

# Gung Ho in China: Towards Participatory Co-operatives

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The aims of this paper are to highlight key themes in the variable development of participation in co-operatives in China over time, to describe examples of industrial co-operatives specifically in rural areas, and to examine the resurgence in the co-operative ideal in recent times. Following an outline of the development of the modern system of co-operatives in China during a time of upheaval in the first part of the twentieth century, the focus of the paper turns to the role of Gung Ho and Indusco, the movement of industrial co-operatives, in the war of resistance against Japanese invasion. The discussion then traces the redirection of the co-operative movement after 1949 into collectivisation in the 1950s, and goes on to highlight the revival of Gung Ho in the Reform period with the aid of a recent case study of women's co-operatives in Hebei province. The case study raises issues regarding present problems and future prospects for the further development of the co-operative economy in China which are considered in the final sections.

## The rise of co-operatives in China during a time of upheaval

The early twentieth Century in China was a time of great stress and upheaval. The decline of the last imperial dynasty, the Qing, coupled with the strength of the Western nations that were active in China, plus the rise of a newly industrialised Japan, together placed a terrible strain on Chinese society. It was a time of ferment, with new ideas from the West competing fiercely with traditional ideas from China itself. The so-called Boxer Rebellion of 1900 in many ways saw the defeat, not just of the Boxers themselves, but also of traditional conservative forces in China. The first revolution took place in 1911 and saw the removal of the Qing dynasty, apart from the 'Last Emperor', Pu Yi, who was to be supported by the Japanese in their puppet state of *Manchukuo* (Manchuria). Japan was to move in the 1930s towards a full-blown invasion of China from this base in North-East China, following the pretext of an incident at the Marco Polo bridge near Beijing. At first the Guomindang (nationalist) government of China was slow to respond to this threat, being obsessed with their struggles against the Chinese Communist Party (CCP), but were eventually obliged to recognise the greater threat from Japan.

Although traditional China had its own forms of co-operative organisations in the 'mutual aid' exchanges of labour, tools and draught animals among farmers during busy agricultural seasons as well as rotating credit circles, the modern co-operative system was one that was imported from abroad from the beginning of the twentieth century. Cheng-chung Lai suggests the ideas were introduced into China through two different channels, first and most directly through Japan,

where Chinese social reformers and students witnessed Japanese co-operatives working successfully. The second way was more indirect, through translations of the works of Western European co-operators such as the French co-operativist Charles Gide (1847-1932). (Lai, 1989)

As Lai points out, the co-operative system developed in China under a number of distinct political regimes up to 1949. The first experiments were led by social reformers attached to Peking University who often met opposition from the Peking Government regime (1912-27) for fear of a socialist movement developing. Then, when severe droughts hit North China in the late 1920s, leading to widespread famine, the China International Famine Relief Commission used Raffeisen type rural credit co-operatives to assist in relief works. Co-operatives were also used by the Guomindang government from 1928-1949 as an instrument in rural reconstruction. Of particular influence in the early stages of this programme was the work of leading British scholar R H Tawney whose book *Land and Labour In China* not only provided a prescient warning that "the revolution of the peasants has still to come" (Tawney, 1932:74) but further recommended supply and marketing as well as credit co-operatives as the way out of rural poverty. Lai also notes the use of co-operatives by the Chinese Communists as a means of collectivism in their rural 'Soviets' from 1931.

The results of the varying developments in co-operatives under the Guomindang government between 1931 and 1949 are shown in Table 1 which is drawn from Lai, who uses information from the Yearbook of Co-operatives (1957), Taipei. As he himself notes, the quality

of the statistics was not always trustworthy: methods and classification were not unified and there was geographical bias, problems made worse by local wars, the Sino-Japanese War (1937-1945) and the nationalist-communist civil war (1945-1949). The information in the table can therefore only be regarded as approximate but nevertheless offers an indication of the development of the modern co-operative system in this period.

From the table, it can be seen how co-operatives escalated in numbers during the height of the war years 1940-45. They became particularly significant in number in a number of provinces, especially Sichuan in central China, Jiangxi and Jiangsu on the Yangtze. Credit co-operatives remained the most important category throughout the two decades of the 1930s and 1940s but agricultural co-operatives became more important during the war era, as did those focusing on marketing or consumption for instance. Another category that remained relatively unimportant in percentage terms, those concerned with industrial production, nevertheless proved to be important far beyond their numbers, in terms not only of what they produced but also via the symbolism and inspiration that they provided. They gave a new phrase to the language, and it is to these that we now turn.

### Gung Ho and Indusco: participation in industrial co-operatives during wartime

As noted above co-operatives in China date back to the 1900s (Stettner and Oram, 1987) and became an important element in famine relief in rural areas via the China International Famine

Relief Commission during the 1920s. However, it was in the War of Resistance with Japan that the co-operative movement really took off with the formation of *Gung Ho* (sometimes 'Gong He', which means 'work together'). This was the slogan used for the industrial co-operative movement (Indusco) that was set up under the leadership of foreign expatriates and Chinese patriots during the late 1930s. A New Zealander, Rewi Alley, became the leading light of the movement<sup>1</sup>, but the journalist Edgar Snow was also involved as was his wife Helen, and Chen Hansheng (1997) claims that it was Helen Snow's idea to organise industrial co-operatives to help China make up for the loss of production in the conquered areas of the coast, Shanghai especially:

The transfer of skilled workers to the hinterland was tantamount to the transfer of big factories to the hinterland. In effect it was the use of a strategy to transport what was a seemingly impossible task – to transport factories. This idea coincided with what Alley had in mind and was immediately taken up by Alley, who conceived a long-term project to set up smaller factories and workshops in the hinterland. He foresaw that this would also promote China's healthy industrialisation after the war. (Chen, 1997: 130)

Between 19 March and 3 April 1938 the preparatory work was done for the Promotion of the Chinese Industrial Co-operatives (Gung Ho) and the full Association of Chinese Industrial Co-operatives was founded in Hankou (Wuhan) later that year. The movement gained the support of Soong Ching Ling (widow of China's first

**Table 1: Structure of Co-operatives in Nationalist China from 1931-1949 (in Total Numbers (column 2) and Percentages (columns 3-8))**

Year	Total Numbers	Credit	Agricultural	Industrial	Marketing	Consumption	Others*
1931	1,576	87.50	5.46	5.46	0.82	3.43	2.76
1935	26,224	58.80	8.90	8.90	8.70	-	23.60
1940	133,542	87.00	7.00	1.7	2.00	1.40	0.90
1945	172,053	38.00	18.00	4.90	11.00	14.00	14.10
1949	170,181	29.40	22.70	4.80	13.90	14.00	15.20

Adapted from: Lai (1989). Note that the data for Industrial Co-operatives in 1931 and 1935 are probably in error and are probably less than the 1.7 per cent recorded for 1940.

\* Includes utility and insurance co-operatives.

republican leader Sun Yatsen), who put her powerful patronage behind the co-operatives. Without this, the movement would probably have failed for Jiang Jieshe (Chiang Kai Shek) was suspicious of such a 'leftist' solution to resistance to Japan (Indusco operated in both Guomindang and CCP areas), and even with this patronage there were periodic crackdowns on communist sympathisers working in the co-operatives. For example in 1941 through to 1943 in the Zhejiang-Anhui region:

Many Gung Ho personnel were arrested and some from the Jingtai office and the Gung Ho members were brutally killed. (Meng and Yi, 1997: 138)<sup>2</sup>

Similarly, Alley himself was dismissed from his post as Gung Ho technical advisor to the Executive Yuan for Indusco [management committee] but was able to retain his work as field secretary of the International Committee, set up as a separate entity from 1939. (Alley, 1997: 144-8)

The idea behind Gung Ho was to organise workers and refugees to produce industrial products for the War of Resistance, such as blankets, rifles and uniforms. China's main industrial centres, especially Shanghai, were quickly overrun by Japanese forces therefore efforts had to be made to establish these co-operatives far inland, behind Chinese lines. Funds were sought from overseas after the official founding of the International Committee for the Promotion of Chinese Industrial Co-operatives (ICCIC) in Hong Kong in January 1939, with Madame Soong Ching Ling as honorary chairwoman and the Bishop of Hong Kong, R D Hall as chairman. This funding was crucial to the success of Gung Ho and was gathered from the US, UK, Canada, Australia and New Zealand as well as the Philippines, Hong Kong and Macao. Rewi Alley claimed that a total of \$5m was raised through to 1946. (Alley, 1997:148)<sup>3</sup>

Alley himself suggested that the movement had four reasons for coming into existence:

The first was to bring international support to China in its struggle against Japanese imperialism ... The second was in helping to extend the principles of the May 4<sup>th</sup> Movement [in 1919, major protests in Beijing against the reallocation of German lands in China to Japan] for anti-imperialism into the ranks of the

peasants and workers of the interior. This could be done only by practical means, for slogans alone would not move ordinary people, puzzled and very desperate in the struggle for their livelihood. The third was to provide the War of Resistance with a strengthened economic base by producing such necessities as consumer goods, army needs, blankets and so on. It aimed at preventing the Kuomintang from saying, "We must give in, for we have no other way." The fourth was to lay a basis for the co-operative movement of a liberated China. (Alley, 1997: 171)

The movement had a considerable impact, raising funds worldwide, setting up an estimated 3,000 co-operatives with a total membership of 30,000 people, and giving 'gung ho' to the English language as a word denoting whole-hearted dedication to a meaningful cause. Famously, it became the war cry of the US Marines in the War in the Pacific. More prosaically, the headquarters of the ICCIC was moved to Shanghai following Japan's defeat, and it ceased work in 1952.

### **Redirection: co-operatives and collectivisation in the 1950s**

By the end of the 1940s, decimated by 100 years of conflict with foreign powers and the Civil War, and with Manchuria's industries stripped by the Soviets during their brief occupation of the area, China's economy was in a parlous condition.

Owing to the ravages of war, production had dropped 25 per cent in agriculture, 30 per cent in light industry and 70 per cent in heavy industry at the time of founding New China [the PRC]. (Xue, 1981:22)

The Chinese authorities, partly through volition, and partly because they felt forced into a corner by the United States, chose to remedy this situation by building a Centrally Planned Economy along the lines of the Soviet model from the USSR, rather than a Western-style free market system.

After several years of cautious rehabilitation of the economy, from 1949-52, in which land reform took place, a redistribution from landlords to tenants which involved public trials and punishment, including death for, at least, thousands of 'bad landlords', the full Soviet model was implemented via the First Five Year

Plan from 1953-57 inclusive. The model was based on, for example, heavy investment in the development of raw material extraction and processing industries, large-scale, capital-intensive technology in industry, high rates of saving and investment institutionalised through agricultural collectivisation (extracting a surplus from the peasantry) and an underemphasis, by contrast, on agricultural investment, consumer industries and social 'overheads'. (Cook and Murray, 2001: 13) Within agriculture, the original objective was stated as gradual collectivisation via a series of steps. These were, firstly, to lead the peasants into 'Mutual Aid Teams' of several families pooling their labour and some resources. The next step was to encourage between 20-50 families into 'Elementary Producers' Co-operatives' (Lower Stage) that were semi-socialist and involved the pooling of land and other assets. A later stage (Higher Stage) would be to establish 'Advanced Producers' Co-operatives' involving 100-200 families, taking the scale of resource pooling to new levels, with incomes related only to work done, unlike the former, 'lower' stage, where income was related to both work done **and** assets provided by the peasant. At first, gradualism was to underpin this process, with Higher Stage co-operatives to be fully established in 15 years time, and only a third of peasants to be in Lower Stage Co-operatives by 1957. (Howe, 1978:xxvi)

Institutionally, Clegg (2008) notes that an All-China Federation of Co-operatives was set up in 1951 to assist in the creation of 'a network of handicrafts, supply and marketing (SMCs) and credit co-operatives (CCs) across the country. Regarded by the PRC government as semi-socialist in nature, co-operatives played a considerable role in the country's economic rehabilitation and early development. In contrast with the Guomindang government period under which, as has been seen, credit co-operatives made up the greatest number, it was the supply and marketing co-operatives which had the larger and fastest growing membership, rising from 10.75 million in 1949 to over 95 million by the middle of 1952 reaching 170 million in 1954. (Adler, 1957:42) In that year, the SMCs were brought together under the All-China Federation of Supply and Marketing Co-operatives.

Co-operation was encouraged by the CCP, and although autonomy was in theory guaranteed, in practice 'in the vast number

of instances leadership and control [of the co-operatives] fell into the hands of Party-appointed cadres and keen Party members. (Tregear, 1980: 94)

Industrial expansion, wherever it occurs, has its costs. These costs might be (often are) environmental, or may be social or political. In China, the Plan was costing progress in the agricultural sector, and harvests were poor in the mid-1950s. This in turn, undermined the drive for industrialisation. As Cook and Murray note, Mao, drawing upon his vast experience of peasant conditions, realised that the Soviet model was appropriate for Soviet conditions, in a country that had already achieved considerable industrial development, but could not readily fit the peasant situation of China. The Maoist model of economic development, therefore, came to the fore during the life of the First Five Year Plan when he called, in speeches in 1955 and 1956, for a rapid acceleration of collectivisation, in an attempt to accelerate agricultural progress.

Mao's call was heeded to such an extent that by year-end 1956, 91% of the peasant population was in Elementary Producers' Co-operatives. More dramatically still, nearly all of the peasants were in 680,000 Advanced Producers Co-operatives by the end of 1957. "Thus a revolution planned to take fifteen years was completed in little more than one". (Howe, 1978: xxvii) The final step was the establishment of full-blown communes in 1958, when the Great Leap Forward (GLF) was due to take China on a much more radical path than hitherto. All the varying types of rural co-operatives were incorporated into the commune, and as Clegg (2008: 179) notes, this therefore completed the process "whereby the co-operative economy was absorbed into the bureaucratic hierarchy of collective and State". Co-operatives were superseded by communes; the latter would form the basic element in Chinese life, even after the excesses of the GLF, for many years until the Dengist reforms that began in the late 1970s. It is only after that time that co-operatives could once again reappear in China. We now consider this Reform Period in detail.

## **Gung Ho in the Reform Period**

In the reform period, post 1978, Rewi Alley, Xue Muqiao, Lu Guangmian and others increasingly campaigned to have co-operatives resurrected. Alley suggested that there were 10 basic lessons

from Gung Ho, rendering it worthy of renewal. The more important of these include:

- 1 The type of people with the necessary capacity and ability to go forward in almost any line exists abundantly in the village, simply needing capital and leadership on the scientific side. Science that embraces both organisation and technique ...
- 2 In the early days of Gung Ho, it was found best to first discover a need, then the people who are trying to meet it. Then when these have been brought together, show them what co-operation can do for them all. Any first industrial co-operative in a locality will have a difficult time, because too much isolation does not suit co-operation, and there are many contradictions to be solved ... Eventually, the natural way forward is through craft federations ... Until then, the producer federations will simply be those of all district industrial co-operatives.
- 3 In the Gung Ho movement, members could be of any creed or race, yet all could join in a movement for better living for all, and in so doing learn to understand each other and appreciate each other better ...
- 4 Operated under the conditions of the old society, the 'owner' type must be held in check, and the democratic procedures rigidly adhered to. There can be no bureaucracy in an advancing industrial co-operative. It must be a joint action organisation operating on natural rather than regulated, taped off lines, using fully the creative potential of its membership.

Under these headings come a great host of lessons learned in organisation, technique, training and much else. (Alley, 1997:175-177) The 'joint action organisation' for example, should avoid top-down bureaucratic control that would restrict the creativity of the co-operators themselves.

These types of lessons were felt to be more important than ever within the context of the reforms that had been set in motion in the 1980s. The communes were abolished and in agriculture were replaced with a Household Responsibility System in which, for example farmers were encouraged to take their goods to markets in China's rapidly expanding towns and cities. (Cook and Murray, 2001:99) China moved towards a system of 'socialism with Chinese characteristics' in which the CCP retained

political control but allowed the economic development of market relations. Within the rural areas the surplus labour was increasingly absorbed by Town and Village Enterprises (TVEs) which had a phenomenal growth in the 1980s. The emergence of these smaller scale, often community-oriented businesses gave stimulus to Rewi Alley's proposals to revive Gung Ho.

The principles outlined above helped underpin the current development of co-operatives. In the new era, Gung Ho:

Should put the emphasis of its work on the underdeveloped areas in China's hinterland and set out to train the cadres with a dedication to serve the ordinary people and a good understanding of co-operative principles and technical know-how'. (Yang, 1989:vi)<sup>4</sup>

In 1983, the Association of Chinese Industrial Co-operatives was revived and the International Committee (ICCIC) was renewed in 1987 with Rewi Alley as chairman. Alley died that December, but despite his passing the ICCIC continues, with Michael Crook as Secretary. As with other co-operatives around the world, the work is small scale. A strong emphasis has been put on women's co-operatives, and with our students we have been fortunate enough to visit some of these on several occasions over the years in Hebei Province. It is to those in Mancheng County, Hebei, that we now turn.

In many ways it is women who are bearing the brunt of the transformation of rural areas in China. It is men who are most likely to leave to form the bulk of the floating population in China's cities and towns, leaving women with responsibilities not just for the household (including the elderly and the children), but also for the family plot. Although Hebei is part of China's prosperous 'Gold Coast', within the Province are marked disparities of wealth and income. Even within Mancheng County, in the late 1990s, the average income per annum in the plain was 2,650 Yuan per capita, but in the upland area it was only 500 Yuan per capita.<sup>5</sup> There are problems of remoteness, with children's access to schooling for example, and high rates of illiteracy. This situation led to action from both the All China Women's Federation, including the local level Women's Federation in Mancheng, and the ICCIC's Women's Working Group. Training in co-operative principles was given in Beijing, and processes put in place to

access finance via grants and loans. A number of co-operatives were set up in the 1990s, including mushroom growing co-operatives, one devoted to strawberry growing and a weaving co-operative.

Chun Lai Yang Mao Shan Jiagong Hezuoshe (Spring Arrival Wool Weaving Co-operative) was set up in the hills in the village Yang Zhuang (Yang's village) in 1993 as a collective business venture at first, and then from 1995 it became a fully-fledged co-operative. (Chen, 1998) By the time of our first visit in 1998, the co-operative had 28 members, compared to the original three members of the collective and the 10 shareholders in the co-operative, and many more wanted to join. The co-operative had two buildings, both new, paid for by loans. Members and hired workers, some of whom were building up shares in the co-operative, then took wages of 400 Yuan per month. By 2000, Professor Cook's second visit, wages had risen to between 500 and 600 Yuan per month. Both buildings were by then in full use unlike in 1998 when the newest one was half empty, and the number of machines had reached 54 in all, compared to 10 in 1993. The co-operative does not own the raw materials nor manufacture in its own right — it would probably have too many problems of resourcing and marketing to do so — but is subcontracted by factories elsewhere. Nor are full garments put together here, rather backs and fronts are the norm, and the full jersey for instance is put together at the contractor's factory. The combined parts by 2002 sold at 3 Yuan total, while the final product sold at 15 Yuan. Not surprisingly, therefore, members would prefer to assemble the full garment in their co-operative, to receive the full price, but in the short term at least this seems an unlikely outcome.

We were told by others, and it was obvious via her personality and dynamism, that Madame Zhao Yanhui was the key figure in the co-operative. She had previously been leader of the village Women's Federation branch, was a dedicated worker and had good networking skills. She inspires trust, both in her fellow workers and among those who lend to the co-operative or subcontract to them.

One of the weavers' lenders, the Women's Credit Co-operative in Mancheng County was another key player in local co-operative endeavours. Established in 1995 under the leadership of Li Xiumin, director of the County Women's Federation, it is designed to address:

The problem of rural women being excluded from access to capital resources controlled by mainstream financial institutions. The establishment of access to credit by women advances women's status and their participation in economic and political processes. (Chen, 1998: 15)

Begun with a loan from the ICCIC, it operates similarly to Credit Unions in other countries, giving loans to women's co-operatives who must repay within one year. By the late 1990s the Credit Co-operative had 22 members with 40 shares, savings of 95,000 Yuan, and plans to expand to 13 townships and 247 villages. Loans had been repaid regularly, and many women had gained in confidence and business expertise as a result of their endeavours.

### **Present problems; future prospects**

China's economic structures and institutions have been undergoing deep changes through reform. From the mid-1990s, the promotion of new ownership and management structures in the collectively-owned TVE sector began to open the door to experimentation in quasi-co-operative enterprise forms.<sup>6</sup> However, the more genuine member-based co-operatives such as the ones in Mancheng County have tended to remain rather at the margins. Instead, the 'get rich' individualist ethos has prevailed in the country's drive for modernisation. Although there has been the occasional encouraging statement from China's leadership, official attention towards co-operatives through the 1980s and 1990s very much varied according to the gravity of the unemployment situation as China's economic reforms have unfolded unevenly.

However, in the latter part of the 1990s, with the expansion of agricultural markets, the rapid spread of networks of producers specialising in fruit and vegetable growing as well as in livestock and poultry breeding, together with the emergence of semi-autonomous support services in marketing, science and technology began to open a more fertile field for co-operative development within farming communities. Contracts on leasing collectively-owned land were extended to 30 years in 1998 and the introduction of village elections, also in the 1990s, gave some expression to the farmers' voice.<sup>7</sup>

Despite these developments, as the Mancheng County examples flag up,

co-operative initiatives faced particular constraints regarding access to capital. There were other formidable difficulties, not least in weakness of popular support. Generally speaking, working people lack any clear understanding of what a co-operative is and how it differs from other organisational forms – the collectively-owned township and village enterprises, People's Communes and shareholder enterprises. At the same time, the past experiences of the expropriation of co-operatives in the 1950s have left a lingering scepticism of government efforts to promote co-operatives. Market reforms have reduced government economic intervention, but the persistent tendency of officials at local levels to defend the collective economy, which has been the base of their economic power, has continued to generate fears among would-be co-operators of common assets falling under the arbitrary use of the township. Regarding co-operative leaders as potential rivals and themselves facing debt and in need of greater revenues, local governments have tended to focus on running large-scale capital intensive projects leaving little room for co-operative development. (Zhang, 2002) At the same time, since small businesses are very vulnerable given the instability of rural markets, co-operators have sought close links with local officials and village leaders supportive of their initiatives.

Meanwhile the state has continued to penetrate the rural economy through the national networks of the Supply and Marketing Co-operatives (SMCs) and the Rural Credit Co-operatives (RCCs)<sup>8</sup>. Since both have continued to serve as instruments of government policy, reform in these sectors has been slow. The SMCs have continued to play an important role in the purchase of key agricultural products such as grain and cotton as well as the supply of materials, whilst the RCCs have been closely linked to the state-owned Agricultural Bank of China, the country's fourth largest bank. Weak in management and efficiency, both the SMCs and RCCs have 'oozed red ink' over a number of years, remaining dependent on government bailouts.

Constrained by continued government involvement in the local economy on the one hand, co-operative initiatives have also been undermined by investor-domination. This tendency arises in the conditions of large labour surpluses and capital shortage that essentially encapsulate China's development problem.

Such conditions have meant that, as market reforms have deepened, so capital's ability to command labour has strengthened.

Concern for the viability of enterprises to provide steady employment has led reforms to emphasise the economic aspects of co-operatives, namely share and dividend systems, propelling big shareholders into leading positions. Wealthier investors, outside shareholders and managers have often ended up monopolising the benefits of the experimental co-operatives at the expense of the smaller farmers.

In this difficult environment, a lack of legal status, up until 2006, has left co-operatives without policy support, unable to register and in a weak position to defend themselves in their relations with local governments or other enterprises and investors.

Following China's WTO membership in 2001, farmers have become exposed to the full force of competition from global agribusiness. Under these conditions of the globalisation of the economy, the government has moved to provide more protection for the farmers as a disadvantaged group and support their equal opportunities to secure an environment of fair competition.

With the 5-year adjustment phase of China's WTO membership agreement coming to an end in 2006, the National People's Congress adopted its first legislation on co-operatives specifically to cover Farmers Specialised Co-operatives. The statute contains broad definitions of co-operatives as user-owned and –controlled businesses in a manner that generally conforms to the statement of co-operative principles adopted by the International Co-operative Alliance. (Dunn, 2007) Under the new law, co-operatives can register with the Ministry for Commerce and Industry and their new legal status, together with that of their members, gives protection against rule violation by both investors and local government intervention.

In addition to setting limits on the number of non-farmer members, extra votes and returns on capital contributions, the legislation also explicitly rules out any "unit that exercises the function of administering public affairs" from membership. It further identifies a supportive role for governments at central and local levels, in allotting funds to provide information, training, and quality control services, as well as the construction of an infrastructure of marketing,

science and technology, and financial services for agriculture. The law also makes provision for preferential treatment in taxation<sup>9</sup>.

The legislation is part of a raft of new measures which comprise a plan for the “socialist modernisation of the countryside” announced by Premier Wen Jiabao in 2006. This in turn is a key element of China’s eleventh Five Year Plan (2006-2010) which has called for a more balanced approach to development, lending greater weight to investment in agriculture and raising farmers’ incomes to narrow the rural-urban divide, alongside goals of job creation and improvements in the welfare system.

Progress is being made in modernising the rural financial sector to help to alleviate capital shortages and especially open more lines of credit to the small farmer. The problem of non-performing loans in the Agricultural Bank of China has essentially been resolved as the bank has been recapitalised. At the same time, the SMCs and RCCs have turned around their years of losses through the 1990s, so that now, with financial strength restored, they are in more of a position to provide better services for small farmers. (Xin, 2007)

One key reason why working people in both rural and urban areas lack resources of their own to buy shares to start a co-operative is that they tend to have to save for housing, health care and education expenses. Here, the abolition of the centuries-old agricultural tax and recent reductions in school fees, together with the government’s Rmb4,000bn (\$585bn) fiscal package launched in November 2008, of which \$125bn is earmarked to cover medical insurance, might have a positive bearing on strengthening the farmers’ capacity for self-financing.

In October 2008, new rural reform policies were announced aimed at strengthening farmers’ individual rights to transfer or pool their land further. (China Daily, 2008) This broadening of the base of the rural market economy is further conducive to the emergence of a more autonomous co-operativisation.

Policymakers are now starting to view rural co-operatives as a key channel for building a new countryside, urging greater efforts to hasten their development by turning them into modern agricultural organisations. As conditions more favourable for the emergence of an autonomous market-based co-operative economy continue to mature, the education and training of co-

operative members and managers is becoming the crux issue to support the professionalisation of co-operative management, strengthen democratic control and activate member participation.

In recent years, the ICCIC has been able to step up its role in the training of trainers with assistance from the Canadian Co-operative Association. Through a number of symposia and forums, it has built up a network of individual co-operative promoters and promoter organisations in several different provinces to act as a bridge between co-operatives and the government, helping with registration, funds, tax, science and technology, skills training, product development and marketing. (Wang, 2005)

Looking ahead, the next stage in strengthening the autonomy of the co-operative economy would be the building of alliances between different kinds of co-operatives in for example retail, housing, medical and rural scientific and technological services. This would transform the situation of vertical organisation of different parts of the co-operative economy under separate Ministries. (Zhang, 2002)

## Conclusion

ICCIC is committed to looking for feasible ways for co-operatives to grow both “with the guidance of the co-operative principles developed in the international co-operative movement” and “in accordance with China’s national conditions”. What is envisioned then is the development of co-operatives “with Chinese characteristics”. (ICCIC, 2005)

Unlike co-operatives around the world which have arisen on the basis of private ownership, in China the co-operative sector is being rebuilt on the basis of an economy in which public ownership provides the mainstay, as co-operators carve out a sphere of greater autonomy for voluntary association and democratic control from the collective economy.

Economic reforms have forced the government to redefine its role in promoting the development process. Central government lays emphasis on ‘rule by law’ and local governments are now shifting from an economic function to the provision of services, especially in training, science and technology and marketing. As the direct exercise of state power in the rural economy has progressively reduced that of the farmers has been increasing in significant ways. These changes, together with the government’s



careful relaxation of controls on private ownership and investment, bearing in mind the need to strengthen the position of the smaller farmer, are creating more space for the development of genuine co-operatives more reliant on member solidarity than on official links serving the interests of the disadvantaged, especially the small farmers.

For the original Gung Ho activists, co-operatives were a 'school for democracy in production'; they provided the missing link between the peasantry and big modern industry, opening a different path towards a more balanced economy which benefited the working people. The spread of industrial co-operatives in a dispersed and decentralised pattern developing side by side with agriculture were seen to help avoid the 'evils of industrialisation' – overcrowded cities, unemployment and insecurity.

The situation today is without doubt some considerable way from fulfilling the goals and ambitions of the original co-operators for a 'Gung Ho' people's movement. However, despite unpropitious circumstances, their aspirations have not been without a certain influence at

various times during China's difficult path of development, surviving to today.

Now as China advances further, reorienting its development pattern away from a reliance on exports towards the expansion of domestic consumption, and looking to modernise the countryside, co-operatives have a role to play in providing a real alternative not least for returning or would-be rural migrants. At the same time, the increased emphasis on co-operatives in the countryside is consonant with the current promotion of a rights culture focused on economic fairness. (Clegg, 2009:169)

Co-operative governance, in the eyes of Gung Ho activists, both past and present, and as enshrined in the ICA principles, points the way to a democratisation in which capital is controlled by labour, people have say over their own working lives and community values and moral standards are held uppermost. The emphasis in China remains top-down as it continues its course of rapid industrialisation and urbanisation, but co-operatives may yet come to play a greater role as the country moves into new stages of modernisation.

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## Notes

- 1 Alley (1997) provides a fascinating insight into his exciting life and times, while there is a new film about the Englishman George Hogg, who also became involved and whose life is described in equally vivid style by James Macmanus (2008), Jonathan Rhys Meyers plays Hogg in *The Children of Huang Shi*.
- 2 According to Reynolds, CIC was infiltrated by the CC Clique, a fanatically anti-Communist and fascistic grouping within the Guomindang, led by the brothers Chen Guofu and Chen Lifu, adopted nephews of Chinag Kaishek. (Reynolds, 1975) The clique had tentacles reaching into the labour organisations. Chen Guofu was in charge of Chiang's secret service in the early 1940s. His name appears as author of a pamphlet *The Chinese Cooperative Movement*, 1947, Nanking: The China Co-operative Union.
- 3 The monies were raised via Promotion Committees across the globe. In the UK, Arthur Clegg refers to the support of the British Cooperative Movement via Alfred Barnes MP who became head of the Anglo-Chinese Development Society "whose purpose was to aid the Chinese Industrial Co-ops". (Clegg, 1989)
- 4 Yang Bo became Chair of ICCIC after Alley's death.
- 5 At this time the exchange rate was around 14 to the £.
- 6 For a discussion of the cooperative economy under reform and the various types of cooperative enterprises in existence in China by the beginning of the twenty first century see Clegg (2006).
- 7 Village committees operate below the lowest level of state power which is the township people's government and people's congresses. According to Zweig and Chung, despite certain limitations village elections have strengthened democracy at local levels. (Zweig and Chung, 2007)
- 8 There are around 20,000 primary SMCs operating at village or local levels with federations operating from county up to national levels under the All-China Federation of Supply and Marketing Cooperatives. The RCCs can be found in almost every rural township. They were separated from the Agricultural Bank of China in the mid-1990s but retain close links both with township governments and with the People's Bank of China at county levels.
- 9 Law of the People's Republic of China on Specialised Farmers Cooperatives (2006) adopted at the twenty fourth meeting of the Standing Committee of the Tenth National People's Congress on 31 October.