

Description : ADDRESS TO THE WORLD COUNCIL OF CREDIT UNIONS CONFERENCE

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ADDRESS TO THE WORLD COUNCIL OF CREDIT UNIONS CONFERENCE

Thank you very much chairperson and good morning to all of you. I would like to add my voice to those of my colleagues including the mayor of Cape Town, Theresa Solomon, who already welcomed you to our fair shores, and being a Capetownian myself, also to this fine city of ours. Although I have never been active in the credit union movement, I have, in my early years in community organisations encountered many of the issues relating to it. We got to know the Catholic Welfare Bureau which was the home of the old credit union in South Africa. A long time ago I got to know those soldiers for the credit union like Kwedi Mkalipi and I think it is appropriate that we express our appreciation for the many years of hard work which they have done and which have at times gone thankless. Chairperson, the importance of this conference should not be underestimated. Never in its recorded 130 year history has a movement of credit and savings cooperatives faced a more interesting set of challenges. Delegates here know the movement well enough to understand that it was born in adversity and in response to a real need to save and to borrow, often in the absence of other kinds of savings and lending institutions. The footprint in the movement today remains strongest in otherwise unbanked and underbanked communities across the world. The movement, logical a response it is and it has been, has not always enjoyed an easy history in any way. The major challenge credit and savings co-ops have come from conventional banks who sought to erode the strength of the cooperatives. They market themselves on the strength of their size band, interest rates, product diversity and the convenience of electronic banking with many branches and automatic machines. But there have been huge changes over the last period. Some studies suggests that in the past 12 months alone about 1.5 trillion US dollars of asset value was wiped out in the meltdown in South East Asia. Huge banks, some of them trans-national in character, have been declared insolvent, destroyed billions of dollars of savings from millions of depositors. The collapse of the Financial Sector in Japan compelled the resignation of the former Prime Minister, Hasimoto. In Indonesia we saw the collapse of the government of President Soharito on the back of this huge financial crisis. The collapse of banks is though not unique to South East Asia. A number of banks across the African continent have collapsed over the past decade. Latin America had its fair share of pain resulting from bank collapses. Not even the United States with its many and various regulators have escaped the pain effected by the collapse of the savings and loans scheme. These changes, necessarily compel re-appraisal of banks, what they do and how they do it. Outside of the difficulties encountered by banks supervisors to effectively manage capital adequacy and asset quality in one country the operations of banks increasingly cross sovereign boundaries as part of globalisation, financial inter-mediation today is shaped by fewer institutions which are considerably larger yet substantially more difficult to supervise. Sometimes so big that they can cock a snook at their bank supervisors. We saw in the United States recently the tie up between City Corp and Travellers saying: "we are to strong for any regulator to come at us". The theory in circumstances such as these regulators, governments, people are concerned anywhere at the trend within banking and are compelled to take a long hard look at what is happening in the area of

financial inter-mediation. With Banks that collapse we also witness increasing anger and frustration from depositors, for while larger banks with huge exposures has often been able to reschedule their loads, small depositors, particularly working people have had their life saving wiped out. This too has compelled the rethink of banking across the world. Financial inter-mediation is ripe for new approaches and new ideas because it is at times like these that ideas find time and place. And often also at times such as this new ideas are in fact ideas which have been around for a long time or which is simply being ignored. One of the powerful ideas in the financial world that has been for too long just simply ignored has to be that of Credit Unions. This morning therefore I want to directly challenge the leadership of the credit union movement to be bold and to build out the idea across the world. Because if you read world history correctly and if you apply your collective minds to fully appreciate this moment. And if you recognize that the situation in some countries is demanding your immediate attention, this credit union will grow exponentially between now and the start of the next millenium. Of course your can ignore the opportunity with it, stand back and say that banking and the savings world has to be like it has been for the past century or so and ignore this real opportunity. But I don't believe that you've come to Cape Town to convene in this way to merely ignore the challenge that the world now presents to the credit union movement. But the reasons for these statements are all abundantly clear. Depositors wants to see comfort and security differently, and the safest investments surely has to be a place were members can exercise full control. Where savings and credit cooperatives can easily optimize inter-mediation by offering members high interest on deposits and lower interest on loans by spurning the greed associated with high bank charges (very, very real problem in this country and I'm sure in a number of other countries) and the avarice of unsustainably high profits that we have seen on stock-exchanges across the world especially in the financial services sector. But to realize the potential growth this leadership, chairperson, will have to be bold in its endeavours. It must demonstrate the willingness to engage in struggles, especially in countries like our own, where many employers still steadfastly refuse to allow deduction from wages to the cooperatives. Even with the full sanction and especially with the full sanction of the member. But regulations and statutes are not enough. A higher level of consciousness amongst workers will be imperative. There is also the battle to distinguish this movement with its proud history from being confused with the exploitative get rich quick pyramid schemes which have reaped havoc here in South Africa from time to time. But it has sown complete devastation in countries like Albania. The credit union movement is not a pyramid scheme. It needs to be distinguished that it's incumbent upon the leadership of this movement across the globe to ensure potential members understand what the differences are and exercise their rights accordingly. I want to repeat that the potential the rapid expansion of this movement has never been greater. Build it. Educate existing and future members thoroughly, deepen democratic participation and partnership of working people in their institutions. More importantly, give cooperative members a direct say over their affairs. Extend the network. Build the cooperative movement. Effect real change in banking across the world. Now is your time.

Thank you very, very much.