

Keynote address by
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Cooperatives for a better world

Excellencies, Ladies and Gentlemen,

“Cooperative enterprises build a better world.” This is the theme of the 2012 United Nations International Year of Cooperatives. It is a statement of fact, but also of aspiration. As a statement of fact, it recognizes cooperatives as enterprises that generate employment and incomes, and as providers of affordable goods and services in numerous economic sectors.

Perhaps more importantly, however, this theme articulates an aspiration. This aspiration seeks a better world rooted in cooperative principles whose attributes and relevance are becoming more and more apparent. It calls for the cultivation and preservation of those core values which form the foundation of a “good society.” Integral among these are inclusiveness and equity, responsibility and sustainability, and most crucially, dignity and solidarity. In protest movements around the world -- from the Middle East to the Eurozone to Wall Street -- there is a common cry for these values, to be the goals and guides for alternative ways of life as the ugly side of the dominant economic model of unfettered markets and private property over the last three decades has become so evident.

In reflecting on the IYC theme -- “cooperative enterprises build a better world” -- I encourage you to consider more than the relative efficacy or resilience of one model as opposed to another. Let us use this theme to recognize that the other crucial part of cooperative norms is its sense of purpose and social values that move beyond individual wants and desires, to seek the social good. I see, in the theme of the IYC, a challenge to us all, to work towards a future that embraces communities, empowers people, and endows action with integrity.

Before proceeding further, I would like to thank the Division of Cooperative Sciences and the Berlin Institute for Cooperative Studies of the Department of Agricultural

Economics at Humboldt University for the honour of being able to speak before you. I also congratulate the organizers for bringing you all together in support of cooperatives and for the range of relevant issues that you will cover in your sessions over the next two days.

Cooperatives have a long and distinguished history in Germany, and it is notable that one of the first cooperative credit banks was founded here, in the late nineteenth century, by a local mayor, Friedrich Wilhelm Raiffeisen, seeking to alleviate the plight of farmers suffering from the failure of a financial system to serve their needs and those of their community. In light of the many ongoing troubles of our times, it is relevant that we meet here to explore the continuing relevance of cooperatives, and their potential for fulfilling their original promise of building a better business model, for a solidarity economy, for a better world.

Allow me to outline my message to you today. First, let me establish the context for the UN's involvement in cooperative promotion, and address the relevance and importance of cooperatives in light of the realities revealed by the recent crisis. I propose that we view cooperatives, not simply as economic and employment producers, but as important social institutions that transmit the social values necessary to build a just and prosperous world. As UN Secretary-General Ban Ki-Moon has noted, cooperatives provide the model by which the world is able to pursue both economic viability and social responsibility.

Second, I will share with you important socio-economic concerns that we at the UN have, and perhaps you will be able to find areas of action for the cooperative movement. While the global issues appear daunting, some encouraging lessons from history can be drawn.

Third, I will highlight some challenges confronting cooperatives today, drawing from the experiences of our partnerships with cooperatives and other stakeholders. I conclude by identifying potential avenues for action.

First, the United Nations recognizes the cooperative movement as an important partner in achieving the United Nations Development Agenda and the Millennium Development Goals, among which are poverty eradication, employment generation and social inclusion.

As an organization working for global peace and understanding, the UN recognizes the shortcomings of a purely individualistic greed-driven economic system, and that conflict can arise when there is prosperity for some, and misery for most. When enterprises are driven to socialize costs and negative externalities (for instance, in the form of pollution, emissions or 'bailing out' "too big to fail" financial institutions) and exclude the social costs of environmental degradation and social dislocations from the profit calculus, who will

benefit from the ostensible achievements of economic efficiency?

When enterprises are driven to privatize gains through social exclusion and costs are passed on to all, such injustices will lead to outrage. When basic research is socially funded, but the benefits of marketing the innovations are privatized, dissent is bound to grow. When social arrangements fail to deliver equity, fairness and justice, conflict is bound to arise. In this context, the UN values the importance of a strong solidarity economy that seeks to put human beings at the centre of economic and social development, and a socio-economic arrangement that relies on self-organized relationships of care, cooperation and community.

For some time now, with the ascendance of neo-liberal economic thought, a profit-driven society has been perceived as the best way of organizing economic activities. That is until current economic realities hit the largest economies of the Western world. Increasingly, there is realization that free markets, operating free of or with minimal regulations, cannot be relied upon. In this context, declaring 2012 as the IYC is apt, for in many parts of the world, there is a clamour for socio-economic arrangements that better meet the needs of people. This does not mean that the cooperative movement or solidarity economic enterprises are merely “firefighting” social arrangements to solve difficulties faced by peoples in the US, Europe or developing countries.

But the work to build socio-economic arrangements grounded in the principles of a solidarity economy or cooperatives is a long-drawn process. It does not simply mean forming cooperatives. Rather, the work requires re-thinking how societies should be organized and for whose benefit, as well as long-term inculcation of the values of a solidarity economy. At the same time, the work requires showing or demonstrating to the wider community that the cooperative movement is relevant and valuable for building a fair and just economic order that solidarity economic advocates seek.

The solidarity economy can serve as an emerging model for managing economic and social development because it integrates social, economic, cultural and environmental considerations at the community-level and promotes self-help. It can overcome the limitations of the current market-based model which excludes much of the world’s marginalized citizens from the benefits of the global economy. The solidarity economy also has the ability to make a major contribution to citizen empowerment.

Here, I would like to caution against possible misunderstanding of the solidarity economy with a command economy. Unlike a command economy, the solidarity economy does not seek to replace markets. Instead, it seeks to remove the rough edges of markets, while using market economic incentives and efficiency features. That is, co-operatives are said to operate in accordance with a business model based on the People and the Sovereignty

of Labour, which makes it possible to develop highly participatory companies rooted in solidarity, with a strong social dimension, but without neglecting business excellence.

We find examples of such successful balance between markets and communities in the case of Almeria, an agricultural community located in what was once a historically impoverished area in Southern Spain. There, farmer-owned agricultural cooperatives and cooperative banks combined to usher in a process of development that transformed a poverty-ridden area into a vibrant economy. Another successful case is Koreikyo, a Japanese home-care cooperative, operated by the older persons, in the service of the older persons. As Japan faces the challenges of an ageing society, Koreikyo not only helps address the personal care and economic needs of the older persons -- which family members may be unable to fully provide -- but also brings a sense of worth, usefulness and dignity to the older persons.

Characterized as self-help, self-governed and value-based enterprises, cooperatives are diverse and multifaceted. From a small handicraft cooperative of people with disabilities in Thailand to a community-based coffee cooperative in Nicaragua, a women's cooperative in rural Morocco and a multi-national financial cooperative based in the Netherlands, cooperatives are everywhere. In more recent times and amidst a protracted economic crisis, the cooperative model is regaining the attention it deserves in the streets, in communities, in the media and in parliaments.

Given the headline news in many developed economies of Europe and the United States, where social safety nets are being sacrificed to achieve fiscal balance, one may be tempted to suggest that cooperatives rush to the rescue and become firefighters against crises, one after another, as the adverse consequences of the current crises in the world continue to unfold. Rather, we should draw lessons from the recent past...that free markets have not eliminated their susceptibility to crisis and collapse, that sustainable economic activities are important, that consumerism based on debt creation is not a sustainable basis for economic order, that income distribution that drives the share of wages down is not sustainable, and that quantitative easing is at best a palliative, not the solution. These lessons should suggest that the values of equity, sustainability and social inclusion of cooperatives and the solidarity economy are indeed just what the world needs now more than ever.

Let me now move on to how cooperatives can help address some current global challenges. There is a growing consensus that the current crisis facing developed economies will take a long time to emerge from. As historical evidence suggests, a debt-driven crisis built up over several decades typically takes a long time to resolve. As unemployment,

especially among youth, continues to rise in many European and other countries, the dominant response and mantra remains that of fiscal austerity. The severity of austerity measures is not only pushing the economies of the world towards a prolonged slowdown, but is also seen as unfair and tearing societies apart.

Hence, it is easy for those in the midst of the Euro-zone crisis to become pessimistic. Remember that the cooperative movement in Rochdale was born in response to the crisis of 1840s. The vision of the Rochdale Pioneers was to help poor households escape the debt trap and to provide them with access to better quality goods and services, leading to the formation of the first consumer cooperative, diverging from the dominant business culture of its time. Right here in Germany, the vision of Friedrich Wilhelm Raiffeisen, in the 1860s, led to the realization of the cooperative credit model to address the needs of communities suffering famine and lack of employment opportunities.

Eight decades ago, in the midst of the Great Depression, the cooperative movement embarked on important initiatives. At that time, when unemployment was as high as 25 per cent, and factories sat empty and machinery idle, farmers formed the Unemployed Cooperative Relief Organization, through which members offered their labour in exchange for food.ⁱ Acknowledging the contributions of cooperatives to addressing the unemployment problem, the United States federal government supported the movement by enacting laws enabling their growth. Two examples include the Farm Credit Act of 1933, which established credit associations that provided loans to farmers and created a system of banks for agricultural cooperatives, and the Federal Credit Union Act of 1934, which allowed credit unions to be chartered at the federal level.

In the midst of that Depression, the electrification of America was made possible by rural farmers, already familiar with the cooperative credit model, who established rural electric cooperatives, with the help of a loan program created by the Rural Electrification Act of 1936. The result was astonishing, and within five years of the establishment of the Rural Electrification Administration, the number of farms receiving electricity more than doubled.ⁱⁱ

More recently, during the Argentine economic crisis in 2001, workers formed cooperatives and assumed control of the enterprises of their bankrupt employers, saving over 100 closed down factories and shops and preserving 10,000 jobs. These cooperatives became popularly known as *Empresas Recuperadas* or *Recovered Companies*.

The famous Mondragon worker cooperative was established in 1956 in the Basque region of Spain, impoverished by the Spanish Civil War. Beginning from the activities of a modest technical college and a small workshop producing paraffin heaters, it has become the seventh largest Spanish company in terms of asset turnover, and the leading business group

in the Basque Country. During the current crisis, Mondragon displayed remarkable resilience. At the end of 2010, it employed 83,859 people in 256 companies in four areas of activity: Finance, Industry, Retail and Knowledge.ⁱⁱⁱ

As its long history shows, the cooperative movement has grown from strength to strength during crises and in the face of challenges. This should serve as an inspiration as we confront the difficulties of the present, and try to face common global challenges to overcome them.

A top priority on the UN agenda is sustainable development. The Secretary-General has made an urgent call for the economy to be revitalized, for social inequality to be addressed and the environment saved. The UN recognizes these as among the global challenges that need to be addressed together urgently.

Food security is one such important challenge. According to the FAO, almost one billion people are chronically hungry due to extreme poverty, while up to two billion people lack food security due to poverty and vulnerability. In many developing countries, the overwhelming majority of farms are small and family-run, producing most of the food consumed locally. These smallholder farms need to mobilize collectively in cooperatives to avail of economies of scale, through pooled resources, organized supply chains and marketing activities, and access to broader markets. They also need access to better financial services, technology and reliable information -- all of which cooperatives can offer. India's Amul Dairy Cooperatives demonstrate such advantages, by serving more than 13 million milk producers in more than 100,000 dairy cooperative societies. Amul Dairy Cooperatives is the largest milk producer in the world.^{iv}

Trade can be an important engine for growth. But the recent globalization experience has also revealed its ugly side – inequality and unfair distribution of the gains from trade as not all countries have the same capacity to take advantage of trade. Therefore, fair globalization is a crucial part of the UN Development Agenda. Cooperatives can play an important role in achieving a fairer globalization as highlighted in the 2004 report of ILO's World Commission on the Social Dimension of Globalization. Thus, the theme of the 2004 International Day of Cooperatives Day was Co-operatives for Fair Globalisation.

Cooperatives can strengthen economic capabilities through partnerships among governments, businesses, trade unions and community organizations. Cooperation and partnerships are effective means for developing skills, infrastructure, technological and managerial capabilities to create an enabling environment for private investment in the most dynamic productive activities. Cooperatives promote Corporate Social Responsibility (CSR) and voluntary initiatives can help build public trust and confidence in enterprises and contribute to the sustainability of global business.

Youth unemployment has become a serious issue. The UN *2011 World Youth Report* notes that the global youth unemployment rate saw its largest annual increase in 2009 when, at its peak, 75.8 million young people were unemployed the world over. In 2010, the global youth unemployment rate was almost three times higher than the adult unemployment rate. Today, about 152 million young workers live in households below the poverty line, comprising 24 per cent of the total working poor.^v These numbers are alarming, and call for action. The cooperative movement and UN agencies have been active in devising innovative strategies to provide much needed employment opportunities for the world's youth. This is an area where cooperatives are making important contributions, but clearly much more needs to be done.

Women's equality, empowerment and social inclusion are another priority area for the UN development agenda. Women lag far behind men in access to land, credit and decent jobs, even though a growing body of research shows that enhancing women's economic options boosts national economies. Of the 70 per cent of the world's poor living in rural areas, the majority of the most vulnerable are women. Of the 1.1 billion who work in agriculture, the majority are women. In Africa, for instance, women are responsible for about 80 per cent of food produced. Yet, they receive only 7 per cent of agricultural extension services. The multiple barriers that prevent women from seizing economic opportunities must be overcome.

Socio-economic and political empowerment is crucial to women's efforts to address the inequalities and disparities they confront. Cooperatives have provided the means for women's empowerment by providing them employment opportunities and incomes. For example, India's 100,000 dairy cooperatives, collecting 16.5 million litres of milk every day, provide livelihoods for 12 million women.

Renewable energy. Reliance on fossil fuels for meeting the world's energy needs exposes the world to supply vulnerabilities and volatility, as well as depletion, pollution and environment degradation. Most importantly, fossil fuels contribute importantly to global warming and climate change. As large segments of populations attain higher incomes, and without compensating reductions in energy needs elsewhere, demand for energy is increasing, further straining long-term sustainability.

Solar, wind and hydroelectric power produce minimum carbon emissions once the generating systems are in place. Moreover, they help reduce energy poverty through improved access to energy in underserved areas. Energy from renewable sources currently accounts for only five per cent of global energy supply. The co-operative movement can play

an important role in switching from fossil fuel to renewable energy. For example, in Denmark, a world leader in wind power, where 86 per cent of Danes support wind energy, over 100,000 families belong to wind turbine cooperatives.

Inclusive Finance. In both developed and developing countries, fair access to credit continues to be a challenge. As the financial crisis revealed, there have been discriminatory and predatory lending practices in the US and elsewhere. Credit unions and microfinance cooperatives have been in the forefront in providing affordable and inclusive banking services and credit, though abuses in microfinance activities have surfaced in recent years with the growth of for-profit commercial microfinance programs. At the height of the recent financial crisis, there was greater appreciation of the role of alternative financial institutions and the vulnerabilities associated with relying on a financial system supporting ‘dog eat dog competition’.

Cooperatives and credit unions in the US experienced an influx of deposit funds from member owners seeking a safer place to put their savings as credit union membership continued to increase. Moreover, these institutions also continued to lend prudently when investor-owned banks cut back on lending due to weakened capital.

Financial cooperatives were among those that weathered the financial crisis relatively well. Particularly in developed countries, losses were largely limited to apex level enterprises that invested in complex structured products and suffered significant mark downs. In contrast, in the United Kingdom, former building societies that demutualized -- Northern Rock in 1997 and Bradford and Bingley in 2000 – had to be rescued, providing evidence of the relative resilience of those that remained mutual societies or cooperatives.

While much appreciated, the contributions of cooperatives in facing specific global challenges need to be scaled-up. And how can we scale up and leverage the role and contributions of cooperatives in sustainable development? With that question, let me now turn to my third theme.

Of course, cooperatives have their own challenges in attaining sustainability and resilience in the face of competition in an increasingly hostile environment, and especially economic and political shocks. For example, they need to accelerate innovation and improve product quality in order to compete successfully in the market place. The UN and the ILO support the formation of autonomous cooperatives, knowing well the problems of parastatals disguised as cooperatives, serving political interests, instead of the needs of their members and clients.

I have learned much from you about the difficulties or challenges, or what others refer to as the degeneration of the cooperative model. I am encouraged by the innovative

mechanisms of Mondragon in enabling the participation of non-member employees in the ownership and management of the public limited companies in which they work. Thus, it continues to preserve the basic elements of its identity, sustaining the fundamental elements of education, work, solidarity and participation, which form the foundation of cooperative enterprise. I encourage you to continue the dialogue on how to best address this problem of degeneration with growth, and urge you to stay true to the values and focus of a solidarity economy that puts people first before profits.

Given these challenges, I highlight as well the importance of cooperation among cooperatives. Federations and partnerships between the north and the south enable coordination and strengthen cooperative capacity and effectiveness. Cooperative networks provide an institutional response to global competition and an accelerating pace of innovation. We should all reflect on what more can be done to expand cross-cooperative collaboration.

I encourage the academic community to put cooperatives higher on the research agenda and to find ways to integrate cooperative knowledge in curricula and programs in colleges and business schools. Moreover, research and the collection of harmonized statistics on cooperatives should be given priority so as to provide us with comprehensive databases for better understanding trends, patterns and best practices. Such research will help raise awareness and encourage the promotion and formation of cooperatives.

Emerging issues that require further research include green jobs, information technologies and shared business services. However, the biggest challenge to implementing research and data collection on cooperatives continues to be lack of funding. The renewal and intensification of partnerships and collaborative efforts among all stakeholders should be an essential project in the International Year of Cooperatives.

As an outcome of the IYC, we urge stakeholders to provide inputs into the Plan of Action beyond 2012. The UN envisions this Plan of Action to serve as a roadmap for long-term activities in support of cooperatives. An important element of the Plan of Action calls for the promotion of research and the development of information databases on cooperatives. I urge you to share your insights and perspectives on how a research and information building program of cooperatives can be achieved.

Before concluding, let me mention an important issue confronting cooperatives. Everyone here is acutely aware of the financing difficulties that cooperatives face. This stems from the fact that the cooperative model of capital building is quite different from those of private enterprises. As you know, cooperative principles of self-help, and one-person, one-vote, largely limit capital building to member contributions.

We need to continue to find solutions to enable cooperatives to fund growth and investments without sacrificing core principles. Let us also consider whether the funding challenge can be better addressed through the formation of a Global Cooperative Development Bank, to be devised and instituted by cooperatives, perhaps in consultation and coordination with the UN, member states, and other stakeholders. Let this body and its credit program be guided by cooperative values and principles, so that cooperatives can truly remain cooperatives, even as they seek expanded funding for development and enterprise building.

Let this body strengthen information building and research on cooperatives. At the same time, this Global Cooperative Development Bank can enable the world to leverage the contributions of cooperatives to socio-economic development. Through such mechanisms, cooperatives can continue to adhere to their values and principles. In this way, cooperatives can help surmount global economic challenges based on the principles of a solidarity economy, and thus help to build a better world.

ⁱ Charlene Elderkin, “Cooperatives: Born and Bred for Hard Times?”. People’s Food Coop. Available [Online]: <http://www.peoplesfood.coop/about/cooperatives.php>, February 26, 2012

ⁱⁱ Robert Beall, “Rural Electrification”. *Yearbook of Agriculture, 1940*. Available [online]: <http://naldc.nal.usda.gov/download/IND43893747/PDF> February 26, 2012.

ⁱⁱⁱ Mondragon website, available [online]: <<http://www.mondragon-corporation.com/language/en-US/ENG/Economic-Data/Most-relevant-data.aspx>> February 28, 2012:

^{iv} Amul Dairy Cooperative website, Available [Online]: < <http://www.amul.com/m/about-us>> February 26, 2012.

^v 2011 UN *World Youth Report* Fact Sheet, Available [Online]: <http://www.un.org/esa/socdev/unyin/documents/wyr11/factsheet.pdf>, February 26, 2012.