

# **THE LONG MARCH OF CHINESE CO-OPERATIVES: TOWARDS MARKET ECONOMY, PARTICIPATION, AND SUSTAINABLE DEVELOPMENT.**

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## **Abstract**

This work presents a history of the co-operative firm in China from its origins in the early 20th century. The aim is to describe how in its evolution, the Chinese Co-operative Movement has diverged from the western notion of a co-operative. To understand the similarities and the divergence, we will consider a number of economic and cultural factors, including the etymology of the Chinese and English words for ‘co-operative’, the Confucian culture, and the influence of the political contingencies. We argue that contemporary Chinese economic transition would benefit from the presence of a strong, western style, co-operative sector but that the contribution of the co-operative sector towards sustainability cannot take place unless a civil society develops as well.

**Keywords:** China, Civil Society, Co-operative, Confucianism, Human Development, Sustainability.

## 1 INTRODUCTION

The co-operative firm is an institution with a very long history. The roots of modern co-operation can be traced back to a variety of forms of collective or communitarian work, such as those that existed within the Roman Empire, ancient Egypt, ancient Asian societies, or the Latin American pre-Columbian peoples (Douglas, 1986).

In 1844, the first modern co-operative organized around a formal business model was established in Rochdale, near Manchester, UK. At the end of the industrial revolution, and as a response to its side effects and social problems, western societies developed the co-operative model; co-operatives emerged from the same context that generated the Workers' and Democratic Movements of the 1800s, trade unions, the Communist Manifesto, and later the *Rerum Novarum* encyclical. In the following 150 years, the modern co-operative became a worldwide model of economic organization in agriculture, retail, manufacturing, services, and banking sectors (Birchall, 1997).

The origin and the role of Co-operation in Asia, and particularly in China and other countries with a Confucian culture, have received relatively little attention in scholarly research. It is particularly important to study the role of the co-operative firm in countries with a culture characterized by a high propensity for collectivism and community values (Hofstede, 2001; Lockett, 1988; Tung, 1988; Hofstede and dan Bond, 1988; Littrell, 2002). It might be expected that countries which embrace such collective values would provide fertile ground for co-operation to take root and grow. In reality the situation is much more complicated, not only because the propensity for collectivism coexists with other conflicting values (Laaksonen, 1984), but above all because these values have to engage with the economic and political regimes that have developed in these countries. Despite their success and diffusion, to measure national cultures remains a controversial methodological challenge (McSweeney, 2002; Williamson, 2002).

Studying co-operation in Asian countries such as China (Taimni, 1994), but also Vietnam (Kornai and Yingyi, 2009) and Cambodia, it is vital to address how this form of enterprise has evolved in a period of transition (Hongyi, 2000) from centrally planned economies which are under the strict control of the State to economies open to the dynamics of the free market (Smith, 1994).

The modern form of co-operative arrived in China at the beginning of the twentieth century. This work argues that the model has proved to fit with Chinese

institutions and local historical contingencies and that it might prove especially useful to the transformations that contemporary China is undergoing, particularly in dealing with social and economic inequalities and sustainable development. The Chinese Government and Legislature have recently (in the 12<sup>th</sup> Five Years Plan and in the 2013 meetings of the National People's Congress) defined such challenges and, in some cases, have explicitly mentioned the co-operative firm as a tool that might help to address them.

This work has its foundations in a literature review of international literature on the Co-operative Movement. But the authors' experiences of teaching and doing research in academic institutions in Asia (China and Vietnam) also played a role in its genesis. In particular, one author was able to visit a number of co-operatives and to engage with co-operative leaders in the following areas: Beijing, Shanghai, Hong Kong, Zhejiang, Guangxi. The research questions that triggered this investigation are:

- 1) Does the western notion of the co-operative fit the Chinese case?
- 2) Has Maoism contributed to the flourishing of the Co-operative Movement?
- 3) How has the co-operative model evolved alongside political and institutional transition?
- 4) Can the Co-operative Movement contribute to contemporary China's development and sustainability challenges?

We have not followed the traditional order (literature review - data analysis). This is because the four research questions investigate very different issues and hence will be addressed with varied methods of analysis. Individual sections are devoted to answering each research question following the relative literature review and analysis. The first analysis is etymological. The second and third questions are answered through theoretical and historical analysis. The fourth question is addressed through a theoretical analysis and by adopting the Human Development Index.

In Section 2, *Co-operatives and China*, we will answer the first research question after the etymological analysis of the Chinese word "co-operative", the analysis of western and Chinese notions of co-operation and its history. In Section 3, *Co-operatives and Mao*, we will answer the second research question with a literature review and an historical analysis that will highlight how Maoism has dramatically changed the evolutionary path of the Chinese Co-operative Movement. In section 4, *A Long Institutional Transition*, we will answer the third research question by providing a historical account of the main forms of collective and co-operative organisations in

the People's Republic of China. In Section 5, after identifying the *Challenges of contemporary China*, we will answer the fourth research question with a policy approach. Section 6 will present the implications for theory, practice and policy. Brief conclusions will follow.

## 2 CO-OPERATIVES AND CHINA

Enquiry into Chinese co-operatives begins with a linguistic and epistemological difficulty: do we mean the same thing in China and in the West when we talk about a Co-operative? To answer this, we will turn to the etymology of key terms, to the values promulgated by the International Co-operative Movement, and to the dominant Chinese cultural values.

### Etymology

To start with etymology, according to the Merriam-Webster dictionary, the use of the adjective ‘co-operative’ dates back to at least 1603, when it meant ‘willingness or ability’ to work with others. As a substantive, it was already established enough in the late 1820s for William King to publish a series of papers entitled ‘The Co-operator’. The word ‘co-operation’ in English means ‘working together’, using the prefix ‘co-’ from the Latin ‘cum’ (‘be with’). The Chinese definition is more complex. It brings in a number of related concepts that in English have found expression through other formulations, such as ‘mutual aid’, ‘mutual help’, and so on. The Oxford English Dictionary provides a definition of the co-operative firm:

*“The combination of a number of persons, or of a community, for purposes of economic production or distribution, so as to save, for the benefit of the whole body of producers or customers, that which otherwise becomes the profit of the individual capitalist. As originally used by Owen the name contemplated the co-operation of the whole community for all economic purposes, i.e. communism. In practice, the principle has been carried out in production, when a body of workmen corporately own the capital by which their concern is carried on, and thus unite within themselves the interests of capital and labour, of employer and employed; and in distribution, when an association of purchasers contribute the capital of a store by which they are supplied with goods, and thus combine in themselves the interests of trader and customers.”*

In Mandarin Chinese, the characters used for co-operative are 合作社; the Pinyin transliteration is *He Zuo She*.

*He* (合): a pictographic character. The character is reminiscent of a container,

the lower rectangle (口), with a lid, the upper triangle (△). This originally meant ‘close or shut the lid’. Subsequently, it has come to mean assemble, unite, ally, combine, and even to merge, amalgamate, marry, and make friends (Zuo, 2006, Xie 2000).

*Zuo* (作): an ideographic character. In ancient bronze-age inscriptions the lower part resembled a knife and the top represented divination. The overall image is that of an oracle engaged in divination through the use of the knife on plants or animals. The range of meanings of the character has included making, embarking on, cutting, setting up. Later the meaning of the character was extended to doing, arising, building, performing, playing, and reaching (Gu, 2008).

*She* (社): an ideographic and pictographic character. In the ancient scriptures of the Bronze Age it represented veneration of the god of the earth. The character is composed of two parts: on the right, a stone altar, a place for offerings and sacrifices, and on the left worship combined with the character for wood. In ancient times, these traits take on the complex meaning of a place of sacrifice to the god of the earth, municipality, and agency (Gu, 2008). Today the immediate meaning is work unit or social structure. The place of worship of deities or ancestors in Chinese villages was located at the centre of the family home or the village itself. For this reason, the image of the place of worship takes us to the idea of social structure.

While *He* stands for an attitude (coherence, no conflict, harmony), *Zuo* stands for a form of behaviour (to act, to do, to start), and, finally, *She* stands for a place where the action takes place (the team, the group, the community, the small firm). Thus, the etymology of the Chinese word for co-operation invokes images of union, mutual help, realization, society, and community. Such images are fully compatible with the western conception of the idea of co-operation (Cheng-Chung 1988). In this model of a firm, it is the workers and members of the co-operative who own it. As such, this type of firm tends to take an especial interest in sustainable and responsible development.

### **International values**

The leading co-operative organisation, the International Co-operative Alliance (ICA), has helped to define a set of common values among the national Co-operative Movements. In defining a co-operative firm, the ICA in 1995 drafted a statement of co-operative identity: ‘*A co-operative is an autonomous association of persons united*

*voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise.*' This definition is especially useful in understanding the co-operative phenomenon because it is the result of the combined work of delegates of national co-operative associations from all over the world.

In defining the essence of a co-operative firm, one might be tempted to adopt a legal definition. While co-operative enterprises exist in most jurisdictions around the world, each country provides a different, sometimes deeply different, legal definition of a co-operative enterprise. Clearly, it is not the legal form to differentiate co-operative firms from other forms of enterprise. The ICA definition helps us overcome this challenge of identifying similarities across a number of different manifestations of the phenomenon.

To qualify as a co-operative, the definition suggests that the following criteria need to be met:

- a) Autonomy from other organizations: A co-operative cannot be owned by another enterprise, but it can control other entities for instrumental purposes;
- b) Persons united voluntarily: again, if people are forced to join, the organization ceases to be a genuine co-operative. This element does not rule out co-operative consortia, but only if they are built ultimately to serve the individual;
- c) Economic, social, and cultural needs. This element of the definition is crucial to expanding the notion of the co-operative firm beyond the realm of mere economic exchange and hence taking into account organizations focused on solving social problems or promoting cultural production and consumption;
- d) Jointly-owned. Members must also be shareholders of the organization;
- e) Democratically-controlled. There must be a competitive governance system, in which people can contribute effectively to steering the organization;

In its 1995 statement, the ICA moves beyond a simple working definition to spell out seven universal values to be embraced by co-operative enterprises (they have subsequently become part of co-operative founding charters in several countries). Some of these values are a direct consequence of the principles embedded in the definition we are using: *Voluntary and open membership; Democratic member control; Autonomy and independence; Member economic participation*. However, three further value statements are worthy of note, adding some flavour to the overall definition of a co-operative enterprise: Education, Training and Information, Co-operation among Co-

operatives, and Concern for Community.

The idea of education, training, and information as a founding value can be linked to the idea of democratic control: it is hard to imagine members being an effective part of the organizational governance if they are not properly informed of and trained in their role.

The last principle is of great interest in order to fully comprehend the nature of a co-operative firm: that a co-operative is concerned for community is not a truism, as it might appear at first sight. Rather, it means that it should go beyond its members' interests to embrace the interest of the wider community. In other words, according to this principle, co-operatives should be socially responsible entities taking into account all of their stakeholders' interests (Bernardi, 2007; MacPherson, 2008).

The principle of co-operation among co-operatives can be seen as the founding principle of the Co-operative Movement in its contemporary sense (Birchall, 1997). The principle is well illustrated by the existence of a myriad of co-operative business associations and consortia representing the interests of co-operatives at the local and national level. At the international level, the ICA is technically an association of associations and this principle is connected to the notion of an International Co-operative Movement (Birchall, 1997). Through the ICA and national associations, co-operative enterprises can be seen as 'activists', promoting co-operative firms as a potential solution for a number of economic and social issues (Nilsson, 1996). A number of individuals in the early 19th century played a role in the birth of the Co-operative Movement, most significantly, Robert Owen and William King, but the history of the Movement dates back to 1844, with the institution of the first successful co-operative: The Rochdale Society of Equitable Pioneers. By no accident, their rulebook shares a great deal in common with the ICA's current definition.

Applying these definitions to the Chinese context may be challenging because some of the components of the definition could be called in question when it comes to the development of co-operative institutions in the history of the People's Republic of China. Chinese co-operatives meet the basic conditions, however, the level of autonomy and democratic control exercised by members has varied across time.

The voluntary and open membership principle is no longer violated by the collectivist policies, although democratic control and independence principles are certainly lacking in most cases. As will be described in detail in section 4, the 2007 law on Farmers Specialized Co-operatives is a telling example because it was purposefully

introduced to improve the economic initiative and participation of members, but ended up giving too much power to higher-level co-operatives and organisations. As we will argue in section 5, intrusions from external actors and organisations to the detriment of true member participation are not only due to the pressures coming from national and local political authorities, but are also the result of the lack of a civil society able to sustain participation and control (Fulda *et al.*, 2012). The Chinese Co-operative Movement has not been fully integrated into broader civil society (Hall, 1995), unlike its counterparts in the western world. Democracy exists in China only at a very local level; where the citizenship is not used to democracy, it naturally follows that the growth of democratic participation of workers and members on the co-operative model is not likely to flourish. Not by chance, the Co-operative Movement in England took hold at the very same time as social battles for labour and political rights were being fought. Democratic and Co-operative Movements have longstanding ties in many nations.

### **Confucianism**

A final argument about how well, or not, the Co-operative Movement fits with China's social and institutional environment is the cultural one. The main cultural pillar of Chinese society is Confucianism (Weber, 1951), a complex philosophical system that extends beyond the original writings of Confucius (Hofstede and dan Bond, 1988; Wah, 2010). While it is beyond the scope of this work to attempt to provide a description of this complex system, there is no question that striving for harmony is one of the basic values of a society with a Confucian legacy (Bell and dan Chaibong, 2003). Social harmony is a value *per se* and everything that undermines social unity is considered evil (Hill, 2006). This principle notably carries two almost opposite implications for the understanding of co-operative firms within the context of Chinese culture. On the one hand, as Weber was already noting in her seminal 1951 work on the sociology of religion in China, the value of social harmony tends to reaffirm the *status quo* and undermine performance and merit. This is potentially detrimental to the idea of independent and democratically controlled entrepreneurial activities. On the other hand, the principle of social harmony seems to be calling for economic and social organizations that can promote the value of mutual help and working together, values that are inherent to an agricultural society, as China has been for millennia (Cheng-Chung, 1988).

The need for social harmony and co-operation was formalized in the 2011-2015 Five Years Plan by the former political leadership of China. The ex-President Hu Jintao and ex-Premier Wen Jiabao left incomplete the challenge of the Harmonious Society, *héxié shèhuì* (Wong and Ruobing, 2006). It is striking that one of the characters of ‘Harmonious Society’ in Chinese is the same as ‘Co-operative’ in Chinese. Cheng-Chung (1988) explicitly addresses the compatibility of Chinese culture and co-operative principles in describing how western theories came to China.

We are thus in a position to answer the first research question. The western notion of Co-operative and Co-operation fits well with China. The etymological analysis has revealed that the meaning historically embedded in the words ‘co-operation’ and ‘co-operative’ in China and in the West is broadly the same. Furthermore, China is a full and active member of the international Co-operative Movement and has played a part in elaborating the co-operative values, most of which are compatible with the unique nature of the Chinese institutional system today. Finally, as a Confucian society, China might provide a good cultural environment that allows co-operative organizations and behaviour to develop, if supported by national and local policies.

In the next section we will argue that despite the fact that all the conditions for the development of a true Co-operative Movement have been present since the beginning of the last century, the influence of Maoism meant that the developments made from 1912 fell into abeyance for a long period. As will be explained later, from the 1980s China has been back on track and moving towards the development and progression of a strong and genuine co-operative sector, as testified in the Government initiatives of 2002 (New Rural co-operative Scheme), 2007 (Farmers Specialized Co-operatives law), and 2009 (Farmers connected to supermarket projects).

### 3 CO-OPERATIVES AND MAO

In answering the second research question, we turn to history, asking if Maoism contributed to the flourishing of the Co-operative Movement.

It is possible to divide the modern history of the Chinese Co-operative Movement into three phases: the Republican period (1912 to 1948), the Maoist period (1949 to 1976), and the Contemporary China period (after Mao's death in 1976). In this section, we argue that Maoism has represented a deviation from the western, or, indeed, international, notion of co-operation. The Republican period and the Contemporary China period see a gradual convergence with the international notion of the co-operative. The Maoist version of co-operation, even more than the Soviet one, has represented a discontinuity from the idea of co-operation as shared in the West and in contemporary China (MacFarquhar and Fairbank, 1987, 1992).

The history of Chinese co-operation, excluding the primordial forms of informal co-operation widely present in ancient civilizations worldwide (in China connected to the management of water for agricultural purposes), seems to date from the first decade of the twentieth century. For a long time the Empire of Japan controlled Manchuria (1931-1945) and the island of Taiwan (1895-1945), and during this period successfully introduced the co-operative model in agriculture. However, an autochthone Chinese Co-operative Movement emerged, at the time of the establishment of the Republic of China in 1912. In the early decades of the 20th century, some Chinese political and social reformers, such as Sun Yat-sen, the founding father of the Republic, introduced the co-operative model encountered abroad. This idea met with repression out of fear that co-operation came hand in hand with socialism. In 1921, the Chinese Communist Party was founded.

Some co-operative milestones, in those politically dramatic years, are well documented, others less so. We know that the first co-operatives appeared in 1912 and the first co-operative bank was founded in 1923 in Hebei Province. We also know that in 1937 there were over 12,000 co-operatives across 191 counties (Fairbank and Feuerwerker, 1986). The European co-operative ideals and practices, once they had arrived in China, were elaborated by local intellectuals; for instance, Xue Xian-Zhou, who theorized a utopian 'Project of National Co-operativisation' (Cheng Chung, 1988).

Between 1928 and 1949, following a financial crisis, the Nationalist Government of Chiang Kai Shek, decided to support the introduction of a system of credit co-operatives along the German Raffaisen model. During the era of Chiang Kai-

Shek's Republic of China, Chinese organisations for the promotion of co-operative firms were established with the financial and intellectual support of the West. This is the case with the intervention of the Rockefeller Program and of the missionary devotion of a Christian philanthropist and social reformer, John Bernard Tayler (Trescott, 1993).

## **Gung Ho**

The oldest co-operative society was founded in wartime, with a set of values including mutual assistance and the defence of national identity. This organization, named the Gung Ho, or ICCIC (International Committee for the Promotion of Chinese Industrial Co-operatives), was founded in 1938 in Hong Kong thanks to the inspiration of the New Zealander Rewi Alley and some other foreigners (intellectuals, journalists, western diplomats, adventurers, bankers, Christian missionaries, British politicians) and western educated Chinese (engineers, intellectuals, and the wife of Dr Sun Yatsen). Their aim was to organize the unemployed and refugees to take part in productive activities in support of the war of resistance against the Japanese invaders. Gung Ho spread throughout the unoccupied Chinese territories from 1939 and reached its peak in 1941. Approximately 3,000 co-operatives were active, with 30,000 members, and produced essential goods for the population, as well as supplying the front with blankets, uniforms, and other goods for the Chinese army (Cook and Clegg, 2012). The Gung Ho became the place for the cultivation of ideas and the mobilization of patriotism and independence. Something very similar occurred in Finland. There, the Pellervo Society and its co-operatives, during the Russian rule of Finland, were the only associations not prohibited by law. The society was then a place for the elaboration of co-operative and patriotic ideals.

The Statute of the ICCIC says that the spirit of Gung Ho is to 'work hard and work together, helping one another to achieve common prosperity'. The organization's principles are:

*'voluntary organization, self-financing, self-government, independent accounting, taking responsibility for gains and losses, democratic management, with distribution to each in proportion to their work and dividends in proportion to shares'.*

These resemble modern western principles of co-operation and recall many aspects of the ICA Manchester Statement in 1995 (*Voluntary and open membership;*

*Democratic member control; Member economic participation; Autonomy and independence; Education, training and information; Co-operation among co-operatives; Concern for community).*

The Gung Ho was supported by western individuals, organisations, and Government bodies because of its strategic role during the Japanese invasion and the Second World War (Barnett, 1940). The British Empire and the United States decided to fund and support the Gung Ho because they recognised in it a social democratic political and economic alternative to the increasingly powerful Chinese Communist Party (Wales, 2004; Barnett, 1940). The Gung Ho originally operated in the areas under the control of both the Communist and the Nationalist armies and was supported by both Mao and Chang Kai Sheck, though this support was accompanied by a certain suspicion and they both soon started to express misgivings about its foreign influenced nature (Cook and Clegg, 2012).

When Mao gained full control in Mainland China, he managed to have the activities of ICCIC suspended. Mao's ideology didn't fit well with the Gung Ho which was an advocate of democracy, bottom-up participation and industrial rather than agricultural development (Fairbank, 1998; Vermeer et.al., 1998).

Despite formal support by Mao Zedong, Zhou Enlai, Soong Ching Ling, Ye Ting, and other revolutionary leaders for its contribution to the cause of Chinese liberation, the ICCIC activities were suspended in 1949. Other associations of co-operatives, more in line with party ideology and the institutional developments of China were established. Among those, for instance, the All China Federation of Handicraft and Industrial Co-operatives was established to serve the national planning started in 1950. Such federations still exist and they kept a very strong relationship with the Government.

## **Maoism**

A very different period begins when Mao enters the stage of Chinese history. Even before the establishment of the People's Republic of China in 1949, Mao had recognised that it would be necessary to organize production, consumption, and credit along co-operative lines in order to develop a collectivized economy (Keating, 1997). Maoism took shape during the Civil War and the 1933-1935 Long March and was put to the test, drawing from Marxism-Leninism and from the Soviet example, in the remote base of the Red Army in the middle of China, near the city of Yan'an, where Mao's

revolutionary army was headquartered. Mao quickly focused his strategy on agriculture rather than industry (Teiwes and Sun, 1993) or the intellectual class. Between 1943 and 1944 rural co-operativization was started in areas under the steady control of Mao's army. In the case of Yan'an, the model seems to have worked and was soon idealized and used as an example to be replicated everywhere. Thus was born the myth of the 'Yan'an Way' (Keating, 1994; Stettner and Oram, 1987). It is not easy to say whether Mao's co-operatives were co-operatives in all respects; if, for example, they respected the principle of voluntary membership. It might be that over the years the ideological aspect of sharing gave way to party bureaucracy and to disillusionment. It can also be supposed that the size of the villages, co-operatives, or land may have sometimes facilitated the participation of members and social control (Keating, 1997).

Du (2002) provides estimates that show the number of Chinese co-operatives leaps from 722 in 1928 to almost 169,000 in 1948. With the establishment of the People's Republic of China, Mao would progressively collectivize the organisation of economic production based on the Soviet model, but going further still (Teiwes and Sun, 1993). From 1952, rural co-operation started to develop across the Chinese mainland (Vermeer et al., 1998). In rural areas – a large part of Chinese territory even today, and especially at that time – three main types of co-operatives developed: production co-operatives, distribution and marketing co-operatives, and rural credit co-operatives (Cheng, 2006; Xie, 2003).

The escalation of the collectivist ideology began in 1958, with the launch of the Great Leap Forward. In that long period, several forms of collective work were deployed in agriculture, industry, and services. The co-operative model was involved in that huge economic, political, and social experiment that peaked in the 1970s but which, as it turned out, proved dramatically ineffective and inefficient when it came to fulfilling Mao's projected goals.

An example of how the co-operative model was used by Mao, beside Soviet-style collectivization, is the so-called Rural Co-operative Medical Scheme. This was the main provider of health care in rural China until the late 1970s (Bernardi and Greenwood, 2011). It was a vast undertaking but by no means equated to the western system of mutual health because of the ideological use that the national and local authorities made of it. Similarly, most of the other forms of collective economic production, dealt with in the next section, were not a business initiative with bottom-up participation and control.

The concept of People's Communes originated in 1958. By the end of that year more than 740,000 rural production co-operatives had been reorganized into 26,000 People's Communes, with almost all farmers absorbed into this system. The system would remain fairly stable until the decade of opening-up policies and reform when new forms of co-operative arose under such names as 'specialized co-operatives' and 'stock-holding co-operatives' (MacFarquhar and Fairbank, 1992; Vermeer et al., 1998).

The relationship between collectivist values and Maoism has been explored in scholarship. A study by Ho (1978) shows that Mao Zedong wanted an anti-individualistic, pro-collectivist spirit to penetrate traditional Chinese culture so that a national collectivist culture could be established (Harrison, 2000). For Mao, individualism represented absolute evil and individualists were selfish, putting their personal interests first. Collectivism, by contrast, was seen to have a purer and higher purpose: its adherents place importance on duty and harmony, recognizing that their individual interests are subordinate to those of the group to which they belong. International studies on individualism, national cultures, and work-related values have consistently confirmed the Chinese collectivist nature (Tung, 1988; Hofstede and dan Bond, 1988; Hofstede, 2001; Littrell, 2002; Abdou and Kliche 2004).

The second research question can be answered as following. Mao used the co-operative model ideologically in a bid partially to disguise his plans of forced collectivization and propaganda. During his long rule of China, collectivized work and production were confused with the notion of the co-operative firm that had appeared in China long before Mao gained power. While some types of co-operatives, such as the Rural Co-operative Medical Scheme, peaked under Maoism, when it comes to quality and adherence to the original model, this period was not a remarkable moment for the Chinese Co-operative Movement.

The contribution of this section is a clear statement about the ambiguous relationship between Mao and the Chinese Co-operative Movement. Maoism represented a deviation from original co-operative ideals and practices as imported to China by foreigners and western-educated Chinese people who, together, developed a local Co-operative Movement. That long experience is now very distant and neglected by contemporary political elites. Consequently, the Chinese Co-operative Movement could develop a better and freer relationship with the political authorities, though we will argue in section 6 that a civil society (Fulda *et al.*, 2012) is a requirement for the flourishing of such a genuine Co-operative Movement.

#### 4 A LONG INSTITUTIONAL TRANSITION

Mapping the transformation of the forms of collective work, we will answer the third research question: how has the co-operative model evolved alongside political and institutional transition?

Over the years very different organizational forms and structures have been given the label co-operative or collective (see Table 1). The dramatic institutional transition that transformed the nation at the founding of the Republic and later of the People's Republic, through Maoism, the Cultural Revolution, the opening-up policies, to the most contemporary reforms, has entirely altered the legal framework and the very notion of the co-operative in China (MacFarquhar and Fairbank, 1987, 1992).

Table 1 summarizes the main forms of collective work that through time, in different ways, have been juxtaposed, rightly or wrongly, with the notion of the co-operative in China. Maoist variants are examples of deviation from western principles. In general, over time, efficiency, responsibility and incentives that were originally individual became collective. The average dimension of the collective grew and voluntary membership disappeared. The most recent forms represent a return to the original characteristics: small scale, individual participation, and incentives (Keating, 1994; Keating 1997; Hongyi, 2000; Perotti et.al., 1998; Xiangyu et.al., 2008).

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Gung Ho Co-operatives: The co-operatives established in the 1910s and 1920s, as well as those in the 1930s and 1940s (properly members of the Gung Ho Movement), were fully western style co-operatives with voluntary organization, self-financing, individual responsibility for gains and losses, democratic management, and distribution of profits to each member in proportion to their work or their economic interaction with the co-operative.

Mutual Aid Team: Among the various forms of co-operatives, the mutual aid team has enjoyed great popularity. In this model, based on voluntary participation, four or five households from a neighbourhood put together their agricultural equipment and their farm animals. The collaboration went as far as exchanging working hours on temporary or long-term agreements, while the land remained the property of individual

families. Between 1949 and 1955, the mutual aid team was promoted as the principal method of increasing production in the countryside.

Elementary Co-operative: From 1955 to 1979, co-operatives became a tool of the Chinese Government in controlling agricultural production and making it a collective effort. The Elementary Co-operative emerged in 1954 and expanded rapidly in its early years. A greater number of families participated in the elementary co-operative compared to the mutual aid team (usually 20 to 30), and members shared land in addition to animals and equipment. The co-operative's profit was distributed according to two principles: payment for the contribution of land, animals, and equipment made by each member, and a second payment in relation to the amount of work done by each member. During this period, the attitude towards the development of co-operatives was cautious and peasants were encouraged to participate in different types of co-operative organization on a voluntary basis (Chinn, 1980).

Advanced Co-operative: Among the various forms of co-operatives, the Advanced Co-operative emerged around 1955 with a number of distinctive features. All means of production including the land were collective property; members worked under centralized management, remuneration was based solely on the number of hours worked. In 1955, the central Government decided to accelerate the process of collectivization. As a result, the principle of voluntary participation was deliberately forgotten and peasants were persuaded, if not forced, to participate in the advanced co-operative system. The number of advanced co-operatives increased from 500 in 1955 to 753,000 in 1957, involving around 119 million households.

People's Commune: In 1958, a new type of collective work was introduced on a vast scale, the so-called People's Commune, which was to play a decisive role in rural areas until 1978. A People's Commune consisted of about 30 advanced co-operatives, combining an average of 5,000 households and 10,000 acres of cultivable land. Initially, payments in the commune were based in part on subsistence needs and partly in relation to work accomplished. Later, in 1962, when production and management were delegated to smaller units, with production teams consisting of about 20-30 families, the system changed. The production team became the basic unit for work and accounting. Under the new system, members of the team received 'work points' for their performance, and at the end of the year income was distributed to individuals on the basis of work points accumulated. The system of collective agriculture remained until 1979 (Powell, 1992, Hu et al., 2005).

Supply and Marketing Co-operatives: In the collectivized agricultural system, the supply of goods required for agriculture, and the processing and marketing of products, was centrally planned by the government. Supply and marketing co-operatives were Government organizations that provided farmers with inputs and work materials. Agricultural products were harvested and distributed by the Government and farmers did not have the freedom to sell their production in a free market (Hendrikse and Veerman, 1997). Until the 1980s, this method was known as the Unified Purchasing and Supply System (UPSS, or ‘tonggou-tong-xiao’ in Chinese). A study has argued that the majority of Supply and Marketing Co-operatives were still not effectively controlled by their farmer-members (Xiangyu et al., 2008). Still today, All China Federation of Supply and Marketing Co-operatives, ACFSMC, the biggest organisation of its kind in the world, is formally tied with the national Government.

Technology Association: New forms of co-operatives emerged in the transition simply to deal with inefficiencies concerning access to inputs, technology, information, and markets by small farmers. In the 1980s, new co-operative organizations called ‘Technology Associations’ were formed by farmers to promote the use of new technologies, for the supply of farming materials, and to encourage commercialization. The ‘Technology Association’ was adopted not only by the farmers but also by large processing companies, local authorities in rural areas and by the State itself in organising farming supply and commercialization (Deng et al. 2010). Data up to 2004 bear witness to the success of the new model, with more than 150,000 active co-operatives (The Rural Development Institute, 2004, p. 157).

Household Responsibility System: As is well known, China began a political and economic transition in 1978 (Naughton, 1996). The central planning of economic activities was gradually transformed into a market-oriented system. In the new system, with the support of Deng Xiaoping from 1981, agriculture based on collective structures was replaced by a system based on the family. A system of family responsibility was adopted experimentally in 1978 by farmers in the province of An’hui. It gave the peasants temporary control of land ownership and any related income. The system was characterized by collective ownership of land, although farmers and their families were independent production units. Ownership of the land belongs collectively to the villages (Perotti et al., 1998) and these loan it to nuclear families based on the number of people and workers in each family. Initially the length of the loan ranged from one to three years, eventually being renewed for 15 years. In 2002, contract renewal was extended

to 30 years. The contract specified the family's obligations to the State for dues, taxes, and related charges. The family had the right freely to dispose of anything in excess of these obligations. The system introduced incentives for farmers who invested in order to increase productivity. In the first six years of the reform, agricultural production increased by 30%. As the reform progressed, the UPSS was phased out to make room for a free market in agricultural products. By 1982, the Government was starting to encourage farmers to sell their products in the markets. In 1985, the UPSS was officially abolished and from then on the Government bought wheat and cotton based on negotiated contracts, while pork, fish, vegetables, and other products were open to free trade. The transition (Hongyi, 2000) brought new challenges for farmers who, instead of producing the quantities and types of products required by the state, were obliged to deal with the dynamics of market demand.

New Rural Co-operative Medical Scheme: Chinese co-operatives are not only found in the agricultural sector. Since 2002, the national Government has been re-launching the rural health co-operative scheme, essentially similar to the model of the western 'health mutual insurances'. The Chinese version is also directly involved in the management of basic health services and it is connected with the experience of the 'barefoot doctors' (Brown and Theoharides, 2009; Bernardi and Greenwood 2011). The central government, aware of the rural-urban divide of opportunities and living conditions, has been giving great emphasis to rural health care reform through the New Rural Medical Co-operatives (Brown et. al., 2009; Zhao, 2011).

Specialized Farmer Consortia and Co-operatives: The new co-operatives that arose, starting in the 1980s, take two different forms: consortia (or associations) on the one hand and pure co-operatives on the other. Specialist agricultural consortia represent 65% of the 150,000 organizations in a 2004 census, while specialized agricultural co-operatives constitute the other 35% (The Rural Development Institute, 2004, p. 157). The main difference between the two models lies in the ownership of assets and the way they carry out such functions as production, marketing, and processing. In general, specialized co-operatives are registered with the Industry and Commerce Administration; they have invested capital and resemble western co-operatives in the functions they perform. The specialized agricultural associations, however, are registered with the Office of Civil Affairs, have no capital invested, do not require the payment of a social contribution, and are primarily concerned with providing technical assistance and training. The Farmer Professional Co-operatives Law, 2006, proclaims

in one of its first articles principles perfectly in line with those of the international Co-operative Movement:

*“The farmer co-operative shall comply with the following principles: (a) farmers play the dominant role among its members; (b) the key purpose is to serve members and act in the common interests of all members; (c) the members shall join and exit voluntarily; (d) all members are equal and Co-operatives are democratically controlled; (e) surplus should be redistributed based on the volume of members’ patronage.”*

The deployment of this law has been somehow controversial. It raised high expectations for its emphasis on bottom-up economic initiative and participation and because of the possibility for farmers’ co-operatives to diversify with a plurality of businesses such as farming, energy production, or recreation. Unfortunately, higher-level co-operatives are allowed to join the capital and to use voting rights to up to 20%. This has proved to be problematic in many cases. A small group of farmers can hardly handle the power imbalance between them and the huge organisations now authorized to take active initiative in the life of the co-operative. Additionally, there is a conflict of interests between the individual members and the corporate members who trade services and goods with the specialised farmers’ co-operatives.

Notwithstanding the experience of township villages (Hongyi, 2000), cases of industrial co-operatives are rare. There are, however, numerous co-operative banks (Wang, 2005). Yet after the many scandals of the past decade, the sector has undergone a drastic restructuring that has included the bailout performed by the National Bank of Agriculture (Lynette, 2009; Yuk-Shing, 2006).

The adoption of the co-operative model for emerging problems is an on-going process. For instance, a very recent case is connected to the rising pressure from urbanization policies and the growth of conflicts at village level. The Government has incentivized the creation of village co-operatives in charge of controlling the collective land, deciding about its use, and sharing the revenues of infrastructures or real estate developments, if agreed in the community (OECD, 2013).

As Figure 1 shows, over the last ten years collective forms of business ownership have been declining in importance, whereas private enterprises have increased substantially. The size and role of the State is also being readjusted dramatically though a strong hold remains on regulation, planning, and ownership of

strategic corporations. Unfortunately, the OECD and the national statistics data do not identify specific forms of co-operative, but we assume these to be mostly part of the ‘collective’ area.

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FIGURE 1 ABOUT HERE  
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At this point it is difficult to see what proportion of these are proper co-operatives and which are local collective enterprises controlled by local authorities. It would be even more difficult to establish the proportion of the co-operatives in which the enterprises are genuinely owned and controlled by workers or users, rather than being nominal co-operatives under the control of the managers who in one way or another have assumed leadership. It can be argued that the Chinese transition from socialism to market economy has been much more effective than the Russian one and that this can be partly attributed to the role played by those forms of collective organization of production and ownership. The collective acted as a buffer between State and Market during the transition and development of new institutions.

We can now address our third research question, namely ‘How has the Co-operative model evolved together with the political and institutional transition?’ The Chinese Co-operative Movement has undergone considerable alteration through its history, during which quite a few models and institutional forms have been developed, transformed, or abandoned. This process of transformation was provoked by significant political, ideological, socio-economic, and institutional changes (Stettner, 1984, 1987).

Through time, responsibility and incentives that were previously collective became individual, raising participation, real co-operation and productivity. Workers were progressively given freedom to take individual responsibilities. We are not sure, though, that Chinese society, as it stands, permits a full membership and active participation, which might require the civil society to have developed (Hall, 1995; Fulda *et al.*, 2012). In developing social entrepreneurship (Galera and Borzaga, 2009) without active citizenship (Van de Ven *et al.*, 2007; Short *et al.*, 2009), the risk here is that the outcome might be a hybrid organisation with traditional managers and silent membership unwilling or incapable of exercising its rights in the assemblies. This is as well, sometimes, the case in Europe or in the Americas (Bernardi and Köppä, 2011),

where traditional entrepreneurship takes place in the guise of co-operative firms serving the interests of the few, while true social entrepreneurship should serve the community or a range of active stakeholders. Civil society is a requirement for the development of true social entrepreneurship. Nevertheless, the Gung Ho approach is alive again, at least as an ambition if not yet as a widespread practice. Had it been successful in the 1930s and 1940s, the Gung Ho might have contributed to a very different evolutionary path focused on democratic membership, industrial development in rural areas, and bottom-up economic initiative rather than top-down organization of production.

The main contribution of this section is the description of the cycle which co-operatives have undergone: from small-scale co-operation, individual responsibility, and incentives to collectivization. After Mao, transition moved again back to individual incentives, small-scale voluntary co-operation and responsibility. It may be that the Gung Ho principles are coming back. The organization itself was allowed to reopen in 1987 and is still active today, despite being much smaller than the other co-operative associations in China that claim to represent up to 160 million members, such as the All China Federation of Marketing and Supply Co-operatives (Xiangyu et al., 2008).

## 5 THE CHALLENGES OF CONTEMPORARY CHINA

In this section, we claim that there are two main challenges threatening the sustainable development of contemporary China. Answering our fourth research question, we argue that the Co-operative Movement can contribute to this.

The first challenge is the transition from State to private ownership and the consolidation of a non-capitalist market economy model. In the literature on the Chinese economic system (Nathan, 1997; Arrighi, 2007; Tsai, 2007; Naughton, 1996, 2007), a common focus is so-called capitalism without democracy on the one hand, and the market without capitalism on the other. By its nature, the co-operative enterprise form is liable to remain excluded from such a dialectical model. One key element of co-operative diversity (Bernardi, 2007) is the ownership right system, a non-capitalist one:

*‘the freedom of enterprise is a fundamental characteristic of the most advanced modern economies. Capitalism, on the contrary, is contingent; it is simply the particular form of ownership that most often, but certainly not always, proves most efficient with the given technology’* (Hansmann, 1996).

Arrighi (2007), in his compelling book *Adam Smith in Beijing*, challenges the neo-liberal interpretation of the economic success of China. On the contrary, in anticipation of a conflict between western and Asian models, he proposes a reinterpretation of Smith and Marx. In particular, according to Arrighi, in China today there are firm signs of a type of non-capitalist market economy described by Smith in his *Wealth of Nations*. At that time Adam Smith was aware of the leading role of China, but was not able to predict how the industrial revolution would enable the great leap forward of the western nations.

Only thirty years ago, the Chinese economy was almost entirely controlled by the various levels of government. At the peak of their development, State businesses were responsible for the vast majority of industrial production and they employed the majority of the non-agricultural workforce. Collective enterprises accounted for the rest, with no other type of business allowed. Since the authorization of private enterprises in 1979, the proportion of production resulting from enterprises, whether State or collective has continued to decrease exponentially. The international literature in recent years on China’s transition is very rich. However, the analyses focus on the

dialectic of State versus Private and, if anything, allude to the ‘collective’ sector; reference to co-operatives is conspicuously absent.

The second challenge is the sustainability of growth. The economic policies of the last two decades have favoured economic growth and the nation’s modernization. Every year millions of Chinese have crossed the threshold out of poverty and the prospects of wellbeing and living conditions have improved sharply between generations and within the same generation. However, social problems and the growth of inequality have begun to alarm the Chinese Communist Party. A useful tool to measure successes and failures of contemporary Chinese policies is the Human Development index (HDI) inspired by Amartya Sen, and developed by Fukuda-Parr and Kumar in 2003. The HDI is an attempt to take account of other factors, not just the usual GDP, which determine the well-being of individuals and the development of a nation: longevity (as measured by life expectancy at birth), educational level (measured by the literacy rate of adults), GDP *per capita* expressed through purchasing-power parity. This index ranges from 0 to 1. An HDI level below 0.5 represents low development, and according to the 2013 report, there are about 30 countries in this band, all located in Africa bar four Asian nations. A level above 0.8 HDI is highly developed and in this band, comprising 70 countries, we find all the developed countries of North America, Western Europe, Oceania, East Asia, and some developing countries. Figures 2 and 3 show success measured by the Human Development Index at national level, comparing China’s performance with the world-average trend and with other nations’ trends.

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FIGURE 2 ABOUT HERE

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FIGURE 3 ABOUT HERE

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An HDI of between 0.5 and 0.8 represents the medium development, and in this group we find all countries with intermediate development and developing countries, including India and China (Rowley, 2012). In the case of India, performance in terms

of HDI is much higher than that measured by GDP *per capita*. The Chinese HD scores are encouraging, particularly when compared with those of other developing nations (see Figures 2 and 3). Yet China is a country of great contradictions and striking regional disparities (Clegg, 2006). Figure 4 presents an indicator of Human Development at provincial level. Even within these same (and vast) provinces there are large differences, primarily between rural and urban areas. Particularly noteworthy are the distinctions between the north-western interior of Mainland China and its southern and eastern coastal regions.

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FIGURE 4 ABOUT HERE  
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Given those two sustainability challenges, human development and smooth economic transition, can the Co-operative Movement contribute to the needs of contemporary China?

With regards to the economic transition from State to private market, the collective and co-operative sector made possible in China what did not happen in Russia. Several buffer institutions (Table 1) have assisted collective organization of production and collective ownership during the slow transition away from State ownership and State planning. If the institutional evolution of the co-operative sector and the relevant legislation moves towards democratic participation and bottom-up entrepreneurial initiatives, this process will provide considerable support to Chinese transition more broadly and will help with sustainability. The co-operative sector and the third sector could contribute in the case of market failures (Salamon, 2010; Stiglitz, 2009). Moreover, the co-operative sector worldwide has proved notably resilient, especially during periods of crisis, whether in the past or in more recent times (Birchall and Ketilson, 2009; Michie and Llewellyn, 2010; Stiglitz, 2009).

The growth of the Chinese economy is continuous, showing great intelligence in economic policy as well as in international strategy (Zou D., 1994). However, despite significant progress in the indexes of well-being and of absolute poverty, there is an evident and growing inequality of income. There is growth, there is a market economy, and there is a modern and very ambitious financial market. But despite claiming to be socialist (Zhang, 2009), the Chinese nation lacks many of the institutions of social

protection. China cannot continue to prosper for very much longer without proper health-care insurance and social security (Florence and Defraigne, 2013). The vision of a harmonious and cohesive society cannot be realized without decent public health-care throughout the country, without a universal social-security system, without the protection of labour, without the enforcement of decent minimum wages, without occupational health and safety policies, or labour rights (Cooney et al., 2013; Pringle, 2011). Co-operatives may provide an answer to many of those issues (ILO, 2002; United Nations, 2013). Key priorities are the fight against pollution and the contamination of natural resources, as well as the sustainability of urbanization and rural poverty. The period which was marked by an emphasis on growth at all costs has ended. The policy objectives for the latest five-year plans have put great emphasis, instead, on social security and the sustainability of development.

As far as growth and Human Development are concerned, the co-operative sector has longstanding worldwide experience of providing solutions. Farmers co-operatives and consumers co-operatives have served the cause of food security and responsible supplies. The co-operative credit model was born to serve the working class and has proved reliable and resilient during times of crisis for centuries; it could also be a very good alternative to the shadow banking system which is ubiquitous in China (Lynette Ong, 2009). The New Rural Co-operative Medical Scheme is working well and it may become more efficient and effective still with the arrival of competitors of a similar nature. The recent co-operative legislation also supports co-operatives that are willing to diversify to sustainable energy production, through micro hydro or biomass power stations. Finally, the promotion of workers' co-operatives is recommended by the International Labour Office (2002) for the diffusion of decent work practices in developed and developing countries.

Modern co-operation (in production, banking, retail, and housing) was born in Europe shortly after the industrial revolution, in an economic context of rapid change and serious social problems (urbanization, pollution, exploitation of labour, little social or union protection, poverty, inequality). This scenario in part describes China's boom of the last 20 years. But the more advanced forms of western co-operative enterprise (MacPherson, 2008), such as the social co-operative, the green energy co-operatives, and the peer-to-peer banking co-operatives, would also fit well with China's contemporary needs (Florence and Defraigne, 2013). Both traditional and new models of co-operation have the potential to improve the living and working conditions of

Chinese people (Cooney et al., 2013). The Chinese Government and Legislature have recently (in the 12<sup>th</sup> Five Years Plan and in the 2013 meetings of the National People's Congress) defined such challenges and, in some cases, have explicitly mentioned the co-operative firm as a tool which has the capacity to address them.

## 6 IMPLICATIONS

In this section, implications for theory, for practice and for policy are presented. They are connected with our four research questions but are also interconnected. These will be followed by short comments on the limitations of this study and on the need for future research.

The main implication for theory is that it is essential in studying co-operation in China to use the construct of civil society. Studies on co-operation and civil society are now available in the scientific literature of most western countries. In the case of China, those studies are lacking, despite the fact that they would be indispensable, we argue. A theoretical advance in the knowledge and understanding of the Co-operative and mutuals phenomena in China must be coupled with the issue of members' participation and bottom-up social entrepreneurship. Therefore, we argue, scholarship must consider and use the theoretical construct of civil society. We have argued that the new Chinese economic environment seems favourable to the co-operative enterprise. While this remains marginal compared to both State and private companies, there is room for co-operative initiatives. However, an active co-operative economy requires an active civil society (Fulda et al., 2012), and this is still an under-developed concept in China. The idea of civil society includes all those formal and informal organizations that act as a bridge between Government and business, such as charities, voluntary organizations, political parties, and so on (Hall, 1995). In these spaces, people can self-organize and take responsibility for their problems, sometimes superseding Government intervention. Given this premise, it is not surprising that in contemporary China a strong civil society does not exist (Fulda *et al.*, 2012), since it would quite clearly pose a threat to governmental power. At the beginning of its history, the Chinese Co-operative Movement complied with this requirement, as the Gung Ho experience flourished because it had its roots in participation, sustainability and democracy (Cook and Clegg 2012). Today this is not at all widely the case. For those reasons, the scholarly research on Chinese mutuals and co-operatives must investigate the presence of democracy and autonomy at organisational level and of civil society as a trigger and catalyst of true social entrepreneurship initiatives.

From a theoretical point of view, we have shown how useful and appropriate the ICA's statement on co-operative identity is as a tool in describing and evaluating the co-operative phenomenon. This paper has also made clear, however, that Chinese co-operatives do not always possess the essential characteristics of the co-operative as

outlined by ICA's definition. In some cases, what a government or a social group calls a co-operative might not be a real co-operative. While we are aware that ICA's statement was not born as a theory-based tool, the fact that it distils views and opinions on co-operative enterprises from member associations based in all Continents and over 100 countries makes it a powerful instrument to describe and evaluate the co-operative phenomenon worldwide beyond the Chinese case.

The main implication for practice is that the interactions between Chinese and international Co-operative Movements need to be established on the basis of a sincere agreement of common values. The International Co-operative Alliance shall make sure that its Chinese members are not agencies of the Government working to implement its directives but rather associations or federations of true co-operatives. The Chinese Co-operative movement should gain autonomy from politics. It is now too late to hope for the growth of the Gung Ho, only a minor organisation compared to the giant federations, which are deeply involved with government bodies and supposedly represent millions of members and hundreds of thousands of Chinese co-operatives, such as in the case of the All China Federation of Supply and Marketing Co-operatives. Nevertheless, ICA can still support the heritage of the Gung Ho and state that its values and principles are the same as the international Co-operative Movement and ICA itself. Clarity on the nature of Chinese co-operatives and their second and third level organisations would make it easier for Chinese members of the ICA to participate actively, but would also improve the likelihood of business collaboration between western and Chinese co-operatives.

The implications for policy are connected with what we have argued about theory and practice. This study has explained how the co-operative business model may contribute to sustainability: providing opportunities for Human Development and smoothing the transition of the economic system from State planning and ownership towards market and private ownership. If moving beyond market fundamentalism to a more balanced economy is a worldwide necessity (Stiglitz, 2009), this is all the more true for China, and co-operatives can contribute to this. But this contribution is provided only by true co-operatives; because, for instance, a fake co-operative is not necessarily more environmentally sustainable than a capitalist firm, or a fake co-operative bank is not necessarily reliable. Furthermore, a fake co-operative would not help to empower farmers and villagers and would not protect them in the interactions with much bigger organisations (see the case of the Farmers' Specialised Co-operatives). For that reason,

the Chinese Government has to facilitate the emergence of a true co-operative model, and, as we have argued, a civil society is needed to support the flourishing of participation in true co-operatives. NGOs, Associations, and other civil-society organisations are today again on the increase in China (see Table 2), yet this is without the concerted support of the Government and it is happening very slowly when compared to usual Chinese trends.

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TABLE 2 ABOUT HERE  
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Indeed, such organizations must have formal authorization to operate, so that any undesirable organization has no chance of success. The central Government's attitude towards associations remains cautious; support is granted only to those kinds of associations that are entirely economic in nature, and will not become even slightly involved in political issues. Even when it comes to economic issues a true civil-society organization might pose a risk for the political establishment because collective organizations might express interests in conflict with those supported by local or national authorities:

*“Non-governmental organization (NGO) can contribute to urban management in a number of ways, serving as a channel for participation, and playing important roles in aiding vulnerable people, increasing social tolerance and safeguarding social stability. They help reduce the misuse of market mechanisms and government interventions. Legislation to encourage NGO participation lags behind, however, even as the number of these groups is increasing rapidly” (UNDP, 2013, p. 42).*

Civil society could also play also a role as a watchdog of the policy makers and the private firms when sustainability and fairness is at stake (Gao and Chi, 1996; Fulda et al., 2012). There are opportunities for the Chinese Co-operative sector but it must converge with the western model, or better, go back to its origins, when, between 1912 and 1949, Chinese intellectuals and practitioners developed an autochthone Chinese co-operative model incorporating foreign experiences. If the Chinese authorities are truly concerned with the sustainability of their growth model, and if they are genuinely

interested in the co-operative sector as one of the possible answers to this, they must aim for the development of a true Co-operative Movement and not of a hybrid characterized by strong ties with Government bodies and lack of democracy and bottom-up entrepreneurship.

There are two limitations to this study. We had to rely on oral and written translation of the Chinese Mandarin language. This does not necessarily compromise the results of such a study, but must nonetheless be taken into account. Furthermore, we started the research taking for granted the validity of the assumptions of the collectivist nature of Chinese culture. We had to consequently challenge those assumptions, which nevertheless, with some precaution, remain an interesting device for management research, teaching and practice (Hofstede, 2002).

Further research is needed. First of all, the evolution of Chinese culture and business practices needs to be monitored as the exchanges between Asia and the western world grows (Warner 2013; Nankervis et al., 2013). The evolution of the Chinese co-operative legislation and relevant national and local Government policies needs to be observed further. Finally, the interactions between the International Co-operative Alliance, its western members and its Chinese components require investigation. We don't know yet whether and how an institutional process of mutual influence is taking place, nor else in which direction any such influence is working, i.e., if China is influencing the ICA or rather the International Co-operative Alliance is shaping the Chinese Co-operative sector.

## 7 CONCLUSIONS

In this work, we have shown that the western notion of the co-operative fits well with the Chinese case and that we are in fact dealing with the same phenomenon, one which has a long history. We have described how Maoism has represented a deviation to the evolutionary path of the Chinese Co-operative Movement that otherwise, earlier and after that experience, has been converging to the western model. Its original development itself was indeed shaped by western direct influence. We have told the story of how the co-operative model has evolved hand in hand with political and institutional transition. We have finally argued that in contemporary China the Co-operative Movement has the potential to make really quite dramatic contributions to the sustainable and prosperous development of China. The memory of forced collectivization and limits placed on the growth of a proper civil society are far from helpful to the revival of co-operation in China. However, despite a very heavy historical legacy and some contemporary institutional constraints, a bright future is not only desirable but possible for the Chinese Co-operative Movement.

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## TABLES AND CHARTS

<b>Institution</b>	<b>Sector</b>	<b>Period</b>	<b>Characteristics</b>
Gung Ho Co-operatives	Manufacture	1938-49	Small scale, voluntary membership, individual investment in the equity and individual incentives.
Mutual Aid Team	Agriculture	1949-55	Up to 5 families, voluntary membership, individual ownership of land.
Elementary Co-operative	Agriculture	1955-79	Up to 30 families, voluntary membership at the beginning.
Advanced Co-operative	Agriculture	1955	No individual ownership of means of production, no voluntary membership.
People's Commune	Agriculture	1958-78	Up to 5000 households originally, than 30 families, no voluntary.
Supply and Marketing Co-operatives	Agriculture and distribution	From 1954, reformed in 1982	No voluntary membership until reform. 15 and then 30 years lease of land to farmers, individual responsibility on productivity and revenues.
Technology Association	Agroindustry and distribution	From 1980s	Focused on technological improvements
Household Responsibility System	Agriculture	From 1981	Voluntary membership. Individual responsibility and rewards.
New Rural Co-operative Medical Scheme	Health-care	From 2002	Voluntary membership.
Specialized Farmer Consortia and Co-operatives	Agroindustry	From 2007	Individual lease of the land for a medium to long period. Small and multi business.

Table 1, Evolution of main co-operative business forms.

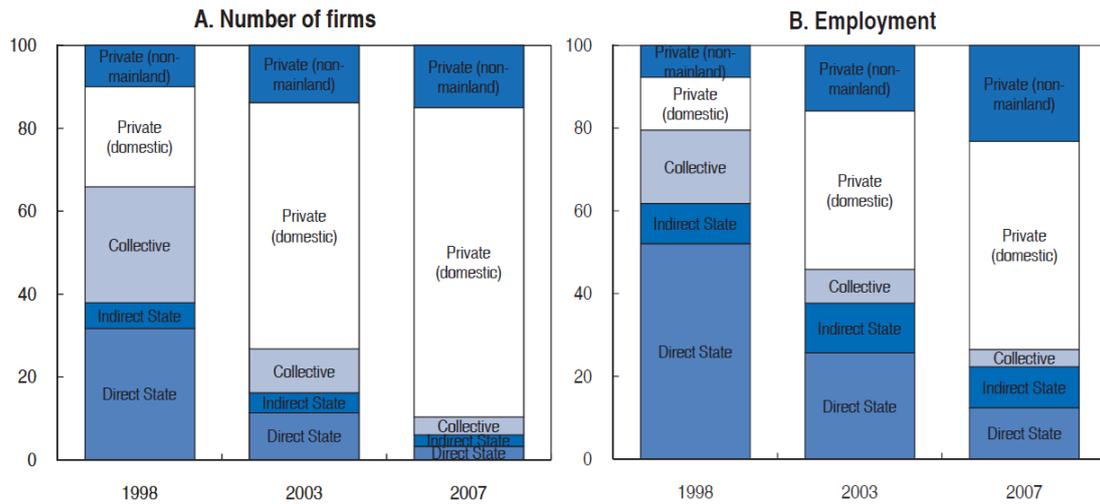


Figure 1, Relative economic weight by ownership type, number of firms and employment (OECD, 2010).

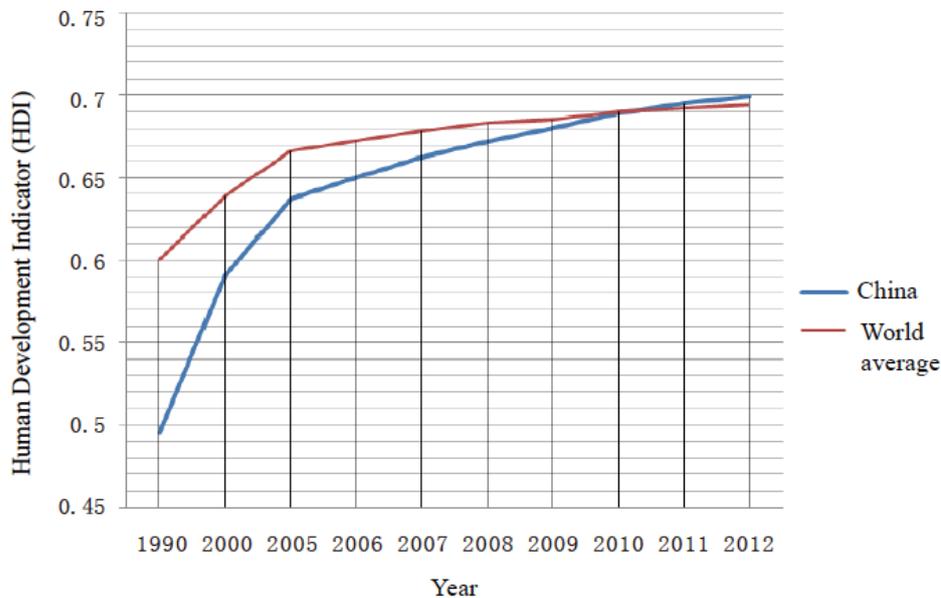


Figure 2, Human Development Index of China and the world average, 1990-2012 (UNDP, 2013).

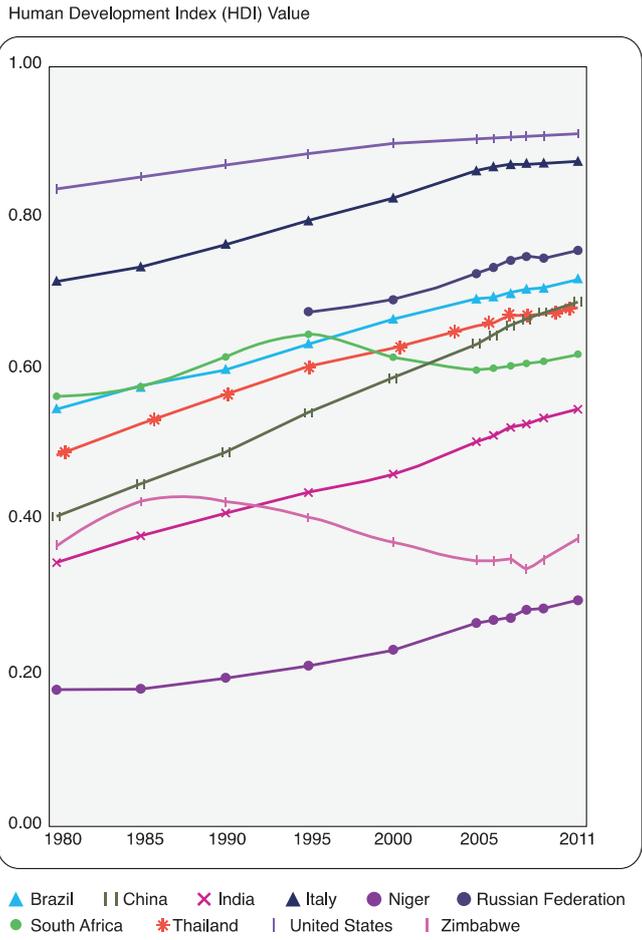


Figure 3, Human Development Index for China and other countries. Source: UNDP 2014.

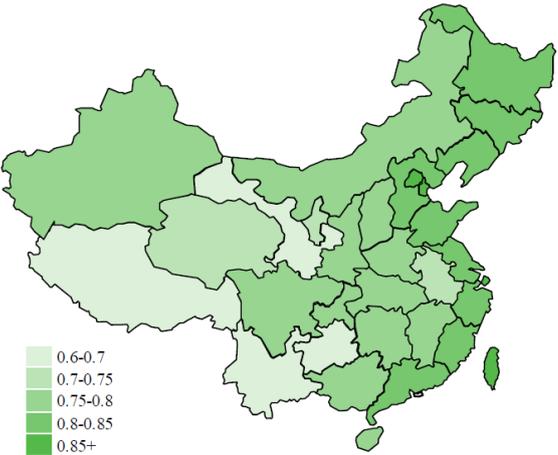


Figure 4, Human Development Index by province (UNDP, 2010).

Year	Mass organisations (10.000)	Private non-enterprise organizations (10.000)	Foundations
2001	12.9	8.2	-
2002	13.3	11.1	-
2003	14.2	12.4	954
2004	15.3	13.5	892
2005	17.1	14.8	975
2006	19.2	16.1	1144
2007	21.2	17.4	1340
2008	23.0	18.2	1597
2009	23.5	18.8	1780
2010	24.3	19.5	2168
2011	25.3	20.2	2510

Table 2, Growing number of NGOs. Source: Ministry of Civil Affairs and UNDP (2013).