

Only Cooperatives Make Trade Fair

The injustice of the global trade system, the increasing levels of poverty faced by many in the poor countries, and the pressure on workers North and South from the euphemistically titled 'flexible' labour market are just a few examples of the ways in which globalization serves the interests of the rich and powerful. Concerned commentators and activists are horrified to find that their call to 'Make Trade Fair' is picked up by the very people whose business is to make trade as unfair as possible, and to their own, narrow advantage.

Yet the answer is equally clear and equally simple: democratize ownership and control of production through cooperatives. Fair trade has been a practical and accessible response to the exploitation of the producers of many of our basic commodities, yet it has gone unnoticed that the reason producers are guaranteed a fair rate for their produce is because many are organised as coops.

In the case of café-direct they source their coffee from producers such as RECOCARNO secondary cooperatives in Haiti, first set up as a project of Oxfam Caribbean in 1997, or La Central de Cooperativas Cafetaleras del Norte, the second largest co-op in Nicaragua. In the case of Divine fairtrade chocolate a group of cocoa farmers in Ghana came together to form the Kuapa Kokoo cooperative in 1993, to increase their market power during the liberalisation of the global cocoa market. Oxfam has responded to the café culture by starting its own fair-trade brand for coffee bars under the Progreso label, in partnership with coffee grower co-operatives. Launched in November 2004 the project headlines its commitment to growers' cooperatives in Honduras, Ethiopia and Indonesia, who also have partial ownership of the venture.

In spite of the fact that the key to the fairness of this fair trade is found in the cooperative organization model, fair trade is a sexy, talked-about issue, while cooperatives are still portrayed with a fusty, century-before-last image that they do not deserve.

As shareholder pressure comes to bear on viable businesses their future can be threatened simply because faster profits can be earned elsewhere, the so-called opportunity cost of capital. Again, cooperative buyouts are the solution, since returns to shareholders are removed from the equation and the worker-owners can balance their returns through wages and bonuses and the investment in the future of the business. An example is Datrys Consulting which was a successful branch of a Dutch-owned firm of consulting engineers that learned of its demise as part of a company restructuring plan. With the support of Wales Cooperative Centre the employees bought the company, based in Caernarfon, as a going concern from the Dutch parent and they began trading as a cooperative in October 2002. The workforce continue to provide bilingual civil engineering services, maintaining the five well-paid and highly skilled jobs in a depressed rural economy, and increasing them now to eight.

A conference organised by Cooperatives-UK in Birmingham in December 2005 presented examples ranging from Loch Fyne Oysters to EAGA energy consultancy to show the dynamism and innovation present in the

cooperative sector. Not only were these successful businesses, competing in conventional markets, but they also offered answers to two pressing economic problems: how to maintain the motivation of workers and how to transfer a business when the original founder wants to withdraw his or her capital.

In terms of the loss of control over capital we work with the concept we call 'capital anchoring', a key aspect of why we propose an expanded role for cooperative businesses. A firm that is owned by its employees is naturally embedded in the local economy and cannot be shut down because of the needs of a parent company to extract capital to make a faster buck halfway across the globe. Such a locally committed firm is also more likely to show support for its local economy in other ways, ranging from community activities to higher environmental standards.

Richard Leonard presents statistics in *SLR 26* that 32.3 per cent of all shares of UK listed companies are owned by non-UK residents. Whether or not we consider the nation-state as the natural organizing unit of society, it is clearly more secure to have a locally based ownership structure since this builds in commitment to the local community and environment.

We have also found that cooperative business models provide an answer to the problem of persistently high levels of economic inactivity in some of the country's most deprived areas. Rather than bullying the genuinely disabled back to work via punitive changes to the Invalidity Benefit system, the government should be thinking of more creative ways of encouraging the development of local business. In areas like the South Wales Valleys, with a long socialist tradition, the unemployed are ideologically resistant to starting out on a course of individualist enterprise, which they read as making good at the expense of those around you. We have suggested that setting up a cooperative is a form of 'associative entrepreneurship', joining with others to improve the economic outlook for the whole community. This is what has been achieved at Tower Colliery, and why it is so popular.

The three most disastrous consequences of globalization for the lives of ordinary people North and South are:

1. The supine response of elected politicians to the demands of increasingly rapacious capitalist corporations;
2. The loss of control over capital by ordinary people in an era of financial deregulation;
3. The disempowerment and loss of confidence in people's ability to solve their own problems that these two generate.

The solution to the first problem can only be political, and readers no doubt have their own solution in mind, but in the case of 2 and 3 an increased role for cooperative and mutual activity is a major part of the solution.

The cooperative sector in the EU is not sufficiently supported by academic research, but it is by no means economically marginal. Figures from CECOP, the EU-wide organizing body for the movement, indicate that the sector provides 5.5m. jobs across Europe, 1.5 million of those as employee-owners. At least 140 million Europeans are members of a cooperative of one sort or another.

The discourse development from Make Poverty History to Make Capitalism History is an encouraging one for those on the left. Yet it is easy to feel a lack of confidence in such sloganeering when it fails to find support in a pragmatic and workable vision of an alternative economy. Cooperative organization is the missing link, and to prove this we need an expanded and energized community of cooperative researchers in the UK. This conference will be the first step along the road to building such a community: we hope you will join us.