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THE CO-OPERATIVE MOVEMENT IN THE GILBERT AND ELLICE ISLANDS

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WHEN I was invited to contribute a paper for this symposium I chose as my subject the Co-operative Movement in the Gilbert and Ellice Islands because I have had a number of requests from various parts of the world for information about the growth of co-operation in these little known Groups and I felt, therefore, that the subject must be of interest and might even be of practical value to Government officers and others concerned with the welfare of Pacific communities. Perhaps I should make it clear at the outset, however, that I am an administrator and not a co-operative expert. Such knowledge as I may have of co-operative principles has been gained as a result of endeavouring to establish and foster co-operative societies to serve the needs of relatively simple communities.

By co-operation, I mean what Calvert, one of the leading authorities on the subject, terms 'a form of organization, wherein persons voluntarily associate together as human beings on a basis of equality for the promotion of their economic interests'. But it will be seen that in the area with which I deal there are only two types of co-operation, known technically, I believe, as Producers' and Consumers' Societies, and that most of the societies are in fact a mixture of both.

Effectively insulated from the outside world by the vast distances of the Central Pacific, the Gilbert and Ellice Islands Colony has been able to tread a path of peaceful social, economic and political

experimentation which would be impossible were its problems more complex. I should be the last, therefore, to suggest that what may prove suitable forms of economic organization in this particular case would necessarily be found suitable elsewhere. Indeed, these small islands, isolated from each other as well as from everyone else, with their productivity severely limited by their environment, are probably less suitable than most other areas for development by normal methods of commercial competition.

Unfortunately, I know from bitter experience that I cannot pre-suppose that everyone, even in such an erudite gathering as we have here, has even heard of the Gilbert and Ellice Islands Colony: so I make no apology for giving a brief factual background for my main theme.

The Colony then covers a sea area of over 1,000,000 square miles in the centre of the Pacific Ocean; both north and south of the equator and east and west of the International Date Line. The 37 islands of which it is comprised fall into five clearly defined geographical areas:

- (i) the 16 Gilbert Islands—with an estimated land area of 114 square miles and a population of 27,824;
- (ii) the 9 Ellice Islands—with an estimated land area of 9 square miles and a population of 4,487;
- (iii) the 8 Phoenix Islands—with an estimated land area of 11 square miles and a population of 984;
- (iv) the 3 British Northern Line Islands—with an estimated land area of 237 square miles (of which 222 is on Christmas Island) and a population of 469; and
- (v) Ocean Island—with an area of 2 square miles and a population of 2,060.

It will be seen, therefore, that the land area of the entire Colony, if we exclude Christmas Island, is only 150 square miles and the population, according to last year's census, is exactly 36,000 (including 176 on ships).

With the single exception of Ocean Island, the Colony is composed entirely of low, flat coral atolls, barren and sandy, on which virtually nothing will grow except the coconut, the pandanus and a coarse edible tuber known locally as 'babai'.

I have no time to deal with the racial origins of the indigenous population other than to say that a mixed Micronesian race—the Gilbertese—inhabits the Gilbert and Phoenix Groups and pure Polynesians the Ellice. Compelled to wage incessant warfare against a sterile environment to earn their livelihood, these peoples are wiry, tough and, I think, remarkably progressive and industrious, when one takes climatic and dietetic factors into consideration.

In the present paper, however, we are only directly concerned with the indigenous population of the Gilbert and Ellice Groups and the recent settlers in the Phoenix Islands. The entire indigenous population of Ocean Island has voluntarily migrated to Rambi, in Fiji, and with them has gone their flourishing co-operative society, as I

shall explain later, while the Line Group has no indigenous inhabitants and consequently no co-operative movement.

To get our historical perspective right, it is necessary to touch briefly on the beginnings of trading activities in the islands. The two groups were actually discovered, piecemeal, between 1765 and 1827, but there was little contact with the inhabitants until about 1830. From that date, however, until about 1870 the region became a favourite whaling ground and a great number of ships visited the islands each year. The whalers, who were accustomed to live ashore when refitting or boiling down blubber, brought with them the first beachcombers, escaped convicts and runaway sailors for the most part, who formed a turbulent element in the population for many years. The first European to reside with the natives landed about the year 1835; in 1840 there were 7 Europeans living in the islands, while by 1860 there were actually far more Europeans in the Gilbert and Ellice Islands than there are today.

The first trading ships visited the islands about 1850 and, within another ten years, we find a Sydney firm operating, with resident traders established on nearly every island in the two groups. By 1870 there were at least two German firms, besides a British and an American, competing for the local trade and the remaining beachcombers had transformed themselves into more or less respectable resident traders. As a result the natives saw the material side of their life considerably changed. New wants, for example tobacco, liquor and firearms, were carefully fostered; new materials such as imported timber for canoe building and new iron and steel tools, were introduced, and in order to obtain these desiderata, a considerable part of the natives' time had to be spent in the production of coconut oil.

Ignoring the advent of the blackbirders and missions, the latter in particular being powerful instruments in changing the primitive life of the islanders, we come to the year 1892, when the groups came under the protection of the British Government and European officials were sent to supervise the administration. The old traffic in liquor and firearms was rapidly suppressed and in its place there grew up a brisk demand for cloth, soap, kerosene, fish-hooks, and all the hundred and one standard items of a modern island trade store.

The American firms (there were two of them by then, as you will read in the pages of Robert Louis Stevenson) ceased to trade soon after the beginning of the present century: their headquarters were in the Marshall Islands, from where they were squeezed out by German pressure. The German companies naturally ceased to exist after 1914, leaving the wholesale trade in the hands of On Chong and Co., an old established Chinese firm with headquarters in Sydney, who commenced activities in the Gilberts about 1880; Burns, Philp, who arrived soon after the establishment of the Protectorate; and a Japanese company, the Nanyo Boyeki Kaisha, whose activities were confined to the two northern Gilbert Islands of Butaritari and Little Makin. For a short time the Samoa Shipping and Trading Co.,

with its headquarters at Funafuti, traded in the Ellice Islands, but its activities ceased with the death of its founder, Captain Allan.

Both On Chong, who just prior to World War II were bought out by W. R. Carpenters, and Burns, Philp, traded with all islands in the Gilberts and Ellice, either through their branch stores, independent traders, or, in the case of Arorae and Tamana in the Gilberts and most of the Ellice, direct with the natives, who visited the trading ships in their canoes and bought their requirements in the well-stocked trade rooms.

There was no co-operative movement until 1926, when Mr D. G. Kennedy, the European schoolmaster at Vaitupu, in the Ellice Group, established the first retail society, or 'fusi', on that island. The Vaitupu fusi was an instantaneous success and in 1931, when I visited the island to take the decennial census, I was greatly impressed by its activities, and particularly by its use of motor lorries to collect coconuts, which had doubled the production of copra.

Armed with the rules of the Vaitupu fusi I succeeded in establishing the first two retail co-operative societies in the Gilbert Islands at Beru in the same year. Looking back over the years I can realize how primitive those early efforts must have been, but they served a real need at the time and there was soon an insistent demand from the other islands in my District, the Southern Gilberts, for assistance in establishing their own retail societies. Would-be Managers were brought in from each island for training, and what we lacked in experience we certainly made up in enthusiasm. The movement caught on rapidly throughout the Gilbert Group and by 1934 there were 34 societies, operating on every island except Tamana.

Curious organizations some of them were too; the natives had still to learn to trust themselves in commercial transactions (I should say 'have', since the problem of mutual trust is still far from solved) and several societies insisted on electing a new committee every 3 months in case the old had been up to any tricks. It was not always easy to oust the officers, though, as the Abaiang society found when they sacked their Manager only to have to reinstate him when it was discovered that he had taken the precaution of burying the books in the sands of some lonely beach: and it was obvious that 'no Manager, no books, no society'. They didn't even trust the Government entirely and though I persuaded the Beru societies to bank their surplus funds in Government Trust Accounts, the Committees would come every month and ask to withdraw their deposits, only to count each note carefully and then return them to me with apologies for bothering me but obvious relief that the money was still all there. Fortunately I kept a fairly large balance in the District safe and the societies came on different days, so I was always able to produce enough money or faith in the integrity of the administration would have badly slumped.

The general pattern of the co-operative societies was much the same throughout the two groups. They existed to buy trade goods from, and sell copra to, one or both of the European wholesale

firms, and their profits were made from a difference of about 10% between the wholesale price at which they purchased their trade goods and the retail price at which they sold them to their members and a similar difference of ten shillings a ton between their copra buying and selling rates. The principal, and usually the only paid, officer of the societies was the Scribe (a name which was later changed to Manager) who kept the five standard books, i.e., the Membership, Cash, Copra, and Store Books, and the Members' Pass-Books in which each transaction with a member was recorded.

The Societies were usually controlled by a Committee consisting of from two to ten members elected by each hundred members of the Society. These Committees served for periods varying between three months and a year and were in turn subject to the decisions of the General Meeting, held at least twice a year, at which the books, store balance and copra stock were examined and all matters connected with the welfare of the society discussed and voted on. In the early days there was often a President as well, who represented the society in dealings with European Trading Companies or the Government, but it was found in practice that his duties were increasingly assumed by the Manager or the Chairman of the Committee and the position gradually fell into abeyance. Entrance fees and Membership Subscriptions ranged in general from five shillings to £1.

Some societies were more ephemeral in character than the typical village or island co-operative which I have just described: mere groups formed to buy a large enough quantity of goods to obtain wholesale rates, which were forthwith distributed among the members in proportion to their subscriptions and the organization dissolved.

I think that in many ways it was fortunate for the co-operative movement that it had to fight against difficulties from the very start. Prominent among these was the fact that the societies had no option but to buy from and sell to one or other of the two European commercial companies, who appeared to have a price fixing arrangement which made them, in effect, a single monopoly. These firms treated the societies fairly, according to their lights, but they naturally tended to support their resident European and Chinese traders, many of whom had been in their employment for years, rather than these new purely native groups. Fortunately, the commercial rivalry between the two companies was sufficient to prevent either of them from boycotting the native societies entirely and so, by playing one firm against the other, the co-operatives were able to increase their own strength at the expense of the resident traders until, at the time of the outbreak of war with Japan, there was not one single European or Chinese trader left in either the Gilbert or Ellice Islands other than a few salaried managers of the Companies' main branches.

Scarcely less important was the severe slump in the price of copra, which reached an all-time low of £3 a ton to the societies and £2 10s. 0d. to members. In view of the world price the local

figure was fair enough, I believe the firms even lost on it, but it meant that only enough copra was produced to buy absolute essentials, such as tobacco, and the islanders reverted once more to the grass skirt and the mat sail: which may have been good for them in many ways but was certainly bad for their societies.

A third handicap was the absence of guiding legislation, and here I was able to assist by drafting a controlling Ordinance based on the model enactment of the period, the Tanganyika Co-operative Societies Ordinance of 1932, and also a series of rules based on those of the Societies I had formed in the Southern Gilberts. The Ordinance provided for the appointment of a Registrar and District Registrars and for the registration of co-operative societies, approval of their rules and auditing of their books; in short, all the usual provisions found in native co-operation legislation of a simple type. The number of members permitted was limited to a maximum of 200, in deference to the Colonial Office view that small societies were more workable: indeed, I had found myself that in the kindergarten stage the larger societies tended to dissipate their energies in internal dissensions and were, in any case, rather too complicated for their inexperienced Managers and Committees. The purchase of goods on credit, either by members from the society or by the society from the wholesale firms, was strictly prohibited, since more societies had foundered through giving and taking credit than from any other cause: no doubt the day will come when the societies can deal freely on a credit basis but I am sure that it is important in the early years of their development that all their transactions should be strictly on a basis of cash. Only thus can the native acquire a proper monetary sense.

Sales outside the membership of the co-operatives were not prohibited by the Government until 1940 but, in deference to the professional traders, the societies were compelled to pay the same annual Licence Fee of £20 for each trade store and £50 for a main store with branches. Only five societies, therefore, took out licences, the rest confining their activities to their members. The annual dividend was, of course, only shared among the membership but this was not so important a feature as in other countries, firstly because it must be confessed that few societies ever made a profit worth dividing out and secondly because those that did usually preferred to keep it as capital, thus adding to the society's strength and their members' sense of importance and well-being.

In the event, although the first draft of the Native Co-operative Societies Ordinance was prepared in 1934, several years were spent in arguing details and amending sections and it was not until 1940 that it was finally approved and published, by which time war had broken out and it was too late to enforce its provisions.

This, then, was the position of the co-operative movement in the Colony at the outset of the war with Japan:

- (i) every island in the Gilbert and Ellice Group possessed one or

more co-operative retail societies (called 'boboti' in the Gilberts and 'fusi' in the Ellice);

- (ii) these societies dealt exclusively with one of the three European or Japanese wholesale firms and had no means of importing or exporting on their own account;
- (iii) not one independent European or Chinese trader was left in business; and
- (iv) legislation for the guidance and control of the societies had been enacted but not enforced.

The official attitude of the local Government towards the movement was friendly but cautious, with one ear cocked to hear the expected protests of the commercial interests. There were individual officers, of course, who were all out to assist the societies but these were partly, at any rate, balanced by a few who refused to help, on the grounds that their job was to administer their Districts and not to dabble in questionable native undertakings whose failure, which was considered inevitable, would bring the Government into disrepute. It was, therefore, a great day of triumph for the co-operators when the Government brought out a Circular making it clear that the encouragement of native attempts to improve their economic condition was considered to be a definite function of the Department of District Administration. Unfortunately no statistics were compiled showing the extent of the trading activities of the societies but it can be safely said that most of the imports into and exports from the two groups passed through their hands.

And here I must digress briefly to mention two developments in co-operation outside the areas which we have been considering up to the present. On Ocean Island the Banaban population had been watching the development of the movement in the neighbouring Gilberts and it was not long before they too were demanding the establishment of a Banaban co-operative society. In 1937 my wife paid a visit to Nauru Island, where she prepared a report on the method of working of the flourishing Nauruan Co-operative Society, which was doing its own direct importing in British Phosphate Commission ships and, by a system of house to house delivery of goods in motor lorries, had succeeded in wresting much of the island trade from the Commissioner's own store. This report was duly considered by the Resident Commissioner and a co-operative society commenced on Ocean Island on the Nauruan model, under the supervision of the Banaban Welfare Officer. It continued to flourish until the Japanese occupation of the island in 1942.

In my printed blue-prints for the colonization of the then uninhabited Phoenix Islands, lying to the east of the Southern Gilberts and Northern Ellice, published in 1938, I had pre-supposed that the 1000 colonists we intended to settle there would be visited once or twice a year by a trading vessel belonging to On Chong or Burns, Philp. The firms considered, however, that the islands were too far away and the volume of trade too small to warrant visiting by commercial shipping and so the Government was perforce com-

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pelled to establish trade stores on each of the three islands colonized—Hull, Sydney and Gardner—with capital provided by an advance from the Colony Treasury.

Paid native managers were appointed to run each store, which was kept stocked by direct importation from Suva made by the Officer in charge of the Settlement Scheme and later by the District Officer, Phoenix Islands, the intention being to hand the stores over to the people of the islands as going co-operative concerns when the original capital had been repaid from profits.

We come now to the period of the Japanese war, which naturally ended, or severely crippled, the entire co-operative movement. The Gilbert Islands were over-run by the Japanese in 1942 and, as soon as they had exhausted their stocks, the societies ceased to exist. The Ellice fuis were more fortunate but they lay right in the forward war zone and, although every effort was made by the Western Pacific High Commission staff in Suva to keep them supplied by the occasional Government vessels that braved the risk of submarine and air attack, they were unable to export their copra and consequently had no means of paying for large stocks of trade goods, even if they had been obtainable.

The Japanese occupation of the Gilberts lasted from August 1942 to November 1943 and, while it was on, a small group of Colony officers was busy preparing for the eventual liberation. As it happened most of them were ardent believers in co-operation and a memorandum was submitted to the Government urging that the pre-war commercial system of virtual monopoly coupled with duplicated overhead costs, was not the best possible from the point of view of the native population. The enormous expense of maintaining two separate shipping services, duplicate European and native staffs and two series of trading stores resulted in the consumer having to pay unnecessarily high prices for his imported goods, while at the same time the benefits of free commercial competition could be negated by buying and selling price agreements. The solution, to our way of thinking, lay in concentrating all wholesale commercial activity in a Government run Trading Organization, which would work entirely through the island retail co-operatives. I have no time to enlarge on the details of the proposals but anyone who is sufficiently interested can read them in Section F, on Commercial Organization, in my memorandum on 'Post-war Reorganization and Administrative Policy', published in 1945, from which it will be seen that they were, in the main, implemented by the Government.

While the islands were still in the hands of the Japanese, a large stock-pile of goods was purchased in the United States and shipped to Suva for storage. Unfortunately it was a time of acute shortage of consumer goods and our buyers had to take what they could get: we are still, for example, looking forward to the day when we have disposed of the last of 7,500 tea strainers provided for a people who don't drink tea.

The Colony Civil Affairs Officers and other officials who ac-

accompanied the American Expedition which recaptured the Gilberts, after the historic battle of Tarawa, were all, of course, in military uniform. Among them was a Supply Officer whose task was to distribute the stock-piled goods and any other supplies he could obtain from American and other sources to the natives, who had naturally long since exhausted their stocks. In one or two cases the moribund island co-operatives were revived but in most instances the former organizations could no longer be traced and so the Supply Officer had to deal perforce direct with agents appointed by him, Chinese or half-castes for the most part, who functioned in much the same way as the pre-war traders employed by the commercial firms. The first care of the administration in those early months of reoccupation was clearly the rehabilitation of the civilian population after the trials they had undergone during the Japanese occupation, and speed was essential: consequently our accounting methods were primitive and in some cases the goods were distributed free.

The next stage was to create the Government Trade Scheme to take over the work of the Supply Officer and this was done early in 1945, the Scheme being financed by an initial capital loan of £28,250 from the British Government, later increased to £84,250 by the grant of an additional loan of £56,000 for the purchase of two trading ships. When I assumed duty as Acting Resident Commissioner late in 1945 the Trade Scheme was beginning to function: it was, however, very much a Government Department, staffed by Government officers from the Treasury, one of the first proposals made to me being that revenue vouchers in triplicate should be signed by every over-the-counter purchaser. A distinct disadvantage, furthermore, was the fact that the Trade Scheme did not handle copra, which was in the hands of District Administration, who had their hands full with problems of rehabilitation, while the only other native products, curios and handicrafts, were still dealt with by the Supply Officer. As a result of this and other factors no copra had as yet been exported, and the islands were consequently becoming heavily indebted to the Trade Scheme for goods supplied.

It seemed clear that we had far too little commercial experience to enable us to attempt to buy, with any hope of success, the goods the societies required from all over the world: with nearly every item in short supply we lacked the trade contacts to obtain what we wanted and had often to be content with unsuitable goods or none at all. To rectify this position the established Pacific Islands commercial firms were invited to tender to become the buying agents of the Trade Scheme, on a commission basis, the successful tenderers being Messrs Morris, Hedstrom, Ltd., of Fiji, with branch offices in London and Sydney. The Agents are, of course, essentially interested in the success of the venture, since their commission depends on the volume of goods which passes through their hands: they are purely interested in volume, however, and not in the prices charged by the Trade Scheme or Co-operatives, except that high prices would tend to reduce the volume of sales and therefore their

commission. And unlike the former commercial companies, they take nothing out of the country except this commission, which as far as I remember averages about $2\frac{1}{2}\%$.

The next task was obviously to obtain a first-class commercial manager, and here we were fortunate in obtaining the services on loan of Mr J. B. Protheroe, Morris, Hedstrom's branch manager at Tonga, a hard-headed business man with an unrivalled knowledge of Pacific Islands trade coupled with a fervent, almost mystical, belief in the value of the co-operative movement, particularly for the natives of the South Seas.

Under Mr Protheroe's capable direction the Trade Scheme never looked back. Two diesel vessels, the *Tungara* and *Tuvalu* carrying 90 and 100 tons of bagged copra respectively, were purchased in Australia in 1947 and an agreement reached with the British Ministry of Food by which all copra would be bulked in Tarawa or Funafuti and sold to them in parcels of from 1000 to 2000 tons at £47 a ton. While only a few hundred tons were exported during 1946, shipments during the trading year ended the 31st March, 1947, totalled 3196 tons.

It was now time to pay more attention to the Island Co-operative Retail Societies, and at an Administrative Officers' Conference held in December 1946, the High Commissioner agreed to the appointment of a Co-operative Societies Officer to assist them to develop. A grant of £7864 sterling was obtained from the Colonial Development and Welfare Fund to cover his expenses for 7 years and we were fortunate in obtaining the services on secondment of Mr W. G. Alexander, M.B.E., an Administrative Officer with a keen belief in the possibilities of the native co-operative movement, as the first Co-operative Societies Officer.

Except in the Ellice Islands, where the fuis still functioned, Mr Alexander was faced with a formidable task. In face of the urgent need for rehabilitation assistance, the Trade Scheme could not wait for the establishment of co-operatives: nor could it afford to deal with units as small as the pre-war societies. The single trade store which it created on each island in the Gilberts was regarded as essentially a branch of the Trade Scheme controlled from Tarawa headquarters, whence came all instructions as to wages, prices and the like: it was nowhere connected in the minds of the islanders with their former co-operatives.

It was necessary, therefore, to rebuild the societies from the very beginning again, teaching the people how to operate them as island units, which were, as we have seen, larger than before the war. Unfortunately, the surplus cash made in the days of the American occupation was largely spent and the people had grown accustomed to seeing cargoes of goods provided by the benevolent Government on credit: the Trade Scheme was forced, therefore, to finance the trading of the societies being gradually formed by continuing the same credit system on which their branches had worked.

Mr Alexander's work of teaching, reconstructing and guiding has

proceeded slowly, but I think surely. His greatest problem has been making the newly formed societies realize that they must assume adult responsibilities as independent co-operatives, which must stand on their own feet and not continue to regard themselves as branches of a public utility run by a Governmental fairy-godmother with unlimited resources. In particular, he is endeavouring to drive home to the societies that they must provide their own capital, since they cannot continue indefinitely being financed by the Trade Scheme.

Up to the end of September 1948, 7 societies, with a total membership of 11,305 had been registered. These societies possessed a total withdrawable share capital of £6,521 and an undistributed surplus of £3,844, with 11 retail stores, 26 paid employees and an average membership of 1616. In addition there were 16 unregistered societies or agencies of the Trade Scheme, catering for a population of 21,958 and these are being gradually reconstructed by the Co-operative Societies Officer with a view to registration under the Ordinance.

The three trade stores which, as I have already mentioned, were established by the Government in the Phoenix Islands, have recovered from their wartime difficulties and are now solvent. It is intended, therefore, to register them as co-operative retail societies at an early date and transfer their control to committees elected by their members.

The Banabans on Ocean Island, who had purchased the island of Rambi, in the Fiji Group, as their future home, were removed there soon after the war ended and have since voluntarily elected to stay. One of their first acts was to reorganize their co-operative society, which is now exploiting the former coconut plantations on the island and exporting copra on a large scale, in addition to running a retail store.

The Co-operative Societies Officer has drawn up new and detailed rules for the guidance of the retail societies, which have now been enacted as the Co-operative Societies Rules, 1947. The former limitation on the size of the societies has been cancelled, as it has been found in practice that the best economic unit is, in fact, an entire island and that, with the assistance of the Co-operative Societies Officer, the people are able to cope with the large membership involved. The largest retail trading organization (it has not yet been turned into a co-operative society proper) is known as the Tangitang Society and, under the capable management of Mr P. Schutz, it actually covers six islands and possesses a capital of £15,467, which is sufficient to enable it to finance its own trading operations. In less sheltered and more complex communities, of course, such large societies would possibly prove unworkable. The Store Licence fees were reduced for registered societies to £10 a year for a main and £1 for a branch store and all societies now pay these fees and consequently trade with both members and non-members. Indeed, as the societies are the only commercial organizations operating on any islands except Tarawa and Funafuti, where the Trade Scheme has retail stores, the Government had to reverse its pre-war policy and

insist on their buying and selling to all comers at the same price, the members, of course, retaining sole rights to profits.

Owing to the reluctance of the Trade Scheme to handle any island products other than copra, the first wholesale society was formed in April, 1947, under the name of the Colony Handicrafts Co-operative Wholesale Society, to handle such exports as curios, handicrafts, shark fins, shark liver oil, coral, shell and sponges. The initial capital of £1,170 represented the profit made by the Supply Officer on the sale of handicrafts to United States troops at the end of the war.

The members of this Wholesale Society are the retail co-operatives, and it has proved remarkably successful in its efforts to find markets for handicrafts and shark fins. Branches of the Society have recently been established at Fanning, on the airport at Canton and at Ocean Island, and the first seven months' working showed sales of £2,519 and a net profit of £455. The society now employs a staff of 5 and has a contract with the Government for the supply of local building materials and floor mats on a commission basis, as well as a growing stamp agency, and is about to start an employment bureau.

Before concluding, I should like to return for a minute to the Trade Scheme as it exists today. From the trading and profit and loss account and the balance sheet for the year ended the 31st March, 1948, it will be seen that sales were £158,500, representing an increase of 63% on the previous year; copra sales being 2785 tons, at a profit of £22,700, with a further estimated tonnage of 3700 awaiting collection or shipment. Net profit was £18,194, as against £29,351 for the previous and £16,835 for the first year. It is intended that these profits shall be used partly to repay the capital loan from the British Treasury and partly to finance the two principle reserve funds:

- (i) the Producers Development and Stabilization Fund; and
- (ii) the Vessels Replacement Fund;

the purpose of the first being to maintain, as far as possible, a stable ratio between the price of imported goods (in effect the cost of living to the islander) and the price paid for copra. At present the islander is approximately twice as well off, in terms of the amount of copra required to purchase his standard necessities, as he was before the war, but whether the Trade Scheme will be able to maintain this ratio remains to be seen.

It is not considered desirable at present to decrease prices, which are undeniably high, so long as the supply of consumer goods remains inadequate, since they serve to drain off purchasing power and stimulate copra production. Instead, the profit margin of the retail co-operatives was increased from 10% to 12½% in April 1948, and it is planned to make a further increase to 15% in April 1949; their profit of £2 10s. 0d. a ton on copra sales remaining unchanged.

By this means it is hoped to build up the capital and reserves of the retail societies to enable them to finance their trading operations, purchase more capital equipment, and in particular lagoon and road

transportation, and increase their investments in the Trade Scheme. During 1947, £5,684 was invested by the retail co-operatives at 3% and this tendency is being encouraged with a view to increasing the rate at which the British Treasury loan can be paid off and having the entire capital of the Trade Scheme owned by the retail societies.

I have spoken carefully of the Government Trade Scheme up to the present, but recommendations are now being considered by the Colonial Office for taking the final step in erecting a democratically controlled economic structure in the islands by converting the Scheme into the Gilbert and Ellice Islands Colony Co-operative Wholesale Society to be owned and operated by the whole Colony co-operative movement. Preliminary steps to that end have already been taken and the Gilbert, Ellice and Phoenix Islands have been divided into six geographical Districts, the retail societies in each district electing one member to the central governing committee of the wholesale society. Three of the committee members have already been elected and have taken up residence at Tarawa, their duties being not only to represent their societies on the committees of the two wholesale societies but also to order goods required by their retail societies, select suitable goods from the Wholesale Society's stocks and from time to time visit every society in their district, auditing accounts, hearing complaints and generally seeing that all is going well. While awaiting approval of the proposals for the conversion of the Trade Scheme and the enactment of the necessary legislation, the central committee will be purely advisory, sitting under the chairmanship of the Resident Commissioner, with the Manager as expert consultant.

And now I have come to the end of my factual report on the progress of co-operation in one of the British territories in the Pacific. I do hope that I have succeeded in conveying a clear picture of what has been achieved to date. In brief, if I may summarize:

- (i) on 16 out of the 27 islands in the Colony possessing an indigenous population there is at least one co-operative society, either registered or unregistered, and on the remainder a branch of the Trade Scheme which will in its turn be formed into a society;
- (ii) the entire economic production and the entire retail distribution of consumer goods in all 27 islands is in their hands; and
- (iii) the entire wholesale marketing of the islanders' economic products and the wholesale distribution of consumer goods is in the hands either of the Government controlled trading organization, which it is hoped will soon become the Colony Wholesale Co-operative Society, or of the Handicrafts Co-operative Wholesale Society.

You may rightly say that this is all very well, but how has this particular development benefitted the natives of the Colony? I would claim that it has benefitted them very materially, and in two main ways. Firstly, from a purely economic point of view, it has eliminated the European or Chinese retail trader, a class of person

whose activities have been, I think, proved unnecessary to the economy of the country and whose profits—considerable in times of prosperity—were largely sent out of the country. When I first arrived in the Colony in 1929 there were some 30 retail traders operating in the two groups, and assuming they made an average profit of £400 a year—and I know two of them who averaged over £1,000—there would appear to be a clear gain of £12,000 payable by the country. More important, however, is the fact that the profits of the three commercial wholesale companies that operated in the Colony before the war now stays in the Colony itself, to be used for the economic development of the country. What these profits are I will not essay to guess but some idea may be gained from the figures given above of the profits of the Trade Scheme remembering, at the same time, that the Trade Scheme does not exist primarily to make profits but to serve the needs of the people. I suggest that a not inconsiderable factor in bringing about the chronic capital starvation of tropical countries, which handicaps their economic development at every turn, may be due to nothing so much as the continual drain of the profits accruing from their productivity to pay the absentee shareholders of the commercial companies operating in the area.

Secondly, and I think more important, is the training in economic principles which co-operation gives to the ordinary native in the village: for the first time he is able to learn the meaning of profits, shares, dividends, interest and the factors governing prices. The importance of this to the islanders cannot be exaggerated: co-operation opens up a whole new field of worthwhile service to the community, thereby increasing self respect and stimulating pride in community achievements, all important factors in building up renewed desire to live and progress. Ultimately, and in the last analysis, co-operation achieves the democratic management of economic and commercial activities throughout the area. Political advancement towards self-government is not enough, in fact it may prove a definite handicap to the group concerned, unless it is balanced by corresponding advance in the economic and cultural spheres.

I cannot do better than conclude in the words of a recently published book by the Advisor on Co-operation to the Colonial Office:

‘In many countries people have learnt that there is no substitute for co-operation, and that a full life is only obtainable through co-operation. And although the first steps may be faltering, and the difficulties, mainly caused by apathy and ignorance, may seem enormous, yet they can be overcome, and the day will come when people will look back and wonder however they managed to exist without a co-operative movement.’