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Functions and Developmental Countermeasures of Rural Professional Economic Association

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Abstract On the basis of defining rural professional economic association, the advantages of it in terms of non-profitability, low operation cost and good communication skills are pointed out. Functions of rural professional economic association are expounded. It can display the advantages of information; intensify the connections among governments, agriculture and rural areas; display the advantages of organization and strengthen the gaming capability of rural households; play the advantages of association and promote the improvement of quality of agricultural products; play the advantage of association and help government to transfer to limited government; play association and information advantages and intensify international competitiveness. It is pointed out that the defects caused by imperfect non-profit association restrict the function of rural professional economic association. In order to well display the functions of rural professional economic association, the countermeasures are put forward: establishing perfect laws and regulations to let rural economic association have the features of non-profit association; the government establishes new relations with rural economic association to support their development from multiple channels; fully displaying the service functions of rural economic association and finishing self-development; perfecting incentive and restraint mechanisms for rural economic association; intensifying supervision management of rural economic association.

Key words Rural economic association, Information advantages, Limited government, China

The Fifth Plenary Conference of Sixteenth Central Committee of CPC put forward "production development" and "management democracy" to facilitate the construction of socialist new village. The 17th National Congress of the CPC again took "exploring the effective formation of collective economy, developing farmers' economic associations and supporting agricultural industrial operation and the development of pillar industry" as a powerful approach to "balance urban-rural development and promote the construction of socialist new villages". The policies provided new opportunities for the development and expansion of rural economic association, an important component of farmers' cooperatives, as well as new demands of rural economic associations. In the paper, the functions of rural economic associations are expounded; the developmental plights of Chinese rural economic associations are pointed out and countermeasures on promoting the regulated development of Chinese rural economic associations are put forward.

1 Definition and advantaged functions of rural economic associations

1.1 Definition of rural economic association The relevant departments and scholars often confuse the farmers' cooperative organization, rural economic association and farmers' cooperatives, which disturbs the further research on them. In fact, the rural economic association is closely related to farmers' cooperatives. They represent two major forms of farmers' cooperatives,

but they are different in essence. Rural economic associations are the commonweal and non-profitable private organizations, which provide services for agricultural production, processing and marketing; implement self management, domestic decision, and mutual cooperation and belong to the control range of Ministry of Civil Affairs. The launch of *Law of People's Republic of China on Farmers' Cooperatives* in July 1st, 2007 defined that farmers' cooperatives is a mutual assistance economic organization participated in voluntarily and managed domestically to produce the same kinds of agricultural products and provide and use production and operation services on the basis of rural household contract management. The law determines the position and feature of farmers' economic association. Farmers' cooperatives belong to the control range of industrial and commercial department, and the *Business License for Enterprise as a Legal Person of Farmers' Cooperatives* can be registered. In reality, the two can be mutually transferred under certain situation, but the two are different in terms of organization types, profit-making features, major members, property and ownerships *et al.* The essential difference of the two is that the rural economic association belongs to non-profit social organization, while farmers' cooperatives belong to enterprise organization.

1.2 Advantaged functions of rural economic associations As a non-profit association, the advantaged functions of rural economic association are reflected on the following three aspects.

1.2.1 Non-profit. Non-profit does not take making profits as the aim of operation and rejects to distribute profits to operators. The non-profit of these organizations let them to enter the fields that profit-making enterprises do not want to involve in. For another thing, non-profit let other people trust rural economic associations more than other profit-making organizations.

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1.2.2 Low operation costs. The non-profit organizations can get free volunteer servicers. Besides, they do not have bureaucratic system and can get donation. The costs for maintaining the operation of organization are lower than bureaucratic organizations.

1.2.3 Smooth communication. Smooth communication of rural economic associations means members in the organization can go deep into social grass-roots rural households. They can promote and popularize laws and regulations among rural households. At the same time, rural economic associations can keep close relations with governments and they can obtain accurate, detailed and timely information from rural households to transfer to the government, as well as the functional defects of unsmooth information, limited resources, and then help relevant functional departments to provide public services.

2 Functions of rural economic associations

2.1 Displaying information advantages and intensifying the government's connections with agriculture and rural areas Information is an important resource for a government to make decisions. Governmental management is an information decision process in essence. The accuracy, comprehensiveness and rapidity of information are the basic situations for ensuring the high efficient management of government. In recent years, China has conducted the reform on governmental institutions, but the role of agriculture involving departments still can not be clarified. Confronted with the dispersed agriculture, it costs more if the government wants to collect information to organize and direct them. Rural economic associations have more advanced information advantages in terms of agricultural production. Rural economic organizations are familiar with the economic situations of the relevant industries in terms of costs, marketing, profits and problems confronted by the industry. Besides, they know the demands of producers and operators on the government. For one thing, they can transfer various kinds of appeals of agricultural producers to the government; for another thing, rural economic associations can transfer relevant policies to rural households to avoid the delay and monopoly of information to help them become the bridge between governments and agricultural producers.

2.2 Displaying the advantage of organization and intensifying the gaming capability of rural households In Chinese society, there are many social classes and they all have their own demands of interests and different organizations, such as labor unions, chambers of commerce, and various kinds of associations, to represent their interests, express their appeals and connect them with the government. The representative role played by farmers in the political system is insufficient obviously, which lead to the absence of their rights to speak. From the perspective of decades of agricultural economic developmental history and economic results, the absence of organization, which represents the interests of farmers, is accountable for the damage of farmers' interests and the launch of policies that affect the interest of the whole social^[1]. Rural economic associations can improve the enthusiasm of rural

households to a large degree, for one thing, the vacancy of main body of new village construction can be solved to make farmers the real main body in new village construction; for another thing, the gaming capability of rural households on social groups, especially, commercial groups should be intensified to change farmers' absolute weak position in competition; compensate the rural households, whose benefits have long been damaged, and then promote the interests of the whole society.

2.3 Displaying the advantage of organization and promoting the quality of agricultural products In the face of "three agriculture" problems, the agricultural problems in China mean quality and quantity of agricultural products. so far, agricultural problems in China mean the quality of agricultural products should satisfy people' increased demands of grain. But the problem of quality is becoming more and more prominent. One of the reasons for the appearance of bad-quality grain is the small and dispersed agricultural producers. The dispersed operation is contradictory to the standardized production. Thus, the quality of production materials is hard to be ensured. The direction and motivation functions of rural economic associations are effective approaches for realizing the quality safety management of the agricultural products in the whole process. Rural economic associations can organize the main bodies of dispersed rural households together. Besides, rural economic associations can organize agricultural standardized production according to market demand and farmers' willingness to expand the scale of agricultural production, improve the quality of agricultural products and create famous brands of agricultural products. Rural economic associations can not only realize the high quality and low price of agricultural products, but also effectively resist the shock of foreign agricultural products and the technical trade barriers of trading countries.

2.4 Displaying the advantages of organization and promoting government to transfer to limited government The trend of the development of current social development is that the social public business becomes busier and busier, as well as the public services demanded by the society. With the development of Chinese socialist market economy and the enhancement of people' living standard, the demands of grass-roots rural households become more and more diversified. If all the public services should be provided by governments, the number of institutions should be increased, the capability of the institutions should be increased and new employees should be introduced. The results will not only lead to the increasingly expansion of governmental institutions and the administrative costs, but also affect the core decision-making function of governments. As a social organization form, rural economic association is based on farmers' willingness. The management on associations takes economy and law as the major approaches and implements the management of voluntary organization, domestic management and domestic decision making to make them to be the real master. These kinds of organizations can help farmers to form the awareness of democratic rights, democratic awareness and democratic management. Rural economic association is close to grass-roots rural households, so

they are easy to get to know the demands of grass-roots rural households and provide targeted services. Rural economic associations can undertake part of functions of rural social management and public service functions. The fully display of their role can effectively make up for the disadvantages of governmental functions, let government to pay attention to manage rather than administrating to transfer governments to limited governments.

2.5 Displaying organization, information advantages, intensifying global competitiveness After entering the World Trade Organization, Chinese agriculture confronts with the competition with foreign agriculture. In developed countries, there are powerful interest groups to persuade their governments to protect their agriculture. For one thing, they place high anti-dumping duties from developing countries; for another thing, by using WTO rule, the advanced countries give huge subsidies for their agriculture. In the face of various kinds of disadvantaged situations, rural economic associations can provide powerful support for agricultural products to participate in global competition.

2.5.1 Rural economic associations can represent the industry to tackle with international anti-dumping suits. Under the current situation, the operators of Chinese agricultural products are characterized by small scale production and poor awareness on anti-dumping suits. In many cases, they can not solve the anti-dumping suits against agricultural products appealed by foreign countries, so they have to face losses in international competition. So far, the agricultural economic associations in China have not formed a certain scale, when confronted with foreign anti-dumping suits, we can only rely on the diplomatic way to solve it. This kind of approach goes against both the trade negotiation of agricultural products and the WTO trade rule. After the formation of it, agricultural economic association soon becomes the appropriate main body of solving those disputes by using its information advantage and its role as the representative of market operator of agricultural products.

2.5.2 Rural economic associations can help the government to realize agricultural subsidies. In view of fierce international competition, the developed countries make full use of "green box", "yellow box" and "blue box" policies in the *Agreement of Agriculture* of WTO to provide various kinds of subsidies for agricultural producers and operators in their countries. In 2002, American government passed the agricultural laws and regulations, which stipulated that in the following decade, the capital allocated by the government for supporting agriculture will reach 190 billion yuan, 80% more than the capital stipulated by the existing agricultural laws. But the implementation of agricultural subsidies in China is not so ideal, for example, there are 12 kinds of compulsories in the "green box" subsidy measures for any member, who has signed the *Agreement of Agriculture* of WTO, can be eliminated, but China only use 6 kinds and the other 6 kinds have not been used. The "yellow box" policies, which take price subsidies as the priority, have not been used fully; the effective measures and approaches of agricultural subsidies are inadequate, which greatly weaken the international competitiveness of Chinese agricultural products. The estab-

lishment of agricultural economic associations has enhanced the organization degree of farmers, which can not only solve the quality of main body in anti-dumping, anti-subsidy and other agriculture involving disputes and suits, but also help the relevant departments to timely master the changes of the industry; get to the losses confronted by farmers; decrease the operation costs of subsidy system; assist the governments to realize agricultural subsidies and intensify the position of Chinese agricultural operators in international competition.

3 Developmental plights of Chinese rural economic associations

3.1 The inherent defects of non-profit organization Rural economic association has its inherent defects, such as resource shortage, high-handed ways, unprofessional. Resource shortage is a major factor that restricts the development of the third department. Under the current situation of China, there is a great gap between the resources collected by non-profit associations and resources needed in the process of operation. The frequently used way is to collect funds through government collection. The excessive reliance on government will result in the trend of "the second government", but if it does not rely on government but let it develop by itself, the "free ride" in cooperative organizations may hard to be solved, for most parts of China are poor. The high-handed way of management is caused by the grass-root feature of most rural economic associations. Many rural economic associations are established by able men, so the minority or even one person control most parts of resources of the associations. Hence, there are even no regulations for members to abide by and the development and expansion of rural economic association is blocked. Unprofessional of rural economic associations means the smooth operation of them needs many professional staff and professional knowledge, but as the associations, which try to gain public interests, do not have strong comparability in absorbing professional staff.

3.2 Defects caused by imperfect development Defects caused by imperfect development of rural economic association means the independence and weak self-governance problems of rural economic associations. Rural economic association separates from the market and the government and works as a tie between the government and the market to promote the cooperation among governments, markets and the society. However, many rural economic associations rely tightly on governmental departments and are strictly controlled by the governmental departments, thus, they become affiliated to governmental departments. Rural economic association is managed by its line units and the registration management institutions, which have gravely affected the independence of rural economic associations. The long-term and close relations with the government lead to the weaknesses of rural economic association. The serious reliance on government of rural economic association assumes that it may become "the second government". Besides, as a non-profit association, rural economic association has lost its own functions and advantages.

4 Policies and suggestions

4.1 Establishing and perfecting relevant laws and regulations to make rural economic associations have the features of non-profit association

The advanced countries have made laws and regulations for their non-profit association for a long time to regulate their development. In 1848, the Switzerland stipulated its citizens' freedom of association in constitution. In March 19, 1998, the Japanese *Not-for-Profit Corporation Law* was passed unanimously in parliament and came into effect on January 1, 1998. The law has radically changed the strict control of governments on non-profit association and provided a favorable system environment for non-profit associations^[2].

The development of non-profit association in China has some defects under the system environment. In the current stage of China, according to the stipulation of *Registration Rule of Association Management*, if one wants to establish an association to undertake certain social activities, the relevant administrative institution should be found as its heading unit, and then the association can register at departments of civil affairs. That is to say, the public interest institution accepts the dual management of registration institution and business heading institution. This kind of "dual management" has gravely restricted the development of Chinese third department, thus, many non-profit associations have to register again in industry and commercial departments. The tight finance of rural economic association becomes tighter. The relevant laws and regulations of reform have become the prior elements that promote the development of non-profit association. Since 2008, Shenzhen City has implemented the management system of direct registration by ministry of civil affairs in three kinds of social associations including social organizations. The development of social organizations in Shenzhen City has had great improvement. Rural economic association undoubtedly belongs to the scope of social associations. Under such case that the national laws and regulations and supporting policies on rural economic associations have not been implemented, local governments at various levels should vigorously stipulate and make the local administrative laws and regulations. They should decrease the entrance admittance and simplify the procedures of registration management of rural economic association. When necessary, the specific measure such as record and registration should be implemented to loosen management to let rural economic associations have the features of organization, voluntariness, privacy and autonomy.

4.2 The government should establish new relations among itself and rural economic associations to support its development from multiple channels

Under the current situation in China, there are two universal formations for rural economic associations, the spontaneous organization of operators of agricultural production and the mandatory implementation of external power. The two approaches have different features. Mandatory construction of farmers' organization is that through the external pressure to include dispersed farmers into an organization system to force farmers to reach the coopera-

tive willingness. Usually, the government plays the mandatory role^[3]. But the mandatory implementation of government will cause a series of bad results, such as weak sustainability, high costs of organization *et al.* Once the mandatory power lost, the former situation will be broken. The spontaneous organization of agricultural producers has more willingness and is closer to the essence of non-profit organization. But under the current situation, the "free ride" behaviors happen frequently among farmers for they want to get the optimized interest, thus, they inflict grave losses on the association. At the current situation of China, the construction of rural economic association still needs the power of agricultural operators, but the support and direction of government can not be neglected.

4.2.1 Providing fiscal subsidies. The major problem of rural economic association is the capital problem, especially in the starting stage of it. The registered capitals demanded by non-profit organizations are different. A large majority of them need the registration capital and the sum of money is between 100 and 500 thousand yuan^[4], which restricts the construction of rural economic association to a certain degree. The government should decrease or eliminate the taxes of rural economic association when it is established, to reduce its construction costs. After its establishment, certain capital should be taken to subsidize it to enhance its capability in survival and development. But membership fee will be charged in the future.

4.2.2 Integrating resources from various aspects and gradually developing rural economic association. At present, the randomness still exists in the development of rural economic association, which leads to the situation of multiple departments and multiple industries supervision on rural economic associations. The information communications among departments is blocked. In addition, the rural economic associations with cover various departments and industries are hard to form. Due to the function limitations of leaders from each departments and departments themselves, each department only cares about its own interest. Some of them even compete with each other, so the organization resources of rural economic association are hard to be integrated and the overall effects are hard to be displayed. Therefore, the favorable development of rural economic association must integrate the multiple powers including business heading department, department of civil affairs and relevant functional department. In some places with good external conditions, the reform should be conducted by using bottom-up approach. In some places with favorable conditions, the professional economic association should be rearranged to the comprehensive economic association to intensify coherence and decrease farmers' organization costs.

4.3 Fully displaying the service functions of rural economic associations and reaching self-development

After the government' cultivation, rural economic association should try to develop itself. The key to developing rural economic association is to carry out the relevant functions of it. The vacancy after the retreatment of governmental management should be made up for by industrial guild. The industrial guild and governments work together to share the responsibility of managing

public affairs and providing public services to make industrial guild to be a important part of industrial management, rather than an afflicted institution of governmental departments^[5]. But at present, the functions of Chinese rural economic association are still weak, and most functions are controlled by the government. Only when giving the relevant functions including industry admittance appraisal, stipulating standards on the quality of agricultural products to industry guilds, the industrial guild can really display its role and acquire the self-development capability.

4.4 Perfecting the stimulation and restriction mechanism of rural economic association Due to the great functions displayed by "able-men" in rural economic association, the effective stimulation and restriction on these "able-men" should be conducted. Besides, the association governed by able mean and democratic management should be combined. For one thing, the rural able-men know well about operation, management; have wide human relations; understand villages and farmers; have large influences and motivation and master the functions of rural economic associations and the operation of rural economic association. Therefore, more able-men should be introduced into rural economic association to fully display the enthusiasm and creation of able-men. For another thing, the democratic management system of rural economic association should be perfected to ensure the direction of "established by the people, managed by the people and to the benefit of the people" of cooperative economic association.

4.5 Intensifying the supervision and management on rural economic association From the perspective of genetic principles, non-profit association is included in "supplement theory" (the supplement of the invalid of public goods supplied by the government and market), "right distribution theory" (the government distributes the supply functions of certain pub-

lic products to non-profit association and "autonomy theory" (citizens organize together voluntarily, spontaneously and democratically to provide public products and satisfy public demands. But no matter what kinds of theory, rural economic association should take certain public responsibility. The government should ensure the supervision on rural economic association to let it bear the public responsibility; display its positive role; avoid its negative role and fully display the role of rural economic associations in socialist new village construction. The key to supervising rural economic association is to master the entrance and exit of rural economic association. The registration work should be paid attention to, so as to ensure the high quality of rural economic association. The supervision on the established rural economic association should be intensified to eliminate ones which violate the laws and regulations in their operation.

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(From page 69)

areas, which can implement rural household cooperated implementation may clash with the existing policies, laws and regulations, under the imperfect situation, for example, poor adaptability of land transfer and feasibility, the unrealistic industrial plan, which is planned for catering to policies. Imperfect policies, laws and regulations defer the launch of rural households cooperated implementation, so it is hard to ensure the implementation results. The third one is the single participation of farmers. In the current plan of land consolidation, farmers' suggestions and willingness are ignored and in the process of implementing, someone tries to fight for his own benefits, thus, the plan can not satisfy the demand of actual development and the quality of the project can not reach the standard. Rural household cooperated implementation needs the comprehensive participation of farmers in the stages of location, planning, implementing, checking and rear management. The one-sided participation can not realize the lasting profits of land consolidation and it will increase the costs, which has increase the probability of repeated investment in

realizing new village development.

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