OPEN ASIAN CONFERENCE ON

COOPERATIVE MANAGEMENT

BANGKOK, 1978

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Open Asian Conference on

Cooperative Management

Report and Papers

December 11 – 15, 1978

Bangkok, Thailand

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'Bonow House', 43 Friends Colony, New Delhi 110 065

Price : Rs. 25.00

April 1980 (500)

Printed in India
at the Model Press Private Ltd., Jhandewalan,
New Delhi 110 055.

Contents

Inaugural Session

Welcome Address

by

Banjerd Khatikarn,

President,

Co-operative League of Thailand.

His Excellency the Minister, distinguished guests, ladies and gentlemen,

It gives me great pleasure to say a few words to you on behalf of the Co-operative League of Thailand. As we are well aware, the Co-operative League of Thailand has the honour to host, in collaboration with the International Co-operative Alliance, Regional office, the Fifth Open Asian Conference on Co-operative Management. On my behalf I would like to extend a very warm and hearty welcome to you all. Special thanks and gratitude are due to His Excellency the Minister of Agriculture and Co-operatives for gracing the occasion with his presence. As we are well aware, the objectives of this conference are to discuss the impact of the multinationals on the co-operative movement, especially in this Region, and better planning and better living in co-operatives so as to pave the way for the prosperity and satisfaction of the members. At present the co-operative movement is growing and has been recognised as an important instrument of planned development. It covers various sections of people and is perhaps the most imporant institution in rural areas. The co-operatives have their roots in the communities they serve. To accelerate economic and social development in rural areas, there is need for population education that is integrated into the activities of village institutions. Thus if the co-operative movement is motivated towards involvement in the country's development plan, it can have considerable impact. In Thailand, the co-operative is placed among other top priorities in the Fourth National Development Plan and is also the key issue of the present government's policy. To emphasise this intention, His Majesty the King, during recent years, has donated more than 60,000 rai or approximately 24,000 acres of land to allocate to tenants and landless farmers so as to strengthen their security on farming business and raise their standard of living.

In my opinion, this conference will provide the incentives for co-operative development and thus contribute to the improvement of standard of living of the population. In principle, the results of co-operative development should benefit all the societies. If the co-operative development programmes are effectively and productively put into practice, the entire economy will certainly benefit in the long run.

I do hope that all participants in this conference will co-operate in tackling the major problems of co-operative development.

All the people of Thailand, the Co-operative League of Thailand and myself are very pleased to welcome this conference. We sincerely hope that the recommendations of the conference will provide valuable guidelines for successful co-operative development programmes that emphasise the role of labour employment promotion, equality of income distribution and improvement of the standard of living of population. I hope that you will find all arrangements and facilities not only convenient to make your participation and stay fruitful but also pleasant and comfortable.

Thank you.

Opening Address

by

Prida Karnasut,
Minister of Agriculture and Co-operatives,
Government of Thailand

Distinguished delegates, honoured guests, ladies and gentlemen,

It is indeed a great pleasure for me to preside at the inaugural session of the Fifth Open Asian Conference on Co-operative Management. I wish to take this very first opportunity to welcome the distinguished delegates and participants to the conference. It is most encouraging to see so many of you involved in co-operative work from different countries in Asia assembling here with the main purpose of exchanging and sharing your knowledge and experience in co-operative management. Indeed, the organisers of the conference could not have chosen a more appropriate topic, for inspite of all the raw materials available in the area, a more suitable mechanism to better operate our co-operatives is still lacking. And as it is a policy of the present Government to mobilise all efforts and bring about greater efficiency in co-operative works, your presence here is most welcome as well as your search for the solution to the problems. In this respect, I should like to urge all of you and, in particular, our local participants to fully take part in this meeting and to benefit as much as possible from it. The results of your deliberation will strengthen the very grass-roots of our social structure, and thus render our countries better and healthier places to live in.

I would like to thank the Co-operative League of Thailand and the International Co-operative Alliance Regional Office for South-East Asia for organising this conference. I wish you all every success in your noble cause and a happy stay in this country.

Ladies and gentlemen, distinguished delegates and honoured guests, I have the honour to declare the Fifth Open Asian Conference on Co-operative Management open.

Commission-I

Impact of Multinationals on Co-operatives

Ferdinand A.K. Gul*

Implications for Co-operatives and Consumers

Introduction

A multinational corporation (MNC) can be defined as a "cluster of corporations of diverse nationality joined together by ties of common ownership and responsiveness to a common management strategy".[1] Taking the 500 largest corporations in the world, 306 are American and 74 are from the European Economic Community countries. About 250 of Fortune's 500 largest corporations have overseas investments totalling US$50 billion.[2] In terms of annual product a number of MNCs have evolved into economic powers that are more formidable than some nations. (See Table 1). The economic dimensions of some of these MNCs are indeed staggering and from Table 1 it can be seen that there are about nineteen MNCs that have a larger annual product than Malaysia. General Motors which is the largest MNC in the list has an annual product six times the Gross National Product (GNP) of Malaysia; three and a half times the GNP of Thailand and more than twice the GNP of the Philippines and Indonesia. Apart from that (see Table 1) MNCs constitute about 44% of the total top 100 countries and corporations. It is small wonder, therefore, that MNCs have become the focus of so much attention among both economists and governments.

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[1]Raymond Vernon, Economic Sovereignty at Bay, **Foreign Affairs**, 47, 1968, 114.

[2]See Raymond Vernon, Multinational Enterprise and National Sovereignty, **Harvard Law Review**, 45, March-April 1967, 156.

Table 1

Ranking of Countries and Corporations According to Size of Annual Product* for 1970 (in $ billion)

Rank	Economic Entity	$	Rank	Economic Entity	$
1	United States	974·10	41	Greece	9·54
2	U.S.S.R.	504·70	42	Turkey	9·04
3	Japan	197·18	43	GENERAL ELECTRIC	8·73
4	Germany, West	186·35	44	Korea, South	8·21
5	France	147·53	45	IBM	7·50
6	United Kingdom	121·02	46	Chile	7·39
7	Italy	93·19	47	MOBIL OIL	7·26
8	China, Mainland	82·50	48	CHRYSLER	7·00
9	Canada	80·38	49	UNILEVER	6·88
10	India	52·92	50	Colombia	6·61
11	Poland	42·32	51	UAR	6·58
12	Germany, East	37·61	52	Thailand	6·51
13	Australia	36·10	53	INT'L TEL & TEL	6·36
14	Brazil	34·60	54	TEXACO	6·35
15	Mexico	33·18	55	Portugal	6·22
16	Sweden	32·58	56	New Zealand	6·08
17	Spain	32·26	57	Peru	5·92
18	Netherlands	31·25	58	WESTERN ELECTRIC	5·86
19	Czechoslovakia	28·84	59	Nigeria	5·80
20	Rumania	28·01	60	Taiwan	5·46
21	Belgium	25·70	61	GULF OIL	5·40
22	Argentina	25·42	62	U.S. STEEL	4·81
23	GENERAL MOTORS	24·30	63	Cuba	4·80
24	Switzerland	20·48	64	Israel	4·39
25	Pakistan	17·50	65	VOLKSWAGENWERK	4·31
26	South Africa	16·69	66	WESTINGHOUSE ELECTRIC	4·31
27	STANDARD OIL (N.J.)	16·55	67	STANDARD OIL (Calif)	4·19
28	Denmark	15·57	68	Algeria	4·18
29	FORD MOTOR	14·98	69	PHILIPS' GLOEILAMPENFABRIEKEN	4·16
30	Austria	14·31	70	Ireland	4·10
31	Yugoslavia	14·02	71	BRITISH PETROLEUM	4·06
32	Indonesia	12·60	72	Malaysia	3·84
33	Bulgaria	11·82	73	LING-TEMCO-VOUGHT	3·77
34	Norway	11·39	74	STANDARD OIL (Ind.)	3·73
35	Hungary	11·33	75	BOEING	3·68
36	ROYAL DUTCH/SHELL GROUP	10·80	76	DUPONT (E.I.) de NEMOURS	3·62
37	Philippines	10·23	77	Hong Kong	3·62
38	Finland	10·20			
39	Iran	10·18			
40	Venezuela	9·58			

Rank	Economic Entity	$	Rank	Economic Entity	$
78	SHELL OIL	3·59	89	Vietnam, South	3·20
79	IMPERIAL CHEM. INDUSTRIES	3·51	90	Libya	3·14
80	BRITISH STEEL	3·50	91	Saudi Arabia	3·14
81	Korea, North	3·50	92	SWIFT	3·08
82	GEN. TEL. & ELECTRONICS	3·44	93	FARBWERKE HOECHST	3·03
83	NIPPON STEEL	3·40	94	UNION CARBIDE	3·03
84	Morocco	3·34	95	DAIMLER-BENZ	3·02
85	HITACHI	3·33	96	PROCTOR & GAMBLE	2·98
86	RADIO CORP. OF AMERICA	3·30	97	AUGUST THYSSEN-HUTTE	2·96
87	GOODYEAR TIRE & RUBBER	3·20	98	BETHLEHEM STEEL	2·94
88	SIEMENS	3·20	99	BASF	2·87
			100	MONTECATINI EDISON	2·84

Source: Lester R. Brown, World Without Borders, Table 1, pp. 214-15.
*The indicators used are gross national product for countries and gross annual sales for corporations. Though not strictly comparable (a value-added figure would have been more appropriate for industry), they are sufficiently close for illustrative purposes. Data for the centrally planned economies (excluding mainland China) and for the General Motors Corporation are for 1969.

Two major consequences can be identified as a result of the operations of MNCs in Malaysia. The first concerns political impact and the other non-economic considerations such as the threat to local autonomy, control and sovereignty. The other consideration or impact are the economic consequences. Here we could argue that MNCs have been innovative and catalytic in the setting up of new industries, transmitting management and technical knowhow and thus, it is argued, they are contributing to the economic growth of the host country. Taking both these consequences into account it is difficult if not impossible to compare the political costs with the economic benefits. This is because political costs such as the loss of autonomy, sovereignty and control are not qualifiable.

Melville H. Wathins for example is quoted as saying:
"....policy should be directed toward increasing the benefits from foreign investment and decreasing the costs. It is im-

possible to measure benefits in a precise way. There is always the problem that benefits are mostly economic while costs are political. How do you compare apples and oranges?"[3]

The task of evaluating the impact of MNCs is, therefore, rendered more difficult. The problem is further aggravated by the lack of data and the writers' inability to conduct some empirical work because of the time constraint. Perforce the writer has to rely heavily on information and other unpublished findings of other writers in the area. What is, therefore, proposed in this paper, bearing in mind these constraints, is a general discussion on some of the reasons for foreign investment and some observed economic and financial implications of MNC operations in general and their impact on co-operatives and consumers in the ASEAN region. This involves an appraisal of the impact on the economy in general and the financial implications in terms of investments, transfer pricing, capital flows etc. An attempt is also made to discuss some of the observed consequences for local consumers and co-operatives and possible strategies for co-operatives.

Reasons for Foreign Investments

It has been cogently argued that the prime motivating force for the transnational operations of MNCs is the search for "reasonable" profits; although what level of profits could be deemed to be reasonable would vary widely. In politically unstable host countries or where the industry is a high-risk area such as oil exploration and extraction the quantum of reasonable returns may be higher than for politically stable countries or low-risk industries such as, for example, the consumer durable goods industry. In order to obtain this, the MNC locates its production and marketing operations in any country that is willing to accept it and where resources can be effectively exploited at a cost that ensures the return of reasonable profits. The need to locate MNC operations across national boundaries largely arises because of a range of economic and social factors in the home

[3]Melville H. Wathins, Impact of Foreign Investments; The Canadian-U.S. Case, **Columbia Journal of World Business,** March-April 1969, 25.

Table 2

MOTIVES OF MULTINATIONALS.

(In Percentage)

Motives	Sources of Investments				Location of Investments					
	USA	Japanese	European	Total	Thailand	Malaysia	Singapore	Indonesia	Philippines	Total
1. Local market oriented motivations	52	59	43	52	74	57	21	34	61	52
2. Raw material oriented motivations	15	27	26	20	15	37	5	60	15	20
3. Low cost base oriented motivations	17	10	16	15	4	1	44	6	13	15
4. Regional base oriented motivations	8	1	11	7	4	—	21	—	4	7
5. Complementation motivations	1	1	1	1	1	1	2	—	—	1
6. Others	7	2	3	15	18	15	7	—	17	15
TOTAL (In Percentage)	100	100	100	100	100	100	100	100	100	100
Actual (number of enterprises in the sample)	259	111	74	444	111	70	102	35	125	444

Sourcc: Cited in Buu Hoan, op. cit. Data are based on a sample of 444 companies having their overseas investment in ASEAN countries, The statistics refer to enterprises established over the 1955-1970 (for Japan, 1960-1970).

country. For example, inflation and rising wages has made the low cost of labour in the ASEAN countries attractive. Apart from that the relative scarcity of factors of production such as labour in the home country and the limited markets available have prompted firms in developed countries to look elsewhere. This could happen, for example, where the local markets in the developed countries (e.g. the USA) is saturated thus requiring new outlets for their commodities.

It will be useful to quote a recent survey[4] where it was found that the following were reasons for MNCs to invest abroad:

(i) to make higher profits abroad;
(ii) to capture foreign markets;
(iii) to exploit raw materials found abroad; and
(iv) to take advantage of low costs of production.

It was also found that to achieve anyone of these objectives there must be a conducive investment climate. Buu Hoan[5] in a study lists the following factors in order of significance as constituting conducive climate for investments. (See Table 2):

(i) political and economic stability;
(ii) stable and disciplined labour force;
(iii) access to local finance;
(iv) ready availability of foreign exchange;
(v) stable currency value;
(vi) existence of joint venture partners;
(vii) government incentives especially taxation; and
(viii) duty free imports.

An examination of Table 2 shows that on an average 52% of the sample MNCs have been motivated because of local markets. In other words, the ability of MNCs to sell commodities to local consumers have partly motivated MNCs to operate in the ASEAN region countries.

[4]Lim Mah Hui, **Some Effects of Foreign Investments on Malaysia**, Persatuan Ekonomi Malaysia, unpublished.

[5]Buu Hoan, Asia Needs a New Approach to the Multinationals, **Asian Finance**, Vol. 1, No. 1, July 1975, p. 39.

Apart from that MNCs have also come about as an attempt to circumvent the foreign barriers to their exports. This has arisen largely because of nationalistic sentiments in developing countries to strengthen and build their own industrial capabilities. The imposition of tariff and non-tariff barriers against imports has induced foreign investment in domestic industries.

From the point of view of international corporate strategy MNCs have the advantage of borrowing from low-interest rate countries to finance working capital requirements in high-interest countries. Surplus working capital can be transferred to avoid paying the high interest rate in one country and at the same time to take advantage of expected fluctuations in exchange rates.

It is interesting to note that more recently the profit motive has, however, been questioned by several writers who argue that MNC motives may be to reduce overall risks and uncertainties. Cohen,[6] for example, points out that the Tobin-Markowitz theory implies that a low (negative) correlation between foreign and domestic risks can make foreign investments attractive even if the rates of return are lower and its risk is higher than domestic investment because foreign investment will reduce the total risk[7] of the particular MNC. In other words, by diversifying their investments in different countries the MNC is able to reduce total risk. This technique is widely used in portfolio investments where overall portfolio risk can be reduced by combining investments that are negatively correlated.

It, therefore, seems that there are many cogent reasons for MNCs' operations and they will continue to expand and develop as long as nations permit them.

Impact of the MNCs

Based on available evidence it is difficult to deny the fact

[6]Benjamin I. Cohen, **Multinational Firms and Asian Exports**, Yale University Press, 1975.

[7]If Y is the variable such as sales or profits and p is the proportion of Y in country M and 1-p in country N. Let r be the correlation between Y in country M and Y in country N. If the variance of Y in country M is σ^2_1, and in country N is σ^2_2. The total variance of Y is σ_{1+2}^2 then;

$$\sigma_{1+2}^2 = p^2 \sigma_1^2 + 2p(1-p)\, r\, \sigma_1 \sigma_2 + (1-p)^2 \sigma_2^2$$

that foreign investments must have had a significant role in economic growth for countries in the ASEAN region.

In Malaysia the Mid-Term Review of the Second Malaysia Plan, 1971-1975, indicates that for 1970 in the corporate sector for agriculture foreigners own 70.8% and for industry 57.2%. Direct foreign investments account for about 12% of total Malaysian investments, the main sources of these investments being the United States, the United Kingdom, Singapore, Japan and Hong Kong. Through the mechanism of pioneer status foreign firms are given tax holidays of five years or more and tariff protection. Import duties and taxes on certain approved items have been waived, allowances for expenditure on capital equipment have been extended, labour utilisation reliefs have been provided and investment tax credits are granted to approved companies not enjoying pioneer status.

Similarly, in Indonesia, the government has encouraged foreign investments by establishing an agency for Investment Co-ordination and by signing investment guarantee agreements with the home countries of the MNC. Basic foreign investment incentive was increased by the 1970 Foreign Capital Investment Law. Corporate taxes were lowered and tax holidays liberalised. Other incentives include liberal capital depreciation allowances and tax concessions on capital expenditures. The two most important sources of foreign investments in Indonesia are the United States and Japan.

In Thailand the tax holidays for foreign investments have been increased from five to eight years with a further exemption from 50% of the tax liability for a further five years. Import duties on equipment and machinery for certain industries particularly those exporting industries are waived. This is probably due to the government's emphasis on export promotion schemes. Tariffs on components and machinery are low. The main source of foreign investments in Thailand is Japan which accounts for about 43% of the total investments, while Taiwan accounts for 18% and the United States 10%. Most of these investments seem to concentrate on the light industrial sectors utilising capital intensive techniques.

Singapore's attitude towards foreign investment appears to be more positive than that of her ASEAN counterparts. The creation of the Economic Development Board which provides investment feasibility studies and technical consulting services has given an added impetus to foreign investments. Apart from that Table 2 shows that 44% of total investments in Singapore is due to the low cost base oriented motivation. There are minimal exchange controls and low taxes coupled with ease of profit remittances and capital repatriation. There are also similar depreciation allowances and tax holidays. Import barriers are waived for pioneer industries. In particular, however, the government has offered incentives to skill-intensive, export-oriented industries with high technological content. Apart from that Singapore has enjoyed a stable economic and political environment with a well-developed capital market. The main sources of foreign investments are Japan and the United States.

In the Philippines the incentive schemes are geared towards labour-intensive and export-oriented industries. Taxes are moderate and there are liberal regulations on profit remittances and capital repatriation. Under the Investment Incentives Act 1968 tax credits for locally purchased equipment and accelerated depreciation of fixed assets are included. Tariff barriers are high and non-tariff import restrictions are very stringent in order to protect local industry. The main sources of foreign investment comes from Taiwan and the United States.

Having briefly examined the situation of the ASEAN countries one point emerges, viz. there is a deliberate attempt to encourage foreign investments. Apart from that foreign investments constitute an important source of total investments. As such it would be difficult to deny the fact that foreign investments must have had a significant role in economic growth and have accelerated the rate of growth in the manufacturing sector and the GNP. This has, of course, largely arisen because the MNCs have brought in the form of one package new technology, capital, knowhow and management. Equipped with these essential elements the MNCs have been able to effectively exploit the resources and markets in these countries. Prior to this there was widespread under-utilisation of resources particularly land and labour.

Nonetheless there have been some qualification to this growth phenomenon. The various incentives such as tax relief, exemption on profits, accelerated depreciation allowance, duty-free imports of locally unavailable machinery, outright financial subsidies, and tax holidays, to name a few, indicates that ASEAN countries have been deprived of some of the gains that could have accrued from growth. Moreover, providing such incentives is itself not costless, and the costs may become quite substantial if the countries compete among themselves to attract foreign investment.

The other oft-repeated argument is that MNCs have reduced unemployment. This argument has been refuted by several writers who argue that the MNCs employ capital-intensive technology and even if they do increase employment this is short-lived as they tend to retrench labour just as quickly. The electronics MNC industry in Malaysia, for example, is cited as a culprit. Moreover the creation of some employment is sometimes at the expense of employment in traditional undertakings, so the net employment effect may be negative. This creates another set of problems. Apart from dislocating traditional undertakings, the net employment effects may also be negative if 'foot-loose' MNCs retrench workers and cease operations.

There is also increasing evidence to suggest that in some cases the technology brought in by MNCs has resulted in a relative decrease in the expansion of employment. Studies[8] have shown that in Mexico, for example, the rate of increase in total production in the 1960s was double that of the rate of increase of new employment. This can probably be attributed to the MNCs' preference for increasing use of labour-saving techniques in production. In such cases too the MNC is not providing external economies in the form of technical training and skill formation. It can also be argued that as more of the output in production is due to capital-technology resources the proportion of the amount of income going to owners of these resources will also increase. Obviously such a trend will accentuate the problem of unequal income distribution.

From a macro point of view the impact of MNCs depends to a large extent on the financial aspects of the MNC's operation. By this I mean the MNCs policies on how they distribute their

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[8]Rolen Miller, The Multinational Corporation and the exercise of power: Latin America, in Abdul R. Said and Luiz R. Simmons, *Editors, the New Sovereigns, Multinational Corporations as World Powers*, Prentice-Hall, New Jersey, 1975.

products and what they do with their proceeds. In manufacturing for export and raw material extraction which is probably the two most significant areas of MNC operations, the practice is to sell the products abroad and the profits are repatriated to the foreign shareholders. Studies have shown that foreign firms tended to invest a smaller proportion of their profits in the countries than do domestically-owned firms. Unless a larger proportion of profits are re-invested for expansion locally the MNCs contribution to the sustained growth of the economy is suspect.

Moreover there is increasing evidence[9] to indicate that contrary to common belief MNCs do not bring into the host countries unlimited financial resources but rely to a great extent on local host countries sources. This practice adversely affects domestic undertakings that now have to compete with established MNCs that have a far superior credit rating and financial resources back-up for finance capital. Naturally the local financial institutions with limited capital resources and risk-minimisation policies will favour lending to the MNCs. This could, therefore, stifle the growth of domestic undertakings and further widen the gap in the competitive advantage of the MNCs over domestic industries.

It should also be borne in mind that a number of local financial institutions such as the First National City Bank, the Bank of America and several other British and Japanese banks are in fact subsidiaries or branches of private multinational banks. These banks have shown a tendency to favour lending to MNCs and this can be attributed, as pointed out, to the better credit rating and superior back-up resources of MNCs. But, more important still, there are interlocking interests of common management, control and technical personnel in the groups that control banks and MNCs.[10] The comparative strength of MNCs to obtain finance gives it the added advantage of eliminating local competition and at the same time checking potential new competition.

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[9]Abdul A. Said and Luiz R. Simmons, Editors, **The New Sovereigns, Multinational Corporations as World Powers,** Prentice-Hall, Inc., New Jersey 1975.

[10]See John M. Blair, **Economic Concentrations: Structure Behaviour and Public Policy;** Harcourt Brace Jovanovich, Inc., New York, 1972.

The widely held view that MNCs have a favourable impact on a country's foreign exchange earnings in order to build infrastructure and obtain capital goods, is also doubtful. A case in point is the Penang Free Trade Zone (in Malaysia) in 1973 and 1974. The value of exports produced by the MNCs in the Zones was less than the value of imports thus resulting in negative value added and foreign exchange loss for those years. In any case, more recent and comprehensive data would be required to form any conclusive evidence. Apart from that ASEAN countries have set up protective tariffs to protect local industries from foreign competition. To encourage foreign firms to invest within this protective wall they are allowed to purchase equipment and components duty free coupled with accelerated depreciation, tax exclusions and tax credits for capital expenditures. These schemes may result in greater demand for scarce foreign exchange as demand for imported equipment and components replace or even exceed the earlier demand for the imported finished goods.

It is also clear that the financial operations of MNCs must have some implications on the host countries' balance of payments. Supporters of MNCs argue that MNCs have a positive impact on the balance of payments. The argument being that the MNCs operations have reduced imports and increased exports. This reasoning has to be viewed with caution because some of the sales of MNCs as exports are in fact 'intra-company transactions' whereby the exports are sold to other MNC subsidiaries in other countries. In accounting terms the price of an intra-company transaction is called the transfer price. Unless the transfer price is not understated and reflects the true market value of the good being exported to another member of the MNC this practice can be detrimental to the balance of payments situation.

Transfer Pricing

The technique of transfer pricing is one of the ploys that MNCs have used to affect the distribution of income between countries, to influence the level of their tax burden and the volume of funds repatriated. Shulman[11] describes the following hypo-

[11]James Shulman, "When the Price is Wrong—By Design", **Columbia Journal of World Business**, May-June 1967.

thetical cases which illustrates the opportunities available through transfer pricing:

1. When the host government attempts to restrict dividend remissions, the transfer prices of raw materials and semi-finished imports can be increased. As a result of this a de facto profit repatriation results.

2. In certain countries where income taxes are low, the goods are shipped to them at lower prices. In this way the MNC can take advantage of low tax on higher profits.

3. Where certain countries have high import duties goods can be shipped to them at lower prices.

4. Where certain countries exhibit unstable political conditions there may be a need to minimize the amount of cash held in those countries. This can be done by using a low transfer price on exports thus reducing the cash flowing into that country.

In broad terms, therefore, the transfer pricing ploy can help serve some of the overall goals of the MNC. One wonders if tax exemptions were of any real significance for the MNC bearing in mind that some of the MNCs could merely adjust its transfer prices, if the host country attempted to impose taxes on its profits.

Some Consequences on Local Consumers

Data on the proportion of consumable goods that are sold and imported by MNC is lacking and renders any meaningful analysis in the area difficult. One can, however, talk in very general terms and point out that this seems quite significant. A brief survey of the Malaysian market indicates that several MNC firms have made considerable inroads into the consumer and durable goods market. These MNCs through sheer economic strength in terms of superior knowhow, technology and capital have been able to command a fair share of the market. A survey of twenty households in Petaling Jaya, Malaysia, for example, indicated that more than 50% of the household expenditure per year were for consumable and durable goods produced by MNCs.

One of the most pervasive techniques used by these MNCs to control the consumer is through sophisticated marketing strategies which create a psychological dependence on the part of consumers for their products. In this way they can literally dictate the prices of their commodities. Under these circumstances, it would seem that these MNCs control the needs and aspirations of local consumers rather than vice versa!

The detergent market can be singled out as a case in point on the local Malaysian scenario. The price of the product 'Breeze' (large product) was increased from M$1.50 in 1970 to M$2.10 in 1975. This is an increase of 40%. Lux soap (per packet) was increased in price from 40 cents in 1970 to 65 cents in 1975. This constituted a 62.5% increase in price. No doubt price increases are necessary because of rising costs due to inflation but these increases seem to be rather on the high side. The net result of such practices is that the consumer bears the brunt of the price increase. With wage increases lagging behind the rise in prices of commodities the consumer is hard hit. Moreover the writer suspects that a large proportion of the advertising costs for these products are passed on to the consumer in the form of higher prices.

As pointed out earlier the MNC's ability to keep out local competition through the sheer size of its resources and superior marketing strategies have deprived local consumers of cheaper commodities of probably equal quality from domestically based industries including co-operatives.

Role of Farmers Co-operatives

For a start let us briefly develop a taxonomy to classify different types of co-operatives according to their main economic functions. Purchasing associations or group purchasing of farm requisites is normally the first type of economic activity that emerges in the rural areas. These associations may be subsequently developed into joint buying and selling agencies for farm members. The other type of co-operative deals with joint marketing of farm products. The existence of strong middlemen makes the formative years of these co-operatives precarious. The co-operatives require a substantial volume of initial capital and adequate institution credit facilities to develop into viable marketing co-operatives. The third type of co-operative involves farm credit which can facilitate technical innovations for traditional farm undertakings. These credit co-operatives can help reduce the reliance of farmers on middlemen who not only charge high rates of interest but also compel farmers to market the produce through them. All these three monofunctional types of co-operatives sooner or later tend to become multipurpose co-operatives if their initial operations are successful. These multipurpose co-operatives engage in a wide range of activities ranging from buying and selling to marketing, credit and even production.

This brings us to a different form of rural co-operation which is concerned with the production process itself. Invariably co-operatives that engage in production also undertake marketing, credit and buying/selling operations. These production associations can be classified into two broad categories. In the first category, joint production decisions and common operations are undertaken without affecting the autonomy of the individual farm units and in the second category the association is characterised by the merger of individual farms. Productive co-operation in the first category can range from informal arrangements involving selected aspects such as pooling of equipment to complex systems to joint management of key operations. Irrigation and machinery are normally operated jointly because of technological requirements and operating economies. The second category is more complex and difficult to operate because of the reluctance on the part of the farm owner to sacrifice their autonomy for some sort of centralised "authority".

The protection that these co-operatives can give to its members in the face of MNC operations seems to be minimal. This is because of the MNC's superior marketing and competitive strength. The MNCs are able to literally dictate prices and the quality of commodities. If co-operatives hope to protect their members it is indeed probably in this direction that they should aim towards namely to be more competitive. In order to be so, co-operatives have to meet the following necessary requirements:

a. Production knowhow
b. Commitment of producer members
c. Larger organisational structure
d. Modern consumer oriented marketing
e. Efficiency in operations

f. Proper strategic planning

Each of the members of the producer co-operatives must have both management and technical skills to compete in production. Apart from that the production techniques devised and used should be up-to-date and probably subject to operational research analysis. The quantity, quality and timing of output has to be co-ordinated and scheduled in order that there is a steady supply to meet market needs i.e. orderly marketing. This will also avoid a glut of produce at any one time. Secondly the producer member should deliver all his produce to the co-operative and obtain the supply of his technical and financial inputs through his co-operative. The co-operative will be able to buy in bulk the supplies and probably enjoy quantity discounts. Thirdly in order to be competitive there is need for a few large regionally based multi-product, multi-service co-operatives. With the larger organisational structure most decisions especially pertaining to finance and marketing need to be centralised. Fourthly, co-operatives need to be involved in modern consumer oriented marketing. This will involve the generation and intelligent use of market information. For example, the product classification, product life cycle, quantity, quality, packaging, pricing, sales records and competition need to be known. The prices charged should be competitive and all other things being equal of lower prices than those charged by MNCs. There is also a case for some form of advertising, merchandising and sales promotion. The use of research and development should seriously be considered because of the need for new product development and major modifications of existing products. Fifthly, co-operatives need to perform efficiently in terms of the management of working capital and the management of human and other resources. Of particular interest here is the management of finances. All too often, co-operatives lack the expertise and knowledge of a prudent financial management policy. Proper budgeting and cash flow analysis coupled with efficient management of working capital are prerequisites for successful co-operative operations. Proper management of debtors, creditors, inventory and cash are but a few of the areas that need careful scrutiny and surveillance.

Finally the aspect of proper planning is crucial for the survival and growth of the co-operatives in a dynamic business environment. In order to formulate strategic plans a very simple technique called 'gap analysis' can be usefully employed. This is shown in the diagram below:

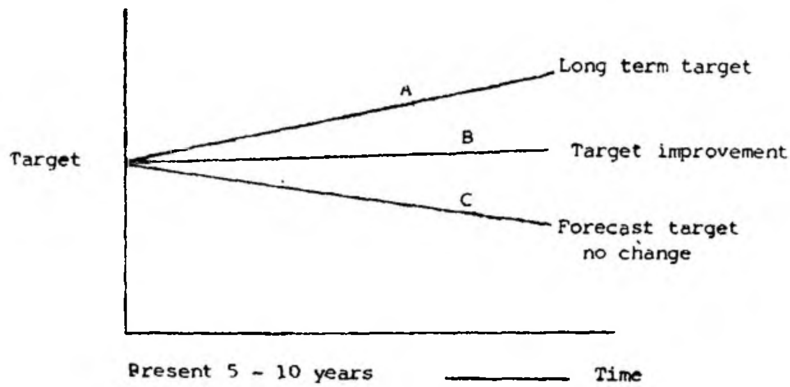

Figure 1: *Gap Analysis*

The first line (A) is the co-operative's long range target.[12] Next the target forecast (C) of the co-operative is drawn based on the assumption that there are no changes to the co-operative's sphere of operations. In other words, the line depicts what the co-operative expects, given the present size of operations, technology and market share. If co-operative targets have been well thought out there is likely to be a gap between what is required (A) and what is currently expected (C). The line (B) in the middle shows the level of improved targets which might come from making alterations to the strategies of the existing sectors (technology, financial marketing etc.) of the co-operative. The difference between the best that can be produced from current operations, that is the target improvement line and the long term target line, is the important gap for the strategic plan. This constitutes the additional income that the co-operative must find from various alternatives open to it; this is in fact

[12]The target or objective may be, for example, a stated surplus, market share etc.

the area of co-operative strategy which is similar to corporate strategy.

The next phase is the formulation of strategy. Every co-operative has several alternative lines of action. For example, it can diversify its crops, use more intensive methods of operation, sow better types of seeds, apply more fertilizer, irrigating and the like: or it can introduce a more aggressive marketing strategy. The co-operative has the choice of any one or combinations of any one of these or other lines of action. Co-operative strategy would involve an evaluation of the various alternatives open to it and a selection of what appears to be the best course or courses of action to take. In making this decision the decision makers should have regard to the co-operative's strengths and weaknesses and long range trends that the co-operative forecasts for the business environment.

While co-operative objectives are important criteria in the selection of the appropriate course of action due consideration must also be given to risk and uncertainty. If the co-operative feels that it is too dependent on two or three products it may decide to spread its risk by going into other products although the returns may be less, in order not to jeopardise its long term future. The alternative courses of action that can be undertaken by farmers co-operatives, for example, can be explained in terms of the following matrix: (see p. 24).

a. Improving the performance of existing products in existing markets. Putting more sales effort behind the products or changing marketing strategies (advertising, price, etc.)

(Note: The customers/market can include both members and non-members).

b. Marketing new products in present markets. For example, the present products may be vegetables and the co-operative introduces poultry products that can be sold to the present members and other existing customers.

c. Finding new markets for existing products. For example, finding new customers or expanding geographically. This can include expanding membership.

d. Marketing new products for new markets. In this case the operations of the co-operative moves into something entirely new such as from tobacco production to potato chips (diversification). Both the product and market are new.

PRODUCT / CUSTOMERS OR MARKET	PRESENT	NEW
PRESENT	(a) Market Penetration	(b) Product Development
NEW	(c) Market development	(d) Diversification

Figure 2: *Growth vector alternatives available to the Cooperative*

What alternatives to select will depend partly on research and development efforts, the resources of the co-operative and the opportunities available. The aim, therefore, is to strengthen the co-operative's competitive power vis-a-vis the MNCs to achieve the objective which might include, among others, low prices for members and a longer surplus for the co-operative as a whole. Through efficiency and sophisticated marketing techniques the co-operatives can not only increase productivity but also redistribute income in favour of the members through enlarged patronage refunds. In short, what is suggested is that co-operatives acquire some of the features of their MNC counterparts. These features include capital, technical and managerial resources of a high calibre including a systematic approach to long term planning. Proper and dedicated leadership in the co-operative is obviously a prerequisite if the co-operative is to survive and grow. Assistance should also be actively sought from the government. There is no reason why governments cannot consider incentives such as credit facilities, tax holidays and import restrictions for some of the co-operative produce.

Obviously there are certain commodities produced by MNCs that cannot be produced by co-operatives. For consumable goods in particular there is a possibility of bulk purchases at lower prices and subsequent repacking for sale to members. This could avoid sophisticated packaging costs, advertising costs and distribution costs. Assistance can probably be sought from the various governments in the negotiating process with the MNCs concerned to purchase unpacked consumable commodities in bulk. After all, in several of the ASEAN countries the governments have shown interest and supported the co-operative movement.

Summary

The MNC has developed to be one of the most remarkable phenomena of the 20th century. Its supporters see it as a natural and desirable instrument for the transfer of technology, know-how, management and capital to underdeveloped countries. Its critics, on the other hand, view it as an exploitative agent that has drained underdeveloped countries of much needed economic growth potential. The writer's view on MNCs takes a more balanced approach towards the whole question.

There is no doubt that the MNCs are a reality and have been able to introduce better technology and knowhow into production thus increasing productivity. The charge that MNCs have only brought old established technology has to be proved and there is no evidence to suggest this has been a common phenomenon. Where the introduction of capital-technology resources increases the disparity of income distribution, progressive taxation policies can be effectively employed to counteract these trends.

There is an urgent need to compel MNCs to reinvest a proportion of their profits locally if there is going to be a check on the flow of resources out of the country. This is rendered difficult because the profits stated are sometimes the function of the transfer pricing techniques used. Some attempts should be made to require proper disclosure of transfer prices and these prices should reflect the true market value of the goods. Unless these measures are taken there is a possibility it may affect the balance of payments position.

The powers of the MNCs in terms of sheer economic strength and superior marketing strategies have given them a near monopoly on certain consumer commodities and durables. The costs of advertising are passed on to the consumer who is also the victim of the advertising campaign. Local industries need to be encouraged to compete more with the MNCs and this can be achieved through incentive schemes for selected domestic industries. Tax holidays and better capital allowances surely should not be the sole right of MNCs. The scope for co-operatives to undertake some countervailing measures is promising. This will require that co-operatives adopt a more aggressive attitude and improve their competitive position.

In summary, therefore, the advantages MNCs offer can be substantial but there is need to regulate and control them to achieve national socio-economic objectives. The laws that are passed and the policies developed by governments should be such that while they encourage MNC operations they also gear the investments towards the task of achieving economic growth and not at the expense of the consumers and farmers. Surely there is scope for the government and the MNCs to arrive at mutually satisfactory arrangements.

Finally, it should be borne in mind that MNCs did not force themselves upon the less developed countries but are in fact invited and encouraged through a number of incentive schemes. Evidence suggest that the existing investment pattern of ASEAN countries' industries is what the governments have legislated for. It falls on the governments, therefore, to formulate policy and provide economic incentives and regulatory measures that will gear foreign investments towards achieving political, social and economic objectives.

M.V. Namjoshi*

Impact of Multinationals on Consumer and Farmers' Cooperatives

General Perspective

This paper attempts to present the broad essentials of the Indian experience regarding co-operatives on the one hand, and multinationals and other forms of private business, on the other. This experience is naturally of importance in planning lines of future action and in judging the fields in which co-operatives have the best chance.

Let us clear the decks before we present the facts. This we do by defining the categories of organisations on which we focus. We also indicate briefly their general characteristics.

A multinational enterprise may be defined as one that has activities in more than one nation, as well as a minimum size. It is interested in more diverse markets than a national firm both on the inputs and outputs side. The research and development advantage is more likely as multinationals usually get to know of and react correctly to ideas and innovations produced in many parts of the world. It has the opportunity to choose the most favourable markets for its product lines. The Singer Company, for example, knows that its sewing machines can bring an optimum return in a lower middle income economy with sufficient population concentration. India, therefore, offers a reasonably good market. Selling fabrics and related soft goods with sewing machine stores and giving machines on hire-purchase has been found more advantageous than selling miscellaneous consumer hard goods in some European markets. Brand images are effectively used by multinationals whose names

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are household words in India as elsewhere. They tend to be more aware of environmental change. They can adopt more scientific product and pricing policies as well as financial and labour policies.

At the same time, they have to face national controls and also national prejudices. They may also have to face organised international action. They have problems of devising franchise systems and of high personnel and wage costs. The so-called advantages of scientific management may have counter-balancing disadvantages. Further, it is also possible that other forms of organisation may possess local roots and contacts that are not available to the multinationals.

Multinationals are not a separate legal category in India. Foreign business is. The category (multinationals) is a significant sub-class because under the Foreign Exchange Regulations Act (FERA) companies that are asked to Indianise have the option of closing their business in India. Here the reaction of the multinationals is more vigorous than that of other types. A company like Brooke Bonds would protect itself by investing heavily in India and showing that it does not lose the country foreign exchange. A company like Parke-Davis may refuse to continue production because it knows that its knowhow and facilities cannot be cheaply duplicated. A company like IBM may take the same view. The consumer goods companies and the pharmaceutical companies which have both a consumer orientation and a high technology orientation thus present rather difficult problems.

We must, however, anticipate our latter argument and indicate even at this stage that multinationals represent not only a problem but also a promise. The multinationals are not only adjusting themselves to some (though not all) of the requirements of the host governments but are also so well aware of technological horizons and possibilities that they are quite capable of consolidating their position in several fields.

Alternative Solutions

If the problems are to be avoided several alternatives have to be considered. Putting these in general terms there is the possibility of nationalisation of existing multinationals, either immediately, or, as has happened in some well-known cases in India, after having secured some weakening of their bargaining position through public sector development. The alternative of involving local directors, local executive personnel, and local shareholders in the subsidiaries of the multinationals can be encouraged by legislation, but creates local vested interests. Some co-operators have been thinking of other possibilities. These include various forms of limitation on the return to capital through appropriate modifications in Company Law to be made applicable to foreign companies. Further, various ways of securing autonomy for the local subsidiaries of multinationals are being thought of by legal experts so that both local managerial autonomy as well as national interests are protected. There is no doubt that the multinationals are undergoing and will undergo a process of transformation. This process may not be as widespread as is desired, and many dangerous elements may persist. It is, therefore, necessary to note carefully as to how local interests are affected and which local interests gain in the process. Gains could accrue to labour, consumers and to ancillary capitalists, or to directly involved capitalists and executive personnel, or to government, or any combination of these. The process of transformation may take place either through buying over of shares or by the passing of new legislation and modifications of industrial policy. The pressure of competition from national ,public, cooperative, joint sector or private enterprise can, of course, make an important difference.

Having defined the multinationals and indicated some of their characteristics, we proceed to do the same for the co-operatives. While a multinational is basically a profit-oriented organisation, a co-operative is an organisation interested in rendering services to its members and in limiting the power of capital. At the same time it is a legally incorporated body which can own property and act in the same way as an individual or a company. It also has considerable freedom in interpreting as to what are the interests of its members. Thus even the pure co-operative is both an association and an enterprise (and further, as we shall see below, in some developing countries it also has few characteristics of a public corporation). It is an association of persons, often of limited means, who have voluntarily joined together to achieve a common economic and through the formation of a democratically controlled organisation making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking. The co-operatives, like the multinationals, are in a process of transformation. This transformation takes them in the direction of more autonomy for the management as against the members, both in large co-operatives and federations of co-operatives. In the developing countries State aid and intervention in the interest of achieving technical and social horizons is also modifying the co-operatives. There are important possibliities of retaining the original character of co-operatives while accepting some of the strengths coming with the new developments. The co-operative, as a juristic person, stands in between the joint stock company and the public corporation, and is uniquely suited to certain fields of activity. It is necessary to consider briefly the nature of the interaction between co-operatives and private business so that its strengths and weaknesses are brought out.

Private Interests

A co-operative is confronted with private interests both outside the co-operative and within the co-operative. Outside the co-operative we have multinationals, large business, and small business all having different types of strength, state support and claims to social consideration. The co-operative may find itself either competing or combining with all of these or one or more of these. Looking at the matter internally all members of the co-operatives are private interest in their individual capacity and may not loyally supply services or goods to the co-operative if their self-interest dictates otherwise. Taking Indian illustrations, there is also the possibility of vested interests like master weavers in handloom co-operatives, contractors in labour co-operatives, traders in marketing co-operatives, large farmers in processing co-operatives and moneylenders in credit co-operatives, penetrating these organisations and using them for their own purposes, thus achieving an accommodation biased in their favour. There is also the problem of the weaker sections among the members who would enjoy government support and can well become a drag on the organization, if this social responsibility is not precisely compensated by appropriate subsidies. Thus, internally also it is necessary for the general interests of the members to be kept firmly in the forefront rather than individual or sectional interests of members. Though a co-operative is meant to serve its members it is also an association that must control them. In sum, the co-operative must try, where necessary, to allow appropriate incentives and must clearly identify the extent to which it can subordinate the role of capital while accepting the market valuation of products and services, thus accepting the market as an institution while rejecting a dominant role for capital. The development of complex organisations in particular fields, which may include public, private, co-operative and joint stock organisations at various levels, has to be thought of in this context.

In this paper we are concerned with the possibility of large co-operatives and co-operative federations becoming an alternative to the joint-stock form of organisation in the processing field. We have, therefore, to note changes in multinationals and in the joint-stock form as handled by multinationals as a potential competition. Multinationals at their best can combine the advantages of vertical integration, i.e., of appropriate scales at every level, with the advantages of regional specialisation at all stages of production. Theoretically, the co-operative can not only achieve this but they can do more, because they would share the gains better with consumers and farmers. A good policy would have to be built on a careful evaluation of multinational strengths and weaknesses both as they exist now and as they would be after assuming different government policy changes. Among other measures, such an approach would involve identifying priority areas for co-operative expansion, as well as for management reform of co-operatives. We require an international plan of co-operative development that will modify co-operatives so as to make them more efficient while preserving their social character.

Middleman's Role

It is currently argued by some experts that multinationals play the role of middleman as between two countries by matching the respective requirements and contributions and thus expanding production rapidly. A middleman's role usually represents both essential services as well as opportunities to exploit. Given proper co-operative organisation, the former can be provided by co-operative organisations and the latter can be eliminated.

Having noted the essential character of multinationals and co-operatives, we proceed to review the attempts made by co-operatives and by private enterprise, including multinationals, to develop various sub-fields in the processing of agricultural products in India (Section II). In Section III and Section IV we review the services given by co-operatives and private business, respectively, to consumers and farmers. In Section V we consider their respective services in the export field which enables us to estimate the general benefit to the nation from these different types of organisation. In Section VI we indicate the possibilities of action open to the co-operative movement at the international and national levels.

II. The Interaction of Private and Co-operative Business

In this section we present broad facts that describe the progress made by co-operatives and by private business, especially multinationals, in different fields of processing. The degree to which a particular sub-field has been developed in terms of the available resources and the social effects of this development are noted. Thus, both the progress of production and impact on farmers and consumers receive attention. Both multinationals and co-operatives are controversial organisations, both have lobbies attacking and defending them. The progress has, therefore, to be carefully judged, and indices balanced against each other. If, for example, co-operatives have served the farmers but not the consumers, their progress could not be taken to be satisfactory. The balance between the consumer interest and the farmer interest is crucial in the processing field. Effective marketing and scale of organisation affect consumers, and the number, size, etc. of farmers whose business is transformed as a result of processing development have to be taken into account.

It will be seen that a direct confrontation between multinationals and co-operatives in the sense of both being interested in the same type of production is confined in India at present to a very few fields like the export of prawns and shrimps, producton of milk powder, and in a few items trade in which has been or could be canalised. A confrontation could arise in future, though this is unlikely in the context of the policies adopted by government, in the fertilizer and agricultural processing industry machinery field, in both of which co-operatives have entered. It is the potential action by the multinationals and by large business in the processing production field that has to be considered. There is, of course, a more general confrontation between private business (including multinationals) and consumer co-operatives that extends to all fields but is of a limited character. (We consider this in Section III below.) In this section we are concerned with indicating in descriptive and organisational terms the relative positions of co-operatives and multinationals.

Milk and Livestock

Let us first consider the field of milk production and livestock development. The low per capita consumption of milk, the low per animal yield, the excessive numbers of animals and suitable climatic conditions and the active demand for milk and various end products all indicate a vast scope for development.

While there is scope in this field both for multinationals and co-operatives to demonstrate their respective strong points, there is also a struggle.

There have been some outstandingly successful examples of development of this field in the co-operative sector. One such example is the Kaira District (Gujarat) Milk Producers' Society (Amul). Polsons, which operated in the same area, received a set-back as a result of this development. Many end milk products of a sophisticated quality, e.g., Amul Cheese, were first produced from buffalo milk by Amul in India. The Amul experience is now being used as a model for dairies in other Indian States wherever milk-shed areas of a sufficient size are available. Some co-operators as, for example, the cooperative dairies associated with the sugar factories in Maharashtra claim that they do better than the Amul pattern because they pay higher prices for the farmers' milk and bother less about infrastructure services. They claim that in consequence, they do not have a heavy over-head and, therefore, provide better incentives for the small man with a couple of cows or buffaloes.

Generally speaking, the multinationals have gone in for relatively small dairies rather than for general programmes of area development through livestock development. Cadburry, for example, have been able to increase milk yield per animal threefold due to a cross-breeding programme undertaken on a limited scale to secure their own supplies.

The example of Nestles dairy development in the district of Moga (Punjab) is in a sense comparable in impact to the Amul type organisations. In 1958, the Indian Government was already quite aware of the importance of developing the dairy products industry in ways suitable for India. It negotiated with Nestles the creation of a dairy district with a plant in the Moga region, Punjab, north-west of Delhi.

For generations, the local Sikh peasants had kept herds of young she-buffaloes giving a fat-rich milk for their own consumption. The rural population was very active and ready for innovation. In 1961, the plant started and delivered 500 kg. of milk. Ten years later, it received daily 75,000 kg. from 14,000 farmers in 300 villages. This little revolution took place side by side with the green revolution in agriculture in the area. The location of the experiment was in this sense significant.

The start of the project gave rise to the organisation of an efficient milk collecting system in the villages with grouping points on milk roads supervised by veterinary surgeons and agronomists in charge of technical assistance. This helped the development of irrigation and the betterment of the breeding and health of the buffaloes. Within some years the herds tripled, thanks to loans granted by the Moga plant.

Nestles have also undertaken similar development in Mexico, where they have negotiated a tripartite agreement with a local bank and a farmers' concern. In Mexico, as in India, the attempt was to link the white revolution with the green revolution. Moga was the centre for the green revolution in wheat also. Within 15 years electricity had arrived, roads were tarred, and farms mechanised.

The scale of operations of the co-operative dairies is much greater than that of the multinationals in the dairy business, except in the limited matter of marketing products like baby food, milk drinks etc. Amul has been a sensational success in the marketing of milk, but has depended on a private sector firm (Voltas) for marketing some of its end-products. There have also been some controversy on supply of machinery for dairies by multinational rather than Indian producers during Stage I of Operation Flood. It should be possible for the co-operative sector to enter the field of dairy equipment manufacture. Progress has already been made in the manufacture of end-products.

Fisheries and Poultry

In the fisheries field we find illustrations of the multinationals dominating the export field with the co-operatives struggling for entry.

The exports of all processed foods amounted to Rs. 2720 million in 1976-77, of which Rs. 1780 million or about 65 per cent was earned through exports of marine products such as fresh and frozen fish mainly prawns, shrimps and other sea foods. The major buyers are the U.S.A. and Japan, with France and Australia also having a small share. In 1976-77 Japan was the largest single buyer and bought mainly prawns and shrimps from India. Thus, in the important field of external marketing we find the multinationals dominant (Union Carbide, Britannia, etc.) while in the internal field the co-operatives are important. The entry of multinationals and big houses in this field was possible because the exported goods can easily be sold at higher rate thus giving a multinational a choice of the country in which to make profits. One big house had an interest in manufacturing trawlers while two controlled general export organisations reacting on a short-term basis to export incentives.

The public sector could also undertake manufacturing of trawlers and collaborate with the co-operatives but this line of action was not developed. The co-operatives attempted to purchase trawlers and entered this difficult field. Some of the initial efforts have, however, failed. This can be brought out by three illustrative cases of Maharashtra. This includes the important case of Ratnagiri. This was based on former experience and meant chiefly for export and had all modern equipment including a freezing complex but remained under-utilised. The multinationals and the large houses could purchase the fisherman's catch on the high seas and member loyalty became a difficult problem. It may still prove possible to modify incentives and practices in line with fishing community traditions and to achieve success. This would, however, require more careful organisaton and policy support than has been available so far. The success of the scheme and the repayment of the loans were based upon anticipated minimum catch and delivery of fish by the boat groups.

Unfortunately, for various reasons, the expectations were belied. The administration of the projects was entrusted to the district-level fishery federations. These federations were expected to exercise adequate supervision with a view to ensure availability of fish necessary for at least repayment of the loan instalment. This could not materialise. The government has now permitted the entry of large houses on condition of 100 per cent export as well as restrictions on employment of foreign personnel. Tata Oil Mills have launched large-scale operations in Bay of Bengal and expect to export their entire catch to Thailand and other countries in South-East Asia. The Company will be chartering 25 fishing boats from Thailand for one year. This sort of pioneering based on assured markets, international co-operation and provision of employment opportunities in the Andaman and Nicobar Islands illustrate the type of pioneering that the co-operatives could emulate. However, co-operatives have not progressed much beyond mechanisation of small boats and have really still to go into deep sea fishing on a large scale.

In this context, the technological breakthroughs in large-scale breeding of prawns under controlled conditions that have been achieved by government organisations are also of great importance. Semi-commercial hatcheries for prawns seed are now a viable proposition in India. New feeds have been developed for feeding different stages of the larvae and aeration and circulating methods have been experimented with. The backish water areas are zones of mixing of sea and fresh water. Similarly, extensive backwater, mud flats and mangroves can be developed. Availability of electricity and proper infrastructure facilities make it possible to combine hatcheries with fishing operations. The gross income estimates range from Rs. 15,000 to Rs. 35,000 per hectare assuming an expenditure of Rs. 5,000. It is expected that about 2,000 kg. of fish and prawns can be easily produced in one hectare. The resource potential in the fisheries field enables us to identify it as a priority field for co-operative development.

In the poultry field, as in fisheries, we have a wide variety of enterprises operating on a large scale, including multinationals, big houses, rich individuals and co-operatives. However, in the important matter of developing hatcheries and introducing new strains it is the multinationals and the large houses that have the lead. The contracts offered by public sector bodies like MAFCO in Maharashtra for marketing of poultry products and the supply of feed are not sufficient to meet the technical and social challenges that the field presents.

Oilseeds

In the important field of oilseeds we have very miscellaneous private business including multinationals, big houses, small trader-producers, large agriculturists as well as the traditional Teli communities organised in co-operatives and associations through the Khadi Commission's efforts and 31 large-scale modern co-operative oil complexes financed by the National Co-operative Development Corporation some of which are doing well in export.

The co-operative complexes had mainly come up where private competition was not severe and where co-operative leadership was available. The margin in processing was insignificant compared with the margins obtainable from proper timings of purchases and sales. The private sector units, therefore, developed a strong tendency towards investment in purchase and distribution. In this the multinationals (e.g., Lever Brothers) excelled. They, however, did not contribute significantly in attempting the supply of improved oils at cheaper rates for mass consumption. Further, the stagnant productivity situation shows that the multinationals and large Indian business groups as also the trading entrepreneurs in the oilseed processing field had failed to have a satisfactory impact on the oilseed grower. Only a tenth of total area under oilseeds was irrigated and only in one or two types of oilseeds was productivity improving. There is, thus, scope for co-operative action. It is in this context that the National Dairy Development Board has put forward ambitious proposals for using international commodity aid, government buffer stocks, and better co-operative complexes for major progress in this field.

The National Dairy Development Board has finalised a plan to start a chain of vegetable oil mills managed by farmers on the "Anand" pattern. The plan will be financed from the proceeds—roughly Rs. 1600 million realised from the sale of 0.25 million tonnes of edible oil proposed to be donated by the Canadian government and the Cooperative League of America.

The central idea of Dr. Kurien's plan is to expose farmers growing oilseeds (and cotton) to modernity and get them direct access to the consumers.

In doing this it is possible for co-operatives to do better than multinationals. The latter would affect a smaller number of farmers and would deny them direct access to consumers. However, co-operatives must develop further their marketing organisation in its international aspect. Otherwise multinationals may continue to enjoy the economies of scale in marketing.

We summarise more briefly the developments in commercial crops in different parts of India.

Sugar

In sugar, as is well known, the co-operative represent the dominant force or almost the exclusive force in the States having low cost of production, particularly Maharashtra. The sugar co-operatives in Maharashtra have substantial achievements in area planning and in providing leadership to the agricultural community. The main fields in which they have to make progress is the further development of by-products even to the point of making them the main products. They are also lagging in promoting cane development. It has been proposed that given proper incentives and financial arrangements performance in this field can substantially be improved. The co-operative sugar factories federations are playing a significant role in exports and in promoting machinery manufacturing in the co-operative sector. Overcoming the dominant role of international trading houses is essential. There are, thus, important possibilities of extending international co-operative collaboration in this field. The Indian sugar co-operatives should have no difficulty in rendering, in a few years, the type of services that a multinational in this field, viz. Tate and Lyall, renders to the sugar industry in developing countries. It is necessary for the co-operative sugar industry to take new initiatives in these matters. The Maharashtra sugar co-operatives have set up a Sugar Industry Development Finance Society with a capital of Rs. 100 million. Co-operative banks and government organisations would also be available to finance new devlopments. So far, sugar co-operatives have benefited farmers rather than consumers, but given massive new investment in by-products this position would change.

Textiles and Garments

In the field of textiles, co-operative spinning mills in India have been developed by growers co-operatives rather than through co-operatives of weavers. The decentralised sector supplies 50 per cent of cloth production but only 5 per cent yarn supply is co-operativised. The private sector has a long tradition and has benefited the farmer through organisations like East India Cotton Association which prevents crops adulteration and speculation. The private sector has also provided cheap cloth of an excellent quality which compares very favourably with the standard cloth scheme of government.

Petrofils represents a co-operative entry in the artificial fibre field. However, unless considerable vertical integration is developed, this is not a field in which spectacular successes for the co-operatives are likely.

The multinationals play a role in textile machinery supply and in garments. ITC has organised a Handloom Project in Uttar Pradesh. However, it is mainly the large Indian houses that compete with the decentralised sector.

It is possible for the co-operatives to make decentralised production more efficient and also make the marketing of cloth and ready-made garments more effective. They can also play a role in hosiery. Generally speaking, the important role of Government policy in the textile field keeps multinationals in check and the emphasis has to be on improving marketing efficiency and vertical integration in the decentralised sector. The National Textiles Corporation and Handloom Corporations and the Co-operative Sector have yet to develop full collaboration in promoting effective marketing in India and abroad.

In the match industry, the small-scale units have been slowly displacing the well-known multinational WIMCO and now occupy over 60 per cent of the field. This multinational is now going in for diversification, to conversion from timber match-box to paper match-box, and planting of forests in different parts of the country as a part of its developmental effort.

Tobacco

The tobacco industry is also characterised by operations of multinationals. Greater cooperativisation of tobacco growers and encouragement of small-scale operations such as the cigar industry of Tiruchirapalli, which is largely in the cottage industry sector could be significant. Companies like Cadburry who have pioneered cocoa plantations, Glaxo and Richardson Hindustan who have thought of medical crops and the tobacco industry are illustrations of multinationals helping farmers in order to secure a valuable raw material for themselves. Even this approach, in spite of its pioneering nature, has limitations beyond confining gains to a few.

India accounts for roughly 85 per cent of the world's bidi production and 2 per cent of the world's cigarette production. Multinationals operate mainly in the field of cigarette production. Bidi industry has grown on the factory system, the contract system and casual putting out system. There is one important co-operative producer, namely, Dinesh Bidi Works in Cannanore, Kerala. The major bidi manufacturers are B.N. Sarda of Bombay, M.H. Das, Jabalpur and Bina Bidi Works, Purilia.

There are 10 companies manufacturing cigarettes in the large scale sector. The ITC Ltd. is the largest having its factories in Monghyr, Calcutta, Bombay, Bangalore and Saharanpur, accounting for about 50 per cent of the total cigarette sales in the country. Vazir Sultan Tobacco Company of Hyderabad accounts for about 25 per cent of the market share; the remaining is shared by Golden Tobacco Company, Bombay, National Tobacco Company, Calcutta, Godfrey Philips, Bombay, D. Macropolo, Bombay, Crown Tobacco Company and Master Tobacco Company, both of Bombay, International Tobacco Company, Ghaziabad and Universal Tobacco Company, Hyderabad. Indian cigarette industry in 1974 had a total paid-up capital of more than Rs. 1100 million. Their gross sales exceed Rs. 4500 million. The industry is highly monopolistic. The first six companies control nearly 95 per cent of the market, 80 per cent of it being controlled by the erstwhile foreign-owned ones such as ITC, Vazir Sultan, Godfrey and D. Macropolo.

Plantation Industries

Take next the case of the important plantation industries like jute, tea, etc. in which the large houses and the multinationals have traditionally been firmly entrenched and which no longer show enough dynamism. In these fields government is thinking more in terms of forming growers co-operatives and bargaining with big business rather than pre-empting entry as it does in other fields. There is only one jute mill in the joint sector financed by the NCDC. The bought-leaf tea factories in the Nilgiris, no doubt, help the small growers. However, in the important packaging stage it is the large houses that are important. No commodity other than tea is sold through a public auction system. Four or five firms handle 256 million kg. of tea in India. The public auction system is generally dominated by giant packetiers and exporters as far as the domestic market is concerned. The packetiers jointly dictate to four or five brokers in the field. The brokers' representatives are on the board of directors of most of the big tea companies. Big firms like Lever Brothers have an interest in Brooke Bonds and Liptons. There has been a suggestion that at least 25 per cent of the total Indian shipment should be through Indian shipping companies and at least 20 to 30 per cent of the total production should be, channelled through small brokers. Two co-operative bodies, viz., NAFED and NCCF are now entering the tea trade.

In the field of natural rubber production, the Kerala State Co-operative Rubber Marketing Federation has succeeded in raising the prices of natural rubber with the help of the State Government. The multinationals in this field manufacture, among other things, tyres. The Kerala co-operators are planning to set up various end product factories but are at the moment concentrating on persuading the Central Government not to import and release natural rubber to the manufacturing sector controlled by the multinationals at prices that would affect them unfavourably. Efforts are also under way to improve production levels of small growers. However, here again, we have a case of co-operatives being in a position to serve the farmers but not the consumers, at least in the immediate future.

Vegetables

The processing of vegetables is likely to be extremely important in future. Here, a few important developments may be noted. In onions, as already stated, the co-operatives have played a big role. However, they have not gone in successfully for processing. Asian Dehydrates, a firm engaged in the manufacture of dehydrated onions, is mainly responsible for establishing a factory at Nasik, and motivating the farmers in the vicinity of Nasik to grow white onions for processing. The response from the farmers has been encouraging in view of the assured market for their produce.

Another very good illustration of the operations of multinationals and of its limitations is provided by Hindustan Lever. The contract cultivation experiment of Hindustan Lever in its Hima Peas venture of dehydrated peas at Ghaziabad was a remarkable success. With free supplies of good quality seeds, fertilizers, and pesticides. to three blocks of 20 acres each the Company's staff ensured that farmers used optimal quantity of these inputs. It is perhaps not surprising that the results looked astonishingly good in terms of higher productivity and right varieties. However, the social possibilities of such experimentation are clearly limited. Further, the Company discontinued production for want of adequate domestic demand.

The tripartite arrangement between the National Seeds Corporation, a public sector concern, Kissan Products Ltd., of Bangalore, and growers of tomatoes, is a good illustration of tie-up arrangement with growers. The growers undertake cultivation of Pusa Ruby variety of tomatoes under the supervision of National Seeds Corporation. The farmer obtains very high yield at 10 tons per acre with a net return of Rs. 3,000 to Rs. 3,500 per acre. Tomatoes are supplied to Kissan Products Ltd. for processing and seeds which are separated while processing are supplied to the National Seeds Corporation. The arrangement started in 1968 with 30 acres has been extended to 300 acres, and the whole crop is supplied to Kissan Products Ltd. The fact that seed farming is highly profitable has prevented co-operative entries into the field as co-operative leaders are frequently known to reserve the most profitable lines for private entries and to make co-operative entries in lines where a policy component and government subsidy are likely to be significant. However, Indian Farmers Fertilizers Cooperative (IFFCO) in its village adoption programme has tried to combine introduction of improved seeds and improved fertilizers.

The NAFED has set up organisations to market perishables like apple, onion, potato, ginger etc. It has set up a food processing factory and has planned another large food processing complex in the north-eastern region in collaboration with the German Democratic Republic. It has entered the plantation field in the South and now has rich experience which could enable it to move further forward. The relationship between NAFED and NCCF as also with the State level federations remains to be systematised. The identification of the most efficient farmers, that is, the most profitable clients as contrasted with the identification of the most needy clients by the co-operatives is a crucial point to note. Private business offers open service with resultant benefits to the few as against the identification of individual members and helping them which is undertaken by the co-operatives.

In the case of the basic cereals processing activity is still on a restricted scale. Multinationals like Britannia Biscuits have entered both the biscuit and bread fields. The public sector is also present in the bread field. In such fields it is possible for multinationals to offer effective export services which may be difficult for cooperative at this stage.

Footwear

In the footwear field an important multinational, namely, Batas, is the leading element in the more expensive footwear. Here, too, the traditional consumer is, perhaps, better served by the traditional sector. The multinational has offered important facilities to small-scale units to manufacture and market under its brand name. This is in fact a field where there were important possibilities of vertical integration and cooperatives could have made an effective entry. In procuring of skins through collection and from slaughterhouses, in tanning them, and in producing various types of leather products, the Khadi Commission had experimented with an integrated scheme at Kora Kendra Bandra. Till very recently, however, the marketing arrangement. encouraged by Khadi Commission, have had severe limitations The National Federation for Industrial Co-operatives has a role in organising the export of leather goods. Difficulties in finding effective leaders have prevented the emergence of a "co-operative Bata".

The development of integrated leather complexes in the co-operative sector has not yet attracted the attention of co-operative leaders. Powerful public sector organisations like the State Trading Corporation and Bharat Leather Corporation have interested themselves in leather goods. At the instance of the World Bank, the Ministry of Industry has prepared a Rs. 3000 million project for the development of leather industry in the decentralised sector. This plan puts Bharat Leather Corporation in the lead, and aims at Rs. 3000 million worth output through 17 leather complexes. Tatas have recently entered the leather field and their output would be marketed through Tata Exports. Because of the important role in exports it appears that close co-operation between public sector and co-operative development is essential in this field.

III. SERVICES TO CONSUMERS

The multinationals, the large Indian business houses, medium-scale private business, small private business, the co-operatives, and the public sector, have rather different claims as to the services they render to the Indian consumer.

The multinationals have pioneered certain products highly suited to Indian markets in fields like cooking fats, soaps, pharmaceuticals, cosmetics, vegetable, milk and fruit preserves, biscuits, soft drinks, plantation products etc. Dalda, Anik ghee, Hima peas, Palmolive soap, Lipton and Brooke Bond teas, and Britannia biscuits are household words as are brand names like Singer, Philips etc. for consumer durables. These, however, have been mainly products required by the rich and the upper middle class. Their claim to having served the bulk among Indian consumers cannot, therefore, be sustained. The multinationals have also developed products for export on the basis of Indian raw materials. Here, the main impact has been confined to a few major lines like tea, jute, and labour-intensive engineering items.

Housing and Clothing

Services to the consumer involve developing both on the front of technology and on the front of low costs. In housing, for example, Siporex, a joint sector concern in Maharashtra, has developed prefabricated houses. Housing is perhaps the most expensive consumer item. Mass housing is possible through prefabricated production and urban ceilings on land. The latter is a matter for public action. The co-operative movement in India, though important in housing, has not taken initiatives in these matters. In the important field of food and clothing the public distribution system and co-operative handlooms have been able to make only a limited contribution. In cloth it is Indian business, large and small-scale traditional, that has contributed consumer services rather than multinationals. In milk, and in reducing margins in credit and trade in agricultural commodities, the co-operatives have made a small contribution though much ground remains to be covered. In oilseeds the main product—cooking oil—certainly benefits from both national private development and from co-operative action while the multinational (Lever) contributes to development of new raw materials and less important products from the point of view of mass consumption. As we shall see in a subsequent section the shift between internal requirements and export requirements have placed a heavy burden on co-operative organisations like NAFED, while the distribution of cloth without systematic production arrangements placed a burden on NCCF.

The failure of the co-operatives to become effective agents of public distribution and also their failure to become an effective countervailing power or to reduce costs of distribution in many fields has led to a reaction against the co-operatives. Given a systematic plan, however, it will be possible for the co-operatives to reassert their primacy in giving the consumer effective service. This requires on the one hand effective co-ordination between the public and the co-operative sector and on the other an attempt on the part of the co-operatives to reach a mutually beneficial adjustment with the private sector whereever its replacement or its reform is not considered necessary. Thus, in many fields it may be desirable to adopt the multi-agency approach though in certain selected fields like milk and oilseeds, it may be desirable to attempt a major thrust at federal and primary levels and to build up integrated complexes even on a monopoly basis.

Pharmaceuticals

The fields of pharmaceuticals and medicines illustrate areas where common action by Indian interests could curb undesirable price levels and continuing failure to develop know-how which characterise this field. Here the co-operative can help, at the retail stage and in growing crops of medicinal value and processing them. In the field of pharmaceuticals, out of 116 large-sized companies 66 belonged to the multinational category. Some of these would be reducing their foreign shareholding under the Foreign Exchange Regulation Act. Cost studies show that prices and profit levels prevailing are not in tune with the consumer interest. In this case, there is, of course, no farmer supplier to consider. The confrontation with the multinationals has to be handled by the public sector which is taking up the manufacture of the bulk drugs required. The co-operatives through their consumer organisations can help the public sector in this task but cannot undertake it directly.

Finally, we may make a few observations relating to consumer stores and the consumer movement in India. The viability of the consumer wholesale stores is still not satisfactory. It is only when a more comprehensive approach develops that this can be achieved. In the meantime handling the responsibility of the public distribution system becomes a burden on the co-operatives. A new consumer movement (Grahak Panchayat) has commenced in the country which has been analysing and publicising problems like excessive price levels in pharmaceuticals, bad trading practices involving wrong descriptions of products in stationery and consumer durables, terms and conditions of consumer service by public sector organisations like the Life Insurance Corporation, and Electricity Boards etc. It is thus a really general movement which takes the entire range of goods and services under review. It is also attempting to set up consumer co-operatives and buyers' clubs in various cities. The fair trade practices organisation has attempted to improve business practices. The consumer guidance society has also organised buyers' clubs and helped in preventing adulteration. Recent legislative measures in regard to consumer protection, which fall within the jurisdiction of the Commerce and Co-operation Ministry, include the Standards of Weights and Measures Act, 1976, Essential Commodities Act, 1955, Trade and Merchandise (Marks) Act, 1958. The Emblems and Names (Prevention and Improper Use) Act, 1950, and The Indian Standards Institution (Certification Marks) Act, 1952.

Co-ops vs. Traders

The co-operatives, while claiming to serve the consumer, have often entered into what amounts to unfair competition with private retail trade and dependence on the public distribution system. There are cases of over-ambitious efforts to cut supposedly superfluous middlemen's margins. There are also, of course, cases of genuine elimination of unnecessary middlemen.

Studies made in various cities show that the retailer as well as the wholesaler in the private sector have attempted to penetrate marketing and consumer societies and to use consumer co-operatives as instruments for securing public distribution quotas, thus reducing them to the role of middlemen or commission agents as between the public and the private sectors.

IV. SERVICES TO FARMERS

In the matter of services to farmers as in the matter of services to consumers, we find that each of the organisational types has rather different target groups. The multinationals tend to give services to a small number of farmers and with rather elaborate arrangements relating to inputs and marketing. Indian business, large and small, has tended to be isolated from agriculture and it is the moneylender-trader class that has been primarily involved in the rural sector. The large-scale private processing industries and their associations have, no doubt, made some attempts at encouraging the production of agricultural raw materials but it is the co-operatives that have contributed to encouraging production by the weaker sections.

Let us briefly summarise the contribution of the multinationals to the development of Indian farming. We have already covered Nestle's activities in Moga.

Lever Brothers

In the early 1960s Hindustan Lever undertook a programme of diversification. This involved dehydration of vegetables and manufacture of milk products. They did not directly enter the field of agricultural development in the main area in which they were interested, namely, oilseeds, except for their contribution through the development of new uses for oilseeds not used before.

The milk-based project in Etah was originally intended to ensure continuing supplies to the baby food factory. In spite of the 40 collection centres for milk, the plant remained underutilised. Lever Brothers then attempted giving loans to buy buffaloes and accepting repayment through supply of milk over a number of years. Improved varieties of cattle were brought in and about 10 million rupees advanced. But by 1972-73 the Company was faced with the typical problems of bad debts and overdues. The Uttar Pradesh State Government, however, persuaded Lever Brothers to adopt a new approach which did not isolate the problem of milk production from the total problem of economic development. The assistance of the BAIF (Urali Kanchan) as well as of Government was sought for improving both livestock and agricultural practices. In the six villages adopted for intensive development about 30 per cent of the total area was brought under improved agricultural practices and the farmers of the area were encouraged to participate in the programme to improve the cattle. Cross-breed cattle, as is well known, lead to an immense increase in production. However, in spite of the limited successes obtained it is important to note that Lever Brothers faced the same difficulties that co-operatives faced and went in for the same solutions as the co-operatives did but on a much larger scale.

The Indian Tobacco Company* has also made a shift from an approach restricted to aiding tobacco farmers to a broader attempt at encouraging development. Cadburys are helping to introduce cocoa plantation in India. Glaxo Laboratories in their dairy development project in Aligarh have collaborated with Dudh Utpadak Sangh Limited. Pfizer Limited attempted extension in livestock and poultry and have found it advantageous to work through co-operatives. Firms like Firestone attempt distribution of improved bullock-cart tyres through co-operative sugar factories.

Farming Scene

The multinationals have had little experience of agricultural development, and their involvement in this field is strictly limited. Their contribution to development is exaggerated by their public relations departments. In introducing agricultural equipment and machinery they have played a constructive commercial role as regards the quality of their products. In the development of fertilizer industry, in collaboration with large Indian business they have been able to set up better marketing arrangements often at the cost of co-operatives. IFFCO has a programme of a multi-pronged and integrated approach to transfer improved technique to areas where they are not yet adopted. It has adopted over 100 villages in different States of India where it is promoting this approach. However, so far the impact is not comparable to that shown by outstanding co-operatives in the sugar and milk production fields. It has tended to spread its resources rather thinly because it is an organisation involving many countries and all the States of India. Thus co-operatives that limit themselves to a business approach and experiments of a public relations nature are less significant than those where competent leadership located in a given region pioneers developments based on member loyalty.

It is possible to arrive at the general conclusion that the multinationals are not particularly suited to play a major role in the

*Since renamed I T C Ltd.

development of Indian farming. Even on an international scale the multinationals specialising in agricultural development have lost their importance. Their entry into processing industries in countries where small farmers predominate, as, for example, in France, has not resulted in an equitable approach to development. Thus, the main case for the multinationals lies in fields other than agriculture.

Past Record

Indian business houses, including British business houses with long traditions in India, who are now compelled to dilute their equity ownership have a more impressive record of past development in agriculture. The tea plantations today are far less productive than in Sri Lanka. In Sri Lanka, following nationalisation the co-operative form of organisation has been found suitable for the development of the estates. However, it is to be noted that it is always more difficult and even undesirable for co-operatives to attempt to enter fields where private business is already entrenched. At best the entry should be in a small way to build up countervailing power or to aid weaker producers. If some form of co-operativisation is to be attempted, it would have to be through development of an international approach to the problem rather than a purely national one.

The co-operative contribution to farmer interests ranges from production-oriented credit, input costs, infrastructure development, including irrigation and marketing, as well as through development of processing of agricultural and dairy products.

V. EXPORTS BY COOPERATIVES AND MULTINATIONALS

The absence of a systematic export policy and co-ordination between public and co-operative sectors has caused many ups and downs in the growth of co-operative export trade.

Co-operative export trade, with the exception of handloom, hosiery and artistic products, has been mainly confined to agricultural commodities. Even here the trade is substantial in the case of pulses, onions and potatoes, particularly in years when the government made the concerned co-operative responsible to these exports. The export of particular commodities like bananas, though of lesser amount, has been well developed in the co-operative sector. The experiences in the important sugar field are controversial but here too the contribution of the co-operatives is substantial. Ignoring year to year fluctuations and considering direct exports of agricultural commodities by NAFED we thus get a picture in which only potatoes, onions, and pulses are fully co-operativised, while chillis, garlic, are cooperativised to the extent of 6.72 and 4.90 per cent respectively. All the other agricultural commodities, including very substantial export earners like tea, have a negligible component of under half a per cent in the co-operative sector. The position is similar in the important oilseeds field.

As regards processed commodities, sugar, handloom fabrics, leather goods, handicrafts goods etc. are among the commodities in which export plays an important role.

Foreign Trade

Let us now briefly note the role of multinationals in India's foreign trade. We shall confine our examination to companies concerned with the export of processed agricultural commodities and consumer goods. The table below shows that the percentage of exports to sales income is usually quite low. Companies like Britannia Biscuits, Hindustan Lever and Tribeni Tissues are exceptional. However, the performance of the multinationals in the export field has been gradually improving and certain advantages they enjoy in the marketing field are well recognised. There is, therefore, a need for securing the development of proper relationship between different forms of enterprise in the main exporting commodities and areas.

Deepak Nayyar has attempted estimates of the share of multinationals in India's foreign trade. He uses the Reserve Bank of India statistics on exports of subsidiaries of foreign companies for the period 1964-65 to 1975-76. He compares these figures with India's trade statistics. "In 1969-70 exports of subsidiaries—foreign controlled companies incorporated in India—in the manufacturing sector amounted to Rs. 312 million; this works out at 4 per cent of the total manufactured exports which were

Exports by Multinationals (Processing) as Percentage of Sales Income

Name of the Company	Sales Income 1974-75	Exports 1974-75	Exports as % of Sales Income 1974-75
Consumer Goods			
I. Food Products:			
1. Britannia Biscuits	3,50,863	7,136	2.0
2. Brooke Bond	14,12,230	2,90,646	20.6
3. Food Specialities	1,52,822	11,502	7.5
4. Hindustan Lever	14,51,289	40,974	2.8
TOTAL	33,67,209	3,50,258	10.4
II. Cigarettes:			
1. I.T.C.	30,24,366	54,576	1.7
2. Vazir Sultan	7,40,170	2,065	0.3
TOTAL	39,83,832	56,641	1.4
III. Wimco	4,13,784	2,037	0.5
Rubber Goods			
1. CEAT	4,66,589	19,737	4.2
2. Dunlop	14,60.222	53,009	3.6
3. Good Year	5,38,697	14,625	2.7
TOTAL	24,65,508	87,371	3.5
Others			
1. Bata (India)	5,93,194	54,798	9.2
2. Tribeni Tissues	1,10,832	19,589	17.7

Rs. 7,787 million in that year. There was very little change in this share during the 1960s. A similar exercise was carried out for the entire period 1964-65 to 1969-70, and the average share of subsidiaries in India's exports of manufactures came out at 3.3 per cent. It should, however, be pointed out that RBI data do not include branches of foreign companies which are located in India but incorporated abroad. The total capital employed by such branches in the manufacturing sector in 1967-68 was only 6 per cent of that employed in subsidiaries. . .and there is no apparent reason why exports of branches should have been disproportionately large. Therefore, it would be safe to conclude that, around 1970, transnational firms accounted for approximately 5 per cent of manufactured exports from India."[1] The figures have not changed much subsequently and in any case processing industries explain only a small part of this 5 per cent.

Y.C. Devadhar has made a study of the broad features of NAFED's export trade and we reproduce some of his conclusions in order to discuss new horizons, or new directions for trade expansion on a steady basis.

". . .Firstly, NAFED's total export trade as well as export of new items fluctuated considerably from year to year for various reasons. Thus, NAFED enjoyed monopoly in export of pulses until 1972-73 when there was a sudden ban on their export. Similarly, the export of onions fluctuated from year to year and declined sharply in 1970-71 when Sri Lanka stopped importing Indian onions. The onion export picked up in 1974-75 when the government appointed NAFED as the canalising agency for the export of onions on 17-11-1974. More or less the same story was repeated in the case of chillies and potatoes, the latter being canalised through NAFED in December 1975. Secondly, even with the attempts on the part of NAFED to diversify its export trade, the few items like pulses, chillies, onions continued to occupy a very large part in its total trade. This is obviously an important reason for large fluctuations in NAFED's total export trade from year to year. Thirdly, NAFED has been exporting the most important items mainly to neighbouring countries and not so much to Western Europe and other coun-

[1]Deepak Nayyar, "Transnational Corporations and Manufactured Exports from Poor Countries," **The Economic Journal**, March 1978, p. 80

tries whose hard currencies are important in the country's foreign exchange reserves. Fourthly, it may be noted that except for pulses and onions NAFED accounts for a very small proportion of the total exports of particular agricultural commodities from India as a whole. On the one hand this speaks for rather a small capacity and scale of operation of export, and on the other this suggests that there is still vast scope for NAFED to expand exports of many agricultural commodities in which it is dealing rather spasmodically. It appears that even though NAFED is stretching its excellent export organisation to its possible limits, there is reason to believe that NAFED can do much more by entering into joint export contract with the lower level cooperative marketing and trading societies."[1]

A comparison of Nayyar's and Devadhar's results shows that both the multinationals and the co-operatives have a minor role in India's exports and that in India's agricultural exports the co-operatives are capable of facing multinationals. However, while co-operatives enjoy advantages of scale if we consider the internal situation in the country, they have failed to develop an international trading organisation. In fields like prawns and shrimps, oilseeds etc., the multinationals and even the large Indian houses enjoy marked advantages. This is also true in fields like footwear, milk powder and processed fruit and corn products. At the same time it may be noted that, unlike in countries like Singapore or Brazil, the multinationals are not the main agency on which export effort has to depend. Phelps Brown has argued that one of the main advantages of inviting a multinational is the improved possibilities of export. However, given appropriate co-operative organisation this does not hold regarding agricultural processing though it may hold in other fields. The greater possibilities of adjusting internal and external policy objectives that exist in the case of co-operatives, is also an important factor to be noted. Still further, the co-operatives have the advantage, at least in Asia, of being semi-co-operative and semi-public organisations. They can,

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[1]Y.C. Devadhar, "Review of Co-operative Export Trade Policy Performance and Prospects," Paper presented at National Seminar on Management of Cooperative Marketing, Supplies and Distribution at Hyderabad, 2-4 February, 1977, pp. 9-10 (Unpublished).

therefore, co-ordinate better with public sector programmes. There are clear possibilities of developing co-operative organisations so as to pre-empt modern developments in the case of processing of selected commodities.

VI. REFORM PROPOSALS AND ACTION PROGRAMMES

Let us repeat here some of the broad conclusions we have reached regarding Indian experience with multinationals and co-operatives. Clearly, in the past, an early start in a particular field was more decisive for success than what is called suitability of forms of organisation (from the stand-point of consumer, farmer and national interest). Thus, pre-empting a field was very important in the past.

Clearly, in the future the suitability of the co-operative form of organisation for involving the small man in production and yielding better distribution of income entitles it to support at the national and international levels. There is a clear case for co-operatives entering into international trade in inputs for agriculture and in agricultural, dairy, fishery and forest processing. There is also a clear case for co-ordination of public and co-operative effort in the field of public distribution as well as of international trade. A long-term plan of co-operative development based on stable trade agreements and on exchange and pooling of knowhow, experiences and resources based on agreement between apex co-operatives and public sector organisations in some developing countries may prove possible.

Review of Performance

It is necessary for the governments of the developing countries to carefully judge the performance of different multinationals and the possibilities of public and co-operative development in different fields of agricultural processing. The co-operatives have to make important efforts to enter the machinery trades and to develop vertical integration and massive complexes in the processing fields. International collaboration of such co-operatives has immense scope. Co-operatives must come together to enter processing machinery manufacture and trade in agricultural commodities. Fishery development requires international co-operation and would give high returns. In sugar manufacture countries like India can supply knowhow so that developments in other countries take place on co-operative lines. The import of co-operative knowhow and consultancy and international participation in capital of co-operatives have to be organised. Milk co-operatives and milk products manufacture can be taken up on a co-operative basis in many countries. When the co-operative production base is widened the strengthening of co-operative international trade follows. Fisheries, sugar byproducts appear to be fields which can be taken up for development on a priority basis. Leather and oilseeds would complete the complex of processing activities in which co-operatives have a potential advantage. In plantation crops co-operatives can help replace neo-colonial trade. None of these involve high technology. All involve skill in management, skill in building incentive structures, and skill in using economic development to bring about social transformation. The co-operative banks in the developing countries must take to promotional work and must collaborate closely with outstanding cooperative leaders and agencies providing State aid in order to make a massive entry. While the public sector is most suited for fighting multinationals in high technology fields like engineering and chemicals, it is essential for the co-operatives to take the lead in the processing sectors. The fact that investment in agricultural modernisation has become the base for development planning in many countries suggest that the time is ripe for such developments. One can, therefore, consider the setting up of study groups that would discuss co-operation between co-operative complexes in the fisheries, sugar, milk, oilseeds, leather and textile fields. Plantations and trade in their products like tea, rubber etc. require another set of study groups. The effective demonstration and publicity of services given by co-operatives to farmers and consumers is of considerable importance. A ten-year perspective plan suggesting co-ordination of public sector and co-operative development in selected developing countries would require these studies as an essential preparatory step. The shift towards a prosperous commercial agriculture suited to rising incomes has to be organised on as wide a scale as possible.

Trade and Consumer Services

Co-operative trade could be more based on mutuality and less on exploitation as compared with trade by multinationals. The co-operatives must enter not only various processing fields through proper organisation at national level but must also enter machinery manufacture in a big way.

We also saw that co-operatives are well placed in giving consumer services and in conducting consumer agitations of a constructive character. The possibilities of combining the marketing and consumer co-operatives and relating them systematically to public effort is the further line of evolution required. The contribution of co-operatives in serving the mass consumer is certainly better than that of the multinationals. So far it is not necessarily better than large and small Indian business in important commodities like housing, cloth and oil. The movement, however, has been able to maintain pressure in defence of consumer interests though not, except in a few commodities, through contributions on the production side.

As regards services to small farmers, landless labour and weaker sections, studies of co-operatives show that their record is outstanding in terms of numbers affected, matters covered and contribution to income and employment. Clearly, the superiority over multinationals who benefit only a narrow category of farmers and even over Indian business is quite decisive. Even here the securing of member production improvement and loyalty and the organisation of incentives and vertical integration have eluded the co-operatives in some fields. Drawing the fine line between preventing vested interests from entering, helping weaker sections to enter and providing incentives for an ideal membership coverage requires considerable further organizational development.

Organisational Changes

In the field of import of capital, scale of organisation in international trade and visualisation of technical horizons, the multinationals have an edge. The co-operatives must undertake appropriate organisational and managerial developments and allow incentives systematically through introducing tactical freedom combined with strategic commitment to the goal of co-operative domination of the processing sector. Still further, it appears that corporate planning even by European multinationals is often short term in character and would fail to coincide except through innovation in the long run objectives of the host government. Here the co-operatives could do better.

Encouraging reform and regulation of multinationals by national and international agencies is only one approach that co-operatives should support. Building national positions of strength by choosing appropriate leading public, private or co-operative organisations is the second step. Bringing about co-ordination between developing countries at the public, private and co-operative levels is the third step. Creating appropriate organisations sometimes involving restructuring of interests in various ways is a further possibility. ICTO, for example, is a private company held by co-operatives. We have a case of a Swedish retail co-operative collaborating with a multinational, namely Caltex, to the mutual benefit of both. In Singapore, there is an illustration of trade unions handling plant insurance and also setting up many housing, consumer and transport co-operatives with the aid of co-operative insurance interests. Thus, the private, the public and the co-operative can be balanced in various ways within large complex entities if the objectives of the government and of development leaders are clear.

Centralisation of Operations

Acceptance of increased centralisation in co-operative operations may be essential if multinationals are to be faced. This can take the form of international federations or confederations with adequate powers, private companies owned by co-operatives or bodies created by special treaties, and forming part of bilateral or multilateral trade relations.

Co-operative international trade must be founded on a strong base in individual countries. To develop viable co-operative organisations in individual countries we must have careful attention to scale and distribution of activities in federal and primary co-operatives in each commodity. It is also necessary to think in terms of incentives to members and the adoption of pricing policies that would enhance member efficiency. While making use of co-operative laws to prevent unnecessary vested interests, such laws must not harm co-operative autonomy and initiative. The advantages of vertical integration have to be secured for co-operative organisation. This, in turn, implies substantial capital investment and a role for national and international agencies and effective entrepreneurship. Technological horizons and social horizons have to be kept firmly in view in developing a base in individual countries. It is also necessary to identify the commodities and the countries for which we can plan consolidation of the co-operative sector in agricultural processing. As a preliminary, negotiations may be undertaken in commodities in which the central co-operative trading federations have an interest. It is also possible to initiate studies as to the prospects of co-operative collaboration both with co-operative and other agencies in order to achieve the objectives of the co-operatives. A common statement on services to be provided to consumers and small farmers by the co-operative movements could help put multinational propaganda in perspective. The Eisenberg proposals for strengthening co-operative foreign trade have to be pursued in the context of accelerated agricultural modernisation. It is also possible that the multinationals perceiving the new situation and the new compulsions would offer their services on an altered basis in at least some cases. But there is no alternative for the co-operatives except to negotiate from positions of strength.

Report of Commission-I

Subject : "MULTINATIONALS AND THEIR IMPACT ON COOPERATIVES FROM THE POINT OF VIEW OF FARMER AND CONSUMER PROTECTION".

Chairman : Mr. K. Narayanan, India

Secretary : Prof. B.N. Choubey, India

Resource Persons :
1. Prof. M.V. Namjoshi, India
2. Mr. Ferdinand A.K. Gul, Malaysia
3. Dr. S. Dandapani, ICA
4. Mr. M.K. Puri, ICA

Points for Discussion

1. What measures would you suggest to regulate the operations of the Multi-nationals so as to safeguard and promote the socio-economic objectives of the developing countries especially from the point of view of the cooperative movements?

2. How can the cooperatives protect and promote the interests of the consumer against exploitation by the Multinationals?

3. What strategy do the producers cooperatives have to adopt to meet the challenge posed by the multinationals?

Regulation of Multinationals

The Commission took note of the challenge posed by the Multinational Corporations (MNCs) to the co-operatives, farmers and consumers and came to the conclusion that our value judgement regarding the role of MNCs was mostly borne out of the impact on the economies of the host nations in general and co-operatives who stand for the protection of farmers and consumers, in particular. It was recognised that most of the advantages claimed in favour of MNCs are outweighed by the exploitative style of functioning and too much profit orientation in their business operations.

In this context, it was realised that although the existence of MNCs had become a fact of life, attention will have to be focused on such organisational reforms and innovations, including governmental control and regulations which may help in overcoming their disadvantages without destroying the advantages which may result from their operations.

Every government is committed to promote the welfare of the people and protect their interests. Farmers and consumers constitute the bulk of the population and it is the bounden duty of the state to adopt deliberate measures—legal, administrative, fiscal and monetary—to protect their interests, lest the ideals of achieving acceptable socio-economic objectives may remain only a distant hope.

In view of the enormous economic power of MNCs in the world economy and their monopolistic control over new technologies and their capacity to manoeuvre situations in their favour, intervention by the state is essential to regulate the functioning of the MNCs in the best interests of the people.

In order to achieve the desired objectives, it is necessary to bring about a reconciliation between the conflicting interests of all concerned. In the long run, however, it would be necessary to create proper environment to take the country towards increasing self-reliance through accelerated capital formation, development of appropriate technology suited to the genius and needs of the economy. If at all the MNCs should be allowed to come into temporarily fill in the capital and technology gaps, their role must be that of a *catalyst*, which in the ultimate analysis should yield its place to the indigenous systems of enterprise and in any case should not be allowed to act as a constraint on the host nation's socio-economic development.

Co-operatives should be promoted on meaningful lines so as to enable them to occupy an important position in appropriate areas of the economy as also in selected areas of international cooperative business.

The Commission emphasised that in order to protect the interests of farmers and consumers, there is a need for coordinated action by regulatory and promotional authorities, public sector enterprises and cooperatives.

Protection of Consumer Interests

In order to protect the interests of the consumers it is essential to create an awareness among them about the rights through consumer information and education. There is also a need for co-operatives to organise and promote buying clubs of consumers, develop consumer guidance and consumer resistance and gradually increase the sphere of influence of organised consumer groups over production, supplies and the system of distribution and other matters concerning consumer interest. It was also important to rationalise and strengthen the existing structures of the consumer co-operative organisations at local, district, state and national levels so as to develop their financial resources and management expertise. The co-operatives have also to develop co-operation among themselves within and beyond the national boundaries in the spheres of joint ventures, in production, finance, trade and marketing. This would include pooling of resources and technical know-how.

The Commission was of the view that the Japanese and Malaysian experience of co-operatives both in respect of co-operative investment in MNCs and consumer resistance, consumer guidance and counselling, may be studied by other countries and emulated wherever feasible.

In Japan, it was noted that co-operatives could bring down the prices of coloured television sets and other consumer durables and promote "Coop-brand" products.

In Sweden also, consumer co-operatives succeeded in bringing down prices of electric bulbs, rubber goods and other products by promoting "Coop brand" of their own.

Producers' Strategy

The Commission recognised that covering the farmers intensively within the co-operative fold is absolutely essential for the protection of their interests. Appropriate federal level co-operative incorporating modern management techniques and efficient personnel are necessary to secure the desired results. Co-operatives should continue to give increasing attention to efficient financial management, development of products, techniques and forms of organisation suited to the needs of farmers and producers.

There is also need for total commitment on the part of members in the procurement of inputs from their co-operatives and in marketing of their products through them. This can be possible through proper education, development of the know-how, and dissemination of market intelligence.

Both short and long-term systematic planning was deemed essential for the co-operatives to survive and grow in a dynamic business environment, if they are to serve the interests of producers in an effective manner.

Commodity-wise studies could also be undertaken with advantage with a view to identifying (i) possibility of international commodity traded through co-operatives; (ii) the capability profiles of existing co-operative organisations and feasibility of further co-operative production and joint ventures.

Commission II
Better Planning in Co-operatives

Pradit Machima*

Principles of Planning

Introduction

A good plan must be a practical one. The objectives and the scope of works must be clear and easily understandable by the concerned people. It must also respond to the basic need of the local community, meet the existing situation, be easily adjustable and not be over ambitious. Above all, the plan must include all of the work details listed in sequential order for implementation: what to do, when, how and by whom.

However, because of certain constraints such as poor management, uninformed members, insufficient funds, poor location of cooperatives and a confused government policy, problems will still exist, no matter how good the plan is. Therefore, planning for cooperative development in developing countries must be a long-term proposition, especially for Thailand.

The following discussion will not be limited to the planning techniques, but will also deal with the ways and means of implementing the plan, in order to achieve the desired goals and objectives. I will stress more on how to bring success to co-operatives rather than on planning itself. Specifically, the discussion will emphasise the national plan rather than the regional plan.

What Planning is?

Planning is a process by which a programme of work is prepared in advance. It is a thoughtful determination and the systematic arrangement of the factors required for the successful operation of cooperatives. Planning is the thinking, judging and deciding aspect of one's job. It is the function of predetermining what shall be done, how and by whom, in order to attain desired goals and objectives. Planning comprises:

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1. Objectives
2. Work plan or operational plan
3. Details of work
4. Plan's-target
5. Allocated budget
6. Implementing agency
7. A specific schedule and time frame to reach objectives.

Why Planning is Needed?

In order to cope with the ineffectiveness of the cooperative operation, the growing demands of the cooperative member and the desire of the government to improve the standard of living of the majority of the rural and urban poor, planning for cooperative development is essential for the following reasons:

(a) To correct the mistakes made in the past.
(b) To improve the day-to-day operation of the cooperative.
(c) To save time, money, energy and manpower in operation.
(d) To help the employees and the workers to better understand their duty and responsibility in the cooperative.
(e) To set a programme of work for the sections to work with one another harmoniously and effectively.
(f) To establish a programme of work for employees to work systematically, what to do, when, how, why and by whom.
(g) To establish a base for supervision of progress and the programme of work.
(h) To establish budgetary and capital needs in the future.
(i) To establish manpower needs and provide for their development.
(j) To provide for orderly growth.
(k) To meet the growing demands of the cooperative services by the public.
(l) To bring about better results of cooperative development effort.

Who is Responsible for the Planning?

In general, a manager or a project director with the policy approval of the board of directors is responsible for the planning because he is the one who runs the cooperative. He knows what to do or what not to do. But in many cases the manager in developing countries like ours may not be in a position to do so. This may be because of his poor working knowledge of cooperatives or because of his poor planning experience. In such a case, technical assistance in the form of a cooperative expert will be called to help, or at least to give advice to the manager or the board of directors to do certain things in order to improve the operation of the cooperative. Often it does not work since most developing countries lack adequate planning expertise. That is why cooperatives in our countries are clumsily developed. Most of the time they are the victims of the unqualified planner and consequently the cooperatives often fail. The responsibility for the success of the cooperative rests in part with the government, the politician, the ICA and the cooperative itself.

Regarding the national plan a special planning commission must be appointed by the government or by the agencies concerned. In order that the commission will be authorised to deal with the whole plan, both at the national level and at the local level. Thus, the commission should comprise experts from all agencies concerned: banking, marketing, education, management, planning and government. Special representatives should be drawn from the agricultural council, consumers' protection organisation and the chamber of commerce. In some cases foreign experts are invited to help develop plans, as in the case of Thailand.

Cooperative Planning in the Third World

Like in other business organisations, planning in cooperatives could be a continuing process. From planning to operation, programme evaluation, reviewing and correcting over and over. This includes year-to-year operation planning and long-term planning such as a five-year plan or even longer.

Usually annual planning is practised by local cooperatives. It is a simple process of planning based on the records of the past years' performances. Unfortunately, such planning may not be systematically done. More often, the so-called plan is a loose statement about the cooperative's objectives and its programme of operation. But no real effort has been made to achieve the stated objective. Governmental interference in cooperative operations often results in economic losses.Even so, the number of cooperatives keep on rising. The government give first priority to cooperative development. More funds are given, more government cooperative officials are recruited and trained, and more cooperatives are being organised, and the problems still amount. Nobody seems to know what to do about it. This is because of the lack of proper planning, both at the local and national levels. So, proper planning for cooperative development must be done, not only for individual cooperatives, but for the whole movement.

For the success and progress of the cooperative movement within the country and within the ICA region, cooperative planning programmes must be initiated: both in short and long-term plan. This can be done through the assistance of the ICA and the advanced cooperative movements such as the Swedish, Japanese, Australian, American and others. It is suggested that ICA should form a special committee on cooperative planning in order to help develop the cooperative movement within the region. Hopefully in the next meeting we will be able to hear about the rapid progress of cooperatives in our region rather than the same old report.

Level of Co-operative Planning

In general, co-operative planning has national, regional and local aspects.

National plan: A national plan is a programme of action for the whole cooperative movement within a country. It is broad in scope and nature. Our national plan of cooperative operation comprises objectives, policies, programme of works, organisation structure, procedures and targets. Usually a national plan or a master plan does not have a detailed plan of work or action. It provides a general framework of objectives, policies and operational plan that are set to be achieved within a certain period of time. It serves as a guideline for programmes or projects.

Regional plan: A regional plan is a specific plan that is prepared for a certain development project such as the Rice Development Project in Central Chao Phya and the Tapioca Development Project in the Eastern region of Thailand. A regional plan, as a central plan of a specific area or region within the country, involves details of work. Its objectives, policies, programmes of work, procedures and targets must be stated clearly and specifically. Usually, a regional plan is an intermediate plan that links up the national plan and the local plan.

Local plan: A local plan is a programme of work for a local cooperative. It is a part of the regional plan and of the national plan. It outlines the objectives, programmes of operation and details of work clearly and specifically so that the local co-operative manager, the board of directors, the employees and the members can follow them easily and effectively.

To achieve the national goal of cooperative development all levels of planning must coordinate with one another closely and effectively.

Strategy of Planning

In the process of planning, one must deal with several stages of planning as follows:

1. Fact gathering and data collecting.
2. Situation analysis and data processing.
3. Setting of the target.
4. Preparation of the programme of work.
5. Submission of the programme to the board for approval.
6. Implementation of the plan.
7. Evaluation and follow-up, where necessary.

Fact Gathering

In order to make a good plan, one must get facts, figures and information relating to the cooperative movement in as much detail as possible. This includes the number of cooperatives, types of cooperative organisation, membership, working capital, business or organisation, technical and financial situation, manpower development, as well as the cooperative by-law, co-operative regulations, book keeping and auditing system including the past performance records of cooperatives, success and failure. Special attention should be paid to government policy towards cooperative development. Is the government in favour of the cooperative or not? If yes, how much and how firm? Such information can help the cooperative to plan properly.

Situation Analysis

Prior to programme formulation, data and information have to be analysed carefully. They are classified, categorised and interpreted. This helps the planner to understand the problems of cooperative development clearly: its structure, organisation, administration, management, general situation, financial situation and the potentiality for the future development. Other aspects of analysis includes the ways and means of improving the cooperative operation. What can be done, in what manner and how fast? What obstacles will the cooperative be facing and how can they be removed? What will be the cost?

Setting of Objectives

After the facts are gathered and analysed, the planner or the planning commission will be able to understand the whole set-up of the cooperative movement, its strength and its weakness. Then, the plan's objectives are formulated, based on the potentiality of the economic and social development of the country as well as the strength of the cooperative movement.

Usually, the development plan will cover four aspects of co-operative development:

1. improving the existing co-operatives;
2. restructuring the co-operative organisation;
3. organising new co-operatives; and
4. preparing the platform for future co-operative development.

Thus, the objective of each plan is set up, based on the past performance of co-operatives, its potential, the government support and the need of the public. For example, within the next five years a certain number of co-operatives in Thailand will be upgraded from grade 3 to grade 2, from grade 2 to grade 1 and from grade 1 to the super grade, or a certain number (percentage) of farmers will be covered by co-operatives, or a certain number of co-operatives to be organised in a particular area.

Programme Formulation

The next step in planning is the formulation of the programme of work. This comprises the objective, the operation plan, the details of work, the target, the allocated budget, the implementing agency, the training programme for action and the specific period of operation. Each item of the plan must be worked out in detail.

The operation plan must set out in detail what has to be done first, second and third and in what manner, when, why, how and by whom.

However, this is not the final stage of planning. Alternative plans must be made or prepared, and the best one selected. The selected plan must be tested and evaluated to have the best operational result.

To select the best plan, a cost-benefit analysis must be done. What is the cost of the project? What will be the expected result? And who is going to benefit by it?

The Board's Approval

After planning is completed, the plan is submitted to the board of directors or the planning board for approval. It is discussed carefully, and some adjustments may be made. Sometimes the plan may have to be revised in order to suit the situation or the objective of the plan.

Plan Implementation

The most important stage of the cooperative plan is its implementation. Success or failure depends on implementation. If implementation is good, the plan objectives will be achieved. Many obstacles may be encountered, such as lack of funds, lack of qualified manpower, lack of appropriate use of available funds and manpower, and lack of proper coordination, and these may result in poor operation.

The programme must be evaluated, reviewed, and revised over and over again within the specific period of time, the aim being achieving the target.

Evaluation

After the completion of the programme, an evaluation is made, in order to assess the effectiveness of the project. Then, a report is made and published.

Better Planning in Cooperatives

To achieve the desired goals, one must follow the ten guidelines for effective planning of work programmes:

1. Clarify the objectives.
2. Determine the priorities of the specific objectives.
3. Determine the obstacles in the way of the objectives.
4. Think up the means and methods to get rid of the obstacles.
5. Determine what will be required by way of personnel.
6. Determine what will be required by way of facilities, including money.
7. Assign the responsibility.
8. Lay out a time schedule.
9. Determine progress and results.
10. Determine what administrative action is required to get the programme approved and implemented.

Ibnoe Soedjono

Better Planning in Cooperatives- An Indonesian Experience

Introduction

A plan is described as a statement of objectives which we hope to achieve in the future and an outline of the actions which must be taken to achieve the objectives. The planning technique is the mangement's tool to make things happen rather than to let things happen.

Indonesia, like other developing countries, has been trying to improve its planning techniques so that all government departments have a standard format to follow. This is very difficult to accomplish because of varying types and sizes of projects being planned.

Before discussing the criteria and details of co-operative planning techniques, we should make the distinction between macro and micro planning.

Indonesia has a Central Planning and Co-ordinating Board (BAPPENAS). It is their job to allocate human and financial resources on a national basis for various projects according to sectoral priorities for development established by the Government based upon the resolutions of the People's Consultative Assembly. This is macro planning.

After allocations are made to the various departments for development projects, the next step for BAPPENAS is the micro planning—allocation of resources to specific projects.

The Directorate General of Co-operatives does the same kind of planning job as BAPPENAS, but on a smaller scale. We present a budget for our share of the resources allocated by BAPPENAS and do the macro and micro planning. Under macro planning we allocate our resources to the various Directorates of Planning, Organisation, Training, Business Activities etc.

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The Planning Process

It is the job of the Directorate General of Co-operatives to assist the operating co-operatives in the planning process. We try to motivate co-operative leaders to take the initiative in planning their future activities and business operations.

Planning goes on in every co-operative, even though the plans may consist of little more than a few ideas in the manager's or chairman's head based on experience, common sense, suggestions or known facts. This type of planning is carried out by all of us in our daily lives as well.

Our most important job is to make our planning process responsive to the people's needs. We must involve members and their leaders in the planning, implementation and evaluation process.

It is important to keep in mind that project planning is not a static or one-time activity. It is a dynamic, moving and constantly changing activity. Original objectives may change, social and economic conditions may change, availability of resources may change. When these things happen, an evaluation of the project will point to the need to modify the project to meet the changing conditions.

We may separate planning into three broad categories for governments as well as co-operatives:

Conceptual or pre-planning
Macro planning
Micro planning

The main emphasis in this discussion will be on micro planning.

In conceptual planning, the manager, committee, and most important, the members, will think about and discuss their ideas, dreams or wishes regarding the future of their co-operative. At this stage of the planning process, financial restrictions or resources, current government policy and even existing social and economic problems should be of secondary importance. Restrictions should not prohibit creative and innovative ideas. Capital can be raised in some way for good projects. Governments regularly are changing their policies; and social and economic problems can always be resolved. The real questions are: What is the real purpose of our co-operative? How do we want our co-operative to serve its members in the future?

Macro or strategic planning is the process of taking the concept of the future co-operative and designing workable and practical guidelines on how and when to achieve the objectives. Management and the board members must determine the specific objectives of the co-operative business and how they can best be attained. At this point, resources available now or likely to become available in the future must be considered.

Strategic planning is necessary because the business and consumption environment is constantly changing. A co-operative cannot stand still but must continue to grow or face stagnation and failure. Members' needs may shift, increase or decrease for certain products or services. The co-operative must be prepared to meet these changing conditions if the business is to continue to grow. The immediate planning questions are as follows: What should we be selling, marketing or providing services for? Who can we serve and sell to in the future? What facilities should we have now or will be needed in the future? How will these new facilities be financed? How should the cooperative be organized for the future?

Micro or functional planning is usually associated with present or future operations. It may involve:

an operational plan for next year's operations, including both activities and budgets; or

planning a new business activity; or

planning for new facilities.

Since planning begins with members' needs and ideas, it is a responsibility of the management and the board of directors to present, explain and discuss the co-operative's plans and budget with members in the general members' meeting. The plans and the budget should be approved by members at the annual meeting.

Project Planning

Project planning can be summarised into: Why? How? With what? When?

Projects need to be identified, planned, systematically implemented and constantly evaluated and changed, if necessary.

Project planning and implementation include eight important steps:

1. Project identification and written description, which may include a logical framework or sequence of "means-end" linkages to trace the transformation of resource *inputs* into planned *outputs*.

2. Pre-feasibility Study. An analysis should be made to determine the likely results of a more detailed feasibility study.

3. Detailed Feasibility Study showing the economic and social aspects of the proposed project, including economic projections for at least 10 years.

4. Project planning for implementation. All organisational and administrative details should be carefully worked out after determining that the project is socially, politically and economically feasible and desirable.

5. Project Financing—All financial details, including membership equity and savings programmes, and bank loan agreements must be worked out. All interested parties must make financial commitments before the project is started.

6. Project Implementation and Training Programmes. A time schedule for implementation and personnel training must be worked out and the Project Manager must try to meet these projections.

7. Project Monitoring. The board of directors must set up a committee to monitor the project and report to management on a regular schedule. Corrective action should be taken if the project is not being implemented on schedule or according to the plan.

8. Project evaluation. Constant evaluation of the project will point up errors in the original planning. Timely changes can be made to avoid serious trouble at a later date.

One effective method of identifying and verbalising a project is the use of the "Logical Framework" which is being used by some institutions and governments. It is a key element in project planning. The logical framework—

1. defines project inputs, outputs, purpose, and project goal in measurable terms;
2. hypothesises the causative (means-end) linkage between inputs, outputs, purpose and goal;
3. articulates the assumptions (external influences and factors) which will affect the linkages;
4. establishes the indicators which will permit subsequent measurement or verification of achievement of the defined outputs, purpose, and goal.

The logical framework is primarily a project planning device. It is used for re-examination of the original design or sets the standards against which the project will be evaluated. Evaluation then consists of determining:

1. whether the project outputs are being produced;
2. whether these outputs are serving to achieve the project purpose; and
3. whether this achievement is making a significant contribution, as planned, to the achievement of the goal.

The logical framework concept is a unified structuring of a set of project design elements. It introduces order and discipline into the intellectual processes of the planner.

The logical framework is objective-oriented. It does not describe the actions, activities or processes which transform means into ends. Other papers fill this need, such as the project description paper, project implementation plan etc.

It is most helpful to break each project down into three distinct parts:

1. Planning it
2. Doing it
3. Evaluating it—to determine why it has or has not worked out as planned.

Project planning establishes the goals, the inputs and outputs, the means of measuring progress and the assumptions. Project evaluation reconsiders each of these design elements and then attempts to assess the progress. The evaluation may result in changes in project design. Evaluation is an analysis to determine what happened and why it happened.

Pre-requisities for Government Assistance

To take full advantage of opportunities for improving their economic status, farmers need to organise themselves at the village level. The village is the natural basic unit for co-operative activity.

For the economically weak groups to benefit from and deal effectively with the modernising economy of the nation, they need a grouping stronger than the village co-operative. This need can be met by grouping many village units into federations and pooling their resources—to provide for certain kinds of processing operations (i.e. rice drying, storage, and milling, livestock feed mixing, poultry and egg processing, ice making, etc.)

A further grouping (federation) of co-operatives is necessary at the provincial (and national) level to strengthen the farmers' position in supply and marketing operations. There is very little than local co-operatives can do to improve their margins for basic production supplies and effectively market their own products.

If the farmers are convinced—by government policy statements and actions, by confidence in their representatives, by assured control of their cooperative organisations—that the productive potential, price incentives and governmental services are truly working in their interest, they will not need much more encouragement to plan their future projects.

Farmers should be encouraged to pay reasonable interest rates, pool their savings and earn interest on them, and in the process, to gain bargaining power in relation to the richer farmers, middlemen and traders, or money lenders who have been dominant in the past.

The villagers must organise themselves for bargaining power. Individual small farmers are at a great disadvantage in relation to market forces. Usually they owe debts, need money and must sell their products for what they can get. Only by combining with their neighbours and federating their co-operatives can the small farmers take full advantage of more favourable markets.

The main motivating force for agricultural co-operatives throughout the world has been the prospect that farmers, impotent as individuals, could begin to gain some of the benefits of capital and market power by joining together.

From the standpoint of broader public policy, co-operative organisation offers perhaps the most promising means of giving the great majority of economically weak groups a solid stake in the nation's stability and economic progress.

Governments must be sure that no technical and institutional constraints prevent the co-operatives from developing. Small farmers are not blind or unresponsive to the possibilities of improving their collective capabilities. If the incentives are adequate usually the people will respond.

I have digressed from the main topic of better co-operative planning to list some of the essential pre-requisites of basic co-operative development. If the basic essential ingredients are not present (as National Government Policy) farmers will become discouraged and distrustful and very little development planning will ever take place.

Government's Role in Co-operative Planning

The role of the government in the planning process of co-operatives is very complicated. Since the co-operative is a private organisation of people, ways must be found to encourage, motivate and train the people to do their own planning. Actual planning of projects by the government for the people will inevitably end in failure for the project. Only when the people have planned their own projects will there be a change of success.

Further complications arise when one considers the low level of education and competence of the rural population in Indonesia and other developing countries. If local leadership is dominated by the wealthy land owners, traders and money lenders, planning decisions have a tendency to be motivated by self-interest.

Social and cultural considerations also complicate the planning process. In Indonesia the respected elder members of the community are usually the traditional leaders regardless of their educational level. This makes it difficult to elevate younger, more highly trained people, to positions of leadership.

It takes highly skilled assistance by the government to encourage leadership development of the younger people and have their leadership accepted by the older generation. One avenue of acceptance of better trained leaders by the local people can be accomplished if the local leaders are persuaded to hire a competent manager and staff.

Government's role in the planning process becomes that of a *catalyst*—the ingredient that helps make things happen.

It becomes the job of the Directorate General of Co-operatives to assist the co-operatives in every way possible to become viable economically and socially, and to act in the capacities of registrar, regulator, motivator, educator and trainer. The government can skillfully assist in project development, financing, implementation and evaluation, if the basic leadership comes from the people in the local co-operative.

Real "Rice Roots" Project Planning

In very few of the village unit co-operatives is there any knowledge of sophisticated planning techniques used by higher level planners. Most projects are discussed by neighbours who gather together in the evening to talk about their problems. Usually no one writes up the project in a formal project paper or document.

The projects discussed by farmers are very simple things related directly to their individual needs, such as:

1. What can be done to reduce the cost of land preparation?
2. Is there any way we can improve the water control and distribution?
3. Can we get a cheaper and better way to harvest and thresh our rice?
4. Can we get financing for a small rice mill unit?
5. Can we afford to buy a truck to transport our produce to market?
6. Would it be possible to build a sun drying floor or install a mechanical dryer?
7. How can we get fertilizer when we need it? Can we build a fertilizer kiosk in the village?

8. Should we start our own seed multiplication plot? How will we process and store the seeds?

9. Where can we borrow money to cover our production expenses and urgent living costs during the growing season?

10. Should the co-operative sell fuel oil, soap, cooking oil or other essential commodities?

While no one verbalises these questions in a formal manner, the way I have done, these are some of the subjects discussed by villagers very informally.

If the farmers are seriously considering a rice mill unit, it is a rare exception if an economic feasibility study is made. In most cases, the cost of the unit is obtained and someone estimates the income which can be generated by the unit. The expenses of the operation such as depreciation, interest on the investment, labour cost and maintenance are sometimes ignored.

In these circumstances a well trained government employee, or an employee of the co-operative federation, can be of great assistance in helping the co-operatives by preparing a simple project study. He should present the facts in a simple way which the farmers can readily understand. He should be an impartial informer who can express his personal opinions only if asked to do so. In some cases he could skillfully lead the thinking of the group with persuasive arguments for or against the proposal.

This kind of leadership among the government's co-operative officers and the federation's management is in short supply in most developing countries. There is no better way to use the government's resources for co-operative development than in training these workers in the art of leadership, persuasion, project planning, implementation and evaluation. To assist in training government and co-operative employees, the Directorate General has a Central Training Centre (PUSDIKOP) in Jakarta and Provincial Training Centres in each of the provinces.

The best field training of a government or co-operative federation employee comes from doing the job or "on-the-job" training. If he can gain the confidence of the village people by helping them, he will be in a position to assist in project planing and even to influence their decisions.

Sometimes village people must be told about the possibilities which exist for improving their living standards by working together. They must be given encouragement and hope to achieve a better life for themselves and their children. A government co-operative employee can do that only if he has the confidence of the people with whom he is working.

A close working relationship between the Federation and the village co-operative unit is essential for the long-range development of both units. The Federation, because of its larger volume of sales and processing income, can usually afford to hire more professional managers and staff.

The Federation can have a profound influence on the planning activities of the village unit co-operatives—not only for planning the month to month operations—but for new projects as well. In many cases the projects must be planned jointly because the Federation and the village unit co-operative must each perform certain business functions in the integrated chain of business activities.

When the working relationship between the village unit co-operative manager and board, the federation management and the government co-operative officer is running smoothly, the village unit co-operative will be able to move forward with new development projects at an accelerated rate.

When this mutual working relationship has been developed, slightly more sophisticated project planning techniques can be introduced.

Example of a Specific Project

In Indonesia, we have entered into a multi-year relationship with the Co-operative League of the U.S.A. (CLUSA). For the past two years, CLUSA'S Resident Representative has been assisting us in our programmes for project planning and implementation.

In addition, ILO has been assisting us in a management improvement programme in the provinces of East and West Java. The German Government, through Frederich Ebert Stiftung has assisted in implementing the Koperasi Harapan Tani project in North Sumatra.

To make this discussion paper more practical and informative, I will relate a specific case history of an actual project in which

CLUSA has been assisting us. From the time the original ideas were conceived until the beginning of implementation, more than one year was spent in the planning process. We have used a combination of the sophisticated planning procedures discussed earlier, combined with the inputs of local leaders and local farmers at the sub-district and village levels. We have tried to follow the planning procedures I have mentioned in this paper.

In one of our Kabupatens (districts) in Central Java, the kabupaten federation of 35 village unit co-operatives owns a modern rice mill which was built by the German Government about six years ago. The mill has been unable to operate because it cannot purchase enough unhulled rice. Part of the problem has been a lack of working capital but a major problem has been the lack of a comprehensive plan and incentives to persuade the farmers to sell their rice to the co-operative.

In this district there are 23 sub-districts (kecamatans) with a total of 35 village unit co-operatives (Koperasi Unit Desa). The total membership of farmers in the co-operatives is small, probably averaging less than ten percent (10%) of the potential membership. There are more than 300 small rice mills and a few larger rice mills in the district. The central PUSPETA rice mill would require about four per cent (4%) of the rice produced in the district annually to run three shifts a day for 300 days.

We have decided to make this a pilot project, incorporating new ideas for organising the farmers, capital formation schemes, many incentives and a comprehensive credit programme. Our programme is based upon the premise that the co-operative must do everything the private trader and money-lender can do but do it better and at less cost for the farmer.

The basic ideas for a project were incorporated into a plan and a programme of implementation. Since the farmers, co-operative board members, local leaders and other government departments must be involved in any comprehensive development programme, we began by holding a series of meetings in the district with each of these groups. As a result of these early meetings the conceptual plans were changed many times—some things were added, some things were deleted and some things were changed.

As of this date and as a result of further meetings in the district, a plan has been formulated which will be introduced in a series of small meetings with members and non-members of the local co-operatives. The plan will not become fully operative in the whole district until we have the inputs of many small farmer groups. We have started implementation of the new programme in two sub districts with three co-operatives, but we expect changes will be made from time to time as we evaluate the project and find out what ideas are working and what ideas are not working. As we obtain experience we shall gradually expand to other sub-districts and other co-operatives using the same discussion and planning techniques in each new area.

Because the programme is entirely voluntary we have tried to incorporate as many incentives as possible to persuade and encourage the farmers to join together in a common effort. Monetarily we believe we can offer the member a package of benefits which will add more than twelve per cent (12%) to the value of his product.

In this new programme we have incorporated the following new ideas and incentives which have not been tried in Indonesia previously:

1. Farmers will be asked to organise into working groups of 10 to 20 under one or several alternative arrangements selected by the farmers themselves. This may be groups living in the same village, family members, farmers sharing the same irrigation system, already existing organisations of farmers or some other alternative.
2. Credit will be given in the form of an advance payment on the rice crop to be marketed through the co-operative. An individual sales/purchase contract will be signed with each member for the amount of rice the farmer can produce and deliver to the co-operative.
3. Each group will be asked to sign a joint delivery guarantee agreement—securing advance payments from the co-operative credit unit as a group on an individual need basis with each farmer guaranteeing to be jointly responsible for the delivery of the rice at harvest time. We believe group credit will be a self-policing arrangement with a high repayment rate.
4. For those members requiring the bulk of their production for family needs, the co-operative will maintain a

rice bank. All rice deposited in the rice bank at harvest time will qualify for all incentives being offered.

5. Each member is being asked to contribute five rupiahs per kilogram of gabah (approximately 6½% of the government floor price) for capital and an insurance programme. The local co-operative and the central RMU will each receive two rupiahs per kilogram of clean, dry, unhusked rice, for a 10-year revolving capital fund.

6. The member will receive a 10-year savings certificate from the FMU on which he will receive one per cent (1%) interest per month. Redemption will be guaranteed by the government's co-operative insurance fund.

7. The member will also receive a 10-year savings certificate from the local co-operative as his capital contribution. No interest will be paid on this certificate. In case of death of the member, the co-operative insurance company will guarantee the redemption of all certificates.

8. One rupiah per kilogram of gabah will be used to finance a credit and term life insurance programme. A member 40 years of age will receive Rps.46,000, of one-year term life insurance for each 1,000 kilograms of gabah sold to the co-operative. This insurance is only available through membership in the local co-operative.

9. Although we have not worked out the final details of the programme, we are hoping to begin a pilot crop insurance programme whereby we can insure 60% of the value of the farmers' crop against loss from any cause.

10. The interest and service charges on the credit programme (advance payments) are designed to cover the actual cost of administering the programme. We estimated the members' cost will be three to five times less than the local moneylender charges.

11. If the farmer joins the programme he will agree to follow the technical rice-growing programme—better seeds, increased fertilizer usage, spraying, weeding etc.

12. The way of co-operative buying rice will be changed. Instead of discounting the price for excess moisture and foreign material, weight loss will be deducted from the gross weight. The farmer will be paid the government floor price or the market price, whichever is higher. Psychologically, it will

have a more positive effect on the farmer. It will also be easier to explain the deductions to him.

13. A new national trade mark for quality co-operative products will be introduced. The premium grades of rice will be packaged and marketed under the trade mark PUSPETA, an abbreviation for "PUSAT PELAYANAN PETANI", which means Farmers Service Centre. Only quality products will be marketed under this label. In a few years we hope PUSPETA will become the most popular and best known trade mark in Indonesia.

14. Three additional incentives will be offered to the co-operative member. These will be financed out of the operating and marketing profits of the central rice mill. In effect, we will be returning a portion of the current profits directly to the member when he delivers his rice harvest to the co-operative.

15. A PUSPETA T-shirt will be given to the member for each ton of unhusked rice sold to the co-operative. There is no limit to the number of shirts a member can receive. We would like to have the farmer and all of his children wearing PUSPETA T-shirts.

16. Each year the district will have a draw for five large prizes, including a hand tractor as first prize, and several hundred smaller prizes. The farmer will receive one lottery ticket for every 500 kilograms of unhulled rice he sells to the co-operative.

17. The largest incentive (in terms of retail value) will be selected merchandise. The member will receive merchandise after he has sold a total of three to six tons of unhulled rice, regardless of the time it takes to deliver this quantity of rice. The retail value will be equal to 5 rupiahs per kilogram—the entire amount we are asking the member to contribute to the capital formation and insurance programmes.

18. The package of incentive benefits has a value of 15 rupiahs per kilogram. The farmer is being asked to contribute 5 rupiahs. From the standpoint of the member, the extra benefits are free. We have tried to use good merchandising techniques to allow the co-operative to compete effectively with the private traders.

19. Although the initial programme is built around rice

and fertilizer distribution there is no reason why other products cannot be included later. The possibilities appear to be unlimited.

20. I cannot report the results of this intensive planning until a later date. We have only begun the implementation. It has taken many man-days of planning, co-ordinating and discussion. The project will continue to take many man-days of work by many different people as we implement, evaluate, revise the plans and continue implementing the revised plans.

This is how the planning process works in actual practice on a specific project. As I said earlier, the planning process is not a static, one-time activity—it is a dynamic, moving and constantly changing activity. Those of you who have been involved in development projects will recognize the reality and meaning of that statement.

The project I have described to you includes only the important aspects of the programme. I have not described the man-days of work which have gone into planning the details—the organisational structure and responsibilities of farmer groups, the contractual arrangement for buying rice from the members, the joint credit agreement, the settlement form and procedures for buying rice, the book-keeping forms and procedures for each part of the programme, the details of the life and credit insurance programmes, the financing programme with the bank, the savings programme and savings certificates, the member identification cards to be imprinted on every business transaction, and many, many more details. Again, those of you who have done this kind of work will recognise the need for working out every small detail to insure the success of the project.

Additional Role of Governments in Developing Countries

While the co-operative hierarchy should be largely autonomous and based on the initiative and responsibility of the membership, there is undoubtedly need for government supervision.

In developing countries it is imperative that financial resources be mobilised by the government for co-operative activities. The accumulation of capital and retention of earnings by local co-operatives to support additional growth will take many years. Most of the developing countries cannot wait for this natural growth to occur. More rapid growth must be stimulated by capital infusions coupled with proper project planning.

It is essential for the integrity and confidence of the system that clear, easily understood standards of accounting and financial reporting be established. Usually this can be done in a standard form only with government assistance. The accounts of the co-operatives at all levels should be subject to systematic and regular outside audits. Since the end of 1977, in close co-operation with Frederich Ebert Stiftung, the Directorate General of Co-operatives has been carrying out a special Accounting Project (COMAP).

The project is designed to:

1. assist in the establishment of business service centres (Pusat Administrasi Usaha) in 16 Kabupatens.
2. develop a uniform accountancy system.
3. provide advisory services for the development of PAU centers in the field of accountancy, management consulting and auditing.
4. organise training programmes for government civil servants and middle and top management of co-operatives.
5. Further the establishment of an independent co-operative audit federation.

In special cases, the choice of co-operative managers should be subject to government review, not only to eliminate obvious incompetence but to counter-balance too blatant pressure from parochial vested interests.

Local co-operative managers and staff chosen by co-operative members will generally need intensive (though brief) initial training and frequent follow-up training. Such training and the funds for training are usually available only through government programmes.

Where local interests or antagonisms cannot be reconciled, it may be necessary to form more than one co-operative unit in a sub-district. The government supervisory apparatus must be prepared to intervene for this purpose, if necessary.

The capability for project planning is rarely available at the village or sub-district level. Co-operative officers at the district and provincial levels should become the motivators, planners and trainers for new projects. Without this capability, growth will be much too slow even with infusions of capital by the government.

Summary

Although major projects require elaborate and sophisticated planning techniques, this is not the kind of planning which is usually done in village unit co-operatives.

I have tried to describe the planning process as it occurs at the village level. It is very difficult to describe this process because it involves so many personal relationships, so many discussion meetings with members, so many co-ordinating meetings and so many policy meetings. In this respect each project is different. There is no hard-and-fast rule on how many discussion meetings must be held. This decision must be based on the combined judgments of all the people involved, whether the planning is for a new project or for budgeting the next year's operations.

The final result of the planning process can be a written document which describes the project, the goals and objectives, the various inputs needed and the outputs which are expected. Usually the written plan will list the assumptions upon which planning is based. But nothing in that written document can prescribe how many meetings and discussions must be held to develop such a project document.

A written project document which is developed without the kinds of meetings, discussions and planning sessions, I have described will probably be deficient in many respects.

I am a strong advocate of on-the-job training. It is difficult to teach a person how to plan a project in the classroom with a theoretical project. Unless a person can put his classroom training into actual practice immediately, much of what he is taught will be forgotten quickly. The best way to learn is by doing. The person who is involved in all aspects of the planning, implementing, evaluation and replanning of a project will be the person who will know how to do the planning for the next project. I strongly recommend that classroom training be given only when it can be combined with actual project development work or where the person can be assigned to a new project as soon as he completes his classroom training.

Although I have been talking specifically about agricultural co-operatives the things I have discussed also apply to the planning process in all other kinds of co-operatives.

I wish we had all of our co-operative officers in the field trained to assist village unit co-operatives plan their projects the way I have described. If we did, we would be developing at a very rapid rate.

What we can do is to continue to assist in the training of co-operative officers to meet these planning objectives. In this way, we will reach our goal eventually.

Report of Commission II

SUBJECT: BETTER PLANNING IN COOPERATIVES

Chairman : Mr. A.G. Lunandi, Indonesia.
Secretary: Mr. P.E. Lannhagen, ICA ROEC.
Resource Persons: 1. Dr. Ibnoe Soedjono, Indonesia.
2. Mr. Pradit Machima, Thailand.

Points for Discussion

1. The question of participation of various groups in the formulation of plans must be seriously considered. Discuss how to improve the motivation to participate of various groups:—

    Members
    Elected representatives
    Staff members

2. Planning cannot perhaps be seen as an isolated activity, it includes also a control of performance. Discuss about the planning *and* control with a proper feedback system in monitoring of performance.
3. Is it possible to see the various levels of planning as separate areas or are the various types of planning (Micro, Macro) shades into the other. Discuss also the time perspective for the plan and the planning process.
4. What can/shall ICA Regional Office and Education Centre in South East Asia do to improve the planning in our co-operatives.

Participation in Plan Formulation

The Commission stressed the need to motivate and to involve all the groups—members, elected respresentatives and staff members—in continuous education in an active way in the co-operatives. It is for the members' interest that the co-operatives exist. Therefore, it is important to actively engage them in the management and long-time planning of their societies.

The members know what they want from their societies and they must express their opinions about the society.

As regards the staff members, the Commission felt that those who join the co-operative sector should have a feeling of doing something which is good for the society and its members and not only for the salary. If they do not have that feeling they will do things in a mechanical way from which the members will not benefit. The selection of the staff is very important, since they are the key persons for the society.

The Commission emphasised that the planning should be done for the common man and that there should be a five-year plan for every family in the co-operatives on to what extent his living conditions have to be improved during that period.

On the first topic the Commission concluded that there is also an important psychological aspect of security that everybody involved in the co-operative must feel. It must not be risky to participate and to express the ideas.

Monitoring of Performance

The Commission fully agreed that there must be a proper feedback. Most feedback is to make people happy and the commission stressed the importance of giving honest feedback and that it should also be done in confidence and with the aim to support the feeling of safety.

The responsibility of every person concerned with planning and implementation should be defined.

The profit-and-loss recording is not the only answer to feedback. The Commission wished to introduce implementary systems for feedback, as for example programme-budgeting where the budget will control the plan and the performance.

The recording should be used in future planning and should also be used for education and teaching purposes.

Time-Perspective

The Commission underlined that the co-operative must be concerned with both micro and macro planning and that they shaded into each other. The micro and macro aspects must be synchronised in the planning and the government must feel the needs from the co-operatives.

The Commission felt that the developing countries cannot go into too sophisticated planning and that the developed countries and other institutions like International Labour Organisation and International Bank for Reconstruction and Development can support co-operatives in their planning.

It is necessary for co-operatives to form their own plans so that they feel that it is their plan and that the implementation of the plan can go smoothly.

ICA ROEC's Role

A comprehensive list of activities for ICA was presented by the Commission. /

a. Indonesia hás adopted a seminar on better planning worked out by CUNA on how to identify member needs and how to plan to achieve the goals. This is proposed to be taken up by ICA.

b. New technology must be applied by the farmers to increase the yield. A programme to transfer farm-technology was proposed.

c. The necessity to have educated and enlightened members was stressed by the Commission. It was proposed that ICA should arrange for some motivation system (eg. The mobile education team from Nepal).

d. Successful plans should be disseminated by ICA among the member organisations so that others can adopt and learn from them.

e. ICA should act as a liaison office between the developed movements (eg. Sweden, Denmark, Japan, Germany) and the developing countries, where specific developed countries can help to build up dairy plants, fertiliser plants etc.

f. International trade among co-operatives in the region should be built up and ICA should publish facts and figures on the supply and demand for various products in the region.

g. ICA should Conduct seminars, workshops and training courses in planning for co-operatives.

h. ICA should form a committee on co-operative planning in order to develop the co-operative movement in the region.

Commission-III

Better Living Through Co-operatives

N. K. Naik*

Better Living Through Co-operatives—An Indian Experience

I have been associated with the Shree Warana Sahakari Sakhar complex since its inception and thus I have been a witness to incredible feats of the creative performance of its founder, Tatyasaheb Kore. Today, Warananagar has become a centre of cooperative industrial enterprise. Consequently, the very face of this region has changed remarkably and a new chapter of "better living" has opened. It is an object lesson which proves that cooperation, if taken in the right spirit, can work wonders.

It is now well over one and a quarter of a century since the cooperative movement took roots in the different parts of the world. With the advent of the Industrial Revolution in the U.K. a situation of suffering and misery arose and in that situation cooperation emerged out of the sheer urge for better living. It could thus be said that it was a revolt against the exploitative measures of early capitalism. In Germany, cooperation took birth to meet the credit needs of small farmers and weak urban dwellers. The movement has since then spread to other countries and at present it is functioning in one form or the other in every country of the world.

In India cooperation did not emerge voluntarily as a result of the choice of economic units. It originated with governmental policy because of the prevailing socio-political climate. The landless labourers and a large number of petty cultivators lack the capacity to organise themselves into cooperatives to improve their lot. It is true that in India, the social system did not pro-

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vide leadership as required for the rapid and healthy development of the movement. But wherever it was available, the movement did flourish and is flourishing. There are several instances of such developments in Maharashtra and Gujarat. The cooperative sugar factory complex in Maharashtra and the milk complex in Gujarat are the results of the leadership available to the movement. But in general, it can be said that the development of this movement depended and still depends on the policies and efforts of the Government.

Emergence of Sugar Cooperatives

The very emergence of sugar cooperatives in India was for the betterment of the sugarcane cultivators. A small agriculturist was put to severe losses and he, in fact, needed relief which was provided by the sugar cooperatives. In India, the consumers' cooperative undertaking is remote. The workers' cooperative is in an infant stage, whereas producers' cooperatives are quite common. It is a processing society, because the commodities have to go through certain stages before they reach the consumers. It is a transformation of the produce into a consumable form. Sugarcane belongs to this category. It has to be crushed and processed into sugar.

All these processes were in the hands of middlemen, traders and businessmen. In the hunt for enormous profits, they indulged in malpractices. They systematically squeezed the producer on the one hand and consumer on the other. The producers, on their part, never bothered about this because processing demands expert knowledge, heavy functioning and full-time attention. But by the middle of the 20th century the producer cultivators realised the colosal loss that they had to sustain. They found a way to get over their helplessness due to meagre resources. The job was taken up on a cooperative basis so that the cultivator got the benefit of the processed product. Today out of 257 sugar factories established in the country, 94 are cooperatives. Licences have been given to 87 factories out of which 65 are in the cooperative fold. The cooperative sugar factories in Maharashtra, in particular, have taken deep roots. Many factors are responsible for this success, viz. democratic management, cultivators' participation. the socio-economic transformation of the community around the location, the unstinted support of the State, easy marketing and good price.

Transformation of Rural Economy

The cooperative sugar factories in India have registered a spectacular growth in the transformation of the rural economy. They have provided such infrastructural facilities as roads, culverts, power, drinking water, percolation tanks, lift irrigation, recreation and extension for the community. These have again led to the creation of employment opportunities on an unprecedented scale, modernisation of agriculture, adoption of improved farm practices and rise of income and standard of living. The Shree Warana Cooperative Sugar Factory has an exemplary record in this respect. The review of achievements of our factory clearly demonstrates that cooperation is an indispensable instrument of planned economic action in a democracy. The Warana Cooperative Sugar Factory has implemented an impressive programme of employment, housing, education, health, family planning and recreation. The needs of small farmers, landless labourers, depressed communities and economically backward classes are given priority in the programme of community welfare and better living launched by the Warana Sugar Cooperative.

Warananagar, the seat of the cooperative complex, is 30 kilometers away from Kolhapur City, a historic district town in the State of Maharashtra. It is an independent township built from scratch and is named after the holy river of the region. With four big and sophisticated ventures like factory, dairy, poultry and Warana Bazar, it can be rightly called an industrial complex the like of which never existed before in this region.

Before dealing with the spectacular achievement of cooperative enterprises in this region, allow me to take you to the past when Warananagar was yet to come into being. It was a barren and rocky tract. It was entirely due to the "never say die" spirit of Tatyasaheb Kore that it has been turned into a paradise on earth. He rightly says, "A stranger will not get any idea by any stretch of imagination what the territory looked like before it became a beautiful township". The Shree Warana Cooperative Sugar Factory came into existence in 1959 with an initial crushing capacity of 1,000 tonnes opening a new chapter in the history of this region.

Monster of Unemployment

The Warana industrial complex has played an effective role in redressing the evil of unemployment in the region. As far as local labour is concerned, a state of full employment has been achieved. The migration of local people in search of employment has considerably fallen. The cooperative industrial complex has a combined work force of a little over 5,000. Those who depend on the industry like agriculturists, traders, and contractors go up to 50,000.

Sugarcane Development Activities

The present authorised share capital of the factory is Rs. 15 million, comprising of 15,000 shares of Rs. 1,000 each. Out of this 13,500 shares are for producer members, who number 6307. These are cane growers from 66 villages which fall within a radius of 15 kms from the factory and are covered by its operation. Our bye-law insists that every producer member must hold at least half an acre of land. As many as 86% of the members are small land-holders owning less than one hectare of land.

The working efficiency of the factory, which has broken all records in the long history of the Indian sugar industry, testifies to its success. This success was made possible by an effective organisational set-up, enforcement of exacting standards at all levels of working and accord of priority to all the major factors that affect production.

Sugarcane development was given top priority. The major hurdle in the way was lack of water. The main source of water in the region is Warana river, which is not perennial. Acute shortage of water was felt for sugarcane during the summer months of March-June. The problem was aggravated by the vagaries of the monsoon and consecutive years of drought from 1972 to 1974. This resulted in sugarcane production falling to 70,000 tonnes, the yield being 17 tonnes per acre.

The problem was solved by constructing three storage weirs on the river at a cost of Rs. 2.8 million. This increased the availability of water fourfold, giving an impetus to sugarcane production. Last season's total production was 350,000 tonnes and the yield per acre was 38 tonnes. The initial investment required for the project was borne by the factory as the government was unable to spare funds.

The utmost care is taken to maintain and improve the quality of sugarcane by providing scientific guidance to cultivators through qualified and trained agricultural development staff, supplying improved varieties of cane seedling, fertilizers, and modern agricultural implements like tractors and bulldozers. A soil analysis laboratory has been established to help farmers to ascertain the correct dosage of fertilizer.

The harvesting programme is planned with utmost care to see that the mature cane is crushed and there is the least time lag between cutting and crushing. This has resulted in our topping the list in sugarcane recovery in India almost throughout the ten years of our operation.

The efficient running of the factory enabled us to give the members the highest cane-returns, far above the minimum fixed by the government. We top the list in this matter too.

The capacity of the sugar factory was expanded from 1,000 to 1,500 tonnes per day in 1966 and from 1,500 to 2,000 in 1969. Further expansion to raise the capacity to 3,000 tonnes has been taken on hand.

The following figures illustrate the spectacular progress made by the factory:

Particulars	**1959-60**	**1977-78**
Producer members	1,768	6,307
Sugarcane area	2,666 acres	14,425 acres
Sugarcane crushing	66,843 tonnes	405,368 tonnes
Sugar production	84,577 quintals	501,745 quintals
Authorised share capital	Rs.6 million	Rs.15 million
Capitals assets	Rs.13.7 million	Rs.57.6 million
Paid-up share capital	Rs.2.6 million	Rs.7.7 million
Own funds	Rs.800,000	Rs.31 million
Producer member		

deposit	Rs.200,000	Rs.30.4 million
Capital loan :		
Initial	Rs.11.6 million	NIL
Expansion	Rs. 6.5 million	

The farmer who had to part with his household belongings to contribute Rs.250 towards the initial share capital has been able to build up assets of Rs.57.6 million and create funds to the tune of Rs.69.4 million. This miracle would not have been possible but for the cooperative.

Better Living of Employees

How cooperatives can lead to better living is exemplified by the special care taken by the factory to provide various types of amenities to the employees. All efforts are made to better their lot because it is our conviction that a satisfied and a contented worker alone can contribute effectively towards production. Keith Davis observes in this connection, "In the world of work all resources except human resources—stand under the laws of machanics, never having an output greater than their input. Man alone can produce through motivated creativity an output greater than the sum of his "inputs". The employees are provided with well-planned residential accommodation with all modern facilities like filtered water supply, electricity and sanitation at subsidised rent. Other essential services like medical facilities, recreation centre, shopping centre and educational facilities for children are made available at nominal cost. Cultural activities and religious festivals are organised by the workers with due encouragement from the management.

The basis of the cooperative industrial complex is cooperation. That fact is never lost sight of. In the promotion of welfare activities, the emphasis is on the spirit of cooperation. The employees have been given every facility to set up a workers cooperative society, which manages a flour mill, cloth stores, bakery unit, printing press, firewood and gas supply, and credit facilities in the form of hire/purchase schemes which enable the workers to buy household items like radio, cycle and sewing machine etc.

The Shree Warana Kamgar Kalyan Mandal is a philanthropic society which instils the spirit of cooperation among the workers. The workers raise funds through their own contributions and the factory augments these by providing a matching share. The society gives financial aid to the workers in times of need as, for instance, when a member of the family is seriously ill or a child has to go for higher education.

The factory also takes care to see that the workers develop the saving habit. Under a salary saving scheme instituted by it, they contribute a total of Rs.13,000 every month. Bonus and incentive schemes give the employees extra satisfaction and encourage them to work sincerely and efficiently.

A 'Mahila Grih Udyog Lijjat Papad Centre was established in 1974 to run a cottage industry with the help of the women of the township. It is a model of cooperation. It is owned by all its members who share the profit or loss. Membership is open only to women. This shows how the atmosphere in this region is indeed charged with the spirit of cooperation. Women who undertake the work of rolling 'papad' in their leisure time earn Rs.3 to 5 per day. The annual production of the unit is Rs.150,000. The products are also exported to countries like the U.S.A., Europe, Japan.

The usefulness of the welfare work is quite obvious. It creates in the minds of the workers a feeling that the state and the employers are interested in their happiness. The welfare measures help to improve their physique, intelligence, morality and standard of living. This, in turn, improves their efficiency and productivity.

An attempt has also been made to extend democracy to the work-place. The managements of all the cooperatives in the complex have taken steps to establish industrial democracy. The workers are given an opportunity to participate in the affairs of the industry. It is a means of self-realisation in work and meets any psychological needs of men and women at work by eliminating to a very large extent any feeling of futility and frustration.

Community Benefits

We believe that every enterprise, no matter how large or small, must, if it is to enjoy confidence and respect, seek actively to discharge its responsibilities in all directions—not merely towards one group, employees or shareholders, but towards the community at large. We follow the Gandhian principle that all life is a trust and all power carries with it certain obligations. Needless to say that we look upon industry as a service system.

Dairy and Poultry Cooperatives

The sugar factory and sugarcane development improved the lot of cane-growers, who constitue 20% of the rural population. Something had to be done for the remaining 80%, who depended mainly on dry farming. A way had to be found to help them to supplement their income.

Dairy and poultry were the two agriculture-based industries which could be adopted by the rural population. Therefore, cooperatives in dairy and poultry were established. Following the motto that "all should live happily" the sugar factory has given attention even to those who are not covered by it. The economic development of the owners of seasonally irrigated land was necessary to bring about balanced development of the region. Therefore, a milk project was launched, and it became another milestone in the progress of the Warana industrial complex. Set up on the lines of the successful Anand and Mehsana Dairy Projects in Gujarat, the plant processes 50,000 litres of milk a day. The milk is collected from farmers of the surrounding 176 villages. The project ensures steady disposal of their milk and a sound return. Veterinary service and credit and other facilities are provided by the cooperative society to the farmers. The compact automatic plant processes milk into products like pasteurised milk, milk powder, baby food, malted milk, butter and ghee for better marketability.

With the commissioning of this project, milk production in the area has gone up to 50,000 litres a day from 15,000 litres, adding Rs.25 million to the income of the rural population.

Poultry

A central poultry unit was set up to provide layer birds, arrange veterinary facilities and market eggs. The farmers were given training in scientific bird care and helped to set up small poultry farms with 100 to 500 birds.

Today there are 200 such units with 65,000 birds, producing 13 million eggs a year and generating an income of Rs.4 million.

It is the dream of our chairman, Tatyasaheb Kore, that every house in the area should have atleast five heads of cattle and 100 poultry birds so as to assure a minimum annual income of Rs. 10,000 to the family.

There is no better way of removing the poverty of rural India.

Shree Warana Cooperative Bank

For the promotion of the above schemes we felt the need to have a financing agency of our own. The Cooperative Bank thus came into being in 1966. This is a classic example of self-help. The bank helped to create the banking habit in the rural population and has mobilised deposits to the extent of Rs.15.5 million.

The bank's funds were used to finance the small farmers in agricultural development work and artisans and agricultural labourers to set up small industries like poultry and dairy. Loan is given at subsidised interest rates to the weaker sections, and interest-free loans are provided to deserving students for higher studies.

Educational Activities

We have given top priority to education because we are thoroughly convinced that education opens up a new way of life, new horizons, new aspirations and new opportunities in the lives of children and youth. Warananagar is a pioneer in this respect. We have not only kindergarten, primary and secondary schools, but even a college. Provision thus exists for education from pre-primary to higher levels. These educational institutions cater to the needs of the students residing in the factory's operational area. An educational society named as Shri Warana Vibhag Shikshan Mandal has been established to look after them.

A survey of about 25 schools in the area, undertaken in 1963, revealed that only 10% of the students completing high school education could afford to go to city colleges for higher education. In 1964, the factory took the lead and established a college of Arts, Science and Commerce near the factory site. The factory bore the deficit of the college for the first eight years. The up-to-date and well-equipped buildings of the college, constructed in 1964-65, cost Rs.1.4 million. As many as 72% of the students of the Shree Warana educational institutions come from the economically backward classes. In scholastic competitions held every year in the district, the students of these institutions take the first 7 or 8 places. A school student stood 15th in S.S.C. Examination in the State, securing 90% of marks. A total of 130 students from the College have been admitted to engineering and medical colleges on merit so far.

One feature of these educational institutions is that a large percentage of the students are living in hostels specially built for them in the campus. There is a heavy demand from the district for admission in the hostels. The college has instituted an 'earn and learn' scheme for those who cannot afford education. Adequate attention is paid to development of an all-round personality. The gymnasium has become an important institution in this area. So impressive has been the growth of the Shree Warana Industrial Complex and the educational complex that it is difficult to say whether Warananagar is a centre of education or a centre of industry.

Children's Musical Orchestra

The reference to educational and cultural activity will not be complete without a mention of the highly acclaimed cultural activity of Warananagar—a children's musical orchestra. The orchestra, comprising children in the age group 6 to 14, has won high praise from critics. The children handle nearly 45 instruments, including the difficult santur, jaltarang, sitar, Western banjo and Spanish guitar, with grace and dexterity. Most of the children hail from villages near Warananagar. They knew nothing of music or instruments until they came under the able guidance of great maestro, Shankarrao Kulkarni. The children's orchestra had its moment of glory when it was judged first among the groups from eight countries who performed at the International Children's Festival at Sibenik, Yugoslavia.

Warana Bazar

The Warana Bazar is our latest achievement. It is said that 'consumer is king'. But under the prevailing economic circumstances one can legitimately ask if he is really a king? If so, what monarchical prerogatives does he enjoy? The situation, in fact, is exactly the opposite. There is no institutional base for consumers to save themselves from the clutches of rapacious traders. Some recent surveys in India have revealed that the private dealer may go to any length to exploit the consumers. His margin of profit in some essential consumer goods is found to range between 50 and 300 per cent. The Warana Bazar, instituted to serve the consumers on the basis of self-help, is being used to set high standards for goods and services. Its popularity is testified by the fact that the average monthly sale is of the order of Rs.450,000.

Medi-care

Medical care, being a basic need of the community, was accepted as part and parcel of our 'better living programme'. The sugar factory has established a hospital, where proper and adequate medical facilities are provided to the members, employees, labourers and other people in the area. For the benefit of the poor and helpless patients, frequently we organise 'eye and ear clinics' on a large scale.

We are contemplating a new project under the aegis of the Mahatma Gandhi Medical Trust. It will cost Rs.8.5 million and will provide for major operational theatres, an intensive coronary care unit, a blood bank, an X-Ray department, a pathological laboratory, and a casualty department. Efforts are being made to engage on a full-time basis highly trained and qualified doctors with foreign training and experience. The performance and proud achievements of the Warananagar cooperative industrial complex within a short span have not only raised its stature tremendously but proved to be a turning point in the lives of thousands of rural families.

There must be no doubt now in your minds that the cooperative movement is the best guarantee of political freedom, economic democracy, better living and social change. This fact has been acknowledged even by those who are critical of cooperatives in general. Still the cooperative movement is under fire. I feel we should consider carefully the points of criticism. As I have been connected with a sugar cooperative as its Managing Director for the last 15 years, I would like to confine myself to questions specifically related to sugar cooperatives.

These are—

1) Why have all the farmers in the area of operation not been enrolled as members?
2) The sugar cooperatives have a democratic organisation but it is found that a few persons seize power and continue to hold on to it for years. How then can sugar cooperatives be called democratic?
3) Is it true that there is no rapport between the managements of sugar cooperatives and growers?
4) Are sugar cooperatives a close preserve of certain vested interest?
5) Is the relationship between labour and management not cordial?

Report of Commission III

SUBJECT: BETTER LIVING ACTIVITIES THROUGH COOPERATIVES

Chairman : Mr. M.R.B. Dasvatte, Sri Lanka

Secretary : Miss T. Pathma, Malaysia

Resource Persons:
1. Mr. Takeshi Kai, Japan
2. Mr. N.K. Naik, India
3. Mr. Lionel Gunawardana, ICA ROEC

Points for discussion

1. Aspects which can be influenced by cooperatives in order to improve living conditions of members.

   (a) Aspects that can be dealt with by existing cooperatives
   (b) Aspects that require the formation of special cooperatives

2. Organisational adjustments needed in cooperatives.

   (a) Internal e.g. creation of separate departments
   (b) External e.g. informal member groups

3. Legal provisions (laws and bylaws).
4. Financing.
5. Role of women and youth.
6. Role of leaders (motivational).
7. Selection of areas of activity (on priority basis).

   (e.g. creation of facilities,
   health improvement,
   consumer activities,
   consultative activities (e.g. cooking and sewing classes)
   Welfare and recreational activities.)

The Commission discussed in detail the better living activities through co-operatives and concluded that major areas to which such activities should be directed are nutrition, housing, education, environment and health and recreation. The economic activities of co-operative societies are intended to solve common economic problems of members and, therefore, when properly carried out will result in increasing the income of the members resulting in enabling them to lead a better life. It is possible to diversify further the activities of co-operatives in order to provide all economic services that are needed by the members. They also can engage in cultural, recreational and educational activities directed not only to the members but also to the whole community in order to assist the community to lead a fuller life.

These activities can be undertaken by existing co-operatives by creating special sections or departments in the society to carry them out. Where necessary special co-operatives may also be formed for these activities.

The Commission emphasised the value of co-operative education in order to instil in them a desire to improve their living conditions. Dedicated and devoted leaders can do a great deal to encourage members to actively participate in the activities of the co-operatives in order to make them successful and thereby benefit by their services.

In order to ensure effective services to the members by co-operatives, producer, marketing and consumer activities should be properly integrated.

The farmer members should be provided with opportunities to supplement their income from non-agricultural sources. In this context, the example of the Japanese farmer was quoted. It was stated that only 40 per cent of the income of the Japanese farmer comes from agriculture while 60 per cent is derived from non-agricultural occupation.

The rural and farm co-operatives, in addition to the present services to their members should also try and organise the unorganised areas where the co-operative movement can penetrate in the modernisation of agriculture, adoption of improved farm practices and use of income and standard of living.

Proper and effective planning of the activities of the societies are very important for their success. As better living activities of the societies are directed towards the family unit, it is also necessary for the society to assist the families in planning of their economic life. The plans of the society should be based on the plans of the constituent families.

The Commission emphasised the importance of involving women and youth in the activities of the society specially educational and welfare activities. It is desirable to form women's and youth clubs within the co-operatives in order to involve them actively.

The Commission felt that existing co-operative laws and bylaws in certain cases hinder the expansion of activities of co-operatives. Therefore, it is essential to introduce necessary provisions in the co-operative law and the bylaws of the society to enable them to engage not only in economic activities but also other cultural, recreational and educational activities.

It is desirable that the finances of the society—at least a major part of the finances—comes from the members. Substantial contribution to the share capital and making deposits with the society, are good ways of augmenting society's capital. Financing of better living activities of co-operatives could be done by allocating a certain part of the society's surplus for these activities. However, these allocations may not be sufficient always for carrying out these services effectively. Therefore, where feasible, special funds may be raised for such activities. In this context, the example of Warnanagar Co-operative Complex where a Special Development Fund has been created by deducting Re. 1 per every ton of sugarcane handed over to the society by the members and using this fund for the developmental work in the area was mentioned. Similar funds can be created by co-operatives to finance their welfare activities.

The Commission recommended the following as the major areas in which better living activities could be undertaken. The priorities have to be set according to the local needs and the resources available.

(a) Consumer Activities

Members not only need to be provided with consumer goods at reasonable prices but they also should be assisted in their purchases by providing correct information on various consumer articles in order to help them to spend their money rationally.

It is also recommended that super market societies should, in addition to encouraging women's participation in their projects, also introduce patronage discount to the members of the society. This will enhance the business of the super markets and lead the co-operators to a "Better way of living through cooperatives".

(b) Health

Where public medical facilities are inadequate, co-operatives may provide such facilities to the members. Provision of facilities for preventive care such as facilities for medical check-up is important.

(c) Consultative Services

Consultative services such as cooking and sewing classes may be provided. One of the major reasons for poor health of the rural people is insufficient nutrition in their daily diets. Cooking classes can effectively help solve this problem by teaching the rural housewives to prepare nutritive food with limited cost. Another activity the societies can undertake is an advisory service to members for building hygienic dwellings.

(d) Welfare Activities

Needy children may be given scholarships for education.

(e) Cultural and recreational activities

The Commission calls upon the governments to give every encouragement to the co-operative movement as certain projects like housing etc. can be carried out effectively only with the support of governments. The governments should not impose too many restrictions, especially of a financial nature, on the societies as this would not encourage the full growth of the societies.

The Commission recognises the wisdom of certain governments in encouraging school co-operatives, recommends very strongly that governments should introduce "Co-operation" as a subject in the secondary schools curriculum as this will go a long way to inculcate "co-operative awareness" in the new generation. This is already being done in countries like Thailand and Sri Lanka.

Programme

December 10, 1978	Arrival of participants and registration
December 11, 1978	
10·00—10·30	Inaugural Session by H.E. The Minister of Agriculture and Cooperatives
10·30—11·00	Welcome Address by Chairman, The Cooperative League of Thailand Address by Mr. R.B. Rajaguru, ICA Regional Director for S-E Asia. Vote of Thanks by Mr. J.M. Rana, Director (Education), ICA-ROEC
11·00—12·00	Coffee Break
12·00—14·00	Lunch Break
14·00—14·30	Objectives and Working Methods of the Conference
14·30—15·15	Presentation of Paper 1: "MULTINATIONALS AND THEIR IMPACT ON COOPERATIVES FROM THE POINT OF VIEW OF FARMER AND CONSUMER PROTECTION" 1st Speaker: Mr. Ferdinand A.K. Gul, University of Malaya, Kuala Lumpur
15·15—16·15	2nd Speaker: Prof. M.V. Namjoshi Vaikunth Mehta National Institute of Cooperative Management, Pune (India)
16·15—16·45	Coffee Break
16·45—17·45	Discussion
December 12, 1978	
09·00—09·45	Presentation of Paper 2: "BETTER PLANNING IN COOPERATIVES" 1st Speaker: Mr. Pradit Machima National Economic & Social Development Board, Rural Development Division, Bangkok
09·45—10·30	2nd Speaker: Dr. Ibnoe Soedjono Director-General of Cooperatives, Jakarta, Indonesia

10·30—11·00	Coffee Break
11·00—12·30	Discussion
12·30—14·30	Lunch Break
14·30—15·15	Presentation of Paper 3: "BETTER LIVING THROUGH COOPERATIVES" 1st Speaker: Mr. Takeshi Kai Manager, International Department, Central Union of Agricultural Cooperatives, Tokyo, Japan
15·15—16·00	2nd Speaker; Mr. N.K. Naik Managing Director, Warnanagar Cooperative Sugar Factory, Warnanagar, Dist. Kolhapur, India
16·00—16·30	Coffee Break
16·30—17·30	Discussion

December 13, 1978

09·00—12·30	COMMISSION MEETINGS; Commission I : MULTINATIONALS AND THEIR IMPACT ON COOPERATIVES FROM THE POINT OF VIEW OF FARMER AND CONSUMER PROTECTION. Commission II ; BETTER PLANNING IN COOPERATIVES Commission III : BETTER LIVING THROUGH COOPERATIVES
12·30—14·30	Lunch Break
14·30—16·00	Commission Meetings (Cont.)

December 14, 1978

11·00—12·30	Final Plenary — Presentation and Adoption of Commission Reports
12·30—14·30	Lunch Break
14·30—17·30	Final Plenary (Cont.) Presentation & Adoption of Commission Reports

December 15, 1978

AM	Visit to Hubgrapong Agricultural Cooperative Ltd.
PM	Visit to Rose Garden and Orchid Plantation at Sam Pran and Nong Khaem.

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68. Mr. Ung Peng Joo

69. Mr. Hamid Araby bin Haji Md. Salleh

70. Mr. Ang Thoon Hock

71. Mr. Khairuddin bin

72. Mr. Encik Abdullah bin Othman

73. Mr. A. Govindasamy

74. Mr. Mohd. Omar bin Hussain

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76. Mr. Mohd Shariff Hj. Shamsuddin

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102. Mr. Suchat Kosanan
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103. Miss Thids Nimsuk
Chief, Accountancy and Finance Division

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THE INTERNATIONAL COOPERATIVE ALLIANCE

is one of the oldest of non-governmental international organisations. It is a world-wide confederation of cooperative organisations of all types. Founded by the International Cooperative Congress held in London in 1895, it now has affiliates in 66 countries, serving over 336 million members at the primary level. It is the only international organisation entirely and exclusively dedicated to the promotion of cooperation in all parts of the world.

Besides the Head Office of the ICA, which is in London, there are three regional offices, viz., the Regional Office & Education Centre for South-East Asia, New Delhi, India; the Regional Office for East and Central Africa, Moshi, Tanzania and the Regional Office for West Africa, Bingerille, Ivory Coast. The Regional Office in New Delhi was started in 1960, the office in Moshi in 1968, and the West African Regional Office in 1979.

The main tasks of the Regional Office & Education Centre are to develop the general activities of the Alliance in the Region, to act as a link between the ICA and its affiliated national movements, to represent the Alliance in its consultative relations with the regional establishments of the United Nations and other international organisations, to promote economic relations amongst member-movements, including trading across national boundaries, to organise and conduct technical assistance, to conduct courses, seminars and conferences, surveys and research, to bring out publications on cooperative and allied subjects and to support and supplement the educational activities of national cooperative movements. The Regional Office and Education Centre now operates on behalf of 14 countries, i.e. Australia, Bangladesh, India, Indonesia, Iran, Japan, Republic of Korea, Malaysia, Nepal, Pakistan, Philippines, Singapore, Sri Lanka and Thailand.

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