
Industrial Co-operatives in China

by Dr. Jenny Clegg

Over the last decade, China has seen an upsurge of market activity resulting from economic reforms and an easing of state control which has created economic space not only for foreign investment and private and individual enterprise, but also for the revival of small-scale industrial Co-operatives. Indeed, as the experience of economic reform deepens, the Co-operative way of organising production may offer an alternative where other forms of enterprise encounter difficulties.

This, as I learned on a recent visit to Beijing, is the view of the International Committee of the Chinese Industrial Co-operatives (ICCIC), a Non-Governmental Organisation (NGO) which, since 1987, has helped to pilot 20 experimental Co-operatives with around 2,000 worker-members in different parts of China.

The ICCIC brings together a disparate group of people - young worker-members, many from a peasant background, are assisted and trained by veterans of the Co-op movement of the 1950's, while the committee itself includes members from the U.S., Canada, New Zealand and France, living abroad as well as in China.

The aim of the ICCIC is to study and explore the Co-operative experience to facilitate its incorporation into China's industrialisation process as a part of the national economic reforms.

INDUSCO in the Past

Dating back to the 1930's, industrial Co-operatives have deep roots in China's revolutionary history. Originally the initiative of New Zealander, Rewi Alley, a Shanghai-based factory inspector whose name was to become synonymous with Gung Ho - 'work together' - the spirit of co-operation, INDUSCO played a role in supporting China's resistance against Japanese invasion, winning support from the world anti-fascist movement, including amongst many others, the British Federation of Young Co-operators.

Of the 2,000 Co-ops at this time 230 were in areas liberated by the Red Army. Many formed Co-operative communities, with schools and clinics for the worker-members recruited from a largely illiterate peasantry, and with women playing an important role.

After liberation, China continued to follow the Co-operative path as suited to

the development of a poor peasant country, creating employment in the rural areas by raising funds locally. Then in 1958 Co-ops were amalgamated into people's communes, losing their element of worker-member control. The commune structure allowed rural industries to develop, and with the return to family farming in the early 1980's, these continued to flourish under township or village collective administration. By 1990, they accounted for 33% of China's total industrial output value and 25% of GNP. In 1983, INDUSCO was revived to contribute to this process of rural industrialisation.

The Gung Ho Spirit

With surplus labour in the countryside estimated at roughly one third of the 350 million rural labour force, job creation in China is an urgent matter. This is especially so at a time when attempts are being made to improve the efficiency of state industries by upgrading technology to reduce the burden on the national budget. Against such a background the significance of self-reliant Co-operatives is clearly evident.

Co-ops, responsible for their own profits and losses, are not dependent on state funding but rely instead on the enthusiasm of the worker-shareholders. Profit-sharing provides a motivating factor absent in a state enterprise, making Co-ops less prone to bureaucratism, extravagant expenditure and corruption. Where bureaucracy alienates and discourages, democratic management and the incentive of profit-sharing encourage initiative and commitment.

Furthermore, China's step-by-step reform of its irrational marketing system has had its losers as well as winners within the private and individual enterprise sector. Co-ops share and minimise risks as the concentration of capital enables greater flexibility in product range, providing more security than does individual enterprise.

INDUSCO's Gung Ho principles are those of collective ownership and democratic management with members as share holders, electing their own managers and making decisions together about rates of pay, profit-sharing and future developments. Rewi Alley had envisioned the Co-operative as a 'schoolroom of democracy' but living up to ideals is easier said than done, so just before his death, Rewi reconvened the International Committee to pilot Co-operatives run along genuine Gung Ho lines, to study and disseminate the experience. The emphasis was to be on the training of young and disabled people, particularly in the underdeveloped areas of China's hinterland, with efforts to preserve resources through, for example, the use of solar and methane power.

A Visit to a Co-op

There are 20 ICCIC experimental Co-ops producing garments, hats, toys,

clocks and plastic products from processed waste and including a farm machinery repair workshop, a paper mill, a brickworks and a coal mine. They have been set up under a variety of circumstances in very different parts of the country. Shandan, in the hinterland province of Gansu had been an original INDUSCO base; at Longkou on the prosperous Shandong coast, the Co-ops received support from overseas Chinese, whilst the port provided access to international markets; at Honglin near Wuhan in central China, the whole village was involved with the Co-operative project incorporating the school as well as the village enterprises.

Run by the workers, they receive some government support, through, for example, loans, premises, provision of raw materials and outlets for products through state channels.

I visited the newest project, the Haidian Metal Products Co-operative in Beijing which was set up in March 1991 with a temporary management committee of representatives from ICCIC and the local township government which had provided premises. The chair of the committee was a veteran of the 1950's Co-ops, now retired, and the acting manager, a former township enterprise engineer.

The Co-op is up and running with 15 workers producing metal parts and stands for ultra-violet ray tubes on contract with a local state enterprise. Among the four men and eleven women members, mostly in their twenties and all from peasant families, were five with disabilities. The Co-op is funded in part with loans from the bank and from ICCIC. Members' shares of 500 yuan (the maximum holding is two) can be raised through a loan from the Co-op to be paid off out of wages. Shares can thus be held by the young workers independently of family savings. Present pay varies from 70 to 90 yuan per month and, as pay in advance of production, is lower than in the other longer-running Co-ops.

The facilities were fairly basic, with light, spacious workshops, a kitchen and dining room (the cook was a Co-op member) and an office with an accountant and a book-keeper. Further workshops were being fitted out, the plan being to recruit 40 members and to expand to 100 over three years.

The Co-op has yet formally to constitute itself: the young workers I spoke to had had training sessions about the principles of Co-operation and were studying a draft constitution. They seemed enthusiastic about the Co-op, especially the opportunity to gain skills.

Some Problems; Some Solutions

Lu Wanru, from the ICCIC's Beijing office, explained that so far 17 out of the

20 projects had proved successful financially but certain difficulties had been encountered especially in Shandan, the least developed area, where change and new methods were hardest to introduce. The problems were attributed to inadequate understanding of Gung Ho principles and a training programme has been run for all Gung Ho managers with financial assistance from BAM (Brothers to All Men) a Paris-based NGO, and American and British ICCIC supporters.

Reporting on a recent visit to the Co-ops in Longkou, American and Canadian members of the ICCIC, spoke of the 'breadth of vision of the local leaders . . . ' whom they found to be 'admirable people, able, far-sighted, energetic and committed to making a success of the Gung Ho Co-ops . . . ' The committee members also suggested that considerable effort should be put into strengthening democratic management by extending the procedures beyond annual elections and year-end appraisal - for example, through regular meetings about working conditions - in order to promote active member participation.

Lu Wanru agreed that one of the difficulties was how to guarantee that members would take part in decision-making and not just 'listen to the leaders'. In Haidian, the potential was clearly there for the young inexperienced members to depend on, and defer to, their elder, more experienced and skilled trainers and acting manager. He had nevertheless stressed the importance of education and emphasised that priority would be given in the first year of operation to dividend payments over accumulation, for without seeing the returns on their shareholding, members would not take an active part.

International Links

The ICCIC is now aiming to strengthen the Co-ops through, for example, the provision of welfare services and the raising of technical standards to improve the quality of products for international markets. The ICCIC has recently joined the ICA and is stepping up efforts to promote international economic and technical exchange and co-operation, and to gain support in the form of funds, equipment and technicians, market outlets and even joint Co-operative ventures.

As the ICCIC seeks to develop its contacts around the world, it provides a bridge for international co-operation and an opportunity for those who are concerned to promote the role of Co-operatives in the Third World, to strengthen the methods of co-operation in relations between developed and developing countries.

Future Outlook

As in other developing countries, industrial Co-operatives in China face

problems of poor management, as well as difficulties in developing a strong financial base; in identifying stable markets; and in improving product quality, skills and technology, not least to control pollution. So much depends on the enthusiasm of the Co-op members. Co-ops are guaranteed by the Chinese constitution, but the past history of Co-operation has been one in which socialist zeal and centralising tendencies have often outstripped the principle of voluntary participation. More recently small-scale projects have been the first to get squeezed when finance has been tightened to prevent the economy overheating as reforms deepen. All of these factors, taken together with the uncertainties of markets and prices, may contribute to a lack of confidence among people which can only undermine the enthusiasm and commitment that provide the basis of Co-operation.

The ICCIC is a pilot project on a very small-scale. It has a core of committed and experienced activists which provides the opportunity to study the problems of democratic management, financial self-reliance, and environmentally-sound production. It also has the potential to feed this experience into strengthening small-scale urban and rural industry, and contribute to the efforts of the Chinese people to find a way forward towards common prosperity.

The Author

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