

## G: GUNG HO

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### Co-operatives and China

Gung Ho is the oldest Chinese co-operative association and is the closest to the principles of the international co-operative movement. It is not, however, the biggest and the most powerful co-operative organization in China. This chapter explains why.

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 (Taimni, 2000; Bernardi and Miani, 2014). In 1844, the first modern co-operative organized around a formal business model was established in Rochdale. 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) and arrived in Asia with a few decades of delay. The modern form of co-operative arrived in China at the beginning of the twentieth century.

### Etymology

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. 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 (厶). 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 and 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 are its owners.

## History

It is possible to divide the modern history of the Chinese Co-operative Movement into three phases: the Republican period (1912-1948), the Maoist period (1949-1976) and the Contemporary China period (after Mao's death in 1976). The Republican period and the Contemporary China period see a gradual convergence with the international notion of the co-operative. Maoism has represented a deviation from the western, or, indeed, international notion of co-operation. The Maoist version of co-operation, even more than the Soviet one, has instead represented a discontinuity from the traditional idea of co-operation (MacFarquhar and Fairbank, 1987, 1992; Bernardi and Miani, 2014).

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, a native Chinese Co-operative Movement emerged, at the time of the establishment of the Republic of China in 1912. In the early decades of the twentieth 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.

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 organizations 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 Co-operatives**

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 and British politicians) and western-educated Chinese (engineers, intellectuals and the wife of the founder of modern China, 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, and concern for community).

The Gung Ho was supported by western individuals, organizations and government bodies because of its strategic role during the Japanese invasion and the Second World War (Barnett, 1940). The British Empire and the USA decided to fund and support the Gung Ho because they recognized in it a social democratic political and economic alternative to the increasingly powerful Chinese Communist Party (Wales, 1941; 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 objections 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 did not fit well with the Gung Ho which was an advocate of democracy, bottom-up participation and industrial rather than agricultural development (Fairbank, 1998; Vermeer, Pieke and Lien, 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 later. Among



those, for instance, the All China Federation of Handicraft and Industrial Co-operatives was established to serve national planning started in 1950. Such federations still exist and they have kept a very strong relationship with the Government.

## **Co-operatives and Maoism**

A very different period begins when Mao enters the stage of Chinese history (Osinsky, 2010). Even before the establishment of the People's Republic of China in 1949, Mao had recognized 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 on industry (Teiwes and Sun, 1993) or on the intellectual class.

The number of Chinese co-operatives leaps from 722 in 1928 to almost 169,000 in 1948 (Du, 2002). With the establishment of the People's Republic of China, Mao would progressively collectivize the organization of economic production based on the Soviet model, but going further still (Teiwes and Sun, 1993). 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; Lynette Ong, 2012).

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. 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. 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, Pieke and Lien, 1998).



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, 2014). Also in this case, Mao used the co-operative model ideologically 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 before Mao gained power.

### Co-operatives in China today

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*

INSTITUTION	SECTOR	PERIOD	CHARACTERISTICS
<i>Gung Ho</i> 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 5,000 households originally, than 30 families, no voluntary membership.
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.

Maoist variants are examples of deviation from western principles. 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, 1997; Xiangyu, Schmit and Henehan, 2008). The co-operative societies that today represent China at the International Co-operative Alliance, however, are not small at all. They are giants with millions of members and employees and very close relationships to government bodies. The Gung Ho society still exists and is also a member of the ICA but of minor importance compared to other Chinese organisations.

Despite some historical problems and some contemporary uncertainties, the co-operative movement has certainly proved to fit with Chinese institutions and local contingencies and it might prove especially useful to help face 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 12th Five-Year 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. 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, notwithstanding a very heavy historical legacy and some contemporary institutional constraints, a bright future is possible and desirable for the Chinese Co-operative Movement.





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