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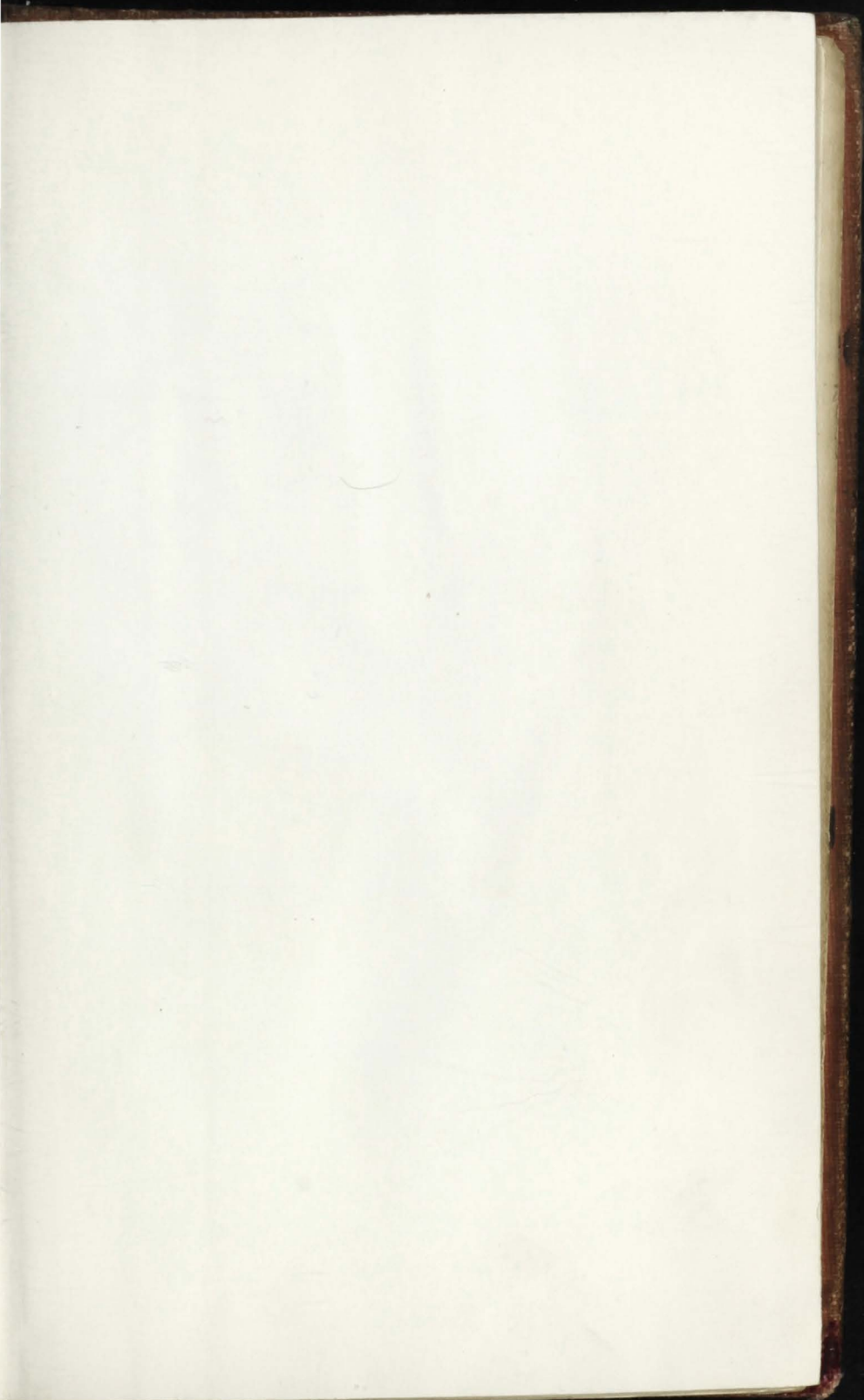


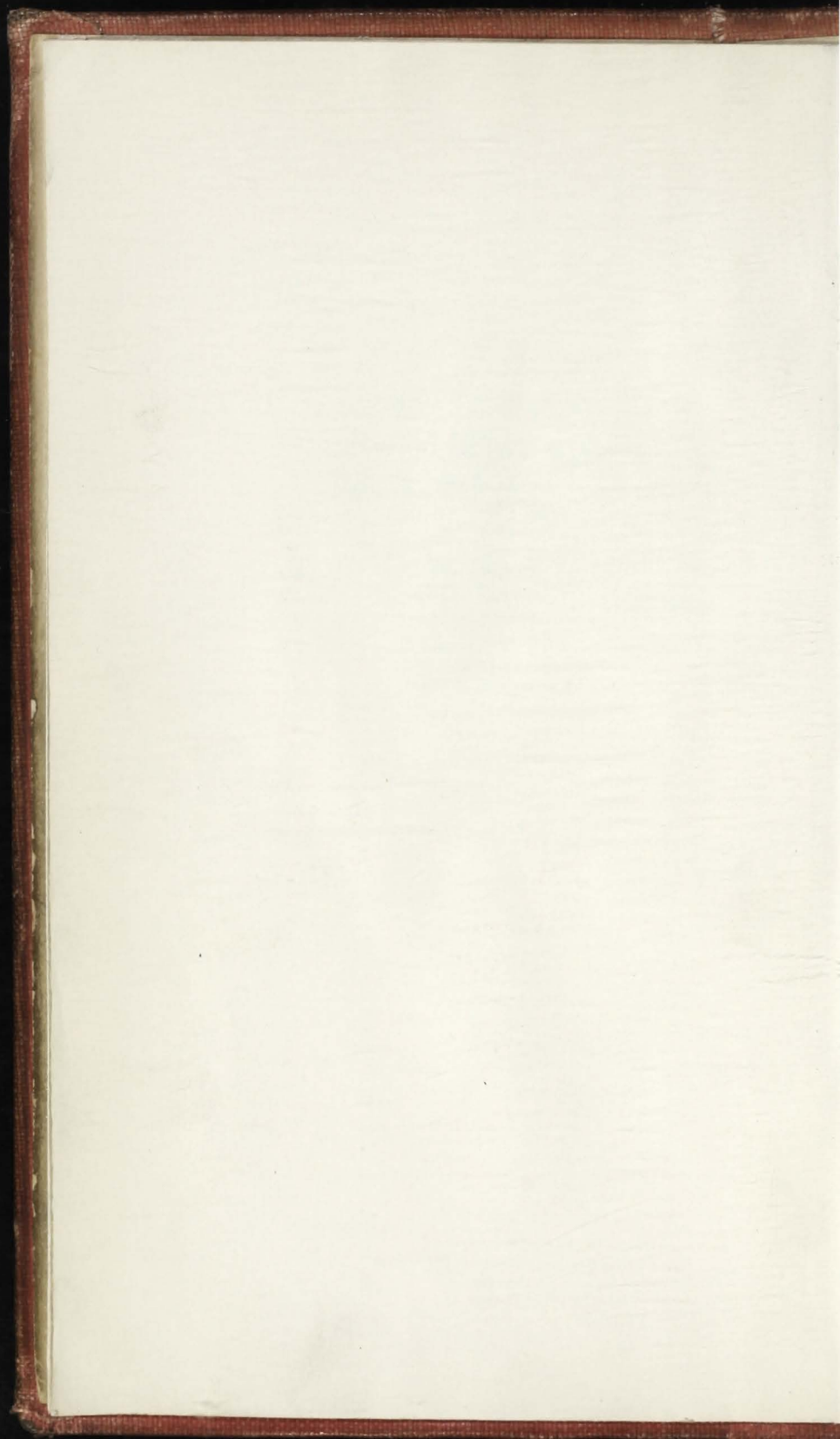
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INTERNATIONAL CO-OPERATIVE TRADE

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INTERNATIONAL
CO-OPERATIVE TRADE



International Co-operative Trade.

BY LEONARD WOOLF.

I. Introduction.

SINCE the war the question of international trade has forced itself upon the attention of co-operators wherever in Europe a movement has developed. There has been considerable discussion as to how trade on co-operative principles between the various national movements can be encouraged and developed, whether international co-operative organizations should be created for the purpose, and, if so, what their form and nature should be. The subject is a very large and difficult one, and possible lines of development are many, so that it is not unnatural that in these discussions there is often confusion with regard both to the object immediately to be aimed at and the various methods by which it might possibly be attained. The object of this paper is to clear away, if possible, this confusion, to distinguish clearly between the different forms of co-operative trade which the movement might aim at developing and between the various means which might be suitable for encouraging the different forms of international trade. It is only in this way, I think, that we can gain any clear idea of immediate steps which may be practicable.

Importance of International Trade.

A preliminary word or two must be said as to the importance of this subject. We have all learnt in the last two years that international trade generally has a direct effect upon the well-being of practically every man, woman, and child in the country. Economic collapse, stagnation of trade, the fall in the standard of living, unemployment, these are the subjects of which the newspapers are full and which are causing the winning or losing of elections. These evils, which mean misery or discomfort for hundreds of thousands of individuals, are primarily due to the war and to the peace; but their immediate cause is the collapse or dwindling of international trade. At the end of the war the ordinary machinery of capitalist trade between nations, which depends upon credit, was no longer in existence and it has obstinately refused to reconstruct itself. The result to an industrial exporting country like Britain is that, though there are millions of foreigners who are in urgent need of our goods and who before the war purchased our goods, the normal course of exchange and trade will not re-establish itself, our foreign markets remain closed and our own workers unemployed. The economic reconstruction of Europe through the encouragement of international trade has become one of the chief problems of European statesmen, economists, financiers, and industrialists. But it is also of immense importance to the workers

and co-operators. Co-operators, in particular, cannot give too much attention to the subject. If a great extension of international co-operative trade is ever possible, co-operators will never find a moment more favourable to them than to-day, because the failure of the capitalist system to right itself leaves the field open to them in many markets. And success if it came would never bring greater rewards than at the present moment.

The Co-operators' Opportunity.

But the question of international trade on co-operative principles has, also, a general and permanent bearing upon the future of co-operation itself. Before the war consumers' co-operation in some countries and agricultural co-operation in others had reached a very high level of development, and in some there has again been since the war rapid co-operative expansion. But even in the most prosperous and progressive movements attention has been concentrated almost exclusively upon national organization, and little or no thought has been given to the possibility of developing international trade on co-operative principles either between the several consumers' movements or between, say, the consumers' movement of one country and the agricultural movement of another. And yet even before 1914 it had already become clear in some national movements that the limits of co-operative progress were already in sight, unless the co-operative system could be extended on a large scale to foreign trade. This was particularly the case in Great Britain, where co-operation has a longer history than elsewhere. As soon as the retail societies federated in the Wholesale Societies and these began wholesale trading and manufacture upon a large scale, the British movement was faced with the problem of international co-operative trade. The C.W.S. has continually to import commodities demanded by the retail societies or required as raw materials in its own mills and factories, and, if it remain content to purchase these from capitalist producers abroad and through the ordinary capitalist channels, it inevitably sets very narrow limits to the expansion of co-operative trade and it also leaves the movement, so far as all imported commodities are concerned, dependent upon capitalists who are hostile to the movement and the co-operative system. We find therefore in one department of trade and industry after another that the Wholesale Societies have been compelled to attempt the application of co-operative principles to international trade, either by exchanging goods with the Wholesale Societies of other countries, or by establishing depôts abroad, or by themselves owning and working tea estates in India and Ceylon, or wheat fields in Canada.

In Great Britain, in Germany, and in several other countries consumers' co-operation has already reached this stage at which its ordinary business of supplying its members' demands and its normal development are hampered unless the co-operative system and

co-operative control can be extended to the international exchange of manufactured or partly manufactured goods and to the import and export of food stuffs and the raw materials of industry. This fact is of immediate and practical importance, but it also has a wider significance. There are many co-operators who see in co-operation an alternative to the capitalist system. But it is obvious that co-operation can only take the place of capitalism in a very limited field, if it cannot adapt itself to international trade. Industry, commerce, and finance tend to become ever more and more international, and the basis of the capitalist's strength is more often than not to be found in his control of foreign markets, the foreign supplies of raw materials, and the channels of foreign trade. The co-operator will never oust capitalism and its evils, unless it can out the capitalist from international trade.

In the following pages I shall naturally be concerned mainly with the consumers' co-operative movement and the C.W.S., but in discussing international co-operative trade it is quite impossible to isolate the consumers' movements and to dismiss agricultural movements and co-operative credit. English co-operators scarcely realize the enormous growth of agricultural co-operation and its rapid development, not only in Europe, but in the East and in the Dominions. Co-operative selling by agricultural producers is becoming an important factor in international trade, and this cannot be ignored in considering the future of international co-operative trade.

II. Previous history of International Co-operative Trade.

Before dealing with possible lines of development, it will be useful to examine briefly the way in which the co-operative movements have hitherto attempted to meet the problems of foreign trade. All international trade resolves itself into a question of either imports or exports, a question of either purchasing to meet the home demand or selling in order to supply a foreign demand. It is characteristic of the co-operative movement in general and of international co-operative trade in particular that each step in advance has been taken to meet an individual, isolated problem and that there has been no attempt to work out and apply any general organized plan of progress. Accordingly, before the war international co-operative trade was regarded even in the most advanced movements almost exclusively from the importing side. The members of British co-operative societies demand tea which has to be imported from India or Ceylon, butter and eggs which come from Denmark, bacon and cheese from Canada and the United States, or fruits which come from Spain and Greece. The question of supplying each of these demands as it arose was treated separately by the C.W.S.; there was no attempt to encourage or organize international trade, and each demand for a foreign product was

supplied in the way which at the moment appeared to be most useful and economical. On the exporting side, there was no impulse from within the consumers' movement to find a market for co-operative productions, which were manufactured only for the requirements of the retail members, and a co-operative trade had, therefore, scarcely developed at all, except in rare instances in which the demand of one national movement for commodities which were produced by another led to a small exchange of co-operative productions.

Methods of International Co-operative Trade.

While international co-operative trade had developed in this way "naturally" and according to no system or plan, the great progress of co-operation in Britain, Germany, Scandinavia, France, Belgium, and Switzerland had caused it to assume considerable proportions before the war, and it is possible to distinguish the main different lines upon which it was developing. The various methods actually adopted may be classified as follows:—

The Depôt System.

(1) The English C.W.S. very early in its history saw the necessity of making itself as independent as possible of the capitalistic middle-men who form the ordinary machinery of the import trade. Its earliest method of meeting this problem was to establish its own depôt in a country from which it required some product in considerable quantities, to buy direct from the producers, to pay in cash, and to ship direct to its own warehouses in England. Over fifty years ago it opened its first depôt of this kind in Ireland, and since that time similar depôts have been opened in the United States, France, Denmark, Canada, Sweden, Spain, Australia, Germany, and the West Coast of Africa.

Joint Purchase.

(2) The depôt system is an attempt to apply co-operative principles to purchase in the international market, for it eliminates some of the capitalistic, profit-making, intermediary machinery of foreign trade. A further step is taken when two or more national movements combine for the joint purchase of some foreign product which they each require. Joint buying of tea, coffee, and cocoa was organized by the English and Scottish Wholesale Societies, and the three Scandinavian movements have also combined for joint buying in the international market.

Co-operative Production.

(3) The two previous methods are concerned solely with the purchase of commodities for import. But the co-operative movements of this and several other countries have developed an industrial as well as a commercial side. As soon as the English C.W.S. engaged in industrial undertakings on a large scale, it was brought up against the problem of ensuring the supplies of raw material which

it had to import. The actual production of these supplies in foreign countries was often in the hands of large capitalists or companies. In two cases the British Wholesales have endeavoured to make themselves independent of the foreign capitalist producer by themselves undertaking production in foreign countries. Thus the English and Scottish Wholesales jointly acquired their own tea estates in India and Ceylon, and the English Wholesale has now acquired land in Canada where it grows its own wheat to be shipped to Scotland and ground into flour in its own mills.

International Co-operative Exchange.

(4) The manufacture of commodities by consumers' movements led to what is probably the most advanced form of international co-operative trade, namely, the exchange of such co-operative productions between two or more national movements. Co-operative import and export of this kind existed, but only on a small scale, before the war. The English and Scottish Wholesale Societies supplied the Danish, German, French, Italian, Dutch and Belgian Societies with tea, biscuits, soap, dress materials, &c., while the Swiss Wholesale Society supplied the English, Scottish, German, and French, with cheese, &c., and the Danish societies supplied the English, German, Belgian, and Swiss with other commodities.⁽¹⁾ After the war the urgent need for a large variety of articles in central and eastern Europe, and the inability of the capitalist machinery of foreign trade to re-establish itself, led to a remarkable increase in this form of international co-operative exchange. Thus the English C.W.S. supplied goods on credit, amounting to nearly £1,000,000, to the Russian, Rumanian, Belgian, and Polish co-operative movements. The English Wholesale Society has also engaged in a slightly different form of the same kind of trade: it has on more than one occasion since the war received consignments of goods, *e.g.*, hides, skins, &c., from foreign movements as agents, and arranged for their sale through the general trade channels, as they were not suitable for their own productive requirements. The possibilities in this kind of international trade, in which one national movement markets the products of another, are even greater as between a consumers' movement and an agricultural movement than between two consumers' movements. But in practice the question becomes more complicated where the consumers' movement can take part of the agricultural product for its own consumption and the remainder has to be sold in the ordinary market. Such a case has actually occurred between the C.W.S. and a Dominion agricultural movement, and it has been found more convenient that the two movements should establish a joint selling company, the C.W.S. having the first call on supplies.

(1) See "The Consumers' Co-operative Movement," by Sidney and Beatrice Webb. Page 286.

International Wholesale Society.

(5) The four forms or methods of international co-operative trade, hitherto mentioned, have been carried on through the ordinary machinery of the various national movements, and without the creation of any special international organization. Indeed, until quite recently, there was in existence no special machinery for promoting or for carrying on international co-operative trade. The International Co-operative Alliance has, of course, had a long existence and has done invaluable work for the study and promotion of international co-operation. But its field in the international world is the same as that of the Co-operative Union in the national, *i.e.*, its activities are those rather of propaganda than of trade.⁽¹⁾ The idea has often been put forward that international co-operative trade will never develop on a large scale, until special machinery exists for the purposes of such trade, and people who hold this view in its most advanced form have always looked forward to the ultimate establishment of an International Co-operative Wholesale Society which would perform for national movements what national Wholesale Societies have accomplished for the retail societies. The impetus which after-war conditions gave to international co-operation generally led to detailed discussion of this question of an international organization both in the International Co-operative Alliance and at special conferences between the various Wholesale Societies. A first step was taken in 1919 by the formation of a "committee of National Wholesale Societies." The object of the Committee was to study the question of the necessary preliminaries to the realization of an International Wholesale Society. It had several meetings and appointed a sub-committee to frame regulations. The sub-committee submitted its proposals to a full meeting of the Committee in April, 1920, and they were adopted; they are given in full in an appendix to this tract. The most important points in these proposals were as follows: (1) The concentration of co-operative effort in each country in a single body with which Wholesale Societies in other countries might deal; (2) the formation of an export department in each Wholesale Society; (3) arrangement by the Committee for joint buying where that is advantageous; (4) the creation of a Central Bureau under the C.W.S. in Manchester for the collection of statistics and the circulation of information. The adoption of these proposals was followed by the setting up of the Central Bureau in Manchester.

III. Alternative Lines of Development.

When one examines the brief sketch, given above, of the previous history of co-operative trade outside the national market,

⁽¹⁾ I ought, perhaps to say that this is true from the point of view of a British co-operator, but not strictly so from that of the French and some other Continental co-operators.

it immediately becomes clear that there are two main points which must be kept absolutely distinct by any one who is considering the problem of future development. First, it is to be observed that the numerous international transactions undertaken by the co-operative movements have various and quite distinct objects. Thus you may have joint or common action by two or more consumers' movements for the object of joint buying in the international market; or you may have common action for the production of some commodity required by two or more movements or for the exchange of products produced by individual national movements; or you may have arrangements the object of which would be to facilitate the export of the products of agricultural co-operation in one country to the consumers' movements in others. It is obvious that action which might facilitate the development of one form of transaction might not be suitable for developing another. In the second place it is most important to consider with regard to each kind of transaction how far it is possible to promote their development with the existing machinery of national movements, and at what point it would be necessary to create new international machinery, if further progress is to take place. This second point is one of great practical importance. The present moment is, as we have seen, peculiarly favourable for the development of co-operative international trade. But it is characteristic of moments, and particularly of favourable ones, that they pass. It always takes time to obtain agreement to the creation of any kind of international organization, and still more time to get it actually created and working. I propose therefore now to consider, first how far it is possible to develop each kind of international transaction without any new machinery or organization, and then to consider the possibilities of development involving the creation of new international co-operative machinery. This way of treating the subject may involve a certain amount of repetition, but it has the advantage of showing clearly what immediate steps could be taken for the promotion of international co-operative trade.

(a) Possibilities without New Organizations.

I. INTER-C.W.S. TRADING.

The simplest form of international co-operative trade is undoubtedly that in which one national C.W.S. exports goods to another national C.W.S. It existed, as we have seen, before the war, but its development was extremely small, when one considers the figures of membership and trade of the larger national movements. It is certainly capable of very great development, but it is necessary to consider carefully the conditions which must be fulfilled if large and rapid progress is to be made along these lines.

The first necessity for this kind of international co-operative trade on a large scale is that there shall exist in all the chief

countries strong and active wholesale societies. The ultimate object is that such commodities as the co-operators of any particular country require to import from abroad should be obtained either from or through the co-operators of the exporting country, for in this way the field of co-operative trade and industry might be enormously increased. But this cannot take place, unless the wholesale trade of each national movement is really conducted by a central organization or wholesale society. There are, it is true, at the present time about twenty national Wholesale Societies in Europe, but many of these can scarcely be said to be strong enough to fulfil the conditions mentioned above. In 1919 the trade of the English and Scottish Wholesale Societies provided over 50 per cent. of the total trade of all the Wholesale Societies (excluding the Russian Centro-Soyuz for which the figures are not available), and 75 per cent. of the total trade of all the societies was due to four societies. It is obvious that much remains to be done by the international movement to promote the formation of national wholesale societies throughout Europe and to strengthen the position of the existing societies.

Joint International Buying.

As regards the actual transactions between two or more national wholesale societies, here at once we must distinguish between two important kinds. The national wholesale society of one country may use that of another merely as its agent for obtaining the goods which it wishes to import. On the other hand the importing wholesale society may, in certain cases, obtain what it requires from some other wholesale society which actually produces the article in its own factories. Here again considerable and immediate development is obviously practicable. There is no reason why, with a little organisation, practically all purchases by national wholesale societies in foreign markets in Europe should not be made through the wholesale society of the country in which the purchase is made. This should open the way to a great extension of the system of joint co-operative buying which would increase the co-operators' power in the world's markets and make them less dependent upon the capitalist machinery of foreign trade.

International Production.

The exchange between national movements of goods actually produced in co-operative factories is a different question. There is no doubt that many wholesale societies at the present moment import goods from abroad which some other wholesale society manufactures, and yet the purchase is not made from the co-operative, but from a capitalist manufacturer. This branch of international co-operative trade could be greatly increased at once, but there are clearly defined limits to its immediate development. Only a few national movements have developed the productive side

of their wholesale societies, and, until such production is considerably and widely increased, the exchange of co-operative productions must remain comparatively small. It should be noted that any large development of this kind of inter-C.W.S. trade will raise a problem which the Swedish co-operators pointed out with great clearness. Suppose the Swedish co-operators import boots and decide to get them, as they well might, from the English C.W.S. which manufactures them already on a large scale. If the Swedish co-operators purchase in large quantities, the English C.W.S. will have to extend its factories, increase its staff, and hold larger stocks to meet the new demand. But there is nothing to prevent the Swedish C.W.S. a year later establishing its own boot factories, in which case the English C.W.S. will lose heavily. It is for this reason that some co-operators, and among them the Swedish, consider that this kind of exchange of commodities cannot safely be conducted on a large scale between national wholesale societies, and that its development requires the formation by the various wholesale societies of a "common industrial enterprise," an international wholesale society, "in the management of which they could all take part and of which they all bore the economic responsibility." There is certainly something in this argument, but its immediate importance should not be exaggerated. To start manufacturing for foreign movements on a vast scale would be much too risky for any national wholesale society, but huge transactions would not immediately be in question; an important development of inter-C.W.S. trade in co-operative manufactures could be organized without any C.W.S. being asked to sink large sums of capital in extending factories, &c. Moreover, where capital expenditure was necessitated, the difficulty could be got over by the importing C.W.S. contracting to make its purchases from the manufacturing C.W.S. for a term of years.

On the other hand the Swedish proposal cannot be dismissed. There are certain commodities, *e.g.*, motor lorries and delivery vans, in which the demand of one national movement might not be sufficient to make the starting of manufacture possible, whereas manufacture to meet the combined demand of several co-operative movements would be feasible. In such cases, it is obvious, joint production is desirable and practical. And it should be observed that for such joint production a single international wholesale society is not essential. Two or more national wholesale societies might combine specifically for the manufacture of certain definite commodities.

These considerations show that the difficulty raised by the Swedish co-operators is a real one; there are definite limits to the possibility of developing the exchange of co-operative manufactured goods between national wholesale societies with the existing

machinery, and this is an argument in favour of an international wholesale society or at any rate joint international productive enterprises.

The Need of Capital.

Another serious difficulty which stands in the way of a large increase in the international exchange of commodities manufactured by consumers' movements is the question of capital. The English C.W.S. does not find it easy to obtain the capital which it requires for the development of internal co-operative trade; it certainly could not undertake any great extension of its productive operations in order to supply foreign co-operators, unless new sources were opened to it from which it could obtain capital. This is a very serious difficulty which would, however, also probably apply to an international wholesale society, for there is no reason to suppose that an international organization would find it any easier to obtain capital than a national organization. It may be suggested that the ultimate solution of this problem lies in some form of international co-operative bank which would mobilize the capital of the various forms of co-operation existing in various countries. This is a possibility which will have to be dealt with below, but we may note here that this is another point at which progress without the creation of new international machinery is necessarily limited.

The C.W.S. as Agent.

There is another kind of transaction between national co-operative movements which needs separate consideration. As was noted above, there have already been cases in which the English C.W.S. has acted as the agent of a foreign movement for the sale of its products. At the present stage of co-operative production in consumers' movements it is unlikely that this form of transaction, as between the consumers' societies alone, will in the immediate future attain any large proportions. The consumers' wholesale society manufactures for an ascertained demand among co-operators, and is not likely, therefore, to have a surplus for export. Nevertheless, if exchange of commodities produced in the factories of wholesale societies ever attained large dimensions, cases would probably often occur in which one national movement could not itself absorb the products of another at a particular moment, but could dispose of them in the open market. It is, therefore desirable, to extend the system by which contracts can be made between two national wholesale societies, A. and B., under which A. agrees to export a certain product to B. and B. purchases such quantities as it can dispose of to its own members and sells the remainder as agent of A. in the open market. Two points here deserve notice. First, such transactions are more suitable for arrangements between consumers' organizations and other forms of co-operative organization, *e.g.*, agricultural, than between two consumers' organizations, and will therefore be dealt with further below. Secondly, experience

has already shown that where such agreements are possible between two movements, it is often more convenient that they should be conducted by a subsidiary co-operative society or company, formed by the two principals to the transaction, than that they should be carried through by what we may call the importing co-operative society.

A Central Trade Bureau.

In the preceding paragraphs I have outlined the three main types of international transactions which appear to be capable of immediate development. Each of them will require different treatment, but there is one most important consideration which applies to them all. There can be no real development in any kind of inter-C.W.S. trading, unless the various national movements are in close contact with one another and have detailed knowledge of the commodities which each movement can supply and each movement consume or dispose of. Such contact and knowledge certainly does not exist at the present moment, and it never will exist unless there is a central international organization whose business it is to obtain the necessary information, supply it to the various movements, and deliberately foster international exchange by bringing the potential consumer into direct contact with the potential producer or supplier. The creation of the Central Bureau by the Committee of National Wholesale Societies is a first step in this direction, and the development of this bureau into an active international organization, fully representative of the various movements, is absolutely essential for any large extension in international co-operative trade.

II.—DIRECT ACTION BY CO-OPERATIVE ORGANIZATIONS ABROAD.

In the sketch of the previous history of international co-operative trade it was shown that one way in which the C.W.S. has attempted to solve the problem is by direct action abroad. When the C.W.S. invests capital in, and itself works, a tea estate in Ceylon or wheat land in Canada, and then ships the produce to its warehouses or factories or mills in England, it is by direct action in Ceylon and Canada extending the co-operative system to production there. The export of the tea from Ceylon and its import into England are part of international trade and, as conducted by the C.W.S., this is international co-operative trade. But this method of conducting international co-operative trade has features which are peculiar to it and deserve attention. It is a kind of penetration by co-operative organizations similar to the foreign penetration of capital which has been so marked a feature of the capitalist system during the last fifty years. The C.W.S. invests capital abroad, carries on production by hiring foreign labour, and exploits the wealth and fertility of this or that foreign country for the benefit of the home consumer. I am not arguing that the method is in principle wrong, but it is clearly fundamentally different from any system of exchange between two national co-operative organizations.

The extension of this system of co-operative penetration and production abroad by consumers' organizations is only limited by the consumers' demand for foreign products, by the amount of capital which they have available for investment abroad, and by their ability to conduct production efficiently in distant countries. As consumers' movements develop in Europe, there is a natural impulse towards this co-operative penetration, particularly of tropical and sub-tropical countries. It is the same impulse which makes the capitalist extend his manufacturing operations to the control of the production of the raw material which he uses in his factories; the capitalist trust which begins by manufacturing steel rails ends by controlling all operations from the mining of the iron ore to the selling of the finished article. Co-operators are forced to compete with the capitalist system, and so we find the co-operator who began by baking bread being forced by competition to end by controlling all operations from the growing of the wheat in Canada to the baking of the flour in his local bakeries.

Theoretically there is nothing contrary to co-operative principles in this extension of the consumers' control to productive enterprises abroad. The co-operative principle requires that industry should be organized and controlled by the consumer on a non-profit making basis. The principle is not altered by the fact that the consumer lives nine thousand miles from the place where the commodity is produced. From a practical point of view, however, it is doubtful whether an unlimited extension of this foreign penetration by consumers' organizations is desirable or possible. The organization of production in countries at a great distance, and where the workers and their conditions of employment are different from those of the consuming country, is attended by peculiar difficulties and is open to abuse. It is peculiarly difficult, for instance, to guard against exploitation of the producer. Further, most of the commodities required by the European consumer from abroad are agricultural, and the consumers' movements have not yet proved their capacity to control agriculture as they have to control industry proper. It may well be that the greater part of agricultural production is best organized, at present, under the system of agricultural co-operation.

Finally, with regard to this question I suggest tentatively the following conclusions. The ideal to be aimed at is that in each country in the world production should be controlled by a national co-operative organization, that these co-operative units should be closely linked together, and should exchange their commodities on a non-profit making co-operative basis. It follows that, where a strong, capable co-operative movement exists, penetration by another movement for the purpose of organizing production is undesirable; the home movement should supply the foreign consumer on the ordinary co-operative system of dividend on purchase.

But where co-operation is undeveloped, it is right and desirable that a foreign movement should organize production in order to supply the demands of the foreign consumer.

III.—INTERNATIONAL TRADE BETWEEN CONSUMERS' AND AGRICULTURAL ORGANIZATIONS.

British co-operators, who live in one of the most highly industrialized countries of the world where agriculture is in the hands of, and largely ruined by, capitalism and landlordism, are apt to forget the existence of agricultural co-operation. But in many of the agricultural countries of Europe agricultural co-operation has been astonishingly successful, is still making great progress, and is helping to put the land and agricultural production in the hands of a class of independent, and often extremely efficient, peasant proprietors. Hitherto there has been little or no contact between these agricultural movements and the highly developed consumers' movements of other countries, but there can be no doubt that here there is a fertile field for the cultivation of international co-operative trade. The products which these agricultural societies produce are consumed and often imported by the consumers' societies of industrialized countries, while the agriculturalists require articles like tools, machinery, clothing, which are imported from the industrial countries and are often actually manufactured by consumers' movements. A great deal, if not all, of this import and export might well become a part of international co-operative trade. The various national movements should be in close touch with one another through the central international information bureau or a clearing house, so that each might have a detailed knowledge of what each required to consume or was able to supply. Out of that information two kinds of arrangement might be widely developed. On the one side agreements could be made under which the consumers' movements would take the agricultural societies' products and either purchase for their own consumption or dispose of them in the open market as agents. On the other side the consumers' movements would supply clothing, tools, &c., required by the agricultural movements. In certain cases, as has, indeed, already in practice been suggested, consumers' movements might in other ways help to develop the export of agricultural co-operative movements for their own use; for instance, in some of the Balkan States the export of grain, grown by the agricultural co-operators, would be stimulated if there were elevators at the ports. Some foreign consumers' societies could certainly use this grain, and it has been suggested that these consumers' societies might help to provide the capital for the erection of elevators and enter into agreements to take the grain.

It is clear that a considerable extension of international trade on these lines could be achieved without the creation of any new

machinery. But there is a further possibility, which would, however, require the creation of new machinery. The English C.W.S. conducts its foreign trade transactions on a cash basis, but it is doubtful whether a large development of international trade, certainly between agricultural and consumers' movements, would be possible on this basis. That is why the creation of an international co-operative bank to provide credit and finance international trade has been suggested by some people. This question will be considered below.

(b) Developments requiring new Machinery.

I.—INTERNATIONAL INFORMATION BUREAU OR CLEARING HOUSE.

The previous pages have shown the immense importance of some central international organization which shall bring the various national movements into touch with one another and furnish them with that information as to the possibilities of co-operative demand and supply in the different countries without which no large development of international trade is possible. It is not too much to say that at the present moment everything depends upon the proper organization of this central bureau. The Central Bureau at Manchester is, as we have seen, a step in this direction, but something more is necessary. What is required is a strong, energetic, central organization, fully representative of all national movements, consumers', producers', &c., with an expert staff. It should be in constant touch with the export and import departments of wholesale societies and with agricultural and agricultural supply societies. It should regularly supply the various movements with information as to co-operative requirements and co-operative supply in the various countries. It should itself work out schemes for the encouragement of co-operative trade or exchange and submit them for consideration to national movements. Unless and until such an organization is in existence, is equipped with a really expert staff which can devote its whole time to the subject, and has collected the necessary data, no one can really form an accurate opinion upon the limits to the development of co-operative trade. Such a body might at first be solely confined to the task of providing information and suggesting openings for trade. But it should be rapidly developed into an international clearing house for the co-operative movements. The advantages of such a clearing house for the settlement of transactions between movements would, however, only become apparent, if the trade between movements attained considerably greater proportions than exist to-day.

II.—INTERNATIONAL BUYING AGENCY AND INTERNATIONAL C.W.S.

A great deal has been written and spoken lately by co-operators with regard to the possibility and desirability of creating an International C.W.S., but the discussion shows that often those who take

part in it have no very clear idea of the kind of organization which they have in mind or the objects which it should serve. It is essential that co-operators should be absolutely clear in their minds on these two points.

Functions of an International C.W.S.

An international wholesale society can only come into existence through the creation of a completely new international organization. The first thing to consider is the form which such an organization would take and its relations to the existing national organizations. Presumably an international C.W.S. would be formed by a federation of national wholesale societies, much in the same way as a national wholesale society is formed by a federation of retail societies. But that immediately raises the question of the functions of this new organization and, therefore, of its relations to the existing national wholesale societies. An international wholesale society might, and probably would, begin as an international buying agency. The national C.W.S. has almost always begun in every country as a federation of societies for wholesale buying, a wholesale buying agency, and has only later undertaken manufacture. It is probable that the history of development in an international wholesale society would be similar. But here again we ought to be quite clear in our minds as to the function which we contemplate this organization carrying out, and why we wish it to perform the function. As we have seen, the whole of international co-operative trade, in so far as it consists of import or export by wholesale societies might be carried out through the existing national wholesale societies. If the Swedish C.W.S. wished to import boots from England, it could purchase from or through the English C.W.S. and draw its dividend on purchase; if the English C.W.S. wished to import toys from Germany, it could purchase in the same way from or through the German C.W.S. Further, the sales of co-operative productions abroad by a national wholesale society could be conducted by the national C.W.S. of the country to which the goods were exported acting as the agent of the exporting C.W.S. All that is required for the development of this kind of international co-operative trade is an active and representative bureau and clearing house. Indeed, if this kind of interlocking of wholesale societies was properly organized and really covered, as it might, the whole field of international co-operative import and export trade, the advantages of joint buying would be obtained as effectually as through an international buying agency or international wholesale society. An international C.W.S., whose functions are confined to buying and selling, will have certain advantages, but also disadvantages. Let us examine the disadvantages first. Presumably, the object aimed at would be that all import and export should take place through the channels of the international society. Many obstacles and

obstructions would have to be overcome before this ideal was attained. There would first be the not unnatural jealousy of national wholesale societies. The national wholesale society which for years had conducted its buying in foreign markets in its own way and through its own channels would naturally be averse from changing its ways and conducting its business through a new society. Moreover, there are real objections, besides those of conservatism and sentiment, to the multiplication of machinery for international co-operative trade. As soon as the international society began to be used to any considerable extent by national societies for their purchases in foreign markets, the international society would be forced to face the question of the machinery to be used by it in its agency work. For instance, if the Swedish Wholesale wished to purchase goods in Belgium through the International Wholesale, what machinery would the latter use? The natural thing to do would be to purchase through the Belgian Wholesale Society. There seems to be no sense in an International Wholesale setting up depôts, &c., in the various countries, if it could make use of the co-operative movements already existing in those countries. On the other hand, if the International Wholesale purchased for the Swedish through the Belgian, is there any reason why the transaction might not have been conducted more simply and economically by the Swedish Wholesale purchasing directly through the Belgian Wholesale? On the other hand, provided that all national wholesale societies normally used the international society as their agent for purchasing goods abroad, there would be obvious advantages in the centralizing of these transactions in an international society. Such a central organ actively engaged in this kind of international trade would necessarily have a far wider knowledge of the possibilities of the international co-operative market than any individual national society or than an international information bureau and clearing house.

International C.W.S. as Agent.

The advantages of an international society for encouraging the export of co-operative products and developing relations between the different national movements are still more obvious. There can be no doubt at all that the possibilities of developing exchange between the co-operative agricultural movements and consumers' movements in the different countries are immense. But it is far more difficult for this export trade to develop directly between the national movements than it would be for the import trade. The main obstacle is this. A consumers' movement may, for instance, be able to take for its own consumption a portion, but not all of the products of a foreign agricultural movement which that movement could market in the country of the consumers' movement. In such a case the consumers' movement might undertake to purchase

such quantities as it required for its members and sell the surplus as the agent of the agricultural movement. But there are real objections to such an arrangement. The combination of purchaser and agent in a single body is not satisfactory, and it may easily lead to friction and to disputes with regard to prices. In such a case the interposition of a third party between the consumers' C.W.S. and the national federation of agricultural societies is a distinct advantage. The part of the third party could be very efficiently played by an International C.W.S. The International C.W.S. would act as the agent of both the agricultural federation and the national wholesale society. It would supply to the consumers' movements such quantities of the product as they could consume and sell the remainder in the open market. It would have immense opportunities of developing this branch of co-operative trade and also of the supply of agricultural implements, clothing, and other manufactured articles by the consumers' movements of industrial countries to the agricultural supply societies and rural stores in agricultural countries.

International C.W.S. as Manufacturer.

I have so far considered an international wholesale society merely as an agent for the export and import of commodities either produced or required by national movements. But as was shown above in the quotation from the proposals of the Swedish co-operators, some co-operators propose that an international wholesale society shall be established which will also undertake production. The chief objects of this proposal have already been indicated. The argument is that where co-operative production of some commodity is required on a large scale in some country to meet the demand of the consumers' movement of another country, the production should be undertaken by an international C.W.S. and not by the national C.W.S. of the producing country. The national C.W.S. will not, it is argued, take the risk of sinking capital in factories, &c., for this export business, and in any case control should be vested in all the movements interested in the transactions, *i.e.*, in an international wholesale society. Neither of these reasons seems to me very convincing, if the proposal be regarded as a practical one at the present moment. I believe that the difficulty of finding capital for manufacturing enterprises would be greater in the case of an international than of a national wholesale society, at any rate until the international wholesale society had proved its capacity. Further, a national wholesale society, already engaged in manufacture for the home co-operative market, ought to have less difficulties to contend with in extending its production to meet a foreign co-operative demand than an international wholesale would have in opening factories and managing them in different parts of the world. The second part of the argument seems to me to show

a misunderstanding of the principle of consumers' co-operation which is not uncommon. Consumers' co-operation really should recognize no national boundaries either in theory or in fact. There is no reason why one consumers' movement should not purchase from another on exactly the same system as one retail society makes its purchases from a wholesale society. An importing C.W.S. should become a member of the exporting C.W.S. and should exercise the control which the consumer exercises according to the theory and the practice of consumers' co-operation.

Need of Development.

If the above arguments are sound, in theory at any rate, an immense development of international co-operative trade could take place by interlocking the various national movements, conducting exchange directly between them, and without the creation of any new machinery in the form of an International Buying and Selling Agency or an International C.W.S. But it must be confessed that such a development is rather doubtful in practice without the creation of some kind of international organization. There are no indications of that close and constant relationship developing between the various movements which would be absolutely necessary if import, export, and manufacture for the international market are to be subjected to co-operative control. For instance, if the advantages of joint or centralized buying are to be obtained without the creation of new machinery, then a national movement importing goods from a foreign country must do so through the C.W.S. of that country. Again, as we have seen, there are certain commodities, *e.g.*, motor vehicles, agricultural machinery, which it is highly improbable that any national movement would by itself start manufacturing, but which a combination of national movements might advantageously manufacture.

Possible Developments.

It should, however, be pointed out that the alternatives are not confined to the existing system as it is and a vast single international C.W.S. Under present circumstances, the best line of advance might be the union of national movements *ad hoc* for the purposes of buying, selling, or manufacture, where it became clear that such international action would with regard to a particular commodity be advantageous.

In discussions among co-operators with regard to this question the importance is not always realized of considering exactly what an international trading body is to trade in. The right method may be, not to establish an international body which may trade in or produce anything, but to decide what commodities you want to trade in or produce internationally and then to create your *ad hoc* bodies for such trade or manufacture. For instance, if in any

particular commodity or group of commodities there were practical advantages in having centralization of buying or selling on a European or world scale, it might be better to entrust these operations, not to a general international trading organization, but to a central trading organization established for and limited to that particular commodity. Such organizations might be formed by a union of national wholesale societies for the joint buying of some commodity in the European or the world market for consumption by their members. Again, such an organization might be formed by a union of agricultural and consumers' societies in a large number of countries for the purpose, say, of controlling the marketing of dairy produce, and by eliminating speculation and private capitalism it might, even, eventually dominate the world markets to the mutual advantage of both the organized consumers and the organized producers. It seems more probable that such an organization would develop slowly from the gradual union of various national consumers' and agricultural movements than as an offshoot of a vast International C.W.S. established with general and vague powers. The same thing applies to industrial production. Two or more wholesale societies might combine to manufacture a particular commodity like boots or motor vehicles, or wholesale societies and agricultural societies might even combine in order to start the manufacture of a particular commodity, like agricultural machinery or motor tractors.

III.—AN INTERNATIONAL CO-OPERATIVE BANK.

In the case of an international co-operative bank it is particularly important to distinguish the possible functions which it is intended to perform. If the arguments of those who advocate the establishment of such a bank be examined, it will be found that the following are the most important functions which they assign to it :

- (1) The bank is to finance international co-operative trade ;
- (2) It would lead to the establishment of an International C.W.S. ;
- (3) It would finance international co-operative production by an international wholesale society ;
- (4) It would promote relations between agricultural co-operative organizations and consumers' organizations. Some of these proposed functions are absolutely distinct from others. For instance, a bank which finances trade will require a different form of capital from the bank which finances production, and the problem of establishing the one would be quite different from that of establishing the other. It is necessary, therefore, to be quite clear in our own minds as to what we wish the bank to do and as to the obstacles in the way of its performing the different functions.

Financing of Trade.

Let us take the simplest case first. Our object is to promote and encourage international co-operative trade. It is natural therefore to suggest the establishment of an international co-operative bank which might promote this object by financing trade between the various national movements or the trade of an international wholesale society, if it existed. But here at once arises the question whether there is any useful purpose in creating such an instrument. The English C.W.S., for instance, conducts its foreign transactions, not on a credit, but on a cash system. It pays in cash for what it imports. It is argued by some people that this is the right system on which international co-operative trade should be conducted, and that it makes an international co-operative bank unnecessary. The latter part of this argument is certainly true; if international trade is to be conducted by co-operators on a cash basis, there is no need for a bank to grant credit. But the first part of the argument is by no means conclusive. It is more than doubtful whether there could be any large development of international co-operative trading, unless co-operators availed themselves of the ordinary facilities for such trade, which include credit. There is no reason at all why the co-operative movement should not avail itself of the credit which it certainly could obtain for such trade from the capitalist money market. The discounting of a bill is no violation of co-operative principles, and in this kind of business a strong international co-operative bank might be of very great service.

Financing of Production.

The proposal that the bank should finance international co-operative production raises a very different question. The financing of trade implies the giving of comparatively short term credit, but if a bank is to finance industrial enterprises, *i.e.*, if it is to provide the resources for establishing international co-operative manufactures, that implies giving long term credits or providing the capital for these industries. On the Continent this kind of participation of the banks in industrial enterprises is more common and much more developed than in Britain. Some foreign co-operators seem to contemplate an international bank which would finance the productive enterprises of an international wholesale society on a considerable scale, or which would in fact be combined with an international wholesale society. Two remarks may be made with regard to this proposal. A bank which is to engage in that kind of business would require a great deal of capital, and capital of a particular kind. Deposits liable to be withdrawn at a moment's notice or similar resources cannot safely be used for this kind of business. An international co-operative bank could certainly obtain the credit necessary for financing trade, but it is by

no means certain that it could obtain capital for financing international production. Secondly, it is extremely doubtful whether an international bank should be in any way combined with an international wholesale society. The experience of the co-operative credit and banking movement in Germany goes to show that a bank should be rigidly confined to banking, and that trading should be left to a separate co-operative organization. The separation of the central bank from the agricultural wholesale society is now nearly everywhere in Germany accepted as the only sound principle, because, as a recent investigator puts it, "when banking and trading are combined the temptation to milk the bank for the latter is difficult to resist and is apt to lead to speculative enterprise."⁽¹⁾ Precisely the same conditions would apply to the relations between international banking and trading organizations.

International Co-operative Credit.

Lastly we come to the suggestion that the international co-operative bank should promote relations between agricultural co-operative organizations and consumers' organizations. I have more than once in these pages pointed out the immense possibilities in international trade between agricultural and consumers' movements, and there is no doubt that British consumers under-estimate the importance of agricultural co-operation and co-operative credit. An international bank, drawing its resources from and supported by the agricultural, credit, and consumers' movements of the world, should be financially very strong and ought to be a powerful instrument for the promotion of trade between the various movements. There is nothing utopian in this idea. Although both consumers' and agricultural movements in many countries urgently need capital for the development of their activities, the paradox of co-operation is that there are large sums of co-operative capital which, instead of being devoted to the fertilization and growth of co-operative enterprise, are carried away into the stream of capitalist finance and banking and really are used for promoting capitalist enterprise. According to Mr. Darling, the 25 central co-operative banks of Germany in 1919 had over £20,000,000 in deposit from their 18,000 member-societies, and loaned no more than 2½ millions. It is certain that a considerable amount of the surplus 17½ millions went, not to the aid of co-operative enterprise, but to that of capitalist finance and industry. The same thing is undoubtedly true of consumers' movements. An international bank, established and supported by the agricultural, credit, and consumers' movements of the principal countries, might gather together the fluid resources and the capital of the various movements and make them available

(1) "Some Aspects of Co-operation in Germany, Italy and Ireland." By M. L. Darling, I.C.S., page 52.

both for the promotion of international co-operative trade and the development of co-operative enterprises throughout the world.

IV.—CONCLUSIONS.

The reader, who is also a co-operator, will probably have noticed that I have made little reference to the particular controversies which are agitating co-operators with regard to the means and methods of promoting international trade. The reason is that in this paper I have deliberately tried to view the problem, as far as possible, from an objective angle; I have endeavoured to distinguish the different forms which international co-operative trade might take and the various methods which would be suitable for immediate adoption in order to develop the different forms of trade. In the course of the investigation I have indicated the conclusions which seem to me forced upon us by the facts, and I propose now very briefly to summarize the more important.

The opportunity before co-operators to-day of developing international trade on co-operative principles is almost unlimited. The possibilities are not theoretical or utopian, but extremely practical and immediately attainable. Whether co-operators will seize the opportunity presented to them depends entirely upon themselves. If they have a real belief in co-operation, an understanding of the different aspects of the problem of international trade, and the energy necessary for overcoming the initial difficulties, progress in the international field might be immediately no less rapid and extensive than it has been in many national movements.

International trade consists in the exchange between two or more countries of raw materials, agricultural products, or manufactured articles. When we speak of developing this trade on co-operative principles, we must be clear in our own mind which of the several operations included under it we mean to subject to co-operative control. For instance, the exchange of commodities alone may be conducted between the various national movements, the production or manufacture of them being not necessarily under the control of co-operators; secondly, the production of agricultural commodities may be in the hands of agricultural co-operative societies and federations or that of manufactured commodities may be controlled either by national consumers' movements or by some new international organization.

International co-operative trade is in its infancy, and it is rarely possible or desirable to spring at a bound from infancy to maturity. In my opinion co-operators would be well advised at first to concentrate their efforts upon three objects only: (I) to develop international co-operative exchange, *i.e.*, to aim at making the co-operators of all countries as independent as possible of capitalist channels in the import and export of articles required by

co-operators for consumption ; (2) to develop to the maximum possible extent the relations between the agricultural movements of agricultural countries and the consumers' movements of industrial countries with a view to the exchange of their productions ; (3) to aim at making the great and at present unused financial resources of the various national movements an instrument for the promotion of international co-operative trade and of mutual support. If these three objects be accepted as the immediate aim of co-operators, the following conclusions seem to me to follow. First, nothing can really be done until a central representative international organ exists which will first collect and then supply to the various national movements information as to the different possibilities of demand and supply among the co-operators of the world. Second, if an efficient and energetic international organ of this kind be created, we need not wait for the establishment of an international wholesale society in order to obtain a great and immediate development of international co-operative trade. That trade is capable of immense developments through the exchange of commodities between consumers' movements, through the exchange of commodities between consumers' and agricultural movements, through a system by which an importing C.W.S. would normally purchase abroad through the C.W.S. of the country from which it was importing any commodity, through a development of the system by which the C.W.S. of one country acts as the agent for the agricultural movements of another country in the disposal of its products, and through the *ad hoc* combination among national movements for buying, selling, or manufacturing. Thirdly, the creation of an international co-operative bank is necessary, in order to mobilize the co-operative resources which are now scattered and divided in the movements of the several countries.

APPENDIX.

REGULATIONS ADOPTED BY COMMITTEE OF NATIONAL WHOLESALE SOCIETIES, APRIL, 1920.

- CLAUSE 1. That, as a preliminary towards the realisation of an International Wholesale Society, the first step should be the concentration of all co-operative effort in each country, so as to form one body with which the Co-operative Wholesale Societies in other countries may communicate and arrange direct business. This would at once consolidate resources and power and tend to reduce working costs, also produce a better understanding.
- CLAUSE 2. That each Co-operative Wholesale Society be invited to form an export department in order that by specialisation they would become conversant with the requirements of co-operators in other countries through enquiries made and, therefore, in due course would be able to anticipate their desires by sending patterns, samples and prices of what surplus productions they had to offer, or could obtain and ship to advantage.
- CLAUSE 3. That invitations be extended to the Co-operative Wholesale Societies to associate themselves with this scheme and to supply any information which may be mutually beneficial; same to be circulated by the Committee or those appointed to act in such circumstances on their behalf.
- CLAUSE 4. That, where experience indicates an article could be jointly purchased with advantage owing to the greater purchasing power thus obtained, arrangements shall be made by the Committee to focus orders through one buyer.
- CLAUSE 5. That a Central Bureau be organized for the collection of statistics and circulation of information and details which would assist in developing and carrying out these arrangements, and that we suggest it be established under the C.W.S. in Manchester.

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