

# *Cuba's New Co-operative Path...*



**COOPERATING FOR CHANGE  
IN THE INTERNATIONAL YEAR OF COOPERATIVES  
UNIVERSITÉ DE QUÉBEC À MONTRÉAL, JUNE 24-27, 2012**



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## Cuban Revolution and Socialism



## Cuba's Special Period...



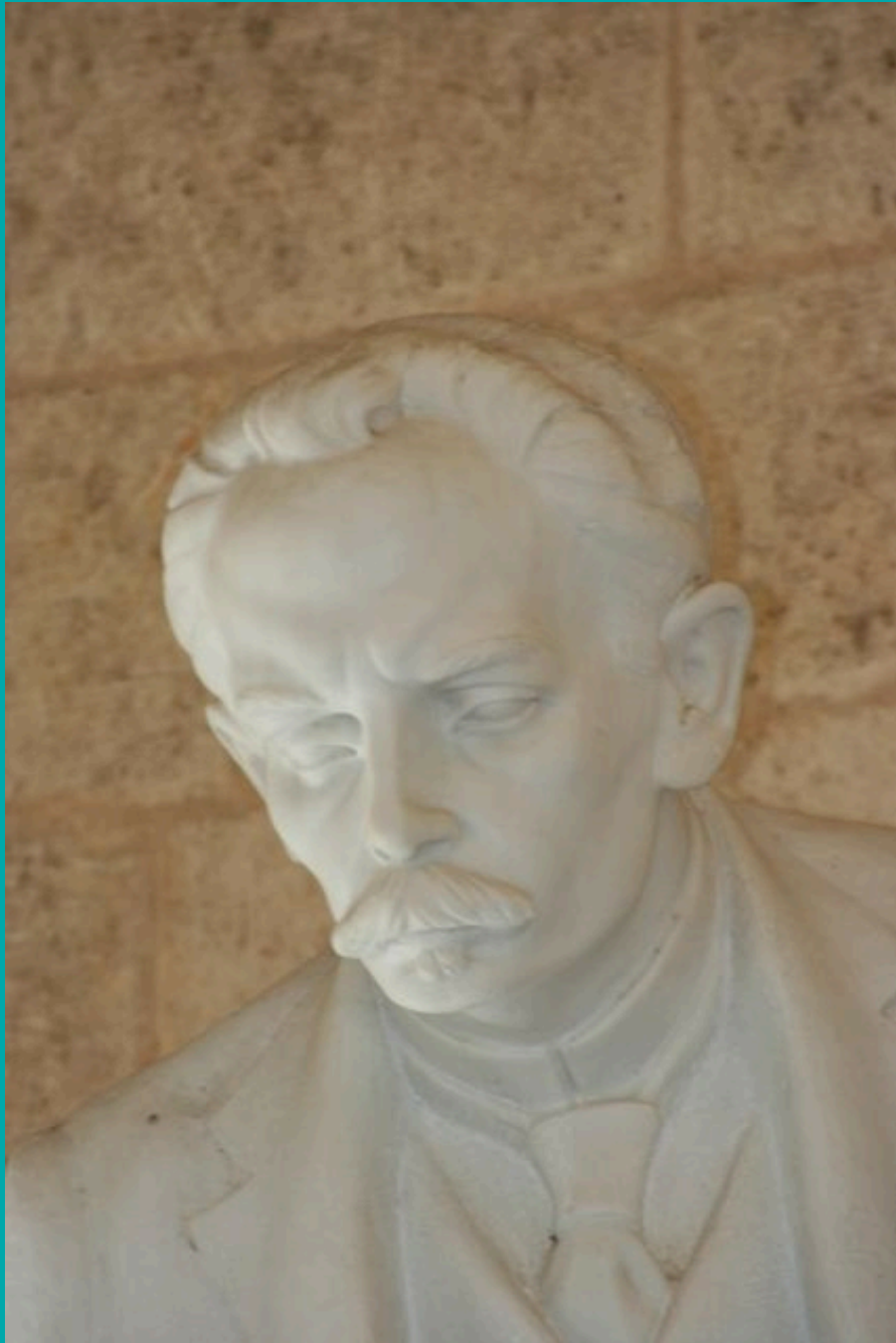
## Cuba's new co-operative path



## International significance



## Havana Workshops Dec 2011 Our Impressions



**Jose Marti  
(1853-1895)**

**Cuba's National  
hero**

**philosopher, poet,  
essayist, journalist,  
professor,  
publisher,  
revolutionary**

# REVOLUTION 1959:

- Socialism
- Land Reform
- Alliance with FSU resulted in large state farms
- Formation of agricultural co-operatives

## CPA's and CCS's

- Economy driven by sugar
- Educated population
- High standard of living



# ***CUBA'S SPECIAL PERIOD...***



# Collapse of Former Soviet Union 1990

- **Economy thrown into darkness**
- **Shortage of energy, food, basic materials**
- **US tightened economic noose**
- **How to produce food in countryside?**
  - ✓ without chemicals and pesticides
  - ✓ without fuel and tractors
  - ✓ revert to traditional methods
- **How to feed the urban population?**
  - ✓ without fuel





## 6 CRITICAL FACTORS in Cuba's transition

Good soils, water, climate

Literate farmers

Scientific capacity

Solid agricultural extension

ANAP – one voice

**Strong farmer co-operatives**



## **TODAY**

**Cutting edge practices...**

Bio-controls replace chemicals

**Only nation to achieve sustainability based on ecological footprint and social development index (WWF)**

**World leader in organic agriculture (1999 Right Livelihood Award Sweden)**

**World leader in urban agriculture (organoponicos)**



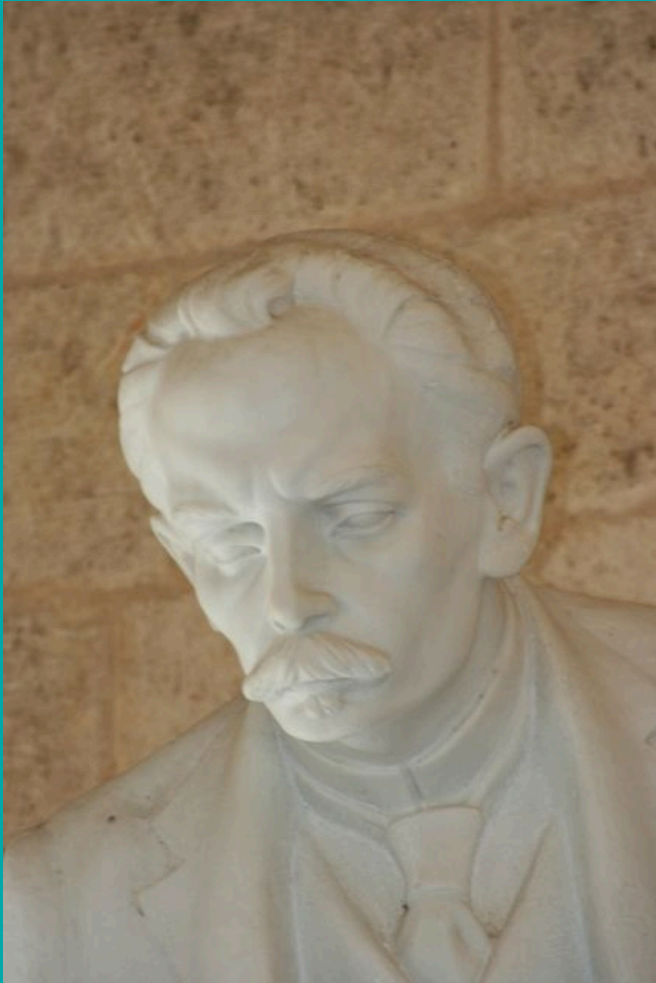
# Sustainable Economics

## Co-operation



# Los Lineamientos: Cuba's new co-operative path





While not a socialist construct per se, co-operatives are a **natural economic choice for a socialist society** because they embrace the values of social equity and justice from the bottom up...

The same values embraced by the Cuban Revolution and the writings of Jose Marti.

Under Raul Castro, the Cuban government has mandated strong openings for worker-owned coop engagement in the non-state sector.

Their importance and main direction is **socialism, social ownership, limited privatization and co-operatives.**



- **April 18, 2011: Lineamientos**

*6th Congress Communist Party*

- **Transition to co-op**

*worker control*

- **Begin with agriculture -**

*create 2nd tier co-ops*

- **Production co-operatives**

*appropriate form for organizing labour in a socialist society*





*“Today, more than ever,  
the economic battle is the main task and  
the focus of the ideological work of the  
cadres, because the **sustainability and  
preservation of our social system** depend  
on that.”*

RAÚL CASTRO RUZ  
Ninth Congress, Cuban Young Communist League,  
April 4, 2010

## LOS LINEAMIENTOS:

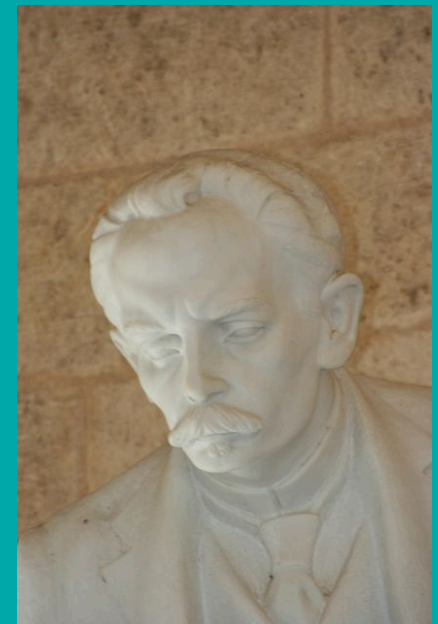
### Comprehensive Guidelines:

1. economic management policy
2. macroeconomic policy
3. external economic policy
4. investment policy
5. science, technology, innovation & environment policy
6. social policy
7. agro-industry policy
8. industry and energy policy
9. tourism policy
10. transportation policy
11. construction, housing & water resources policy
12. trade policy



**Seven** of these policy statements widen the opportunity for co-operatives as a form of non-state enterprise to help deliver the **socialist objectives of human development, equity and social justice** called for by Jose Marti and embedded in the tenets of the Cuban Revolution.

- ✓ Subordination of capital
- ✓ Labour rightful owner of income
- ✓ Fair income distribution
- ✓ Social security
- ✓ Provision of basic necessities  
food, shelter, health, education



## **LOS LINEAMIENTOS – Chapter I Management Model**

**25. Grade 1 co-operatives shall be established as a socialist form of joint ownership in various sectors.** A co-operative is a business organization that owns its estate and represents a distinct legal person. Its members are individuals who contribute assets or labor and its purpose is to supply useful goods and services to society and its costs are covered with its own income.

**26. The legal instrument** that regulates the co-operatives must make sure that this organization, as form **of social property, is not sold or otherwise assigned** in ownership to any other co-operative or any non-State organization or any natural person.



## **LOS LINEAMIENTOS** – Chapter I Management Model

27. A co-operative maintains contractual relations with other co-operatives, companies, State-funded entities and other non-State organizations. After satisfying its commitment with the State, the co-operative may **pursue sales operations free from intermediaries** and in accordance with the business activity it is authorized to perform.

28. Subject to compliance with the appropriate laws and after observance of its tax and contribution obligations, **each co-operative determines the income payable to its employees and the distribution of its profits.**



## **LOS LINEAMIENTOS – Chapter I Management Model**

29. **Grade 2 co-operatives** shall be formed and the partners of which shall be Grade 1 co-operatives. A Grade 2 Co-operative shall represent a separate legal person that owns assets. The purpose of this co-operative is to pursue supplementary related activities or conduct operations that **add value** to the goods and services of its partners (such as production, service and marketing operations) or **carry out joint sales and purchases for greater efficiency.**



## **LOS LINEAMIENTOS** – Chapter VII Agro-industrial Policy

180. Make sure that the management of the different forms of co-operatives **is autonomous** and agro-industrial service co-operatives are **formed at local level**.

200. Develop a **comprehensive training plan** in keeping with structural changes. The purpose of this plan will be to train (and re-train) managers and workers in the fields of agronomy, veterinary medicine, industrial and food technologies, economics and business management. This plan must also cover **co-operative and environmental management**.



## Los Lineamientos and 7 Co-operative Principles

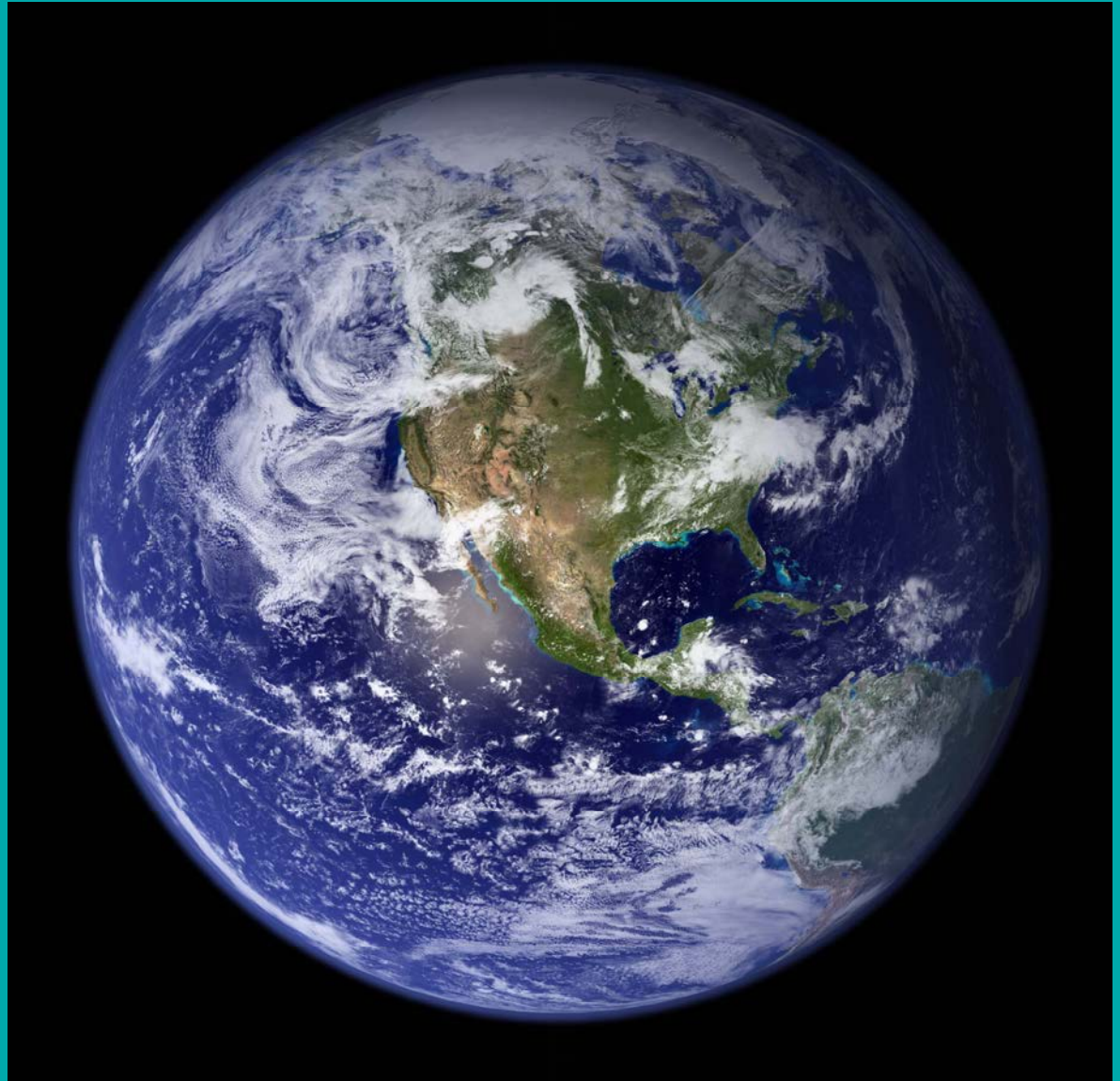
- 1. Voluntary and open membership.**  
(Guidelines 25 and 29)
- 2. Democratic Member Control.**  
(Guidelines 25 and 27)
- 3. Economic participation of members.**  
(Guidelines 25 and 27)
- 4. Autonomy and independence.**  
(Guidelines 25, 27, 28 and 180)
- 5. Education, training and information.**  
(Guideline 200)
- 6. Cooperation among co-operatives.**  
(Guidelines 27, 29 and 180)
- 7. Commitment to the community**  
(Guidelines 25 and 180)

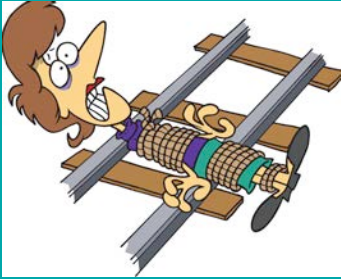
### Seven co-operative principles:

1. Voluntary and open membership
2. Democratic member control
3. Member economic participation
4. Autonomy and independence
5. Education, training, and information
6. Co-operation among co-operatives
7. Concern for community



# International Significance





## CAPITALISM

**Private Ownership as means of production**

**Sovereignty of capital ;  
labour is a resource of \$**

**Material incentives to drive  
behavior of “rational”  
economic beings**

**Social function: charity**



## SOCIALISM

**Production process integral part  
of social process**

**Sovereignty of Labour  
capital is resource of labour**

**People as complete human  
beings (Novkovic’s dual motives)**

**Values of humanism, equity,  
equality and solidarity**



## WHY CUBA IS UNIQUE...

- Coops in a capitalist country are *quite different* than coops in a socialist country.
- With exception of China and Vietnam (distinct and disconnected from USSR) NO socialist economy in transition (post 1989) has made a concerted effort to remain socialist...

*(Why Cuba does not want to be termed 'in transition' but rather they are transforming, or reforming their socialist economy.)*

- **Transition economies all moved to outright capitalism** (selling of assets to employees was a small part of their privatization efforts for a number of reasons - none ideological)
- Employee-ownership is still marginally present in some countries; none of them introduced a co-operative economy....



## CUBA'S BRAVE NEW PATH...

- ✓ Cuba **could be the first nation to get this right.**
- ✓ Without mountainous foreign debt to the World Bank and IMF that has constrained the sovereign choice of others, Cuba is relatively free to walk her own path.
- ✓ And without a capitalist sector, Cubans are more likely to consider worker and producer co-ops, for example, as a real option, not just a way-station on the road to capitalism.
- ✓ Because agricultural co-operatives have a long tradition of working well in the Cuban economy, farmers will lead the way down this wider co-operative path - joining to form "second tier" co-operatives to provide, for example, further-processing, value added services to the members.



# Havana Workshops Dec 2011

## 6<sup>th</sup> Principle & International Support



## MOTIVATORS:

- ✓ The purpose of the **HAVANA WORKSHOPS** was to convene co-operative champions/thought leaders to understand what is happening here and share ideas and networks to support its success.
- ✓ Is there resonance?
- ✓ if so, how can the international co-operative movement support? (6<sup>th</sup> Principle)
- ✓ identify potential path for co-op engagement.



## WORKSHOP PARTICIPANTS:

### CANADA

Ron Fox\*  
Stephanie Guico\*  
Judy Haiven\*  
Larry Haiven\*  
Wendy Holm\*  
Sonja Novkovic\*  
Paul Paruch\*  
John Restakis  
Marcelo Vieta

### USA

Jeffrey Bessmer\*  
John Eichholz  
Patti Waters

### SCOTLAND

Robert Yuill\*

\* MMCCU Saint Mary's University

## CHALLENGES

- ✓ How to ensure co-ops NOT perceived as a way-station on road to capitalism...
- ✓ How to best achieve autonomy within a socialist model
- ✓ Agriculture: common understanding/capacity  
(too soon = failure = setback)  
PALMA PROJECT
- ✓ Creating a legal framework with appropriate safeguards  
common asset ownership; poison pills
- ✓ Education and awareness of coops from ground up
- ✓ Ensuring incubation support



## Observations and Next Steps

### 1. SUPPORT AND CONFIDENCE A+++

*“Listening to your approaches this week, I feel you have **addressed all the barriers...** “*

*“I feel you have studied the Co-operative Principles very thoroughly and correctly translated them to your system, applying them in a Cuban context”*

*“Los Lineamientos provides a vision/view of the future and that is very important.”*

*“In my experience, I **have never seen a more thorough approach to rolling out a co-operative model** . Very intentional, very well resourced, well thought-out and broad based. Obviously the **entire country is involved**. That is very impressive to me. And I want to congratulate you for your hard work and your effective planning – it is very competent and in my opinion very powerful.*

*“**You are doing the right thing.**”*



## Observations and Next Steps

### 1. SUPPORT AND CONFIDENCE A+++

*“Coops that we have studied and are familiar with - the very successful ones – all began just as you have: with education.”*

*“Seeing how you have developed the training and university programs is very impressive and exciting and shows that so many people in so many places are dedicated to making the co-operative movement strong, to helping it reflect on itself as it grows, as it begins, and being very intentional in making it successful. I wish very much that we had this in the United States.”*

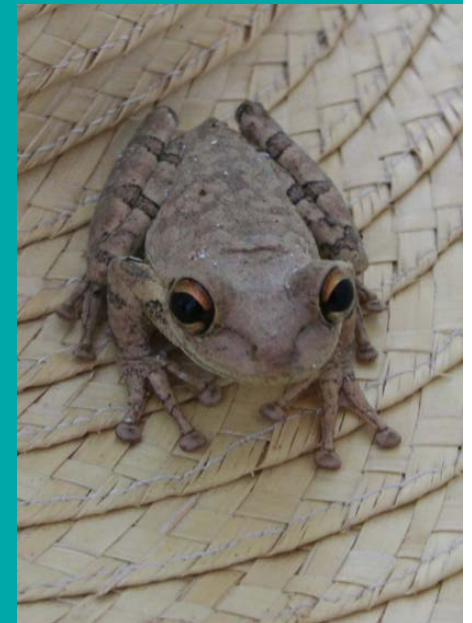
*“There is complete consensus around this table that we are very impressed. What Cuba is doing is very important not only to Cuba but to the rest of the world....”*



## Observations and Next Steps

### 2. BEST PRACTICES AND LESSONS TO BE SHARED

- ✓ *Sharing of information, peer support*
- ✓ *Conferences of Coops*
- ✓ *Ongoing development assistance (Canadian Worker Coop Federation: coop metrics; diagnostic tools to measure degree of “co-operativeness” - Coop Index)*
- ✓ *Sustainability Score card – measures adherence to 10 principles and values (quick assessment)*



## Observations and Next Steps

### 3. INTERNATIONAL NETWORKS

*“Tell us what you need and how we can help...”*

- ✓ **ICA** Americas Research Group meet in Cuba?
- ✓ **SSHRC** (Social Sciences and Humanities Research Council)
- ✓ **IDRC** has funding for exploratory network collaboration between Latin America and Canada; Cuba is an approved country.
- ✓ Encourage **SOCODEVI** and **Desjardins** to come to February 2012 Conference at University of Havana
- ✓ **Sharing of technical assistance** between coops in Canada and Cuba



## Observations and Next Steps

### 4. CAPITAL



*“Importance of social capital for development and sustainability of coops is critical in a capitalist economy.”*

*“In Cuba, It is the state that has the function and they are doing a good job. (ref. Cuba’s achievements on human development).”*

*“So the question remains: **how are Cuban co-operatives going to find financial capital?** And you may find your own solutions, for example some creative ways of securing funding for co-operative development? “*

*“e.g. Italian/Spanish model where you have to save a certain percentage within co-operatives that will be used for coop development. Or put aside more of the profit for indivisible reserves for development of the co-operative sector (not just for the particular coop)?”*



## Observations and Next Steps

### 5. TIER TWO

#### Scottish Agricultural Organizations Society:

105 year old Tier Two Coop

80 coops

\$3.5 billion turnover a year.

45,000 members/15,000 farmers

(each on average a member of 3 coops)

a lot of support for new co-operatives

case studies, hands on assistance,

two years to start up, +3 more years support

support for coops with problems

education and training support

coop manager support

managers groups

board support

conduit to government – keep coops separate

Legal structure important



## Observations and Next Steps

### 6. COOP MODELS IN OTHER SECTORS

- ✓ **social coops** (Solidarity coops) municipal partnership to deliver social services (health, education)
- ✓ **housing coops** (new construction, repair and maintenance of existing housing stock)
- ✓ **construction materials**
- ✓ **restaurants, food services**
- ✓ **transportation**
- ✓ **artists**
- ✓ **support for ecology/ sustainable practices** – e.g. organic/urban agriculture – for domestic, tourist, export demand
- ✓ **servicing small business** (marketing, distribution...)
- ✓ **“Rings”** –members provide services to others (SAOS)



## Observations and Next Steps

### 7. PERMANENCE THRU CARROTS AND STICKS: INDIVISIBLE RESERVES



in a capitalist country – two demutualization threats: members and predatory capitalist firms

carrots and sticks: incentives and disincentives (poison pills) and continual member education to prevent demutualization.

Not sure how this applies in Cuban context.

**Cuba is in a fortunate position to be writing the legislation and can plan for this.**

Is it a social asset or a member asset? If former, members have no right to exploit work of past to benefit themselves)

Build system so retiring members do not need to sell their shares for retirement. (Mondragon example of individual profit accounts)

[theholmteam.ca/HAVANA.WORKSHOPS.Dec.2011.pdf](http://theholmteam.ca/HAVANA.WORKSHOPS.Dec.2011.pdf)

**Walking the Walk:  
Cuba's path to a more co-operative  
and sustainable economy**



*Report on the outcomes  
of an informal Havana dialogue  
between co-op thought leaders from  
Cuba, Canada, the United States and Scotland  
December 12-16, 2011.*

*Wendy Holm, P.Ag.  
MMCCU Graduate Student  
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Canada*



*Esta  
humanidad  
tiene ansias  
de justicia...  
Fidel ...*





***WE ALL  
HAVE A  
STAKE IN  
CUBA'S  
SUCCESS***





***PRINCIPLE 6:  
International  
co-operative  
community  
needs to  
support  
Cuba's brave  
new coop  
path...***



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