

Government Intervention in Poor Areas of Rural China

Subjects: Social Issues

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The relationship between government intervention and cooperative development has always been a source of controversy in the developing world. In the context of the “targeted poverty alleviation” program (2015–2020), a government-led campaign covering all poverty-stricken villages in west China, cooperative development was listed by the central government as a criterion for evaluating successful intervention at the county government level. Government intervention is crucial in building cooperative ecosystems in poor regions of China.

Keywords: governmental intervention ; cooperative development ; successful intervention ; poor areas of rural China

1. Introduction

For rural development in the developing world, it is recognized that cooperatives can play a positive role in helping smallholder farmers by creating economic opportunities, accessing markets and key resources, increasing bargaining power, and reducing individual risk ^[1]. In the context of poverty alleviation in poor areas of the Global South, the first UN Sustainable Development Goal, a puzzle facing the international community is to understand the role of government intervention in cooperative development, which may conflict with the cooperative principles taken by the International Cooperative Alliance. In this regard, China is the largest developing country in the world, and its experience in cooperative development is worth examining in detail, given its strong government intervention in rural development including cooperative development in its poor areas.

The value of considering China in debates concerning government intervention and cooperative development in the Global South is related to the fact that the Chinese government has made a serious effort to foster cooperative development nationwide since 2007 to empower its 230 million smallholder farmers (nearly half of the world’s smallholder farmers in total) who are dispersed, poor, and vulnerable regarding their bargaining power in agricultural supply chains. Equally important is its national campaign, namely the “targeted poverty alleviation” program (TPA, 2015–2020) in remote, mountainous, ethnic-minority populated, and poverty-stricken areas. Cooperative development has been listed as a key criterion for the success of government intervention at the county level. Through national mobilization and coordination of all types of resources (e.g., technological, physical, financial, and talent-related) from all types of organizations (e.g., governmental agencies, universities, research institutes, enterprises, and non-profit organizations) and regions (including coast provinces and the largest municipal areas), it is undoubtedly that such a strong intervention would remove various constraints (e.g., geographic, resource-based, and infrastructure-related) affecting local economic development effectively, which has provided new momentum for cooperative development in China’s poor areas. According to official figures, government intervention has resulted in not only the decline of the population of those in poverty from 98.99 million in 2012 to 5.51 million in 2019 but also the rapid growth of “farmers” professional cooperatives, which reached 685,000 in poor areas in total, covering over 90% of poor villages, benefitting 21.98 million rural people.

2. Government Intervention in “Farmers” Cooperative in Rural China

The necessity of research focusing on government intervention can be seen from the uneven experience of the cooperative movement in China in the past seven decades. With a vision of the modernization of the agriculture and industry system in China, the transformation of smallholder farmers via “producers” cooperation organizations has been listed as a key element for rural development since the Communist Party took national power in 1949. Government intervention, however, has taken different paths and formatting in the last seven decades. This can be divided into four broad periods with different features: farmers’ self-organization with government support (1949–1956); a collectivism and commune system with government control (1957–1978); a de-collectivism reform and household responsibility system (1979–2007); and new momentum for cooperative movement since the validity of the Farmers’ Professional Cooperatives Law in 2007.

The rural reform beginning in 1978 resulted in a two-tier system consisting of household contract management and a collective economy. On the premise of keeping the joint ownership of rural land unchanged, rural householders have equally accessed and managed the collective land as independent producers for the external market. In contrast, collective economic organizations were designed to develop their functions to provide various public services and coordination between individual householders in production and sale. While rural reform promoted the development of the market economy, the free flow of rural labor, and the competition among smallholders, it has failed to develop second-tier, collective economic organizations to provide public services and coordinate for individual farmers. In addition, the fragmentation of arable land resulting from the HRS makes it very difficult to achieve an economy of scale, mechanization, and the adoption of new technologies.

In 2007, the Chinese government formally implemented the Law on Farmer Specialized Cooperatives (FPC) to standardize, encourage, support, and guide the development of farmer cooperatives and protect the legitimate rights and interests of the cooperatives and their members. Since then, cooperative development in rural China has experienced rapid growth, which has provided new momentum for rural development concerning various aspects, including land circulation, the emergence of professional managers of cooperatives, new mechanisms for cooperative management, and collaboration with community and external enterprises. The scope of farmer cooperatives has not only covered a range of production areas (e.g., grain, cotton, oil, meat, eggs, milk, fruits, vegetables, tea, and other major products), but has extended to agricultural product processing, rural tourism, folk craft production, and other services. In recent years, the Chinese government has paid more attention to the standardization and complication of cooperatives under the FPC Law through various policies and measurements, including recognition and promotion of model cooperatives, cooperative education, training, etc.

In terms of financial support for cooperative development, before the enactment of the Cooperative Law, the accumulation of government funds was only CNY 270 million (GBP 1 = CNY 8.68) in the past 20 years. In 2007, when the Cooperative Law was promulgated, the figure reached CNY 220 million for one year only and then increased yearly. From 2007 to 2013, a total of CNY 9.577 billion was allocated, with an average annual support fund of CNY 1.6 billion. By October 2019, 2.2 million cooperatives had been registered across the country. From the perspective of service quality, 53% of farmer cooperatives provide value-added services such as warehousing, processing, and logistics and provide integrated production and marketing services. However, cooperative developments in rural China lack awareness regarding regulation systems and compliance with cooperative principles. This can be seen from so many faked or shell cooperatives across the country due to the following factors. First, some local governments pursued the number of cooperatives as the indicator of their performance evaluations regardless of local conditions and needs of farmers. Second, some rural entrepreneurs or local companies registered cooperatives to gain or access government financial support, tax reduction, financial insurance, land, and electricity use policies. Third, many registered cooperatives could not provide effective services due to various factors. In addition, there is a regional dispersity in cooperative development across the country. Among the top 500 farmer cooperatives recognized by Farmers' Daily in 2019, 41.8% are in the eastern region, leaving central and western regions with 29.8% and 28.4% of cooperatives, respectively.

In the new "targeted poverty alleviation" campaign since 2014, cooperative development has been listed as a key dimension and criterion for the success of government performance at the county level. The rationale of cooperative development in poor areas is closely related to but not limited to local pillars or characteristic industries (either or both agricultural or non-agricultural, e.g., rural tourism) for farmer income growth, credit cooperation, and appropriate agricultural technologies [2]. The establishment of farmer cooperatives in poor areas represents an important point of access for local governments to transfer central government funding to targeted households or communities as the share of the latter's capital investment for the initiative or development of cooperatives. According to official figures, more than 90% of officially recognized poor villages have set up cooperatives, with a total number of 682,000 in 832 nationally registered poor counties. Furthermore, a total of 3.851 million registered poor households have joined cooperatives with more than 29.78 million rural poor striving to achieve income growth to various extents. Similarly, poor rural households can gain other benefits, including low-cost agricultural services provided by government agencies or commercial companies, additional income from the value chain extension, and the share dividends from "their" capital investment provided by the government.

Certainly, there are some deficiencies in government-led cooperative development in China's impoverished regions. First, through strong administrative measures and financial simulations, the consolidation of "shell cooperatives" is inevitable. Second, for many local government departments, their involvement in cooperative development is not to promote local industrial development and farmer cooperation, but to ensure that government poverty alleviation funds are not misused by rural elites or private enterprises. Third, it is not surprising that in many cases poor rural households responded less well to government campaigns in new cooperative initiatives than wealthy households, leading to the development of

exclusive cooperatives. Fourth, in some cases, due to the narrow definition of targeted poor households entitled to government funds or financial subsidies, cooperative development may incur additional costs, leading to divisions within rural communities.

References

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