

Cooperative Enterprises Build a Better World

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Cooperative Answers

to the Current Economic Crisis

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CHECK AGAINST DELIVERY

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I would like to present to you today, Ladies and Gentlemen, a different way of thinking about the global and European economy that I believe can bring transformational change to the way business is conducted. **And which can put the global economy at the service of people, rather than as now leaving people at its mercy.**

Let me put this into context.

You will know that the global financial collapse which saw some of the most prestigious and supposedly leading edge financial institutions disappear from the stock markets of the world, has led to a position regarded as unthinkable even 5 years ago. The leading economies in the post industrial world were forced to pump huge amounts of public money into the remaining financial institutions, in the hope of restoring the capital balances of the investor led banks, to allow a return to the status quo, bring equilibrium back to the global market, and facilitate investment led growth once more.

You will also know that so far this has not worked.

As one of the dwindling band of English men and women who have been firm supporters of the European Union from the start, and indeed as the woman who led the largest political Group in the European Parliament at the time that the Euro was introduced, I see now a Eurozone that is beset with financial and monetary crises, and as ever in the European Union, accompanied by considerable political tensions. We watch as the Greek government tries to balance the demands of its divided population with the requirements of the Eurozone for its bail out provisions; we see all too clearly the devastating impact of this recession on ordinary citizens in Spain, with youth unemployment at 53%! Now we wait to see if that country will manage its banking and regional debt problems, and whether the Eurozone bail out will be sufficient. Now we have a bail out request from Cyprus initially on the ripples of the Greek crisis, and Italy is constantly in the sights of the credit rating agencies and media speculation. My own country the UK slipped back into recession with the poor economic and growth results of the first half of 2012, despite a significant austerity programme designed to deal with our budget deficit. At the same time the economy of the United States is at best sluggish, and Japan is struggling to lift itself out of its 10 plus years of stagnant growth, now compounded by its expensive energy crisis on the back of a tragic natural disaster.

At the last count, seventeen Prime Ministers have lost office in the last two years on the back of this economic and political disaster, as the ordinary man and woman vent their feelings against their national leaders for this wave of crises, that have destroyed hope for the young, left local communities reeling from funding cuts, the old and vulnerable in despair, and those on low incomes seeing yet more services removed from their families – all to try to repay the budget deficits caused not by any of those groups, but by banking mismanagement and greed.

So, the global decision makers are looking for answers.

Well I can tell you that the financial institutions of the co-operative and mutual sector have come through the financial crisis stronger.

As the investor led banks began to falter, customers moved their savings and accounts, and money flowed into co-operative and mutual financial institutions. Buoyed by the knowledge that our financial institutions most often **only lend from member deposits**, and as a consequence of its unique ownership and financial structure did not on the whole take part in the most risky financial ventures, co-operative banks and credit unions have seen **their asset base rise, their deposits grow**, reaching levels of 40% of all domestic deposits here in Cyprus, and perhaps most importantly **their lending remain steady and has often grow**, at the same time as lending by their High Street competitors collapsed.

These facts are now verified by many commentators and these in particular come from a brochure published by the International Labour Organisation, an organ of the United Nations.

However, co-operative financial institutions **have not** collapsed. They **have not** needed recourse to public sector bail out. The taxpayer is **not having** to support co-operative banks across the world.

And yet, there is a danger that the European Union proposals to secure the Eurozone, will dismantle the successful separate regulatory framework of the co-operative financial institutions in Europe, which have served European citizens so very well during this financial crisis, and place co-ops within a single regulatory framework within the European Central Bank. This is a structure designed to rebuild the credibility and confidence of the failed commercial banks. Why build a structure for all, based on that of the failed? Why not learn from the successful – why not build on the existing structure of the successful? why not mutualise the commercial banks?

These issues are very, very topical here in Cyprus as the troika of lenders looks at what needs to be done to support the Cypriot economy. It seems to me that as they seek to merge the successful regulatory structure for the co-operative banks, with the existing structure of the failed, they are failing to recognise the foundations of our financial model and its core differences from those of the commercial banks, and as a consequence are falsely trying to compare like with unlike.

This morning we heard from Mr Andropoulos, the Head of Unit in DG Enterprise - he gets it! This man understands the fundamental difference between a co-operative bank and a commercial bank. He knows that they need different treatment. How can it be that the troika doesn't!! The challenge for him and for us is to ensure that the Commission is educated about our model of business and does not damage a community banking model that has been no part of the cause of the collapse of the economy here in Cyprus or across the world.

Let us be clear. Co-operative enterprise around the world is already a very significant part of the global economy.

The International Co-operative Alliance has, for the last five years, produced a publication called the Global 300. The edition published on 31<sup>st</sup> October last year has shown that the largest 300 co-operatives alone are worth 1.6 trillion US dollars. That is equivalent to the 9<sup>th</sup> largest economy in the world and, just to be flippant for a moment shows that taken together the Global 300 alone should put us comfortably in the G20.! The 300 list includes co-operatives from over 25 countries and from many sectors of the global economy including banking, insurance, retail, health, housing, agriculture and so many more.

By the way, I should explain that the Global 300 list was developed specifically to speak to those political and economic elites around the world, who still do not even consider co-operatives as serious business players.

However, those of us within the co-operative model of business know that our businesses are not just about the size of our bank balance. We are a people centred business.

Whilst our investor led competitors are obliged by law to maximise their return to their shareholders, and therefore are compelled to look over their shoulders at their share prices and investor pressures; we are duty bound by our rules to give a good deal to our members. So we can work to produce services and products that our members are happy with, instead of obsessing about maximising our profits for shareholders who are often remote and disengaged from the business. Of course we must make a surplus (or profits) because our businesses must be competitive in the marketplace, but we do not need to **maximise** profits when it would compromise quality, or price, or our service to our members.

No wonder that a recent survey showed **that the worldwide co-operative movement is owned by over a billion people around the world**. Currently as well together **co-operatives employ over 100 million of the world's citizens**. In the European Union alone, there are 160,000 co-operative enterprises, owned by over 100 million members, employing 5.4 million Europeans and growing – we are a bigger sector of the European economy than the clean green economy right now, and yet you do not hear the advocacy of our sector of the economy coming out of the Commission.

But there is one serious challenge that we as a global movement have to confront. We do not have a globally recognised ‘brand’, and that make us difficult to see and hear in a global economy. In a world driven by global advertising and marketing campaigns, and politicians who have bought into the concept of needing to woo large-scale business, without a global ‘brand’, we do not appear on the radar.

So, no we don't have a global ‘brand’ of the traditional sort, but **nor do we want one**.

The co-operative ‘brand’ we promote is not that of a single product but for us something much, much bigger and more profound. When we talk of ‘brand’ we are seeking to protect and promote an idea, a concept, an identity, not just to market a single monolithic corporation, nor to sell a single global product or an all-pervasive

service. We are promoting a model of enterprise that has arguably been the single most successful initiative to take people out of poverty with dignity that the world has ever seen – and a business initiative at that.

We do, of course, need to make a surplus (or profit), its what we do with those surpluses that makes us different. We have a triple bottom line and our surpluses are reinvested in our businesses to bring better and different services to our member owners. We make an economic return to our members based on their trade with the business and not their shareholding, and we invest in our local communities – keeping wealth and prosperity in the local community for local people.

But our model of business is sustained exactly **because** it is a huge and growing network of local, autonomous, sovereign businesses, in a multitude of different sectors of the economy, that have developed according to **local** needs, **local** culture and **member** demands.

**And we are united.** We are united by a set of principles and values that are globally recognised.

So, we believe that it is perfectly viable to argue for a global and European economy that values forms of business other than the company model. We are also challenging those in positions of economic and political power to recognise that we have quite deliberately choose to operate in a more deconstructed way that has its own unique strength, and that must no longer be used to hide our immense impact on the global economy.

We want global decision makers to embrace a global economy with a different set of values – one that puts people at the heart of the decision-making.

And, at a time when young people whom this recession in so much of the world is hitting so cruelly, when young people are cynical of the political and economic models that dominate their lives; when they are looking for a voice, in North Africa, the Middle East and in the Occupy movement that started in Wall Street and quickly spread across the world; and when they are looking for impact, engagement and fairness, the co-operative is not only an effective governance model, it is a compelling one.

So sometimes I am led to wonder just why it is that our model of business is not more prominent in discussions on how to revive the global and European economy, and more importantly how to change it to become a better balanced, fairer and more sustainable economy. Why for instance is it that a business model that is owned by a billion of the world's people, employs 100 million across the globe, according to the United Nations serves half the world's population, is present in diverse parts of the economy, supports local communities, builds social cohesion, and merits the accolade of an International Year, why isn't it represented on the Board of the World Bank? Or on the B20, the advisory group of businesses that advises the G20, or why when Prime Ministers and Presidents go around the world with domestic business leaders looking for business or inward investment, why is it that most of them don't take co-operative business leaders too?

I am not here trying to put the blame on politicians and decision makers more generally, we, the co-operative movement must take our share of the blame too. We

have simply not made our case loud and hard enough. But this is changing and the International Year of Co-operative has given us a great chance to take that campaign forward.

So yes, we believe that co-operatives represent a different way of thinking about the global economy that can bring transformational change to the way business is conducted. **Our challenge, is how to change the status quo!**

So, we have a big job to do in the coming months and we are looking for friends and champions amongst the world's governments who will raise their voice in support of the growth of the European and global co-operative economy, and the need for a more diversified global economy when their governments are engaged in discussions at the global level,

We also all know that the political and economic power in the world is shifting from north to south and from west to east - to the airplane economies largely in South America, the Far East and to Russia and some of Eastern Europe.

It is also in those countries, that the co-operative movement often has a significant impact on the domestic economy, ensuring the economic viability of rural communities and local finance in particular, but growing in its significance in other business sectors as well.

We recognise for instance, that China, and the other BRICS countries, are certain to be amongst the most powerful political and economic players in the coming decades. It is our belief a more diversified global and fairer economy, will give the BRICS countries a period of greater stability and calm, allowing their domestic socio-economic evolution to mature in a calm and inclusive manner, rather than the red blooded dash for wealth at any cost that has so often characterised economies in transition. More than anything, we believe that a diversified domestic economy will liberate the creative tensions that are normally to be found in economies in a rapid state of development, allowing them to be channelled into constructive innovation in support of local activities for local people.

And there is so much more that our global co-operative movement still has to contribute to the elimination of poverty and the building of a healthy, sustainable and peaceful world for future generations.

Let me conclude, by saying that the ICA has always brought together members from across the political, cultural and religious divides. Why? Because we are bound by a model of business that serves our people, all of our people, and which is relevant in any local political, cultural or religious environment. Most importantly each co-operative is led by local people for local people.

However, the ICA believes that co-operatives themselves need always to be asking if they are fit for purpose. Is its legislation fit for the 21<sup>st</sup> century? Is it empowering and not prescriptive? Does the co-op have an active democratic process? Is the local and national co-operative economy growing? What other, new forms of co-ops do local people need? It is our duty to ensure that our co-ops are modern, flexible, innovative and fulfilling their purpose, and of course, we can do better.

This International Year is a rich gift to the co-operative movement. As the ICA itself moves from a representative global forum to a more engaged and participative global facilitator for co-operative enterprise, we want and need to work more closely with both our members and those sympathetic voices amongst the world's governments that also want to see a more diversified global economy, and are prepared to stand up and speak for it. We want the European Union to be at the forefront of those voices

**Together I know that the world's co-operatives are working to make this International Year a powerful restatement of the co-operative ideal. We want the European Union to be at the forefront of those voices – after all it has the stage, it has the opportunity. The big question is, does it have the political will?**

**The ICA Board sees this International Year as the beginning of a modern, confident, outward looking and creative co-operative movement. It is also our aim that on the 31<sup>st</sup> December 2012 we will be able to move from a successful International Year of Co-operatives to a decade of co-operative growth.**

Thank You.

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