Agricultural Cooperative Development in China and Vietnam since Decollectivization: A Multi-Stakeholder Approach

TURSINBEK SULTAN¹ AND AXEL WOLZ²

Abstract

Even before other socialist countries in Central and Eastern Europe (CEE) and the former Soviet Union (FSU) had done so, China and Vietnam embarked on a decollectivization process, where collective farming was completely abolished and family farming re-emerged. When the CEE and FSU countries started farm restructuring during the early 1990s, the East Asian way seemed to be the model. Some countries followed suit, while others provided the legal basis for a competitive environment between various types of farm organizations. One vital feature, however, is the fact that agricultural service cooperatives, contrary to China and Vietnam, only play a marginal role in these countries. Though the farmers from China and Vietnam and from the CEE and FSU countries had equally bitter memories of their respective collective periods, we argue that additional stakeholders were decisive in cooperative development. This might be a vital factor for why agricultural production prospered so quickly.

Keywords: collective farms, agricultural service cooperatives, stakeholders, China, Vietnam

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Introduction

Like all socialist countries during the 1950s, China and Vietnam pushed for the creation of agricultural production cooperatives (APC). However, earlier than other socialist countries in Central and Eastern Europe (CEE) and the former Soviet Union (FSU), they embarked on a decollectivization process which led to a complete re-introduction of family farming in the late 1970s and early 1980s, respectively. Agricultural production immediately prospered, and both China and Vietnam were seen as successful models for the other transition countries during the early 1990s (Deininger, 1993). Hence, some of these countries strictly followed the East Asian model and pushed for the quick dissolution of collective farms and their subsequent transfer into a large number of small-scale family farms, e.g. Albania, Romania, or Armenia. On the other hand, some countries provided a legal basis for various modes of organizations in agricultural production, e.g. Russia, East Germany, or Slovakia, where they had to compete with each other. In many of these countries, agricultural production is not dominated by family farms, but by large-scale corporate farms organized as agricultural production cooperatives formed on a voluntary basis, or by limited liability companies and joint-stock companies. Besides agricultural production, the (state-owned) upstream and downstream sectors were to be re-organized. Hence, both the newly-established family farms and the transformed large-scale farms were in urgent need of adjusted supply and marketing systems.

However, when comparing agricultural development since transition, it is striking that in both countries in East Asia, agricultural production expanded rapidly while the CEE and FSU countries were characterized by several years of decline. Depending on the country, the process of recovery took more or less time. While the major reasons for this have been analyzed elsewhere (Rozelle and Swinnen, 2004), we argue that institutional and organizational conditions also seem to have been influential. Both China and Vietnam opted – besides the gradual expansion of the private entrepreneurship – to establish agricultural service cooperatives. In most CEE and FSU countries, however, agricultural service cooperatives only play a marginal role. As the major contributing reason, it had been argued that there “is a strong resistance to the entire notion of cooperatives among the rural people ... motivated by the long negative experience with Soviet-era collectivization,” (Lerman, 2012: 10). However, the memory of Chinese and Vietnamese farmers is also not positive with respect to the collective period. Nevertheless, they are more open to this type of cooperation. It has been suggested that additional actors, or stakeholders, beyond the ordinary farmers had a vital interest in the cooperatives’ success.
This paper is structured as follows. In the next section we discuss the development of agricultural service cooperatives in China and Vietnam since decollectivization. Our major contribution is comprised of an analysis of the major stakeholders in agricultural cooperative development and their major characteristics. Conclusions are drawn in the final section.

Development of agricultural cooperatives since decollectivization

With the collapse of the socialist regime in both CEE and FSU, as well as the implementation of market systems in Vietnam and China, guiding the economy through central planning had to give way to a decentralized management through markets. Collective property had to be privatized. While socialist organizations had to be abolished, new organizational types were needed to replace them (Csaki and Nash, 1998). With respect to agricultural production, this transformation process required, in part, a legal conversion and, in part, an organizational restructuring of the 'socialist' entities into viable business units compatible with the market economic system.

In both China and Vietnam, the economic transformation process was implemented gradually, guided by the government and the Communist Party. Transition affected all economic sectors differently, but in both countries it began with the agricultural sector. In both China and Vietnam there were various trials with respect to individual farming in rural regions before it became official policy (Lin, 1992; Unger, 2002; Fforde and de Vylder, 1996). The start of individual farming began with the distribution of production cooperatives' agricultural land among its members, and with the acknowledgement of the individual farm as an independent decision-making unit. However, without the appropriate institutional set-up, private farmers were not able to contribute to, nor participate in, economic development. At that stage, there were, at least theoretically, two options: On the one hand, new institutions and organizations could be designed from scratch to efficiently provide the required services. On the other hand, existing institutions and organizations could be adapted to make them responsive to the changing requirements (Adams, 1995). As will be shown, China and Vietnam followed different approaches in promoting agricultural service cooperatives.

China: Development since the late 1970s

One of the most distinctive features of China’s transition to a market economy was the role of institutional reforms in rural China. After the ‘Cultural Revolution’ (1966-76), food was very short. As a response, China re-
introduced family farming (Household Responsible System) in the late 1970s, which significantly contributed to agricultural productivity growth during the early reform periods (de Brauw et al., 2004). Chinese agriculture is characterized by scarce land. There were more than 800 million rural inhabitants in the early 1980s, making up about 200 million households. The average farm size only amounted to about 0.6 ha in 2008 (Deng et al., 2010). The farmland is de jure owned by village collectives, which extended land lease contracts to individual farm households. Households have the usage rights and sub-leasing rights. Transfer the user rights from farmer to farmer is permitted, but the land cannot be sold. The first round of lease contracts was granted during the early 1980s and further extended in 1984 for a period of 15 years (OECD, 2005). At the organizational level, China experienced three distinct institutional phases since decollectivization, i.e. the ‘bottom-up self-organizing’ period, the ‘motivation and promotion of the cooperatives development’ period, and finally the adoption of the cooperative law in 2007 (Table 1).

Table 1: Basic information of agricultural service cooperative development in China

<table>
<thead>
<tr>
<th>Development periods after decollectivization</th>
<th>Main characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(2) 1990s - 2007; motivation and promotion period: contract farming, informal groups ‘farmer professional cooperatives’; not accepted as legal entities.</td>
<td>Extension, training, coordination, joint marketing (contract farming); members invest and control, government promotion (limited).</td>
</tr>
<tr>
<td>(3) Since July 2007; Cooperative Law effective: fast development years; cooperatives registered and formal status acknowledged; accepted as business organizations.</td>
<td>Extension, training, input supply, marketing; members invest and control, government promotion (substantial).</td>
</tr>
</tbody>
</table>

Source: Sultan et al., 2011

(1) With the re-introduction of family farming, farmers again became responsible for their own input purchasing, production and marketing decisions. Freeing up markets was a gradual process, with markets for fruits, vegetables
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and livestock being opened up earlier in the reform process, and markets for products such as grain and cotton only recently opening up completely (OECD, 2005). Still, farmers faced serious constraints in accessing essential inputs and selling their products. In a first stage, the newly formed farmers’ organizations were associations (xie hui) that mainly functioned as providers of technical support and information to the members. Only in some regions were these organizations providing additional services to their members. In general, these associations were rather informal. At that time, the options for agricultural cooperative development were seen as rather bleak (Kojima, 1988).

However, over time, more and more of the cooperatives started to take on additional roles such as joint marketing, input purchasing, etc. Nevertheless, developing farmers’ organizations and cooperatives since the early 1980s had been confusing. In the beginning, these organizations were known under different names and, in general, registered informally in various governmental departments such as the Ministry of Agriculture or the Ministry of Civil Administration. The lack of coordination among these administrative departments seems to have hindered the development of agricultural service cooperatives in the following years (Sultán and Larsén, 2011). Detailed figures on their number at that time are difficult to obtain.

(2) The second phase of institutional change started during the mid-1990s. At that time, China experienced an oversupply of agricultural products and increased competition in global markets; at that time, agribusiness concepts were receiving more attention. One of the institutional innovations was contract farming, which offered a means to effectively connect small scale farmers with large scale food processing firms (‘dragon-head firms’). The proportion of farmers involved in contract farming increased significantly, from 10% to 25% between 1996 and 2000 (Niu, 2002). The processing firms received support from all government levels, and financing from the Agricultural Development Bank (Guo et al., 2007). However, this support policy brought mixed outcomes in efficiency and effectiveness; many did not follow market principles and modern management concepts. Small farmers had inferior bargaining positions, and had difficulties obtaining a fair share of the market. In other instances, farmers defaulted on their contracts for short-term gains.

During these years, producer-owned organizations developed quickly. The term ‘cooperative’ began to dominate, even though it had a negative connotation in rural China. While the Chinese term for ‘associations’ (xie hui) can be formal or informal, and covers all kinds of producer organizations, the term ‘cooperative’ (hezuo she) is more restricted. Therefore, the western term for agricultural cooperatives is referred to as farmer professional cooperatives.
The main problem during this period was that these entities did not have legal identities and were therefore excluded from business contracts. Some scholars, such as Bijman et al. (2007), posit that the Chinese government was reluctant to promote cooperatives during this period. Zhou (2004), however, concluded that Chinese farmers, due to their bitter memories from the past, were experimenting with a wide range of collaborative arrangements to find an appropriate model.

(3) With the adoption of the ‘Law of Farmer Professional Cooperatives’, which came into effect 1 July 2007 and established formal rules of the game, the development of agricultural service cooperatives entered a new era. In line with the law, agricultural service cooperatives must be registered with the Bureau of Industry and Commerce. Similarly, the law clarifies that the Agricultural Bureau at the county or higher levels is responsible for the supervision of cooperatives. They are now recognized as separate legal entities and can negotiate legally binding contracts.

In 2003, there were more than 100,000 informal agricultural service cooperatives in China (World Bank, 2003). Shen et al. (2005) estimated that 2.9% of the farmers and about 10 percent of villages were members in 2003. In June 2010, the number of agricultural service cooperatives exceeded 310,000, which provided services to about 26 million farm households (covering almost 10% of farm households). According to estimates, at least one-third of these cooperatives only exist on ‘paper’, while another one-third does not strictly meet the ‘cooperative principles’, and the remaining one-third are functioning properly. In this respect, we assume that there are about 100,000 fully operational agricultural service cooperatives serving about 8.5 million farm households. These cooperatives are financed through share capital by their members. In addition, the cooperatives are financially supported by the government.

**Vietnam: Development since the early 1980s**

After the first nationwide attempts with individual farming in the early 1980s, collective farming was given up completely in 1988 (Que, 1998). Private farming became the dominant mode of agricultural production. By 2006, there were about 9.7 million farm households in the country. In general, family farms are relatively small. The average farm size has less than one hectare (Son, 2009). Two major phases in agricultural cooperative development can be

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distinguished, i.e. a transition period and the period since the adoption of the cooperative law in 1997 (Table 2).

Table 2: Basic information of agricultural service cooperative development in Vietnam

<table>
<thead>
<tr>
<th>Development periods after decollectivization</th>
<th>Main characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) 1988-1996; transition period: collective farms still operational as service providers, informal groups (pre-cooperatives) emerged from grass root demand, but also from administration demand.</td>
<td>Basic services: extension, input supply, irrigation, electricity; no marketing. Government promotion, but almost no financial support.</td>
</tr>
<tr>
<td>(2) Since 1997; Cooperative Law effective: recognized as legal entities; transformation of still operational cooperatives (‘old style’ into ‘new style’), set-up of new ones from scratch; informal groups.</td>
<td>Better services: extension, input supply, irrigation, electricity, first marketing activities. Limited support from government.</td>
</tr>
</tbody>
</table>

Sources: Son, 2009; Wolz and Pham, 2010

(1) The transition process of collective farming in Vietnam was not straightforward, but a ‘trial and error’ process (Loung, 2003; Kerkvliet, 2006). By the mid-1980s, hunger and malnutrition had become widespread. With the adoption of the renovation policy (doi moi) in late 1986, collective farming was given up. The major changes of the institutional framework (Kerkvliet, 1995) culminated in the relatively equal redistribution of all land in the collective farms among the farm families (Resolution No. 10, 1988). Contrary to most CEE countries, but similar to China, restitution was not a political objective. Individual land ownership rights were not allowed, but farmers were assured long-lasting land-use rights. The Land Law (1993, revised in 1998) sanctioned the emergence of a land market and the use of land as collateral for credit.

While collective farms lost their major traditional tasks with respect to agricultural production, many of them continued to exist as legal entities. However, not all were successful in providing the necessary services to the newly-established family farmers, particularly input supply. During the early 1990s, more and more collective farms were either disbanded or stopped operating voluntarily (Kerkvliet, 1995; Fforde, 2002). Others already split up during this period. In areas where collectivization had not been successful, as in south Vietnam after 1975, or where collective farms had been dissolved,
farmers were urged to set up informal self-help organizations to assist in labor exchange, irrigation and other tasks (Thayer, 1995). By the end of 1996, the number of still-operational collective farms was about 14,000, while the one of informal self-help groups at about 50,000 (Manh, 1997).

(2) The Cooperative Law came into effect 1 January 1997. This law reflects the basic principles of the international cooperative movement. However, the law still uses the same term for cooperatives as during the collective period (hop tac xa), meaning ‘collective cooperation at the village level’. In principle, the law provides the legal basis for three developmental options (Wolz and Pham, 2010): (1) the transformation of the former collective farms into viable agricultural service cooperatives that had to be newly-registered (‘from old-style to new-style cooperatives’); (2) the dissolution of former collective farms; and (3) the formation and registration of completely new agricultural service cooperatives. While the transformation process took much longer than anticipated, it has since been finalized. By mid-2007, there were approximately 18,000 agricultural service cooperatives, of which about 12,000 were newly-established, and about 6,000 were transformed. In addition, there were about 90,000 informal cooperative groups by mid-2008 (Son et al., 2008).

The rapid rise of agricultural service cooperatives reflects the need among farmers. Nowadays, about 10 million Vietnamese farmers (Son, 2009) are relatively well organized. In a conservative estimate, we assume that transformed cooperatives comprise, on average, about 300 members, and newly-established ones ten members, respectively (Wolz and Pham, 2010). Assuming about 6,000 transformed cooperatives and another 12,000 newly-established ones currently operational, about two million farmers, or approximately one-fifth, are members of an agricultural service cooperative. Many of the remaining eight million farmers have joined one of the 90,000 informal cooperative groups. However, no detailed figures are available.

Types of cooperative organization: single or multi-stakeholding entities in China and Vietnam

After the re-emergence of family farming in most transition countries, it was assumed that service cooperatives could play an important role in improving the countries’ market position and contributing to economic and social development (Sauer et al., 2012). At the time of decollectivization it was argued that cooperatives would help smooth the painful and unknown transition process from a centrally planned to a market economic system for the newly-established family farmers. Former farm workers from the
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collectives became independent private farmers who had to make their own decisions with respect to agricultural production. Cooperatives are seen as providing clear guidelines to the population of newly established entrepreneurs for learning the new rules of a market-oriented economic system, albeit gradually. These cooperatives provide risk pooling in times of high uncertainty, when many events cannot be foreseen and markets are absent or ill-developed (Mathjis, 2007). However, most newly established farmers in transition countries were reluctant to join a cooperative even if the economic benefits were evident. This was mainly due to their distrust of collective arrangements stemming from experiences under the socialist period (Lerman, 2012).

While farmers are reluctant to form cooperatives, it seems to be an option that other actors show an interest and play a role in cooperative development. Traditionally, cooperatives have been understood as single stakeholding systems focusing on members who are at the same time users. Individual farmers in a similar situation join their resources in order to achieve an improvement together which they could not achieve individually. Unlike the single stakeholder cooperative, the multi stakeholder one provides for more than one category of stakeholders. These may or may not be members, yet they are expected to benefit from and/or be users of the cooperative. Multi stakeholding may be characterized by more than one kind of user in the same cooperative. Stakeholders can be defined as, “... those groups without whose support the organization would cease to exist,” (Levi, 1999: 83). Besides the members, managers and employees of the cooperatives, the government, the party, the local administration, etc., might have an interest in its development and services. Hence, the notions of stakeholder and member do not necessarily coincide. In this respect, the idea that the cooperative enterprise should serve the owners only is rejected. The notion of multi stakeholding transcends the idea of an organization serving the interests of only one group (Levi, 1999).

While agricultural service cooperatives developed relatively quickly in China and Vietnam compared to other transition economies, this became possible due to the active involvement of additional actors. Hence, in addition to ordinary farmers, other stakeholders had an interest in its success, and the multi stakeholding model applies. However, the countries did not follow the same path in reaching this objective. In the following we discuss agricultural service cooperative development with respect to three major issues: (a) initiators, (b) decision-making rights, and (c) the role of the local administration.
Initiators of agricultural service cooperative development

Both countries embarked on a gradual and experimental reform process rather than shock therapy (McMillan and Naughton, 1992; Fforde and de Vylder, 1996). This process implemented institutional change which, among other changes, provided farmers the opportunity to organize themselves informally in groups (pre-cooperatives), and with the adoption of the Cooperative Law in legally registered cooperatives. However, when looking at the initiators in cooperative promotion in the two countries, four major stakeholders can be identified, as summarized in Table 3.

Table 3: Groups of stakeholders in agricultural service cooperative development and their main characteristics, China and Vietnam

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Main roles</th>
<th>Main embedded resources</th>
<th>Main incentive</th>
<th>China</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Administration (bureaucratic</td>
<td>Initiators and controllers</td>
<td>Political resources; organizational</td>
<td>Political, develop local economy</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td>entrepreneurs)</td>
<td></td>
<td>and management skills</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business entrepreneurs (non-farm)</td>
<td>Initiators, owners and controllers</td>
<td>Capital and human resources;</td>
<td>Income; stabilize and improve production, better</td>
<td>yes</td>
<td>no</td>
</tr>
<tr>
<td></td>
<td></td>
<td>management skills</td>
<td>marketing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Agricultural entrepreneurs</td>
<td>Initiator, owners and controllers</td>
<td>Natural and capital resources;</td>
<td>Income; increase production and better marketing</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td>organizational and production skills</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ordinary farmers</td>
<td>Beneficiaries and participants</td>
<td>Natural resources; production skills</td>
<td>Income; access to markets and services</td>
<td>yes</td>
<td>yes</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: China: Sultan et al., 2011; Vietnam: Son et al., 2008; Wolz and Pham, 2010
Besides ordinary farmers who in the Western tradition are seen as the main promoters for cooperative development, three groups of stakeholders can be identified: local administration, non-farm rural business people and agricultural entrepreneurs, i.e. more innovative and better resource-equipped farmers. As identified in other analyses in China (Jia and Huang, 2011; Bijman and Hu, 2011), agricultural service cooperatives are in general not initiated by farmers, but rural officials (‘bureaucratic entrepreneurs’) and farm and non-farm entrepreneurs seem to be the major driving forces. Ordinary farmers, in general, were not identified as the main promoters (Sultan and Larsén, 2011).

The same applies to Vietnam, although it has to be distinguished between the transformation of former collective farms into agricultural service cooperatives and the establishment of new cooperatives from scratch (Wolz and Pham, 2010). With respect to the first group, the objective of the government was to keep and preserve the assets built up during the collective period. Hence, the local administration had to ensure, wherever possible, to transfer these assets into newly-registered cooperatives. The administration can be identified as the prime mover for the transformation process. From the ordinary farmers’ point of view, this process did not require any big commitments. They were entitled to cooperative shares, but in general they were not required to contribute additional cash, i.e. to mobilize own resources for this new start. Instead, they just had to declare their willingness to join the transformed entity, and received individual shares from the cooperative’s assets. Farmers accepted the transformation relatively passively; at a first glance not much seemed to be changed. Hence, almost all farmers joined the service cooperatives.

With respect to the newly established agricultural service cooperatives, the main initiators were entrepreneurial farmers (Son et al., 2008). In general, they invited ordinary farmers to join, but these farmers have to follow strict production and marketing criteria. Since these newly established service cooperatives are more focused in their production, membership is relatively small. Members are required to sign up for and pay share capital. The entrepreneurial farmers are the driving force in setting up and running the organization. Close links to the local administration are advantageous, but not necessary for managing day-to-day activities.

In conclusion, ordinary farmers, like their colleagues in CEE and FSU countries, were not the prime movers of establishing agricultural service cooperatives. Other groups of stakeholders have shown a vital interest in their success. As summarized in Table 3, four groups of stakeholders can be identified in China, and three in Vietnam. Contrary to the Western model, local officials play an important role as bureaucratic entrepreneurs. In many cases,
cooperatives are initiated and promoted by government officials in China. Officials have been instrumental in pushing for the transformation process in Vietnam. Entrepreneurial farmers seem to represent the traditional type of persons in the Western sense, who establish self-help organizations for improving their well-being. In general, these farmers are better educated, farm larger acreages and have access to more resources. However, they rely on ordinary farmers to improve their position in the market. A special role is taken by the non-farm business entrepreneurs. Bijman and Hu (2011), in their study on Hubei Province, distinguish between traders and processors. These entrepreneurs have a strong incentive in having regular access on a certain quantity of agricultural products. In Vietnam, this entrepreneurial group has thus far not shown any interest in promoting agricultural service cooperatives. Finally, ordinary farmers seem to play a more passive role in setting up agricultural service cooperatives. They rely on these cooperatives for improving their farm income, but in general do not initiate their formation.

**Decision-making in the newly established agricultural service cooperatives**

In general, the groups who initiated the formation of agricultural service cooperatives have a strong say in decision-making. While the cooperatives are organized according to the principle of ‘one member – one vote’, the votes of the initiating members are more decisive. To have a better understanding about this issue, in-depth analyses are required. In a survey covering 41 agricultural service cooperatives in China conducted from July to September 2009, Sultan et al. (2011) examining the decision-making rights within the cooperatives with respect to the different groups of initiators, i.e. administration, non-farm and agricultural entrepreneurs. In particular, these researchers looked at the decision about the acceptance of new members, membership policy and growth in membership over time (Table 4).

Concerning the adoption of new members, there are no differences among the various types of agricultural service cooperatives. In general, the management board has the final say. The boards are in general dominated by the initiators. With respect to those initiated by the administration, public officials might not always sit in the boards, but “advise” them from outside. Cooperatives initiated by non-farm businessmen prefer a closed membership, while cooperatives initiated by the administration and agricultural entrepreneurs are more in favor of an open membership policy. This more selective membership screening is reflected in the average number of membership. Businessmen-initiated cooperatives are relatively smaller and membership did not grow as quickly as those initiated by the other two groups.
The group of ordinary farmers, while forming by far the majority of members, does not vote against the proposals of the initiators (Sultan et al., 2011).

Table 4: Decision-making and membership policy among surveyed agricultural service cooperatives by major stakeholder, Zhejiang and Sichuan Provinces (2009)

<table>
<thead>
<tr>
<th>Initiator/ stakeholder</th>
<th>All (N=41)</th>
<th>Administration (N=26)</th>
<th>Non-farm (N=8)</th>
<th>Farm (N=7)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acceptance of new members</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General assembly</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>5</td>
<td>3</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>(12.2%)</td>
<td>(11.5%)</td>
<td>(12.5%)</td>
<td>(14.2%)</td>
</tr>
<tr>
<td>Board of directors</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>36</td>
<td>23</td>
<td>7</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>(87.8%)</td>
<td>(88.5%)</td>
<td>(87.5%)</td>
<td>(85.7%)</td>
</tr>
<tr>
<td>Membership policy</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>Open</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>18</td>
<td>12</td>
<td>2</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>(43.9%)</td>
<td>(46.2%)</td>
<td>(25.0%)</td>
<td>(57.2%)</td>
</tr>
<tr>
<td>Closed</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>23</td>
<td>14</td>
<td>6</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>(56.1%)</td>
<td>(53.8%)</td>
<td>(75.0%)</td>
<td>(42.8%)</td>
</tr>
<tr>
<td>Membership growth</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td>At beginning</td>
<td>Average number</td>
<td>Average number</td>
<td>Average number</td>
<td>Average number</td>
</tr>
<tr>
<td></td>
<td>167.3</td>
<td>201.2</td>
<td>80.6</td>
<td>140.3</td>
</tr>
<tr>
<td>Current</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
<td>Number</td>
</tr>
<tr>
<td></td>
<td>437.1</td>
<td>447.2</td>
<td>294.0</td>
<td>562.7</td>
</tr>
</tbody>
</table>

Source: Sultan et al., 2011

In Vietnam, decision-making is rather similar to the Chinese model (Son et al., 2008; Wolz and Pham, 2010). In the transformed cooperatives the local administration still has a vital interest in their success, so administrators have close links to the management boards. Local officials are not allowed to serve in the boards, but provide advice. In general, the management board decides about new members. There is an open membership policy, but with respect to the transformed cooperatives, this aspect is of no relevance as all potential members generally joined at the time of transformation. Concerning the newly-established agricultural service cooperatives, a closed membership policy is
preferred. The management boards carefully screen any application, as the new members have to follow the specific objective of the cooperative. One of their main characteristics is the small number of members. Therefore, the number of members is quite different. While the transformed agricultural service cooperatives are relatively large, the newly-established ones, in general, comprise a limited number of farmers (Wolz and Pham, 2010).

**Role of the local administration in agricultural service cooperative development**

The socio-economic reform process in both countries created incentives for different players; most importantly it underlined the role of the local administration in economic development (Rozelle and Swinnen, 2007). Hence, many local officials play an important role in initiating, supervising and advising local agricultural service cooperatives. Therefore, the relationship between local administrations and agricultural service cooperatives is very close. In China, local officials seem to be required by their superiors to foster agricultural service cooperative development (Sultan et al., 2011). They are given guidelines about the number of cooperatives to be established within their area of jurisdiction and the respective membership to be covered. The better they fulfill the guidelines, the better are their career prospects.

The same may be true for the local officials in Vietnam with respect to the transformation process (Son et al., 2008), even if it has already been accomplished. These officials might influence the selection of the cooperative leadership more indirectly by proposing specific candidates (Harms, 1999). Whether the local administration and party almost always appointed the leaders of the transformed agricultural service cooperatives as stated elsewhere is doubtful (Fforde and Huan, 2001). But there is no doubt about the close relationship at the personal level as, in general, the number of persons with the necessary leadership qualities is limited. It must be acknowledged that it is almost impossible to find people with the necessary charisma, leadership qualities and social status in rural areas who are required to build up the new cooperative system, but who have no intimate links to the local administration.

On the other hand, even if local officials are demanded by their superiors to strengthen cooperative development, it is not only favorable for their own careers, but they themselves generally have a deep interest in agricultural development. Contrary to many other countries, local officials in China and Vietnam are mostly recruited from their respective areas. Most rural villages are still dominated by agriculture, and thus village leaders have a strong interest in it. Since people at the local level have a certain choice among various candidates, local administrations are politically culpable to the
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respective population when they stand for re-election. Although there are pre-selected candidates, villagers are free to put up and elect their own candidates, which can be understood as a step of institutional change (Fforde, 2009).

In both China and Vietnam, the cooperative economy has historically played an important role in the national economy. The socialist approach attaches great importance to cooperatives in economic development. While central planning has been given up, both governments still see cooperatives as important institutions in a ‘socialist market economy.’ In recent years, when the overall economic situation has improved, both countries, particularly China, provided not only ideological support, but also financial benefits (Jia and Huang, 2011). In the future, it is assumed that cooperative managers will become more and more self-confident, and the role of the local administration will decline.

Conclusions

Both China and Vietnam embarked on a transition process earlier than other socialist countries in CEE and FSU. In both countries, malnutrition and hunger were the major motivating factors. Thus both countries started with the agricultural sector. Similarly, both countries abstained from a ‘big bang’ strategy, but rather with gradual approaches. With the re-establishment of family farming, farmers were in urgent need of adjusted links to the upstream and downstream sectors. Contrary to most CEE and FSU countries, agricultural service cooperatives were encouraged, which might be one factor why agricultural production prospered after decollectivization. Another reason might be the fact that both countries implemented an economic openness, but not a political one (‘socialist market economy’). Due to this political framework, from the beginning the governments were more eager to encourage farmers’ cooperation politically, and official statements emphasized the advantages of cooperation, although ordinary farmers had as bad memories about the collective period as their colleagues in the CEE and FSU countries.

However, the developmental paths in China and Vietnam were not congruent. While in China a ‘trial and error’ process with respect to organizational development could be observed after the dissolution of collective farms, the Vietnamese government was eager to transform as many collective farms as possible into agricultural service cooperatives. Cooperation among farmers had to be organized informally in China, while in Vietnam agricultural cooperatives could continue operating, but under different rules. In this way, completely destructing old institutions as a prelude to the installation
of new ones was avoided, but the reform was directed at making existing institutions work better (van Arkandie and Mallon, 2003).

In China, a complete destruction of the cooperative institutions was carried out. Hence, agricultural service cooperatives had to be re-established from scratch at a later stage. By 1997 the cooperative law became effective in Vietnam, but it took another ten years to implement a similar law in China. In both countries, agricultural service cooperatives expanded rapidly. In 2010, about ten percent of farm households in China and about 20 percent in Vietnam had become cooperative members, while another unknown share had joined informal support groups which might become registered as cooperatives over time.

This remarkable development could not have been accomplished without active government support. Local administrations had a vital task in initiating, supervising (particularly in China) and transforming (particularly in Vietnam) agricultural service cooperatives. While cooperative development helps local officials in their own careers, they are eager to see the cooperatives and their members achieve economic success. Most officials are from the local region. Entrepreneurial farmers form another important group in both countries promoting agricultural service cooperatives; in general, they have more resources at their disposal than ordinary farmers. In China, non-farm business people representing the downstream sectors are also actively involved in agricultural service cooperative set-up and management. Ordinary farmers join these service cooperatives, as they benefit economically, but in general they do not act as initiators. Hence, in both countries, cooperative development did not follow a single stakeholder approach as traditionally observed in the West, but rather a multi-stakeholder one. We suggest that this multi-stakeholder approach has been decisive in both countries in setting up a viable system of agricultural service cooperatives.

References


