

Co-operatives Making Fair Globalization a Reality

**Remarks by Mr José Manuel Salazar-Xirinachs
Executive Director, Employment Sector, ILO
at the International Co-operative Alliance General Assembly
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Ladies and Gentlemen,

Fellow Co-operators,

Thank you for your invitation. ILO Director-General, Mr Juan Somavia, who addressed your General Assembly two years ago in Oslo, has asked me to send you his personal and heartfelt greetings once again!

For me it is a pleasure and a privilege to be here with you this morning for several reasons. First and foremost, for what you represent as delegates and what you do for development. Secondly, on a personal note, the fact that I am now part of the ILO team, I joined only four weeks ago, gives me the opportunity to work not only with this important international organization, but also the opportunity to promote even more the close cooperative relations between ICA and the ILO, in the months and years to come.

I thank our Colombian hosts for their hospitality, and for giving me the opportunity to again visit one of the most beautiful places in the world – the ancient city of “Cartagena de Indias”.

I must highlight the presence at your Congress of Mr Eduardo Barbosa, Mayor of Cartagena, Mr. José Antonio Ocampo, UN Under-Secretary General for Economic and Social Affairs, and Mr Ivano Barberini, ICA President.

I feel very honoured to share this platform with Ms Sherron Watkins, who had the courage to expose the ethical and moral problems that plagued the Enron company some years ago.

I am equally delighted to be in the company of Mr Johnston Birchall, who is not only a well-known cooperative academic, but also the author of three recent ILO publications on cooperatives, as well as with Mr. Alban D’Amours, who presides over the Desjardin group in Quebec, one of the most successful cooperative enterprises worldwide.

Most of all, I wish to express my gratitude and admiration for the work that you, cooperatives leaders from around the world, are accomplishing every day to further

the cooperative agenda, to defend cooperative values, to apply cooperative principles and to protect the cooperative identity. Thanks to you, local communities everywhere create opportunities for decent work, find protection through mutual help, and empower those who have no voice and no say. The cooperative movement has stood the test of time – it is 160 years old, but has never been stronger than today. Every day, people discover new ways of adapting the cooperative concept to the changing patterns of work and society. I am particularly encouraged by the enthusiasm of our young co-operators, who met here on Sunday to discuss how cooperatives can help them to fulfil their dreams and aspirations.

Ladies and Gentlemen,

I come to the main theme of my address: Cooperatives Making Fair Globalization a Reality.

Let me begin by defining some terms. What is globalization? Globalization can be defined as the integration of national economies to the world economy through five main channels:

- Trade, that is, the flow of goods and services;
- Flows of Foreign Direct Investment;
- Short-term capital flows;
- The movement of workers and humanity in general, and
- Flows of technology.

Some of these flows occur under certain rules and standards, others occur under no rules at all, and yet other take place under rules defined unilaterally by certain players. The fairness of globalization refers to fundamental questions as to whether the rules for the flows of goods, services, investment, technology and people lead to a fair distribution of benefits between countries and within countries, how are these rules designed and enforced, how democratic is the process of negotiating them.

It is also important to recognize that while climbing the development ladder can be made harder or easier by international rules, a good part of the responsibility rests on national or local politics, local economics and local governance. For instance, under the same global rules, many countries have managed to forge ahead and make globalization an engine for their growth and development, while others stagnate. And today we see the rise of China and India as major economic powerhouses, that have managed to drastically reduce poverty, even though both have enormous internal social challenges to solve.

During the year 2002, the ILO convened a World Commission on the Social Dimension of Globalization to develop a broad consultation on these and other issues, analyse the trends, and make recommendations. The Commission was

chaired by two incumbent Heads of State – President Halonen of Finland and President Mkapa of Tanzania. The Commission included a cross-section of leading thinkers – Nobel Prize winners, academics, business and labour leaders, civil society activists and political personalities from four continents representing a broad spectrum of views and experiences. It had the explicit mandate to examine the process of globalization through the eyes of ordinary people.

From divergent voices a converging view emerged, at the same time optimistic and sobering, which was expressed by the Commission's final Report by saying that "The potential (of globalization) for good is immense...the global market economy has demonstrated great productive capacity. Wisely managed, it can deliver unprecedented material progress, generate more productive and better jobs for all, and contribute significantly to reducing world poverty. But, we also see how far short we still are from realizing this potential. The current process of globalization is generating unbalanced outcomes, both between and within countries. Wealth is being generated, but too many countries and people are not sharing in the benefits. They also have little or no voice in shaping the process. ... Even in economically successful countries some workers and communities have been adversely affected by the process of globalization."

The report presents a vision for change. Putting people first, and working at the local level, are key messages of the report. It argues for a series of coordinated changes across a broad front, ranging from reform of parts of the global economic system to strengthening governance at the local level, while stressing that this should and can be achieved in the context of open economies and open societies.

At the global level a wide range of issues is identified for change: global trade and financial rules can be more equitable; Official Development Assistance is seen as essential for achieving the Millenium Development Goals and can and should be increased; policy coherence among international institutions can and should increase; as well as the influence of workers and the poor on global governance.

One of the most interesting aspects of the report is its emphasis in that, in some important senses, the response to globalization begins at home. After all, people live locally within nations and therefore the way each country manages its internal affairs is a critical determinant of the extent to which people can benefit from globalization and be protected against its adverse consequences. Therefore, national governance needs to be improved in all countries, albeit in some more urgently and radically than in others. The essential areas are well known and include:

- Good governance based on democracy, respect for human rights, the rule of law and social equity,
- An effective State that ensures high and sustainable economic growth, and provides public goods and social protection.
- A vibrant civil society, empowered by freedom of association and expression

- Strong representative organizations of workers and employers.

In addition, high priority, the report argues, must be given to policies to meet the central aspiration of women and men for decent work, to raise the productivity of the informal economy and to integrate it into the economic mainstream, and to enhance the competitiveness of enterprises and economies.

The key statement that "globalization begins at home", means that policies must focus on meeting peoples' needs where they live and work. For this, policies must nurture local communities through the devolution of power and resources and through strengthening local economic capabilities, cultural identity, and respecting the rights of indigenous and tribal peoples.

We at the ILO strongly believe that employment creation should be a global, as well as a local, priority. As Director General Juan Somavia has said: "Work is more than income. Work is dignity. Work is a source of self worth. Work is a source of family stability. And work is a source of peace in the community. Work is at the heart of the economic, political and social concerns of people. If you look at the global economy from the perspective of people, its biggest structural failure is the inability to create enough jobs. People see in this an absence of values and ... this is at the root of much anxiety and insecurity in the world today." Clearly, work and jobs, as well as the conditions under which they occur, are one of the main channels through which the impacts of globalization, both good and bad, affect the population.

The ILO's response has been the Decent Work Agenda – a strategy, centered on people, to make employment creation a global priority. This is also the ILO's contribution to the Millennium Development Goals, after all, there is no way the work with eradicate poverty, without creating jobs. The Decent Work Agenda and job creation is also a way to bring much needed balance between promoting the global and promoting the local.

What does all this mean for, and how does it relate to, the global cooperative movement which is assembled here today?

In a nutshell, the values, activities and organizational characteristics of the cooperative enterprise embody much of what is important to make globalization fairer and more inclusive and more balanced between global and local interests. This is so because co-operatives are organized around a simple but very powerful idea: democratically owned and controlled enterprises, serving their members' needs, and rooted in their communities.

Cooperatives have a unique capacity to connect the local to the national and the global. As member-based organizations, you put people first. And as value-based enterprises, you embody the very principles of corporate social responsibility. Your

performance is based on solidarity, accountability and transparency. Therefore, it is difficult to imagine a type of enterprise or social organization that would be better suited than cooperatives to enable ordinary citizens to enjoy the benefits and alleviate the side-effects of globalization.

But most importantly when talking about effective solutions for the challenges of 21st Century globalization: you, the world cooperative movement, are demonstrating that you can combine these cooperative values and principles with successful business models.

For example:

Global value chains: The most important global value chains involve millions of small producers at one end, and millions of ordinary consumers at the other. Think of coffee, cocoa and cotton. Through their cooperatives, small cash crop producers in the South gain access to global markets, and receive a larger share of the value added than would be possible for them alone. At the other end of the chain, consumer cooperatives sell these goods at affordable prices to the general public. Think of the Oromia Coffee Farmers' Cooperative Union in Ethiopia, which represents 22.000 small coffee growers; it has become a direct exporter of its members' coffee, bypassing the central auction and giving more control and market share to the producer. The federation has now opened a coffee shop in London, thus establishing a direct link between producer and consumer. Similarly, the British consumer cooperatives have forged a partnership with Ghanaian cocoa marketing coops, so that the customer in the North can associate the chocolate he or she buys with the producer in the South. If we take into account that today, 44% of the global workforce is engaged in agriculture, and that cooperatives buy and sell over 50% of the global agricultural output, we begin to understand to what extent cooperatives have the power and the means to bring about a fairer globalization!

Corporate Social Responsibility: As regards Corporate Social Responsibility, cooperatives have applied these long before that term was coined; they pioneered the movement-to-movement approach which has brought together cooperatives from the South with their counterparts from the North; cooperatives are at the forefront of the fair trade movement, both on the producer and consumer side. Many cooperatives have adopted strict policies to protect the environment, promote sustainable development, and fight child labour and the exploitation of workers. The global cooperative movement has responded immediately and generously to help the victims of the Asian Tsunami. The global expansion and recognition of cooperative values and principles is therefore another powerful driver towards a fairer process of globalization.

Remittances: Cooperatives are also contributing in one of the most recent globalization trends, the explosive growth of remittances sent by migrant people. The World Council of Credit Unions has established an International Remittance Network as a platform that enables people to send money from a credit union, say in the US,

to a credit union abroad. This Network charges much lower fees than its competitors, and accepts funds from undocumented users who have no access to commercial banks. All this allows millions of migrant people and their families back home, to increase their access to remittances and lower costs.

Ethical Banking: Another example of application of cooperative values and principles with a successful business model is the UK Cooperative Bank. In 1992 it introduced an “ethical policy” which was formulated, and is being constantly updated, in permanent consultation with the bank’s customers. Under that policy, the Bank refuses to lend money to customers who do not recognize the basic human rights and the fundamental ILO conventions, who are involved in arms trade or genetic modification, or present environmentally harmful projects. A recent survey has shown that 97% of the Bank’s customers support the policy. Although the policy has resulted in lost business opportunities, the UK Co-operative Bank has been has registered pre-tax profits of 132 £ in 2004, 1.9 million £ higher than 2003 and the eleventh consecutive year of record profits.

I am sure you can tell about a thousand more examples of how cooperatives combine cooperative values with successful business models and work for a fair globalization.

But let me also stress that of course, the changes brought about by globalization, by free trade agreements, new technologies, the changing patterns of comparative advantage, including the entering into the world economy of China and India, pose major competitive, managerial and financial challenges for cooperatives and the cooperative movement. Cooperatives need to find ways to take advantage of globalization. Cooperatives must open to the world, they must establish cross-border linkages and global networks, and they must remain competitive in a global economy that gives no quarter. You know this. And what better sign that you have the right social and economic vision than the fact that the theme of this year’s Assembly is focused on how co-operative values and principles give rise to successful business models.

Ladies and Gentlemen,

In his address at the last ICA General Assembly in Oslo, Mr Somavia called for a Common Cooperative Agenda between the ILO and the ICA that would further strengthen our partnership, which dates back to the year 1920. He made two specific suggestions: to scale up our work to fight poverty, and to use ILO’s Recommendation 193 as a tool to improve national policies and laws governing cooperatives.

Today, I am delighted to report that we have achieved considerable progress in these areas.

President Barberini and Director-General Somavia met on 9 February 2004 to sign a Memorandum of Understanding with a Common Cooperative Agenda as an attachment. We did not lose time to implement those: together, we designed the global campaign “Cooperating out of Poverty” which will be introduced to you later this afternoon. We have sensitized major institutions, such as the World Bank and UNDP, about the role that cooperatives can play in reaching the Millennium Development Goals, and last year, President Barberini addressed the African Union Extraordinary Summit on Poverty Reduction and Employment. The role of cooperatives in designing and implementing poverty reduction strategies (PRSPs) has been discussed in several regional and national workshops, with the result that out of 42 PRSPs, 37 mention cooperatives as key players. More importantly, ordinary people everywhere are rediscovering cooperatives as an ideal instrument to lift them out of poverty.

And that's not all. We are so grateful to the ICA, its members and its partners for having invested so much in promoting and implementing ILO Recommendation 193. Just three years after its adoption, this instrument has been used in over sixty countries to revise cooperative policies and laws. It has been translated into 34 languages, and has been the subject of over 80 global, regional and national conferences. We have collected dozens of examples of how the Recommendation has been used to enhance the relevance and viability of cooperatives of all types and all levels. We can proudly say that today, most countries in the world have established a conducive legal and institutional basis that will allow genuine cooperatives to emerge and flourish.

Let me take this opportunity to inform you that the Programme and Budget of the ILO for 2006-07 includes a strategic outcome named “Decent Work through Local Employment and Empowerment”. This will strengthen our work at the local level, and I hope very much that you, cooperatives from around the world, will join forces with us in creating jobs and empowering the poor.

Let us continue working together, in local communities, with national institutions, and in global fora, to promote and apply the universal principles and values of cooperation, which are so inherent to human nature.

Let us continue to demonstrate that values, and specifically cooperative values, are good for the economy, that as the title of this year's Assembly wisely puts it, they are a competitive asset in a globalized economy, and that they can be combined with successful business models. I cannot think of a better contribution to a fair globalization than this one!

Thank you.