the 1st ICA ROAP Regional Women's Forum for Asia and Pacific held on 26th October at the NACF Agriculture Cooperative College in Seoul, Korea. A total of 130 women and men representing 19 cooperative organisations from 12 countries participated in this landmark and historic event.

The Forum recommended to the RA that ICA ROAP should take necessary action to ensure the participation of women in all specialized bodies, organize Regional Women's Forum in conduction with the Regional Assembly, assist the member organisations in different countries to lobby for positive amendments to cooperative laws and bye-laws to enable more participation of women in decision-making in cooperatives.

Agenda Item No. 12 : Introduction of the Draft Guidelines/Best Practices of the ICA Co-op Identity Statement

At the request of the Chairperson, Prof. Ian MacPherson, Dean of Humanities, University of Victoria, Canada, presented a paper entitled "**Principles to Practice : From Manchester to Seoul Through Jaipur**" at the RA. He said that the Identity Statement was a necessary step so that the international movement could clearly establish its unique role for three reasons. First, the need to project, not least to cooperative leaders and members, but also

others, most particularly government officials, a clear understanding of the nature of cooperative uniqueness. Second, to distinguish cooperatives clearly from the private sector. Third, cooperatives have a clear understanding of their uniqueness so they could broaden out or leverage their influence, not only with each other, but also, with appropriate safeguards, with other organisations, public and private.

In Asia Pacific Region, the starting point for the development of appropriate practice has become concentrated upon the importance of values-based professional management.

Member-organisations are being requested to point to this paper as an important guideline for best practices in the implementation of the ICIS, in accordance with the prevailing circumstances and conditions in their respective countries.

Agenda Item No. 13 : Presentation and adoption of Resolution from Committees

The RA approved and adopted the Resolution of Cooperatives in Achieving the Food Security; which was earlier adopted by the Agriculture Committee, Resolution of Fishery Committee and Women's Forum Resolution. These Resolutions are annexed (Annex-3).

These Resolutions have been addressed to the ICA Regional Structure and regional framework and to the member-organizations of the region for their adoption. We also take upon the task of bringing them to our cooperative organisations and movements and to making every effort to see that they become part of the framework of reference for the activities and programmes or form part of operation of cooperatives in all the countries of the region.

Agenda Item No. 14 : Venue and Date of Next Meeting

Mr. Tan Kin Lian, delegate from Singapore, and Chairman of the Singapore National Cooperative Federation, invited the RA to hold its next meeting, the fourth in the series, in Singapore in the year 2000. The RA thanked the delegate from Singapore for the invitation and accepted the invitation.

Agenda Item No. 15 : Information about the Fifth Co-operative Ministers Conference in Beijing, October 1999

At the request of the Chairperson, Mr. Yang Deshou (China) said that the All China Federation of Supply and Marketing Cooperatives (ACFSMC), entrusted by the Government of China, will host the Fifth Co-operative Ministerial Conference for Asia and the Pacific Region, from 11-16 October 1999 at Friendship Hotel, Beijing China. The theme of the conference would be "***Sustainable Development of Cooperatives in the 21st Century*** –

Enhancing Cooperation between Government and the Cooperative Movement in the spirit of Partnership

He said: "Since the last Ministerial Conference, the economic and social environment in Asia and the Pacific Region has witnessed dramatic changes. The questions of how cooperatives can positively contribute to the economic and social development in every country and help the laborers of the middle and lower strata of the societies to gain benefits and how to foster the government's concern over and support to the cooperative movement and strengthen the alliance of and cooperation among cooperatives in different countries have become important issues of the day facing the cooperative movement in Asia and the Pacific region. The cooperatives in China, in the process of transiting from the socialist planned economy system to the socialist market economy system, are also encountering numerous problems and challenges. It is our hope that you come to Beijing to exchange experiences of development and discuss about the strategies for rejuvenating the cooperative movement in the region so that the cooperatives in Asia and the Pacific region can enter the 21st century vigorously. We understand that ICA ROAP will organize sub-regional workshops and a Regional Consultation to address pertinent issues prior to the Ministers' Conference itself."

Agenda Item No. 16 : Co-operative Open Forum

Explaining the rationale of the Co-operative Open Forum, Mr. Robby Tulus, Regional Director, ICA ROAP, said : "In an effort to provide more value-added services to members, and in our quest for effective networking and collaborative strategies with UN and multilateral agencies, we are extremely pleased to receive such a positive response from the ADB and UN organizations in their willingness to share their views and insights about the "impact of the economic crisis in Asia" (which, as well know, have also developed into a social and psychological crisis as the economic situation worsened or is continuing to linger with no signs of abating soon). Therefore, as the economic situation in Asia is becoming increasingly uncertain, especially as these economic ills have now already spilled over to Russia and other regions in the world, people begin to seek collective security rather than just individual freedom. While political solidarity gains prominence at this point, it is likely to be short-lived once the economy stabilizes itself. But the trend is paving the way for more transparency and want for consensus building, which establishes a positive norm and safeguard against future misconduct and corrupt practices (in Indonesia it is know as CCN: collusion, corruption, nepotism). The dynamic shift towards more openness and creative group action presents a good opportunity for co-operatives to capitalize on these trends and henceforth consolidate themselves in order to become the best alternative for people's own development. In this way they can turn existing markets to members' advantage, and utilize management tools to provide best services to their members."

Against this background and rationale the contributions from ADB, UN-ESCAP, FAO and ILO will be invaluable to ICA ROAP's efforts to chalk out future plans to better serve its members.

Mr. Bruce Thordarson, Director-General, ICA, extended greetings on behalf of the ICA to the Co-operative Open Forum. He explained about the major advancements now being made with the UN organisations such as FAO, HABITAT, and notably with ILO as our longstanding partner. President Roberto Rodrigues also met with the DG of FAO in Brazil, following which a visit in Rome by ICA President yielded positive results, including a MOU. Work is also intensifying to link up more closely with the WTO in Geneva.

Mr. Roberto Rodrigues, President, ICA, in his Opening Address, said : "... there is no reason why co-operative cannot survive and thrive, even in the face of difficult economic conditions which we find around the world. Indeed, we know from history that co-operatives have always developed and grown precisely when economic conditions are difficult, for the simple reason that this is when they are most needed by ordinary people. In most Asian countries co-operatives have strong roots, and their structures are sufficiently strong that they are not going to be blown away by the winds of recession. However, for co-operatives to cope successfully with this challenge, I believe that we need to make changes in our behaviour."

"The time has passed when co-operatives were a third way for socio-economic growth, occupying the space between capitalism and socialism. We have now entered a different era. The failure of socialism, on one side, and the inability of capitalism to solve social problems on the other side, have created a certain identity crisis for co-operatives."

"Many new ideas about co-operative management have recently been discussed both among co-operative leaders and in the academic world, and many new innovations have been introduced. I think there is one essential quality of good management today—the ability to take decisions quickly. This is of course a sensitive area for co-operatives, given our attachment to consultation and democratic decision-making. But if members have to be consulted every time an important decision is needed, we are bound to have delays.....The legitimate co-operative leader must be prepared to make changes among his other qualities."

"We also need change in order to promote amalgamations and mergers among co-operatives. There is no rule which says that co-operatives must be big in order to be successful.....The main idea is to add value through horizontal and vertical integration. Mergers are not the only way. Promoting strategic alliances within similar sectors is another way of benefiting members..... Professionalisation of co-operative management is another essential point."

"We must invest in a positive image of our movement, raising the banner of social responsibility which is ours – in the areas of the environment, food security, income distribution, the fight against unemployment. These are

issues of concern to society, and it is good for our image to be associated with them. Similarly, we should not hesitate to support governments when they adopt good policies in these areas”.

“All these issues lead to the conclusion that, today more than ever, co-operative education is essential. Education is needed at all levels – leaders, managers, members – in order to understand clearly our difference, in order to be proud that we are the best. Above all, education must be for young people and women. Without them, our victories will be temporary and we will have no future”.

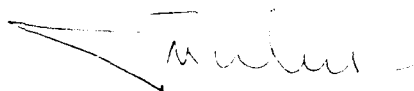
“If we are able to accomplish everything I have described, there is no doubt that our co-operatives will flourish and will increase their market shares”.

After the above introductions, the following papers were presented to RA by speakers from ADB, UN/ESCAP, ILO and FAO and discussions took place:

1. “Lessons drawn from the Asian Economic Crisis, an ADB Perspective” – Mr. Lee Jung-Soo, Chief Economist, ADB.
2. “The Impact of the Asian Economic Crisis – an UN/ESCAP Perspective” – Mr. Kiran Pyakuryal, Chief of Rural Development Section, UN/ESCAP.
3. “The Impact of the Asian Economic Crisis : an ILO Perspective” - Mr. Krishan K Taimni, Regional Coordinator for Asia-Pacific of ILO Coopnet.
4. “The Impact of the Asian Economic Crisis : an FAO Perspective” - Mr. W.I. Khan, Adviser, FAO.

The Speakers presented their excellent analysis on the respective subjects pertaining to the Asian Crisis. Four delegates, one from each Sub-region, were invited to give their impromptu/reactions/responses to the presentations made by the above speakers. These responses, ranging from full support and counter-statements to provocative questionings, elicited a constructive debate during the Plenary Session. Papers of the four Speakers are annexed (Annex-4).

The meeting was closed with a vote of thanks to the Chair.



Robby Tulus
Regional Director/Secretary
ICA ROAP

ANNEX-1

LIST OF PARTICIPANTS

THIRD MEETING OF THE ICA REGIONAL ASSEMBLY
FOR ASIA AND THE PACIFIC
Seoul, Korea : 27-29 October 1998

List of Participants

BANGLADESH	1.	Mr. Shahidullah General Secretary Bangladesh Jatiya Samabaya Union 9/D Motijheel Commercial Area Dhaka-2, Bangladesh	Delegate
CHINA	2.	Mr. Yang Deshou All China Federation of Supply & Marketing Cooperatives (ACFSMC) 45, Fu Xing Men Nei Street Beijing 100 801, China	Delegate
	3.	Mr. Hao Tian Li All China Federation of Supply & Marketing Cooperatives (ACFSMC) 45, Fu Xing Men Nei Street Beijing 100 801, China	Delegate
	4.	Mr. Rong Jun All China Federation of Supply & Marketing Cooperatives (ACFSMC) 45, Fu Xing Men Nei Street Beijing 100 801, China	Observer
	5.	Mr. Ma Zheng All China Federation of Supply & Marketing Cooperatives (ACFSMC) 45, Fu Xing Men Nei Street Beijing 100 801, China	Observer
INDIA	6.	Mr. B.S. Vishwanathan President National Cooperative Union of India 3, Siri Institutional Area New Delhi 110 016, India	Delegate

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35. Ms. Pasti Tarigan Tampubolon Observer
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50. Mr. Akira Kurimoto Observer
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ANNEX-2

SUMMARY OF REPORTS FROM THE
SPECIALISED COMMITTEES

REPORT TO THE REGIONAL ASSEMBLY
1st MEETING OF THE REGIONAL WOMEN'S COMMITTEE

October 25, 1998

Good Afternoon, Mr. Chairperson, members of the Regional Assembly, Observers and friends.

I am Sen. Rahaiah Baهران from Malaysia, Vice-President of ANGKASA, Member of the ICA Global Board and the Chairperson of the Regional Women's Committee for Asia and Pacific.

First of all, I would like to thank this Assembly whose last meeting in Kuala Lumpur two years ago made it possible for the voice of the women in co-operatives in the region to be heard today.

For the first Regional Women's Committee of ICA for Asia and Pacific, which was held on October 25, 1998, at the NACF headquarters, we received 16 nominees from 69 of our member-organizations. I would like to quote Mr. Yehudah Paz who was with us that day mentioned that '*it was indeed a very historical occasion*'.

Out of the 16 nominees, 11 women leaders made it to this 1st Meeting. They were from: ANGKASA (Malaysia), SNCF (SINGAPORE), JCCU (Japan), JA (Japan), Zengyoren (Japan), DEKOPIN (Indonesia), KFCCC (Korea), NCUI (India), NATCCO (Philippines), NCC (Sri Lanka), CLT (Thailand). We also had with us the Asian Women in Co-operative Development Forum, a network advocating gender equality in co-operatives. We do appreciate the 11 member-organizations who supported this Committee by sending their nominees.

The committee discussed the two-year plan and passed the Constitution, which we hope the Assembly would approve later today.

Having achieved to carry out the Resolution passed in the 2nd Assembly in 1996 to set up a Regional Women's Committee, we realize that the region still has a long way to go to achieve equality between women and men. We conclude that 11 nominees out of 69 members was a good beginning, but we believe that with all the support of the ICA ROAP member-organizations, there could be more representation in the next meeting.

REPORT TO THE REGIONAL ASSEMBLY
THE 1st REGIONAL WOMEN'S FORUM

October 26, 1998

Now I am pleased to report to the Regional Assembly on the 1st ICA ROAP Regional Women's Forum for Asia and Pacific held on 26th October 1998 at the NACF Agriculture Co-operative College in Seoul, Korea.

A total of 130 women and men representing 19 co-operative organisations and an international development agency from 12 countries (India, Indonesia, Japan, Korea, Malaysia, Mongolia, Nepal, the Philippines, Singapore, Sri Lanka, Thailand and Finland) participated in this landmark and historic event.

This Forum was a far cry from our early days. For instance if we look back, in our 1st Regional Assembly in Delhi in 1994, we had among us then only two (2) women who were present, but they were not official delegates. In the 2nd Regional Assembly in 1996, there were only five (5) women present, but only one (1) from among them were official delegates. In today's 3rd Assembly, we have more women present, but only because we just had our Regional Women's Forum in conjunction with the Regional Assembly, however, we still only have one (1) woman official delegate.

So the Regional Women's Forum that we just had two days ago is the first such forum organized by the ICA in Asia and Pacific and it was a historic event. We shared, we discussed, and deliberated on important issues.

Mr. Chairperson, members of the Assembly, please allow me to highlight the some points of the recommendations passed in that forum. Please refer to the list of recommendations. I hope you have received them.

I would like to stress the need for each member-organization to appoint a contact person in each of your organizations for ICAROAP and the Regional Women's Committee to send its communications to as well as to coordinate the implementation and dissemination of information and activities related to women in co-ops.

Apart from this, I would like to urge you to endeavor to increase the number of women in your boards and other decision-making bodies in your co-operatives. As per our

President, Mr. Roberto Rodrigues, in his remark at the opening ceremony today, every co-operative should have women in their Board.

All of us present here know that the proportion of women and men delegates and observers in our Regional Assembly today is not representative of the ratio of women and men members in our co-operatives. There are as many women as there are men, if not more, in our co-operatives. But as we all see now, there are a very few women in decision-making in our co-ops as there are men. The participants in the recently held Regional Women's Forum bring out this important message:

Co-operatives are democratic institutions. If women comprise half the membership, they must comprise at least half of the leadership. Women have their own experiences. Their perspective and way of viewing situations is different from men's. Their priority needs and aspirations are different from men's. As such, they have a different way of solving problems. When there are more women in leadership in our co-ops, co-ops would be enriched by their contribution and approach to solving problems. The need for women to be in leadership in co-ops is even more important and urgent as co-ops face serious threats from the current economic crisis besetting the region. Various fora organized by the ICAROAP on the effects of the economic crisis on co-ops show that the worst affected are women and children. Yet, women can and will provide solutions to our current economic problem. Co-ops then have to listen to women's voice.

I would like to end this report by saying that this Assembly in Seoul is a milestone for the ICA Regional Women's Committee and the women in the region as a whole. And as I have said earlier, we have shared, discussed, and formed a bond among us. I would like to refer to that bond as "Seoul" mates. Repeat "Seoul" mates.

And on behalf of my "Seoul" mates, I would like to present the Recommendations of the First Regional Women's Forum to the Chairperson of the Regional Assembly for Asia and Pacific 1998.

Kamsa Hamida.

31st Meeting of the ICA Agricultural Committee

The 31st Meeting of the ICA Committee on Agriculture for Asia and the Pacific was held in the NACF office, Seoul (Republic of Korea) on 26th October 1998. Sixteen participants from six countries attended the meeting.

Dr. V. Kumar (India) and Mr. D.P. Baskota (Nepal) were unanimously elected as Chairperson and Vice-Chairperson respectively.

The members from India, Sri Lanka and Japan presented their country papers. A paper entitled "***A Survey of the Post-Crisis Developments in the Korean Economy and Agriculture***" was presented by Mr. Jeong-Hee Park, Senior Economist, Research Department, National Agricultural Co-operative Federation of Korea.

The meeting unanimously adopted the following Resolution moved by the JA-Zenchu (Central Union of Agricultural Co-operatives of Japan) and decided to forward the Resolution to the ICA Regional Assembly for its approval.

RESOLUTION OF AGRICULTURAL COOPERATIVES IN ACHIEVING THE FOOD SECURITY

01. We, representing agricultural cooperatives in the Asia-Pacific region, pledge to further strengthen the mutual cooperative relationships which have been built over many years and to make every effort in achieving the world food security from the place of our countries through sustainable agricultural development carried out by family farmers.
02. In the ICA's Asian and Pacific member countries, there is a combined population of 3.1 billion, which accounts for 54% of total world population. Therefore, our member countries' food securities will be the key for the global food security. However, we faced numerous difficulties in challenging to eradicate hunger and poverty in the region - urbanization, expanding populations, decreasing arable lands, and decreasing domestic agricultural production caused by increasing imports to a large extent. In recent years, unusual weather patterns combined with a region-wide financial crisis have made it more difficult to address the challenges. However, the conditions are, we believe that region's food security can be accomplished if the countries would try to be self-sufficient in producing their staple food, with a complementary level of trade where appropriately to the given situations.
03. Food security in each country cannot be accomplished by solely relying on the trade in which principle of the 'comparative advantage' is indiscriminately applied. It is our firm belief that food security can be achieved – while taking into consideration the economic, social, and historical background of each country – by developing sustainable agriculture through balancing domestic production, agricultural trade and food reserves. At the same manner, sustainable agriculture can be positively developed by following self-sufficiency policies such as: appropriately managing farmlands, controlling pests and diseases, securing bio-diversity, providing access to new technologies for family farmers, and developing rural and inter-urban/rural infrastructure.
04. Sustainable agriculture makes a concrete base for agriculture to play such multifunctional roles as environmental conservation, generation of employment,

maintenance of well-kept cultivated landscapes, protection of traditional values and culture, and education of the next generation. These roles most of which have been highly valued externalities, and characterize the Asian model of agriculture centered on the family farm. However, without continuation of the agricultural production by family farms, the values cannot be sustained for the concurrent and future generation too. Therefore, each country must continue to have the ability to support vulnerable farming activities that contribute to these multifunctional roles.

05. Self-sufficiency policies are essential to Food Security. At the same time, appropriate agricultural trade can contribute to food security by supplementing self-sufficiency policies. With this common recognition overall in the IFAP World Farmers' Congress of last June, we, cooperators, clearly noted that "liberalization of agricultural trade should not be regarded as an end itself". Instead, liberalization of agricultural trade should only be invoked to improve the functioning of agricultural markets, increase farm incomes, eradicate poverty and promote socially and environmentally sustainable programmes for agricultural development.
06. It is common in the Asia-Pacific region that family farms have been the key player in securing the food and multifunctionality of agriculture as well although there are considerable variety of climate and geographic conditions among the countries. On this commonality and our mutual concerns for food security, we should convey a forceful and united message on the high necessity of supporting the family farms in the upcoming WTO agricultural negotiations. Further, we must continue to advocate our voice that agricultural trade liberalization should not impair the multifunctional roles played by agriculture, but should encourage economically vibrant domestic agricultural production and sound social policies whether or not a country is food-exporting or importing, developing or developed.
07. We, the agricultural cooperative members of the ICA's Asia-Pacific region, strongly support the FAO's Rome Declaration on World Food Security of 1996 and recognize the importance of "food security for all". It is our commitment to strengthen solidarity as we move to the 21st century with other cooperative organizations of consumers, fishermen, foresters, women and youth.

Mr. D.P. Baskota, Chairman, National Co-operative Federation of Nepal extended an invitation to hold the next meeting in Kathmandu. The members unanimously accepted the invitation and agreed to hold the next meeting in Kathmandu in 1999. The meeting authorised the Secretary to finalise the date of the meeting in consultation with the host organisation.

On behalf of the participants, Mr. D.P. Baskota, thanked the NACF for the excellent arrangements made for the meeting. Mr. Guo Yong Kang expressed his thanks to the members of the Committee and NACF for making all arrangements for the meeting.

HIGHLIGHTS OF THE

- **31ST MEETING OF THE ICA COMMITTEE ON CONSUMER COOPERATION FOR ASIA AND THE PACIFIC – 26th October 1998**
- **4TH MEETING OF THE ICA CONSUMER SUB-COMMITTEE ON UNIVERSITY/COLLEGE COOPERATIVES FOR ASIA AND THE PACIFIC – 25th October 1998**

A. SALIENT POINTS OF DISCUSSION

1. The current economic crisis raging across Asia is greatly affecting the business operation of consumers cooperatives in all member countries. Reports from eleven countries participating (Bangladesh, Indonesia, India, Japan, Korea, Malaysia, Nepal, Philippines, Singapore, Sri Lanka and Thailand) indicated that the impact of the crisis on member-households has translated into: diminishing sales, reduced profit margins and operating losses, even for some big consumers coop societies.
2. However, some countries reported increase in individual membership (Japan), new consumers cooperatives in schools being formed - inspired by the experience of existing ones (Korea), and consumers cooperatives being regarded by government as important part of the “social safety net” (Indonesia). This indicates the value given by society at large on organized cooperation – a real opportunity for consumers cooperatives in particular to project the *coop identity* and *advantage*.
3. Already, concrete measures have been undertaken by consumers cooperatives in member countries in response to the situation:
 - a. **Greater focus on members, exemplified by:**
 - ✓ Member involvement in product development
 - ✓ Offering the cheapest “basket of essential foodstuff”
 - ✓ Supporting members’ social activities
 - ✓ Mobilizing membership among the youth
 - ✓ Mobilizing mutual help groups for housework support
 - ✓ Providing study grants for children of needy members
 - ✓ Member survey
 - b. **Expanding outreach to the community, exemplified by:**

- c.
 - ✓ Providing social services: medical care, baby care
 - ✓ Intensifying environmental activities
 - ✓ Distributing used textbooks to needy families
 - ✓ Taking care of the aged
- d. **Exploring inter-coop collaboration, exemplified by:**
 - ✓ Joint purchasing
 - ✓ Business linkage with agricultural cooperatives
 - ✓ Creation of national solidarity fund
 - ✓ Management assistance and advice to troubled cooperatives
- e. **Adopting business strategies like:**
 - ✓ Competitive pricing
 - ✓ Cost cutting
 - ✓ Automation
 - ✓ Aggressive promotions

B. CONCLUSION & AGREEMENT

Taking into account existing initiatives, the ICA Committee on Consumer Cooperation agreed that:

1. The following activities be undertaken or pursued on the individual country level:
 - Joint buying or purchasing
 - Setting up a distribution center to link producers and consumers
 - Continuing direct member involvement in coop activities
 - Mobilizing more youth into membership
 - Continuing education and training for members and managers, focussed on coop principles and values
 - Professional development of staff
 - Building consumer awareness
2. The following activities will be undertaken on the regional (Asian) level:
 - Exploring joint buying across borders
 - Exchange of experiences through seminars & workshops, technical exchange & consultancy

- Youth exchange through study visits, regional workshops
- Setting up website

In addition, the ICA Consumer Sub-Committee on University/College Cooperatives agreed to undertake the following activities in 1999:

- Conducting Member Survey to determine member expectations & preferences
- Organizing a Regional Youth Seminar in April 1999 in the Philippines
- Developing educational materials (leaflets and manual) on university consumers cooperatives
- Support the establishment of university consumers cooperative (Vietnam, Nepal)

Summary of the Discussions and Minutes of the 1st Meeting of Regional
Cooperative Banking Association

The meeting of RCBA was held on 26.10.98 under the Chairmanship of Mr.B.S. Vishwanathan.

The meeting was hosted by Korean Federation of Community Credit Cooperatives (KFCCC). In the beginning, Mr. Yong Sang Yoo, Chairman and President, KFCCC welcomed the participants and observed that during past 35 years the community credit coops contributed much to develop socio-economic status of their members.

After formal welcome, the meeting took up agenda items under the Chairmanship of Mr. B.S. Vishwanathan.

1. The representatives of various countries briefly presented their country situations relating to cooperative banking and finance. From the presentations, it emerged that only a very small percentage of financial cooperatives have been impacted by the financial crisis as they were member based and member controlled. This reflected resilience of cooperative system during the crisis.
2. The meeting, while analysing the draft constitution of RCBA being placed before the Regional Assembly, recommended the following changes:
 - (1) The title of Chairman be changed as Chairperson
 - (2) To provide fair representation to all, there should be two Vice Chairpersons instead of one.
 - (3) There should also be an Honorary Secretary to be elected from amongst the members in addition to Executive Secretary based ICA ROAP.
 - (4) The annual subscription will be US\$ 100 for each member organisation instead of each country.
 - (5) The RCBA resolved to request Regional Assembly to approve above changes in the constitution and to authorise ICA ROAP Secretariat to incorporate these changes in constitution.
3. The following persons were unanimously elected as office bearers:
 1. Mr.B.S. Vishwanathan, Chairperson
 2. Mr. P.A. Kiriwandeniya, Vice Chairperson
 3. Prof. Sawat Saengbangpla, Vice Chairperson
 4. Korea – Hony. Secretary
4. The meeting appreciated the presence of Secretary-General, APRACA, and his presentation. It was decided that ICA ROAP and APRACA should not duplicate regional studies on micro-finance. In future, they should exchange such studies.

5. In future the meeting identified the following activities to undertake:
 1. Circulating the publication of ICBA to all members.
 2. In ACCU's Educational Forum to be held in September 1999, RCBA's representatives may also participate. ACCU may send Invitations in this regard.

The meeting ended with a vote of thanks to the Chair.

Summary of Discussions/Minutes of Research Consultation Meeting

Date: 25th October, 1998; Time : 10.00 a.m. Venue : NACF

In the beginning, Mr. Robby Tulus, extended a very warm welcome to the Participants. He emphasized that in the given context of present Asian Financial crisis, research had acquired an added significance to provide Productive action oriented intellectual inputs to coops to enable them to Sustain in a competitive market.

On behalf of NACF, Mr. Shil Kwan Lee, welcomed the participants of Research Consultation and mentioned that Korean Coops valued Research very much, and hoped that outcome of the meeting would be Very fruitful.

Chairing the inaugural session, Dr. Yehuda Paz thanked NACF for their Kindness and efficiency in making arrangements for the meeting. He Emphasized that in an era of crisis and challenge, the research had Double tasks – one, promotion of knowledge and two, how to translate Research into action at cooperative level. Therefore, Research Consultation Meeting was very important.

After inaugural ceremony, the meeting unanimously elected Mr.A.Kurimoto As its Chairperson.

Mr. Kurimoto, in his initial remarks gave the background of the meeting And informed the Consultation that following agenda items would be Deliberated in the meeting:

- I. Operationalisation of Research Register for Asia and Pacific Region;
- II. Asian Research Conference in 2000.

The notes prepared by Mr. M.V. Madane were circulated and presented in The meeting. Thereafter discussions ensued.

- I. **Research Register** : The participants discussed in great depth various Issues such as its format; criteria to include the researchers and Researches in the register; nature of research studies to be included, the Authority to decide the criteria, nature of research e.g. whether cooperative Research should be advocacy research or field and action oriented Research or analytical research, the funding support for such activities Delivery of research fundings to coops and implementation etc.

- II. In regard to **Asian Research Conference**, the Consultation discussed Various suggestions that came from participants.

Based on the suggestions of the participants and after extensive discussions, the Consultation decided as follows :

- (i) To constitute a Steering Group consisting of the following :
 - 1) Mr.A. Kurimoto (Japan) – Chairperson
 - 2) Mr. M.V. Madane (India)
 - 3) Prof. Chang (Korea)
 - 4) A few nominees of HRD Committee
 - 5) Mr. B.D. Sharma, Director, ICA ROAP – Secretary

This Group may work on the (a) format of research register; (b) theme of the Asian Research Conference; © terms of reference of the Conference. The Report of the Group may be placed before the second meeting of the Consultation in Singapore in conjunction with Regional Consultation to be Convened by ICA ROAP in June, 1999.

- III. It was decided that an independent Asian Research Forum within The framewok of Regional HRD and Research Committee be Constituted. This Forum may consist of 6-7 persons.

- IV. The Research Conference may be organized at the time of next Meeting of the Regional Assembly.
- V. The ICA ROAP may provide the required organizational support To Asian Research Forum, Steering Group and Asian Research Conference.

The meeting ended with a vote of thanks to the Chair.

Summary of Discussions/Minutes of Regional HRD and Research Committee

Date : 26th October, 1998

Venue : NACUFOK (National Credit Union Federation of Korea)

Preceding to Regional HRD and Research Committee, a brief joint inaugural Sessions with ICA Global HRD Committee was held.

The Vice Chairman of NACUFOK welcomed the participants of both Global as Well as Regional HRD Committees. After inauguration and introduction of the Participants, both committees held their separate meetings.

Royal Professor Ungku Aziz chaired the meeting. He welcomed the Participants and introduced the agenda. Summary of discussions and Minutes are given below :

I. Country Presentation :

INDIA : IFFCO in India, one of the largest cooperatives, is having a very Comprehensive HRD programmes for its personnel. Besides they have also Set up an independent trust for training of farmers.

ISRAEL :

- (a) Cooperative College has been activated.
- (b) An agreement with Leicester University of U.K. has been signed to introduce Post-Graduate Diploma in Cooperative Management through Distance Learning. The programme is to be launched in May 1999.

MALAYSIA :

The activities of Cooperative College are being diversified. Steps have been Taken to avoid overlapping between training programmes of the College and ANGKASA which emphasises modernisation of Cooperative Education Activities.

SRI LANKA :

The School of Cooperation is being upgraded. The Sri Lankan Government Has decided to make it as an autonomous institution.

ILO :

Mr. Taimni presented ILO Coopnet activities and programme and informed the Committee that ILO Coopnet proposes to undertake programmes in the Following spheres in 1999 :

- (a) Cooperative Entrepreneurship
 - (b) Cooperative Governance
 - © Reforms in Fianancial Coops
 - (d) Re-structuring of Coop Training Systems
 - (e) Programme for Universities
- VI. Registrar of Namibia also participated as a special invitee and informed That keeping in view the needs of coops, a modular approach to training Has been followed. The Department of Cooperation in the Government Is the agency responsible for implementation.
- V. HRD Committee was also briefed about the recommendation of Research Consultation to create an independent Asian Research Forum Within the framework of HRD Committee. The HRD Committee after Discussions endorsed the recommendation and suggested that the Forum may be made more broad based by adding a few more Researchers.
- VI. Chairman suggested that ICA ROAP may examine the need for Updating the CEMAS/MATCOM Material. It may be examined whether National cooperative movements may be allowed by ILO/ICA to convert That material into CDs.

VI. The following new areas for HRD were suggested to be taken up in Future :

- (a) Programme on Information Technology
- (b) Programme on Distance Learning

Mr. Taimni mentioned that ILO Coopnet may consider to collaborate with ICA ROAP, if latter sent a formal offer in this regard.

The meeting ended with a vote of thanks to the Chair.

ICA Committee on Fisheries for Asia and the Pacific

01 The 23rd meeting of the Fisheries Committee was held in Seoul, Republic of Korea, on 26th of October 1998 in conjunction with the Executive Meeting and Plenary Meeting of the International Cooperative Fisheries Organisation (ICFO). In view of the thin attendance of Committee members, and in the absence of a duly approved modified Constitution, it was decided that priority should be given to secure a formal approval of the ICA Regional Assembly of the revised constitution of the Committee. The revised constitution was subsequently adopted unanimously by the 3rd meeting of the ICA Regional Assembly held on 28th of October 1998.

02 The Committee also adopted a resolution on **Contribution of fisheries Cooperators to Food Security** and recommended it for adoption by the 3rd meeting of the ICA Regional Assembly. The Resolution was subsequently unanimously adopted by the Regional Assembly on the 28th of October 1998. The Committee also requested the ICA ROAP to decide on the venue and dates of its next meeting after holding consultations with the Committee members.

ICA Committee on Housing Cooperatives for Asia and the Pacific

The Constitution of the Housing Committee which was recommended for adoption by the ICA Executive Council at its meeting held in Chiangmai, Thailand, on March 18 1997, was unanimously adopted by the 3rd meeting of the ICA Regional Assembly held at Seoul, Korea, on the 28th of October 1998.

Although there are a large number of housing cooperatives in various countries of the Region, there is a great need to consolidate their position through promoting national level federations and developing a programme of an active interaction among them. In countries like Malaysia, India, Pakistan and Japan a lot of experience in the sector is available. Given a proper forum and opportunities for interaction, the potential for a useful work exists. It was, therefore, relevant that a regional level committee on cooperative housing was established to facilitate an appropriate development process in the sector. A global sectoral committee already exists. The regional committee is expected to serve as a useful component of the network on cooperative housing.

ANNEX-3

**RESOLUTIONS FROM THE
SPECIALISED COMMITTEES**

(Draft adopted in the Agriculture Committee)

**RESOLUTION
OF COOPERATIVES
IN ACHIEVING THE FOOD SECURITY**

*The 3rd Regional Assembly
International Cooperative Alliance Asia and the Pacific Regional Assembly
October 28-29, 1998, Seoul, Republic of Korea*

1. We, representing agricultural cooperatives in the Asia/Pacific region, pledge to further strengthen the mutual cooperative relationships which have been built over many years and to make every effort in achieving the world food security from the place of our countries through sustainable agricultural development carried out by family farmers.
2. In the ICA's Asian and Pacific member countries, there is a combined population of 3.1 billion which accounts for 54% of total world population. Therefore, our member countries' food securities will be the key for the global food security. However, we faced numerous difficulties in challenging to eradicate hunger and poverty in the region - urbanization, expanding populations, decreasing arable lands, and decreasing domestic agricultural production caused by increasing imports to a large extent. In recent years, unusual weather patterns combined with a region-wide financial crisis have made it more difficult to address the challenges. However the conditions are, we believe that region's food security can be accomplished if the countries would try to be self-sufficient in producing their staple food, with a complementary level of trade where appropriately to the given situations.
3. Food security in each country can not be accomplished by solely relying on the trade in which principle of the 'comparative advantage' is indiscriminately applied. It is our firm belief that food security can be achieved -- while taking into consideration the economic, social, and historical background of each country -- by developing sustainable agriculture through balancing domestic production, agricultural trade and food reserves. At the same manner, sustainable agriculture can be positively developed by following self-sufficiency policies such as: appropriately managing farmlands, controlling pests and diseases, securing bio-diversity, providing access to new technologies for family farmers, and developing rural and inter-urban/rural infrastructure.

4. Sustainable agriculture makes a concrete base for agriculture to play such multifunctional roles as: environmental conservation, generation of employment, maintenance of well-kept cultivated landscapes, protection of traditional values and culture, and education of the next generation. These roles most of which have been highly valued externalities, and characterize the Asian model of agriculture centered on the family farm. However, without continuation of the agricultural production by family farms, the values can not be sustained for the concurrent and future generation too. Therefore, each country must continue to have the ability to support vulnerable farming activities that contribute to these multifunctional roles.
5. Self-sufficiency policies are essential to food security. At the same time, appropriate agricultural trade can contribute to food security by supplementing self-sufficiency policies. With this common recognition overall in the IFAP-World Farmers' Congress of last June, we, cooperators, clearly noted that, " liberalization of agricultural trade should not be regarded as an end itself." Instead, liberalization of agricultural trade should only be invoked to improve the functioning of agricultural markets, increase farm incomes, eradicate poverty and promote socially and environmentally sustainable programs for agricultural development.
6. It is common in the Asia/Pacific region that family farms have been the key player in securing the food and multifunctionality of agriculture as well although there are considerable variety of climate and geographic conditions among the countries. On this commonality and our mutual concerns for food security, we should convey a forceful and united message on the high necessity of supporting the family farms in the upcoming WTO agricultural negotiations. Further, we must continue to advocate our voice that agricultural trade liberalization should not impair the multifunctional roles played by agriculture, but should encourage economically vibrant domestic agricultural production and sound social policies whether or not a country is food-exporting or -importing, developing or developed.
7. We, the agricultural cooperative members of the ICA's Asia/Pacific region, strongly support the FAO's Rome Declaration on World Food Security of 1996 and recognize the importance of "food security for all". It is our commitment to strengthen solidarity as we move to the 21st century with other cooperative organizations of consumers, fishermen, foresters, women and youth.

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RESOLUTION
ON CONTRIBUTION OF FISHERIES COOPERATORS
TO FOOD SECURITY

Sponsored by the International Cooperative Fisheries Organisation of the International Cooperative Alliance and ICA Committee on Fisheries for Asia and the Pacific, and Unanimously adopted by the 3rd Meeting of the ICA Regional Assembly at Seoul, Republic of Korea on October 28 1998

01 We, those who have taken part in the Plenary Meeting of the International Cooperative Fisheries Organisation (ICFO) of the International Cooperative Alliance which was jointly held together with the 23rd Meeting of the ICA Committee on Fisheries for Asia and the Pacific, pledge that each member-organisation of ICFO and ICA Committee on Fisheries for Asia and the Pacific makes every effort towards contributing to food security in each country by mobilising every possible resources of fisheries cooperatives to realise sustainable fisheries development and stable production of fisheries products. For this purpose, we pledge that we will further strengthen our cooperative relationship and exchange of necessary information amongst us.

02 Particularly, noting that **management of fisheries resources** and **environmental conservation** are the most important factors for development of sustainable fisheries, we recognise that in principle, food security should be achieved basically through domestic supply, through the management of fisheries resources and environmental conservation. Further, we recognise that such domestic supply may be supplemented by trade, as appropriate. Trade of fisheries products should not adversely affect fishermen or fisheries cooperatives of either exporting or importing countries. It should at least bring positive effect/benefit to both sides such as enhancement of economic and/or social gains. Trade of such nature that unilaterally adversely affect fishermen of any given or specific country/countries should not prevail. Such trading, if any, should best be done away with.

03 We, on behalf of some of the representative participants in the Plenary Meeting of the ICFO of the ICA and in the 23rd Meeting of the ICA Committee on Fisheries for Asia and the Pacific, in well cognizance of the above, and from the standpoint of our firm belief that food security and environmental conservation are of vital importance to our fisheries Cooperative Movement in the world, strongly support the **Kyoto Declaration** adopted at the International Conference on the Sustainable Contribution of Fisheries to Food Security in December 1995, and **FAO's Rome Declaration on World Food Security** adopted in November 1996. Further, in order to facilitate coming closer to the goal of **Food Security for All** we hereby resolve that we will take initiatives for the promotion and implementation of community-based fisheries management and environmental conservation in each of our countries, and for this purpose, actively take steps to promote national, regional and international cooperation among cooperatives, as appropriate and necessary.

**FIRST ICA REGIONAL WOMEN'S FORUM
FOR ASIA AND THE PACIFIC
Seoul, October 26, 1998**

**RECOMMENDATIONS
FOR THE ENHANCEMENT OF WOMEN'S PARTICIPATION
IN LEADERSHIP AND DECISION-MAKING
IN CO-OPERATIVES**

Preamble

We, the participants (130 women and men), of the First ICA Regional Women's Forum in Asia and the Pacific, representing 19 co-operative organizations and an international development agency from 12 countries (India, Indonesia, Japan, Korea, Malaysia, Mongolia, Nepal, the Philippines, Singapore, Sri Lanka, Thailand and Finland):

- *Express* our concern over the under-representation of women in leadership and decision-making levels in co-operatives at all levels; and,
- *Aware* of the benefits that co-operatives derive from increased participation of women in leadership and decision-making;

hereby recommend to the Regional Assembly, the following actions at national and regional levels to achieve a balanced representation of women and men in leadership and decision making in co-operative organizations at all levels:

Proposed actions to be taken at ICAROAP level:

1. To ensure the participation of women in all specialized bodies of ICAROAP;
2. To organize Regional Women's Forum in conjunction with ICA Regional Assembly.

Proposed Actions to be taken at ICAROAP member-organization level:

Legislation

1. To review and propose amendments to co-operative laws, rules, regulations and by-laws to promote equality between women and men;

Staff

2. To appoint a contact person responsible for coordinating and disseminating information concerning matters and activities related to women in co-ops;

Programs

3. To promote gender awareness among women and men co-op members, leaders and staff;
4. To increase women's opportunities in education and training on:
 - a) leadership,
 - b) co-op principles, co-op management and other technical areas,through seminars, workshops, distance education, exposure programs, etc.;
5. To organize national women's forum once a year;

Funds

6. To allocate funds for programs and activities supportive of women's increased participation in and benefits from co-ops.

For the Regional Women's Forum Participants,

Hj. Rahaiah bt. Baهران
Chairperson

Hatsuko Omori
Vice-Chairpersons

Rameshwari Ramachandra

5.

ANNEX-4

PAPERS PRESENTED BY SPEAKERS FROM ADB, UN/ESCAP
ILO AND FAO AT THE CO-OPERATIVE OPEN FORUM

The 3rd ICA Regional Assembly for Asia and the Pacific
October 28-29, 1998
Seoul, Korea

Theme : Cooperative Open Forum

**Lessons Drawn from the East Asian Economic Crisis
: an ADB Perspective**

Mr. Lee Jung-soo
Chief Economist, ADB

ICA Regional Office for Asia and the Pacific (ICA ROAP)
National Agricultural Cooperative Federation (NACF)

LESSONS DRAWN FROM THE EAST ASIAN ECONOMIC CRISIS: AN ADB PERSPECTIVE

Keynote address by the Chief Economist, ADB
to the Regional Assembly of International Cooperative Alliance,
Seoul, 28-29 October 1998

I. INTRODUCTION

Mr. Chairman, distinguished participants, ladies, and gentlemen. It gives me a great pleasure to address this regional assembly. First of all, I would like to thank the organizing committee of the assembly for the superb arrangements and congratulate the committee on the timeliness of the topic selected.

I have been asked to speak on the lessons drawn from the East Asian Economic Crisis, from an ADB perspective. Not too long ago, the observers of the Asian scene were dazzled by the dynamism of the East Asian countries. The dynamism was not only in terms of high growth rates but also in terms of poverty reduction. Life expectancy at birth, infant mortality rates, and literacy rates had all improved in tandem. Today Asia is facing an unprecedented crisis. What went wrong and what are the early lessons?

In my presentation to you today, I will begin by reviewing the recent financial and real sector trends and explain why the East Asian crisis has become so protracted. I will then briefly discuss the medium term and longer term prospects for these countries. This will be followed by the role of the ADB in assisting these countries in distress. Finally, early lessons will be drawn based on the experiences in the affected countries.

II. EVOLUTION OF THE CRISIS

The East Asian crisis is in its second year, but instead of abating, it continues to worsen. It began as a currency and stock market crisis but turned rapidly into a banking and socioeconomic crisis.

Some stability has been achieved in the currency and stock markets of the affected countries. In fact, there was an upturn in the currency and stock markets of the affected countries during the first four or five months of this year. But this has reversed somewhat because of the continuing uncertainty about the economies of Japan and the People's Republic of China.

The banking crisis in the region has taken on systemic proportions, and the socioeconomic crisis continues to grip the entire region. The economic recession and financial and corporate restructuring has caused massive layoffs. The situation is most dire in Indonesia, where the unemployment rate for 1998 is expected to be about 20 percent, four times higher than the precrisis rate. Also, in Indonesia during the past year or so, the price of rice has tripled and that of antibiotics has doubled, causing serious economic hardships. Of particular concern are investments in human resources and cutbacks of expenditure that could have a serious impact on poorer households.

Unemployment has risen, and real wages of workers have plummeted. The living standards of tens of millions of people have been pushed below the poverty line. The adverse social costs are particularly painful because they have come against the backdrop of three decades of rapid economic growth and a whole generation of workers that has never known

these hardships before. Many of the countries had, therefore, not developed formal safety net mechanisms.

The East Asian contagion has also spread far and wide, to much of the world. Most emerging markets, including those in Latin America and Russia, have been affected. I do not think that the flu is virulent enough to plunge the whole world into a depression. But the Asian crisis has most certainly exacted a toll on the global growth rate, which we expect to slow significantly this year.

Earlier this year, when we prepared our annual publication, the *Asian Development Outlook*, we had seen GDP in the affected countries bottoming out in 1998. Now we do not see this happening until next year; for some economies it may even be as far away as the year 2000.

Let me now try to answer the question: Why has the East Asian crisis been so protracted? I believe that the answer is very much related to the root causes of the crisis.

- Some observers say that the crisis reflects an unsustainable deterioration in the macro foundations of the region.
- Some point to policy mistakes in handling globalization or in managing exchange rates.
- Some hold responsible the weaknesses of the financial sector, such as lax supervision, regulatory shortcomings, inadequacy of human resources, and unsound links between government, banks, and businesses.
- Some attribute the crisis to corruption and crony capitalism.
- Some blame international investors for their failure to recognize the risks of pouring short-term capital into the affected countries before the crisis, and for their sudden and unanticipated panic withdrawal of funds from the region.
- Some point to the lack of transparency in and disclosure of information.
- Some say that the crisis was partly due to the failure of the existing surveillance system to provide early warnings.

A consensus has emerged about the root causes of the crisis, and most observers agree with the structural interpretation of the East Asian crisis. According to the consensus view, structural weaknesses in the financial sector and policy mistakes in handling large surges of short-term capital flows were the root causes of the crisis. The Asian crisis has been protracted because structural problems are more difficult to resolve. This is mainly for two reasons: first, a set of fully articulated reforms is difficult to design in the middle of a crisis and, second, the reform agenda takes time to implement and the results may take even more time to bear fruit.

The affected countries are doing what they were asked to do—tighten monetary and fiscal policies, restructure banks, and improve corporate governance—but still the crisis continues.

III. MEDIUM-TERM AND LONG-TERM PROSPECTS

Let me now turn to the medium and longer term prospects for the Asian countries. As you know, the massive devaluations in the affected countries were expected to lead to an export boom. Some observers had even predicted that such a boom would be the way out of the crisis for these economies. However, this has not happened as yet. Export volumes have increased. But because of the massive devaluations and price declines, the dollar value of exports has not picked up. Export values are more important than export volumes because they determine a country's capacity to import and to service external debt.

Some commentators have drawn attention to the improvement in the trade balance of these countries. And the balances have improved, but the real reason for this improvement is that imports have contracted severely in all of these economies. As a result, many imported intermediate and capital goods for production are not available. Ironically then, even as the

balance of trade improves, problems of producing exportable goods arise from the lack of imported intermediate and capital goods.

The hard truth is that aggregate demand in these countries has fallen massively. The medium-term prospects for reversing capital flight from the region are also not very bright. For the affected countries, therefore, the rough ride is not over yet. 1998 will be a year of recession in many Asian countries. However, starting in 1999, GDP could bottom out and a very modest recovery could begin, at least in some countries that have turned the corner—for example, Thailand and Korea. One vital precondition for this recovery is, of course, that Europe and North America do not experience further adverse shocks. Another precondition is for Japan to solve its banking crisis, enabling the largest economy in Asia to grow again.

In thinking about the prospects for the affected economies, we should remember that they have had to swallow some bitter medicine under the IMF-led rescue packages. In attempting to stem the capital outflow and free fall of the Asian currencies, the IMF initially advocated the traditional policies of high interest rates and fiscal austerity. As the crisis persisted and contagion spread, initial policies were modified. The issue of protecting vulnerable groups also received some attention, particularly from multilateral development banks.

However, the crisis has been deeper and has lasted much longer than anyone thought it would. The persistence of the economic crisis and the seeming impasse has led to some unorthodox thinking and policies. Most dramatically, Malaysia has imposed exchange and capital controls. Temporarily, this has stabilized the Malaysian ringgit. Whether the controls will ultimately work remains to be seen. I will come back to the issue of capital control later.

In the meantime, I would like to emphasize that robust structural reforms are under way in all of the affected countries. From Thailand to Korea, all the economies are reconsidering fundamental issues such as bank restructuring, government-business relationships, banking and financial regulation in a globalized system, and corporate governance. Some reforms have already been implemented. Others are at an advanced stage of discussion.

Looking further to the long term, Asian economies have strong potential for renewed growth. The fundamentals of the Asian economies are still strong. Their ability to save and invest, mobilize a motivated workforce, and market their products worldwide will not suffer in the longer run. This will hold true unless the recovery at the end of the medium term falters because of a global recession. At the same time, improving human resources will be essential for the Southeast Asian economies in particular, in order to attain competitiveness in relatively higher value-added activities in the future.

IV. ADB RESPONSES

The ADB has argued, from the very beginning, that the East Asian crisis was a different type of crisis and required a different set of prescriptions. Accordingly, the ADB joined the IMF-led rescue packages for Indonesia, Korea, and Thailand, and committed over \$9 billion emergency assistance to support structural reforms and capacity building efforts, and to mitigate the costs of structural reforms. The ADB's efforts have been multipronged and sought to

- (i) accelerate banking and capital market reforms,
- (ii) promote efficiency in trade and industrial sectors including trade finance,
- (iii) promote good governance and corporate management, and
- (iv) mitigate the social costs of adjustment.

In order to promote a more efficient use of resources in its member countries, the ADB has approved an anti-corruption policy.

In Korea, the ADB has provided a \$4-billion loan for a financial sector reform program aimed at making the sector more reliant on market forces and more subject to independent

regulatory oversight. The program covers banks and other financial institutions, financial markets, and corporate accounting and disclosure standards.

In Thailand, the ADB has provided a \$300-million loan for a financial markets reform program. The ADB has also arranged a \$1-billion loan package with international commercial banks to help Thai exporters. As credit to the export sector is now much constrained, the loan will inject liquidity by funding exports and export-related imports.

We have also made a \$500-million social sector program loan to Thailand. The loan will help to provide support to laid-off workers and the unemployed, and improve efficiency in the provision of social services. It will also help overcome skill shortages and other weaknesses in the education system which constrain Thailand's industrial competitiveness.

In Indonesia, the ADB has prepared a \$1.5-billion program aimed at reform of financial governance. This sector development program will assist in financial sector restructuring, and strengthening of the legal and regulatory framework. It will support the Standby Arrangement agreed with the IMF, and will help in the reform of private banks and development banks, the development of capital markets, and the management of public sector resources.

To address social dislocations, including unemployment and poverty, arising from the economic crisis and from a prolonged drought, the ADB is promoting labor-intensive income-generating activities and provision of social safety nets. To this end, we recently approved a \$300 million social sector development loan.

V. LESSONS FROM EAST ASIA

What are the lessons from the East Asian crisis? Whatever lessons we may have learned, it is clear that they were really costly ones. In fact, the Asian crisis was and continues to be a difficult learning process for all of us. I summarize early lessons in two categories, namely, crisis management and crisis prevention.

Let me first address crisis management. I think the East Asian crisis has revealed how important both international and domestic coordination are for managing financial crisis. The need for liquidity, for building confidence, and for preventing free fall of currencies requires coordinated action by international organizations and domestic governments. In this context, regional cooperation among the central banks and governments is also crucial. Initially, managing the crisis meant putting up with the costs of high interest rate and tight monetary and fiscal policies. It then became clear that proper management also included the protection of vulnerable groups and the resumption of credit to the credit-worthy firms. This has led to more flexible, pragmatic, and step-by-step approaches, with local variations.

There has been some criticism of IMF programs prescribed for the affected Asian countries. There may be some room for improvement. For example, tight fiscal policy should have been relaxed earlier and the sharp rise in interest rates should have been moderated. Contrary to popular impression, however, the IMF has also been much more flexible in approaching the complex issues related to the management of crisis.

Another aspect of managing a crisis is proper diagnosis of the causes of that crisis. The Asian crisis demonstrated that good macroeconomic fundamentals can mask serious structural problems in the banking and financial sectors. In Asia, economic growth was so rapid that it was difficult for institutional development and prudential regulation and supervision to keep pace with requirements. In particular, the institutional capacities in the financial sectors of affected countries were not robust enough to manage massive capital flows effectively. They lacked the capability to allocate capital resources efficiently through a mechanism that would penalize excessively risky behavior. These structural problems in the banking and financial sector lie at the heart of the crisis.

Major structural reforms are needed to establish a well developed and well regulated banking and financial system. Required reforms include the restructuring and recapitalization of weak but viable financial institutions and the closure or merger of nonviable institutions. At the same time, action is required for reforming the regulatory and supervisory framework; improving transparency and disclosure of information; upgrading accounting systems and risk management; developing human resources in various areas such as regulation, supervision, asset and liability management, and accounting; and enhancing overall governance of the sector to avoid insider trading and moral hazard types of lending to risky investments.

Reforms in the banking and financial sector will only be sustainable if they are accompanied by improvement in governance in the corporate sector, and if a set of procedures for debt workout is agreed between debtors and creditors as soon as possible.

The Asian crisis also showed that social consideration is important for successful management of crisis. Without the support of the people, reforms will not be sustainable. Efforts should be made to mitigate adverse social impacts of the crisis through the provision of social safety nets for the vulnerable groups.

In pursuing all the reforms that are required for crisis management, the Asian crisis has also taught us the important lesson that undue delay in government decisions can seriously aggravate the situation. A resolute policy intervention in the right direction is key to successful crisis management.

Now let me move on to the next lesson, namely, crisis prevention. The reforms outlined above can go a long way in reducing vulnerability to a crisis. But, can such reforms prevent future crises? The answer, unfortunately, is no. These reforms can reduce the fragility of the banking and financial sectors and lower the probability of a crisis in the future. However, complex modern economies with globalized financial markets will always develop some fragility as time goes on. An important lesson from this crisis, in my view, is to develop a set of monitoring and governance structures in both the public and the private sectors for early detection. Perhaps one should not ask for omniscience or omnipotence from such human institutions; instead, the institutions should be seen more as effective fire fighting institutions. Through timely and effective response, the damage from unforeseen crises can be minimized. Therefore, constant vigilance in terms of monitoring is a necessary aspect of fighting financial crises of the future. At the same time, good governance institutions will make such crises less likely.

The Asian crisis has taught us several specific lessons useful for preventing or mitigating future crises. The first lesson pertains to macroeconomic management. The financial crisis has underscored the need for credible and consistent monetary and exchange rate management. To achieve sustained economic growth, financial policies matter as critically as the appropriateness of exchange rate policy. While pegged exchange rates have advantages, the pegs become more difficult to maintain when there are large changes in the values of main international currencies. Asian economies will have to learn how to manage monetary regimes in which exchange rates are more flexible. Sound management of macroeconomic policies is increasingly becoming important in the globalized environment because globalization magnifies the benefits of good policies, while amplifying the penalties of bad ones.

The Asian financial crisis also highlighted the need for strong capital markets in developing countries. Domestic savings offer less volatile sources of funds than offshore borrowing. However, poorly developed domestic capital markets constrain mobilization of capital from domestic sources. A well-developed capital market encourages more efficient mobilization and utilization of capital resources. It places investment projects under a rigorous market test, enables borrowers to avoid a mismatch in maturities, helps banks by providing means to securitize their assets, and improves the standard of corporate governance by putting corporate managers under the stringent monitoring of the marketplace.

For the prevention and mitigation of future crises, the role of economic and financial surveillance will be crucial. The existing surveillance arrangements did not adequately warn us of the speed, severity, or scope of the current East Asian crisis. For this reason, it will be important to strengthen economic and financial surveillance at the international and regional level. In particular, the Asian crisis demonstrated that the contagion effect tends to be strongest among neighboring countries. There is, therefore, a need to strengthen regional efforts. Such an effort will involve peer surveillance and a unique perspective stemming from an in-depth knowledge of local conditions. Under the Manila Framework and as requested by the ASEAN finance ministers late last year, the Bank is considering the establishment of a regional economic monitoring unit to support regional and subregional monitoring activities.

The Asian crisis poses a new challenge to the architecture of the international financial system, as the major flaws in the system have been exposed by the Asian contagion. As the experience of Asian economies has clearly demonstrated, a massive and quick reversal of capital flows can be devastating for capital recipient economies. To smooth the capital flows, while strengthening of the domestic institutional frameworks is no doubt required, there is also a need for an architecture to monitor international capital flows more actively and to identify potential trouble spots.

This leads us to a lesson we learned from the experience of liberalized international capital flows. Some have interpreted recent events as vindication of the view that international capital flows do more damage than good. That would be a wrong lesson to take from this crisis. The benefits of an open capital market are potentially immense. In no small measure, Asia's fast growth in recent years was propelled by foreign capital inflows.

However, many economies in Asia have weak financial systems and remain ill-prepared for global capital market integration. As illustrated by the current crisis, the costs can be very large when a fragile and underdeveloped domestic financial system is exposed to global capital flows. Equally, however, the costs of tolerating such weaknesses and protecting financial systems from international competition are likely to be enormous. Such economies must prepare for capital market opening by building robust financial systems, giving greater care to institutional capacity and to the sequencing of reforms.

For economies that already have full currency convertibility, the temptation to reverse direction should be resisted. Any move to limit currency convertibility would induce more serious capital flight and unnerve investors, and could seriously damage longer term growth.

This general lesson related to the liberalization of international capital flows does not apply directly to short-term capital flows. The Asian crisis has shown that a country's exposure to speculative short-term capital can lead to a crisis if the pace and amount of such flow is not managed properly. A rapid buildup of short-term capital is certainly a danger signal and should be avoided through careful monitoring. The amount of short-term capital must be kept within a reasonable limit; in particular, it should be kept well below the level of the country's usable foreign reserves. While foreign direct investment brings with it benefits of technological know-how and export markets, the net benefit of short-term capital to recipient countries is still to be proved.

When there is a rapid buildup of short-term capital, it may be necessary to introduce certain forms of capital control before the situation gets out of hand. It may be desirable to avoid direct control of short-term capital flows as much as possible. Instead, efforts should be made to rely more on indirect measures such as macroeconomic policies and development of the capital market. Macroeconomic policy should be managed in such a way that short-term capital flows are discouraged. For this purpose, a flexible nominal exchange rate policy is needed. There also is a need to promote domestic capital market development to reduce the reliance on foreign capital and to avoid term mismatch of investment financing. Despite those indirect measures, the inflow of short-term capital could reach a level that is potentially harmful to the whole economy or the soundness of the financial system. This is possible because the international capital market sometimes overreacts as a result of excessive optimism and

excessive pessimism. In this case, more direct control on short-term capital inflow—such as the nonremunerated reserve requirement adopted by Chile—could be considered. Note that even the IMF is not against this type of measure if a situation warrants such capital control.

VI. CONCLUSIONS

The East Asian crisis is not over yet. It continues to spread around the world with a vengeance. Restoring confidence in troubled economies is the most important item in the agenda.

Globalization of financial markets conveys immense benefits to developing countries. But the incidence of financial crises around the world will also increase. The most important lesson from the East Asian crisis is the need to manage a crisis successfully and, to the extent possible, prevent a crisis from occurring through a system of early detection of vulnerabilities as they develop and through judicious management of structural policies. It would, of course, be foolhardy to claim that crises can be managed perfectly. It will be even more foolhardy to say that a proper understanding of past crises can lead us to prevent future crises. Each crisis is to some extent unique. Hence, management of each crisis will have some novel features. By the same token, future crises cannot be prevented solely by relying on the experience of past crises. Yet pragmatic policy making can surely gain valuable lessons from the study of past crises, and from the Asian crisis that I have discussed today.

Although the crisis is not over yet, I would like to conclude my remarks on an optimistic note because I firmly believe that the road to recovery is not far away if we continue to put in place strong fundamentals and appropriate reform measures that will provide the basis for sustained dynamism in the future.

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**The Impact of the Asian Economic Crisis
: an UN/ESCAP Perspective**

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The manifestations and the evolution

The second half of 1997 saw the emergence of a severe economic crisis in a number of East and South-East Asian countries. Over a short period of time, some of the fastest growing economies came to a grinding halt. The most visible manifestations of the crisis are to be found in the drastic depreciation of exchange rates and dramatic fall in stock market indices.

The process of evolution of the crisis is best illustrated by the case of Thailand. In illustrating this process, it is useful to describe briefly the policy context in which the country suffered its worst crisis in many years. Following devaluation of the exchange rate in 1984, the country had consistently maintained a stable exchange rate policy. In fact, there was a slight appreciation in the nominal exchange rate. In June 1997, the rate was 25.3 baht to the dollar, compared with about 27 baht to the dollar in June 1985.

The economic boom experienced by the country over a long stretch of time emboldened it to implement far-reaching liberalization measures. Import duties were progressively reduced to a level of less than 20 per cent by the end of 1996, compared with over 30 per cent in 1994. In 1990, the country accepted obligations under article VIII of the Articles of Agreement of IMF under which it had to lift exchange controls on most current account transactions.

A series of measures affecting both current and capital account transactions were implemented under three rounds of liberalization of foreign exchange controls. The first round, in May 1990, allowed commercial banks to authorize foreign exchange transactions for trade-related activities without prior approval of the central bank, the Bank of Thailand, and increased the limit on foreign exchange purchase by domestic residents to facilitate transfers and travelling expenses. Commercial banks were also allowed to remit funds for debt repayments, sale of stock, or liquidation of business within certain limits.

The second round, in April 1991, allowed Thai residents to open foreign currency accounts provided the funds originated from abroad. Exporters were allowed to accept payments in baht from non-resident baht accounts, without prior approval from the Bank of Thailand, and use their export proceeds that originated abroad to service their external obligations without having to surrender them.

The third round, in February 1994, raised the limit on outward transfer for direct investment by residents, increased the limit of bank notes to be taken to countries bordering Thailand (including Viet Nam), abolished the limit on travelling expenses and allowed residents to use foreign exchange proceeds originating abroad to service their external payments. Certain outbound investments, however, such as capital account transactions by Thai residents for outward portfolio and property investments, and outward FDI in excess of \$10 million per investor a year, continued to require approval from the authorities. The establishment of BIBF in 1993 was seen as one of the key steps in developing Thailand as a regional financial centre. The Facility was designed to help enhance the capability of Thai financial institutions in international lending and other banking businesses and to provide a channel for cheaper borrowing of foreign funds. The operations allowed in the Facility include deposit taking or borrowing in foreign currencies from abroad, lending

in foreign currencies in Thailand and abroad, non-baht, cross-currency foreign exchange transactions and investment banking activities such as arranging loan syndications and providing advisory service. By allowing out-in credits, the Facility distinguished itself from offshore financial centres in other countries, which usually attempt to reap the benefits of the offshore business without exposing the domestic economy to the direct impact of foreign capital flows through these centres. A number of tax privileges were offered as incentives for the expansion of the Facility's operations. At the end of 1993, 35 banks had started BIBF operations; By the end of 1995, there were 43 BIBF offices operating in Thailand. Interest rate liberalization was started in 1989, with the lifting of the ceiling on time deposits having maturity of over one year. In 1992, all remaining ceilings on time deposits, savings deposits and loans for both commercial banks and finance companies were lifted. In the early 1990s, widening of the business scope of the different types of financial institutions was allowed. A process was also initiated to grant licences for the establishment of new banks and other financial institutions, both local and foreign. Against the above policy scenario and the deterioration in certain key economic indicators, the Thai currency, the baht, came under speculative attack in February and May 1997. Initially, official foreign reserves were sold to defend the currency. In the process, the reserves fell from about \$39 billion in January 1997 to \$32 billion in June 1997. In addition, the Bank of Thailand sold over \$23 billion of the reserves on the forward market. This rapid depletion of reserves forced the Bank to announce a float of the baht on 2 July 1997. Market sentiment quickly deteriorated and triggered speculation and selling pressure on the other regional currencies as well, leading to an unprecedented decline in exchange rates by the end of 1997. In parallel, the weakness of the financial sector became starkly manifest. Developments in the stock market and in the currency market fed upon each other, and the ensuing liquidity crunch caused severe setbacks for the real economy through reduced access to credit for working capital, trade transactions and real estate purchases. The broad contours of the process were similar for the other countries which fell victim to the regional crisis. There were, however, some differences in the economic conditions, policy details and institutional structures of individual economies.

Towards a diagnosis

A number of factors combined to give rise to the crisis. Some of the important ones that can be identified with the benefit of hindsight are discussed below.

The rising current account deficit

One of the causes that triggered the crisis was the deterioration in the current account of the balance of payments in all the affected countries. The magnitudes of the deficit differed, ranging from 3.5 per cent of GDP in Indonesia to 8 per cent in Thailand by the end of 1996. But what was common was that the deficit increased in all cases in recent years, albeit at varying rates. The most rapid deterioration took place in the Republic of Korea, where the deficit averaged less than 1 per cent during the period 1993-1995, but reached 5 per cent in 1996.

It should be noted that the impact of a current account deficit on market sentiment does not depend solely on its size. One important determinant is the perception of the causes leading to the deficit. There was some concern that the slowdown in export growth in 1996 reflected a structural problem and was not merely cyclical, and that early recovery might not be feasible.

The impact is partially determined by the exchange rate regime within which the deficit occurs (exchange rate policy is discussed in greater detail later). Under a flexible exchange rate system, for example, market operators can expect a correction of the deficit through adjustments in the exchange rate. No such expectation arises when the policy stance reflects a commitment to maintain a highly stable exchange rate, as was the case in the affected countries.

Mention should also be made of the relevance of the utilization of capital inflows which financed the deficit. The sustainability of the deficit becomes questionable when foreign resources are used for the purpose of consumption or for investments which yield low returns, or investment in non-tradables such as land, buildings and infrastructure which generate returns in local currency, but repayment has to be made in foreign currency. To some extent, these also happened over the last few years in the countries which came under attack.

Dealing with capital inflows

The rising current account deficit noted above has its mirror image in a surge in capital inflows. The sustainability of such inflows is partly determined by the ability of the recipient countries to deal with the potentially adverse impact of such flows. Other things remaining the same, capital inflow puts pressure on the currency to appreciate. If appreciation of the nominal exchange rate is resisted and the inflows cannot be successfully sterilized, there would be an inflationary impact on the domestic economy leading to an appreciation of the real exchange rate. That, in turn, could hurt exports and the resultant negative perception of economic fundamentals could cause capital outflows and a crisis.

Fiscal policy

One policy response to deal with capital inflows could be to pursue a contractionary fiscal policy so as to reduce the potentially inflationary impact. However, there are inherent limits to the use of fiscal policy as an instrument for dealing with capital inflows. Government tax and expenditure policies are determined primarily by medium- or long-term development considerations, rather than short-term fluctuations in capital flows. The countries experiencing large capital inflows, particularly from private sources, typically have a more liberal policy regime governing the operations of financial sector institutions which are allowed to set their own credit policies. It has often been the experience that consumer credit is made readily available by financial institutions during the periods of heavy capital inflows. This factor may also constrain the effectiveness of fiscal policy in curtailing aggregate demand.

The affected countries of the region cannot be considered to have pursued profligate fiscal policies. In fact, all of them have had a budgetary surplus in recent years. However, it is noteworthy that in 1996 the surplus declined in Malaysia, the Philippines, the Republic of Korea and Thailand, and in Indonesia the surplus increased from 0.4 per cent of GDP in 1995 to 0.8 per cent of GDP. The implication is that fiscal policy was not used for dealing with capital inflows. In fact, it is most likely that the deterioration in the fiscal balance in the majority of the affected countries was one of the factors that contributed to adverse market sentiment and the crisis experienced in 1997.

Monetary policy: sterilization

Sterilization policy, implemented by monetary authorities, aims at insulating the domestic economy from the effects of capital inflows. This is sought to be achieved by targeting two macroeconomic variables simultaneously: the prevention of nominal exchange rate appreciation and reduction of the domestic money supply. This sort of intervention has been the most common policy response in countries facing sharp increases in private capital flows in the region. In order to avoid the exchange rate appreciation induced by capital inflows, monetary authorities often resorted to intervention in the foreign exchange market by selling local currency for foreign exchange.

The instruments used to sterilize the possible adverse consequences on money supply growth consequent upon increases in foreign reserves have varied across countries at different points of time, but have mostly involved open market operations, increases in reserve requirements and shifts of government deposits and funds from the banking system to the central bank. The intensity of sterilization operations has varied across countries.

In most of the countries with an open capital account regime, sterilization has not been an effective tool of monetary control. Domestic credit expansion has remained high. The increases in interest rates induced by sterilization operations have attracted further foreign capital inflow. This underlines a fundamental contradiction in financially open economies, where attempting to control both the exchange rate and the inflation rate proves a futile and costly exercise in the medium term. Indeed, the experience of most of the economies indicates that short-term interest rates rose as sterilization efforts progressed, whereas in the absence of sterilization, domestic interest rates would be expected to decline with the inflow of foreign capital. Even with the easing or cessation of sterilization, interest rate spreads have tended to remain high, attracting further inflows of short-term capital. Under a less liberal capital account regime, even if open market operations were to result in a high interest rate regime, domestic borrowers would be constrained from accessing funds overseas.

Sterilization results in significant fiscal or quasi-fiscal costs. The central banks may incur sizeable quasi-fiscal costs by exchanging higher-yielding domestic financial assets for low-yielding foreign ones, and the fiscal burden of the governments is increased as high interest-bearing government bonds are issued. There are also other costs for the economy. Huge interest payments on sterilization bonds can add to inflationary pressure.¹ The increase in short-term interest rates as a result of sterilization can discourage long-term investment demand as the cost of capital rises, while returns on less risky assets such as government paper become more attractive. Sterilization, therefore, may have the unintended effect of changing the composition of capital flows away from long-term to short-term.

The unintended effects of sterilization may take other forms and be magnified when the financial sector is weak. With rising interest rates, financial institutions tend to become less stringent in evaluating credit risks and expand short-term operations without careful assessment of trade-offs between risks and returns. Their institutional capacity may thus become overstretched and they may quickly run into serious problems with non-performing loans. With inadequate loan-loss provisions or capital reserves, public confidence in financial institutions may weaken, leading to large withdrawals and a precipitous crisis. Thus, sterilization can be essentially successful as a short-term measure to absorb excess liquidity resulting from an increase in foreign reserves, but over the longer term it can prove expensive and increasingly less effective.

The exchange rate policy

Another policy response to capital inflows would be allowing greater flexibility in exchange rates. This would imply appreciation in nominal exchange rates during periods of large inflows and depreciation during periods of outflows. The underlying rationale is that the flexibility in exchange rates would introduce some uncertainties that might discourage purely speculative and highly reversible inflows. It also allows the monetary authorities a greater degree of independence in exercising control over monetary aggregates as they become relatively free from preoccupation with the stability of the exchange rate.

There are, however, a number of reasons why countries may wish to maintain a stable exchange rate. First, the prevention of appreciation in the nominal exchange rate is often a policy priority with a view to maintaining the competitiveness of exports. Second, there is apprehension that once the currency is allowed to float, it may become highly volatile, inhibiting both trade transactions and capital inflows. Such a situation arises particularly because of the lack of development of deep markets for managing currency risks. Third, a stable exchange rate may be an effective anchor against inflation in the domestic economy. Fourth, a government's ability to maintain a stable exchange rate may be viewed as an indicator of its policy credibility, which can help maintain confidence in the economy.

However, a fixed or highly stable exchange rate regime is inherently vulnerable to speculative attacks, particularly when there are expectations that devaluation is likely.² Several factors can cause an expectation of devaluation in the market. These may be related to some problems with the fundamentals of an economy, such as loss of export competitiveness or deteriorating current-account or fiscal balance; political events; or actions of some strategic market participants, for example, major hedge fund operators. Once expectation of devaluation sets in, speculators are aware that a government's willingness or ability to defend the exchange rate is subject to several limitations. The intervention in the foreign exchange market is bounded on the upper side by the stock of accumulated international reserves. Efforts to prevent devaluation by raising domestic interest rates impose certain costs on the economy, including an increase in public debt obligations, a collapse of the property market and a dampening impact on the level of economic activities in general. The speculators recognize that these costs cannot be sustained indefinitely and may therefore persist with their attacks. In the end, the governments/monetary authorities may win if they are ready to endure high cost, as happened in Hong Kong, China where the authorities recently permitted a drastic increase in interest rates in order to defend the exchange rate. They were also, of course, backed up by a high level of foreign exchange reserves. But in most cases, it is the authorities who are forced to succumb, as was the case in the affected countries.

Financial sector weaknesses

In an economy characterized by a relatively liberal financial sector regime, the currency crisis and the financial sector crisis become closely intertwined. A recent empirical study has shown that in many cases the simultaneous occurrence of the two crises had their common origin in the deregulation of the financial system.³ The interaction between the exchange rate collapses and runs against the financial intermediaries works in both directions. Expected devaluation, for the reasons

noted above, changes the return profile of investment for the foreign investors and increases the perceived benefits of early withdrawals, thereby causing a significant drain on the financial intermediaries and a fall in capital markets. On the other hand, the withdrawal of funds from financial intermediaries and repatriation outside the country causes depletion of reserves and forces a devaluation of the currency. A withdrawal may be prompted by many considerations, including expected devaluation, opportunities for better returns elsewhere, doubts about the viability of financial intermediaries in the light of their asset and liability portfolios, and worries about potential changes in rules governing capital markets.

There is no doubt that a part of the explanation for the crisis lay in the weaknesses inherent in overstretched operations by the financial institutions. In Thailand, the total assets of the principal domestic financial institutions, excluding the Bank of Thailand, expanded from \$96 billion in 1990 to \$290 billion in 1995, and those of the commercial banks from \$71 billion to \$200 billion. During the same period, the foreign liabilities of the Thai commercial banks went up from 6 per cent of their total liabilities to 23 per cent and those of the non-bank financial institutions, from about 5 to 7 per cent. In 1987, foreign liabilities of commercial banks constituted a mere 1.5 per cent and of non-bank financial institutions only 0.1 per cent of their total liabilities.

In Indonesia, domestic credit as a proportion of GDP rose from less than 50 per cent in 1990 to 54 per cent in 1996. The corresponding figures for Malaysia were 78 and 93 per cent; for the Republic of Korea 57 and 65 per cent; and for Thailand, 70 and 99 per cent.

There is some evidence that the rapid credit expansion was associated with some degree of misallocation. In Thailand, for example, total advances to manufacturing expanded 10-fold between 1985 and 1996, but credit to the real estate sector increased 22-fold during the same period. The stock and the property markets in Thailand, as well as in the other countries, had shot up rapidly since 1989-1990. Growing foreign portfolio investments were partly the reason for the explosive growth in the stock market.

The persistent oversupply in the property market and the downward pressure on its prices negatively affected the financial sector with its substantial exposure to the property market. A downturn in the stock market had already started in 1993-1994. Assets pledged against the loans depreciated rapidly with the decline in both these markets. Failure of businesses to repay their borrowings from the financial institutions exposed the vulnerability of those institutions as a large proportion of their credit advances became bad debts. By the first half of 1997, non-performing loans as a proportion of total loans increased rapidly, ranging from about 13 per cent in the Philippines to nearly 20 per cent in Thailand; in 1996, these proportions stood at less than 5 per cent in all cases, with the exception of Indonesia, where it was close to 9 per cent. The financial institutions could not even have effective legal recourse to fore closures to recover defaulted loans because of weaknesses in the legal systems, particularly those relating to inadequacies in bankruptcy laws or cumbersome procedures for their enforcement.

These institutions, in turn, found difficulty in repaying their sizeable foreign obligations. Export slowdown, falling property and stock values, and increasing revelation of accumulated bad debts of financial institutions ultimately shook investors' confidence and triggered large-scale capital flight. The domestic currencies came under pressure, and initially the central banks tried to defend their value by using available reserves. Their efforts, however, did not succeed and they had to give

up as they started to suffer serious loss of reserves. Eventually the currencies were floated, starting with the Thai baht in July 1997.

The role of foreign market players

The point can be made that foreign creditors were substantially responsible for sowing the seeds of the crisis. The outstanding credit from the foreign private sector was almost entirely contracted by the private sector in the borrowing countries. These transactions were, therefore, the result of the evaluation of risks and returns by foreign private creditors. The underlying economic causes discussed earlier should have acted as warning signals for discriminating creditors; yet overall bank lending to Asian developing countries, including the ones which suffered the crisis, proceeded unabated in the first half of 1997.⁴ This can be viewed as an instance of market failure, but not the first one in recent history. It has been argued by many that the Latin American debt crisis of the early 1980s owed its origin partly to the failure of proper risk assessment and the poor ability of transnational banks to evaluate creditworthiness.⁵ Having sown the seeds of the crisis, the market players also played a role in aggravating it. In a world of integrated financial markets, investors such as mutual funds or hedge funds tend to look upon a region or a subregion as a single market. The problems confronted in one country may prompt them to pull out of the whole region or subregion in a herd reaction. This is evidenced by the fact that many short-term investors pulled out of the markets of South-East Asian countries and the Republic of Korea more or less at the same time, following the problems in Thailand. The investors overreacted in a panic-stricken manner, even though all these countries had some strong economic fundamentals immediately prior to the crisis. In 1996, all the countries had high rates of savings exceeding 30 per cent, with the exception of the Philippines; budgets were in surplus; foreign exchange reserves were rising; and inflation was moderate at less than 7 per cent, except in the Philippines, where it was 8.4 per cent. Besides, despite common weaknesses among the affected countries in terms of the economic indicators discussed earlier, there were considerable differences. To illustrate, the current account deficit as a proportion of GDP in Indonesia in 1996 was less than half of that of Thailand, its exchange rate was more flexible, and it had a smaller volume of foreign private debt. Similar observations apply to the Philippines. As for Malaysia, the current account deficit as a proportion of GDP was a little higher than that of Indonesia and the Philippines, but considerably lower than that of Thailand, and its stock of foreign private debt was higher than that of the Philippines, but less than half of that of Indonesia and a third of that of Thailand.

The prescription, the progress and the prospects

The prescription and the progress

In the wake of the crisis, three countries of the region, Thailand, Indonesia and the Republic of Korea (in chronological order), were forced to seek assistance from IMF. A standby credit of \$3.9 billion from IMF was approved for Thailand on 20 August 1997 as part of a package of total financial

assistance amounting to about \$17 billion, to which the World Bank, ADB and several bilateral donors were to contribute. Similarly, standby credit of \$10.1 billion was approved for Indonesia on 5 November 1997 as part of a total package of \$40 billion; in the case of the Republic of Korea, IMF standby credit amounting to \$21 billion was approved on 4 December 1997 and the total package was \$57 billion. The rapidity with which IMF succeeded in mobilizing these packages was indeed, a remarkable achievement.

The specific targets and policy conditionalities prescribed by IMF for individual countries were not identical (see table 1), but the broad thrusts can be summed up in the following:

- (a) Reduction of current account deficit
- (b) Generation of additional tax revenue and curtailment of government expenditure
- (c) Increase in foreign exchange reserves
- (d) Containment of growth of domestic credit

(e) A variety of structural and institutional reforms which included privatization of public enterprises; deregulation of business and industry; further liberalization of policies with respect to trade, foreign investment and financial flows; closure of unviable financial institutions; and improved transparency of the financial system

(f) Some provision for social protection Since then, there has been some progress in the affected economies. The latest available data indicate an improvement in the current account. The exchange rates and the stock markets have recovered somewhat from their lowest depths, though a considerable degree of volatility remains. It is not yet clear whether the recovery is due simply to a temporary return of foreign investors as "bargain hunters", or to fundamental and long-lasting change in perceptions. The Republic of Korea has succeeded in reaching an agreement with private creditors to reschedule the country's debt, and Indonesia has announced a plan to do so. In all three countries, a number of commercial banks and other financial institutions have been closed down, or their managements taken over by public authorities, or restructured. Institutional arrangements are being put in place to deal with the assets of the failed financial institutions. A comprehensive and modern law governing domestic capital markets is under consideration in Thailand. Listings on the stock markets are being scrutinized more rigorously, and there have been several instances of delisting.

The concerns and the constraints to resurgence

Notwithstanding the above, there are many concerns. One of them has to do with the appropriateness of the prescribed medicine. The principal thrust of the IMF prescription is to reduce aggregate demand and enforce austerity in the government budget. The question arises whether this is an appropriate remedy, since all the countries had a budget surplus and the debt problem was created mainly by deals between domestic and foreign private sectors. In these circumstances, the rationale of reduction in public expenditure with a view to curtailing aggregate demand is less than obvious. A second concern relates to the policy thrust on containing domestic credit. The argument is that interest rates automatically move higher as foreign investors withdraw their funds, but pressure

on those rates to increase should not be further exacerbated by a squeeze on domestic credit. A third concern arises out of policies with respect to the financial sector. The urgency of strengthening the financial system is not at issue, but whether this objective should be accomplished by the closure of financial institutions or by other means such as mergers and raising the capital base remains an open question. The issue is whether closure of some financial institutions reduces faith in all, or actually helps to increase it. There is also the viewpoint that even if the prescription of the medicine is generally right, the dosage may have been too heavy and would push these economies into an unwarranted recession.⁶ It should be emphasized, however, that countries that have already signed agreements with IMF have very little option other than to implement the terms of those agreements. This is crucial, both as a matter of good faith and as a means to revive the confidence of foreign private investors.

The prospects of recovery and resurgence of growth will be determined by future developments on several fronts. So far, the improvement in current account has been largely contributed by import contraction, rather than any significant growth in total exports, despite dramatic currency depreciation. For example, in January 1998, the Republic of Korea generated a trade surplus of \$1.6 billion, but this resulted from only 1.4 per cent growth in exports and 40 per cent reduction in imports. In Thailand, exports in dollar terms in January 1998 fell by nearly 12 per cent compared with January 1997, while the contraction in imports was 46 per cent. These figures raise a fundamental question about the inherent competitiveness of many export products.

Even if it is assumed that exports of the concerned countries are basically competitive and the slow export growth is attributable mainly to credit shortages, the future performance will be contingent on the absorption capacity of major trading partners. From this point of view, a major worry relates to continuing weaknesses in the economy of Japan. Saddled with a mountain of problems in its financial sector, the Japanese economy is unlikely to stage any major recovery or accelerate import demand in the near future. Another worry is that in the event that there is a surge of exports from the Asian countries, protectionist sentiments in the developed countries may strengthen. Also of concern is whether any major surge in exports from the affected countries might lead to a process of competitive devaluation by other developing countries. So far this has not happened, and it may be precisely because exports from the affected countries have not yet picked up any significant momentum.

While the curtailment of aggregate demand should have a dampening effect on inflation, other forces may be at work to aggravate inflationary pressure. The switch in expenditure away from internationally traded goods in favour of domestically produced and consumed ones may have an adverse impact on inflation if there are inflexibilities in domestic production. Much of the manufacturing sector in the countries of the region, producing either import-competing products for domestic consumption or exports, is dependent on imported inputs. Hence, there is a risk of cost-push inflation caused by currency depreciation. Its full impact is yet to be felt as firms have so far been able to draw on past inventories. Moreover, a sharp contraction of Imports together with an increase in exports of domestically consumed goods may cause domestic supply shortages and aggravate inflation, giving rise to a wage-price spiral.

The issue of the liquidity crunch being experienced in the affected economies has already been referred to. As more and more financial institutions are closed or are required to make greater provisions for strengthening their capital base or for providing cover against bad debt, the crunch may

further intensity. Its impact on the real economy cannot be fully assessed as yet. The impact will be felt through a rise in interest rates, an increase in debt-service obligations on local debt, as well as reduced access to credit for working capital. In combination with reduced aggregate demand, the liquidity crunch may lead to further closures of firms and loss of output and employment.

Another factor that will affect medium-term growth prospects is the way in which the governments reach their fiscal targets. In particular, any major cutback in public expenditure devoted to education, health and infrastructure development would have adverse implications.

Finally, mention should be made of the social problems that may emerge. Unemployment figures in Indonesia, the Republic of Korea and Thailand are already being counted in the millions. Some signs of social unrest have already appeared and have been particularly visible in Indonesia. Should unemployment worsen, the risk of social unrest would increase. The governments' capacity to manage that risk will have a significant bearing on the maintenance of law and order, industrial peace and economic recovery.

However, the above analysis should not be viewed as a gloomy prognosis. Most of the affected economies possess some strong fundamentals in terms of high savings rates, sound fiscal balance, abundant natural resources (with the exception of the Republic of Korea) and a reasonably well-educated and disciplined labour force. These factors should stand them in good stead once the immediate crisis abates.

LESSONS AND POLICY OPTIONS

Short-term

For any country facing a crisis created largely by debt to foreign private sources or other short-term inflows, the first priority is to limit outflows of foreign exchange. This can be accomplished through several means, which include roll-over of short-term debt, rescheduling of debt repayment and renegotiation of terms of loans. Some restrictions on transactions with non-residents; among these are restrictions on transfer of funds by foreigners after selling local stocks or bonds, the imposition of a ceiling on bank loans to foreign residents and restrictions on the purchase of foreign exchange by residents.

From the perspective of pre-empting the emergence of a future crisis attributable to external capital inflows, short-term measures may be aimed at reducing inflows and/or influencing the composition of such flows in favour of long-term flows. One measure could be a non-remunerated reserve requirement (to be deposited with the central bank) on liabilities in foreign currency arising from borrowing by firms. The reserve requirement can be varied with the maturity of the loan, the percentage of the requirements declining with the increasing length of the maturity. There can also be an explicit tax on inflows with variation across assets as well as across maturity. The tax can be imposed either on the domestic debtors, for example, on a local firm issuing bonds abroad, or on the foreigners, for example, those investing in the stock market. It is also possible to impose quantitative capital control measures, such as prudential limits or prohibition on non-trade-related swap activities,

offshore borrowing, ceilings on banks' foreign currency liability or sale of short-term money market instruments to foreign residents.

Some of these policies were, in fact, implemented at different points in time during the 1990s by several countries of the region, including Indonesia, Malaysia, the Philippines and Thailand, as well as by some countries in Latin America, such as Chile, Colombia and Mexico. A recent review of these experiences concluded that in the short run, policy measures of this kind can be effective in reducing the volume of inflows and in changing the composition of flows towards longer maturity.⁷ However, the longer the inflows persist or the longer the measures remain in place, the less binding are the controls as market operators find ways to circumvent them.

Medium- to long-term

National policies

The crisis in the region has served to focus attention on a number of crucial areas, including the establishment of an appropriate exchange rate regime and the need to overcome the weaknesses of the domestic financial sector. These issues need to be properly addressed.

The choice of policy target and instruments

In countries with a large degree of openness to capital account transactions, governments have to ensure that policies are compatible and avoid serious conflict of objectives, such as aiming simultaneously at a stable exchange rate, financial openness and independence in executing monetary policy, the so-called "impossible trinity".⁸ Investors, creditors and speculators sensed such an inconsistency in policies in the region - policies which had kept exchange rates rather inflexible and maintained open capital accounts. This combination permitted domestic currencies to become overvalued, an increase in current account deficits and a rapid rise in external indebtedness (encouraged by high domestic interest rates) with a high proportion of short-term maturities. Governments are thus faced with a difficult choice between stabilizing the exchange rate with a fixed parity or within a relatively narrow band, or alternatively, pursuing a monetary policy for domestic stabilization irrespective of the consequences to the exchange rate. Finding the most appropriate mix of policy instruments to ensure both internal and external stability in a dynamic setting is not an easy task. Governments have to choose carefully and flexibly any one target, such as nominal or real effective exchange rate, interest rate and monetary aggregates and then adopt a combination of instruments to pursue that target. In this context, a particular mention should be made of the role of foreign exchange reserves. Typically, the level of reserves maintained by developing countries is some multiple of the average monthly import bill. With open capital accounts, the level of reserves should additionally take into account the likely outflows associated with capital account transactions by the private sector.

It is important that once the choice of a target is made, the instruments, typically administered by different agencies of governments, are devised and applied in a coordinated manner. The choice of a target as well as the mix of instruments (such as fiscal, monetary, trade- and capital account-related measures) may have to vary among countries and at different points of time in an individual country.⁹ The assistance of independent think-tanks could be extremely useful in making

these choices.

Strengthening the financial sector

The crisis has revealed particularly serious weaknesses in the financial sectors of many of the affected economies. The weaknesses relate not only to the operations of the individual financial institutions but also to the regulatory and supervisory regimes governing them. On the one hand, the intermediating entities appear to have been unaware of, or unable to gauge correctly, the underlying risk of many of the investment and lending decisions they had taken; on the other hand, they have not had the capital strength to absorb the losses that subsequently occurred. Supervisory and regulatory bodies also appear to have been lax in carrying out their functions effectively, whether in the matter of banking regulation or capital market supervision, but particularly in allowing a lack of transparency to flourish.

One policy implication is that countries should move gradually in financial liberalization and opening. In addition to strong economic fundamentals, a sound financial sector is an essential precondition for the liberalization of the capital account.¹⁰ Governments in the region should establish a proper regulatory framework and be more effective in the implementation of that framework. Equally importantly, proper accounting, auditing and disclosure requirements need to be in place.¹¹ In particular, rules regarding non-performing loans and adequate provisions of capital with appropriate risk weights should follow international standards. Legal lending limits to insider borrowing should be established and rigorously enforced. The rules regarding consolidation of financial reports of financial and other companies with extensive cross-holding and interlocking of ownership between them need to be formulated and implemented. Foreign exposures of financial institutions as well as other corporate entities have to be monitored. In their absence, any business or company evaluation and analysis rest on poor financial data, become either biased or meaningless and, in effect, financing decisions rely heavily on investors' confidence which can be very fragile and volatile. The rigorous efforts to restore the soundness of financial institutions should be complemented by appropriate support to debtor enterprises in the real economy that are fundamentally sound, but are currently facing liquidity problems. Also important are competition policies to restrict improper businesses practices in both the financial and the real sectors.

Governments have a critical role in putting in place proper supervisory and regulatory bodies. They should consider the viability of an integrated supervisory framework for the financial sector as a whole. There is a growing worldwide trend to adopt such an integrated framework, the recent cases being in Japan, Malaysia, the Republic of Korea, the United Kingdom and (to some extent) India. The main rationale for this is that many banks, non-bank financial institutions and securities and insurance firms engage in a widening variety of financial transactions in different financial markets, both directly and indirectly. In the existing supervisory framework, each separate body supervises only one type of financial institution. The supervisory body or bodies thus tend(s) to be ill-equipped to monitor the total financial activities of institutions and the risks involved, and hence to enforce prudential standards. A related issue is the role of the central bank in financial supervision. Governments may consider assigning the supervisory functions to a separate autonomous body and leaving the central bank solely with the conduct of monetary and exchange rate policy. Such a separation of functions is occurring in a few countries.

Coping with risk in financial transactions

Both the increasing array of financial instruments available and the globalization of financial markets make it imperative that public and private operators have access to, and actively use, hedging instruments for managing their risks. Such risks include unanticipated changes in prices, interest rates and exchange rates etc. These can be managed or counterbalanced to a large degree through hedging techniques on forward or futures markets. However, most countries in the region do not yet possess active financial forward or futures markets, and those which do exist are very thin, with few active participants. The recent exaggerated swings in currency markets bear testimony to this. The development of viable financial risk management markets would require not only having an adequate supervisory mechanism in place but also providing training for, and access to, a wide spectrum of participants, including business enterprises, investors, financial institutions etc. Both UNCTAD and the World Bank have put in place programmes to assist countries in this area. The countries should avail themselves of these programmes. The wider (in terms of different types of participants) and deeper (in terms of number of transactions per day) a market, the more robust is its price formation and the less the volatility of prices. More specifically, it can be claimed that a well-functioning forward or futures market for a currency is a necessary adjunct to a currency float, particularly for commercial transactions of various sorts, and its existence should lead to smoother variations in the exchange rate over the longer term.

In opening up the financial sector to new entrants, both domestic and foreign, governments should take into account how much competition can be allowed. Too much competition can erode profit margins, encourage the financing of highly risky projects and eventually lead to the failure of some institutions and a crisis.

Reducing the savings-investment gap and the current account deficit

The recent crisis has also brought into sharp focus the unsustainability of a substantial and prolonged savings-investment gap. This is reflected in the current account deficit and creates problems, especially when the deficit is financed by private sources. Hence, the need for giving greater attention to raising the level of domestic savings if the present levels of investment are to be sustained. It should be recognized, however, that the current level of savings in most of the affected countries is already very high, and the scope for any major increase in the level is rather limited. One of the options that high-savings countries may have to consider in the future is to settle for lower levels of investment and lower rates of economic growth. Meanwhile, efforts should be continued to increase domestic savings, to the extent possible, through such measures as wider coverage of insurance services, pension systems and provident funds. More strict supervision of the credit practices of commercial banks and financial institutions may have a desirable effect of curtailing consumption credit and raising domestic savings. In this context, it should be noted that the efficacy of the interest rate policy as an instrument to encourage savings is rather constrained in a country with an open financial sector, as a large differential between the domestic and foreign interest rates tends to bring about an upsurge in short-term inflows and sow the seeds of instability.

Enhancing export competitiveness

Finally, countries will have to persist with efforts to enhance their export competitiveness

through technological upgrading, improvements in the quality of human resources, and increase in the domestic value-added component of exports, including by reducing the import intensity. The underlying rationale is to ensure that legitimate import requirements are primarily financed by export earnings, rather than short-term private credit.

*International and regional cooperation*¹²

Should there be an international debt strategy?

The problems of the external sector management currently being faced by the countries affected by the recent crisis are not without precedents. A very similar problem confronted several developing countries in Latin America in the early 1980s. Following the inception of the Latin American debt crisis in 1982, the initial strategy towards solving the problem, particularly by creditor countries, was aimed at normalizing the relationship between debtors and creditors through a combination of economic adjustment by debtor countries and negotiated financial relief. The strategy was based on the notion that the problem was one of liquidity, not solvency. The transnational banks joined crisis containment operations and accepted additional incremental exposure so as to protect existing assets, especially by way of enabling debtor countries to remain current on interest payments. The financing modalities provided debtor countries with some financial relief through lower interest rate spreads, reduced fees, extension of maturities, and provision of some new money. The negotiations, conducted on a case-by-case basis for particular debtor countries, were orchestrated by private bank steering committees in consultation with the World Bank, IMF and the governments of the creditor banks' home countries. This coordinated approach received official endorsement under the Baker Plan in October 1985. However, the approach faced a mounting challenge owing to the failure of the international banking community to provide new money on a scale that was hoped for and progressive deterioration in economic conditions in indebted countries. A large outflow of resources caused by heavy debt-servicing requirements in combination with enforced austerity measures had a strongly negative impact on the debtor countries' investment, growth, consumption and other indicators of economic and social welfare. In consequence, there was a major shift in the strategy towards dealing directly with the debt problem. This was embodied in the Brady Plan announced in March 1989, which represented a change in emphasis from the maintenance of the stream of debt-servicing payments to explicit debt reduction through, inter alia, the exchange of old debt for new collateralized bonds at a discount or for new par value bonds with reduced interest rates.

It has already been noted that, in the context of the current Asian crisis, only the Republic of Korea has so far succeeded in striking a debt-rescheduling deal with creditor banks. The implementation of the deal is voluntary and there are uncertainties as to how many creditors will actually join it. However, a more general issue is that a case-by-case approach is usually a time-consuming process and imposes high economic costs on the debtor countries in the interim. In fact, in the case of the Latin American countries, it took seven years before the creditor community accepted the need for debt reduction. There are also inequities in the present system. Foreign creditors typically enjoy an explicit or implicit seniority in their claims.¹³ In the event of a crisis, governments are often in a hurry to reassure these creditors that all their claims will be met. The burden of adjustment falls almost entirely on the domestic debtors. Besides, no one can guarantee that the debt crisis will not recur in the future. These considerations point to the need for the revival

of the discussion on an international debt strategy, an idea which seems to have dissipated with the resolution of the Latin American debt crisis.

The need for global governance of financial flows

The globalization process that has been characterized by occasional imbalances and size-able disruptions in financial markets brings the issue of market stabilization to the fore. While speculative activities can be useful in correcting imbalances between national or regional markets, thus promoting global efficiency in the longer run, there is a valid concern that these activities may impose unacceptably high short-run costs. At present, there is no mechanism for global governance of international financial flows comparable with that in the area of trade. Its components could include the establishment of an international bankruptcy mechanism¹⁴ as well as the setting up of a new institution, alongside a reorganized IMF and World Bank, to overcome the inadequacies of current national and international structures for supervising and regulating financial institutions and markets.¹⁵

A further policy option could be to try to slow down adverse consequences of speculation by taxation ("putting sand in the wheels of international finance"). Governments may consider imposing taxes on local companies engaging in currency trading, particularly in the spot market. The Tobin tax proposes to levy a small globally uniform tax applied to spot transactions on foreign exchange with the twin objectives of deterring speculative flows as well as allowing greater autonomy to national monetary policy. So far, the idea of the tax has basically remained academic. Many practical problems notwithstanding, there is a case for giving more serious attention to the proposal.¹⁶

Some thoughts on regional cooperation

The need for greater regional cooperation beyond the periodic meetings among central banks in the region has been felt more urgently in the wake of the recent financial crises. So far there has not been much progress on the proposed Asian Fund. The establishment of a regional scheme to supplement IMF deserves serious consideration. In November 1997, a 14-nation meeting in Manila drew up a scheme called the Manila Framework which was endorsed later at the APEC Summit in Vancouver, Canada. Ideas were subsequently floated on converting or swapping some of the outstanding debts of the most indebted countries for bonds to be underwritten by Asian governments as well as ADB. More recently, a proposal has been mooted to make use of regional currencies in intraregional trade transactions so as to reduce the demand for foreign currencies. These proposals need to be seriously examined in order to arrive at a consensus on regional responses that should be put in place well before the region is hit by another crisis.

Greater regional cooperation is also needed to address the issues of financial sector regulation, the establishment of common prudential standards for the industry, and development of systems to provide early warning against the appearance of risks. Governments in the region may also explore the feasibility of the establishment of an insurance scheme dealing with cross-border financial claims. It should be noted that for FDI there exist multilateral schemes administered by the World Bank and the International Finance Corporation providing coverage against certain types of risks. Many developed countries also have national schemes.¹⁷

Financial market instability has been partly aggravated by perceptions of weaknesses in the financial institutions as well as other corporate entities and the lack of reliable relevant information regarding their operations. This has arisen partly from differing standards of regulation, the lack of information regarding assets and liabilities, and the variability as well as inadequacy of standards of corporate accounting, auditing, disclosures and corporate governance generally. It would appear, therefore, that arrangements capable of generating and transmitting more accurate, transparent and timely information regarding the build-up of significant financial risks within a particular jurisdiction would be very useful for the authorities in another jurisdiction.

Serious consideration could also be given to some common training facilities for accrediting accountants, auditors and regulators. Some common standards on licensing of stock brokers, financial intermediaries etc. could also lead to more cross-border listing of securities or regional issuing of bonds and so directly enhancing the depth and breadth of these markets.

Much of the current crisis can be traced to doubts regarding the ability of countries to service their foreign liabilities, especially short-term debts. Doubts arose as market operators appeared to be unaware of the true extent of the affected countries' indebtedness, principally because short-term debts had not hitherto been included in the official debt data. All economies need to make substantial improvements in this area by providing comprehensive and timely debt information to counter the deleterious effects of rumour and speculation. Governments could cooperate in setting out common definitions, information requirements and reporting procedures and in establishing a system for sharing information.

Table 1. IMF conditionality for Indonesia, the Republic of Korea and Thailand

	Indonesia	Republic of Korea	Thailand
Macroeconomic policy framework	<ul style="list-style-type: none"> Public sector: tight budget; subsidies reduced or removed; reduction of tariffs; revoking special tax, credit and custom privileges to [national projects]; divestiture of state enterprises; inclusion of non-budgetary revenues into the state budget; cancellation of some government financed or guaranteed infrastructure projects. 	<ul style="list-style-type: none"> Public sector: tight budget; broadening of VAT base; selective increases in income and corporate taxes; cuts in government expenditure. 	<ul style="list-style-type: none"> Public sector: tight budget; VAT increases; subsidies reduced or removed; reduced government expenditure except for health and education; divestiture of state enterprises.
	<ul style="list-style-type: none"> Monetary sector: independence of the central bank; tight monetary policy; flexible exchange rate. 	<ul style="list-style-type: none"> Monetary sector: tight monetary policy; flexible exchange rate; independence of Central Bank. 	<ul style="list-style-type: none"> Monetary sector: tight monetary policy; flexible exchange rate.
	<ul style="list-style-type: none"> Macroeconomic targets for 1998 (as in the renewed agreement, January 1998): Inflation: 20 per cent; Growth: 0 per cent; Budget: 1 per cent deficit of GDP; Current account deficit: 2.2 per cent of GDP; Official reserves: 5.2 months of imports 	<ul style="list-style-type: none"> Macroeconomic targets for 1998: Inflation: 5.2 per cent; Growth: 2.5 per cent; Budget: 0.2 per cent surplus of GDP; Current account deficit: 2.3 per cent of GDP; Official reserves: not available 	<ul style="list-style-type: none"> Macroeconomic targets for 1998: Inflation: 5.0 per cent; Growth: 3.5 per cent; Budget: 1 per cent surplus of GDP; revised to 1 or 2 per cent deficit; Current account deficit: 3.0 per cent of GDP; Official reserves: 4 months of imports
Structural policies	<ul style="list-style-type: none"> Financial sector: closure of troubled banks; comprehensive financial restructuring; strengthening the regulatory framework; deposit guarantee for small depositors; no government guarantee for private non-financial companies, domestic or foreign. 	<ul style="list-style-type: none"> Financial sector: comprehensive restructuring of financial sector; improving accounting and disclosure rules in accordance with international standards; recapitalizing financial institutions; establishing an agency to consolidate the supervisory functions of financial institutions. 	<ul style="list-style-type: none"> Financial sector: Suspension and restructuring of unviable financial institutions; strengthening the capital base of financial institutions; improving accounting standards and disclosure rules; strengthening the supervisory framework; removal of unconditional financial support to insolvent institutions.
	<ul style="list-style-type: none"> Trade sector: removal of state regulated or sponsored monopolies and cartels; a separate privatization board to manage corporatization; 	<ul style="list-style-type: none"> Trade and competition: elimination of trade-related subsidies; removal of restrictive import licensing; promotion of labour market flexibility; further 	<ul style="list-style-type: none"> Trade sector: enhancing competitiveness in the export sector through increased emphasis on education and training.

	abolition of restrictions on marketing arrangements.	reduction of restrictions on FDI.	
	<ul style="list-style-type: none"> • Social safety net: public expenditure on health, education and social expenditure programmes not to be cut. Special assistance programmes for poor villages to be increased. 	<ul style="list-style-type: none"> • Social safety net: strengthening the employment insurance system, establishment of private job placement and temporary employment agencies. 	<ul style="list-style-type: none"> • Social safety net: expenditure on essential areas, such as health and education, to be protected from cuts.

Sources: ESCAP secretariat, based on IMF Press Releases Nos. 97/37, 97/50 and 97/55, and News Brief No. 98/2; and *The Economist*, various issues.

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**The Impact of the Asian Economic Crisis
: an ILO Perspective**

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The Impact of the Asian Economic Crisis - An ILO Perspective

By Krishan K Taimni

Mr. Chairman, Ladies and Gentlemen,

I bring to you the greetings and well wishes from the Cooperative Branch of the International Labour Office, Geneva.

It is indeed a privilege to have been invited to address the 3rd Regional Assembly of the International Cooperative Alliance, Regional Office for Asia-Pacific on this crucial issue of Asian Economic Crisis and its Social, Economic and Political impact.

I propose to dwell first on the social impact of the Asian economic crisis - a subject of direct concern to the ILO -, and then its implications for cooperatives and processes followed for their development, and what the international community could do to help mitigate the situation arising from the crisis. It is however evident, given the enormity of the crisis and its ramifications, that cooperatives, as these are presently organized and structured in most countries in Asia, can contribute but marginally in the short run. It is only in the medium and long term that cooperatives hold the real potential for underpinning a stable process of economic and social development.

Social impact of Asia economic crisis

The unexpected and massive financial and economic crisis witnessed in some of the Asian countries has, by now, been translated into a high level of job losses and consequential social distress. The major social impact of the economic crisis lies in the sudden reversal of the system of sharing the benefits of economic growth through steadily improving employment prospects. As the financial crisis hit the real economy in the form of near-zero or negative GDP growth there has been a sharp deterioration of labour market conditions. Firstly, there have already been substantial retrenchments, especially in the construction, financial services and manufacturing sectors.

Secondly, there has been an abrupt decline in new hiring, which sharply reduces the employment prospects of new entrants to the labour market and the re-employment prospects of displaced workers. The combined impact of these two factors is likely to lead to at least a doubling of open unemployment rates, even after allowing for the fact that some proportion of displaced workers and unsuccessful aspirants to a modern sector job will settle for inferior employment in either the rural or the urban informal sector.

Thirdly, there is likely to be a significant rise in underemployment, on both the hours of work and the income measure, under the impact of an increased influx of displaced workers and unsuccessful new job seekers into the rural and urban informal sectors. Given the sharp falls in domestic demand that have occurred in these countries the aggregate income-generating potential of the rural and urban informal sectors will be quite limited. The increased influx of workers seeking a livelihood

in these sectors is highly likely to imply reduced average incomes.

Fourthly, the real earnings of those remaining in employment will fall under the combined impact of the decline in labour demand and increased inflation caused by the substantial currency devaluations.

Finally, the increase in open unemployment, together with the fall in real earnings, is likely to swell the ranks of those with incomes below the poverty level.

There are two fundamental reasons why the worst-affected countries are in their current state of social distress. The first is the sheer magnitude of the social fallout from an unexpected and severe economic crisis. This would, in and of itself, have put serious stress even on countries with better-developed systems of social protection. The second was the unpreparedness and underdevelopment of the social protection system itself.

Against this background it is important to note that social safety nets cannot, realistically, be constructed in a matter of months. Similarly, measures such as attempts to save viable enterprises and active labour market policies can achieve only limited results when they go against the grain of macroeconomic conditions.

This suggests that a two-pronged approach is required to overcome the current social distress. The first is to try to bring about an economic recovery as soon as possible so that the numbers in need of relief can be reduced through a steady reabsorption into income-earning activities. This requires priority attention to economic policies and related structural reforms for promoting recovery. At the same time, however, work on the second prong of strengthening systems of social protection must also begin. Since high and sustained growth can clearly no longer be taken for granted, a significantly higher degree of social protection must be aimed for.

Economic and political reform

An obvious priority is to press ahead with the structural reforms that have been initiated in the wake of the crisis. Of key importance is the strengthening of the financial system which had proved to be the Achilles heel of the pre-crisis economic system. A sound and resilient financial system is an essential buffer against the continuing danger of economic crisis in a world of increasingly integrated financial markets. It is also indispensable for ensuring a return to high and stable growth in the post-crisis period. Similar observations apply to weaknesses in corporate governance that have been exposed by the crisis.

In large part, achieving this will involve technical measures to correct deficiencies such as poor and opaque accounting, lax prudential supervision of banks and the absence of effective bankruptcy laws. But wider new issues relating to the regulation of markets in the context of increasing integration into the global economy will also have to be faced.

These technical measures of institutional strengthening and regulation are absolutely essential but by no means sufficient. It was not only weaknesses in formal institutions that created the preconditions for the crisis, but also the contamination of market processes by politics. Unless the latter is contained no amount of tinkering with institutions and regulatory mechanisms will be to much avail.

The strengthening of democratic institutions is thus central to the success of post-crisis economic model. Free and fair electoral processes, freedom of expression and public debate, the rule of law, and

accountability of elected officials are among the attributes of democracy that are essential for preventing the harmful distortion of market processes by arbitrary government intervention and corruption. As the recent crisis has shown, the latter has not only high economic costs but also social ones. Thus, the intrinsic value of democracy is strongly reinforced by economic and social considerations.

Democracy is also essential for ensuring greater social equity in the development process. As has been commented upon earlier, there had been a relative neglect of labour rights and social protection in the pre-crisis period of high growth. The negative consequences of this have been dramatically revealed by the extreme social pain that has had to be suffered since the onset of the crisis. A key element for correcting this deficiency is the widest involvement possible of those concerned, through their representative organizations, in the definition and implementation of the measures to overcome the crisis and to minimize its social effects.

The adoption of socially sensitive restructuring principles needs to be actively promoted among employers, workers and government officials in all countries experiencing the impact of the financial crisis. An important part of these principles is the need to raise awareness of possible alternatives to lay-offs in the face of urgent needs to cut costs.

Good restructuring practices and the successful experience of other enterprises need to be shared and widely disseminated. Technical assistance and training resources are urgently needed to increase the quantity and level of enterprise restructuring expertise available to help employers systematically implement these principles at the enterprise level.

Most of the countries affected by the financial crisis in Asia have a large informal sector and the crisis itself is driving many more of the economically active into this sector, where they enjoy little or no social protection. It is clear that people resort to the informal sector in most cases because they have simply no alternative. It is hardly a matter of choice, at least for the workers themselves. The State has a responsibility to these people, as workers and as citizens, if not as contributors. One way to discharge this responsibility is, as suggested above, to institute a universal pension. Another priority is to find suitable ways to finance health care for them. Adequate public health services should no doubt be part of the solution. However, health insurance can also play a part, as those concerned are often able and willing to devote some of their disposable income to securing health-care coverage for themselves and their families. In this area, no quick or easy solutions are on offer. Governments with a will to achieve real progress may do so, however, if they tackle the problem simultaneously from both ends, i.e. by helping to promote self-help grassroots mutual insurance schemes and by gradually extending compulsory coverage and improving the level of compliance.

Strengthening policies towards vulnerable groups

Policies and programmes for dealing with social problems during the crisis, as well as beyond it, must be sensitive to the special needs of vulnerable groups such as working children, women and migrant workers. A variety of means for ensuring that this sensitivity towards vulnerable groups is embedded in the policy-making process are discussed below. Some types of practical action that can be tailored to meet the special needs of these groups need to be designed and implemented. Here, one can suggest the organization and strengthening of financial cooperatives, especially credit cooperatives and workers

cooperatives, for example of migrant and displaced workers. Women have been among the worst sufferers; organization and development of women cooperatives, particularly loan and savings cooperatives and industrial cooperatives can be of great help to women.

Of particular importance is an enabling policy, legal and regulatory environment for the creation and development of competitive enterprises, including cooperatives. Reviews should therefore be undertaken of factors affecting industrial and enterprise development, such as ensuring transparent corporate governance, effective financial management and control, national competition policies and the promotion of technology development and diffusion. In addition, any policy bias — either intentional or unintentional — against small and medium-sized enterprises including cooperatives should be removed. Furthermore, the importance of policies to support human resource development, especially the creation of an institutional framework that provides the right incentives for workers to acquire and enterprises to provide training, needs to be clearly recognized.

In this context, special mention needs to be made of the potential that service cooperatives, like, for instance, health, day-care, education, pension cooperatives hold in helping the vulnerable sections of the community to meet some of their needs in the absence of effective social safety nets.

Economic Crisis in Asia and its implications for cooperatives

Quite obviously, different types of cooperatives, particularly financial cooperatives, workers cooperatives, agricultural cooperatives and consumers cooperatives, organized and working on the basis of internationally accepted values and principles of cooperation can help at least to some extent in mitigating the hardship. But, before these can do so it will be necessary that, as has been pointed earlier, favourable conditions are created by the respective governments through reformulation of public policy on cooperatives, bringing about changes in the regulatory framework, and addressing broader issues of their architecture and governance. One of the areas, where still greater efforts need to be made is that of human resource development - education and training of ordinary members, leadership and staff and managers of cooperatives.

The events that have unfolded since the collapse of the erstwhile Soviet Union and in more recent years by the meltdown in the economies of East Asia have contributed to the emergence of a growing consensus on a somewhat redefined role of the market (and the State) in social and economic development.

That emergence of a relatively free market, albeit under appropriate but limited State regulations, is crucial to the economic development of a society is widely recognized and accepted. The market helps in effectively mobilizing resources and their efficient allocations; the market also spurs entrepreneurship and innovation; the market forces institutions to strive for efficiency or quit; and the market rewards and punishes people and institutions on the basis of economic results.

But as recent events show that markets also develop distortions, dislocate people, and if left entirely unchecked and unregulated could wreak havoc and irreparably damage the social fabric of a country.

As of now, the thinking is that free markets coupled with a fairly strong regulatory framework and state-supported safety-net for those, who might fall victims to vagaries of the market, are the essential ingredients of a successful launch of a society aspiring for orderly socio-economic development.

Implication for cooperatives

This new paradigm for socio-economic development, where the market is assumed to be the final arbiter of what needs to be done, where and by whom, with the role of the State essentially restricted to regulation in public interest, certainly changes the entire context in response to which the development of cooperatives has been fashioned, crafted and strategised in many countries of Asia. This paradigm shift has a profound impact on cooperatives and several implications for State-cooperatives relations. One such implication is that cooperatives being private enterprises can no longer be used either as instruments of achieving certain State objectives or implementing certain public policies, without prior consultation and their consent. An other implication is that public policies on cooperatives, if any, should clearly emphasize the autonomous character of cooperatives, a greatly restricted role of the government, mainly confined to creating a favourable environment and conducive conditions for the development of cooperatives. Yet another implication is that new legislation will have to be enacted not only to ensure full autonomy to cooperatives (so that these could successfully compete in the market) but also to create a more proactive, strong and yet supportive regulatory framework for cooperatives.

But, at the same time, it is equally important that cooperatives must themselves do some serious introspection, develop a profile which appropriately positions them in the new, emerging environment, and strive to *re-build themselves on the basis of values and ideals, which make them socially unique, economically attractive and politically desirable*. Cooperatives must also invest more in human resource development efforts and institutions.

In short, cooperatives must ponder as to what ought to be their architecture for the next millennium, and how cooperative development processes can be made self-sustaining.

Cooperatives - architecture for the next millennium

The real strength of a cooperative lies in its spontaneity, its highly decentralized decision-making processes and above all its autonomy. It may therefore be somewhat presumptuous to talk of architecture of cooperatives. For, autonomy, self-responsibility and enterprise do not lend themselves to any pre-designed architecture; it is and should remain an ever-evolving process. But some thinking on the topic might not be all that pointless.

Cooperation - as an organized, collective response to external threats, pressures, and opportunities - will remain a preferred means for those, who are i) either economically vulnerable, suffer from social exclusion, or subject to exploitation of any kind; ii) and/or, not in a position individually to ameliorate their socio-economic status in the face of competition from more organized or better endowed and larger enterprises.

There might be temptation for the government once again to come forward and seek to bestow undue patronage on the cooperatives in order to protect and promote the interest of some sections of the community, namely those, who are economically vulnerable, or suffer from social exclusion, or are subject to exploitation of different kinds. Such a temptation, it must be added here, should be stoutly resisted.

There can be no such arrangement, for, state patronage, particularly direct financial assistance has often in the past blunted the edge of self-reliance and made cooperatives subservient to the government machinery. That is what the experience of last few years in the Region conclusively shows; and if attempts

were to be made once again to rope in cooperatives for providing some type of safety net, but under the aegis of the government, history would simply repeat itself.

This places even greater responsibility on cooperatives; these must display even more creative urges and take more imaginative initiatives to help themselves to withstand the aftereffects of this grim crisis.

Desirable architecture of cooperatives

Three planks, on which the entire cooperative system should be developed are: the base - consisting of strong, viable, autonomous, self-governing primary cooperatives; the vertical federal structure - organized, developed and sustained by primary cooperatives with the sole purpose of enhancing their competitiveness in terms of price, quality, range and depth of service and innovative practices; and an apex cooperative - an umbrella organization of the entire cooperative system, directly responsible (through appropriate affiliated units at the regional and local levels) for ideological aspects, liaisoning with government, and international cooperation; and indirectly for education and training, auditing and business advisory services, each through autonomous institutional mechanism and operating in a market in competition with similar other service-providers. At some stage, it will also become crucial that an integrated structure of financial cooperatives at the district level and above is developed and sustained in order to meet the growing financial needs of all types of cooperatives.

It has been customary, Mr. Chairman, to think primarily of agricultural cooperatives, when we talk of cooperatives. This conception is severely restrictive and excludes several other forms of cooperatives. One must think of other kinds of cooperatives; and consider the role of the cooperative movement in all-inclusive terms. Cooperatives should, for instance, endeavour to provide social safety-net, wherever possible, perhaps in conjunction with what the governments might decide to provide. Cooperatives must above all establish once again their social relevance, even as these strive to attain certain degree of economic success and efficiency.

Once there is some broad understanding of architecture of cooperatives, it should become that much easier to redefine the role of the State viz-a-viz cooperatives. Keeping in view some of the points elaborated above, it can be argued that the role of the State should be confined only to the following, (without any direct or indirect intervention in cooperatives, including projecting itself as a potential patron of cooperatives):

- * formulating and enunciating a clear public policy on cooperative development;
- * creating an appropriate regulatory framework, consistent with the new paradigm shifts,, through a new and appropriate legislation; and,
- * designing, strengthening, and refocussing cooperative development and financing institutions, so that these begin to operate on financially prudent basis and possibly solely in the interests of cooperatives and cooperative-like institutions.

Historically, the governments in Asia has played a domineering, overwhelming, almost paternalistic role viz-a-viz cooperatives.. Now that the old context has fundamentally changed and even public policies are veering round the view that markets are better suited to initiate development, the role of the government viz-a-viz cooperatives should inevitably undergo transformation. Essentially, the role of

the government should now be that of a facilitator and an enabler, and not that of a controller or a protector or an initiator.

Elements of new Regulatory Framework

The basic approach to developing a desirable regulatory framework for cooperatives must be minimalist, and should reckon with the fundamental requirement of a genuine, effective cooperative, namely that of self-regulation. In order to safeguard public interest and not to discriminate cooperatives in any manner, it will be desirable that cooperative legislation is reformulated to include, inter-alia, the following:

- i) registration, merger and amalgamation, dissolution and liquidation of cooperatives;
- ii) monitoring of cooperatives through set processes and procedures;
- iii) inspection and penal action against cooperatives infringing regulations;
- iv) Information, public relations and government - cooperative interaction;
- v) setting up of a Cooperative Development and Promotion Council with a view to providing forum for government-cooperative interaction, including enforcement of these regulations;
- vi) setting up appropriate dispute settlement machinery independent of the administrative set up of the government;

International Community and development of cooperatives

What has been envisioned for cooperatives in the above paragraphs can thus be summed up as:

- * enunciation of a comprehensive public policy on cooperatives, which is subsequently discussed, debated and approved in an appropriate forum; the policy clearly recognizes the vitality and importance of cooperatives as a means of bringing about social and economic change, and accepts and upholds their autonomous and democratic character;
- * Enactment of new legislation, which provides for:
 - creating a new regulatory framework, which, while recognizing the autonomous character of cooperatives, provides merely the essentials of regulations;
 - setting up of Tribunals to settle disputes, which remain unresolved through mechanisms within the cooperative system;
- * Development of viable, self-managed, autonomous primaries of different types, including of women, each with its a code of governance, based on internationally accepted values and principles of cooperatives;;
- * Organization of federal structures by primaries on voluntary basis and at appropriate levels;
- * Organization of Apex Cooperatives with affiliates at appropriate level with direct responsibility for ideological issues, liaisoning with government, public relations, publicity and information, mediation

in and reconciliation of differences and disputes among cooperatives; and international relations, and indirect responsibility through autonomous institutional structures for Human Resource Development including education and training; advisory services; and audit; and,

* Development of integrated structures of financial cooperatives as the financial arm of cooperatives

The international community, particularly the leading development agencies, could join hands and work out appropriate work-plans for each effected country in close consultation with its government and cooperatives. The immediate need is in areas like developing and supporting "anchor" organizations, which can undertake sustain processes of cooperative development; initiating strategic thinking and planning processes, so that cooperatives can appropriately position themselves in the new environment, and restructuring and strengthening of financial cooperatives, so that these eventually emerge as the financial arm of cooperatives.

ILO, on its part, is committed to the development of self-reliant, values-based autonomous cooperatives in the Region. Towards this end, ILO has been endeavouring directly through its field structures, as well as, through its two DANIDA assisted global Cooperative Development Programmes, namely COOPREFORM and COOPNET to assist member-countries and cooperatives to carry out policy and legislative reforms, to develop HRD institutions, to promote cooperative entrepreneurship and address gender issues in cooperatives in all their dimensions. We thus propose to address issues like Appropriate Regulatory Framework for Cooperatives; Governance Structures for Cooperatives; Restructuring of Financial Cooperatives; Development of Cooperative HRD Systems; Promotion of Cooperative Entrepreneurship; and Development of women cooperatives and women leaders in cooperatives in the coming few months.

We already work closely with the ICA and have greatly benefitted. We plan to further intensify our collaboration..

Mr. Chairman, let me conclude by quoting from the address of the Director-General of the ILO delivered at the ICA General Assembly in Geneva in September, 1997.

You may be certain that the ILO will continue to support your efforts to provide services and develop programmes designed to strengthen the creation of productive employment, with those organizations which wish to collaborate, in order to provide a more equitable distribution of work and income, and to provide social and quality health services at the best possible cost. The ILO also commits itself to pursuing with you the efforts already underway to mobilize local financial resources for productive purposes, conserve and protect vital natural resources, create and spread new techniques, and develop commercial exchanges on the basis of a shared equality.

It is desirable that the ILO and the ICA put even more effort into the intensification of this productive collaboration, and that their joint participation in the work of the international Committee for the Promotion and Advancement of Co-operatives

(COPAC) continue.

I can assure you that the ILO remains ready for more intense collaboration.

Mr. Chairman, may I reiterate once again that we are looking forward to working even more closely with the ICA, and suggest that let us all join hands and commit ourselves to developing sound, self-reliant autonomous cooperative structures in the Region?

Thank you.

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Theme : Cooperative Open Forum

**Lessons Drawn from the East Asian Economic Crisis
: an FAO Perspective**

**Mr. W.I. Khan
Adviser, FAO**

**ICA Regional Office for Asia and the Pacific (ICA ROAP)
National Agricultural Cooperative Federation (NACF)**

Mr. Chairman, Distinguished Delegates, Ladies and Gentlemen.

On behalf of Mr. Prem Nath Assistant Director General/FAO Regional Representative, I would like to thank you for the kind invitation to FAO Regional Office for Asia and the Pacific to participate in the Regional Assembly Meeting of the International Co-operative Alliance hosted by the National Agricultural Cooperative Federation of Korea (NACF) in Seoul, Republic of Korea.

INTRODUCTION

The current Asian financial and economic crisis that started about 15 months ago is wiping out the gains from recent decades of economic growth and poverty alleviation in Asian countries. It has significantly weakened the capacity of many Asian countries to keep a sizeable proportion of their population from falling back to poverty and food shortage/insecurity.

As we noticed, the crisis has led to devaluation of national currencies, rise in domestic interest rates, inflation, reduced purchasing power, increased the cost of imports, increased unemployment and the reverse flow of unskilled labor from urban to rural areas, provoked credit squeeze, a fall in government spending, stemming inflationary pressure, etc.

If this crisis spreads deep into the economies of South Asia and Indochina, which represent 60% of Asia's absolute poor, household food insecurity within Asia could become an even more serious concern, especially if agriculture, where the large majority of the poor are dependent for income and livelihood, takes a disproportionate burden of the adjustment. Poverty alleviation in these countries is still quite shallow, largely because economic growth has not been as rapid and sustained as that in East Asian countries.

The crisis has started a belated rethinking, among policy makers at all levels about the role of government and the private sector in economic development, prompting a recognition of the need for policies based upon sound principles of governance, accountability and transparency.

In many countries a national debate is taking place on the need for an overhaul of financial and economic rules and regulations, which have largely favored small financial, economic and political powerful groups, banks and enterprises in society and thus distorted the rational allocation of capital in the economy.

Yet from this debate emerges a re-assessment of national development priorities, national resource mobilization and allocation and related need for human resource capacity building. This has led to a re-valuation of the role of the agriculture, fishery and forestry sector as an engine of growth and social development in national development strategies, in contrast to the overall priority given to development of the urban industrial and services sectors. As we may recall, in most developing countries and also in Asia overall public investment within the agricultural sector dramatically declined in recent decades to below minimum requirements.

These policy issues were fully recognized by over 186 national political leaders and country delegations at the World Food Summit organized by the FAO in November 1996 at its HQ in Rome. The Heads of State and Government representatives committed themselves to achieving the goal "Food for All" by creating a stable political environment based upon respect for all human rights, by ensuring equality of opportunity for all in particular for women and by pursuing social and economic policies encouraging public and private initiative while at the same time safeguarding the environment.

This task is enormous. Today there are more than 800 million people who suffer from malnutrition and chronic undernourishment. The achievement of food security goals of the World Food Summit Plan of Action requires concrete and coordinated follow up by all concerned. FAO is determined to pursue these goals and has initiated a series of concrete on the ground initiatives, which are although still in progress already yielding results. In a separate contribution information will be provided in more detail on FAO's Special Program for Food Security, covering 86 low-income food deficit countries in the world.

Two years later in the face of the economic and social impact of the crisis the agricultural sector is called upon to absorb displaced urban laborers, produce more export crops for foreign exchange, increase domestic food supply to mitigate upward pressure in prices and inflation and to provide raw materials for industry and generate domestic sources of investment.

Coming back to the commitments made at the World Food Summit it remains to be seen if the rethinking about the role of the agricultural sector in national economic and social development will lead to an sustained increase of national public investment outlays within this sector and related rural development sectors supported by substantial external donor support from international development agencies complemented by institutional capacity building support enhancing the self help entrepreneurial capacity of small producers within the agricultural sector leading to improved food security at rural household level on a sustainable basis.

Key priority areas for increase in public investment in the agricultural sector are:

1. Financial and technical support to development and dissemination of farm technologies, which are labor-intensive, gender-sensitive and ecologically sound. Today in many Asian countries the agricultural research and extension systems are plainly moribund and generally unresponsive to the demands of millions of small farmers, particular women agricultural producers.
2. Improved access for small farmers, particularly women, to pre- and post-producer services. This issue was generally considered by development decision makers and advisers as mainly a problem to be solved by the emerging market forces represented by the private sector excluding a direct intervention from the public sector . Yet so far this market -driven solution has been elusive in most countries Therefore improved access to services urgently need be given priority reconsideration by all those policy advisors and makers who are truly concerned with viable, market-oriented, socially equitable and ecologically sustainable economic development, in which priority is given to small farmer demand-driven sustainable agricultural and rural development policies and programmes
3. Active participation of small producers in decision-making and implementation of agricultural and rural development programmes and activities. With a few exceptions this issue has not been given enough systematic consideration in national policy frameworks, legislation and institutionally building so far. This is clearly demonstrated by the fact that in many Asian countries national policies, legislation and administrative regulations governing small-farmer participation in this area of development are completely out of date, presenting major obstacles to:

- Effective control by small and landless farmers over land, water and other production and income generating resources; (security/equity issues) hence the need for land reform, review of tenancy laws, improved land registration, watershed management, forest management regimes in favor of small- producer groups, women, etc.
- Establishment, independent from government control membership based and -controlled associations of small farmers and rural workers organizations and self-managed agricultural ,forestry and fishery cooperatives. The literature from ICA, ILO, FAO ,COPAC and other agencies on this subject is vast, the problems and solutions are generally presented in detail, but yet with a few exceptions, there is no clear demonstration of the required political determination to revise and or adopt new legislation to bring about administrative and institutional change etc. This issue should be given much more attention from economic development researchers, policy advisors and other relevant development agencies

For the immediate future it remains to be seen how governments, supported by development donor agencies and in collaboration with the private sector will overhaul the structural legal, financial, technical and institutional constraints in order to facilitate effective small farmer participation and more equitable and sustainable agricultural development.

SUSTAINABLE AND EQUITABLE AGRICULTURAL DEVELOPMENT WITH VIABLE AGRICULTURAL CO-OPERATIVES SERVICING SMALL FARMERS AND OTHER RURAL PRODUCERS :

Key issues and problems of the Agricultural Co-operatives not only in East Asia but also in all countries of the region mainly arise out of

- (a) political interference in /post-colonial-type public regulation, registration and control over day- to- day decision- making and self- management in local agricultural cooperatives
- (b) Weak technical, financial extension, training support systems to enable skill and managerial development, based upon membership participation, access to rural pre-and post-production services,

particularly technology, finance, markets under increased pressure from external competition as a result of indiscriminate market deregulation affecting mostly small farmers, particularly women and other rural producers.

- (c) Over a long time a declining flow of government support and donor assistance in the field of agricultural cooperative development
- (d) Inadequate rural finance policies, institutional arrangements in support of small rural producers affected by tight credit-squeeze and high interest rates
- (e) Weak membership participation, self management capacities and marketing skills leading to inadequate savings mobilization/capital formation and;
- (f) lack of professionalism in efficient management and business enterprise development.

In order to remain in business, co-operatives therefore need to receive pro-active government support in terms of institutional, legal reform, improved access to training, education facilities, rural finance and markets and technical guidance to enable agricultural cooperatives to reorganize their membership base and to restructure their production activities and member services in the light of the present realities. This task cannot be fulfilled by government agencies alone without an active partnership with support agencies such as the ICA representing the world-wide cooperative movement; regional networks of government cooperative agencies, agricultural cooperative movements and expert institutions such as NEDAC, regional specialized networks on credit such as APRACA, and ACCU, on marketing AFMA, on research APAARI and international UN Technical Agencies supporting cooperative development such as ILO, FAO ,UNIFEM and others. Financial support will be needed from Development Donor agencies such as World Bank, IFAD , UNDP as well as from bilateral and NGO donor agencies.

FAO INTERNATIONAL AND REGIONAL PROGRAMMES AND ACTIVITIES IN SUPPORT OF AGRICULTURAL COOPERATIVE DEVELOPMENT WITHIN THE ASIAN REGION.

FAO as international UN Technical Agency for Food and Agriculture has itself committed in its policy mandate and programmes to promote effective participation of farmers and other rural producers through their own organizations in the design and implementation of policies and programmes aimed at food security and sustainable agriculture and rural development. There are two main ways in which FAO is providing support in this area to its member states within the Asian and Pacific region:

1. provision of policy advice to member governments on the role that genuine farmers, self-help organizations and cooperatives could and should play in sustainable development
2. provision of technical assistance in strengthening the internal institutional capacities of farmers' organizations to become more effective partners in negotiating development policies and programmes.

Both activities are part and parcel of the Organizations' current work programme, in the implementation of which we rely on partner organizations such as the ICA and others.

Some examples of FAO activities are:

1. Support to UN- level Cooperative Development issues through COPAC networking activities .
2. Provision of technical papers and contributions to the ICA PressPack for the International Day of Cooperatives, covering the following issues: a. Structuring State support/influence, state cooperative relationship; b. Business performance of cooperatives; c. Member Commitment and Participation and Capital Formation ;d. participatory training of members of cooperatives ;
3. Participation of Cooperative Development Ministers. in relevant international and regional conferences of ICA. ACCU. IFAP, COPAC and specialized UN agencies on this topic.

4. Support to the activities of the Regional Network for Development of Agricultural Cooperatives in Asian and Pacific countries. (NEDAC). NEDAC was established in 1990 based upon the decision by the Ministerial Conference on Cooperative Development held in 1988 in Sydney. Its membership includes governmental cooperative development agencies, cooperative movements and cooperative expert institutions from 12 countries. ILO and ICA are founding members of NEDAC. The NEDAC Secretariat is based in the FAO Regional Office. NEDAC's activities are aimed at tripartite partnership and capacity building in support of agricultural cooperative development through information exchange, exchange visits, workshops, publications, etc. In 1999 it will hold its General Assembly .
5. Support to regional networks in support of farmers access to credit, markets, research and related cooperative development through APRACA, AFMA, AAPARI
6. Current country-level projects funded by FAO ,UNDP or bilateral donors include : a. the joint FAO/ESCAP Success Case project, funded by the Government of the Netherlands in support of Agricultural Cooperatives in the Philippines, implemented in collaboration with Landbank; b.The Special Policy Advice and Capacity building project in support of Agricultural Cooperative Development in Vietnam, funded by UNDP; also soon the expected FAO- funded TCP- Support -to-Agricultural-Cooperative-Development-and-Women Groups -Project in Thailand.

FAO has overall limited resources for providing all the necessary technical support to agricultural cooperative development and recognizes that other agencies and movements can and are effectively providing necessary expertise and training and education capacities to small farmers' groups. Therefore it is actively seeking to strengthen its partnership in its activities with ICA, ACCU and other Cooperative movements at country and at regional level, as well as with relevant UN Technical Agencies in particular ILO and others like UNIFEM and with Donor Agencies including World Bank, IFAD and UNDP.

FAO highly appreciates the invitation from ICA to join collaborative efforts to its support activities with FAO technical expertise and support, particularly in the field of agricultural cooperative restructuring . ICA, with ILO support, has already initiated efforts for restructuring in the field of co-operative training, auditing, support services, etc. ICA/FAO collaboration will be a highly welcome approach for food production/food security in the region. FAO, through the NEDAC Secretariat in RAP, Bangkok, will be able to provide technical and organizational support to activities in Asian and Pacific countries. In this context I would also on behalf of Mr. Wim Polman Executive Secretary of NEDAC thank you for the invitation and express his regrets that he could not attend this very important meeting due to unforeseen most urgent program formulation activities within FAO right in this period .

Finally I wish the Regional Assembly Meeting of the ICA again on behalf of ADG /RAP Mr. Nath and on behalf of Mr. Wim Polman Executive Secretary of NEDAC all success in its deliberations and planning of its future activities and collaboration.

FAO PROGRAM FOR FOOD SECURITY

Food Security is defined by FAO as access by all people at all times to the food needed for a healthy and active life. By definition, food security means sufficient food is available, supplies are stable and those in need can obtain it. I.e. availability of food, stability of supplies and accessibility to food at all times.

Food security is a top priority in FAO's programs for increasing food production, improving stability of supplies and generating rural employment and incomes, thereby contributing to accessibility to food.

Although over the years governments, FAO and other development agencies/donor countries have addressed the food security and its related elements, yet some 800 million people in developing countries – about 20 percent of their population, are undernourished and are not able to meet their daily calorie needs. World Food Summit in 1996, in fact, reported an estimate of 840 million people in developing countries are undernourished.

Though marked progress has been made in food production/availability in East Asia/including China and parts of South Asia (India and Pakistan) yet 50 to 55 percent of the total undernourished people in developing countries are in Asia-Pacific Region. The World Food Summit declaration on World Food Security included a target of reducing the number of undernourished people by at least 50 percent of the present level by 2015. We in this region are likewise confronted with the same challenge and must increase agricultural production in a sustainable way. With a growing population the food situation will worsen unless very specific and determined actions are taken to improve food security and nutrition.

Special Features of SPFS:

This programme an FAO initiative was launched in late 1994 to help Low Income Food Deficit Countries (LIFDCs) increasing their food production and thereby improving food security. Most of

the 840 million undernourished people, who live in LIFDCs, are unable to produce enough food and meet the food shortage with imports. 86 countries are LIFDCs-44 in Africa, 23 in Asia- 7 in the Pacific (Oceania), 9 in Latin America and 3 in Europe. The programme has a catalytic role for funding by financial institutions/UN Agencies/Developed Countries. Within the framework of the Programme, South-South Cooperation is helping some countries with experts. Vietnamese Experts are helping Senegal farmers. Similar arrangements between China and Ethiopia, India and Eritrea are in progress: Arrangements are being made for joined FAO/India FAO/BGD-Mission to Ghana and Gambia respectively.

Implementation of the program is in two phases-a pilot phase of 2-3 years duration-followed by an expansion phase to a wider area on the basis of the results of pilot phase and investment plan and required policy decisions to remove constraints.

Special Features of SPFS: The basic assumption is that in most LIFDCs viable and sustainable means of increasing food production exist, but are not realized due to various constraints that prevent farmers in adopting or responding to the opportunities. The programme is therefore based upon the following:

- (a) National ownership: The programme belongs to and is the responsibility of participating farmers/countries. The government will provide appropriate policies and support for increasing production suited to the local condition.
- (b) Focus on areas with high potential for increased production.
- (c) Environmental awareness and conservation/Protection of natural resources.
- (d) Participatory approach.
- (e) Involvement of Women.

Components of Pilot phase: It starts with on-farm demonstration of the followings:

- (a) Intensification of improved production system through introduction of technological innovations.
- (b) Improved Water Management/Development Practices.
- (c) Diversification of production system including fish culture, poultry and small animal, fruit trees, etc.

- (d) Constraint analysis through participatory approach and recommended measures for solution.

Project formulation sequence: Upon receipt of a request from the Government for assistance from SPFS, an FAO mission visits the country to discuss assistance and assess the nature/type of assistance which would be required for increasing food production. A short document containing the programme thrust and major components/elements of assistance required is submitted to the Government for endorsement. After government approval, a national team of experts with support from FAO will formulate the national programme with specific objectives, and general approach for implementation. A plan of operation for the pilot phase with specific activities, outputs and budget is prepared for implementation in areas identified & selected earlier. The final phase or the expansion phase is built on the results of the pilot phase and concentrates on: implementing policies for solving the problems/constraints identified during pilot phase, securing investment in infrastructure development (irrigation facilities, roads, food processing/storage's etc), training of personnel for improving management and technical capacities concerned farmers' organizations such as water-users Associations, Small farmers group, credit & marketing association, agricultural cooperative and community development groups etc.

Monitoring and Management: Each participating country is required to set-up a Steering Committee for monitoring and management of national programme. The Committee is comprised of high-level representatives from concerned ministries, private sector, NGOs/farmers' organizations/Civil Society and donors.

An update/status of SPFS in Asia

Pilot phase, which started in 1995, has been completed in China and Nepal. In China, the programme was launched in Sinchuan Province. These results are quite encouraging. Yield of wheat, rice and maize in demonstration plots increased by 19 to 27 percent through control of water logging and better irrigation management. The project identified lack of access to markets and credit as well as high cost of inputs. The Expansion phase is under preparation. In Nepal, the pilot phase started in 1995 in Syangja and Nawal parasi (Western Region) and Jhapa and Ilam districts (Eastern Region). Yields in demonstration plots increased by 44-70 percent. Improved water management and irrigation proved to be very effective. The Expansion phase is expected to start soon.

A Pilot phase is now operational in Cambodia, Mongolia and Pakistan. Formulation of Pilot phase has been completed and expected to start soon in Bangladesh, India, Sri Lanka, Maldives and North Korea-DPR.

Activities/Programmes in Support of Food Security

To achieve the objective of reducing the number of undernourished in the world by at least 50 percent by the year 2015, an important preliminary step would be to initiate action programme/appropriate policies targeted specifically in those areas where people are at-risk or undernourished. Identification of food insecure and vulnerable groups, areas and causes of insecurity should be the first step for designing action programmes and appropriate policies. The information is also necessary for monitoring the food security situation. FAO has started Food Insecurity Vulnerability Information mapping System (FIVIMS) at national level. A national FIVIMS is expected to provide information to policy makers and members of civil societies who are dealing with food security issues in their country. For FIVIMS to succeed, cooperation of line ministries/government departments/NGOs/Civil Societies and private sector will be extremely important.

Through Global Information and Early Warning System, FAO is regularly keeping member-countries informed about the food situation and Outlook at national, regional and global level.

Collaboration with other Partners in Development

Thus while briefly reviewing the FAO programmes and initiatives for Food Security, it appears that neither FAO nor governments alone can, however, solve food security problems due to fund and skilled manpower constraints.

If we are to make any progress we need to collaborate with our partners in development. The energy and expertise that reside in civil society are of particular importance, as also stipulated in Commitment Three, Objective 3.5 of the World Food Summit Plan of Action:

“Governments, in cooperation with the private sector and non-governmental organizations, will:

Foster the social and economic organization of the rural population with particular emphasis on the development of small-scale farmers’, fishers’

and foresters' cooperatives, community organizations and development associations, so that rural inhabitants may be actively involved in decision making, monitoring and evaluation of rural development programmes;”

FAO is determined to build new coalitions and establish active partnerships with the broadest possible range of development partners. Farmers' associations/Agricultural Cooperatives are particularly important partners for FAO. In this respect the long and positive traditions of active collaboration between the International Cooperative Alliance (ICA) and FAO may serve as a solid base for enhanced and innovative concrete partnership arrangements in Rural Development and Food Security. The region has no other and no better organizational pattern but that of Co-operatives which is comprised of mostly farmers and rural people. With ICA's patronage/support, FAORAP has established a Regional network for development of Agricultural Co-operatives (NEDAC). It is most appropriate opportunity for all of us for collaboration in the Field of Food Security which needs concerted action by all actors of rural development. Agricultural Co-operatives can play important role in improving the Household Food Security and Nutrition which is the objective of Food Security. Though there are cases of failures of Co-operatives, there are also very successful Co-operatives like NOKYO/JA-ZENCHU in Japan, NACF in ROK, IFFCO and ANAND in India, Co-operative Marketing and Supply Federation, in China. Members of ICA and NEDAC at grassroots level can re-inforce their attention on Food Security provided ICA and FAO work together. ICA-Chairman's visit to FAOHQ and discussions with our Director-General and Asst. Director Generals of technical Departments has re-inforced mutual collaboration. FAORAP has established Regional Network on rural credit (APRACA), on Marketing (AFMA) and on Agricultural Research (APAARI)- all aimed at increased production and food security. ICA-FAO Collaboration will strengthen the linkage with all FAO Networks.

Conclusion

If We all join hands and make concerted, co-operative and continuous effort for increased Food production, we would be successful in achieving Food Security. “United We Stand-Divided We Fall”.

Low-Income Food-Deficit Countries (LIFDCs)
Asia-Pacific Region
(FAOSTAT Code 376)

ASIA

Bangladesh
Bhutan
Cambodia
China
India
Indonesia
Korea, Dem. People's Rep.
Laos
Maldives
Mongolia
Nepal
Pakistan
Philippines
Sri Lanka

OCEANIA

Kiribati*
Papua New Guinea
Samoa
Solomon Islands
Tokelau*
Tuvalu*
Vanuatu

* Non-FAO Members